

February 24, 2020

From the Board of Directors,

## **QUESTIONS AND ANSWERS ABOUT THE AMALGAMATION AND THE MEETING**

The information contained below is of a summary nature and therefore is not complete.

This summary information is qualified in its entirety by the more detailed information contained elsewhere in or incorporated by reference in the revised Circular filed via SEDAR on February 20, 2020.

NOTE: Capitalized terms used in these questions and answers but not otherwise defined herein have the meanings set forth in the "Glossary of Terms" in the Circular.

### **General**

#### **Q: What are the Shareholders being asked to vote on?**

A: An amalgamation resolution that will see all the shareholders of Data Deposit Box Inc. receive in cash for each share they own \$0.012491639 per share.

See Circular: "Proposed Transaction", page 24-25.

#### **Q: When will the Amalgamation become effective?**

A: The Effective Date of the Amalgamation is expected to be on or about March 14, 2020.

See Circular: "Amalgamation Resolution and Proposed Effective Date", page 25-26.

#### **Q: What will happen to Data Deposit Box if the Amalgamation is completed?**

A: Data Deposit Box Inc. will no longer exist as a separate entity. Its assets and customer arrangements will be acquired by HostPapa, Inc.

#### **Q: Are Shareholders entitled to Dissent Rights?**

A: Yes.

See Circular: "Dissenting Shareholders' Rights", page 38.

## Background

### **Q: Why is now the right time for Data Deposit Box and its Shareholders to enter into the proposed Amalgamation?**

A: Data Deposit Box has faced challenges for many years due to the strategic changing landscape for cloud storage. Cloud back up storage has increasingly become a commodity-like service driving prices down significantly. Large businesses have entered the market with the size and volumes that allows them to compete at a price that DDB cannot match. Revenue has continually been declining as customers have been lost or turnover at a much lower fee rate. DDB continued to look for ways to reduce costs, increase revenue and to bring new products to the market. None of the strategies have been completely successful. As per our public financial statements, (see SEDAR for the company's MD&A and unaudited interim Financial Statements for the nine months ending September 30, 2019), we have not been profitable, have a deficit of over ten million, a declining cash balance and declining revenue on approximately 2,800 active customers. We have had a going concern note in our audited financial statements every year since our 2016 financial statements. While we have continued to operate as a stand-alone entity with a strong product, we need to make a strategic change with funding a priority in a very short time frame to be able to continue to operate in a very competitive environment.

See Circular: "Reasons for the Recommendation", page 26.

### **Q: What is the process that led to the transaction?**

A: Subsequent to the illness and 2019 death of DDB's CEO and Founder, Tim Jewell, the Company engaged INFOR Financial Inc. ("INFOR") as its financial advisor to assist it in a search for strategic partners or acquirers. In pursuit of creating shareholder value, the Company entered into confidentiality agreements with a number of different credible counterparties at various times, including HostPapa. This approach allowed the counterparties (who were subject to the confidentiality agreements) to become familiar with the Company and its operating business. In November 2019, HostPapa commenced its due diligence review of the Company, including with a management meeting.

In December 2019, multiple third parties submitted non-binding offers to acquire the Company or substantially all of its assets. However, the consideration from these offers, which ranged from all-share offers to cash, was determined by the Board to be uncompetitive. Negotiations with these parties were subsequently terminated.



After receiving a presentation from and the views of INFOR on December 18, 2019, the Board recommended that the Company enter into the non-binding offer with HostPapa and agree to a limited period of exclusivity. On December 20, 2019, the Company and HostPapa entered into the non-binding offer letter, which provided indicative terms, subject to confirmatory due diligence, completion of definitive documentation, and a binding period of exclusivity ending January 24, 2020.

Having previously entered into a Confidentiality Agreement with HostPapa on November 18, 2019, the Company on February 6, 2019 signed a Letter Agreement with terms for a proposed offer including a purchase price of \$0.015/share cash, subject to adjustment. A news release announcing the transaction was issued by the Company on February 6, 2020 and a material change report was filed.

On February 19, 2020, the Company and HostPapa signed a Combination Agreement for the acquisition of 100% of the Company's shares for C\$0.012491639 in cash. After discussion, and taking into account the best interests of the Shareholders and the impact of the Amalgamation on other stakeholders of the Company, and after consultation with its financial and legal advisors, the Board unanimously determined that the Amalgamation is fair to Shareholders and is in the best interests of the Company. Accordingly, the Board unanimously recommended that the Board approve the Amalgamation Agreement and recommend that Shareholders vote in favour of the Amalgamation.

A news release announcing the Amalgamation was issued by the Company on February 19, 2020.

See Circular: "Reasons for the Recommendation", page 26.

**Q: Does the Board support the Amalgamation?**

A: The Board truly believes this is the best option for DDB that will bring some value to shareholders, as well as protect customers and deal fairly with employees. Prior to Tim Jewell's illness, DDB tried for many years to seek out companies that would strategically partner or buy out DDB, but we were never successful at securing a bona fide offer. The Board unanimously recommends shareholders approve the Agreement.

**Q: Is there any special consideration for the Directors or any continuing affiliation with HostPapa?**

A: No. The Directors are not receiving any special remuneration from the amalgamation. The Directors will receive the same value for any shares they own as with any other shareholder. Siva Cherla has agreed to waive the compensation in his



employment agreement in the event of a change of control, and will instead receive a lower amount via a severance package. Siva and all Board members will have no affiliation with HostPapa after the amalgamation.

## **Consideration and Benefits to be Received**

### **Q: What will Shareholders receive as a result of the Amalgamation?**

A: Cash for each share they own at \$0.012491639 per share.

See Circular: "Proposed Transaction", page 24-25.

### **Q: Why was the Board not able to get a better price given clean balance sheet, good technology and a listed company?**

A: The business model for DDB was no longer viable in the long-term given the changing environment as cloud back up became commoditized. While the balance sheet is fairly clean, the company has not been profitable and will soon run into liquidity issues. No funding source has been identified to contribute the needed cash to enable DDB to be able to compete given its size in such a competitive market.

See Circular: "Reasons for the Recommendation", page 26.

## **Approvals**

### **Q: What approvals are required of Shareholders at the Meeting?**

A: Two thirds of shareholders who vote are required to vote "FOR" the offer in order for the amalgamation to proceed.

See Circular: "Amalgamation Resolution and Proposed Effective Date", page 25.

## **Questions**

### **Q: Who can help answer my questions?**

A: If you have any questions about this Circular or the matters described in this Circular, please contact your professional advisor. Shareholders who would like additional copies, without charge, of this Circular or have additional questions about the procedures for voting Data Deposit Box Shares, should contact their broker.