



**ANNUAL INFORMATION FORM**

**FOR THE FISCAL YEAR ENDED**

**DECEMBER 31, 2012**

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Schedule "A" - Audit Committee Charter

## GLOSSARY

In this document, unless the context otherwise requires, the following terms shall have the indicated meanings. Reference to an agreement means the agreement as it may be amended, supplemented or restated from time to time.

**"Acquirer"** refers to the members of a Network who operate or connect card-accepting devices (e.g. ATMs and Debit Terminals) that capture and transmit through the Network to the card issuer (i.e. the institution that issued the card) relevant data needed to undertake a transaction.

**"ATM"** means an automated teller machine (also referred to as an automated banking machine).

**"ATM Placement"** refers to the agreements/arrangements entered into by DirectCash pursuant to which an ATM owned by DirectCash is located on third party premises (i.e. a placement does not include those situations where an ATM is sold outright to a third party by DirectCash or where DirectCash finances the acquisition of the ATM to the third party through loan or lease arrangements).

**"ATM Processing"** refers to the agreements/arrangements entered into by DirectCash with a third party (i.e. someone who owns an ATM or controls the operation of an ATM owned by someone else) pursuant to which DirectCash agrees to provide processing services (also including in some cases the provision of maintenance, service and support) for an ATM.

**"Australia Acquisition"** means the acquisition of DC Payments Pty Ltd (formerly Customers Limited) by DirectCash Payment Australia Pty Ltd of 100% of the shares of Customers Limited which was completed on July 4, 2012 (pursuant to which a number of other Australian and New Zealand subsidiaries were also indirectly acquired).

**"Business"** means DirectCash's business of (i) owning and operating ATMs and Debit Terminals and related ATM and Debit Terminal equipment, and all associated services provided by DirectCash, including, without limitation, selling, distributing, leasing, financing, installing and servicing ATMs, Debit Terminals and associated ATM and Debit Terminal equipment; (ii) providing electronic processing services relating to transactions requested or carried out using ATMs and Debit Terminals (for equipment owned by DirectCash or third parties), (iii) marketing and transaction processing for Prepaid Products.

**"Card"** means a numbered card (with magnetic strip or other encoding system) issued by a financial institution or other entity (the "issuer") which entitles the cardholder to carry out transactions through one or more Networks that the issuer is a member of.

**"Common Shares"** refers to the Common Shares issued by DCPayments.

**"Competition Bureau"** refers to the federal agency which is a part of Industry Canada and called the "Competition Bureau" which is responsible for the enforcement of the *Competition Act* (Canada).

**"Credit Card"** means a Card issued for use on a credit card Network.

**"DC Bank"** means DirectCash Bank.

**"DCManagement"** means DirectCash Management Inc.

**"DCPayments"** means DirectCash Payments Inc.

**"Debit"** means direct payment, which service allows persons to use their Debit Card to pay for goods and services at participating merchants.

**"Debit Card"** means a Card issued by a financial institution that allows the cardholder to access funds through the cardholders account at the financial institution (also called an eftpos card in Australia).

**"Debit Placement"** refers to the agreements/arrangements entered into by DirectCash with a third party (i.e. someone who is an owner or tenant of a location or otherwise controls the location) pursuant to which the third party agrees to allow DirectCash to place a Debit Terminal owned by DirectCash on the third party's premises (i.e. a placement does not include those situations

where a Debit Terminal is sold outright to a third party by DirectCash or where DirectCash finances the acquisition of a Debit Terminal to the third party through loan or lease arrangements).

**"Debit Processing"** refers to the agreements/arrangements entered into by DirectCash with a third party (i.e. someone who owns a Debit Terminal or controls the operation of a Debit Terminal owned by someone else) pursuant to which DirectCash agrees to provide processing services (also including in some cases the provision of maintenance, service and support) for an Debit Terminal.

**"Debit Terminals"** refers to direct payment terminals, also referred to as point of sale devices or POS devices.

**"DirectCash"** means, collectively, all of the corporations, partnerships and other entities comprising DirectCash Australia, DirectCash Canada, DirectCash Mexico, DirectCashUK and DirectCash USA and any of their controlled affiliates (i.e. the entities involved in the actual operation of the businesses being carried on - excluding DCPayments).

**"DirectCash Australia"** means collectively: (a) for the period prior to July 4, 2012, DirectCash Management Australia Pty Ltd. and all of its controlled affiliates within Australia; and (b) for the period after July 4, 2012, DirectCash Payments Australia Pty Ltd, DCP Holdings Australia Pty Ltd, DC Payments Pty Ltd (previously named Customers Limited), Firstpoint Payments Pty Ltd, Processing Services Australia Pty Ltd, Customers ATM Pty Ltd, Customers Operations Pty Ltd, ATM Solutions Australasia Pty Ltd, Transaction Media Pty Ltd, Customers New Zealand Limited, DC Payments New Zealand Limited (previously named New Zealand ATM Services Limited), DirectCash Management Australia Pty Ltd. and any of their controlled affiliates within Australia or New Zealand.

**"DirectCash Canada"** means, collectively (a) for the period prior to January 1, 2013 DCMangement, DirectCash LP, the Management Partnership, the Processing Partnership, DirectCash Acquisition Corp., and all of their controlled affiliates within Canada; and (b) for the period from and after January 1, 2013 DCMangement, DirectCash Canada LP, the Management Partnership, and the Processing Partnership and any of their controlled affiliates within Canada.

**"DirectCash Canada LP"** means DirectCash Canada Limited Partnership, a limited partnership formed under the laws of Alberta on December 20, 2012, the general partner of which is DCMangement and the current limited partner of which is DCPayments.

**"DirectCash Canada LP Agreement"** means the limited partnership agreement governing DirectCash Canada LP pursuant to an Amended And Restated Limited Partnership Agreement dated as of December 30, 2012 between DCMangement and DCPayments.

**"DirectCash Mexico"** means, collectively, DirectCash Management México S.A. de C.V. and DSM Services S.A. de C.V. and any of their controlled affiliates within Mexico.

**"DirectCash UK"** means collectively: (a) for the period prior to May 25, 2012 DirectCash Management UK Limited, and (b) for the period after May 25, 2012, DirectCash Management UK Limited, InfoCash Holdings Ltd., InfoCash Limited, and any of their controlled affiliates within United Kingdom.

**"DirectCash USA"** means, DirectCash USA, Inc., and any of its controlled affiliates within the United States of America.

**"DirectCash Group"** or **"Company"** means collectively (a) for the period prior to January 1, 2011, the Fund, the DirectCash Commercial Trust, and the other entities comprised in the definition of DirectCash; and (b) for the period from and after January 1, 2011, DCPayments and the entities comprised in the definition of "DirectCash".

**"DirectCash LP"** means DirectCash Limited Partnership, a limited partnership formed under the laws of Alberta on December 1, 2004 and dissolved on December 27, 2012, the general partner of which was DCMangement and the last limited partner of which was DCPayments.

**"DirectCash Switch"** refers to DirectCash's Canadian ATM and Debit Terminal transaction processing "switch" (i.e. the computer hardware, software, and telecommunication links) and the card issuing service bureau platform that connects to card issuers or other transaction Acquirers, Networks and connection service providers to process ATM, debit card and credit card transactions and to carry out settlement functions and provide transaction reporting.

**"Fund"** means DirectCash Income Fund, an unincorporated, open-ended, limited purpose trust established under the laws of the Province of Alberta (Dissolved January 1, 2011).

**"Interac"** means the Interac Association, which is the organization responsible for the development and operation of a Canadian national network of two shared electronic financial services: "shared cash dispensing" at ATMs and "Interac direct payment" at Debit Terminals.

**"Interchange Fee"** means the per transaction fee that must either be paid: (a) to an Issuer by an Acquirer or (b) to an Acquirer by an Issuer (based on transaction type and Network rules).

**"Issuer"** refers the financial institution or other entity authorized by the Network to issue a Card.

**"LTIP"** means (a) the Long Term Incentive Plan established by DirectCash LP which was in place for the years 2004 through 2010) and (b) the Long Term Incentive Plan (in the form of an employee profit sharing plan the terms of which are set out in a Plan Services Agreement & Trust Indenture between DCManagement and Valiant Trust Company dated December 30, 2011) established by DCManagement starting effective for 2011.

**"Management Partnership"** means DirectCash ATM Management Partnership, a general partnership formed under the laws of Alberta, the partners of which are DCManagement and DirectCash Canada LP.

**"Network"** refers to a bank, debit, ATM or credit card network (e.g. Interac, VISA, MasterCard, Maestro, Cirrus, Plus, Amex, RED, APCA (Australian Payments Clearing Association), Australian Bilateral ATM Systems, and Link Interchange Network). which, subject to such network's requirements, allows ATMs or Debit Terminals to be connected to their network so that the debit cards or credit cards associated with such network can be used.

**"PIN"** means personal identification number.

**"Prepaid Card"** means a Card (i.e. credit card or a debit card or a device to hold value) with a pre-set advance limit that can be used to carry out transactions at ATMs or Debit Terminals through the card issuer's membership in one or more Networks that can be used to eliminate the need for a consumer to carry cash and provides an alternative for businesses that historically dispensed or issued cash, cheques, money orders, traveler's cheques, money transfer services or gift certificates.

**"Prepaid Card Management System"** means DirectCash Canada's platform for DirectCash Canada's Prepaid Card business that supports client configurable program management, cardholder account management, Prepaid Card distribution services and reporting for merchants and customers for Prepaid Cards.

**"Prepaid Products"** means Prepaid Cards, cellular air time, long distance airtime, prepaid telephone land lines, and pre-authorized debit (PAD) services.

**"Processing Partnership"** means DirectCash ATM Processing Partnership, a general partnership formed under the laws of Alberta, the partners of which are the DCManagement and DirectCash Canada LP.

**"Shareholder"** means a holder of one or more Common Shares.

**"Surcharge Fee"** means the per transaction convenience fee (through an additional charge against their Card) levied to the cardholder when the holder of the Card uses the Card at a Terminal (and which may be set differently for each Terminal in a Network), also called a "Direct Charge Fee" in the Australian market. Not all Networks allow for surcharge fees to be levied.

**"Trust Conversion Arrangement"** means the transaction completed pursuant to an arrangement approved by court order (after receipt of necessary approvals from Fund unitholders) under the *Business Corporations Act* (Alberta) pursuant to which (a) all of the holders of units of the Fund received Common Shares on a 1 for 1 basis, (b) the holders of exchangeable units of the DirectCash LP received Common Shares on a 1 for 1 basis (c) the interests in DirectCash previously held by the Fund through the DirectCash Commercial Trust became held directly by DCPayments and the Fund and the DirectCash Commercial Trust dissolved.

"**UK Acquisition**" means the acquisition by DirectCash Management U.K. Ltd. of 100% of the shares of InfoCash Holdings Ltd. which was completed on May 25, 2012.

### **FORWARD LOOKING STATEMENTS**

This document contains certain "forward looking statements". These statements relate to future events or future performance and reflect DCPayments' and DirectCash's expectations and belief regarding DirectCash's growth, results of operations, performance, business prospects, opportunities or industry performance and trends. These forward looking statements reflect DirectCash's current internal projections, expectations or beliefs and are based on information currently available to DirectCash. In some cases, forward looking statements can be identified by words such as "may", "will", "should", "expect", "plan", "anticipate", "believe", "estimate", "predict", "potential", "continue" or the negative of these words or other comparable terminology. A number of factors could cause actual events or results to differ materially from the results discussed in the forward looking statements. In evaluating these statements, Shareholders and prospective investors should specifically consider various factors, including, but not limited to, the risks and uncertainties discussed under "Risk Factors" and elsewhere in this document. Actual results may differ materially from any forward looking statement. Although DCPayments believes that the forward looking statements contained in this document are based upon reasonable assumptions, Shareholders and prospective investors cannot be assured that actual results will be consistent with these forward looking statements. These forward looking statements are made as of the date of this document, and DCPayments assumes no obligation to update or revise them to reflect new events or circumstances, except as required pursuant to applicable securities law.

### **GENERAL MATTERS**

References in this document to research reports or to articles in publications should not be construed as depicting the complete findings of the entire referenced report or article. The information in each report or article is expressly not incorporated by reference into this document.

DirectCash's web site is located at [www.directcash.net](http://www.directcash.net). The contents of the website are expressly not incorporated by reference into this document.

### **GAAP (IFRS) AND FINANCIAL PRESENTATION**

DCPayments prepares its financial statements in Canadian dollars and in conformity with generally accepted accounting principles in Canada (including International Financial Reporting Standards ("**IFRS**") that have been incorporated into Canadian accounting requirements) ("**GAAP**"). Consolidated financial information prior to January 1, 2010 was reported in accordance with GAAP in effect prior to January 1, 2010 (which did not include IFRS compliance requirements).

### **ADDITIONAL GAAP MEASURE**

DCPayments uses earnings before interest, taxes, depreciation and amortization ("**EBITDA**") as an additional GAAP measure. EBITDA is an important measure utilized by management in assessing the financial performance of DirectCash relative to DirectCash's operating plans and budgets. It is also the primary measurement utilized by the holders of DCPayments' long-term debt. DCPayments has presented EBITDA prior to the deduction for acquisition-related expenses. These expenses relate to the Australia Acquisition and UK Acquisition, which resulted in the expansion of DirectCash into two new primary geographical segments and are non-recurring expenditures. DCPayments has also presented EBITDA prior to non-recurring other gains and unrealized foreign exchange gains and losses which is consistent with DCPayments' financial covenants. DCPayments' EBITDA may differ from similar computations as report by other issuers and, accordingly, may not be comparable to EBITDA as reported by such issuers.

### **NON-GAAP MEASURES**

There are a number of financial calculations that are not defined performance measurements under GAAP but which DCPayments believes are useful and accepted performance measurements utilized by the investing public in assessing the overall financial performance of the Company and to compare cash flows between entities.

EBITDA margin, EBITDA per share, "funds from operations", "funds from operations per share", "productive capital maintenance expenditures", "growth capital expenditures" and "non-cash working capital" are not defined performance measures under GAAP (including IFRS forming part of GAAP) and do not have standardized meanings prescribed by GAAP.

DCPayments' definitions and computations of these non-GAAP measures may differ from similar definitions and computations as reported by other issuers and, accordingly, may not be comparable to amounts reported by other issuers.

"**EBITDA margin**" means EBITDA expressed as a percentage of total revenue.

"**EBITDA per share**" is calculated on the same basis as basic net income (loss) per share, utilizing the basic and diluted weighted average number of Common Shares outstanding during the period.

#### ***Funds From Operations & Funds From Operations Per Share***

DCPayments calculates funds from operations as net income (loss) plus or minus depreciation, amortization, deferred income taxes, non-cash finance costs and unrealized foreign exchange losses (gains) and after provision for productive capital maintenance capital expenditures (see description below).

#### ***Productive Capital Maintenance Expenditures & Growth Capital Expenditures***

DCPayments differentiates capital expenditures between growth and productive capital maintenance. There is no such distinction under GAAP. However, DCPayments believes it is important to differentiate between them. Productive capital maintenance expenditures represent an adjustment to funds from operations while growth capital expenditures do not.

"Productive Maintenance Capital Expenditures" are defined by DCPayments as expenditures required to service and maintain DirectCash's existing productive capacity. "Growth Capital Expenditures" are defined by DCPayments as expenditures expended to increase DirectCash's productive capacity by adding additional sources of revenue not currently in existence. Examples of expenditures that DCPayments categorizes as "Productive Maintenance Capital Expenditures" include expenditures to upgrade or replace ATMs or debit terminals under contract, software and hardware upgrades to existing infrastructure, ATM and debit terminal equipment upgrades necessary to meet changing regulatory requirements, contract extension incentives, and fleet vehicle purchases and upgrades. Examples of expenditures that DCPayments categorizes as "Growth Capital Expenditures" include the acquisition of a competitor's assets, the cost of an ATM in a new location, or technology costs related to new sources of revenue.

#### ***Non-cash working capital***

Non-cash working capital is not a defined GAAP measure. DCPayments calculates "non-cash working capital" by (a) adding current assets (but excluding cash in circulation and restricted funds) and (b) subtracting current liabilities (but excluding revolving credit facility, restricted funds and current portion of long-term debt).

#### ***Caution Regarding Additional GAAP and Non-GAAP Measures***

Shareholders and prospective investors should be cautioned that (a) EBITDA should not replace net income or loss (as determined in accordance with GAAP) as an indicator of DCPayments' performance, and (b) "funds from operations" should not replace "net cash from operating activities" (as determined in accordance with GAAP) as an indicator of cash flows from operating activities. DCPayments' method of calculating EBITDA, "funds from operations", "productive capital maintenance expenditures" and change in "non-cash working capital" may differ from the methods used by other issuers. Therefore, DCPayments' EBITDA, "funds from operations", "productive capital maintenance expenditures" and "non-cash working capital" may not be comparable to similar measures presented by other issuers.

## **CORPORATE STRUCTURE**

### **General**

DCPayments is a corporation amalgamated under the laws of the Province of Alberta. The original DCPayments was incorporated on October 7, 2010. The original DCPayments and DirectCash Acquisition Corp. (a wholly owned subsidiary) amalgamated pursuant to Articles of Amalgamation filed December 30, 2012. The constating documents of DCPayments after the amalgamation were identical to the pre-amalgamation constating documents. The principal head office and registered office of DCPayments is located at Bay #6, 1420 – 28<sup>th</sup> Street N.E., Calgary, Alberta T2A 7W6.

DCPayments does not conduct the Business directly. Rather, in each relevant jurisdiction, the Business is carried on through subsidiaries controlled (directly or indirectly) by DCPayments. All of the corporations, partnerships and other entities comprised in DirectCash are 100% controlled (directly or indirectly) by DCPayments except as described in the remainder of this paragraph. A small percentage of the shares of DC Payments New Zealand Limited (previously named New Zealand ATM Services Limited) are held by a third party. The current percentage of the shares of New Zealand ATM Services Limited that are held by the third party is 3% but this percentage could increase to 15% over time if the conditions set out in a shareholders agreement governing the affairs of New Zealand ATM Services Limited are satisfied.

### **Principal Canadian Subsidiaries**

As of March 16, 2013, Canadian operations of DirectCash are carried out primarily through Processing Partnership and Management Partnership. DCManagement is the managing partner in each of the Processing Partnership and Management Partnership and holds a small partnership interest in each. The bulk majority of the partnership interests in each of Processing Partnership and Management Partnership is held by DirectCash Canada LP. DCManagement is the sole general partner of DirectCash Canada LP and as general partner holds a small partnership interest in DirectCash Canada LP. The majority of the partnership interest in DirectCash Canada LP is held by DCPayments in the form of limited partnership interests. Prior to its dissolution on December 27, 2012, DirectCash LP's position in DirectCash Group's corporate structure was the same as DirectCash Canada LP's current position.

Each of Processing Partnership and Management Partnership are general partnerships existing/formed under the laws of the Province of Alberta. DCManagement is a corporation incorporated under the laws of the Province of Alberta. DirectCash Canada LP is a limited partnership formed under the laws of the Province of Alberta.

### **Principal Australia & New Zealand ("Australasia") Subsidiaries**

As of March 16, 2013, Australasia operations of the DirectCash are carried out primarily through ATM Solutions Australasia Pty Ltd and DC Payments New Zealand Limited (previously named New Zealand ATM Services Limited). ATM Solutions Australasia Pty Ltd is a corporation incorporated under the federal laws of Australia. DC Payments New Zealand Limited is a corporation incorporated under the federal laws of New Zealand.

On July 4, 2012, DirectCash acquired 100% of the outstanding shares of Customers Limited, a public company listed on the Australia Stock Exchange (the "ASX") (the "**Customers Acquisition**"). The Customers Acquisition was implemented through a court-approved Scheme of Arrangement under Australian Law. Total consideration for the purchase was A\$173 million (approximately \$180 million Canadian) in cash plus the assumption of \$43 million in outstanding debt of Customers Limited. Headquartered in Melbourne, Australia, Customers was at the time of acquisition the largest branded non-financial institution ATM operator in Australia with some additional operations in New Zealand (having approximately 6,600 ATM sites in Australia and New Zealand). Following the Customers Acquisition, Customers Limited was delisted from the ASX and effective November 1, 2012 changed its name to DC Payments Pty Ltd.

### **Principal European Subsidiaries**

As of March 16, 2013, European operations of DirectCash are carried out primarily through InfoCash Limited. InfoCash Limited is a corporation incorporated under the Companies Act 2006 (U.K.).

On May 25, 2012 DirectCash acquired 100% of the shares of InfoCash Holdings Ltd. for consideration of £11.8 million (approximately \$19 million Canadian).

### **Principal Mexico Subsidiaries**

As of March 16, 2013, Mexican operations of DirectCash are carried out primarily through DirectCash México S.A. de C.V. and DSM Services S.A. de C.V., both of which are incorporated under the federal laws of Mexico.

### **Principal USA Subsidiary**

As of March 16, 2013, United States operations of DirectCash are carried out primarily through DirectCash USA, Inc., which is incorporated under the laws of the state of Nevada.

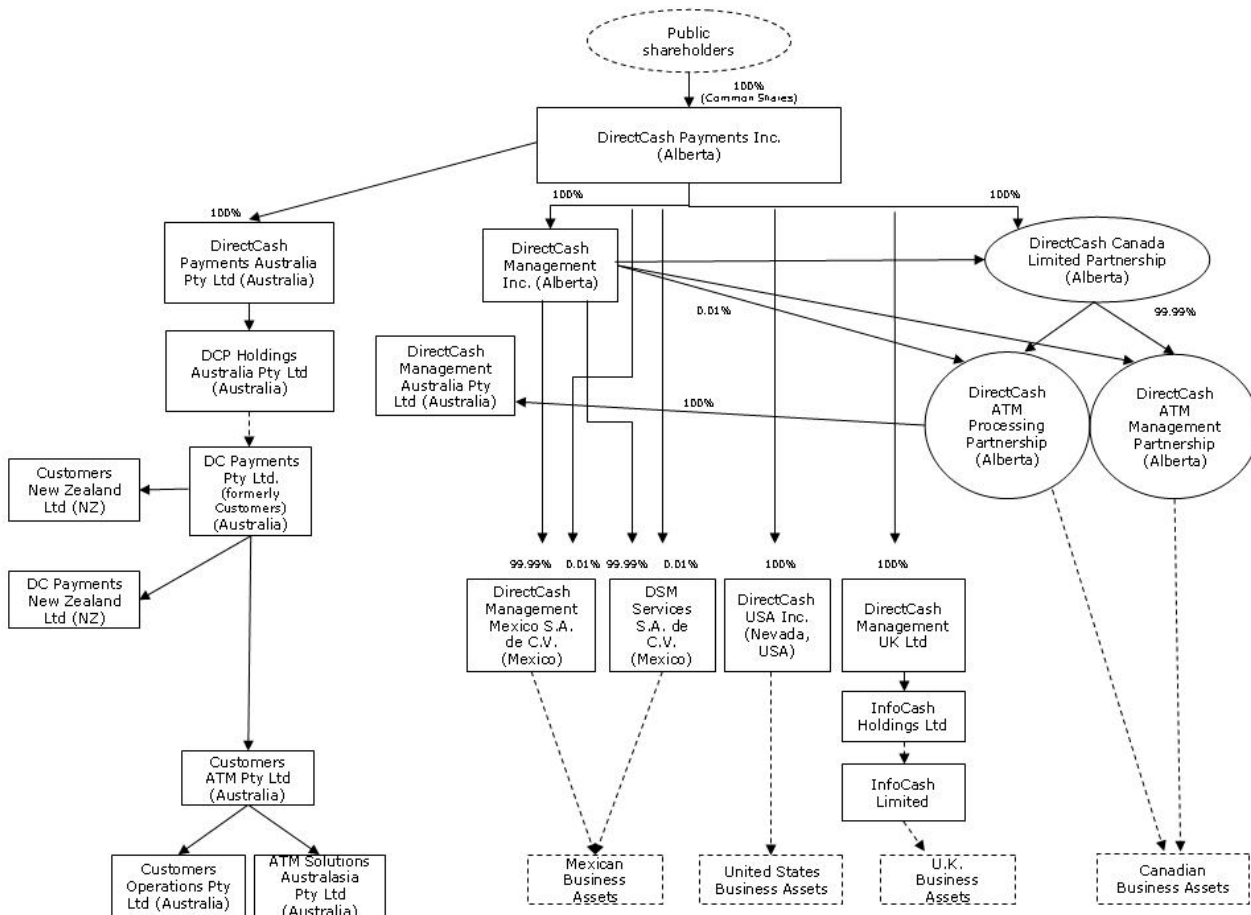


## Capital Structure

DCPayments is currently authorized to issue an unlimited number of regular common shares (designated as "Common Shares") and an unlimited number of preferred shares (designated as "Preferred Shares") issuable in series. As of March 16, 2013 no series of Preferred Shares had been authorized or issued by the DCPayments Board of Directors.

## Organizational Structure

The following chart illustrates the DirectCash Group's corporate structure as of the date of this document:



Notes:

- (1) Corporations or other entities which have de minimus operations are not shown in the diagram.

## DirectCash Management Inc.

DirectCash Management Inc. is a corporation incorporated under the laws of Alberta, Canada, which is wholly owned by DCPayments, and is the general, managing partner of DirectCash Canada LP and a general partner of each of the Processing Partnership and Management Partnership. DCMangement was also the general, managing partner of DirectCash LP before DirectCash LP was dissolved.

### **DirectCash Canada Limited Partnership**

DirectCash Canada LP is a limited partnership initially registered on December 20, 2012 under the *Partnership Act* (Alberta). The sole general partner of DirectCash Canada LP is DCMangement and DCPayments hold 100% of the issued limited partnership units issued by DirectCash Canada LP.

### **DirectCash Limited Partnership**

DirectCash LP was a limited partnership initially registered under the *Partnership Act* (Alberta). The sole general partner of the DirectCash LP was DCMangement and DCPayments held 100% of the issued limited partnership units issued by DirectCash LP. DirectCash LP was dissolved on December 27, 2012.

### **DirectCash Acquisition Corp.**

DirectCash Acquisition Corp. was a corporation incorporated under the laws of the Province of Alberta, which was 100% owned by DirectCash LP, and was a special purpose vehicle historically utilized to indirectly proceed with share acquisition transactions and to hold certain assets upon completion of those acquisitions. In January, 2010 DirectCash Acquisition Corp. incorporated a 100% subsidiary and then purchased 6 corporations as part of a business acquisition. After the acquisitions all 7 of these corporations were wound up and all of them were subsequently dissolved during 2012. After a series of reorganization steps resulting in DirectCash Acquisition Corp. becoming a 100% direct subsidiary of DCPayments, DirectCash Acquisition Corp. was amalgamated into DCPayments on December 30, 2012.

### **DirectCash ATM Processing Partnership**

The Processing Partnership is a general partnership established under the laws of the Province of Alberta to hold and operate the majority of the assets associated with DirectCash's Business (typically those assets and businesses that involve a "financial" transaction). DCMangement holds a nominal interest in, and acts as the manager of, the Processing Partnership, with DirectCash Canada LP holding the remaining interest (in excess of 99%).

### **DirectCash ATM Management Partnership**

The Management Partnership is a general partnership established under the laws of the Province of Alberta to hold and operate the remaining Canadian assets associated with DirectCash's Business not held by DirectCash Acquisition Corp or the Processing Partnership (typically assets associated with managing the Business or business assets that do not involve "financial" transactions). DCMangement holds a nominal interest in, and acts as the manager of, the Management Partnership, with DirectCash Canada LP holding the remaining interest (in excess of 99%).

### **DirectCash USA Inc.**

DirectCash USA Inc. is a corporation incorporated under the laws of Nevada, U.S.A., which is wholly owned by the Processing Partnership, and designed to be used to hold aspects of the DirectCash Group business which is based in the USA.

### **DirectCash Mexico S.A. de C.V. & DSM Services S.A. de C.V.**

DirectCash México S.A. De C.V. is a corporation incorporated under the federal laws of Mexico, which is 99.99% owned by the DCMangement and 0.01% owned by DCPayments, and designed to be used to hold aspects of the DirectCash Group business which is based in Mexico. DSM Services S.A. De C.V. is a corporation incorporated under the federal laws of Mexico, which is 99.99% owned by the DCMangement and 0.01% owned by DCPayments, and designed to be used to operate aspects of the DirectCash Group business which is based in Mexico.

### **DirectCash Management Australia Pty Ltd.**

DirectCash Management Australia Pty Ltd. is a corporation incorporated and organised under the federal laws of Australia which is 100% owned by the Processing Partnership, and designed to be used to hold aspects of the DirectCash Group business which are based in Australia.

### **DirectCash Payments Australia Pty Ltd., DCP Holdings Australia Pty Ltd., DC Payments Pty Ltd.**

DirectCash Payments Australia Pty Ltd., DCP Holdings Australia Pty Ltd., DC Payments Pty Ltd. and the respective Australia subsidiaries of DC Payments Pty Ltd. are all corporations incorporated and organised under the federal laws of Australia. DirectCash Payments Australia Pty Ltd is 100% owned by DC Payments, and is designed to be used to hold aspects of the DirectCash Group business which are based in Australia.

### **DirectCash Management UK Limited**

DirectCash Management UK Limited, InfoCash Holdings Ltd., and InfoCash Limited are all corporations incorporated and organised under the laws of England and Wales. DirectCash Management UK Limited is 100% owned by DCPayments, and designed to be used to hold aspects of the DirectCash Group business which are based in England.

## **DEVELOPMENT OF THE BUSINESS**

### **Three Year History**

The following is a general description of DirectCash Group's significant business development over the past three years.

In January, 2010, DirectCash acquired certain assets from Mint Technology Inc. as well as 100% of the shares in three of Mint Technology Inc.'s subsidiaries. In addition to the transaction processing and prepaid products business assets acquired in the transaction, certain future tax assets were also acquired.

In February 2010, DirectCash began facilitating the offering by DC Bank of bank accounts (and the related financial services that typically accompany a bank account) to some of DirectCash's prepaid card customers of bank accounts through DirectCash's strategic alliance with DC Bank.

In May 2010, DirectCash's United Kingdom subsidiary commenced processing of material revenue generating operations. The initial business conducted in the United Kingdom was to provide prepaid card services to customers of a United Kingdom affiliate of one of DirectCash's Canadian customers which also has operations in United Kingdom.

In July 2010, DirectCash acquired substantially all of the assets of Cashline Inc., a privately held corporation based in Victoria, British Columbia, for cash consideration of \$16.1 million. A total of 830 Canadian ATM sites and related contracts were acquired. The acquired assets consisted mainly of the residual rights in contracts to operate and place ATM machines at certain locations and software to manage these machines. The assets also included equipment, inventory, accounts receivable and prepaid expenses.

In September 2010, DirectCash Income Fund raised \$25 million by issuing 1.37 million trust units, the net proceeds of which was used to reduce the balance on DirectCash's credit facility (incurred to pay for the Cashline acquisition).

On December 31, 2010 DCPayments successfully completed a plan of arrangement under the Business Corporations Act (Alberta) pursuant to which (in essence) DirectCash Income Fund (organized as an income trust) and DirectCash Commercial Trust were replaced in the corporate organization with DCPayments. As a result, the entity in which public security holders held an interest was converted from an income trust income "flow through" type entity to a dividend paying corporation. The prior annual trust cash/income distribution of \$1.38 per Unit (\$0.115 per month) from DirectCash Income Fund was replaced with an annual dividend of \$1.38 per Common Share (\$0.115 per month) from DCPayments.

Throughout 2010, DirectCash acquired Canadian assets from a number of privately held corporations and individuals engaged in ATM and Debit Terminal services for cash consideration of \$4.9 million, subject to customary holdbacks and normal course purchase adjustments.

In January, 2011 DirectCash entered into an agreement with DC Bank for exclusive branding rights whereby DirectCash will brand DirectCash's ATMs with DC Bank's logo. This relationship now also allows ATMs connected to DirectCash's network to be branded with the DC Bank logo, creating additional consumer confidence in the brand that may not be achievable by other "white label" ATM deployers that do not have a right to brand their ATMs with the logos of a federally regulated bank.

In October, 2011 DirectCash completed an acquisition of 100% of the shares of Dexit Inc. (previously named Posera-HDX Inc.) ("**Dexit**"). The assets of Dexit included a business of a prepaid product - radio frequency identification device ("RFID") - payment system and RFID transaction processing system. The acquired prepaid business specializes in internet based RFID sales and loading, which is a similar business to DirectCash's prepaid card business. The assets consisted mainly of contracts with various merchants to issue prepaid RFID hardware via the internet and the intellectual property required to operate the business, as well as certain tax attributes.

Throughout 2011, DirectCash acquired Canadian assets from a number of privately held corporations and individuals engaged in ATM and Debit Terminal services for cash consideration of \$1.8 million, subject to customary holdbacks and normal course purchase adjustments.

On May 25, 2012, DirectCash completed the U.K. Acquisition. See "Development of the Business - Significant 2012 Acquisitions - U.K. Acquisition".

On July 5, 2012 DirectCash completed the Australia Acquisition. See "Development of the Business - Significant 2012 Acquisitions - Australia Acquisition".

On November 15, 2012 DirectCash acquired the remaining 52.25% of DC Payments New Zealand Limited (previously named New Zealand ATM Services Limited) that DirectCash did not already hold for approximately \$1.0 million (\$1.2 NZ) (increasing DirectCash's total holdings to 100%). The initial 47.75% interest was acquired as part of the Australia Acquisition. As part of the Deed of Settlement and Release Agreement, a pre-existing Put and Call agreement under which DC Payments Pty Ltd. had been obligated to purchase the remaining shares and repay outstanding shareholder loans at an estimated cost of \$11.3 million was eliminated, for no further consideration. Subsequently, as a form of incentive to assist with the development of the New Zealand business, DirectCash sold 3% of the shares of DC Payments New Zealand Limited to a person acting as New Zealand resident director of DC Payments New Zealand Limited (this 3% position may be increased over time).

On December 7, 2012, DirectCash acquired additional U.K. assets from a privately held corporation engaged in ATM services for cash consideration of approximately \$3.3 million (£2.1 million) subject to customary holdbacks and normal course purchase adjustments.

Throughout 2012, DirectCash acquired Canadian assets from a number of privately held corporations and individuals engaged in ATM services for cash consideration of \$1.3 million, subject to customary holdbacks and normal course purchase adjustments.

### **Significant 2012 Acquisitions**

**U.K. Acquisition.** On May 25, 2012, DirectCash purchased all of the shares of InfoCash Holdings Ltd. ("InfoCash"), a private company based in the United Kingdom, from Triton Systems of Delaware, LLC. The purchase price was \$19.1 million including working capital such as inventory, prepaid expenses and accounts receivable. A total of approximately 4,700 ATM sites and related contracts were acquired by DirectCash in the United Kingdom pursuant to this acquisition.

**Australia Acquisition.** On July 4, 2012, DirectCash completed the acquisition of Customers Limited ("Customers"), a public corporation based in Australia, through a Scheme Implementation Deed. The stated purchase price per shares was A\$1.27 per share in cash. The total consideration for the purchase of 100% of the fully diluted shares of Customers was approximately A\$173 million (approximately \$180 million Canadian) in cash plus the assumption of \$43 million in outstanding debt of Customers, which was repaid on closing of the transaction. A Business Acquisition Report (Form 51-102F4) was filed by DCPayments in respect of the Customers acquisition on August 9, 2012 (available for viewing at [www.sedar.com](http://www.sedar.com)) which provides significant information about the Australia Acquisition. As part of the Australia Acquisition, DirectCash acquired (indirectly) all of the shares of Customers' subsidiary entities. This included a minority interest in DC Payments New Zealand Limited (previously named New Zealand ATM Services Limited). Later in 2012, DirectCash negotiated to increase DirectCash's ownership of DC Payments New Zealand Limited to 100%. DirectCash's current interest in DC Payments New Zealand Limited is 97%, with a third party owning a minority stake as part of an incentive/compensation arrangement. DirectCash can increase DirectCash's stake to 100% again if DirectCash exercises certain rights set out in a shareholders agreement entered into with the minority interest holder.

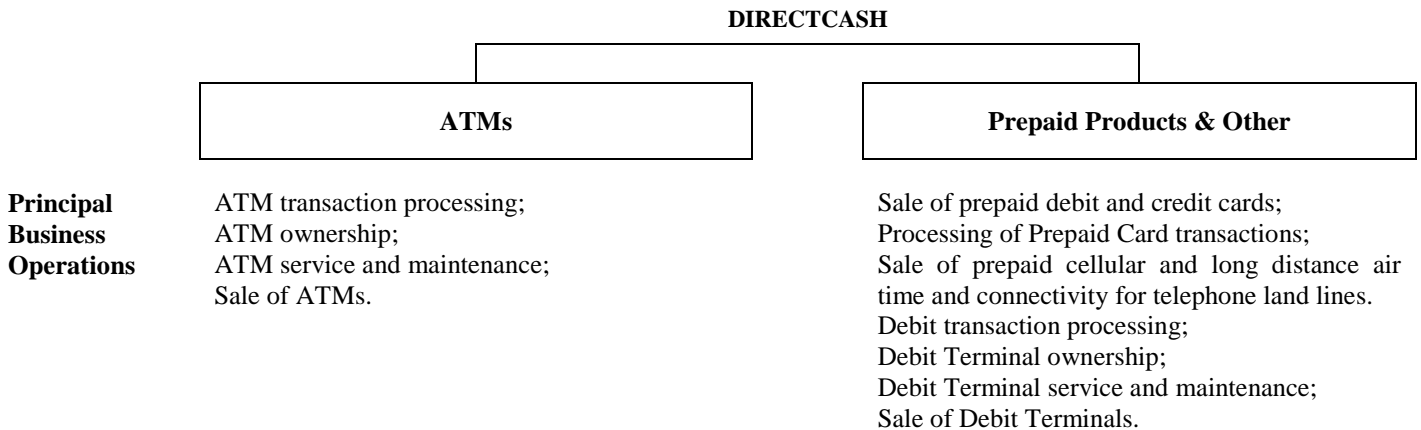
## Year End 2012 Reorganization of Subsidiaries

In the last few days of 2012, a reorganization was carried out with respect to certain of DirectCash's subsidiaries in Canada (and how the Canadian entities hold the shares of some of the foreign subsidiaries). On a consolidated basis, the reorganization steps will not have any material effect on DirectCash's operations. There were a number of steps to the reorganization transactions but the end result included the following effects (a) the assets previously held by DirectCash Acquisition Corporation were contributed into the DirectCash ATM Processing Partnership and the DirectCash ATM Management Partnership (b) DirectCash Acquisition Corporation was amalgamated into DCPayments; (c) DirectCash Limited Partnership was dissolved; (d) a new limited partnership named DirectCash Canada Limited Partnership was created to hold 99.99% of the partnership interests in each of DirectCash ATM Processing Partnership and the DirectCash ATM Management Partnership; (e) DCPayments now directly holds all of the limited partnership units of DirectCash Canada Limited Partnership; (f) the shares of DirectCash's Mexican subsidiaries were transferred so that the shares are held directly by DCPayments and DCManagement (and not the other Canadian operating entities); (g) DCPayments now directly holds the shares of DirectCash's U.S.A. subsidiary; and (h) DCPayments now directly holds the shares of DirectCash's U.K. subsidiary.

## GENERAL DESCRIPTION OF BUSINESS

### Summary Description of the Business

DirectCash categorizes its business into 2 separate lines of business: DirectCash's ATM business and DirectCash's prepaid products and other business.



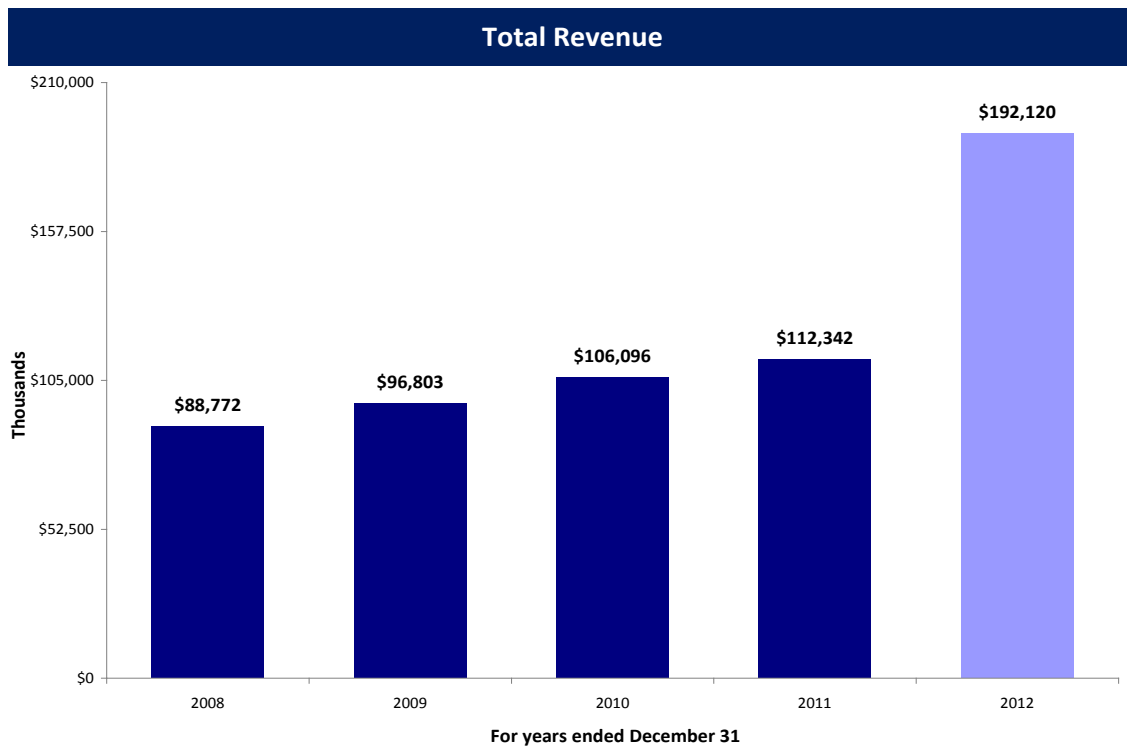
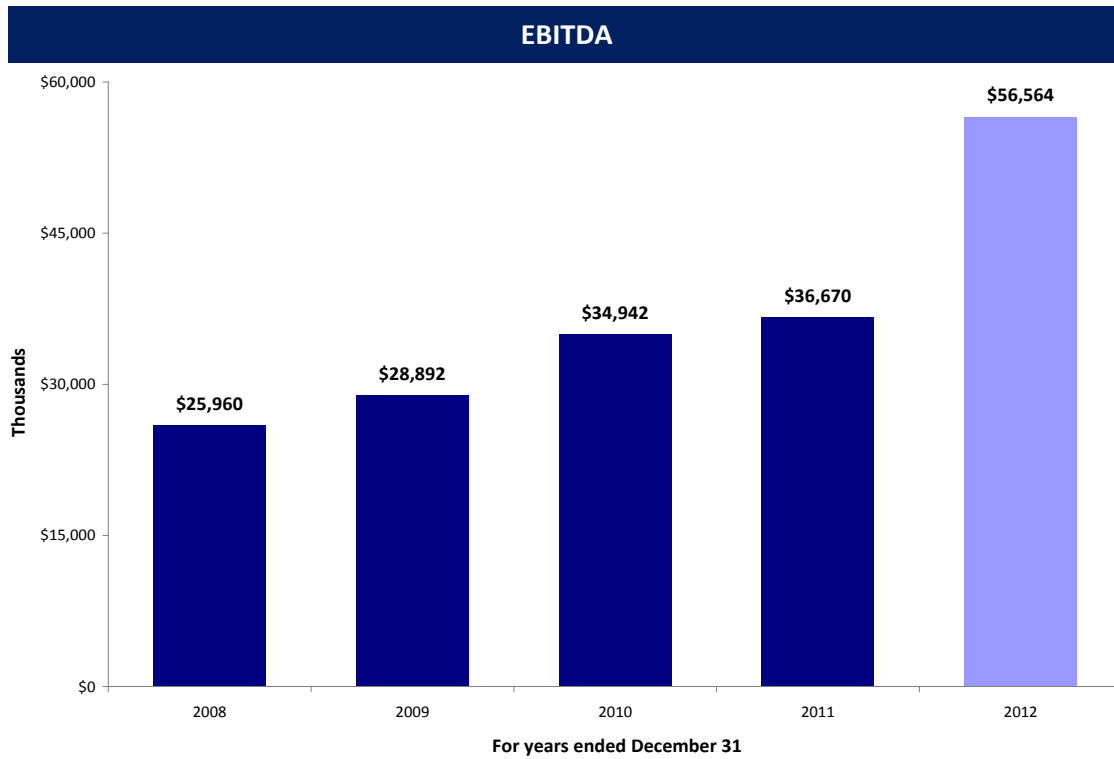
The basic history & status of DirectCash's primary business by geographic area (for the geographic areas that DirectCash carries on significant business) is as follows:

- (a) Canada. DirectCash started in (i) the ATM business in Canada in 1997 (ii) the Debit Terminal business in 2002 and (iii) the Prepaid Products businesses in 2002. The majority of this business was achieved "organically" (i.e. customers being signed up to contracts for goods and services directly through the efforts of DirectCash's sales staff and distributors). DirectCash has completed several acquisitions over the years of other Canadian competitors in ATM business. In Canada, DirectCash is a full-service operator and transaction processor (i.e. DirectCash operates its own proprietary transaction "switch" in Canada) in each of the business segments (ATMs, Debit Terminals and Prepaid Products). Based upon information obtained from competitors and information publicly available regarding the number of ATMs deployed by each Canadian chartered bank as at October , 2012, DirectCash is the largest deployer of ATMs in Canada and is a significant competitor in the Prepaid Card business.
- (b) Australia (and New Zealand). DirectCash started an Australia Prepaid Product business (organically) in October, 2009. However, the bulk of DirectCash's business in Australia result from the Australia Acquisition that was completed on July 4, 2012. The corporation that DirectCash acquired (Customers Limited) started in the ATM business in Australia in 2003. The majority of Customers Limited's Australia ATM business was achieved through acquisition of other smaller competitors. Customers Limited started in the ATM Business in New Zealand in 2008 (through an acquisition of a minority 25% interest in DC Payments New Zealand Limited (previously named New Zealand ATM Services Limited)).

In Australia, Customers did have transaction processing capability (i.e. operated its own proprietary transaction "switch" in Australia) but DirectCash is in the process of decommissioning many of the Australia proprietary switching functions and changing to more cost effective third party processing arrangements. Based upon information obtained from market research (Source: Edgar, Dunn & Company 2010 Australian ATM market study published November, 2010 and Retail Banking Research - Global ATM Market Forecast to 2016: Australia, published September, 2011), with the completion of the Australia Acquisition, DirectCash is the largest deployer of non-bank ATMs in Australia.

- (c) United Kingdom. DirectCash started a U.K. Prepaid Product business (organically) in May, 2010. However, the bulk of DirectCash's business in United Kingdom result from the U.K. Acquisition that was completed on May 25, 2012. The corporation that DirectCash acquired (InfoCash Limited) started in the ATM business in the United Kingdom in 1999. A significant portion of InfoCash Limited's U.K. ATM business was achieved organically but approximately ½ of the ATM portfolio was added through an acquisition of Cash Box completed by InfoCash Limited in November, 2010. In United Kingdom, InfoCash Limited did not have (and DirectCash continues not to have) a proprietary transaction processing capability but rather uses third party processing arrangements. Based upon information obtained from competitors and information publicly available regarding the number of ATMs deployed as at December, 2012, with the completion of the U.K. Acquisition, DirectCash is currently the 2nd largest deployer of non-bank ATMs in the U.K.
- (d) Mexico. DirectCash started a Mexican ATM business (organically) in 2008. The ATMs are primarily located in tourist destinations and resorts. In Mexico, DirectCash does not have a proprietary transaction processing capability but rather uses third party processing arrangements. DirectCash is still a relatively small competitor in the ATM market in Mexico.
- (e) U.S.A. DirectCash started a United States of America ATM business (organically) in 2003 and a Prepaid Card business in 2009. The ATMs are primarily located in the state of Alaska. The small number of ATMs located in Alaska are expected to be discontinued/disconnected in 2013 because DirectCash's agreement with the merchant that deploys those ATMs is expiring in 2013 and DirectCash does not expected that the agreement will be renewed. The Prepaid Card business was created primarily to serve a Canadian customer expanding into the U.S.A. and was subsequently discontinued in 2012 (when the customer did not find this product economically viable in the U.S.A. and wound down operations in 2011). However, the Prepaid Card product could be resurrected and offered to new customers in the U.S.A. if the opportunity arose in the future. In the U.S.A., DirectCash does not a proprietary transaction processing capability but rather uses third party processing arrangements. DirectCash is a very small competitor in the ATM market in the USA.

The following charts show DirectCash's EBITDA and total revenue for the past 5 years (these results are consolidated results from all jurisdictions in which DirectCash carries on business but only include revenue and income from the entities acquired in the Australia Acquisition and the UK Acquisition from and after the date of acquisition):



DCPayments' Management Discussion and Analysis for the financial year ended December 31, 2012 (the "MD&A") includes a table under the section entitled "Financial Highlights" which illustrates how DirectCash derives EBITDA from net income for the last 3 years by adding back 5 line items (interest, depreciation of equipment, amortization of intangible assets, current and future

income taxes). Reference can be made to the MD&A filed on SEDAR ([www.sedar.com](http://www.sedar.com)) for details regarding how the calculation is carried out.

### **Relationship With DC Bank**

DirectCash's prepaid debit and credit cards require that DirectCash enter into contracts with financial institutions that have been authorized by Networks to issue such cards. At the time DirectCash initially established the pre-paid Canadian Prepaid Card business in 2002, DirectCash management was not able to negotiate contracts on satisfactory terms with the existing federal chartered banks. DirectCash was able to negotiate a contract with an Ontario credit union - All Trans. The fact that All Trans was not a federal financial institution limited opportunities available in the Prepaid Card business.

Through this process, DirectCash management identified the opportunity of incorporating a Canadian chartered bank as a subsidiary. Incorporation of a new bank requires an extensive application and due diligence process, with the ultimate decision whether to approve a new bank incorporation resting with the federal Minister of Finance. DirectCash management through discussions with Office of the Superintendent of Financial Institutions ("OSFI") determined that it was unlikely that DirectCash would be allowed to incorporate a bank because DirectCash was organized under an "income trust" structure. Thereafter, with this opportunity effectively unavailable to DirectCash, the senior executives of DirectCash began the process of trying to incorporate a federal bank as a separate entity (i.e. separate from DirectCash). This process was successful.

DirectCash Bank (Banque DirectCash) ("**DC Bank**") was incorporated on October 3, 2007 as a Schedule I bank under the Canadian Federal Bank Act. On January 24, 2008 the federal Superintendent of Financial Institutions authorized DC Bank to commence to carry on business. The sole shareholder of DC Bank is 6676405 Canada Ltd. (which is a corporation now owned by Susan M. Gallacher and Jeffrey J. Smith). Susan M. Gallacher (who was Executive Vice President of DCManagement until December 31, 2007) is the President of DC Bank and is no longer an employee of DirectCash. Three of DirectCash's directors (Susan M. Gallacher, Jeffrey J. Smith, and Gary H. Dundas) are also Directors of DC Bank.

Although the DC Bank name includes the word "DirectCash", none of the DirectCash Group entities hold any ownership interest in DC Bank. Any business relationships between DC Bank and DirectCash are governed by contracts between the relevant entities. Furthermore, DC Bank's business is not limited to just dealing with and providing service to DirectCash. DC Bank can provide services and products to other individuals, entities and businesses. Because certain directors and officers of DCPayments and their associates and affiliated corporations are the owners of the DC Bank, the approval process for any material contracts entered between DirectCash and DC Bank takes into account the conflict of interest. The independent members of the Board of Directors of DCPayments (and of the Board of Directors of DC Bank) are required to approve any such material contracts.

The services, employee secondment and marketing agreement between DC Bank and DCManagement was entered into on November 6, 2007 pursuant to which DirectCash agreed to provide transaction processing and technology services to DC Bank and DC Bank customers would have surcharge free access to the DirectCash ATM network. The November 6, 2007 agreement was amended by an Amending Agreement dated effective January 1, 2010. In order to provide the services required by DC Bank, DirectCash has developed various new or additional software - all of the intellectual property rights associated with this newly developed software are owned by DirectCash. Under this Agreement DC Bank pays DirectCash a fee equal to the fees (if any) collected by DC Bank from the customers associated with such services less a "minimum fee" set in the agreement. The "minimum fee" is effectively a revenue guarantee provided by DirectCash to DC Bank. DirectCash and DC Bank have agreed that commencing January 1, 2011 the base minimum fee that DC Bank shall be entitled to shall be set at a specified amount per month (subject to yearly adjustment to take into account general inflation). DirectCash has agreed that DirectCash shall and shall cause all of DirectCash's affiliates to exclusively use DC Bank for the provision of banking access services (i.e. when DirectCash develops a business or service which contemplates that a financial institution provide a banking access service to the customer, DirectCash shall not enter into arrangements with a financial institution other than DC Bank to provide the service - unless the service is one which DC Bank is not capable of providing or has decided not to provide). DC Bank has the right to terminate DC Bank's agreement with DirectCash if there occurs any adverse government or bank regulator action which impairs the ability of DC Bank to continue providing banking access services as contemplated by the agreement.



In order to take advantage of business opportunities proposed by DirectCash, DC Bank commenced provision of some additional product and service offerings ("**New Bank Services**"). Typically these New Bank Services are provided to customers of DirectCash (under separate agreements between DC Bank and the customer) and are complementary to other services provided to those same customers by DirectCash. DC Bank typically retains DirectCash to provide various transactional processing services that DC Bank requires in connection with the provision of the New Bank Services. DC Bank does and can incur significant regulatory and compliance costs and risks associated with providing services (including New Bank Services). As a service provider, DirectCash has in several cases agreed to indemnify DC Bank from certain losses/costs that DC Bank may incur as a result of DC Bank's involvement in such New Bank Services. In several cases, as an incentive for DC Bank to become involved in offering a particular New Bank Service, DirectCash has agreed to pay DC Bank an additional fee so that DC Bank achieves certain minimum revenue levels from the New Bank Service. The most significant New Bank Services that DirectCash has requested DC Bank to become involved in and which DC Bank was offering as of March 16, 2013 include:

- (a) In 2009, DC Bank acquired certain of the MasterCard InterBank Card Association number ranges ("**ICA**") from another financial institution. This facilitated the continuation of several prepaid MasterCard card programs that Mint Technology Corp. (and related corporations) were providing. DirectCash took on Mint Technology Corp. as a customer and in January, 2010 acquired the related businesses from Mint Technology Corp. DirectCash agreed to pay DC Bank a specified fee per month for DC Bank's acquisition of these MasterCard ICA number ranges and sponsorship of these prepaid MasterCard programs.
- (b) In February 2010 DC Bank began offering bank accounts (and the related financial services that typically accompany a bank account) to persons who are customers for DirectCash's prepaid MasterCard programs. In order to facilitate the opening of bank accounts DC Bank entered into Agency Arrangements with some of DirectCash's merchant customers to obtain their assistance with obtaining the necessary information and carrying out tasks required under applicable banking laws (i.e. before a bank account can be opened for anyone). These agency arrangements allow for customers of the bank account services to attend at various locations in order to obtain their bank account. DC Bank earns a number of fees associated with these bank accounts and pays DirectCash a portion of such fees as compensation for the services provided by DirectCash. In 2011 DirectCash agreed that if the net fees earned by DC Bank (after payment to DirectCash of DirectCash's portion of such fees), are not at least equal to the greater of a (i) specified flat monthly minimum fee or (ii) a fee per active open bank account, then DirectCash will make up the difference by making a return payment to DC Bank.
- (c) In January, 2010, DC Bank entered into an agreement with a third party service provider which gives DC Bank the capability to offer DC Bank account holders (and holders of Prepaid Cards issued by DC Bank) bill payment transaction capability. For Prepaid Cards issued to DirectCash customers, starting in 2011 DirectCash agreed to pay the services charges incurred by DC Bank associated with this bill payment service and to pay to DC Bank a monthly fee equal to the greater of a (i) specified flat monthly minimum fee or (ii) a fee per bill payment transaction, for DC Bank's continuing offering of this service.
- (d) Commencing in January, 2011 DC Bank began offering exclusive branding rights to DirectCash whereby DirectCash will brand DirectCash's ATMs with the DC Bank logo, for which DirectCash agreed to pay DC Bank a monthly fee equal to the greater of a (i) specified flat monthly minimum fee, or (ii) fee per ATM which is branded with DC Bank's logos, for DC Bank's continuing offering of this service.

DirectCash Processing Partnership has provided a guarantee of a credit line provided to DC Bank by a financial institution. This guarantee was provided in connection with facilitating a Prepaid Card service offering by DC Bank that DirectCash views as beneficial for DirectCash's customers and is complementary to DirectCash's product & service offerings. In addition, DirectCash Processing Partnership is responsible for an outstanding letter of credit issued through DirectCash's bank lender in favour of MasterCard International relating to DirectCash's prepaid MasterCard program. Effective on January 1, 2013, the letter of credit was increased from U.S. \$2.5 Million to U.S. \$5.0 Million related to volume increases under the related contract.

### **Human Resources & Employees**

As at December 31, 2012, DirectCash employed the following number of employees in the jurisdictions indicated. No DirectCash employees are unionized.

Country	EMPLOYEES	
	Full Time Employees	Part Time Employees
Canada	122	19
Australia	103	5
United Kingdom	62	4
Mexico	8	3
New Zealand	2	0
U.S.A.	0	0

### Facility Locations

DirectCash's head office is located in Calgary, Alberta, Canada. DirectCash has: (a) **9** office/warehouse facilities in Canada (Victoria, British Columbia; Vancouver, British Columbia; Calgary, Alberta; Edmonton, Alberta; Saskatoon, Saskatchewan; Mississauga, Ontario; Montreal, Quebec; Dartmouth, Nova Scotia and Winnipeg, Manitoba); (b) **5** office/warehouse facilities in Australia (Moorabbin, Victoria; Heatherton, Victoria; Osborne Park, Western Australia; and Yatala, Queensland) (c) **2** office/warehouse facilities in United Kingdom (both in Abingdon, Oxfordshire, United Kingdom); and (d) 1 office/warehouse facilities in Mexico (Cabo San Lucas, Baja California Sur). DirectCash does not have any office/warehouse locations in the U.S.A. or New Zealand. The Calgary head office is approximately 22,500 square feet, the Mississauga, Ontario office is approximately 7,500 square feet, the Heatherton, Victoria Australia head office is approximately 40,000 square feet, the combined Abingdon, Oxfordshire, England, U.K. head office is approximately 12,000 square feet and the other facilities are between 1,500 and 3,600 square feet each.

### Protection of Proprietary Information/ Trademarks

DirectCash relies on a combination of contract, copyright, trademark and trade secret laws, confidentiality procedures and other measures to protect DirectCash's proprietary information. As part of DirectCash's confidentiality procedures, DirectCash generally enters into non-disclosure agreements with DirectCash's employees, distributors and corporate partners. In addition, DirectCash enters into license agreements with respect to DirectCash's software, documentation and other proprietary information. These licenses are non-transferable and have limited terms.

DirectCash holds or uses certain registered and/or common law trademarks (some with corresponding design marks) in Canada, among them "Black & White", "Cashline", "Ca\$h Cow ATM", "DirectCash ATM", "DirectCash Debit", "DirectCash Prepaid", "DirectCash Reconnect", "DirectCash Talk", "DirectConnect", "E Card", "E Cash", "Easy Pardon", "Pardons Direct", "Real Cash", "EZ Prepay", "Fastphone Anywhere, All the Time", "Money in Motion", "POS Solutions", "True North", and "We Work Hard to Make You Money". In Australasia DirectCash uses "Customers ATM", "Transactions Media", "Multibank", "Firstpoint", "Firstpoint Payments", "ExtraCash", "SmartServ", "DC ATM", "DC Payments ATM", and "DC Payments". In United Kingdom/Europe DirectCash uses "InfoCash", and "DirectCash". Some of these listed trademarks are not currently in use. Also, because of perceived issues with the registerability of some of the trademarks, DirectCash may no longer be using them. DirectCash often acquires the rights to the registered and/or common law trademarks of entities that DirectCash purchases the assets of - however, DirectCash does not necessarily acquire these with a view to using the trademarks on a long term basis. DirectCash's main concern in acquiring these trademarks is to prevent their use in the future after DirectCash rebrands acquired sites with the "DirectCash" logos and tradenames.

## THE ATM INDUSTRY

### Overview

The first ATMs were deployed in the 1960s and were initially limited for use by account holders of the financial institutions where the ATMs were located. Networks eventually developed that allowed bank cards issued by one financial institution to be used at ATMs of other financial institutions. Once these networks developed, the next step was the development of debit terminals that could be used to purchase goods and services from merchants (rather than obtain cash) using the same bank card.

The significant second stage development for ATMs was the development of laws/rules that allowed for ATMs to be deployed by non-financial institution entities, yet still link in through the networks controlled by the financial institutions. Non-financial institution ATMs may charge a surcharge fee to customers who withdraw cash with their debit cards and may receive the "interchange" fee paid by the financial institutions that issued the cards that use the ATM.

Today ATM transactions are facilitated through various Networks like Interac, VISA, MasterCard, Cirrus, Plus, LINK, etc. The two main parts of these networks are "issuers" and "acquirers". The following is a brief description of the function of each:

**Card Issuers:** Card Issuers are typically financial institutions (including DC Bank) that provide their customers (also known as "account holders") with cards that have access to Networks. Card issuers receive transactions from acquirers and authorize these transactions based upon the card issuers' customer/account holders' account balances and also validate the customer's/account holder's PIN as required. When transactions are completed the card issuers pay the applicable Networks (which funds are routed to the applicable acquirer) for amounts purchased or withdrawn plus any fees on a daily basis.

**Acquirers:** Acquirers control the individual ATMs connected to a Network. Acquirers receive transactions from ATMs and then route these transactions through the Network to the card issuers for approval. Acquirers settle (i.e. receive or distribute funds) cash amounts withdrawn from ATMs (based upon what has been approved by the card issuers) to the applicable ATM owners.

Networks have rules and regulations that members of the Network must comply with. These rules typically govern operations, security, limits, etc.

## **Canadian ATM Industry**

### ***General Background***

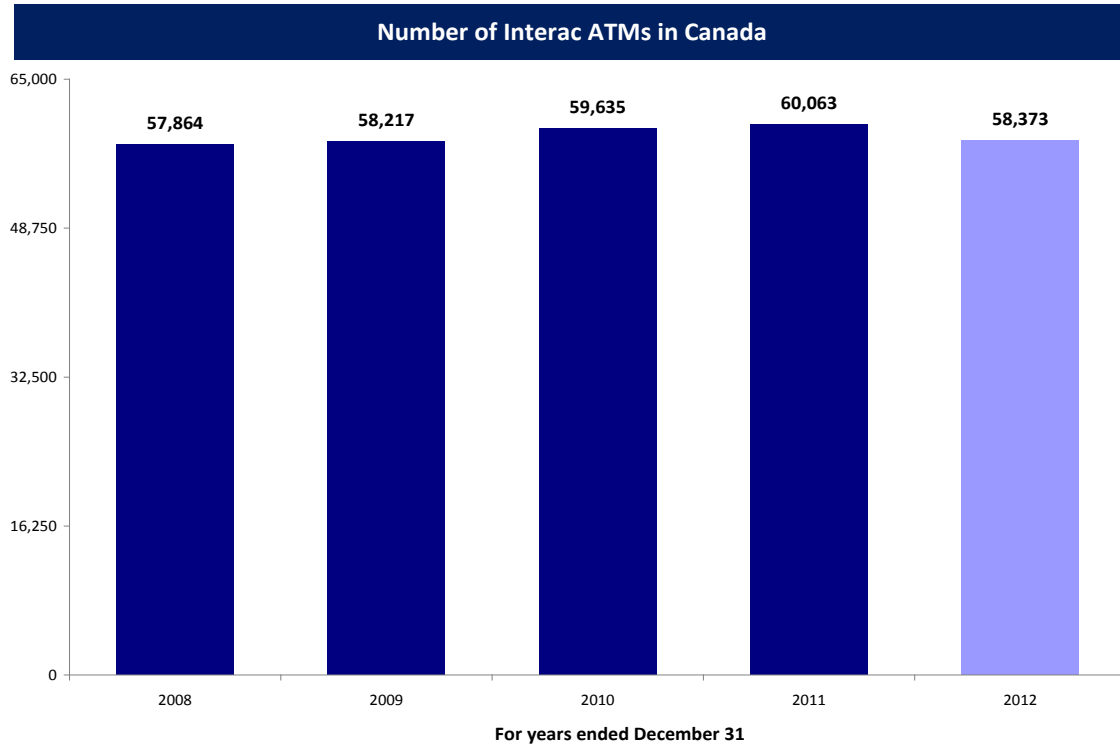
In Canada the predominant ATM banking network is the Interac network and was the organization primarily responsible for the early development and operation of a Canadian national network of two shared electronic financial services: ATM transactions and Debit transactions. To date Interac has operated as a non-profit organization which purports to set its fees on a cost recovery basis. Historically, the Interac Network was only a closed network jointly operated by Canada's largest financial institution and the only devices that were allowed to be connected to Interac were devices owned/operated by the member financial institutions. However, in June 1996, the Canadian Competition Tribunal issued a consent order negotiated between a number of the Interac Association's members and the Competition Bureau (the "**Consent Order**"). Designed to increase competition in the market for electronic payment services, the Consent Order: (i) resulted in Interac allowing non-financial organizations to participate as members, and (ii) permitted surcharging at ATMs and Debit Terminals in Canada. Surcharging allows the owner of an ATM and/or Debit Terminal to charge a Surcharge Fee on each Interac transaction performed at an ATM. DirectCash has taken advantage of these Interac rule changes. Interac is only one of many Networks to which ATMs can be connected but is the predominant Network in Canada. Starting in 2008 or 2009, Interac began the process to apply to vary the Consent Order to allow Interac to become a "for profit" entity (and maybe even a listed public issuer in the future) and to try to lift the controls the Consent Order has over fee structures for ATM transactions. There was a strong possibility (if Interac was successful in these efforts) that Interchange Fees (revenue to DirectCash in the ATM business) would not increase enough to keep up with the increased costs to DirectCash arising from the increase in fees charged by Interac. This could have resulted in a reduction in the per transaction profitability of ATM transactions. This Interac conversion proposal could also have resulted in DirectCash receiving a small number of shares in the privatized Interac (if shares are allocated based on historical transaction usage of Interac services by DirectCash). On February 12, 2010, the Commissioner of Competition announced that the Competition Bureau would not support the application by Interac to remove the restriction against "for profit" activities. However, the February 12, 2010 press release also stated that "the Commissioner is prepared to re-examine Interac's request in the future if there is new information or material changes in the marketplace, or if Interac advances an alternative proposal, all provided that any changes would preserve the effectiveness of the key elements of the current Consent Order". As of March 16, 2013 no new developments had been announced by the Commissioner with respect to Interac related matters.

DirectCash acts as a transaction "acquirer" for ATMs that DirectCash owns and for ATMs that are owned by third parties .

A transaction at an ATM in the DirectCash network commences when a consumer holding a card issued by an Network member decides to withdraw cash using a Debit Card or Credit Card. DirectCash has access to various Networks (including Interac, MasterCard and VISA) through agreements DirectCash has with the Networks or Network members that are authorized to enter into sponsorship arrangements for the Network. In the case of a cash withdrawal at an ATM, the cardholder inserts his or her card into the machine, enters his or her PIN and requests a sum of money. The Acquirer (in this case DirectCash) sends this request from an ATM through to the Acquirer's connection service provider which in turn sends the request electronically through the applicable Network to the cardholder's financial institution (the "**Issuer**") which verifies the cardholder's PIN and determines if sufficient funds (or credit) are available to fulfill the request. The Issuer then provides an approval response back through the applicable Network to the Acquirer, and then the Acquirer electronically causes the ATM to dispense the funds accordingly . All of this occurs in a matter of seconds. At the end of each business day, through a process referred to as "settlement" the card Issuer

(i.e. associated with the card/account of the person who requested the ATM withdrawal) deposits funds which are routed to the Acquirer's settlement agent (and then on to the Acquirer to reimburse for the cash dispensed from ATMs ).

The number of ATMs in Canada grew each year from 1997 (when there were 19,200 ATMs) to 2011 followed by the first decline in year-over-year ATM numbers that occurred in 2012. There were 58,373 ATMs as of the end of 2012 according to Interac statistics. One of the primary benefits of an ATM placement for a retailer is the potential increase of a retailer's merchandise sales when ATMs are located in a retailer's business and the retailer's share of the surcharge fee. In many cases, ATMs are destinations for customers who look specifically for ATM signage. Store operators generally report merchandise sales increases with an ATM at their location. As well, the ATM owner/operator can earn revenue from each transaction made at the ATM on the owner's/operator's premises. Banks have typically only pursued full turnkey ATM placements at large chain accounts or at bank branches. The chart below depicts the number of ATMs in Canada according to Interac:



(Source: Interac Association, [www.interac.org](http://www.interac.org))

To DCPayments' knowledge, since 2000, the major Canadian chartered banks' ATM networks have remained relatively static. In DCPayments' view, this has occurred primarily for two reasons. Many business owners have replaced financial institution-owned ATMs with non-financial institution ATMs which are more lucrative for business owners since a greater portion of the Surcharge Fee is paid to the business owner. As well, the major banks have voluntarily removed some Off-Premise ATMs (ATMs that are not located on the premises of a financial institution) due to the poor financial returns received by such banks on such ATMs, which DCPayments believes is due to such banks' higher cost structures (because major banks typically deploy higher cost ATMs and have a higher cost of maintenance).

The number of ATMs in Canada peaked in 2011. The first decline in year-over-year ATM numbers of occurred in 2012. The decline in 2012 of the number of ATMs may be attributable in part to owners of marginally economic ATMs deciding to disconnect ATMs rather than replace them or upgrade them to comply with new more stringent Network requirements. The total number of shared cash dispensing transactions processed through Interac has declined each year since 2002. The start of that decline coincided with the banks' decisions to commence surcharging competitor's customers at their ATMs.

Commencing in 2002, the major banks started to charge Surcharge Fees to other banks' customers at their ATMs. In DCPayments' view, this has eliminated certain competitive advantages of the major banks, but has made consumers more loyal to their own bank in order to avoid surcharge fees.

The Canadian ATM industry is fragmented with various small service providers. DCPayments estimates that there are over 150 independent sales organizations in Canada which sell ATMs. However, DCPayments believes that the majority of the market share relating to branded non-financial institution ATMs is occupied by less than 10 companies. DCPayments estimates that DirectCash has the largest market share of all of the branded non-financial institution providers and banks.

According to figures provided by Bank of International Settlements ("**BIS**"), Canada has more ATMs per 1 million inhabitants than any other country. According to BIS statistics, Canada had 1,742 ATMs per 1 million inhabitants as of 2011 (the last available information for Canada), as compared to the United States which had 1,385 ATMs per 1 million inhabitants as of 2009 (the last available information for USA).

Interac direct payment, or Debit, allows Canadians to use their banking cards to effect "cashless" payments for goods and services at participating merchants. Interac Debit began as a pilot project in 1990 and rolled out across Canada in 1994. According to Interac, the number of Debit Terminals in Canada has grown every year since Debit was deployed nationally in 1994. In 2000, Debit surpassed cash for the first time as Canadians' preferred way to pay for purchases. This trend has continued with the result that Canadians are among the highest users of debit cards worldwide.

DirectCash entered the Debit Terminal business in January of 2002, extending the business model DirectCash developed for the ATM business to the Debit Terminal business. Non-financial institution Debit Terminals may charge a Surcharge Fee to customers who pay with their debit cards. Surcharging transactions at Debit Terminals enables the retailers to earn revenue on their terminals, offsetting the terminal and transaction processing fees charged to retailers on each transaction. In addition, retailers are able to purchase non-financial institution Debit Terminals rather than paying a continuous rental fee.

### ***Current Developments with Network Competition In Canada***

Historically, Interac had enjoyed a near monopoly status in Canada to process PIN secured Debit Card transactions (as compared to the signature secured Credit Card transaction processing that several Credit Card Networks compete for). Merchants accepting payment by Interac direct Debit Card have historically enjoyed a very low cost fee structure (typically a few cents per transaction regardless of the size of the payment) and most bank customers have account fee arrangements with their financial institution that allows for a significant number of Debit Card transactions per month to be included in their monthly account fee. In comparison, a Credit Card acquirer's typical business model involves charging a share referred to as a Merchant Discount Rate ("**MDR**") (typically a percentage of 2-5% plus a flat per transaction fee in some circumstances) of the value of all transactions which a merchant agrees to accept payment through a Credit Card. The financial institution which issued the Credit Card then receives an Interchange Fee from the Credit Card acquirer.

The Canadian affiliates of the MasterCard and VISA Networks announced in early 2009 their intention to establish Canadian networks that would allow for the issuance of PIN secured Credit Cards in Canada (i.e. that would be functionally the same as the Debit Cards historically used through Interac) and both networks launched PIN secured products in 2010. MasterCard and VISA are profit orientated businesses. Credit Card Networks like MasterCard and VISA compete with each other to try to get financial institutions to connect their issued card base to the Credit Card Networks. Financial institutions compete for customers who open accounts with the financial institution and make money off the customers by charging interest for borrowed funds and charging various kinds of account and transaction fees. One of the ways Financial Institutions compete for customers is by issuing Debit Cards and/or Credit Cards to their customers that can be used on a Network such as Interac, MasterCard or VISA. Customers will decide to use a particular card based on a number of factors such as whether the card is associated with a network accepted by the merchant the customer purchases goods and services from, the fees the customer will pay to use the card, and any benefits the customer receives from use of the card (i.e. air miles, cash back, etc.). Concerns have been expressed by retail merchants that the new PIN secured Credit Cards offered by MasterCard and VISA will be favoured by financial institutions over Interac (because financial institutions can earn more revenue through the higher pricing models typically associated with Credit Cards). The Canadian federal government (Finance Minister's office) announced in 2010 that they would not be taking steps to block MasterCard and VISA from offering PIN based card products in competition with Interac. This in turn led to an announcement by Interac of Interac's intention to convert from a non-profit association structure into a for profit corporation structure with Interac's current members being converted into shareholders. The theory behind this switch by Interac was that Interac would need to have the flexibility to set fees at above cost recovery (i.e. abandoning the old non-profit price model) so that Interac could compete to retain financial institutions as card issuer customers for PIN secured cards. On February 12, 2010, the Commissioner

of Competition announced that the Competition Bureau would not support the application by Interac to remove the restriction against "for profit" activities. However, the February 12, 2010 press release also stated that "the Commissioner is prepared to re-examine Interac's request in the future if there is new information or material changes in the marketplace, or if Interac advances an alternative proposal, all provided that any changes would preserve the effectiveness of the key elements of the current Consent Order". Interac has continued to add other services and products such as China Union Pay acceptance. Furthermore, in April 2010 the Canadian Department of Finance issued a code of conduct for the credit and debit card industry in Canada, under which it is regulated that debit and credit card functions shall not co-reside on the same payment card. This has limited the ability of networks, such as MasterCard and VISA, in their ability to gain market share by offering a single payment card with both debit and credit functionality. Although credit card networks in Canada are not currently permitted to issue cards that have dual debit card and credit card functions, it is permissible for credit card networks to issue debit cards branded with the credit card network's brand. In June 2012, VISA announced that it was launching a VISA branded debt card that would be issued through Toronto Dominion Bank.

As indicated above, one of the applications made by Interac is to try to lift the controls the Competition Act authorities have over Interac fee structures for ATM and Debit Terminal transactions. If Interac is successful in these efforts (which would result in increases in the Interac fees) there is a strong possibility that Interchange Fees (revenue to DirectCash in the ATM business) will not increase enough to keep up with the increased costs to DirectCash arising from the increase in fees charged by Interac. This could result in a reduction in the per transaction profitability of ATM transactions. On February 12, 2010, the Commissioner of Competition announced that the Competition Bureau would not support the application by Interac to remove the restriction against "for profit" activities. However, the February 12, 2010 press release also stated that "the Commissioner is prepared to re-examine Interac's request in the future if there is new information or material changes in the marketplace, or if Interac advances an alternative proposal, all provided that any changes would preserve the effectiveness of the key elements of the current Consent Order".

On December 15, 2010, the Commissioner of Competition announced that the Competition Bureau would be filing an application with the Competition Tribunal, to strike down restrictive and anti-competitive rules that VISA and MasterCard impose on merchants who accept their credit cards. Among the anti-competitive rules that the Commissioner of Competition identified were the "No Discrimination Rule" (the rule that prevents merchants from treating a customer who presents a certain credit card less favourably than a customer who presents a different credit card), the "Honour All Cards Rule" (the rule that requires merchants to accept all credit cards from a specific network, including premium reward cards with higher card acceptance fees), and the "No Surcharge Rule" (the rule that prevents merchants from charging a fee on transactions made with Visa or MasterCard credit cards and conversely prevents merchants from offering a discount when a customer uses a payment method such as cash or Interac payment that costs the Merchant less). By way of example in the December 15, 2010 release, the Commissioner of Competition indicated that the network fees payable by a merchant for \$400 purchase of snow tire would be \$0.12 if the customer used Interac but would be \$12.00 if the customer used a credit card with a 3% fee. The hearing of this application occurred from May, 2012 to June, 2012 and the last of the closing arguments were filed in July, 2012. As of March 7, 2013, no decision had been issued by the Competition Tribunal. It is possible that if the Competition Tribunal issues orders controlling or prohibiting certain of the rules which the Commissioner of Competition alleges are anti-competitive this could increase the competitiveness of the Interac network in Canada (because Interac's lower costs are preferable to merchants and merchants might be able to provide incentives to customers to use a lower cost payment method such as Interac). Information about this case is available on the Competition Tribunal's web site at [www.ct-tc.gc.ca](http://www.ct-tc.gc.ca) (The Commissioner of Competition v. Visa Canada Corporation and MasterCard International Incorporated et al).

### **The ATM Industry – Australia**

The ATM market in Australia was established in the early 1970s. The Australian ATM System operates through a network of bilateral interchanges between the major financial institutions and industry aggregators for smaller institutions providing ubiquitous access for all cardholders at all ATMs, rather than operating under a scheme arrangement. The ATM clearing system rules are managed through the industry self-regulatory payments body, Australian Payments Clearing Association (APCA). Recent growth in non-bank ATM providers was spurred in 2009 by the introduction of direct charging (surcharging) with support of the Reserve Bank of Australia, which removed disloyalty fees charged by banks, removed interchange fees in most circumstances and introduced direct charging by the ATM operator. As a result, previously uneconomic locations became economical, leading to a number of new entrants. In the face of increased competition, the inability of smaller players to maintain margins has led to some industry consolidation. As at December, 2012, 30,333 ATMs were deployed in Australia by both banks and independent ATM providers (source: APCA website).

EMV Security upgrade deadlines mandated by MasterCard for conversion of ATMs and debit terminals in Australia are as follows: (a) 100% of ATMs must be upgraded by December 31, 2015; and (b) 100% of debit terminals must be upgraded with a EMV certified chip pin device by April 30, 2013. As at March 16, 2013, (a) over 61% of DirectCash's Australia ATM fleet was over 61% EMV capable, with these terminals requiring only a minor software upgrade to achieve full EMV compliance, and (b) 33% of DirectCash's Australia ATM fleet requiring a minor hardware and software upgrade to achieve full EMV compliance. The remainder of the fleet is scheduled for normal end-of-life replacement over the next one to two years, within the EMV rollout timetable.

### **The ATM Industry – United Kingdom**

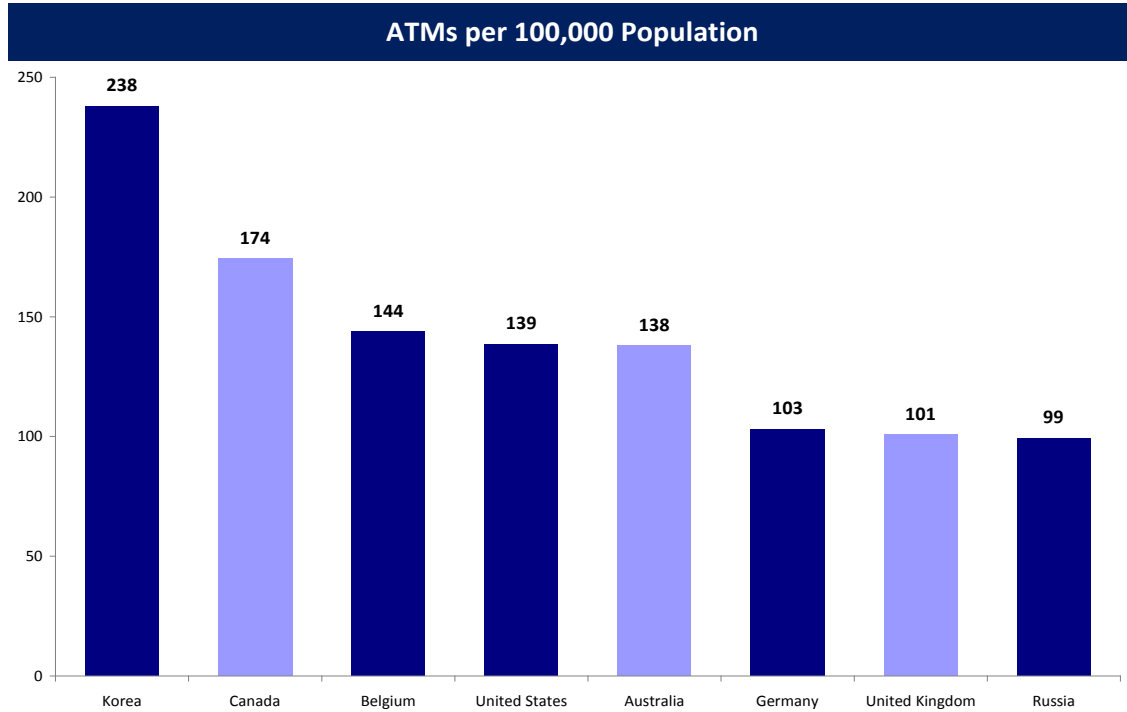
Non-bank providers originally deployed ATMs under bank sponsorship arrangements in the late 1990's. In July 2000, the Link Interchange Network ("**LINK**") allowed direct connection of Independent ATM Deployers ("**IADs**"). At the same time, LINK enabled surcharging by the IAD on all LINK debit cards and also agreed to an Interchange fee to be paid on all non-surcharged transactions. These changes enabled the significant growth in IADs that has occurred over the last 12 years. As at December 31, 2012 there were just over 66,000 ATMs in the UK of which approximately 31,000 were operated by IAD's. This IAD total represents a 4,8% increase from December 31, 2011 (source: LINK website).

United Kingdom ATMs are at a higher mandated compliance level than is currently required in much of the rest of the world. All ATMs have been both EMV and Triple DES Encryption compliant since 2006. LINK has mandated a further requirement that ATMs should connect to LINK using Remote Key Transfer ("**RKT**") rather than the manual input of security master keys at each ATM. Approximately 44% of InfoCash ATMs operate under a LINK dispensation that ends in year 2023, 44% are fully compliant and the remainder need to be upgraded as they become due for refurbishment during the period up to December 31, 2015.

ATMs deployed in the United Kingdom can be set up as either (a) "free to use" (in which case there is no Surcharge Fee and only Interchange Fees are earned by the ATM deployer) or (b) "pay to use" (in which case there is a Surcharge Fee but no Interchange Fee earned by the ATM deployer). Typically, high transaction volume locations are set up as "free to use" and low transaction volume locations are set up as "pay to use".

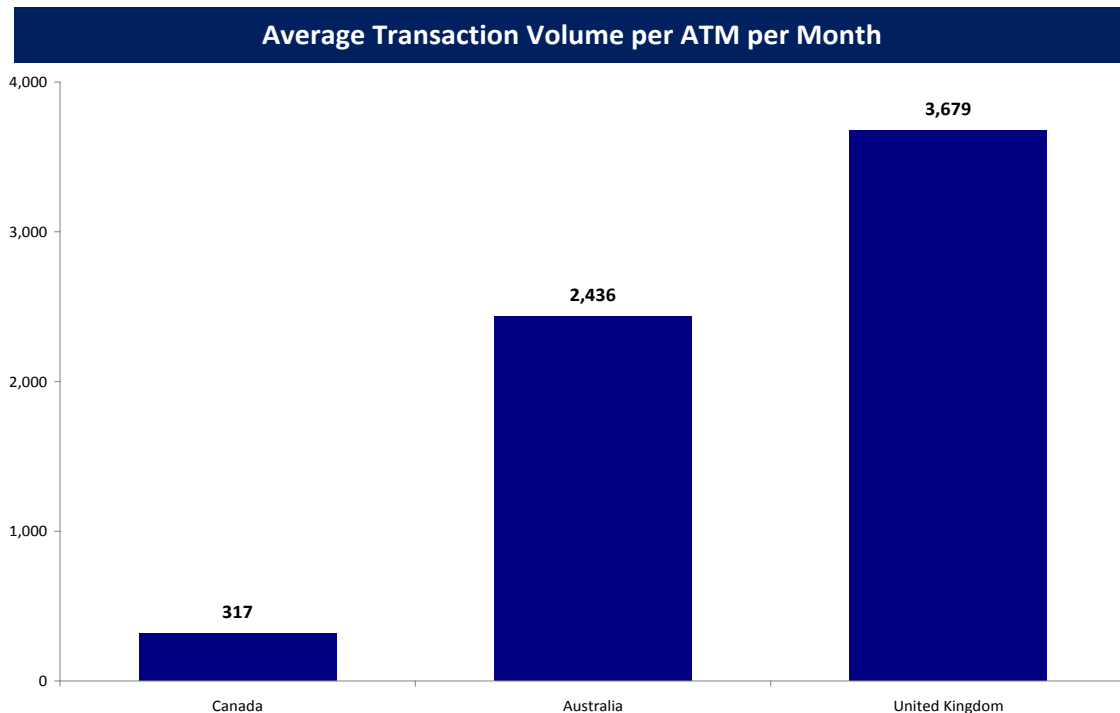
### **Comparison of ATM Market Fundamentals by Country**

According to the most recent figures provided by Bank of International Settlements ("**BIS**"), Canada had the second most ATMs per 100,000 inhabitants. According to BIS statistics, Canada had 1,742 ATMs per 100,000 inhabitants (2011 statistics), the United States had 1,385 ATMs per 100,000 inhabitants (2009 statistics), Australia had 1,379 ATMs per 100,000 inhabitants (2011 statistics) and the United Kingdom had 1,006 ATMs per 100,000 inhabitants (2009 statistics). The most recent statistics from BIS are as of 2011 for Canada and Australia and 2009 for U.S.A. and U.K.



(Source: BIS)

ATMs in Australia and the United Kingdom experience significantly higher transaction volumes than in Canada achieving an average monthly transaction volume per ATM in 2012 of 3,679 in the United Kingdom and 2,436 in Australia versus 317 in Canada. (Sources: Canada - Interac, 2012; U.K. - LINK, 2012; Australia - Retail Banking Research, 2010).





(Sources: Canada - Interac, 2012; U.K. - LINK, 2012; Australia - Retail Banking Research, 2010)

## THE DEBIT TERMINAL INDUSTRY

### Overview

The technical operation, networks/entities involved, sequence of electronic transactions, transaction settlement systems, and the rules governing Debit Terminals are very similar to those described above for ATMs (see "The ATM Industry") except that instead of receiving dispensing cash the card holder receives goods or services offered by the business that operates the debit terminal.

### Canadian Debit Terminal Industry

Interac direct payment, or debit, allows individuals to use their banking cards to effect "cashless" payments for goods and services at participating merchants. Interac debit began in Canada as a pilot project in 1990 and rolled out across Canada in 1994. According to Interac, the number of debit terminals in Canada has grown every year since debit was deployed nationally in 1994. In 2000, debit surpassed cash for the first time as Canadians' preferred way to pay for purchases. This trend has continued resulting in Canadians being among the highest users of debit cards worldwide.

Non-financial institution debit terminals may charge a surcharge fee to customers who pay with their debit cards. Surcharging transactions at debit terminals enables the retailers to earn revenue on their terminals, offsetting the terminal and transaction processing fees paid by retailers. In addition, retailers are able to purchase non-financial institution debit terminals rather than paying a continuous rental fee.

## THE PREPAID PRODUCT & PREPAID CARD INDUSTRY

The prepaid card product in Canada emerged in 2002 and more recently in Australia and the United Kingdom. Users of prepaid products include tax refund discounters, cheque cashing businesses, store front loan businesses (i.e. pay day loans or car title loans), employers distributing payroll in remote locations, federal and provincial governments, and any other business that would otherwise pay cash or issue gift cards to their customers in a store front environment. A prepaid card is a debit card/credit card with a pre-set advance limit which eliminates the need for a consumer to carry cash. Prepaid cards are advantageous to merchants as they can be used to build their brand and grow revenue. Prepaid cards provide a method by which merchants that historically would have dispensed cash now dispense a prepaid card instead, which benefits the merchant by reducing operating costs, improving service delivery and improving employee security.

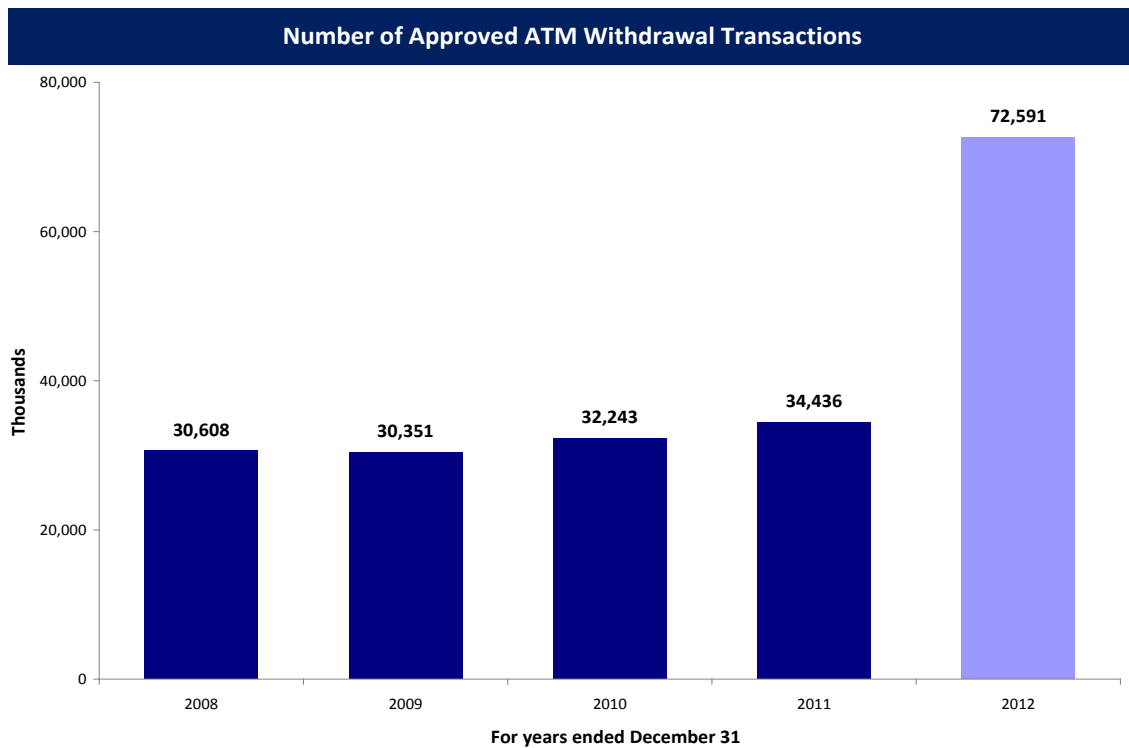
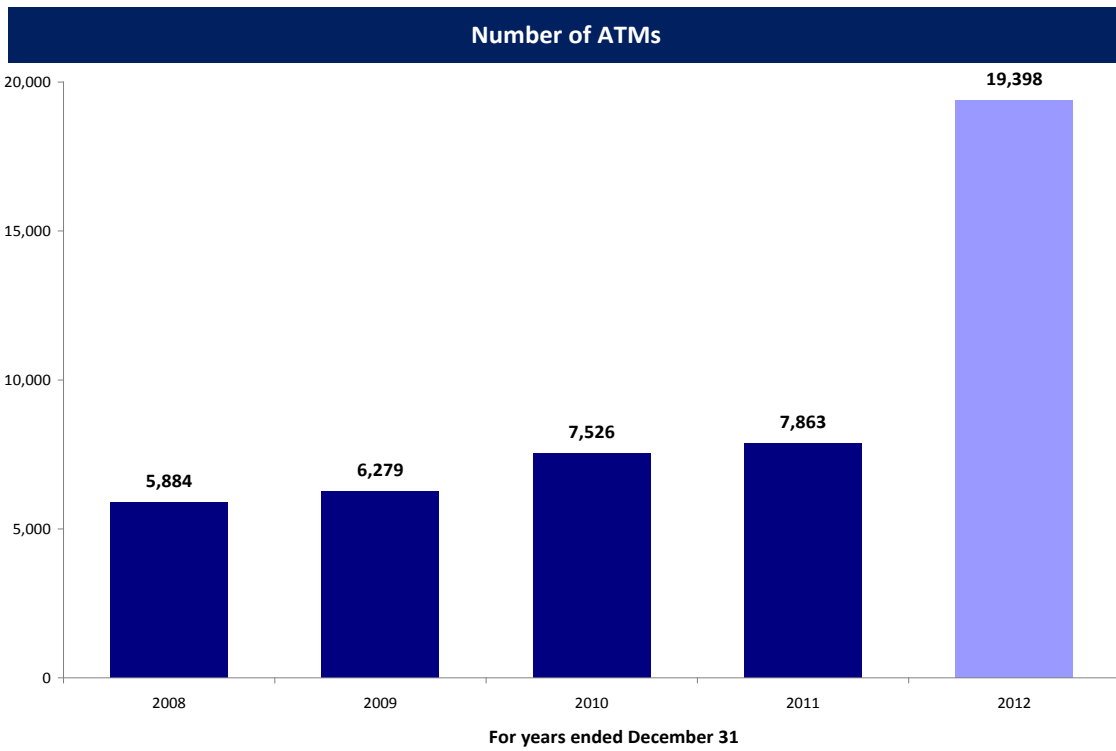
## DIRECTCASH WORLDWIDE ATM TOTALS

### DirectCash's Total ATMs Worldwide & Total Worldwide ATM Transactions

The following charts show: (a) the number of ATMs deployed by DirectCash as of the dates indicated; and (b) the number of revenue earning completed ATM withdrawals carried out through ATMs deployed by DirectCash as of the dates indicated. This information only includes ATMs actually deployed by entities legally controlled by DirectCash as of the date indicated and does not include historical information concerning ATMs deployed by corporations acquired by DirectCash for time periods before the corporation was acquired (i.e. the historical numbers of ATMs deployed by the corporations that carry on the Australasia and European businesses are not included in the figures for 2008, 2009, 2010 or 2011). In some jurisdictions, revenue is earned on other types of ATM transactions (i.e. balance inquiries) - only ATM withdrawal transactions are included in the chart below.

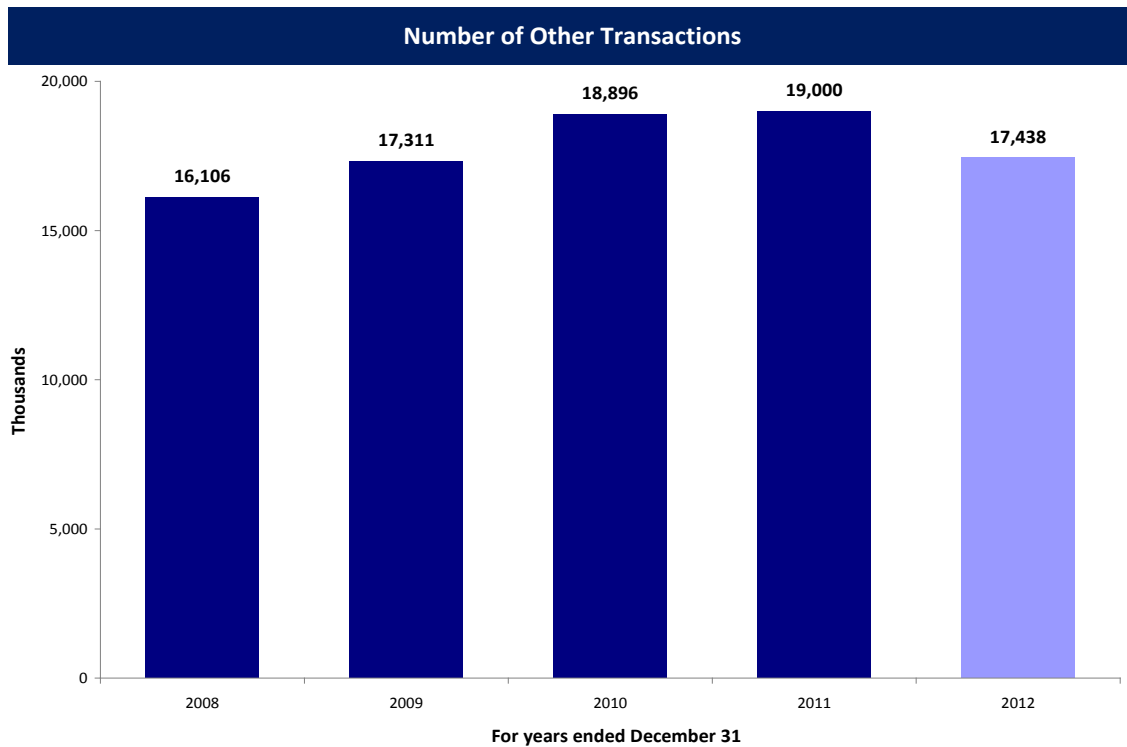
One measure of the success of the contract renewal process is the average number of months remaining in the committed term under DirectCash's contracts. The following table provides a summary of the average months remaining in the term of all of DirectCash's active ATM contracts by jurisdiction as of December 31, 2012:

ATM Contracts	
Average Number of Months Remaining in Term of Contract	
North America	39
Australasia	33
United Kingdom	26



### DirectCash's Total Worldwide Other Transactions

The following chart shows the total number of revenue earning completed transactions (other than ATM transactions) carried out by DirectCash as of the dates indicated. This information includes transactions processed through POS Devices (i.e. debit terminals and credit card terminals) plus transactions carried out using prepaid cards distributed by DirectCash. This information only includes transactions carried out by entities legally controlled by DirectCash as of the date indicated and does not include historical information concerning transactions carried out by corporations acquired by DirectCash for time periods before the corporations were acquired (i.e. the historical numbers of POS transactions and Prepaid Card transactions carried out through the corporations that carry on the Australasia and European businesses are not included in the figures for 2008, 2009, 2010 or 2011).



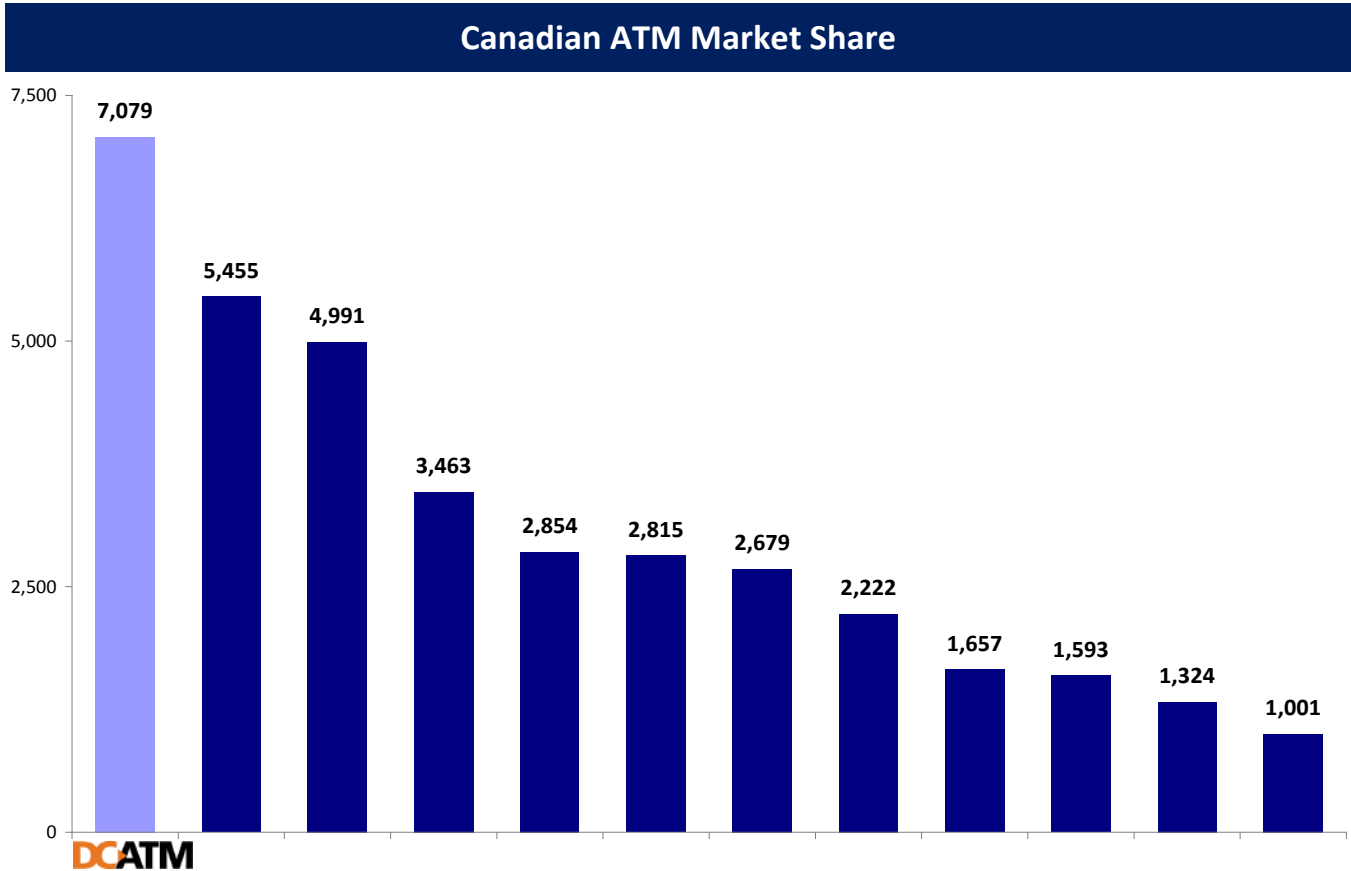
### DIRECTCASH NORTH AMERICAN BUSINESSES

#### DirectCash's North American ATM and Debit Terminal Businesses

DirectCash is an integrated ATM and Debit Terminal provider, and offers a complete suite of ATM and Debit Terminal management services from ATM and Debit Terminal deployment and maintenance to transaction processing, reporting and settlement.

#### *DirectCash's Canadian ATM Market Share*

DirectCash had 7,477 active ATMs in DirectCash's North American network as at December 31, 2012. At present, DirectCash estimates that DirectCash has the largest branded network of ATMs operating in Canada. The following diagram summarizes the size of the competitors (by number of ATMs deployed) in the Canadian ATM market (top 12 with 1,000 or more ATMs deployed).



(Source: Interac Association)

(Note: This diagram includes only Canadian ATMs, DirectCash's ATMs located in other North America markets (i.e. U.S.A. and Mexico) are not included.)

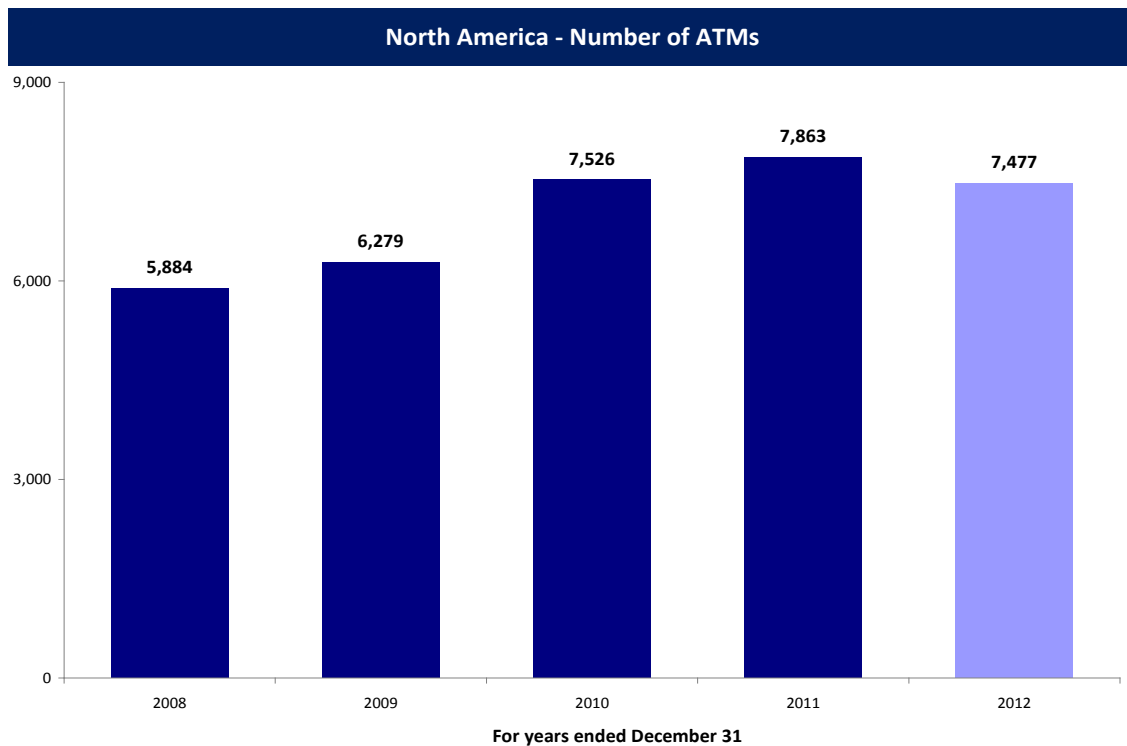
#### ***DirectCash's North American ATM Business***

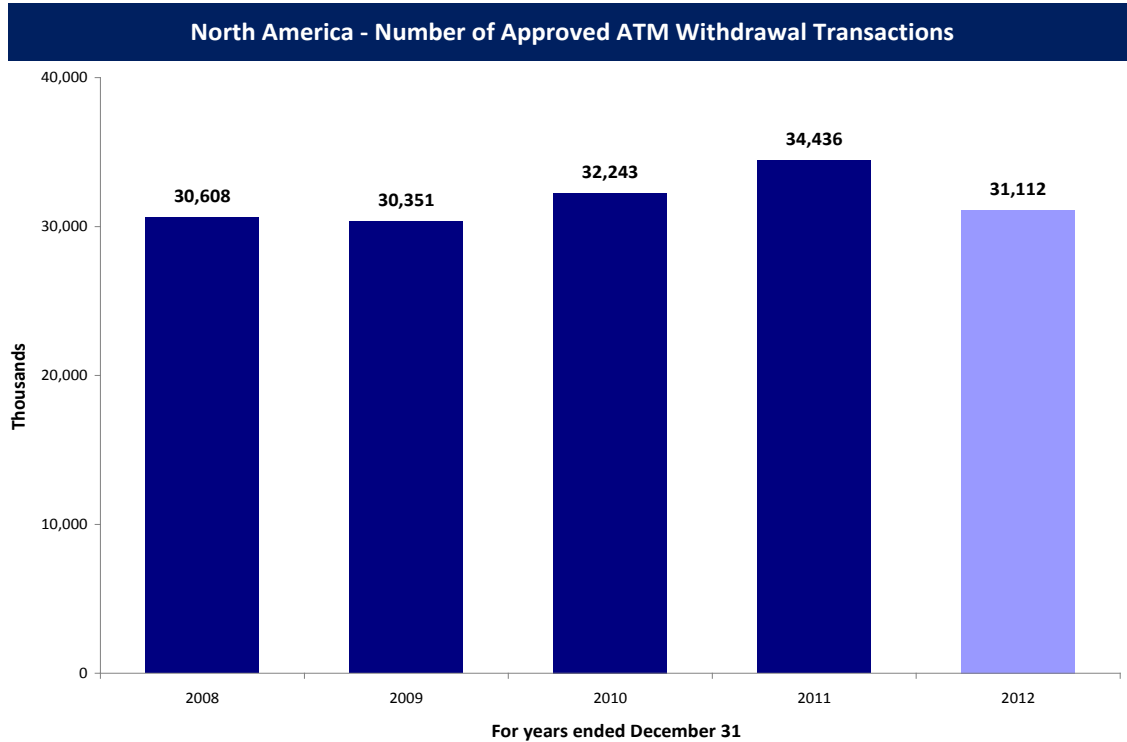
DirectCash's ATM business has three traditional types of arrangements: (i) "Processing Contracts", which typically refers to an ATM which is owned by a retailer or a third party and cash-loaded by the retailer or a third party, where DirectCash processes the ATM transactions and the retailer or the third party pays for the transaction processing, maintenance, and service support; (ii) "Partial Placement", which refers to an ATM owned and maintained by DirectCash but which is cash-loaded by the retailer or a third party; and (iii) "Full Placement", which refers to an ATM owned and maintained by DirectCash and cash-loaded by DirectCash. DirectCash also enters into hybrid contracts which may include different mixes of services as compared to the traditional 3 types of contracts. In each of these instances, DirectCash typically enters into a 6 year (5 years under older versions) agreement with the retailer or ATM owner. The contracts generally include a renewal provision that allows the term to be extended for a further period after the end of the initial contract term and generally include a right of first refusal for DirectCash to match a competitor's offer on renewal. In the ATM business, DirectCash earns revenue from the following sources: (i) transaction fees which include Interchange Fees and Surcharge Fee; (ii) processing and maintenance fees; (iii) margin on exchange rates, and (iv) margin on the sale of ATMs and ATM parts. A significant aspect in DirectCash's ability to maintain (and grow) revenue is DirectCash's ability to arrange for renewal of existing contracts when they expire or reach the end of their existing term.

The following table provides a breakdown of the active ATMs in DirectCash's network by agreement type (classified into the traditional contract type that they most closely match) as at December 31, 2012:

Agreement Types – Number of Active ATMs (Canada, USA & Mexico)	
	Contract Type
Processing Contracts	3,388
Partial Placement Contracts	1,417
Full Placement Contracts	2,672
<b>Total</b>	<b>7,477</b>

The following charts set out the number of active ATMs in North America connected through DirectCash up to December 31, 2012, as well as the corresponding number of annual approved in North America ATM transactions.





The 2012 decline (as compared to 2011) in the number of DirectCash ATMs deployed in North America (and a corresponding portion of the decline in total North America ATM withdrawal transactions) can be attributed primarily to (a) the expiry of a contract with one customer in the first quarter of 2012 that impacted 175 ATMs; (b) one significant customer with many locations closing 65 low volume locations; and (c) one retail customer with 93 DirectCash ATMs closing its business which resulted in closing all of its locations during 2012 (many of those locations will be reopened starting in 2013 by a new retailer that has signed an agreement with DirectCash to deploy DirectCash ATMs in its locations as they open).

#### ***DirectCash's Canadian Debit Terminal Business***

DirectCash is one of the leading non-financial institution Debit Terminal providers in Canada. In the Debit Terminal business, DirectCash has two different product/service offerings: (i) "Debit Processing", which refers to a Debit Terminal which is owned by a retailer or a third party, where DirectCash processes the Debit Terminal debit transactions and the retailer or third party pays for the transaction processing, maintenance, service and support; and (ii) "Debit Placement", which refers to a Debit Terminal which is owned by DirectCash and is placed into a retailer's premises. In both offerings, DirectCash may also add the sale of prepaid cellular and prepaid long distance from Debit Terminals. DirectCash now typically enters into an exclusive 6 year (5 years under older versions) transaction processing, revenue sharing and servicing agreement with the retailer. The contracts generally include a renewal provision that allows the term to be extended for a further period after the end of the initial contract term and generally include a right of first refusal for DirectCash to match a competitor's offer on renewal. In the Debit Terminal business, DirectCash earns revenue from the following sources: (i) margin on the sale of Debit Terminals; (ii) transaction fees which include debit transaction fees and Surcharge Fee; (iii) maintenance and software licensing fees; and (iv) credit card revenue. As of March 16, 2013, all of DirectCash's Debit Terminal business is located in Canada only.

#### ***DirectCash Canadian Transaction Processing Switch***

DirectCash is a member of Interac as an indirect Acquirer and operates an ATM and Debit Terminal transaction processing switch and card issuing service bureau platform (the "**DirectCash Switch**"). As of March 16, 2013 DirectCash was accessing the Canadian Interac network through Moneris Solutions Corp. (which is a joint holding of Bank of Montreal and Royal Bank of Canada). DirectCash also processes international ATM and Debit Terminal transactions via the Plus, Cirrus and Maestro networks through a contract with Moneris Solutions Corp. and Royal Bank of Canada. DirectCash processes MasterCard transactions for DirectCash's Canadian ATMs through a sponsorship agreement with DC Bank. DirectCash also is an

independent sales organization for Elavon Canada Company and Moneris Solutions Corp through which DirectCash routes (and earns revenue from) MasterCard and VISA transactions. DirectCash processes transactions on DirectCash's U.S. based ATMs through Columbus Data Services, LLC. In Mexico DirectCash's ATM transactions are processed through Banco Interacciones, (which sub-contracts some functions to Promoción y Operación, S.A. de C.V. - a Mexico based transaction processor - also known as "**Prosa**").

DirectCash's current transaction processing capabilities are through the use of software included in the DirectCash Switch. The DirectCash Switch provides complete processing capabilities to DirectCash's entire Canadian network of ATMs and Debit Terminals. The DirectCash Switch processes all types of acquired transactions and, in order to obtain authorization to proceed with such transactions, routes them to the respective Issuers through Interac or any of the Networks in which DirectCash is either a member or to which DirectCash has access.

Some of the software providing functionality to the DirectCash Switch is used by DirectCash under a license. Many of these components are smaller pieces of software designed to allow the DirectCash Switch to communicate with various third party models of ATMs or Debit Terminals. The manufacturers of such models often make the necessary software available under a license in order to encourage DirectCash to allow such models to be connected to DirectCash's Switch System. Most of the other software has been developed internally by DirectCash and is the property of DirectCash. New code is developed and owned by DirectCash.

#### ***North American Technology Solutions for ATM and Debit Terminal Owners***

DirectCash provides a number of solutions to ATM and Debit Terminal owners, including web reporting and immediate error notification. DirectCash's web solution is a windows-based set of tools for "anywhere" management of ATMs and Debit Terminals. An ATM or Debit Terminal owner or operator can use the internet to manage ATMs and Debit Terminals and to generate advanced reporting.

Through the use of DirectCash's error notification software, DirectCash is also able to provide real time information on the status of each ATM and Debit Terminal. Depending on the ATM type, some terminals are capable of paging the operator of the terminal and providing the operator with information on the error, effectively reducing ATM downtime. For example, DirectCash can provide ATM error notification, ATM cassette status, ATM receipt paper status and dispenser errors. DCPayments believes that these technological capabilities provide DirectCash with a competitive advantage when pursuing new customers.

In the Debit Terminal business, DirectCash has developed DirectCash's own debit and credit terminal software application. This enables DirectCash to make changes to the software for specific customer needs without having to rely on a third party developer to complete the changes.

#### ***North American Product Suppliers (ATM & Debit Terminals)***

The brands/models distributed by DirectCash changes from time to time and the choice is largely determined by customer demand (which in turn is influenced by unit pricing, functional capability, and perceived reliability). During the period commencing January 1, 2012, DirectCash has been a significant reseller of ATMs manufactured/supplied by Triton Systems of Delaware LLC, Nautilus Hyosung Inc., GRG International, and Wincor-Nixdorf Canada Inc., and ATM parts by ATM Gurus (a subsidiary of Triton Systems of Delaware LLC). During the period commencing January 1, 2012, DirectCash has been a significant reseller of Debit Terminals equipment manufactured/supplied by TechTrex Inc. DirectCash is dependent on manufacturers for DirectCash's ATM products, but DirectCash has reduced DirectCash's supply exposure by having access to a number of different suppliers/models at any one time.

DirectCash maintains an inventory of ATMs and Debit Terminals in order to provide a fast turnaround for installations. In addition, DirectCash maintains an extensive parts inventory for all of the various types of ATMs and Debit Terminals that DirectCash deploys in order to provide the appropriate service levels to DirectCash's customers. DirectCash's employees and independent contractors throughout Canada conduct ATM and Debit Terminal service and maintenance.

#### ***North American Customer Types (ATM & Debit Terminals)***

DirectCash's customers include (for example) convenience food stores, bars, pubs, nightclubs, sports facilities, malls, recreation centres, hotels, restaurants, retail stores, gasoline retailers, loan/cheque cashing locations, grocery stores, pharmacies, bingo halls, casinos, malls, airports, and bowling centers,. During 2012 DirectCash also maintained or established a number of chain accounts

including with Avondales Stores Ltd., Boston Pizza, British Columbia Ferry Services Inc., Canex (Canadian Forces Exchange System, a division of the Canadian Forces Personnel and Family Support Services), Cash Money Inc., Great Canadian Gaming Corporation, Greater Vancouver Transportation Authority, International News, Mac's Convenience Stores Inc. (a subsidiary of Couche-Tard Inc.), Overwaitea Food Group Limited Partnership, Short Stop Food Stores (Parkland Industries), Silver Birch Hotels & Resorts Limited Partnership (hotels), The Cash Store Financial Services Inc., Thrifty Foods Ltd., Empire Theatres Limited, Westmont Hospitality Group, Shell Canada Products, Cineplex Entertainment LP, Canadian National Institute for the Blind, Hudsons Bay Company, Travelex Currency Services Inc, and Exchange Corporation Canada Inc.

***North American Seasonality (ATM & Debit Terminals)***

ATM and Debit Terminal transaction volumes are subject to seasonality. Based upon historical transaction volumes from January 2008 through to December 2012, the highest transaction activity in Canada typically occurs in the 2nd and 3rd quarters of the year. The 1st and 4th quarters are traditionally DirectCash's weakest quarters in terms of number of processed transactions and gross profitability in Canada. In Mexico, seasonality in the ATM business is the opposite of what is seen from DirectCash's Canadian operations.

***North American Sales, Distribution and Marketing (ATM & Debit Terminals)***

DirectCash markets DirectCash's ATMs and Debit Terminals through third party lead generation, marketing to existing customers/locations where DirectCash ATMs or Debit Terminals are already in operation, in-house sales personnel, commission sales agents, direct mail, and distributors throughout Canada. In addition, DirectCash attends numerous trade shows each year and advertises through print media in a variety of trade magazines. All of DirectCash's distributors and commission sales agents are under contract. The contracts typically contain exclusivity and non-competition covenants.

***North American Specialized Skill & Knowledge (ATM & Debit Terminals)***

DirectCash has developed an extensive technological transaction processing infrastructure which requires skilled information technology staff to operate and develop the platform. In addition, DirectCash has a service infrastructure and call centre which requires skilled ATM technicians and call centre management to operate.

***North American Competition (ATM & Debit Terminals)***

In the Mexican and U.S.A. markets, DirectCash is a very small competitor (although in the narrow market of Mexico tourist destination cities, DirectCash's market share is more significant). The Canadian ATM and Debit Terminal industry is fragmented and is comprised of a full spectrum of providers from large banks to single proprietorship owners of ATMs and Debit Terminals. DirectCash's non-bank competitors are primarily regional players. Some of the major non-bank competitors in Canada are Access Cash General Partnership (also dba Ezee ATM), Stanley Canada Corporation (dba Frisco Bay ATM), Newer Technologies Ltd, Cardtronics Canada Ltd. (acquirer of Can-Do-Cash Ltd.), Threshold Financial Technologies Inc. (controlled by Brink's, Incorporated), and On-Line Service Corp. which have installations across Canada and are not limited to particular regions. DirectCash's Canadian bank competitors include Royal Bank of Canada, Canadian Imperial Bank of Commerce, TD Canada Trust, Bank of Nova Scotia, and Bank of Montreal. Each of these banks commenced surcharging other banks' customers at their ATMs in approximately 2002. The banks have focused on full placements at large chain accounts and branch locations. DC Bank has provided DirectCash with the following 2012 Interac information concerning the number of Canadian ATMs operated by the banks (this is Canadian only data and does not include ATMs in Mexico or U.S.A.):

Bank	Bank Reported Number of ATMs (approximate)
Royal Bank of Canada	4,991
Canadian Imperial Bank of Commerce	3,463
TD Canada Trust	2,815
Bank of Nova Scotia	2,854
Bank of Montreal	2,222

DirectCash estimates that as of December 31, 2012 there were over 150 non-financial institution ATM providers in Canada, ranging in size from a few ATMs to in excess of 5,000 ATMs, with DirectCash being the largest branded non-financial institution ATM provider with 7,079 active ATMs in Canada as of December 31, 2012. DirectCash is not aware of any independent third party reports that provide details of branded non-financial institution ATMs deployed in Canada.



DirectCash's competitors in the Debit Terminal business include (but are not limited to) CT Payment Inc., Global Payment Systems Inc., Moneris Solutions Corp., Chase PaymentTech Solutions, LLC., BCE Emergis Inc., and Pivotal Payments Corporation. A number of ATM providers have also entered the Debit Terminal business. DirectCash estimates that as of December 31, 2012 there are over 100 independent sales organizations selling Debit Terminals in Canada.

### **DirectCash's North American Debit Terminals, Prepaid Product & Prepaid Card Business**

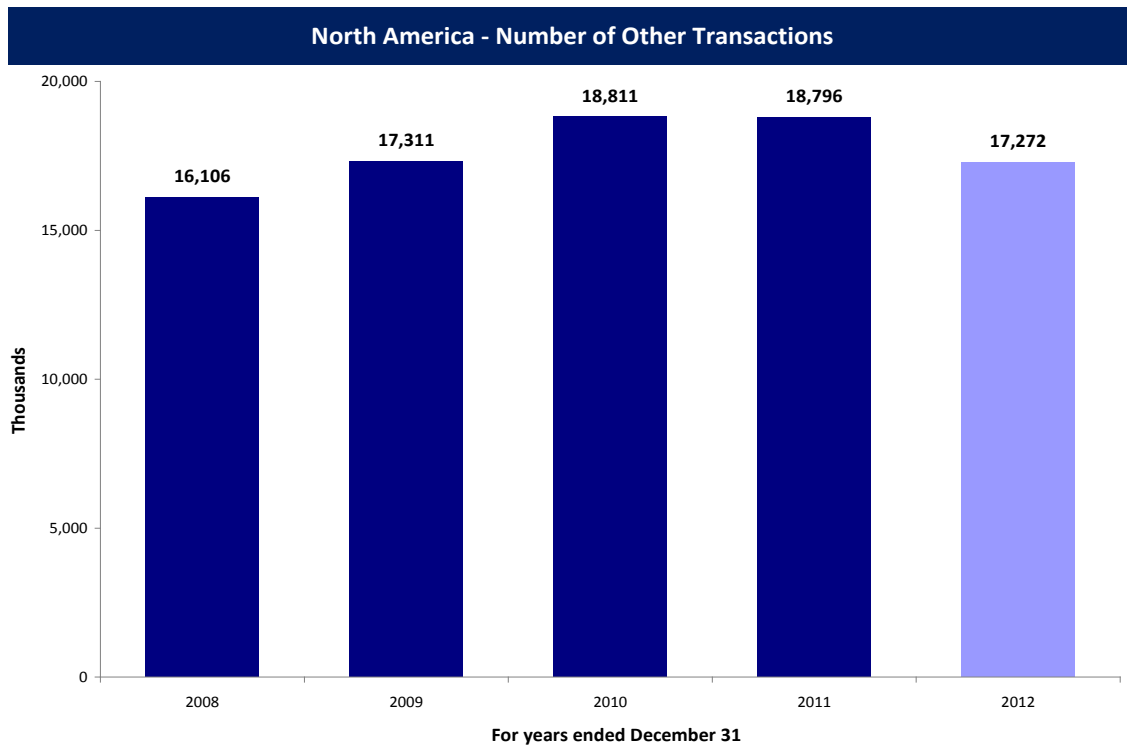
#### ***Description of Canadian Business Segment (Prepaid Products & Prepaid Cards)***

DirectCash earns revenue from: (1) the distribution of Prepaid Cards, (2) transaction fees associated with Prepaid Card activations, (3) transaction fees associated with the use of Prepaid Cards for transactions, (4) monthly fees, (5) monthly fees paid by DC Bank, and (6) pre-authorized debit ("**PAD**") whereby fees are earned for facilitating payments between merchants and their customers. DirectCash's current platform is used by a significant number of merchants in Canada as a method of providing cash access to their customers without the high cost of maintaining physical cash at their locations. In addition, DirectCash's merchants may brand the Prepaid Cards with merchant's identity which builds the merchant's brand loyalty. DirectCash typically signs exclusive 3 to 10 year agreements for the provision of a Prepaid Card Management System to a merchant. DirectCash is certified as a MasterCard Transaction Processing Partner ("**TTP**") and offers a DirectCash branded prepaid MasterCard product which puts DirectCash in the position of being able to offer both prepaid MasterCard credit cards and prepaid Interac debit cards. The MasterCard Prepaid Cards are referred to as "Credit Cards" because they are issued for use by a "credit card" Network. However, Credit Card Prepaid Cards are pre-loaded with balances (i.e. just like the Debit Card Prepaid Cards) and no "credit" is advanced by DirectCash (or DC Bank) to the card holder. In each case (MasterCard credit card and Interac debit card), the card must be issued by a financial institution. DC Bank is the card issuer for the Interac and MasterCard cards issued under DirectCash programs operated in Canada.

DirectCash has developed a secure platform that supports client configurable program management, cardholder account management, card distribution services and reporting for merchants and customers (the "**Prepaid Card Management System**"). DirectCash's Prepaid Cards are distributed and activated by the contracted merchants and can be used at any ATM or Debit Terminal displaying the logos of Interac, Cirrus, Maestro (for debit based cards) or MasterCard (for MasterCard based cards), allowing cardholders access to cash and direct payment through approximately 794,000 Debit Terminals within Canada (as of 2012 based on information from Interac) and approximately 2.7 million ATM terminals worldwide (as of 2011 based on information from BIS). DirectCash's card activation system provides the contracted merchants and cardholders with a secure web based interface to interact with the Prepaid Card Management System. Merchants use this interface to assign, activate, cancel and manage Prepaid Cards. Merchants also use the system to generate a variety of reports to help them monitor, balance and reconcile their systems. The system allows merchants the flexibility to set up and manage different user accounts with different permissions for their employees. Cardholders use the system primarily to monitor their transactions but have the ability to also download activity statements.

For the last several years, the prepaid products business has been DirectCash's highest organic growth line of business in Canada, largely due the types of prepaid products that DirectCash has been able to offer through DirectCash's contractual relationship with DC Bank, as well as growth within DirectCash's existing customers' businesses. Organic growth has accounted for 100% of growth in prepaid products since 2002. In Canada, DirectCash offers prepaid card products for both the MasterCard (a prepaid credit card product) and Interac (a debit card product) networks. A prepaid Visa product is currently offered by DirectCash in Australia and DirectCash plans to introduce the Visa product in 2013. All prepaid products are referred to as such because they are branded as "prepaid" by either MasterCard, Visa or Interac. All prepaid products are pre-loaded with balances and no credit is advanced to the card holder by DirectCash or any third party as part of the attributes of the prepaid card or associated accounts. Prior to any value being loaded on a card, DirectCash obtains security from the merchant customer in the form of a letter of credit or cash collateral security.

The following chart shows the total number of revenue earning completed transactions (other than ATM transactions) carried out by DirectCash in North America as of the dates indicated. This information includes transactions processed through POS Devices (i.e. debit terminals and credit card terminals) plus transactions carried out using prepaid cards distributed by DirectCash:



### ***Canadian Payday Loan Regulation and Class Actions (Prepaid Products & Prepaid Cards)***

Some of the larger customers in the Prepaid Card business are involved in the payday loan business. There have been many class action law suits commenced against various pay day loan operators across Canada alleging that the pay day loan transactions by these businesses violate Section 347 of the Criminal Code (Canada) and seeking return of all such applicable interest charged. Amendments were made to the Criminal Code in May, 2007 that allow Provinces to introduce regulatory regimes to regulate payday loan operators and which will exempt the application of Section 347 in those Provinces that have established a regulatory regime. Many of these class actions have already settled.

One of DirectCash's clients in the payday loan business periodically provides updates to DirectCash regarding regulatory initiatives and legislation affecting the payday loan business in Canada. DirectCash has been advised that the Provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, New Brunswick, Nova Scotia, Prince Edward Island have passed legislation that allows for the setting of maximum rates, and that the rates have been set in all of those Provinces except New Brunswick, and Prince Edward Island. As of March 16, 2013 each of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, and Nova Scotia, had been designated (by specific regulation under the Criminal Code) as a jurisdiction that was exempted from Section 347 - DirectCash is not aware if any other Province has yet been designated as exempt under Section 347.1(3). The legislation and regulations in New Brunswick, and Prince Edward Island have not progressed far enough for them to meet the requirements to be designated as exempt pursuant to Section 347.1(3). Quebec, Newfoundland & Labrador, and the 3 Territories have not passed the necessary legislation and therefore will still be subject to Section 347 of the Criminal Code (Canada) for the foreseeable future. DirectCash's customer has advised that it believes that it can operate under the new rules subject to some ongoing submissions regarding the inclusion of some types of fees in the regulated rates. In Manitoba, this customer ceased to issue loans as of September 30, 2012 and began offering a "line of credit" product instead - the customer believes that the "line of credit" product does not violate the applicable Manitoba regulations.

In Ontario, the registrar for payday loans has issued a proposal to revoke the lending license of DirectCash's largest prepaid card customer. The customer has requested a hearing before Ontario's License Appeal Tribunal.

If both (a) the introduction of payday loan rules (and actions of corresponding Provincial regulators) have the effect of causing a large DirectCash customer to stop offering particular types of payday loan products and (b) the customer is unable to augment

their business through the introduction of alternative products (like the line of credit product used by one customer in Manitoba), to the point where the customer decides to close particular store locations, this could have a negative impact on DirectCash's Prepaid Card business.

There is some controversy under some of the Province's payday loan rules regarding including the card fee (i.e. the fee charged by a business operator to supply a Prepaid Card for the first time to a customer) within the maximum rates allowed under the regulations. Including card fee in the regulated maximum rate might provide some disincentive for some merchants to offer Prepaid Cards as an alternative funding mechanism.

#### ***Canadian Sales, Distribution and Marketing (Prepaid Products & Prepaid Cards)***

DirectCash sells DirectCash's Prepaid Card products primarily through internal sales staff. DirectCash has primarily been marketing the Prepaid Card to merchants who distribute cash or cheques to their customers. DirectCash's customers include major payday loan, cheque cashing companies, income tax refund discounters, and major retailers who conduct financial payments services as part of their operations. DirectCash also markets Prepaid Card systems to existing ATM and Debit Terminal customers.

#### ***Canadian Competition (Prepaid Products & Prepaid Cards)***

Competitors in the Prepaid Card business include Berkley Payment Solutions and ScotiaBank Solutions (a partnership between Berkley Payment Solutions Inc. and Bank of Nova Scotia), Blackhawk Network Canada Inc., Citizens Bank of Canada, Datawave Prepaid Card Company Inc., Horizon Plus Financial Ltd. (a subsidiary of Peoples Trust Company), Hyperwallet Systems Inc., Now Prepay (a division of Vendtek Systems Inc.), Paymobile, Inc., RSVP Communication Services Inc., SelectCore Ltd. (a program manager for All Trans Credit Union), TNS Prepaid Financial Corp., and TruCash Rewards Limited (a program manager for All Trans Credit Union). Competitors in the Prepaid Products business include Gold Line Telemanagement Inc. (a reseller for TruCash Rewards Limited), and InComm Canada Prepaid Inc. (previously Datawave Services (Canada) Inc.). Competitors in the PAD business include EFT Canada Inc., Versapay Corporation, and all of the major Canadian chartered banks. Because DirectCash operates its own switch for processing transactions related to these businesses and develops its own in house proprietary technology, DCPayments believes that DirectCash provides a more competitive cost structure than most competitors.

### **DIRECTCASH AUSTRALASIA BUSINESSES**

The Australia and New Zealand operations of DirectCash are primarily focused on ATMs with a relatively small Prepaid Card business. The Australian and New Zealand ATM businesses flow from the Customers Limited acquisition which was completed on July 4, 2012. Prior to the Customers Limited acquisition, DirectCash did not have an ATM business operating in Australia or New Zealand. DirectCash does not have any Debit Terminal business operations in Australia or New Zealand. The Prepaid Card business of DirectCash in Australia was started by a DirectCash subsidiary incorporated in Australia for that purpose.

Where historical ATM information is provided concerning the performance of the Australian & New Zealand businesses before July 4, 2012 (i.e. when the Customers Limited acquisition was completed): (a) such information is not included in the financial results of the DirectCash Group and (b) such information is provided only for the purpose of providing information about business trends that may be relevant to understanding the Australia and New Zealand businesses as they exist as of the date of this Annual Information Form. Since the Prepaid Card business was started by a DirectCash entity (i.e. not as a result of the Customers Limited acquisition or any other business acquisition transaction) all of the information related to the Prepaid Card business is included in the historical financial results of the DirectCash Group.

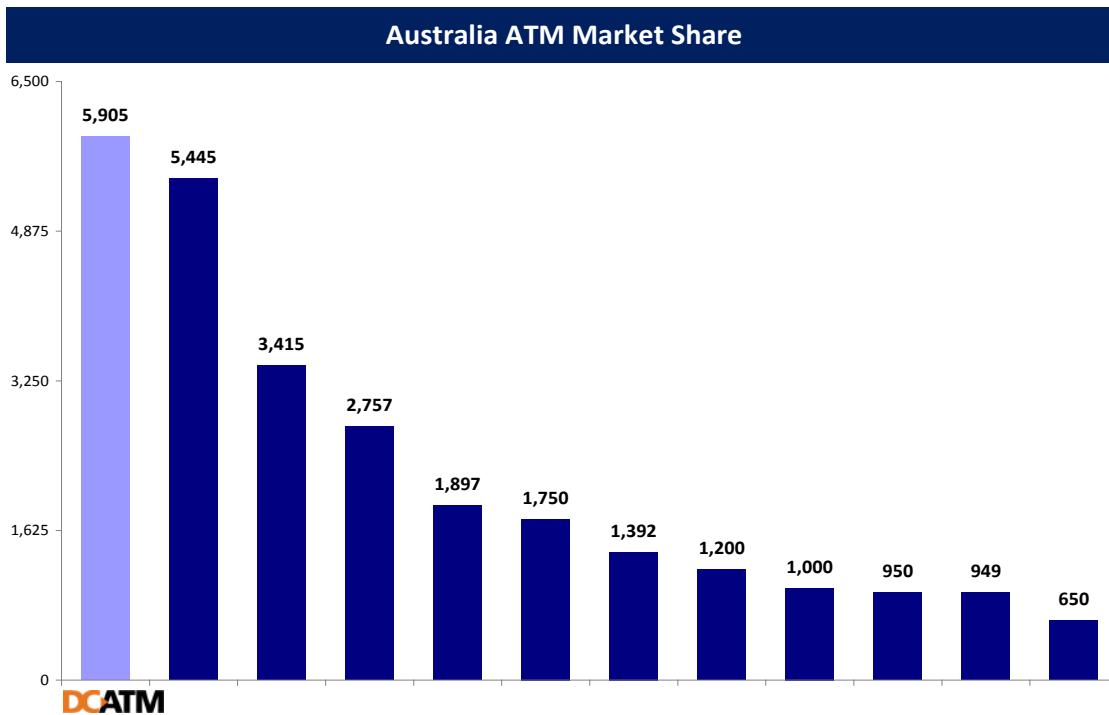
#### **DirectCash's Australasia ATM Business**

In Australia DirectCash is a fully integrated ATM Terminal provider, and offers a complete suite of ATM management services from ATM deployment and maintenance to transaction processing, reporting and settlement. DirectCash had 6,432 active ATMs in DirectCash's Australia and New Zealand networks as at December 31, 2012. DirectCash's predecessor corporation in Australia (Customers Limited) was incorporated on June 30, 1989. Customers Limited entered the ATM business in 2003 and grew primarily through the acquisition of other independent ATM operators. Notable acquisitions included: (a) acquisition of 700 ATM sites/contracts from St George Bank in 2005 and (b) acquisition of ATM Solutions, from Macquarie Bank in 2007 (3,500 ATMs).

DirectCash owns a 97% interest in DC Payments New Zealand Limited (previously named New Zealand ATM Services Limited) ("NZ ATM") which is one of the two major independent ATM operators in New Zealand. DirectCash has been working with New Zealand banks to allow their cardholders access to DirectCash's ATMs in New Zealand. As of April 2012, DirectCash's New Zealand ATMs were able to accept the majority of New Zealand's financial institutions' cards, thereby significantly improving the outlook of this New Zealand business.

### ***DirectCash's Australasia ATM Market Share***

At present, DirectCash estimates that DirectCash has the largest branded network of ATMs operating in Australia. DirectCash's deployed Australian ATM fleet represents over 21% of the aggregate Australian ATM market (including bank-owned ATMs) and approximately 37% of the independent ATM market (source: APCA and Retail Banking Research - Global ATM Market Forecast to 2016: Australia, published September, 2011). The following diagram summarizes the size of the competitors (by number of ATMs deployed) in the Australia ATM market (top 12 with 500 or more ATMs deployed).



(Source: Retail Banking Research - Global ATM Market and Forecasts to 2016: Australia, published September 2011)

### ***DirectCash's Australasia ATM Transaction Types***

DirectCash's Australia ATM business has the same traditional types of product/service offerings as offered in Canada described above (i.e. "Processing Contracts", "Partial Placements", "Full Placements", and hybrid contracts which may include different mixes of services as compared to the traditional 3 types of contracts). Contracts terms and revenue sources are similar to those used in Canada with some localized differences. The key difference in revenue sources is that in Australia there is no "interchange" charged - all of the revenue paid to an ATM owner/operator is through the "surcharge" fee.

The average Surcharge charged by DirectCash in Australia in 2012 after the completion of the Australia Acquisition (i.e. July 2012 to December 2012) was \$2.29 (Australia dollars). In Australia, DirectCash earns surcharge on both cash withdrawals and balance inquiries. The total number of approved ATM withdrawal transactions for July 2012 to December 2012 was 27.577 million.

The following table provides a breakdown of the active ATMs in DirectCash's Australian/New Zealand network by agreement type (classified into the traditional contract type that they most closely match) as at December 31, 2012:

Agreement Types – Number of Active ATMs (Australia & New Zealand)	
	Contract Type
Processing Contracts	56
Partial Placement Contracts	4,133
Full Placement Contracts	2,243
<b>Total</b>	<b>6,432</b>

### ***DirectCash Australasia Transaction Processing Switch***

As of March 16, 2013, in Australia DirectCash was using its own ATM transaction processing switch platform (the "**DirectCash Australia Switch**") which is used to drive the ATM fleet and in turn connect to 2 switching providers that maintain bilateral links to all of the financial institutions and card schemes.

In Australia DirectCash's Prepaid Card program is processed through Indue Ltd. (which in turn has a third party transaction processing relationship). In the Australia DirectCash's prepaid card program is sponsored and processed through an arrangement with Indue Ltd.

### ***Australasia Technology Solutions for ATM Owners***

DirectCash currently is developing systems in Australia that will allow DirectCash to provide a number of solutions to Australia ATM owners, including web reporting and immediate error notification (i.e. to provide solutions similar to those already provided to ATM owners in Canada). DirectCash's web solution will be a windows-based set of tools for "anywhere" management of ATMs that will allow an ATM owner or operator to use the internet to manage ATMs and to generate advanced reporting.

Through the use of DirectCash's error notification software, DirectCash is also able to provide real time information on the status of each ATM. Depending on the ATM type, some terminals are capable of paging the operator of the terminal and providing the operator with information on the error, effectively reducing ATM downtime. For example, DirectCash can provide ATM error notification, ATM cassette status, ATM receipt paper status and dispenser errors. DCPayments believes that these technological capabilities provide DirectCash with a competitive advantage when pursuing new customers.

### ***Australasia Product Suppliers (ATMs)***

The brands/models distributed by DirectCash changes from time to time and the choice is largely determined by customer demand (which in term is a influenced by unit pricing, functional capability, and perceived reliability). During the period commencing January 1, 2012, for the Australia & New Zealand market, DirectCash has been a significant buyer of ATMs and ATM parts manufactured/supplied by Nautilus Hyosung Inc. DirectCash is dependent on manufacturers for DirectCash's ATM products, but DirectCash has reduced DirectCash's supply exposure by having access to a number of different suppliers/models at any one time.

In Australia, DirectCash maintains an inventory of ATMs in order to provide a fast turnaround for installations. In addition, DirectCash maintains an extensive parts inventory for all of the various types of ATMs that DirectCash deploys in order to provide the appropriate service levels to DirectCash's customers.

### ***Australasia Customer Types (ATMs)***

DirectCash's Australia & New Zealand customers include (for example) convenience food stores, bars, pubs, nightclubs, sports facilities, malls, recreation centres, hotels, restaurants, retail stores, gasoline retailers, grocery stores, casinos, and airports. DirectCash also has arrangements with a number of banks in Australia pursuant to which DirectCash provides ATM services for ATMs branded with the banks' logos (i.e. the "Customers" or other DirectCash tradenames do not appear on these ATMs). During 2012 DirectCash also maintained or established a number of chain accounts in Australia & New Zealand including with Coles Supermarkets Australia Pty Ltd, BP Australia Pty Ltd., and Bank of Queensland.

### ***Australasia Seasonality (ATMs)***

ATM transaction volumes are subject to seasonality. Based upon historical transaction volumes in Australia from January 2008 through to December 2012, the highest transaction activity in Australasia typically occurs in the 1st and 4th quarters of the year. The 2nd and 3rd quarters are traditionally DirectCash's weakest quarters in terms of number of processed transactions and gross profitability in Australasia .

### ***Australasia Sales, Distribution and Marketing (ATMs)***

DirectCash markets DirectCash's ATMs through third party lead generation, marketing to existing customers/locations where DirectCash ATMs are already in operation, in-house sales personnel, commission sales agents, direct mail, and distributors throughout Australia and New Zealand. In addition, DirectCash attends numerous trade shows each year and advertises through print media in a variety of trade magazines. All of DirectCash's distributors and commission sales agents are under contract. The contracts typically contain exclusivity and non-competition covenants.

### ***Australasia Competition (ATMs)***

The Australia ATM industry is comprised of a relatively small number of competitors (as compared to the more fragmented and diverse number of competitors in Canada). is comprised of a full spectrum of providers from large banks to single proprietorship owners of ATMs. DirectCash's non-bank competitors are primarily regional players. Some of the major non-bank competitors are First Data Corporation, ICash Payment Solutions Limited, and The Banktech Group which have installations across Australia and are not limited to particular regions. DirectCash's bank competitors include Australia and New Zealand Banking Group Limited (ANZ), Bendigo Bank, Commonwealth Bank, National Australia Bank, and Westpac Bank. The following information concerning the number of Australia ATMs operated by the banks has been obtained from results published by the research firm, Retail Banking Research :

Bank	Bank Reported Number of ATMs (approximate)
Commonwealth Bank	3,415
Australia and New Zealand Banking Group Limited	2,757
Westpac Bank	1,897
National Australia Bank	1,750
Bendigo Bank	950

DirectCash estimates that as of December 31, 2012 there were over 5 non-financial institution ATM providers in Australia, ranging in size from a few ATMs to in excess of 5,000 ATMs, with DirectCash being the largest branded non-financial institution ATM provider with 5,905 (Australia number only) active ATMs as of December 31, 2012. DirectCash is not aware of any independent third party reports that provide details of branded non-financial institution ATMs deployed in Australia.

### **DirectCash's Australia Prepaid Product & Prepaid Card Business**

#### ***Description of Australia Business Segment (Prepaid Products & Prepaid Cards)***

DirectCash earns revenue from: (1) the distribution of Prepaid Cards, (2) transaction fees associated with Prepaid Card activations, (3) transaction fees associated with the use of Prepaid Cards for transactions, and (4) monthly fees. DirectCash's current platform is used by a significant number of merchants in Canada as a method of providing cash access to their customers without the high cost of maintaining physical cash at their locations. In addition, DirectCash's merchants may brand the Prepaid Cards with merchant's identity which builds the merchant's brand loyalty. Through DirectCash's arrangement with Indue Ltd. DirectCash is able to offer clients prepaid MasterCard and eftpos products. The MasterCard Prepaid Cards are referred to as "Credit Cards" because they are issued for use by a "credit card" Network. However, Credit Card Prepaid Cards are pre-loaded with balances (i.e. just like the eftpos Prepaid Cards) and no "credit" is advanced by DirectCash (or Indue Ltd.) to the card holder. In each case (MasterCard credit card and eftpos card), the card must be issued by a financial institution. Indue Ltd. is the card issuer for the eftpos and MasterCard cards issued under DirectCash programs operated in Australia.

In Australia, DirectCash has entered into agreements with local transaction processors and card program sponsors that are authorized under the laws of Australia to issue Prepaid Cards and process transactions (in order to offer Prepaid Products and arrange for transaction processing in such countries).

In Australia, DirectCash has entered into agreements with local transaction processors and card program sponsors that are authorized under the laws of the local jurisdiction to issue Prepaid Cards and process transactions (in order to offer Prepaid Products and arrange for transaction processing in such countries). DirectCash's Australia subsidiary commenced processing of material revenue generating operations in October, 2009.

The corporations that were acquired pursuant the Australia Acquisition were not involved in the prepaid products business segment. DirectCash (prior to and continuing after the Australia Acquisition) has carried on small prepaid products business in Australia. The number total number of revenue earning completed transactions from the prepaid product/other business carried out by DirectCash in Australia has been relatively small as compared to DirectCash's North America business. The total number of revenue earning completed prepaid product/other transactions completed in Australasia was 85,000 in 2010, 202,000 in 2011 and 95,000 in 2012.

***Australia Sales, Distribution and Marketing (Prepaid Products & Prepaid Cards)***

DirectCash is currently distributing Prepaid Card products to 1 customer in Australia. However, since the completion of the Australia Acquisition DirectCash has started the process of trying to use the existing DirectCash Australia marketing channels (used mostly for ATMs in the past) to also market Prepaid Products.

***Australia Competition (Prepaid Products & Prepaid Cards)***

DirectCash is currently a very small player in the Prepaid Card business in Australia. Some of the larger competitors in the Australia Prepaid Card business include CardPro Australia Pty Ltd, Heritage Bank Limited, Australia and New Zealand Banking Group Limited, and Indue Ltd.

**DIRECTCASH EUROPEAN BUSINESSES**

The United Kingdom operations of DirectCash are primarily focused on ATMs with a relatively small Prepaid Card business. The United Kingdom ATM businesses flow from the U.K. acquisition which was completed on May 25, 2012. Prior to the U.K. Acquisition, DirectCash did not have an ATM business operating in United Kingdom. DirectCash does not have any Debit Terminal business operations in United Kingdom. The Prepaid Card business of DirectCash in United Kingdom was started by a DirectCash subsidiary incorporated in United Kingdom for that purpose.

Where historical ATM information is provided concerning the performance of the United Kingdom businesses before May 25, 2012 (i.e. when the InfoCash Limited acquisition was completed): (a) such information is not included in the financial results of the DirectCash Group and (b) such information is provided only for the purpose of providing information about business trends that may be relevant to understanding the United Kingdom businesses as they exist as of the date of this Annual Information Form. Since the Prepaid Card business was started by a DirectCash entity (i.e. not as a result of the InfoCash Limited acquisition or any other business acquisition transaction) all of the information related to the Prepaid Card business is included in the historical financial results of the DirectCash Group.

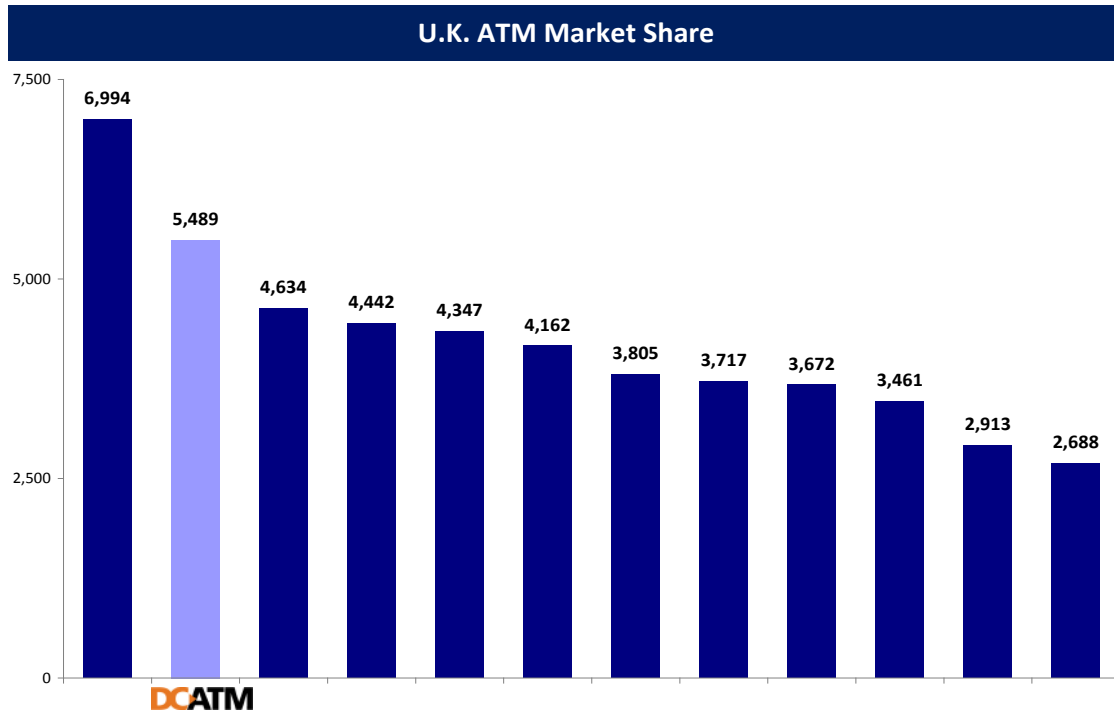
InfoCash Limited has historically operated a bench repair facility for Triton brand ATMs in the United Kingdom. This facility provides a less expensive option for customers (as compared to shipping equipment back to Triton Systems of Delaware, LLC in the U.S.A. for repair). InfoCash Limited has provided repair & parts services to a few independent ATM companies (i.e. competitors of InfoCash Limited in the ATM deployment business) in the United Kingdom market and continues to do so.

**DirectCash's European ATM Business**

***DirectCash's United Kingdom ATM Market Share***

DirectCash is a fully integrated ATM Terminal provider, and offers a complete suite of ATM management services from ATM deployment and maintenance to transaction processing, reporting and settlement. DirectCash had 5,489 active ATMs in DirectCash's United Kingdom networks as at December 31, 2012. DirectCash's predecessor corporation in United Kingdom (InfoCash Limited) was incorporated on January 2, 1997 (named Touchscreen Systems Limited from incorporation until March 7, 2005). At present, DirectCash estimates that DirectCash is has the 2nd largest branded network of non-Bank ATMs operating in United Kingdom. The following diagram summarizes the size of the competitors (by number of ATMs deployed) in the United Kingdom ATM market. The following diagram summarizes the size of the competitors (by number of ATMs deployed) in the

U.K. ATM market (top 12 with 2,500 or more ATMs deployed - the remaining approximately 15,000 ATMs are deployed by 21 different companies of which 6 have over 1,000 ATMs deployed).



(Source: LINK network available at [www.link.co.uk/aboutlink/statistics/pages/statistics.aspx](http://www.link.co.uk/aboutlink/statistics/pages/statistics.aspx))

#### ***DirectCash's European ATM Transaction Types***

DirectCash's United Kingdom ATM business has the same traditional types of product/service offerings as offered in Canada described above (i.e. "Processing Contracts", "Partial Placements", "Full Placements", and hybrid contracts which may include different mixes of services as compared to the traditional 3 types of contracts). Contracts terms and revenue sources are similar to those used in Canada with some localized differences. The key difference in revenue sources is that in United Kingdom there are 2 choices for types of ATM deployments ("free to use" and "pay to use"). If an ATM is set up as "free to use" then there is no surcharge and DirectCash' revenue is limited to the share of the interchange amount that is not shared with the Customer. If an ATM is set up as a "pay to use" site then only surcharge is payable and DirectCash' revenue is limited to the share of the surcharge amount that is not shared with the customer. Customers are frequently given the right (in their ATM contract) to switch between "pay to use" and "free to use" arrangements for their ATM. Customers are frequently given the right (in their ATM contract) to switch between "full placement" where DirectCash loads the cash and "partial placement" where the customer loads the cash.

The average Surcharge charged by DirectCash in United Kingdom in 2012 after the completion of the U.K. Acquisition (i.e. May 2012 to December 2012) was £1.64. In 2012 the Interchange Fee in United Kingdom on the LINK network was set at £0.257 for withdrawals and £0.164 for balance inquiries. Unlike Canada (where the Interac Interchange Fee has remained the same for many years), in the United Kingdom the LINK Network annually reviews (and changes if necessary) the Interchange Fee based upon costs of the LINK network and costs of network participants to provide the services. The total number of approved ATM withdrawal transactions for May 2012 to December 2012 was 13.902 million.



The following table provides a breakdown of the active ATMs in DirectCash's United Kingdom network by agreement type (classified into the traditional contract type that they most closely match) as at December 31, 2012:

Agreement Types – Number of Active ATMs (United Kingdom)	
	Contract Type
Processing Contracts	2,264
Partial Placement Contracts	2,950
Full Placement Contracts	275
<b>Total</b>	<b>5,489</b>

### ***DirectCash European Transaction Processing***

In the UK, DirectCash outsources its transaction processing to VocaLink Ltd. which also operates the LINK network. VocaLink delivers daily transaction information which DirectCash then uses to disseminate information to customers.

### ***European Technology Solutions for ATM Owners***

DirectCash provides a number of solutions to ATM Terminal owners, including web reporting and immediate error notification. Error notification is delivered direct from the ATM to the DirectCash systems in the UK to raise job tickets for resolution. Through the use of DirectCash's error notification software, DirectCash is also able to provide real time error information on the status of each ATM depending on its type. Most terminals, via this software, are capable of emailing or texting the operator of the terminal and providing the operator with information on the error, effectively reducing ATM downtime. DirectCash believes that these technological capabilities provide DirectCash with a competitive advantage when pursuing new customers.

### ***European Product Suppliers (ATMs)***

The brands/models distributed by DirectCash changes from time to time and the choice is largely determined by customer demand (which in turn is influenced by unit pricing, functional capability, and perceived reliability). During the period commencing January 1, 2012, for the United Kingdom market, DirectCash has been a significant reseller of ATMs manufactured/supplied by Triton Systems of Delaware LLC, NCR Corporation and ATM parts by ATM Gurus (a subsidiary of Triton Systems of Delaware LLC). DirectCash maintains an inventory of ATMs in order to provide a fast turnaround for installations. In addition, DirectCash maintains an extensive parts inventory for all of the various types of ATMs that DirectCash deploys in order to provide the appropriate service levels to DirectCash's customers. DirectCash's employees and independent contractors throughout United Kingdom conduct ATM service and maintenance.

### ***DirectCash's European Triton ATM Supply, Parts & Maintenance Business***

DirectCash has an arrangement with Triton Systems of Delaware such that DirectCash acts as the parts supplier and trusted bench repair partner for all Triton ATMs and components in the UK and Europe. Other ATM deployers in the UK and Europe rely on DirectCash for the supply of Triton Parts.

### ***European Customer Types (ATMs)***

DirectCash's United Kingdom customers include (for example) convenience food stores, bars, pubs, nightclubs, workplace areas, sports facilities, hardware stores, recreation centres, hotels, restaurants, retail stores, gasoline retailers, loan/cheque cashing locations, grocery stores, bingo halls, casinos, transport hubs, and bowling centers.

### ***European Seasonality (ATMs)***

ATM transaction volumes are subject to seasonality. Based upon historical transaction volumes in United Kingdom from January 2010 through to December 2012, the highest transaction activity in the UK typically occurs in the 2nd and 3rd quarters of the year. The 1st and 4th quarters are traditionally DirectCash's weakest quarters in terms of number of processed transactions and gross profitability in United Kingdom.

### ***European Sales, Distribution and Marketing (ATMs)***

DirectCash markets DirectCash's ATMs through third party lead generation, marketing to existing customers/locations where DirectCash ATMs are already in operation, in-house sales personnel, commission sales agents, direct mail, and distributors throughout the United Kingdom. In addition, DirectCash attends numerous trade shows each year and advertises through print media in a variety of trade magazines. All of DirectCash's distributors and commission sales agents are under contract. The contracts typically contain exclusivity and non-competition covenants.

### ***European Specialized Skill & Knowledge (ATMs)***

DirectCash has a service infrastructure and call centre which requires skilled ATM technicians and call centre management to operate. In addition, DirectCash operates a centre of excellence for parts repair and distribution of Triton ATM parts and components in Europe.

### ***European Competition (ATMs)***

The United Kingdom ATM industry is fragmented and is comprised of a full spectrum of providers from large banks to single proprietorship owners of ATMs. Some of the major non-bank competitors are Bank Machine Limited (subsidiary of Cardtronics), Cardpoint Services Ltd., Note Machine UK Ltd., OmniCash Ltd., PayPoint Network Ltd., and Your Cash Ltd. which have installations across the United Kingdom and are not limited to particular regions. DirectCash's bank competitors include Barclays Bank plc, HSBC Bank plc, Lloyds TSB Scotland plc, National Westminster Bank plc, and The Royal Bank of Scotland plc. The following information has been obtained from LINK network concerning the number of United Kingdom ATMs operated by the banks:

Bank	Bank Reported Number of ATMs (approximate)
The Royal Bank of Scotland plc	4,442
Barclays Bank plc	4,162
Lloyds TSB Scotland plc	3,717
National Westminster Bank plc	3,672
HSBC Bank plc	3,461

DirectCash estimates that as of December 31, 2012 there were over 10 non-financial institution ATM providers in United Kingdom, ranging in size from a few ATMs to in excess of 6,000 ATMs, with DirectCash being the 2<sup>nd</sup> largest branded non-financial institution ATM provider with 5,489 active ATMs as of December 31, 2012. ATM deployment statistics are available publically from LINK network's web site (<http://www.link.co.uk/aboutlink/statistics/pages/statistics.aspx>).

### **DirectCash's European Prepaid Product & Prepaid Card Business**

DirectCash is currently a very small player in the Prepaid Card business in United Kingdom.

### **COMPETITIVE ADVANTAGES**

DCPayments believes that DirectCash's competitive strengths include the following:

*Leading market position and premier operator.* By focusing on providing retailers with reliable, low cost ATMs and debit terminals, superior customer service and real time web reporting, DirectCash has grown to be the largest ATM provider in Canada and Australia and the second largest non-bank ATM provider in the United Kingdom. DirectCash is one of the largest, publicly traded ATM providers in the world with operations in Canada, Australia, New Zealand, Mexico, the United Kingdom and the United States.

*Diversified revenue base.* DirectCash's business is diversified in terms of product offering as well as geography, which provides greater stability to DirectCash's revenue stream. DirectCash participates in two distinct business units: (i) the ATM business; and (ii) the prepaid products and debit terminal businesses. Between these two segments DirectCash is able to cross-sell products and services. DirectCash is not aware of any competitor in both business segments in the countries where DirectCash operates.

*Stable and recurring revenue.* The contractual nature of DirectCash's business provides recurring transactional and fixed revenue streams with a large number of geographically diverse customers including small, medium and large retail enterprises in a variety of market segments. Contracts with DirectCash's customers in the ATM and debit terminal business typically have an initial term of 6 years. These are standard form contracts that generally include a renewal provision that allows the term to be extended for a further period after the end of the initial contract term and generally include a right of first refusal for DirectCash to match a competitor's offer on renewal. Once an ATM or debit terminal is deployed at a location there is little ongoing maintenance capital expenditures required. In the prepaid product business, DirectCash's customers include significant market players in the cheque cashing, tax return and pay day loan industries, contracted for initial terms of 3 to 10 years.

*Highly experienced management team.* DirectCash has an experienced and entrepreneurial team. In Canada, many team members have been involved in the ATM industry since regulatory changes enabled non-bank ATM providers to enter the Canadian market in late 1996. The management team has demonstrated a strong track record of identifying and executing on accretive acquisition opportunities. As part of the recent InfoCash Acquisition, DirectCash retained Tim G. Wilder (current Managing Director of InfoCash) and his management team. Mr. Wilder is an experienced executive and ATM entrepreneur, with 15 years experience with InfoCash and over 25 years industry experience. In Australia, DirectCash has retained Matthew D. Thomas (current Chief Operating Officer, Australasia), who previously acted as Global Director of IT for DCPayments and prior thereto Chief Technical Officer for InfoCash Limited. Mr. Thomas is an experienced executive, with over 10 years industry experience. The addition of Mr. Wilder, Mr. Thomas, and their teams bring significant management strength to DirectCash.

## DIVIDENDS & DISTRIBUTIONS

The board of directors of DCPayments has approved a distribution policy whereby DCPayments pays to holders of Common Shares a monthly dividend, the amount of which is subject to board discretion. DCPayments' policy is to distribute the cash DirectCash earned from the Business, less amounts DirectCash estimated would be required for: expenses, maintenance capital, tax liabilities, interest, repayment of debt, payment of DirectCash's other obligations and any reasonable reserves established by DirectCash. Monthly dividends generally are (a) payable to shareholders of record on the last business day of each calendar month; and (b) generally paid on the last business day of the following month. Notwithstanding the foregoing, the amount of any dividends payable by DCPayments will be at the discretion of the DCPayments Board of Directors from time to time. The amount may vary depending on, among other things, DCPayments' earnings, financial requirements for DirectCash's operations, the satisfaction of solvency tests imposed by the *Business Corporations Act* (Alberta) for the declaration and payment of dividends and other conditions existing from time to time DirectCash's compliance covenants under agreements related to DCPayments' credit lines and the notes issued by DCPayments.

Operations are carried out through separate subsidiaries ("**Corporate Subsidiaries**"). The Corporate Subsidiaries must pay local income and other taxes on their net income with the remaining net income eventually (as distributions are made up from the Corporate Subsidiaries) being available for distribution to DCPayments as dividends.

DCPayments (for the period since January 1, 2011) or the Fund (for the period on or before December 31, 2010) has declared and paid the following cash distributions to the holders of Common Shares or Fund Unitholders during the last three fiscal periods (i.e. the years ended December 31, 2009, 2010 and 2011) and months during 2013 up to March 16, 2013:

Period covered	Dividend or Distribution Per Unit/Share \$
January 1, 2010 to December 31, 2010	1.7300 <sup>(a)</sup>
January 1, 2011 to December 31, 2011	1.3800
January 1, 2012 to December 31, 2012	1.3800
January 1, 2013 to January 31, 2013	0.1150
February 1, 2013 to February 28, 2013	0.1150

(a) A total of \$0.35 in additional special distributions were distributed during 2010.

(b) For the purposes of the *Income Tax Act* (Canada) and any similar provincial and territorial legislation, DCPayments has designated all dividends paid by it (all dividends declared since January 1, 2011) as "eligible dividends".

## DESCRIPTION OF CAPITAL STRUCTURE

### General Description of Capital Structure

#### Common Shares

DirectCash is authorized to issue an unlimited number of Common Shares without nominal or par value. Subject to the provisions of the *Business Corporations Act* (Alberta), holders of Common Shares are entitled to one vote per share at meetings of shareholders. Subject to the rights of the holders of preferred shares ("**Preferred Shares**") and any other shares having priority over the Common Shares, holders of Common Shares are entitled to dividends if, as and when declared by the board of directors of DirectCash and upon liquidation, dissolution or winding up to receive, DirectCash's remaining property. As of March 16, 2013, there were 16,639,279 Common Shares issued and outstanding.

#### Preferred Shares

DirectCash is authorized to issue an unlimited number of Preferred Shares without nominal or par value. There are currently no Preferred Shares issued and outstanding.

#### Secured Credit Facilities

DCPayments has established certain credit facilities with a syndicate of lenders. The facilities include a Revolving Loan and a Term Loan. The facilities also originally included an Equity Bridge Loan and a Bond Bridge Loan which were both utilized in 2012 in connection with funding acquisitions but were subsequently repaid and are now no longer available. Under these credit facilities, DCPayments is subject to certain financial covenants and has agreed that the ratio of consolidated funded debt to consolidated EBITDA (as defined in the credit facilities) will not exceed 3.5 to 1.0, with the permitted ratio decreasing to 2.5 to 1.0 by July, 2015, and that the ratio of EBITDA (as defined in the credit facilities) less unfunded capital expenditures, dividends and cash taxes to interest expense and scheduled principal payments on funded debt will equal or exceed 1.25 to 1.0. The financial covenants are adjusted for the first three quarters following the Customers acquisition and thereafter are calculated on a four quarter trailing basis. DirectCash has also agreed that during its first four fiscal quarters following the closing of the Customers acquisition it will not pay dividends or make other distributions to DirectCash shareholders in excess of \$1.38 per common share per annum. Substantially all of the DirectCash Groups' assets, including the shares of DCPayments' material subsidiaries (as defined in the credit facilities) and partnership interests are pledged to secure borrowings made under the senior facilities.

The Term Loan is a \$85 million five-year non-revolving amortizing term credit facility including an A\$12.25 million (\$12.75 million Canadian ) foreign currency sublimit. Interest and fees payable in respect of the term loan are also based upon the ratio of consolidated funded debt for borrowed money to consolidated EBITDA (as defined in the debt agreements) and are adjusted quarterly. The interest rate has been initially set at the primary lender's prime rate plus 2.25%. 50% of the term loan amortizes over five years in quarterly instalments commencing February 28, 2013 and matures on June 28, 2017. As at March 16, 2013 the total amount outstanding under this Term Loan was approximately \$84 million.

The Revolving Loan is a \$115 million five-year revolving credit facility available for general corporate purposes. Interest and fees payable in respect of the revolving facility are based upon the ratio of consolidated funded debt to consolidated EBITDA (as defined in the debt agreements) and are adjusted quarterly. The revolving facility matures on June 28, 2017. The revolving facility includes a \$15.0 million swing-line facility and an A\$16.6 million (\$17.25 million) foreign currency sublimit. The interest rate has been initially set at the primary lender's prime rate plus 2.25%. DirectCash is required to pay a commitment fee on the unused portion of the revolving facility. Additionally, DirectCash had posted letters of credit totalling approximately \$6.0 million (US\$ 5.3 million and A\$ 0.6 million) in connection with third-party contracts in Canada and Australia. These letters of credit reduce DirectCash's borrowing capacity under the revolving facility. As at March 16, 2013 the total amount outstanding under this Revolving Loan was approximately \$31 million.

### Bailment Facilities

DirectCash has access to bailment facilities for the supply of cash to ATMs owned by DirectCash in Australia and United Kingdom. Under these facilities, cash is owned by the bailment provider which has contracts directly with transaction acquirers, settlement agents and armoured car carriers. DirectCash does not have access to this cash directly; the purpose of which is to load cash into DirectCash ATMs governed under the bailment agreement. In the absence of such bailment facilities, it would be necessary for DirectCash to borrow the cash needed for the supply of cash to owned ATM's.

DirectCash is charged for bailment facilities based on the amount of cash deployed at variable rates as well as for unutilized facility balances

### Unsecured Senior Notes

On August 8, 2012, DCPayments issued \$125 million aggregate principal amount of seven year unsecured senior notes (the "Notes") at par maturing on August 8, 2019 (at which time the principal must be paid in full). The Notes are direct senior unsecured obligations ranking pari passu with all other present and future senior unsecured indebtedness of DCPayments and bear interest at 8.125 % per annum, payable semi-annually on February 8th and August 8th. The Notes were offered on a private placement basis through a syndicate of underwriters. The Notes are guaranteed by all DirectCash Group entities with material assets and contain no maintenance covenants. These Notes are not listed for trading on any stock exchange and are not assignable by the holders thereof except in

### Credit Ratings

The Notes are currently rated by two separate agencies, Moody's Investor Services ("Moody's") and Standard and Poor's ("S&P"). Please refer to the table below for the respective ratings assigned to the Notes.

	Moody's	S&P
Notes	B3	B

DC Payments is currently rated by Moody's and S&P. Please refer to the table below for the respective ratings assigned to the Corporation.

	Moody's	S&P
	B1	B+/Stable

S&P's credit ratings are on a long-term debt rating scale that ranges from AAA to D, which represents the range from highest to lowest quality of such securities rated. An obligation rated "B" is more vulnerable to non-payment than those rated BB, but the obligor currently has the capacity to meet its financial commitments on the obligation. Adverse business, financial, or economic conditions will likely impair the obligor's capacity or willingness to meet its financial commitment on the obligation. The ratings from AA to CCC may be modified by the addition of a plus (+) or a minus (-) sign to show relative standing within the major rating categories. In addition, S&P may add a rating outlook of "positive", "negative" or "stable" which assesses the potential direction of a long-term credit rating over the intermediate term (typically six months to two years).

Moody's credit ratings are on a long-term debt rating scale that ranges from Aaa to C, which represents the range from highest to lowest quality of such securities rated. According to the Moody's rating system, securities rated "B" are considered speculative and are subject to high credit risk. Moody's appends numerical modifiers 1, 2 and 3 to each generic rating classification from Aa through Caa. The modifier 1 indicates that the security ranks in the higher end of its generic rating category, the modifier 2 indicates a mid-range ranking and the modifier 3 indicates a ranking in the lower end of its generic rating category. In addition, Moody's may add a rating outlook of "positive", "negative" or "stable", which assess the likely direction of an issuer's rating over the medium term.

Credit ratings are intended to provide investors with an independent measure of credit quality of an issue of securities. Credit ratings are not recommendations to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the credit rating organization. There is no assurance that any rating will remain in effect for any given period of time or that any rating will not be revised or withdrawn entirely by a rating agency in the future if, in its judgment, circumstances so warrant. A rating can be revised, suspended or withdrawn at any time by the rating agency.

During 2012, DCPayments paid fees of \$99,500 to Moody's and \$126,500 to S&P to obtain these ratings. No other services were provided by these agencies to DC Payments in the last two years.

## MARKET FOR SECURITIES

### Trading Price & Volume

The outstanding Common Shares of DCPayments are listed and posted for trading on the Toronto Stock Exchange (the "TSX") under the trading symbol "DCI". The following table sets out DCPayments' monthly high and low closing prices and the total monthly trading volumes on the TSX for the periods indicated:

Period	High	Low	Volume
<b>2012</b>			
January	\$21.33	\$19.65	310,887
February	\$21.39	\$20.53	421,483
March	\$21.49	\$20.26	304,859
April	\$24.93	\$21.24	194,209
May	\$25.05	\$21.75	212,492
June	\$24.90	\$22.78	203,341
July	\$24.62	\$23.00	578,711
August	\$24.67	\$23.00	813,656
September	\$24.35	\$23.36	456,840
October	\$25.20	\$23.68	571,476
November	\$24.66	\$22.51	475,570
December	\$23.87	\$23.05	202,110
<b>2013</b>			
January	\$24.93	\$23.36	697,600
February	\$24.83	\$23.39	294,211

### Prior Sales

As of December 31, 2011 DCPayments had 13,839,279 Common Shares outstanding. On August 9, 2012 a total of 2,800,000 additional Common Shares were issued pursuant to a prospective offering for total gross proceeds of \$65,380,000 (\$23.35 per share) with the result that as of March 16, 2013, a total of 16,639,279 Common Shares are outstanding.

## DIRECTORS, OFFICERS & MANAGEMENT

### DCPayments

DCPayments is incorporated under the laws of the Province of Alberta.

### Directors and Executive Officers

All directors of DCPayments are elected annually in connection with the annual general meetings of DCPayments. The following table sets out as of March 16, 2013, the names, municipalities of residence, positions and offices with DCPayments, the principal occupations during the 5 preceding years, and Common Share holdings of each of the directors and executive officers of DCPayments. Included in this list are some executive officers of subsidiaries of DCPayments who have significant policy making functions in respect of DirectCash's operations in particular countries outside of Canada.

Name and Municipality of Residence	Position with DCPayments	Since <sup>(1)</sup>	Principal Occupation During 5 Preceding Years	Number (and %) of Common Shares <sup>(2)</sup>
Jeffrey J. Smith Calgary, Alberta	President, Chief Executive Officer and Director	February, 2004	President and C.E.O. of DCPayments and predecessors from 1997 to present.	2,445,448 <sup>(6)</sup> (14.7%)
Brenda G. Hughes Calgary, Alberta	Chief Financial Officer and Secretary	January 15, 2013	C.F.O. of DCPayments from January 15, 2013 to present (and before that, consultant to DCPayments from July 1, 2012 to January 15, 2013). C.F.O. of Connacher Oil & Gas Limited from January 2012 to June 30, 2012 (and before that Assistant Corporate Secretary from May 2010 to December 2011). C.F.O. of Insignia Energy Ltd. from July 2008 to August 2009. Controller of Insignia Energy Inc. from January 2007 to July 2008.	1,000 <sup>(3)</sup>
Joseph Xu Calgary, Alberta	Chief Technical Officer	February, 2004	C.T.O. of DCPayments and predecessors from November 2001 to present.	34,781 <sup>(3)(7)</sup>
Todd M. Schneider Calgary, Alberta	Chief Operating Officer	November, 2007	C.O.O. of DCPayments and predecessors from November 2007 to present. Various positions with DHL Express (Canada), Ltd. from February 2003 until July 2007 (starting as Director of Sales - Western Region and culminating as Area Director - Prairies).	18,105 <sup>(3)(8)</sup>
Adel Elassel Calgary, Alberta	Vice President IT & Security	April, 2012	V.P IT & Security from April 2012 to present (and prior thereto Infrastructure & Telecommunications Manager from June 2007 to April 2012) of DCPayments and predecessors.	6,820 <sup>(3)(9)</sup>
Angela D. King Calgary, Alberta	Vice President Operational Accounting	January, 2011	V.P Operational Accounting from January 2011 to present (and prior thereto Operational Accounting Manager from 1998 to January 2011) of DCPayments and predecessors.	8,929 <sup>(3)(10)</sup>
Daryl J. Matthews Calgary, Alberta	Vice President Development	April, 2012	V.P Development from April 2012 to present (and prior thereto Application Development Manager from October 2005 to April, 2012) of DCPayments and predecessors.	5,341 <sup>(3)(11)</sup>
Claudette M. Dick Calgary, Alberta	Vice President Finance (on leave starting November 30, 2012)	January, 2011	V.P. Finance from June 6, 2011 to present (and prior thereto acting Chief Financial Officer & Secretary from January, 2011 to June 6, 2011, V.P. Finance from September 2010 to January, 2011 and Controller of DCPayments and predecessors from May 2004 to July 2009).	4,956 <sup>(3)(12)</sup>

Name and Municipality of Residence	Position with DCPayments	Since <sup>(1)</sup>	Principal Occupation During 5 Preceding Years	Number (and %) of Common Shares <sup>(2)</sup>
Gary H. Dundas <sup>(4)(5)</sup> Calgary, Alberta	Director, Chair of Audit Committee	November, 2004	V.P. Finance, C.F.O. and Director of Avenex Energy Corp. (and predecessors), (a TSX listed oil & gas exploration and production corporation) from January 2003 to present. Director of Athabasca Oil Sands Corp. (a TSX listed oil sands corporation) from August 23, 2006 to present. Director of Mahalo Energy Ltd. from April 21, 2004 to present (an oil & gas issuer previously listed on the TSX).	29,194 <sup>(3)(13)</sup>
Susan M. Gallacher Calgary, Alberta	Director	February, 2004	President, C.E.O. and Director of DC Bank from October 3, 2007 to present. V.P. of DirectCash Management Inc. and predecessors from 1998 to December 31, 2007.	2,172,353 <sup>(14)</sup> (13.1%)
R. Bradley Hurtubise <sup>(4)</sup> Calgary, Alberta	Director	November, 2007	C.E.O. & a Director of Eaglewood Energy Inc. (a TSX listed oil & gas corporation) from November, 2008 to present. Director of Compton Petroleum Corporation (a TSX listed oil & gas corporation), from March 2009 to August 2011. Director of Ithaca Energy Inc., a TSX Venture Exchange and London AIM listed oil & gas corporation), from February 2008 to present.	68,757 <sup>(3)(15)</sup>
Leroy (Lee) E. Thiessen <sup>(5)</sup> Calgary, Alberta	Director	February, 2009	Principal Partner at MNP LLP from May 2011 to present. Various positions including Executive V.P., Global Business Development (and prior thereto Senior Director, Realty Tax Consulting), at Altus Group Limited (a subsidiary of Altus Group Income Fund, a public trust listed on the TSX) from June, 2008 to May 2011. Advisory Board member of Urban Star Capital Inc. (a private real estate asset management corporation) from November, 2010 to present. Mr. Thiessen was with Deloitte & Touche LLP from 2000 to May, 2008 eventually holding the position of Senior Tax Partner (national leader - realty tax services).	13,602 <sup>(3)(16)</sup>



Name and Municipality of Residence	Position with DCPayments	Since <sup>(1)</sup>	Principal Occupation During 5 Preceding Years	Number (and %) of Common Shares <sup>(2)</sup>
Kevin W. Wolfe <sup>(4)(5)</sup> Calgary, Alberta	Director Lead Director	November, 2004	Partner & Director of Richmond Equity Management Ltd. (an investment management corporation) from October 2008 to present. President and C.E.O. of EnerVest Management Ltd., the manager of EnerVest Diversified Income Trust, (a publicly traded diversified income trust) from October, 2005 to September 2008.	21,358 <sup>(3)(17)</sup>
Stephen D. Allanson Melbourne, Victoria, Australia	Managing Director, Australasia for DC Payments Pty Ltd <sup>(18)</sup>	October, 2011	Managing Director Australasia for DC Payments Pty Ltd from February, 2013 to present (and before that, General Manager, Operations from October, 2011 to February, 2013, 2012 and contracted consultant from April 2010 to October 2011). Independent consultant from February 2008 to April 2010. CEO of Racing Victoria Limited from April 2006 to February 2008.	0
Matthew J. Thomas Melbourne, Victoria, Australia	Chief Operating Officer for DC Payments Pty Ltd <sup>(19)</sup>	January, 2013	Chief Operating Officer for DC Payments Pty Ltd from January, 2013 to present. Global Director of IT for DCPayments from June, 2012 to January 2013. Chief Technical Officer for InfoCash Limited from September 2003 to June, 2012.	0
Tim G. Wilder Oxon, England	Managing Director, Europe for InfoCash Limited <sup>(20)</sup>	October 1999 to present	Managing Director Europe for InfoCash Limited from October, 1999 to present.	0

## Notes:

- (1) The dates in this column show the earlier of the date that the Director (or officer) became a Director (or started in the specified officer position) of DCPayments (which was incorporated October 7, 2010) or a director of DCManagement (which was incorporated February 3, 2004 and was the entity where directors were elected when the DirectCash Income Fund was in existence). All 6 directors of DCManagement became directors of DCPayments on October 7, 2010 in preparation for completion of the Trust Conversion Arrangement. Many of the directors and officers listed were also directors or officers of one or more predecessor corporations (going back as early as September 25, 1997) that carried on the Canadian ATM business.
- (2) These figures are all calculated using the cumulative number of actually issued Common Shares as of March 16, 2013. The number of Common Shares that the Directors and Executive Officers will receive in respect of the 2013 LTIP grant related to the year ended December 31, 2012 have not yet been determined and are not included in these figures (these numbers and the individual grants are scheduled to be determined later in March, 2013). The final 1/3 portion of the 2011 LTIP grant for all participants is conditionally releasable for all participants on April 15, 2013. For the 2012 LTIP grant the 2<sup>nd</sup> and 3<sup>rd</sup> releases are conditionally scheduled for April 15, 2013 and April 15, 2014. For the 2013 LTIP grant (i.e. relating to 2012 performance) once it is finalized and all of the necessary share purchases made by the plan administrator, the 1<sup>st</sup> one-third portion will be immediately releasable (i.e. likely some time in April 2013) and the 2<sup>nd</sup> and 3<sup>rd</sup> releases would be conditionally scheduled for April 15, 2014 and April 15, 2015.
- (3) Percentage holdings are less than 1% of the issued and outstanding Common Shares.
- (4) Member of the Audit Committee.
- (5) Member of the Compensation, Nominating and Corporate Governance Committee.
- (6) These figures also include the number of Common Shares that Mr. Smith is indirectly entitled to through his holding corporation, Atlantis Financial Corp. These figures include the remaining 1/3 portion (i.e. 1,908) of the Common Shares allocated to Mr. Smith pursuant to the 2011 LTIP grant and the remaining 2/3 portion (i.e. 18,473) of the Common Shares allocated to Mr. Smith pursuant to the 2012 LTIP grant, but unvested as of March 16, 2013.

- (7) These figures include the remaining 1/3 portion (i.e. 1,389) of the Common Shares allocated to Mr. Xu pursuant to the 2011 LTIP grant, and the remaining 2/3 portion (i.e. 2,079) of the Common Shares allocated to Mr. Xu pursuant to the 2012 LTIP grant, but unvested as of March 16, 2013.
- (8) These figures include the remaining 1/3 portion (i.e. 1,308) of the Common Shares allocated to Mr. Schneider pursuant to the 2011 LTIP grant, and the remaining 2/3 portion (i.e. 979) of the Common Shares allocated to Mr. Schneider pursuant to the 2012 LTIP grant, but unvested as of March 16, 2013.
- (9) These figures include the remaining 1/3 portion (i.e. 491) of the Common Shares allocated to Mr. Elassal pursuant to the 2011 LTIP grant, and the remaining 2/3 portion (i.e. 917) of the Common Shares allocated to Mr. Elassal pursuant to the 2012 LTIP grant, but unvested as of March 16, 2013.
- (10) These figures include the remaining 1/3 portion (i.e. 817) of the Common Shares allocated to Ms. King pursuant to the 2011 LTIP grant, and the remaining 2/3 portion (i.e. 1,223) of the Common Shares allocated to Ms. King pursuant to the 2012 LTIP grant, but unvested as of March 16, 2013.
- (11) These figures include the remaining 1/3 portion (i.e. 491) of the Common Shares allocated to Mr. Matthews pursuant to the 2011 LTIP grant, and the remaining 2/3 portion (i.e. 917) of the Common Shares allocated to Mr. Matthews pursuant to the 2012 LTIP grant, but unvested as of March 16, 2013.
- (12) These figures include the remaining 1/3 portion (i.e. 432) of the Common Shares allocated to Ms. Dick pursuant to the 2011 LTIP grant, and the remaining 2/3 portion (i.e. 1,345) of the Common Shares allocated to Ms. Dick pursuant to the 2012 LTIP grant, but unvested as of March 16, 2013.
- (13) These figures include the remaining 1/3 portion (i.e. 817) of the Common Shares allocated to Mr. Dundas pursuant to the 2011 LTIP grant, and the remaining 2/3 portion (i.e. 1,223) of the Common Shares allocated to Mr. Dundas pursuant to the 2012 LTIP grant, but unvested as of March 16, 2013.
- (14) These figures also include the number of Common Shares that Ms. Gallacher is indirectly entitled to through her holding corporation, Cannonball Capital Inc. These figures include the remaining 1/3 portion (i.e. 817) of the Common Shares allocated to Ms. Gallacher pursuant to the 2011 LTIP grant, and the remaining 2/3 portion (i.e. 1,223) of the Common Shares allocated to Ms. Gallacher pursuant to the 2012 LTIP grant, but unvested as of March 16, 2013.
- (15) These figures include the remaining (a) 1/3 portion (i.e. 817) of the Common Shares allocated to Mr. Hurtubise pursuant to the 2011 LTIP grant, and the remaining 2/3 portion (i.e. 1,223) of the Common Shares allocated to Mr. Hurtubise pursuant to the 2012 LTIP grant, but unvested as of March 16, 2013.
- (16) These figures include the remaining (a) 1/3 portion (i.e. 817) of the Common Shares allocated to Mr. Thiessen pursuant to the 2011 LTIP grant, and the remaining 2/3 portion (i.e. 1,223) of the Common Shares allocated to Mr. Thiessen pursuant to the 2012 LTIP grant, but unvested as of March 16, 2013.
- (17) These figures include the remaining (a) 1/3 portion (i.e. 817) of the Common Shares allocated to Mr. Wolfe pursuant to the 2011 LTIP grant, and the remaining 2/3 portion (i.e. 1,223) of the Common Shares allocated to Mr. Wolfe pursuant to the 2012 LTIP grant, but unvested as of March 16, 2013.
- (18) Mr. Allanson is not an officer of DCPayments or of any of DirectCash Groups' Canadian entities. Rather, Mr. Allanson is an executive officer of DirectCash Group's principal operating entity in Australia.
- (19) Mr. Thomas is not an officer of DCPayments or of any of DirectCash Groups' Canadian entities. Rather, Mr. Thomas is an executive officer of DirectCash Group's principal operating entity in Australia.
- (20) Mr. Wilder is not an officer of DCPayments or of any of DirectCash Groups' Canadian entities. Rather, Mr. Wilder is an executive officer of DirectCash Group's principal operating entity in the U.K.

### Common Share Ownership

As of March 16, 2013, Directors, senior officers of DCPayments and 10% unitholders ("**DirectCash Insiders**") beneficially own, directly or indirectly, or exercise control or direction over, directly or indirectly, an aggregate of 4,840,449 Common Shares (including known but unvested LTIP share entitlements), representing approximately 29.1% of the outstanding 16,639,279 Common Shares.

### Cease Trade Orders, Penalties or Sanctions

To DCPayments' knowledge, none of the directors or any of the executive officers of DCPayments was as of March 16, 2013 or has been, within 10 years before the date of this the Annual Information Form, director, chief executive officer or chief financial officer of any entity (including DCPayments) that:

- (a) was subject to an "order" (i.e. a cease trade order, an order similar to a cease trade order, or an order that denied the relevant entity access to any exemption under securities legislation that was in effect for a period of more than 30 consecutive days) that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer, or
- (b) was subject to an "order" that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer;

except as follows:

- (c) Gary H. Dundas, a Director of DCPayments, has been a director of Mahalo Energy Ltd. ("**Mahalo**") from April 21, 2004 to present. On June 22, 2010, the Alberta Securities Commission issued a cease trade order against Mahalo for failure to file annual financial statements for the year ended December 31, 2009 and for failure to file interim unaudited financial statements for the period ended March 31, 2010. The securities commissions of each of British Columbia, Manitoba, Ontario and Quebec (and together with Alberta, the "**Commissions**") issued similar orders in respect of failure to file financial statements. On November 12, 2010, each of the Commissions issued a full revocation order of the cease trade order and a cease to be reporting issuer order in connection with the conclusion of Mahalo's CCAA proceedings.

### **Corporate or Personal Bankruptcies**

To DCPayments' knowledge, no director or executive officer of DCPayments or a holder of Common Shares holding sufficient securities of DCPayments to effect materially the control of DCPayments, or personal holding company of any such person:

- (a) is, as at the date of this Annual Information Form, or has been within the 10 years before the date of this Annual Information Form, a director or executive officer of any company (including DCPayments) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, state the fact; or
- (b) has, within the 10 years before the date of this Annual Information Form, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder;

except as follows:

- (c) Gary H. Dundas, a Director of DCPayments, has been a director of Mahalo from April 21, 2004 to present. In addition, Mr. Wolfe also a Director of DCPayments, served as a director of Mahalo from July 5, 2005 until July 13, 2009. On May 22, 2009, Mahalo was granted protection from its creditors under the Companies Creditors Arrangement Act ("CCAA") pursuant to an initial order granted by the Court of Queen's Bench of Alberta. Mahalo concluded a Court approved plan of arrangement to exit CCAA protection on November 12, 2010 that resulted in the cancellation of the existing share capital of Mahalo and the settlement of existing creditor obligations. Mr. Dundas was also a director of Mahalo's wholly owned subsidiary, Mahalo Energy (USA) Inc. ("**Mahalo USA**"). On May 21, 2009, Mahalo USA filed for and received chapter 11 creditor protection in the United States. On April 20, 2010, the US chapter 11 proceedings concluded with the transfer of Mahalo USA to Mahalo's creditors.

### **Governance of DCPayments**

The board of directors of DCPayments is responsible for the governance of DCPayments and indirectly the subsidiaries of DCPayments. The board of directors of DCPayments has also established the following committees:

*Audit Committee.* The Audit Committee, which consists of 3 directors, all of whom are "independent" for the purposes of the Canadian Securities Administrators' National Instrument 52-110 - Audit Committees. The Audit Committee is responsible for the oversight and supervision of: (i) the accounting and financial reporting practices and procedures of DCPayments; (ii) the adequacy of DCPayments' internal accounting controls and procedures; and (iii) the quality and integrity of DCPayments' financial statements.

*Compensation, Nominating And Corporate Governance Committee.* The Compensation, Nominating And Corporate Governance Committee, which consists of 3 directors. The compensation, nominating and corporate governance committee reviews and makes recommendations to the directors concerning the appointment of DCPayments' officers. This committee reviews annually the Chief Executive Officer's goals and objectives for the upcoming year and provides an appraisal of the Chief Executive Officer's performance. This committee also makes recommendations concerning the remuneration of DirectCash's officers. This committee administers and makes recommendations regarding the operation of DirectCash's employee bonuses and the long term incentive plan. The committee is also responsible for developing DCPayments' approaches to corporate governance issues, advising the board on filling vacancies on the board and periodically reviewing the composition and effectiveness of the board and the contribution of individual directors.

Members of the Compensation, Nominating And Corporate Governance Committee are also be responsible for adopting and periodically reviewing and updating DCPayments' written disclosure policy. This policy, among other things:

- articulates the legal obligations of DCPayments' directors, officers and employees with respect to confidential information;
- identifies spokespersons for DCPayments who are the only persons authorized to communicate with third parties such as analysts, media, holders of Common Shares and prospective investors;
- provides guidelines on the disclosure of forward looking information;
- requires advance review by DCPayments' senior executives of any selective disclosure of financial information, to prevent the selective disclosure of material information; and
- establishes "black-out" periods immediately prior to and following the disclosure of quarterly and annual financial results and immediately prior to the disclosure of certain material changes, during which periods DCPayments' directors, officers, employees and consultants should not purchase or sell Common Shares.

## AUDIT COMMITTEE AND EXTERNAL AUDITOR MATTERS

### Audit Committee Charter

The full text of the most recently approved charter for DCPayments' Audit Committee (as approved by DCPayments' Board of Directors by a resolution dated effective March 16, 2013) is attached hereto as **Schedule A** (Audit Committee Charter).

### Composition of the Audit Committee & Relevant Education and Experience

As of March 16, 2013, the audit committee was comprised of Messrs. Gary H. Dundas, R. Bradley Hurtubise, and Kevin W. Wolfe. The following table describes the education and experience of each audit committee member that is relevant to the performance of his or her responsibilities as an audit committee member and, in particular, discloses any education or experience that would provide the member with: (a) an understanding of the accounting principles used by DCPayments to prepare DCPayments' financial statements; (b) the ability to assess the general application of such accounting principles in connection with the accounting for estimates, accruals and reserves; (c) experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by DCPayments' financial statements, or experience actively supervising one or more individuals engaged in such activities; and (d) an understanding of internal controls and procedures for financial reporting. For the purposes of National Instrument 52-110 ("**NI 52-110**"), an individual is financially literate if he or she has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the issuer's financial statements.

Name and Municipality of Residence	Independent <sup>(1)</sup>	Financially literate <sup>(2)</sup>	Relevant Education and Experience
Gary H. Dundas, Calgary, Alberta	Yes	Yes	Mr. Dundas has been the Vice President Finance, C.F.O. and a Director of Avenex Energy Corp. (and predecessors), a publicly traded oil & gas exploration and production corporation, since January 2003. Prior to joining Avenex, Mr. Dundas held positions of C.F.O., Vice President Finance, General Manager Corporate Development and Marketing and Controller, respectively, at Maxx Petroleum Ltd., a publicly traded junior oil and gas corporation over a seven-year period. Mr. Dundas has been a director of Athabasca Oil Sands Corp., an publicly traded oil sands corporation since August 28, 2006. Mr. Dundas has been a director of a number of publicly listed corporations and income trusts over the past 10 years. A Professional Accountant with a Certified Management Accountant (CMA) Designation, Mr. Dundas obtained his Bachelor of Commerce and MBA degrees from the University of Calgary.

Name and Municipality of Residence	Independent <sup>(1)</sup>	Financially literate <sup>(2)</sup>	Relevant Education and Experience
R. Bradley Hurtubise Calgary, Alberta	Yes	Yes	Mr. Hurtubise has been the C.E.O. & a Director of Eaglewood Energy Inc., a publicly traded junior oil & gas corporation whose shares trade on the TSX, since November, 2008. Mr. Hurtubise has been a Director of Ithaca Energy Inc., a publicly traded junior oil & gas corporation whose shares trade on the TSX Venture Exchange and London AIM market, since February 2008. Mr. Hurtubise was a director of Compton Petroleum Corporation, a TSX listed oil & gas corporation, from March 2009 to August, 2011. Mr. Hurtubise was the Managing Director, Investment Banking for Tristone Capital Inc., from February, 2004 until September, 2007. Mr. Hurtubise holds a Bachelor of Commerce degree from the University of Calgary, an MBA from the Schulich School of Business at York University in Toronto, and is a Chartered Financial Analyst charter holder.
Kevin W. Wolfe, Calgary, Alberta	Yes	Yes	Mr. Wolfe has been Partner & Director of Richmond Equity Management Ltd. (an investment management corporation) from October 2008 to present. Mr. Wolfe was the President and C.E.O. of EnerVest Management Ltd., the manager of EnerVest Diversified Income Trust, a publicly traded income trust from October 2005 to September 2008. Mr. Wolfe received a MBA from the Katholike University of Leuven in 1985. Mr. Wolfe was the Chairman of the Investment Funds Institute of Canada and of the Mutual Fund Dealers Association of Canada from 2000 to 2002.

- (1) The determination of whether a committee member is "independent" has been made by the DCPayments Board of Directors based on all information available to the DCPayments Board of Directors and representations made by the committee members to the DCPayments Board of Directors. NI 52-110 provides that a committee member is "independent" if he or she has no direct or indirect material relationship with the issuer where a "material relationship" is a relationship which could, in view of the DCPayments Board of Directors be reasonably expected to interfere with the exercise of a member's independent judgment.
- (2) DCPayments has relied on representations from the individual audit committee members as to whether the committee member has sufficient education and experience to be classified as "financially literate".

### Reliance on Exemptions In NI 52-110

Between January 1, 2012 (the beginning of DCPayments' most recently completed financial year) and March 16, 2013 DCPayments has not relied on (a) the De Minimus Non-Audit Services exemption in Section 2.4 of NI 52-110; or (b) the Initial Public Offering exemption in Section 3.2 of NI 52-110; or (c) the Events Outside Control of Member in Section 3.4 of NI 52-110; or (d) the Temporary Exemption for Limited and Exceptional Circumstances in Section 3.6 of NI 52-110; or (e) the Acquisition of Financial Literacy Exemption in Section 3.8 of NI 52-110; or (f) the special application to securities regulator exemption granted pursuant to Section 8 of NI 52-110.

### Audit Committee Oversight

No recommendation of the audit committee made between January 1, 2012 (the beginning of DCPayments' most recently completed financial year) and March 16, 2013 to nominate or compensate an external auditor was not adopted by the full DCPayments Board of Directors.

### Pre-Approval Policies and Procedures for Non-Audit Services

The audit committee has not adopted any specific policies and procedures for the engagement of DCPayments' external auditor to provide non-audit services except for setting a \$150,000 limit on such services (i.e. management cannot exceed this amount except with audit committee approval). Therefore, all non-audit services provided by the external auditors over the \$150,000 limit must be pre-approved by the audit committee before the services are provided.

**External Auditor Service Fees (KPMG LLP)**

The following table sets out the auditor service fees billed by DCPayments' external auditors (KPMG LLP) for the 2 annual periods indicated broken down into 4 different categories of fees.

TABLE OF EXTERNAL AUDITOR SERVICE FEES,  
(National Instrument 52-110 (Audit Committees) Form 52-110F2 Disclosure)

Category of External Auditor Service Fee Involvement with DCPayments or Subsidiary	Billed in the Year Ended December 31, 2012	Billed in the Year Ended December 31, 2011
Audit Fees (Audit of combined financial statements)	\$328,490	\$203,530
Audit-Related Fees <sup>(1)</sup>	\$254,850	\$0
Tax Fees <sup>(2)</sup> (Planning and tax advice)	\$127,900	\$78,900
All Other Fees	\$0	\$0
<b>TOTAL FEES</b>	<b>\$711,240</b>	<b>\$282,430</b>

- (1) "Audit-Related Fees" are those fees for assurance and related services that are reasonably related to the performance of the audit or review of DCPayments' financial statements which are not reported as "audit fees".
- (2) "Tax Fees" are those fees for tax compliance (2012 - \$62,900; 2011 - \$78,900), tax advice, and tax planning (2012 - \$65,000; 2011 - \$0).

**CONFLICTS OF INTEREST & FIDUCIARY DUTIES**

DC Bank is a separate legal entity and is not part of the DirectCash Group (see "Relationship With DC Bank"). Therefore, any agreements between any of the DirectCash Group and DC Bank will require that steps be taken to recognize that members of management who are also shareholders (directly or indirectly) of DC Bank have a conflict of interest. Four out of the six Directors of DCManagement are also directors of DC Bank, leaving 2 non-conflicted directors (R. Bradley Hurtubise and Leroy E. Thiessen) to approve contracts on behalf of DirectCash with DC Bank.

There may also be other potential conflicts of interest to which the directors and officers of DCPayments and DCManagement will be subject in connection with DirectCash Group's operations. In particular, certain of the directors and officers of DCPayments and DCManagement are involved in current positions with other companies whose operations may, from time to time, be in direct competition with those of the DirectCash Group or with entities which may, from time to time, provide financing to, or make equity investments in, competitors of the DirectCash Group. See "Directors and Management". Conflicts, if any, will be subject to procedures and remedies available under the *Business Corporations Act* (Alberta). The *Business Corporations Act* (Alberta) provides that in the event that a director has an interest in a contract or proposed contract or agreement, the director shall disclose his or her interest in such contract or agreement and shall refrain from voting on any matter in respect of such contract or agreement unless otherwise provided by the *Business Corporation Act* (Alberta).

**RISK FACTORS**

**The following are certain risk factors relating to DCPayments, DirectCash and DirectCash's Business. The following information is a summary only of certain risk factors and is qualified in its entirety by reference to, and must be read in conjunction with, the detailed information appearing elsewhere in this document. DCPayments is organized to be a holding corporation of the various other entities in the DirectCash Group and is not directly running the DirectCash Business and therefore not directly subject to risks of the Business- however, since DCPayments derives its value and cash flow from the other entities in the DirectCash Group, the risks faced by DirectCash are effectively also faced by DCPayments. The risks and uncertainties described below are not the only risks and uncertainties DirectCash faces. Additional risks and uncertainties not currently known to DCPayments or that DCPayments currently deems immaterial also may impair DirectCash's business operations. If any of the following risks actually occur, DirectCash's business, results of operations and financial condition, and the amount of cash available for distribution to holders of Common Shares, could suffer. In that event the trading price of Common Shares could decline and holders of Common Shares could lose all or part of their investment in Common Shares.**

### ***Possible Failure to Realize Anticipated Benefits of the Customers acquisition***

DirectCash has completed the Customers acquisition to strengthen DirectCash's position in the ATM industry and to create the opportunity to achieve the anticipated benefits. Achieving the benefits of the acquisitions depends in part on successfully consolidating functions and integrating operations, procedures and personnel in a timely and efficient manner, as well as on DirectCash's ability to realize the anticipated growth opportunity and synergies from the Customers business and operations. The integration of the businesses acquired requires the dedication of substantial management effort, time and resources, which may divert management's focus and resources from other strategic opportunities and from operational matters during this process. The integration process may result in the loss of key employees and the disruption of ongoing business, customer and employee relationships that may adversely affect DirectCash's ability to achieve the anticipated benefits of the acquisitions. In addition, DirectCash has (directly or indirectly) retained certain management personnel related to the acquired businesses, each of whom DirectCash relies on for the effective management of the respective businesses, the loss of whom could have an adverse effect on DirectCash.

### ***Credit Facilities & Borrowing***

DCPayments is required to comply with covenants under DCPayments' credit facilities which include certain financial ratio tests, which from time to time either affect the availability, or price, of additional funding. DCPayments' main credit facilities are guaranteed by all of the other entities in the DirectCash Group with material assets. DCPayments' term and revolving facilities (and the guarantees of those facilities) are secured by security interests charging substantially all of DirectCash's assets. The failure of DCPayments to comply with covenants under DCPayments' credit facilities (which failure might be caused by events beyond DCPayments' control), could result in the default under the credit facilities which could result in DirectCash being required to repay amounts owing thereunder on an accelerated basis. Even if DirectCash is able to obtain new financing, it may not be on commercially reasonable terms or terms that are acceptable to DirectCash. If DCPayments is unable to repay amounts owing, the lenders under the credit facility could proceed to foreclose or otherwise realize upon the guarantees/security interests/collateral granted to them to secure the indebtedness. The acceleration of DCPayments' indebtedness under one agreement may permit acceleration of indebtedness under other agreements (with the same lenders or different lenders) that contain cross default or cross-acceleration provisions. In addition, the credit facilities impose operating and financial restrictions on DirectCash, restrictions on the payment of dividends, repurchase or making of other distributions with respect to the DirectCash's securities, incurring of additional indebtedness, provision of guarantees, the assumption of loans, making of capital expenditures, entering into of amalgamations, mergers, take-over bids or disposition of assets, and other restrictions common to large credit facilities.

### ***Interest Rate Fluctuations***

DirectCash's debt fluctuates from time to time and DirectCash pays interest on DirectCash's debt on floating interest rates. Accordingly, any increase in rates may have a negative impact on profitability.

### ***Foreign Exchange & Currency Fluctuations***

DirectCash's payments to shareholders and debt holders are denominated in Canadian and Australian dollars. However, a significant portion of DirectCash's revenues and expenses are denominated in foreign currencies, including United States dollars, Australian dollars, Mexican Peso and British pounds. As a result, DirectCash is exposed to currency exchange rate risks. Exchange rates may vary substantially and may give rise to favourable or unfavourable foreign currency exposure. There can be no assurance that any arrangements to mitigate this exchange rate risk will be sufficient to fully protect against this risk. If hedging transactions do not fully protect against this risk, changes in the currency exchange rate between Canadian dollars and the foreign currencies in which DirectCash operates could adversely affect DirectCash's ability to pay dividends and discharge interest obligations and its financial position.

DirectCash is operating in foreign countries (i.e. Australia, United Kingdom, Mexico, and USA) and with foreign currencies and is therefore subject to exchange rate risk. Where DirectCash has investments in foreign jurisdictions (i.e. investments in ATMs, fixed assets, cash loaded into foreign ATMs) the value of those assets when converted into Canadian dollars for the purposes of financial reporting may go up or down from time to time (depending on the direction of change in relative currency values) resulting in foreign currency gains or losses for DirectCash. Similarly, the Canadian equivalent of revenues earned in foreign jurisdictions can go up or down depending on the direction of change in relative currency values. While DirectCash's business is still predominately carried on in Canada, if the business operations outside of Canada (e.g. Australia, United Kingdom, Mexico, and USA) increase substantially this could change the magnitude of the currency risks that DirectCash faces.

### ***Vault Cash***

DirectCash maintains cash in many ATMs (i.e. DirectCash is the owner of the cash and is responsible for replenishing cash in such ATMs), and funds certain of its vault cash requirements in part from a revolving credit facility. Funding increasing vault cash requirements from available lines of credit brings DirectCash closer to the lender's limits under the credit facility. This reduces the credit available for DirectCash to use for other purposes.

Vault cash is also attained pursuant to bailment arrangements in Australia and the UK., where in general, cash is loaded into ATMs under a bailment arrangement from financial institutions and negotiated fees are paid for the time that the cash is deployed. A typical requirement of such facilities is that DirectCash maintains specific types of insurance with specified minimum coverage limits (for example to cover theft or mysterious disappearance). Such bailment arrangements and insurance policies may not always be available as required, on acceptable terms, or at all. Like loan agreements, certain terms under the bailment agreements contain cross-defaults and, in the event of a default, could have a material adverse impact on DirectCash's business.

If future vault cash requirements increase past DirectCash's ability to fund such requirements (i.e. through draws on credit facilities or through bailment arrangements) and DirectCash is not able to not arrange an appropriate expansion of such credit facilities/arrangements, then DirectCash would have to consider funding alternatives for some ATMs which could result in a reduced level of profitability from the affected ATMs. If DirectCash is unable to source cash to fill some of DirectCash's ATMs, this would have a significant negative impact on DirectCash's business and operations.

### ***Network and Internal Fraud***

If a fraud occurs on any of the Networks or in the DirectCash network, this could result in a cost to DirectCash if it is determined that the breach is a result of DirectCash's negligence or failure to follow Network rules or regulations (or where the fault is not DirectCash's but the perpetrator of the fraud cannot be located or cannot be collected from). As new methods of intrusion and fraud emerge in the industry, DirectCash may have to incur significant additional costs to implement additional security precautions (which may be undertaken by DirectCash voluntarily or as a result of Network rule changes). Furthermore, the occurrence of frauds can result in a loss of consumer confidence which may result in declining transaction volumes at ATMs and Debit Terminals. Any of these circumstances could lead to DirectCash' cash flow being adversely impacted.

DirectCash employs a significant number of employees and contractors that have access to DirectCash's systems and infrastructure and if one or more of these individuals in key control positions were to perpetrate a fraud (for example, relating to settlement of transactions, altering account deposit details, changing customer charging details, fraudulently ordering cash to a non DirectCash location, or creating fake accounts), this could have a negative impact on DirectCash's cash flow. DirectCash has significant internal controls and monitoring in place to detect any of these possible activities, and DirectCash requires dual entry for many of the encryption key loading and control processes related to the cash settlement process.

### ***Software Viruses and Network Intrusion***

DirectCash maintains many different networks and management information systems (some of which are interconnected) and some of which are connected to the internet or to other external networks. DirectCash may be susceptible to viruses and network intrusions by third parties. Furthermore, network intrusions that occur on outside networks (or the internet) that DirectCash connects to can spread to DirectCash. Any intrusion or virus could impact the performance of the transaction processing capabilities of DirectCash and in a worst case scenario could require temporary shutdown of the affected systems (and the related services offered by DirectCash), and compromise information about customers, users and employees. Systems that are accessed through the internet are also subject to "denial of service" attacks - these attacks do not involve an intrusion into the system but can effectively make the systems unavailable to DirectCash's customers/employees. DirectCash maintains significant and complex security policies and procedures to manage these risks, some of which include intrusion detection software, virus monitoring software, IP blocking, IP tracking software, complex encryption for transactions, network monitoring and reporting solutions as well as application and data base level restrictions and controls through network design and implementation.

### ***Disaster Recovery***

For Canadian operations, DirectCash has a limited Disaster Recovery Site for in DirectCash's Toronto office and DirectCash maintains redundancy in DirectCash's Calgary facility where there is a backup generator and UPS (uninterruptible power source or battery backup) device. For Australia operations, DirectCash currently runs its transaction processing systems in an Active Site/Standby Site model with the systems residing in two co-location facilities offering secure and redundant environments. In a



disaster situation affecting the Australia Active Site, manual intervention is required in order to transition transaction processing from the failed Active Site to the Standby Site. For European Operations, DirectCash utilizes a third party transaction processor for transaction processing which operates on an Active Site/Standby Site model. For DirectCash's business records (i.e. various types of electronic files and records (for example, such as document files, spreadsheets, email records, etc.), these files (depending on the type and location) backed up daily/weekly/monthly and copies are periodically moved off site. Regardless of the backup and recovery sites maintained by DirectCash, it may not be possible to effectively transition on a timely basis all of DirectCash operations and functions to the applicable backup systems or alternative recovery sites in the event of disaster or equipment failure. Also, many aspects of the DirectCash business involve interconnection with other third party network participants and service providers - a failure in the backup or disaster recovery systems of those third party participants/providers would negatively impact DirectCash. Help desk and telephone customer support require a location for the call centre personnel and a telephone system for routing of inquiries - currently, DirectCash does not maintain alternative backup sites for call centre operations.

### ***Key Personnel***

Traditionally, DirectCash has been dependent on a relatively small number of key officers and employees, the loss of any of whom could have an adverse effect on the DirectCash. Due to the technical nature of the DirectCash Business, DirectCash is dependent upon its ability to continue to attract and retain qualified management, marketing, information technology and technical personnel. There is competition for qualified personnel in the DirectCash Business and in related businesses and there can be no assurance that DirectCash will be able to continue to attract and retain qualified personnel necessary for the development of DirectCash's businesses.

### ***International Operations***

DirectCash carries on operations in Australia, New Zealand, U.K., Mexico and the USA. DirectCash could in future establish or acquire additional businesses in other jurisdictions outside Canada. Foreign operations of DirectCash are exposed to various levels of political, economic and other risks and uncertainties. These risks and uncertainties include, but are not limited to, managing businesses under unfamiliar legal and regulatory regimes, difficulty in exercising control and implementing decision making through employees that are located greater distances from head office, local consumer resistance to "foreign" owned competitors, terrorism, hostage taking, military repression, expropriation, extreme fluctuations in currency exchange rates, high rates of inflation, labour unrest, the risks of war or civil unrest, expropriation and nationalization, renegotiation or nullification of existing concessions, licenses, permits, approvals and contracts, changes in taxation policies, restrictions on foreign exchange and repatriation, restrictions on dispensing of foreign currencies, and changing political conditions, currency controls and governmental regulations that favour or require the rewarding of contracts to local contractors or require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction. Changes, if any, in investment policies or shifts in political attitude in a foreign jurisdiction where DirectCash is operating may adversely affect the operations or profitability of DirectCash in that foreign jurisdiction. Operations may be affected in varying degrees by government regulations with respect to, but not limited to, price controls, export controls, currency remittance, income taxes, expropriation of property, and foreign investment. Employees and consultants retained by DirectCash in these jurisdictions (particularly cash loaders) can be subject to higher risk of threats to personal safety because of higher crime rates in some jurisdictions. The occurrence of these various factors and uncertainties cannot be accurately predicted and could have an adverse effect on the operations of DirectCash. In the Australia, U.K., and the USA some of these risks and uncertainties are less because each of Australia, U.K., and the USA have more established and stable economies and banking systems.

Also, the majority of DirectCash's ATMs in Mexico are located in tourist areas where the users are likely to be tourists - therefore, a reduction in tourist visits to these parts of Mexico could result in a reduction of transaction volume for DirectCash.

### ***Clients, Contracts & Market Saturation***

DirectCash may be unable to maintain and expand DirectCash's customer base and may not be able to renew DirectCash's contracts on the same or similar terms and conditions as that which presently exist. The ATM and Debit Terminal Markets may reach saturation and organic growth may be limited to market size. As well, DirectCash's profitability may be affected by a number of factors including the expiry or termination of existing Placement Contracts, Processing Contracts or card management contracts. DirectCash may not be able to enforce the terms of certain of DirectCash's contracts depending on the laws of the applicable jurisdiction.

Certain large clients (for example large chain operations that subscribe to DirectCash's Prepaid Card system or that locate DirectCash ATMs on their premises) represent significant portions of DirectCash's revenue. The loss of only a small number of these large clients could significantly and negatively affect DirectCash's revenue, profitability and cash flow.

***Dependency on Networks and Other Counterparties for a Number of Contracts and Business Arrangements***

DirectCash depends (directly or indirectly) on a number of Networks and counterparties in the conduct of DirectCash's Business, including Interac, MasterCard, VISA, Plus, Cirrus, Moneris Solutions Corp., Bank of Montreal, Royal Bank of Canada, 2143436 Ontario Limited (dba SelectCore Communications), Shaw Communications Inc., The DPL Group, Telus Communications Inc. DirectCash Bank, Inkas Finance Crop., First Island Armoured Transport (1998) Ltd., Armoured Transport Ltd. (dba Security Group), Banco Interacciones, Promoción y Operación, S.A. de C.V., Rogers Telecom Inc., Indue Ltd., Ineda Limited, Fidelity National Information Services Inc., Strategic Payments Services, First Data Corporation, Telstra corporation Limited, Optus Pty Ltd, Transaction Network Services Australia Pty Ltd, Armaguard Pty Ltd, Chubb Security Services Limited, Bendigo and Adelaide Bank Limited, Bank of Queensland Limited, Symstream Technology Group Ltd., National Australia Bank Limited, Paymark Limited, Westpac Banking Corporation, Link Interchange Networks Ltd., VocaLink Ltd., BT Global Services, Vodafone PLC., Coutts Bank, G4S PLC., Sunwin Services Group Ltd., Cooperative Bank, Santander Group and equipment and software vendors such as Cisco Systems, Microsoft Corporation, ACI Worldwide. There can be no assurance that any of these counterparties will be able to continue to perform their respective obligations and contracts or that DirectCash will be allowed to continue its memberships with applicable Networks. An interruption in or the termination of any contract or business arrangement by any counterparty (including, in relation to DirectCash's access to Networks, the supply by banks of cash for DirectCash's ATM cash loads, the use of DirectCash's own employees to load DirectCash's Full Placement ATMs, and the DirectCash's inability to make alternative arrangements in a timely manner, or at all), could have a material adverse effect on DirectCash's Business, financial condition and operating results. In addition, DirectCash periodically negotiates renewal terms for these contracts, business arrangements and memberships and there can be no assurance that such renewal terms will remain acceptable to DirectCash or any such counterparty or Network. An interruption in DirectCash's relationship with certain of these counterparties could materially adversely affect DirectCash's ability to process ATM, Debit Terminal, Prepaid Card, prepaid cellular, prepaid long distance, and prepaid land line transactions. If DirectCash were to lose DirectCash's access to Interac or MasterCard memberships, this would immediately result in a material adverse effect to DirectCash's Business. DirectCash is also a large user of and DirectCash's communication and processing systems are dependent on hardware and software sourced from Cisco Systems Canada Co. There can be no assurance that DirectCash would be able to find alternate supplies or sources of distribution in a timely manner

***Competition and Technological Change***

The ATM, Debit Terminal and prepaid products businesses are highly competitive. DirectCash's competitors include some of the major financial institutions in the jurisdictions where DirectCash conducts business who have greater financial and human resources and greater name recognition than DirectCash. As well, if existing or new competitors gain market share, DirectCash's business and operating results could be adversely affected. DirectCash's future and existing competitors could also introduce products with superior features and functionality at lower prices than the DirectCash's products, and could potentially bundle existing or new products with other more established products in order to compete with DirectCash. The introduction of new technologies, and any potential limitations or changes to DirectCash's network or changes to security requirements could all have a materially adverse impact on DirectCash's Business. Competitors could also gain market share by acquiring or forming strategic alliances with other competitors. If existing or future competitors seek to gain or retain market share by reducing margin on products sold, DirectCash may also be required to reduce DirectCash's margins or DirectCash's fee structure or increase amounts payable to third parties, retailers, sales agents and resellers, which may reduce DirectCash's revenue and funds from operations.

***Transaction Volumes***

DirectCash's revenues are largely dependent on (a) transaction volumes at ATMs and Debit Terminals, (b) the number of transactions performed using DirectCash Prepaid Cards, and (c) the number of prepaid cellular and long distance transactions. If these transaction volumes decrease with the proliferation of additional ATMs and/or Debit Terminals in the market, DirectCash's revenues and profitability will be negatively impacted.

### ***Payday Loan Companies***

The majority of the customers for DirectCash's Prepaid Cards are payday loan and cheque cashing companies, and this industry is subject to a large number of class action lawsuits which could adversely impact the volume of business that DirectCash realizes from these companies. Most jurisdictions in which DirectCash operates have passed legislation and/or regulations to regulate the payday loan industry (including setting maximum fees and interest for payday loan operators). Some of these regulations include regulations on how payday loan operators may use Prepaid Card to fund payday loans. Most of the Canadian Provinces have now set maximum regulated interest/fee levels. In some of those jurisdictions where maximum interest/fees have been set, some payday operators have complained that the maximum rates and charges set are too low. As a result, there is a possibility that some pay day operators might decide to discontinue operations in some jurisdictions if either: (a) criminal prosecutions or civil law suits (in Provinces where Section 347 still applies); or (b) compliance with Provincial pay day loan regulatory requirements (in Provinces exempted from Section 347), make continued operations unprofitable. If any of DirectCash's larger Prepaid Card merchant customers involved in the pay day loan business were to cease operations in all of Canada or in particular Provinces this could negatively impact DirectCash's revenue in the Prepaid Card business. There is also a chance that DirectCash may be named in class action law suits related to payday loan operators (whether or not there is legal basis for recovery against DirectCash). In Ontario, the registrar for payday loans has issued a proposal to revoke the lending license of DirectCash's largest prepaid card customer. The customer has requested a hearing before Ontario's License Appeal Tribunal (which has not yet been heard as of March 16, 2013).

### ***Global Financial Crisis***

Deterioration in global credit markets, as well as changes in legislative and regulatory requirements, could have a negative impact on financial institutions that DirectCash conducts business with. DirectCash has a significant number of customer and vendor relationships with financial institutions in all of DirectCash's key markets, including relationships in which DirectCash provides services for ATMs that are financial institution branded. Additionally, DirectCash relies on a small number of financial institution partners to provide DirectCash with the cash that DirectCash maintains in ATMs. Turmoil in the global credit markets in the future (such as that recently experienced in 2007-2008), may have a negative impact on those financial institutions and DirectCash's relationships with them. In particular, if the liquidity positions of the financial institutions deteriorate significantly, these institutions may be unable to perform under their existing agreements with DirectCash. If these defaults were to occur, DirectCash may not be successful in DirectCash' efforts to identify new vault cash providers and cash providers, and the underlying economics of any new arrangements may not be consistent with DirectCash's pre-crisis arrangements.

### ***Corporate Structure***

DCPayments is dependent upon cash dividends, distributions or other transfers from DCPayments' subsidiaries in order to (a) repay any debt DCPayments may incur, (b) make dividend payments to DCPayments' shareholders and (c) meet DCPayments' other obligations. The right of DCPayments, as a direct or indirect unitholder or shareholder of these entities, to realize on the assets of these entities in the event of their bankruptcy or insolvency, would be subordinate to the rights of their creditors and claimants preferred by statute.

### ***Corruption and Bribery***

DirectCash's operations are governed by, and involve interactions with, many levels of government in numerous countries. Like most businesses, DirectCash is required to comply with anti-corruption and anti-bribery laws, including the Canadian Corruption of Foreign Public Officials Act and the U.S. Foreign Corrupt Practices Act, as well as similar laws in the countries in which DirectCash conducts DirectCash's business. In recent years, there has been a general increase in both the frequency of enforcement and severity of penalties under such laws, resulting in greater scrutiny and punishment to businesses convicted of violating anti-bribery laws. Furthermore, a business may be found liable for violations by not only the business's employees, but also by the business's third party agents. Although DirectCash takes steps to mitigate such risks, such measures may not always be effective in ensuring that DirectCash, DirectCash's employees or third party agents comply strictly with such laws. If DirectCash finds itself subject to an enforcement action or is found to be in violation of such laws, this may result in significant penalties, fines and/or sanctions imposed on DirectCash resulting in a material adverse effect on DirectCash's reputation and results of DirectCash's operations.

### ***Regulatory Regime (General - All Jurisdictions)***

The profitability of the Business will be in part dependent upon the continuation of a favourable regulatory regime with respect to the continuing operations and the future growth and development of independent ATM, Debit Terminal and Prepaid Card operators. Should the regulatory regime or the interpretation of the legislation in an applicable jurisdiction be modified in a manner which adversely affects independent operators, including increases in taxes or increased regulatory burdens (including burdens imposed by MasterCard, VISA, Plus, Cirrus, Maestro, Interac (Canada), Canadian Payments Association, LINK Interchange Network (United Kingdom), APCA (Australian Payments Clearing Association), and Australian Bilateral ATM Systems), DirectCash's profitability may be adversely affected. The failure to obtain all necessary licences or permits, including renewals thereof or modifications thereto, may adversely affect profitability.

If the Networks (e.g. those listed in the prior paragraph) change their rules to alter the financial terms under which acquirers and issuers operate, such a change could have an adverse effect on DirectCash's profitability (or a positive effect, depending on the direction of the change). Some examples of the types of financial terms that the Networks have the power to change under their rules include, changing of amounts of interchange that is paid to/by card issuers or transaction acquirers, adjusting the fees paid by card issuers and/or transaction acquirers to the Network, creating new fees or levies charged to card issuers and/or transaction acquirers, changing the rules for allocating the liability for fraudulent transactions and their associated costs, changing the requirements for connecting to the network for transaction processing, eliminating or restricting the use of surcharging, allowing non financial institution members to deploy or process transactions, increasing Network association fees charged to card issuers or transaction acquirers, changing their rules so that different rules/fees apply to financial institutions versus non financial institution terminal deployers or processors, and changing or adding new monetary sanctions for breaches of network rules. If such changes result in increased costs or decreased revenue for DirectCash, DirectCash may or may not be able to recover the difference by altering the terms of the contracts DirectCash has with DirectCash's customers (or DirectCash may not be able to make the necessary adjustments until the terms of existing contracts reach the end of their current term).

If Interac, MasterCard or VISA mandate a hardware or software security upgrade for ATMs, Debit Terminals or the DirectCash Switch, or change the rules and regulations around approved devices, members or security, profitability may be adversely impacted.

Security upgrades are required under Interac, MasterCard, and VISA rules. These upgrades include the requirements to have: (a) EMV (Europay, MasterCard, VISA) certified chip card (the replacement technology for the historical magnetic stripe cards) software/readers, and (b) network approved encrypted PIN pad ("EPP") devices, installed on all ATMs and debit terminals thereby providing the ability to accept EMV chip card transactions. This will also require upgrading of switching software/hardware in those countries where DirectCash operates its own switch to process EMV chip card transactions, and adding additional encryption methods to ATMs and Debit terminals which include Triple Des Encryption. The specific requirements for particular upgrades and the deadlines by which the upgrades must be completed vary by jurisdiction. Not meeting set deadlines could require that particular devices (or entire networks of devices) be disconnected until they do comply - which would result in lost revenue and potentially the termination of site contracts if such disconnections breach the contracts. DirectCash's understanding of the deadlines in Canada mandated by Interac and MasterCard for conversion of ATMs and debit terminals (i.e. to read the EMV microchip on a card rather than a magnetic stripe) are as follows:

- (a) 50% of all ATMs must be upgraded with a EMV certified chip pin entry device by December 31, 2010 and 100% of ATMs must be upgraded by December 31, 2012;
- (b) 35% of debit terminals must be upgraded with a EMV certified chip pin entry device by December 31, 2010, 60% must be converted by December 31, 2012, and 100% must be upgraded by December 31, 2015.

VISA's Canadian rule changes do not require a switch to the new technology by any particular date. However, both MasterCard and VISA rules provide that after March 31, 2011, certain liabilities (i.e. in respect of transaction errors or frauds) will be reallocated to industry participants who are still accessing the MasterCard and VISA networks using non-upgraded equipment, cards or software.

The result of non-compliance can include penalties, fines, sanctions and contractual penalties by the applicable Network(s) and ultimately disconnection of the ATM and Debit Terminal device or card from the Network for failure to comply by the end dates. DirectCash has and will be investing maintenance capital and tasking DirectCash's IT department to meet these upgrade deadlines. As of December 31, 2012 DirectCash has met all of the Canadian EMV requirements noted above. Customers of DirectCash who own their own equipment are encouraged to make the necessary changes to their equipment and in some cases DirectCash has the contractual right to make the necessary changes for the customer (and charge the customer for the cost of the change).

Incorporating the EMV chip technology will increase the cost of manufacturing a card for use on the Networks. Since DirectCash must acquire and distribute numerous cards in DirectCash's Prepaid Card business, an increase in card production costs will negatively affect DirectCash if DirectCash is not able to pass on the increased card cost through higher fees to customers.

### ***Regulatory Regime (Canada)***

In Canada, DirectCash has agreed to indemnify DC Bank from certain losses/costs that DC Bank may incur as a result of DC Bank's involvement in issuing Prepaid Cards to DirectCash's customers. The format and technology incorporated into the Prepaid Cards that DC Bank issues to DirectCash's customers is determined by agreement between DirectCash and DC Bank from time to time. If DirectCash/DC Bank were to choose not to issue EMV enabled Prepaid Cards then the liability in respect of transactions errors or frauds would become DirectCash's responsibility (through DirectCash's indemnity of DC Bank).

In addition to the security upgrades to ATM and Debit Terminals, in order to access Interac, cards (i.e. the debit cards issued by financial institutions) must be upgraded (i.e. reissued) to have EMV chips installed: 65% by December 31 2010 and 100% by December 31, 2012.

DirectCash's operations are subject to a variety of federal laws, provincial laws and the rules of various financial networks ("**Networks**"), including Interac, Cirrus, Maestro, VISA and Plus. Also, DirectCash or the entities with whom DirectCash contracts are subject to the jurisdiction of various government agencies and departments, including the Office of the Superintendent of Financial Institutions ("**OSFI**"), the Canadian Payments Association (the "**CPA**"), Canadian Deposit Insurance Corporation ("**CDIC**"), Financial Transactions and Reports Analysis Centre of Canada ("**FINTRAC**"), and the offices of Provincial privacy commissioners. Any arrangements between any member of the DirectCash Group and DC Bank (i.e. transactions between "related parties" and "outsourcing" arrangements) are also subject to regulation/scrutiny by OSFI as the regulator of federal banks. Some of the more common areas where regulatory compliance can become relevant to operation of DirectCash's business include (a) anti-money laundering ("**AML**") requirements which includes reporting of suspicious transactions and checking of customer names against various lists of terrorist organizations, (b) know your client ("**KYC**") requirements (c) fee disclosure requirements ("**FDR**"), (d) identification of politically exposed foreign persons ("**PEFP**") and collection of additional information regarding PEFP transactions. Although the cost of compliance with such requirements historically has not been material to DirectCash, such laws or regulations are subject to change and accordingly, it is impossible to predict the cost or impact of such laws or regulations on its future operations. Each of the Networks, the CPA and other regulators are constantly reviewing, revising and updating their rules and regulations with a view to addressing and regulating new business practices, the needs of the marketplace and generally to meet their public interest mandates. Recently some provincial governments have chosen to legislate provincial AML requirements (in addition to those already legislated under federal legislation). If any of the Networks or government agencies that regulate financial institutions change their rules (or their interpretation of the rules) so as to increase the administrative burdens necessary to operate DirectCash's Prepaid Card program (for example, requiring that each DirectCash Prepaid Card customer become a customer of the financial institution and provide the necessary information to open and maintain a separate deposit account), such changes/increased costs could negatively impact cash distributions. If other legislation not directly dealing with financial institutions (for example, the Tax Rebate and Discount Act (Canada)) or legislation similar to the legislation introduced to regulate "gift" cards, is passed to restrict or limit the ability to charge fees on Prepaid Cards, this may make the use of Prepaid Cards in such applications uneconomic (or reduce DirectCash's per card profitability in such applications), and thereby possibly reducing DirectCash's cash flow.

The Financial Consumer Agency of Canada ("**FCAC**") has changed the regulation of prepaid cards, limiting the types of fees and when they can be charged. This could impact DirectCash's revenues if DirectCash cannot compensate with other fees or revenue sources.

There was discussion in February and March, 2007 by the Canadian federal Finance Minister at the time and other members of Parliament with respect to the Canadian banks reducing or eliminating surcharging at ATMs owned by the banks. Although, the banks have not agreed to reduce or eliminate surcharging at ATMs owned by the banks, if the banks did voluntarily agree to such reductions or if the government passed legislation banning or limiting surcharge fees, this could result in a substantial loss of revenues for DirectCash. Although DirectCash is not aware of legislation that is pending or threatened to ban or limit surcharge or interchange amounts, such legislation could have a negative impact on DirectCash's revenues and business model if it applies to DirectCash's ATMs. Other countries (for example Australia) have eliminated the "interchange" fees associated with ATM use with the result that the "surcharge" fees have had to be increased to make up for the loss of the interchange fee. A higher surcharge fee (which is more visible to the ATM user) may have the effect of reducing transaction volumes on white label ATMs (and incenting card holders to only use the ATMs of their card issuing bank which are typically provided "surcharge" free). Surcharge fees are typically shared by DirectCash with merchants and other third parties but interchange fees are typically not

shared. Further, not all ATM site contracts provide for a mechanism that would allow DirectCash to unilaterally increase the surcharge fee (and keep the increase) to compensate DirectCash for loss of the interchange fee. As of March 16, 2013, DCPayments is not aware of any proposal by government regulators to eliminate the interchange fee charged by Interac.

### ***Regulatory Regime (Australia)***

Under amendments made by the *Gambling Regulation Amendment (Licensing) Act 2009* (Victoria), ATMs have not permitted in approved gaming venues in Victoria, Australia since July 1, 2012, unless specifically approved by the Victorian Commission for Gambling and Liquor Regulation. This resulted in DirectCash having to remove some ATMs in some locations.

The Australia Commonwealth Government has released exposure drafts of the National Gambling Reform Bill 2012 and the National Gambling Reform (Related Matters) Bill 2012. Both Bills were passed in November 2012. The Bills contain a requirement that by February 1, 2014, a \$250 per card per day withdrawal limit be placed on all ATMs in gaming venues nationally, except in casinos and in communities where this may cause unreasonable inconvenience. However, the imposition of any limitations on ATM withdrawals in gaming venues may impact DirectCash's ability to earn revenue. As of December 31, 2012 approximately 19% of DirectCash's fleet of Australian convenience ATMs were located in gaming venues.

### ***Regulatory Regime (UK)***

Currently, the LINK network reviews (and if LINK determines it appropriate, changes) the Interchange Fee applicable on its network (which is basically all of the ATMs in United Kingdom) for ATM withdrawal transactions. A change or elimination of the Interchange Fee in United Kingdom could render many/most of the ATMs that operate on a "free to use" basis (i.e. only Interchange Fees earned, no Surcharge).

Universal access to cash through ATMs in the UK is dependent on the LINK network which is a card scheme owned by the United Kingdom banking and building sector. The purpose of LINK is to enable the secure authorization of all United Kingdom ATM debit cards in all United Kingdom ATMs. LINK also decides on the Interchange Fees that are charged for such sharing and enables surcharging of ATM withdrawals. All United Kingdom Independent ATM deployers are members of LINK and connect to the LINK network for ATM authorisations. VISA and MasterCard are competitors to LINK for authorization of card transactions and it is possible that one or more of the major issuing banks may decide to transfer its transactions away from LINK. If this were to occur, DirectCash ATMs in United Kingdom could continue to process transactions at DirectCash ATMs requested with cards issued by VISA and MasterCard (because DirectCash has agreements with both VISA and MasterCard for transaction processing). However VISA and MasterCard transactions occur at higher costs to DirectCash and VISA Europe does not currently enable surcharging so all VISA transactions would have to be "free to use". Therefore, a switch from LINK to MasterCard or VISA for ATM cash withdrawal transaction processing would be expected to negatively impact DirectCash United Kingdom financial performance.

The United Kingdom Government has introduced the concept of the basic bank account in the United Kingdom to persuade the unbanked and people on benefits in the United Kingdom to have bank accounts. Two major banks do not connect these basic accounts to LINK for widespread access to cash and only enable them to connect to their own ATMs. Other banks may decide to do the same, however they have all recently stated to LINK that they have no plans to do so.

The Bank of England, under pressure from Europe, has become concerned with the growth of counterfeit notes in circulation. This has focussed their attention on the amount of notes which never go through the official cash centres and they have issued a consultation paper looking at how to control this sector. It is possible that the Bank of England, through the Payments Council and through LINK may force extra costs on merchant replenished ("Self-Fill") ATMs by causing all notes being loaded into ATMs to be processed through a note checker. Such a change could negatively impact DirectCash United Kingdom financial performance.

The Office of Fair Trading ("OFT") has recently published a document criticizing the payday loan industry in the United Kingdom and threatening sanctions on payday loan providers who do not organize themselves to certain standards. It is not clear what effect this will have as yet, however it will possibly affect the speed of roll-out of prepaid cards into this sector.

### ***Structural and Cyclical Changes Occurring in the Payments Sector***

Cash remains the most common form of payment by consumers in Australia and the United Kingdom. Nonetheless, cash use as a share of total payments has declined, falling as a share of both the number and value of payments. If this trend continues, it may adversely affect the performance and sustainability of the ATM businesses of DirectCash.

### ***Liabilities from Acquisitions***

Part of DirectCash's business strategy includes pursuing acquisition opportunities in the ATM, Debit Terminal and prepaid products industries. While DirectCash's acquisition process typically includes extensive due diligence on the business or assets to be acquired, and DirectCash's acquisition agreements typically include detailed representations and warranties respecting the business or assets being acquired, there can be no assurance that DirectCash would not become subject to certain undisclosed liabilities in proceeding with such transactions. DirectCash has also completed a number of acquisitions and there may exist liabilities associated with the acquired assets that DirectCash failed or was unable to discover in DirectCash's due diligence prior to the consummation of these acquisitions. To the extent that prior owners of businesses failed to comply with or otherwise violated applicable laws, DirectCash, as a successor-owner, may be financially responsible for these violations. The discovery of any material liabilities could have a material adverse effect on DirectCash's Business, financial condition and future prospects.

If DirectCash completes acquisitions by acquiring the shares of the entity operating a business (as opposed to acquiring assets), then the liabilities of the acquired entity (as a matter of law) are also acquired. If the shares of the entity are being acquired from a single or small group of sellers in a private transactions DirectCash may be able to obtain some protection from specified liabilities by negotiating for specific representations and indemnities related to liabilities. However, if DirectCash were to acquire the shares of a publically traded corporation or an entity with a large number of shareholders, then it may not be possible to negotiate for effective protection through specific representations and indemnities.

When considering potential acquisitions DirectCash may have to expend significant amounts of funds and use internal resources to negotiate the acquisitions, conduct due diligence on the acquisitions, obtain third party reports concerning the acquisitions, and retain investment banker, lawyers and accountants to assist with the negotiation of the transaction. If a proposed acquisition is not completed for any reason, these costs are incurred (and have to be paid by DirectCash) even though DirectCash does not get the benefits associated with completing the acquisition.

### ***Tax Consequences of Acquisitions***

DirectCash has completed acquisitions of shares of competitor corporations which were in the same businesses as DirectCash. DirectCash typically then subsequently amalgamates or winds up the acquired entities into already existing corporations within the DirectCash Group. When this occurs, the future tax deductions and filings of the affected DirectCash Group corporations are affected by the combined tax attributes of the pre-amalgamation corporations. DirectCash has utilized in the past (and intends to utilize in the future) prior undepreciated capital property balances and unused non-capital loss carry forward balances (i.e. that originated in the acquired entities) for the purposes of claiming deductions and thereby reducing taxes payable in the years after these acquisitions are completed. However, if taxation authorities were to subsequently deny the deductibility of such items in future reassessments, it is possible that future cash flow of DirectCash could be negatively impaired by the increased future tax bill.

### ***Alternative Payments***

Alternative payment options could be developed that change individuals' requirements to get cash from ATMs or make purchases with debit cards or credit cards. Some new payment technologies that have emerged in the past few years include paypass systems and payment systems that utilize features built into cellular phones. To date these alternative technologies have not had a measurable impact. However, these technologies and new technologies developed in the future could become more prevalent and thereby negatively impact DirectCash's Business.

### ***Need to Manage Growth Effectively***

If DirectCash fails to manage DirectCash's growth effectively, DirectCash's business and operating results could be adversely affected, which could cause the market price of the Common Shares to fall. DirectCash's goal is to continue to grow the operations of DirectCash domestically and internationally, and to hire additional employees. The growth in DirectCash's operations and staff has placed, and will continue to place, a strain on existing management systems and resources. If DirectCash

fails to manage DirectCash's future anticipated growth, DirectCash may experience higher operating expenses, and DirectCash may be unable to meet the expectations of shareholders, securities analysts or prospective investors with respect to future operating results.

### ***Telecommunications Infrastructure***

The DirectCash operations rely on the telecommunications network and Internet network of certain major telephone and telecommunication suppliers in each jurisdiction where DirectCash operates. Any prolonged disruption of the telecommunications network, or Internet that provides the backbone or connection to the DirectCash switching operations would have an adverse effect on the profitability as DirectCash would be unable to process ATM, Debit Terminal, Prepaid Card and Prepaid Product transactions.

### ***Requirement for Additional Capital***

Actual expenses may exceed DirectCash's projected amounts and/or actual revenues may be less than DirectCash currently projects, in which case DirectCash may need to raise additional funds from lenders and equity markets in the future. In addition, DirectCash may choose to raise additional financing in order to capitalize on perceived acquisition opportunities that may accelerate DirectCash's growth objectives. DirectCash's (and DCPayments') abilities to arrange such financing in the future will depend in part on the prevailing capital market conditions as well as DirectCash's business performance. There can be no assurance that DirectCash or DCPayments will be successful in efforts to arrange additional financing, if needed, on terms satisfactory to DirectCash and DCPayments. If additional equity or debt financing is raised by the issuance of Common Shares, control of DCPayments may change and holders of Common Shares may experience dilution to their equity interest in DCPayments.

### ***Customer Credit Collection***

DirectCash's ability to collect amounts due or realize DirectCash's security on DirectCash's clients may affect profitability.

### ***The Market Price of Common Shares Will Fluctuate***

Shares of a publicly traded corporation will not necessarily trade at values determined solely by reference to the underlying value of its assets.

Since DCPayments was created after the Trust Conversion Arrangement, DCPayments has continued to be a dividend paying issuer. One of the factors that may influence the market price of Common Shares is the annual dividend yield on the Common Shares. DCPayments (and the other members of the DirectCash Group) are required to pay income tax on income before distribution of dividends to holders of Common Shares. An increase in tax rates will result in DCPayments having less cash available for other purposes (including payment of dividends). The market value of the Common Shares may deteriorate if DCPayments is unable to meet its dividend distribution targets in the future, and that deterioration may be material. Additionally, the "after tax" value of dividends distributed to shareholders is dependent on the tax charged to shareholders upon receipt of dividends - changes in "dividend tax credit" rates and tax rates generally can both affect the after tax value of dividends received.

An increase in market interest rates may lead purchasers of Common Shares to demand a higher annual yield and this could adversely affect the market price of the Common Shares.

In addition, the market price for Common Shares may be affected by changes in general market conditions, fluctuations in the market for equity or debt securities and numerous other factors beyond the control of DCPayments.

### ***Proprietary Information***

DirectCash relies on a combination of copyright, trademark and trade secret laws, confidentiality procedures, contractual provisions and other measures to protect its proprietary information. All of these measures afford only limited protection. These measures may be invalidated, circumvented or challenged. Despite DirectCash's efforts to protect proprietary rights, unauthorized parties may attempt to obtain or use information that DirectCash regards as proprietary.



### *Uninsured and Underinsured Losses*

The insurance coverage currently maintained by the DirectCash Group is in the form of comprehensive property and casualty insurance, including coverage in respect of claims for bodily injury or property damage arising out of assets or operations. In many of DirectCash's customer contracts, the customer is required to maintain insurance with DirectCash named as a loss payee. DirectCash has not always carried out annual verification that such customers have the necessary insurance in place. DirectCash has introduced a program where customers who are required to provide such insurance can pay a per transaction fee to DirectCash in exchange for DirectCash's agreement to waive the requirement for the customer to provide such insurance. Even in cases where customers remain contractually obligated to maintain insurance for DirectCash's benefit, it is possible that when a loss occurs the necessary insurance will not be in place or the insurance company will deny coverage. Historically, DirectCash self-insured those ATMs and Debit Terminals and cash that DirectCash had responsibility for. However, DirectCash may in future determine to purchase third party insurance to cover ATM damage and loss of cash contained in particular ATMs selected by DirectCash (most likely ATMs with particularly high cash load capacities). DirectCash also self-insures risks associated with network/system fraud and intrusions. DirectCash does carry insurance for cash in transit. **As a result, not all risks facing DirectCash are now or will be covered by insurance**, and no assurance can be given that insurance will be consistently available or will be consistently available on an economically feasible basis or that the amounts of insurance will at all times be sufficient to cover each and every loss or claim that may occur involving the assets or operations of DirectCash. In particular, damage caused by an accidental or natural disaster to any or all of DirectCash's office/warehouse facilities, including the DirectCash switching/telecommunications links, may have a material adverse effect on DirectCash's operations.

### *Seasonality*

ATM and Debit Terminal transaction volumes are subject to seasonality, which may impact distributions. Based upon historical transaction volumes from January 2008 through to December 2012, the highest transaction months in Canada are July and August followed by March, April and June. The lowest transaction volumes occur in the months of January, February, November and December. In Mexico, seasonality of the ATM business is the opposite of what is seen from DirectCash's Canadian operations.

### *Dividend Distribution Reductions & Delays*

Although DCPayments currently intends to continue to distribute dividends on the Common Shares, there can be no assurance regarding the amounts of income to be generated by DirectCash's business or the cash flow ultimately remaining and available to be distributed to holders of Common Shares. DCPayments' ability to make cash distributions, and the actual amount distributed, is entirely dependent on the operations and assets of DirectCash's Business, and is subject to various factors including DirectCash's financial performance, DirectCash's obligations under applicable credit facilities, fluctuations in DirectCash's working capital, the sustainability of DirectCash's margins and DirectCash's capital expenditure requirements.

## **LEGAL PROCEEDINGS & REGULATORY ACTIONS**

To the knowledge of DCPayments, there are no legal proceedings or regulatory actions material to DCPayments to which any of the entities forming part of the DirectCash Group is a party or of which any of their respective property is the subject matter and no such proceeding is known to DCPayments to be contemplated. DirectCash (on a fairly regular basis) becomes involved as a plaintiff to enforce DirectCash's rights under site related contracts (i.e. for ATM Placements and ATM Processing) in those few situations where DirectCash alleges that the other parties to such contracts are breaching the terms of such contracts. DirectCash views the prosecution of such litigation as a necessary part of the normal course of business in managing the thousands of site related contracts that DirectCash is party to. None of these individual disputes are material to DirectCash.

On November 9, 2012, DirectCash in addition to The Cash Store Financial Services Inc. ("CashStore") and DC Bank were named in a class action lawsuit as it relates to payday loans and related fees in the province of Manitoba. DirectCash is indemnified by CashStore and in turn DirectCash has indemnified DC Bank. The value of the CashStore indemnity depends on CashStore's ability to pay. CashStore is a reporting issuer in Canada and CashStore's financial and other information are available to the public on Canada's public issuer reporting site ([www.sedar.com](http://www.sedar.com)). CashStore ceased to offer payday loans in Manitoba after September 30, 2012.

## **INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

DirectCash has entered into some contracts and expects to enter into further contracts with DC Bank. Since certain members of management and DCPayments' Board of Directors are the shareholders of DC Bank, they are interested in any contracts between DC Bank and any member of the DirectCash Group.

### **REGISTRAR AND TRANSFER AGENT**

The registrar and transfer agent for the Common Shares is Valiant Trust Company, at its principal offices in Toronto and Calgary.

### **MATERIAL CONTRACTS**

Set out below are agreements that may be considered material to DCPayments:

1. Card (Interac & Cirrus) and MasterCard Issuing Agreement dated November 6, 2007 between DCManagement and DirectCash Bank as amended by an amending agreement dated January 1, 2010, (referred to under "DirectCash Payments Inc. - Relationship With DC Bank");
2. Long-Term Incentive Plan (Employee Profit Sharing Plan) for DCPayments pursuant to the Plan Services Agreement & Trust Indenture dated December 30, 2011 between Valiant Trust Company and DCManagement;
3. Scheme Implementation Deed dated April 2, 2012 between DCPayments and Customers Limited (which eventually resulted in the completion of the Australia Acquisition and referred to under "Development of the Business - Significant 2012 Acquisitions - Australia Acquisition"); and
4. Amended and Restated Credit Agreement dated July 23, 2012 initially among DirectCash Payments Inc., DirectCash Limited Partnership, DirectCash ATM Processing Partnership, DCP Holdings Australia Pty Ltd., Bank Of Montreal, The Bank Of Nova Scotia, Alberta Treasury Branches, Raymond James Finance Company of Canada Ltd., National Australia Bank Limited, and CIT Financial Ltd. (relating to DirectCash's secured credit facility and referred to under "Description of Capital Structure - Secured Credit Facilities).

All of the above documents have been filed on SEDAR at [www.sedar.com](http://www.sedar.com)

### **INTERESTS OF EXPERTS**

To the knowledge of DCPayments, as of the date hereof, set forth below is the name of each person or other entity who is named as having prepared or certified a statement, report or valuation described or included in a filing, or referred to in a filing, made under National Instrument 51-102 by DCPayments during, or relating to, DCPayments' most recently completed financial year, and whose profession or business gives authority to the statement, report or valuation made by the person or entity.

DCPayments used KPMG LLP for external audit services for the fiscal year ended December 31, 2012. KPMG LLP has advised DCPayments that: (a) KPMG LLP is independent within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Alberta, and (b) as of December, 31, 2012, the partners of KPMG LLP did not hold any registered or beneficial ownership directly or indirectly in the securities of DCPayments.

### **ADDITIONAL INFORMATION**

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of DCPayments' securities and options to purchase securities, if applicable, is contained in DCPayments' Information Circulars for annual meetings of holders of Common Shares that involve the election of directors of DCPayments. Additional financial information is provided in DCPayments' financial statements and management's discussion and analysis for the period ended December 31, 2012. Documents affecting the rights of securityholders, along with other information relating to DCPayments and its subsidiary entities, may be found on SEDAR at [www.sedar.com](http://www.sedar.com).

**SCHEDULE "A"****AUDIT COMMITTEE CHARTER****Audit Committee Charter**

The Board of Directors (the "Board") of DirectCash Payments Inc. ("DirectCash") has established the Audit Committee (the "Committee") to assist the Board in fulfilling its governance responsibilities. The scope of the Committee's responsibilities includes oversight and monitoring of: financial information which will be provided to DirectCash's shareholders and others; the quality of DirectCash's internal controls and financial controls; the audit processes; compliance with legal and regulatory requirements; and DirectCash's Code of Business Conduct.

In order to accomplish its objectives, the Audit Committee is expected to maintain free and open communication with the external auditors and management of DirectCash.

**Organization**

The Audit Committee shall be composed of a minimum of three Directors, all of whom are independent of the management of DirectCash and are free of any relationship that, in the opinion of the Board of Directors, would interfere with their exercise of independent judgment as a Committee member. Directors will be appointed annually to the Audit Committee by the Board of Directors. The Committee will appoint a Chairperson from the selected Committee members. Each director appointed to the Committee shall be financially literate or must become financially literate within one year of appointment. It is expected that, whenever possible, at least one Committee member will have accounting or related financial expertise. Additional training regarding Committee responsibilities is to be provided as determined by the Committee.

The Committee will meet quarterly with management and the external auditors. Additional meetings may be scheduled as required.

**Responsibilities**

In carrying out their responsibilities, the Audit Committee's scope will encompass the following activities:

**1.0 Financial Reporting**

- 1.1 Review and recommend to the Board for approval the annual financial statements, management discussion and analysis (MD&A), and press releases before this information is disclosed publicly. This review includes obtaining from management analysis of material variances, significant provisions and management estimates, and any unusual events that had a material effect on the financial statements;
- 1.2 Review and recommend to the Board for approval the interim financial statements, MD&A, and press releases before this information is disclosed publicly. This review includes obtaining from management analysis of major variances, significant provisions and management estimates, and any unusual events that may have had a material effect on the financial statements;
- 1.3 Review and recommend to the Board for approval any significant changes in accounting policies and principles. Review annually with management and the external auditors any emerging financial reporting issues and the possible future financial impact thereof;
- 1.4 Review and recommend to the Board for approval the Annual Information Form ("AIF"), Prospectuses, other offering memoranda, and any other published document focusing on financial information contained therein. Ensure the AIF includes accurate disclosure about the Audit Committee as required by applicable regulatory requirements;
- 1.5 From management and the external auditors gain satisfaction that adequate procedures are in place for the review of any public disclosure of financial information extracted or derived from the financial statements, other than the public disclosures referred to previously. Periodically conduct an assessment of the adequacy of these procedures.

**2.0 Internal Controls (including Financial Controls)**

- 2.1 Understand the key risks to the reliability of the financial reporting of DirectCash and review the quality of DirectCash's internal controls with management to ensure that DirectCash has a process in place to identify, evaluate the impact of, and implement effective techniques to proactively manage such risks;
- 2.2 At the conclusion of the external audit, review the audit report, including any comments and internal control recommendations as well as management's response thereto. In addition, obtain from the external auditors their judgements about the quality, not just the acceptability, of DirectCash's accounting principles;

**3.0 External Auditors**

- 3.1 Review and recommend to the Board the external auditors to be nominated for appointment at the Annual General Meeting of shareholders.
- 3.2 Establish and maintain a direct reporting relationship between the external auditors and the Audit Committee, as representatives the Board. Ensure that all parties recognize that the external auditors report directly to the Audit Committee;
- 3.3 Review and recommend to the Board the basis and amount of the external auditor's fees to conduct the external audit and provide associated services;
- 3.4 Approve and monitor non-audit services provided by the external auditor in accordance with DirectCash's policy. Engage in dialogue with the external auditors regarding any disclosed relationships or services to ensure that their independence and objectivity are maintained;
- 3.5 Meet with the external auditors and management of DirectCash to review and approve the scope of the proposed audit for the current year;
- 3.6 Oversee the work of the external auditor engaged for the purpose of preparing or issuing an auditor's report or performing other audit work, review or attest services, including the resolution of disagreements between management and the external auditor regarding financial reporting.
- 3.7 Approve DirectCash's policies regarding hiring of partners, employees and former partners and employees of present and former external audit firms.

**4.0 Policy, Legal, and Security Matters**

- 4.1 Establish procedures for and monitor the results of:
  - 4.1.1 The receipt, retention and treatment of complaints received by DirectCash regarding accounting, internal accounting controls, or auditing matters; and
  - 4.1.2 The confidential, anonymous submission by employees of DirectCash of concerns regarding questionable accounting or auditing matters.
- 4.2 Review DirectCash's Corporate Disclosure Policy and the program management has established to monitor compliance. Annually obtain from management a report of declared potential conflicts of interest and review management's actions to ensure actual conflicts are satisfactorily resolved on a timely basis;
- 4.3 Review DirectCash's programs for safeguarding physical assets, intellectual property, and management information systems;
- 4.4 Monitor ongoing fraud investigations and provide a report to the Board on the current status;

4.5 Review with management, legal counsel, and the external auditors any ongoing or anticipated material litigation, claim or other contingency, regulatory issues, legal statutes, and any other potential liabilities that may have a material effect upon the financial position or operating results of DirectCash. Evaluate the manner in which these matters have been disclosed in the financial statements;

**5.0 Other**

5.1 Meet separately with each of the external auditors and management to discuss items that these groups believe should be discussed privately and to obtain assurance that audit scopes are not being limited and that cooperation between the external auditors and management is satisfactory;

5.2 Initiate or conduct investigations into any matters within the Committee's scope of responsibilities. The Committee is empowered to retain, set the compensation for, and pay independent counsel, or other advisors to assist it in the conduct of any material investigation;

5.3 Request more in-depth reports from management or others on specific topics of interest to the Committee;

5.4 Annually review and amend the Audit Committee Charter as required, and recommend to the Board for approval;

5.5 Perform self-evaluations of the Committee's and members' performance;

5.6 Perform other functions as assigned by law, DirectCash bylaws, or the Board of Directors.

**Access to Officers, Employees and Outside Counsel**

The Committee shall have access to such officers and employees of the Corporation and to the Corporation's independent external auditors, and to such information respecting the Corporation, as it considers to be necessary or advisable in order to perform its duties and responsibilities.

The Committee has the authority to engage independent counsel and other advisors as it determines necessary to carry out its duties and to set and pay the compensation for any such counsel and advisors, such engagement to be for the Corporation's sole account and expense

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