



Ontario
Securities
Commission

Commission des
valeurs mobilières
de l'Ontario

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ADVANTEK MARKETING INTERNATIONAL INC.

Partial Revocation Order

Under the securities legislation of Ontario (the “Legislation”)

Background

1. Advantex Marketing International Inc. (the “**Issuer**”) is subject to a failure-to-file cease trade order (the “**FFCTO**”) issued by the Ontario Securities Commission (the “**Principal Regulator**”) dated November 1, 2019.
2. The Issuer has applied to the Principal Regulator for a partial revocation order of the FFCTO.

Interpretation

Terms defined in the Legislation, National Instrument 14-101 -- *Definitions* or National Policy 11-207 -- *Failure-to-File Cease Trade Orders and Revocations in Multiple Jurisdictions* have the same meaning if used in this order, unless otherwise defined.

Representations

3. This decision (“**Order**”) is based on the following facts represented by the Issuer:
 - a. The Issuer was incorporated as “Advantex Marketing International Inc.” under the *Business Corporations Act* (Ontario) on February 10, 1994 and its common shares have been listed on the Canadian Securities Exchange (the “**CSE**”) since March 15, 2011.
 - b. The registered and head office of the Issuer is at 600 Alden Road, Suite 606, Markham, Ontario L3R 0E7.
 - c. The Issuer is a reporting issuer in Ontario, British Columbia, Alberta and Quebec. The Issuer’s principal regulator, as determined in accordance with Part 3 of National Policy 11-203 *Process for Exemptive Relief Applications in Multiple Jurisdictions* (“**NP 11-203**”), is Ontario.
 - d. The authorized capital of the Issuer comprises an unlimited number of common shares, 500,000 class A preference shares, an unlimited number of class B preference shares issuable in series and 125,000 class C preference shares. At the date hereof, the Company has outstanding 878,948,414 common shares, 461,887 class A preference shares and no class B preference and class C preference shares are outstanding. Each common share carries one vote.

- e. The common shares were traded on the CSE until November 1, 2019, on which date trading was suspended following the issuance of the FFCTO.
- f. As a result of the Issuer's failure to file:
 - a) annual audited financial statements for the year ended June 30, 2019 as required by National Instrument 51-102 *Continuous Disclosure Obligations* (“**NI 51-102**”);
 - b) management's discussion and analysis relating to the audited annual financial statements for the year ended June 30, 2019, as required by NI 51-102; and
 - c) certification of the foregoing filings as required by National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings* (“**NI 52-109**”);
 (collectively, the “**2019 Annual Filings**”) the Principal Regulator issued the FFCTO.
- g. The Issuer failed to file the 2019 Annual Filings due to a lack of financial resources.
- h. The Issuer also failed to file by the due dates its interim financial statements and management's discussion and analysis required by NI 51-102, and certification of filings as required by NI 52-109 for the three months interim period ended September 30, 2019 and the three and six months interim period ended December 31, 2019 (the “**2019 Interim Filings**” and together with the Required Annual Filings, the “**2019 Filings**”). On May 21, 2020, the Issuer remedied these defaults and filed the 2019 Filings and paid all applicable late filing fees.
- i. However, due to a continuing lack of financial resources the Issuer subsequently failed to file the following:
 - a) audited annual financial statements for the year ended June 30, 2020, as required by NI 51-102;
 - b) management's discussion and analysis relating to the audited annual financial statements for the year ended June 30, 2020, as required by NI 51-102;
 - c) financial statements for the interim period ended September, 30, 2020, as required by NI 51-102;
 - d) management's discussion and analysis relating to the financial statements for the interim period ended September 30, 2020, as required by NI 51-102; and
 - e) certification of the foregoing filings as required by NI 52-109.
 (collectively, the “**Required Filings**”).

- j. The Issuer's primary business is merchant cash advance ("MCA"). MCA companies provide working capital to independent merchants and in return pre-purchase their future receivables at a discount.
- k. The Issuer pivoted its business to MCA by August 2019. It began converting its merchant base to MCA upon winding up of the bundled working capital and bonus rewards programs it operated for CIBC and TD Bank.
- l. On October 28, 2019, principals of Generation IACP Inc. ("GIACP") and Generation PMCA Corp. ("GPMCA" and together with GIACP, "Generation") subscribed for 200 units of senior secured non-convertible debentures for aggregate proceeds of \$200,000. Each unit was comprised of (a) \$1,000 senior secured non-convertible debentures bearing interest at 9% per annum (the "Existing Debentures") and maturing on December 31, 2021; (b) 108,244 common shares; and (iii) a restructuring bonus payment of \$180 for each \$1,000 of Existing Debentures payable on the maturity date or earlier required repayment under the Existing Debentures. The proceeds of this offering were used to shore up working capital and to enable the Issuer to continue operations pending receipt of additional growth capital. Generation's managed accounts are the principal shareholders and principal holders of the Existing Debentures.
- m. The Issuer is, and has been, in default of its interest payments under the Existing Debentures since December 16, 2018, and does not currently have the financial ability to pay the arrears.
- n. The Issuer is proposing to complete a financing transaction (the "Financing") to enable the Issuer to raise sufficient funds to bring its continuous disclosure record up to date by filing the Required Filings, to apply to the Principal Regulator for a full revocation of the FFCTO and to provide working capital, including capital necessary for the repayment of indebtedness owed to arms' length third parties. The Financing will consist of Generation, through its managed accounts and principals, and Kelly Ambrose ("Ambrose"), the President, Chief Executive Officer and a director of the Issuer, subscribing for an aggregate principal amount of \$250,000 senior secured non-convertible debentures bearing interest at 9% per annum maturing on December 31, 2025 (the "New Debentures"). Other than the maturity date, the New Debentures are on the same terms as, and will rank *pari passu* with, the Existing Debentures.
- o. Generation and Ambrose are "related parties" of the Issuer (as such term is defined in Multilateral Instrument 61-101 *Protection of Minority Security Holders in Special Transactions* ("MI 61-101")) and the Financing is a "related party transaction" under paragraph (g) of that definition in MI 61-101.
- p. Paragraphs 5.5(g) and 5.7(1)(e) of MI 61-101 (together, the "Financial Hardship Exemption") exempts related party transactions from the formal valuation and minority approval requirements, respectively, contained therein, if the issuer is in financial hardship. The Issuer is able to satisfy the Financial Hardship Exemption and is relying on the Financial Hardship Exemption in respect of the Financing.
- q. There are no approvals required in respect of, or in connection with, the Financing that must be obtained at a meeting of securityholders of the Issuer.

- r. The Issuer seeks a partial revocation of the FFCTO to allow it to complete the issuance of an aggregate of \$250,000 of New Debentures to Generation, through its managed accounts and principals, and Ambrose under the Financing. The Issuer will issue the New Debentures on a prospectus exempt basis pursuant to the accredited investor exemption under section 73.3 of the Legislation and National Instrument 45-106 *Prospectus Exemptions*.
- s. The proceeds from the Financing shall be used as follows:
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| Balance of auditor fees for preparation of continuous disclosure records. | \$40,000 |
| Late filing fees with Principal Regulator, ASC, BCSC and AMF. | \$30,000 |
| Legal fees for partial and full revocation of FFCTO and Financing. | \$25,000 |
| Salaries, operational and general administrative expenses. | \$28,000 |
| Payment of accounts payable incurred in the ordinary course of business. | \$91,000 |
| Partial funding of MCA business as public health restrictions are gradually eased. | \$36,000 |
| <i>TOTAL</i> | <i>\$250,000</i> |
- t. The Issuer reasonably believes that it will have sufficient resources upon completion of the Financing to complete its required continuous disclosure documents and file the Required Filings and to pay all outstanding fees owed to the ASC, BCSC, AMF and the Principal Regulator, as well as to apply to the Principal Regulator for the full revocation of the FFCTO.
- u. The purpose of the Financing is to enable the Issuer to raise sufficient funds to bring its continuous disclosure record up to date, to apply to the Principal Regulator for a full revocation of the FFCTO and to provide limited working capital as outlined in representation “s”.
- v. Other than the Financing, there are no other current or existing agreements, commitments or understandings made or proposed to be made between the Issuer and any other person (including Generation and Ambrose) relating to future or possible financing opportunities related to, or involving, the Issuer.
- w. Following the completion of the Financing, and once the Issuer’s public disclosure record is fully up-to-date, the Issuer will apply to the Principal Regulator for a full revocation of the FFCTO.

- x. Other than the FFCTO, the Issuer has not previously been subject to a cease trade order by the Principal Regulator.
- y. The Issuer is not in default of any of the requirements of the Legislation or the rules and regulations made pursuant thereto, other than to file the Required Filings and engaging in acts in furtherance of a trade contrary to the terms of the FFCTO by mailing the management information circular dated November 13, 2020. The Issuer's SEDAR and SEDI profiles are up to date.
- z. As the Financing will involve a trade of securities and acts in furtherance of trades, the Financing cannot be completed without a partial revocation of the FFCTO.
- aa. The Issuer is not considering, nor is it involved in, any discussion relating to a reverse-takeover, merger, amalgamation or other form of transaction similar to any of the foregoing.
- bb. Following the full revocation of the FFCTO, the Issuer will, in due course, apply to the CSE for the relisting of the Common Shares.
- cc. Prior to the completion of the Financing, each participant in the Financing will receive (collectively, the “**Documents**”):
 - a. a copy of the FFCTO;
 - b. a copy of this Order; and
 - c. written notice that the Issuer’s securities, including any and all securities issued pursuant to the Financing, will remain subject to the FFCTO following the completion of the Financing and the issuance of a partial revocation order does not guarantee the issuance of a full revocation order in the future and as a consequence the FFCTO may remain in effect for the fullness of time.
- dd. Each participant in the Financing will be required to acknowledge in writing the receipt of the Documents from the Issuer.
- ee. Concurrently with the issuance of the Order the Issuer will disseminate a press release and file a material change report including the information required by section 5.2 of MI 61-101. As other material events transpire, the Issuer will issue appropriate press releases and file a material change report as applicable.

Order

- 4. The Principal Regulator is satisfied that a partial revocation order of the FFCTO meets the test set out in the Legislation for the Principal Regulator to make the decision.
- 5. The decision of the Principal Regulator under the Legislation is that the FFCTO is partially revoked solely to permit the Financing, provided that:

- a) concurrently with the issuance of this Order, the Issuer disseminates a press release and files a material change report including the information required by section 5.2 of MI 61-101;
- b) prior to the completion of the Financing, the Issuer:
 - (i) provides each participant in the Financing a copy of the FFCTO;
 - (ii) provides each participant in the Financing a copy of this Order; and
 - (iii) obtains from each participant in the Financing, a signed and dated acknowledgement, which clearly states that (a) all of the Issuer's securities, including any and all securities issued pursuant to the Financing, will remain subject to the FFCTO following the completion of the Financing, and (b) the issuance of a partial revocation order does not guarantee the issuance of a full revocation order in the future.
- c) the Issuer makes available a copy of the written acknowledgements referred to in paragraph (5)(b)(iii) to staff of the Principal Regulator on request;
- d) the partial revocation order only varies the FFCTO and does not provide an exemption from the prospectus requirement; and
- e) this Order will terminate on the earlier of (A) the closing of the Financing and (B) 60 days from the date hereof.

DATED this 25th day of February, 2021.

'Lina Creta'

Manager, Corporate Finance
Ontario Securities Commission