

## SELECTED INVESTOR QUESTIONS RECEIVED THROUGH SEPTEMBER 17, 2021

### Question

As part of the Topicus deal was the Members Agreement effectively modified to so as to encourage management (mostly Robin) to remain an active participant for another 20 years or was there some kind of option built into the original Members agreement that basically provide for that?

### Response - MHL

When a call option approaches its potential exercise date, the investment and management horizon of the person subject to the call gets closer and closer. If they are prudent, they begin to maximize short-term value drivers, often at the expense of long-term value drivers. Constellation and many of its shareholders would like to be permanent Topicus shareholders. Joday and Topicus management are also significant Topicus shareholders and directors. We'd like to have alignment between these parties.

As part of the IRGA negotiation, Constellation extended its call option on the Topicus shares held by Joday and some of the Topicus managers (jointly, the "JT Shareholders") from 2023 to 2043. I believe that the extension will improve our alignment with the JT Shareholders for the next couple of decades. If the CSI board continues to feel that the JT Shareholders have been good partners, I anticipate that the call option will be extended once again as we approach the 2043 exercise date.

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### Question

What are the attributes you look for in management at acquisition candidates (assuming they stay)?

What are the attributes that are either deal-breakers or where you know management will have to be replaced?

### Response - MHL

Most of the nice businesses that we buy have been built by a team who have been running the business for a while. If the customer turnover and employee turnover are low, we know we are dealing with good managers. We don't want that to change, unless health or retirement dictate that change is necessary. In that case, we'll ask the departing managers to recommend their successors, who almost without fail, come from within the business.

If we are buying a business that is performing poorly... that has higher than industry average customer turnover and/or high employee turnover, then we are likely to have to intervene in some fashion. That could be as benign as coaching or as draconian as changing management. We don't keep a slew of competent managers at CSI sitting on the bench waiting for their next gig, so we're going to look very hard amongst the ranks of the newly acquired company. We want managers that know the vertical and can be coached. Existing employees are usually our best bet.

I suspect we are willing to be more patient with both existing and new managers than other software company buyers. We are permanent owners. We don't need to find the reincarnation of Peter Drucker on roller skates to whip the newly acquired business into shape, so it can be flipped to the next buyer.

This largely dodges your question about management attributes. I despair of answers that are some version of "intelligent, energetic, ethical". I know some great business builders who didn't win the genetic lottery in the intelligence category but compensated with hard work and determination. Energy can be poorly channeled. Ethics seem to get pretty plastic under enough carrot and stick stress. I'd rather use a track record of consistently happy and loyal customers and employees to judge a team. That strikes me as a far better predictor of future performance than psychometric questionnaires or dowsing for cultural fit.

### **Question**

Please explain the Non-Controlling interest attributable to the common equity holders from both a CSI and Topicus perspective.

### **Response - Jamal**

#### **CSI Perspective:**

The Controlling / Non-Controlling interest ("NCI") percentage attributable to the common equity holders is based on the subordinate shares and ordinary units ("Common Shares")

Calculations as at June 30, 2021 are as follows:

#### Common Share Holdings:

Public shareholders of TOI	39,870,417	61.4%
Joday Group	19,665,642	30.3%
Ijssel B.V.	5,384,832	8.3%
CSI	19	0.0% Includes the 1 super voting share
	<u>64,920,910</u>	

As you'll note, CSI owns only 19 Common Shares so, for the purposes of this calculation, it is considered to have a nominal controlling interest.

However, because we show the IRGA liability as a liability on the balance sheet, the assumption is made, for the purposes of this calculation, that we will eventually own the Joday Group's shares. We therefore show a 30.3% controlling interest. (Currently the only way the Joday Group can get liquidity for their ordinary units is to put them to CSI. The price is determined by the IRGA.)

Starting in February 1, 2022 all of the preference shares and units will get converted to Common Shares. Assuming no other changes occur, at that time the Common Share holdings will be as follows:

Public shareholders of TOI	39,870,417	30.7%
CSI	39,412,404	30.4% Includes the 1 super voting share
Joday Group	39,331,284	30.3% 60.6%
Ijssel B.V.	11,227,714	8.6%
	<u>129,841,819</u>	

CSI will own 30.4% of the Common Shares however we will show a 60.6% controlling interest for the same reason as above.

**Topicus Perspective:**

The Controlling / Non-Controlling interest ("NCI") percentage attributable to the common equity holders is based on Topicus.com Inc.'s ownership in the Topicus Coop.

Calculations as at June 30, 2021 are as follows:

Topicus.com Inc.	39,870,435	61.4% Common shares in Topicus Coop
Joday	19,665,642	30.3% Ordinary units in Topicus Coop
Ijssel	5,384,832	8.3% Ordinary units in Topicus Coop
	<u>64,920,909</u>	

The NCI amount is 38.6% as expected.

Starting February 1, 2022, all the preference shares and units will get converted to Subordinate shares and units.

At that time, assuming no other changes occur, holdings will be as follows:

Topicus.com Inc.	79,282,820	61.1% Common shares in Topicus Coop
Joday	39,331,284	30.3% Ordinary units in Topicus Coop
Ijssel	11,227,714	8.6% Ordinary units in Topicus Coop
	<u>129,841,818</u>	

The NCI amount is 38.9% as expected.

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**Question**

What is the dividend value of the Topicus shares received in conjunction with the spinoff, and what then is the adjusted cost base of the Topicus shares received?

**Response - Jamal**

It is our assertion that the value of the business at the time of the spinoff was ascribed to the preferred shares and hence the value ascribed to the subordinated voting shares ("SVS") was nominal (close to zero). The future growth of the business will result in the appreciation of the SVS. On February 1, 2022 the preferred shares will get converted to SVS at which time the SVS will reflect the full value of the business.

As reported by CDS, the initial cost base of the Topicus SVS received in conjunction with the spinoff is C\$0.00015641/share.