

INNOVATIVE PROPERTIES INC.

Consolidated Financial Statements

October 31, 2011

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Innovative Properties Inc.

We have audited the accompanying consolidated financial statements of Innovative Properties Inc. which comprises of the consolidated balance sheet as at October 31, 2011, and the consolidated statements of income (loss), comprehensive income (loss) and deficit and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal controls as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence that we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Innovative Properties Inc. as at October 31, 2011 and the results of its operations and its cash flows for the year then ended, in accordance with Canadian generally accepted accounting principles.

Emphasis of Matter

We draw attention to Note 1 to the consolidated financial statements, which describe certain conditions that give rise to substantial doubt about the entity's ability to continue as a going concern. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not qualified in respect of this matter.

Other matters

The consolidated financial statements of Innovative Properties Inc. for the year ended October 31, 2010, were audited another auditor who expressed an unqualified opinion on those statements on February 25, 2011.

/s/DMCL

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED ACCOUNTANTS

Vancouver, Canada
February 24, 2012

INNOVATIVE PROPERTIES INC.
Consolidated Balance Sheets

	October 31, 2011	October 31, 2010
	\$	\$
ASSETS		
CURRENT		
Cash	3,073	-
Accounts receivable (Note 5)	-	23,771
Inventory (Note 5)	-	3,119
HST recoverable	4,004	750
Prepaid expenses (Note 5)	-	10,332
	<u>7,077</u>	<u>37,972</u>
EQUIPMENT (Note 5)	-	21,645
CUSTOMER RELATIONSHIPS (Note 5)	-	34,760
INTELLECTUAL PROPERTY (Note 5)	-	186,229
	<u>7,077</u>	<u>280,606</u>
LIABILITIES AND SHAREHOLDERS' DEFICIENCY		
CURRENT		
Bank indebtedness (Note 5)	-	54,459
Accounts payable and accrued liabilities	84,596	147,015
Deferred revenue (Note 5)	-	9,300
Current portion of long term debt (Notes 5 and 7)	-	17,933
Convertible debentures (Note 5)	-	600,000
Due to related parties (Note 6)	223,612	277,225
	<u>308,208</u>	<u>1,105,932</u>
LONG TERM DEBT (Notes 5 and 7)	-	168,939
SHAREHOLDERS' DEFICIENCY		
Share capital (Note 8)	908,082	908,082
Warrants (Note 8)	-	265,908
Contributed surplus (Note 8)	491,896	225,998
Deficit	(1,701,109)	(2,394,265)
	<u>(301,131)</u>	<u>(994,265)</u>
	<u>7,077</u>	<u>280,606</u>

GOING CONCERN (Note 1)
SUBSEQUENT EVENT (Note 8)

ON BEHALF OF THE BOARD

" Sonny Janda " Director
" Gordon Neal " Director

See notes to consolidated financial statements

INNOVATIVE PROPERTIES INC.**Consolidated Statements of Income (Loss), Comprehensive Income (Loss) and Deficit**

	Year Ended October 31, 2011	Year Ended October 31, 2010
	\$	\$
REVENUE		
Sales and service revenue	-	527,080
Interest and miscellaneous	-	3,472
	-	530,552
COST OF SALES	-	331,176
GROSS PROFIT	-	199,376
EXPENSES		
Accretion of discount	-	138,175
Amortization	-	131,143
Consulting fees (<i>Note 6</i>)	32,181	170,983
Directors fees	-	54,000
Filing fees	17,260	18,744
Insurance	12,622	14,361
Interest and bank charges (<i>Notes 5, 6 and 7</i>)	25,306	119,459
Office and miscellaneous	1,273	24,733
Professional fees (<i>Note 6</i>)	76,445	57,611
Rent and occupancy	1,307	36,017
Salaries and wages	405	170,692
Telephone	1,441	12,807
LOSS BEFORE OTHER ITEM	(168,240)	(749,349)
OTHER ITEM		
Gain on transfer of Dime (<i>Note 5</i>)	861,374	-
NET AND COMPREHENSIVE INCOME (LOSS)	693,134	(749,349)
DEFICIT, BEGINNING	(2,394,243)	(1,644,916)
DEFICIT, ENDING	(1,701,109)	(2,394,265)
EARNINGS (LOSS) PER SHARE-BASIC AND DILUTED	0.21	(0.22)
WEIGHTED AVERAGE NUMBER OF SHARES - BASIC AND DILUTED	3,362,546	3,362,546

See notes to consolidated financial statements

INNOVATIVE PROPERTIES INC.
Consolidated Statements of Cash Flows

	Year Ended October 31, 2011	Year Ended October 31, 2010
	\$	\$
OPERATING ACTIVITIES		
Net and comprehensive earnings (loss)	693,134	(749,349)
Items not affecting cash:		
Amortization	-	131,143
Gain on disposal of Dime	(861,374)	-
Interest	23,546	138,175
Changes in non-cash working capital:		
Accounts receivable	-	(545)
Inventory	-	(3,119)
Accounts payable and accrued liabilities	61,946	(25,162)
Prepaid expenses	10,332	13,175
HST recoverable	(2,211)	(294)
Deferred revenue	-	(4,703)
Cash flow used in operating activities	(74,627)	(500,979)
INVESTING ACTIVITY		
Equipment purchases	-	(1,083)
Cash flow used in investing activity	-	(1,083)
FINANCING ACTIVITIES		
Proceeds from convertible debentures	-	585,329
Bank indebtedness	-	54,459
Payments to related parties, net	77,700	(49,678)
Proceeds from long term financing	-	15,743
Repayment of long term debt	-	(59,020)
Cash flow from financing activities	77,700	546,833
CHANGE IN CASH	3,073	44,771
CASH, BEGINNING	-	(44,771)
CASH, ENDING	3,073	-
CASH PAID FOR:		
Interest	-	85,062
Income taxes	-	-

1. NATURE OF OPERATIONS

Innovative Properties Inc. (the "Corporation") was incorporated under the Canada Business Corporations Act and was in the business of providing property management products and services to property owners through its subsidiary, Dime Inc. ("Dime") and Dime's wholly owned subsidiary Line 4 Inc. ("Line 4"). The Corporation's shares trade on the TSX Venture Exchange. The Company is currently seeking new business opportunities.

On November 10, 2010, the Corporation defaulted on interest payments on its secured convertible debentures (the "Debentures"). The Debentures were secured by 100% of the outstanding shares of Dime. As a result of defaulting on the Debentures, the Corporation effectively transferred control of Dime to the holders of the Debentures. In December 2010, the Corporation reached a formal agreement with the holders of the Debentures to transfer all the outstanding shares of Dime in satisfaction of full settlement of amounts owing with respect to the Debentures (Note 5).

These financial statements have been prepared on a going concern basis which assumes that the Corporation will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Corporation are dependent upon its ability to identify new business opportunities and obtain adequate financing and to commence profitable operations in the future. As a result of its plans, management expects that the Corporation will have sufficient capital to fund operations. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Corporation be unable to continue in existence.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of presentation

These consolidated financial statements have been prepared under Canadian Generally Accepted Accounting Principles ("GAAP") and are presented in Canadian dollars.

Principles of consolidation

The consolidated financial statements include the accounts of the Corporation and its subsidiaries. The results of operations of the subsidiaries are included in the consolidated financial statements from the respective dates of acquisition. The Corporation ceased accounting for Dime and Line 4 on November 1, 2011.

Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses. Actual results could differ from those estimates. Significant areas requiring the use of management estimates relate to determining the expected tax rates for future income taxes and management's assumptions and estimates for going concern considerations.

Earnings (Loss) per Share

The Corporation uses the treasury stock method for the computation and disclosure of earnings (loss) per share. The treasury stock method is used to determine the dilutive effect of stock options and other dilutive instruments which assume that proceeds received from in-the-money stock options are used to repurchase common shares at the prevailing market rate. Basic and diluted earnings (loss) per share have been calculated using the weighted average number of shares outstanding during the year.

Convertible debt instruments

The Corporation's convertible debt instruments were segregated into their debt and equity elements at the date of issue, based on the relative fair market values of these elements in accordance with the substance of the contractual agreements. The fair market value of option provisions was determined using the Black Scholes Model. The debt element of the instruments is classified as a liability, and recorded as the present value of the Corporation's obligation to make future interest payments in cash, and settle the redemption value of the instrument in cash or in shares. The carrying value of the debt element was accreted to the original face value of the instruments using the effective interest method until November 1, 2010 when the Corporation defaulted on the Debentures and the Debentures were accreted to their full value.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments

The Corporation follows the Canadian Institute of Chartered Accountants (“CICA”) Handbook Section 3855, Financial Instruments – Recognition and Measurement. Section 3855 prescribes when a financial instrument is to be recognized on the balance sheet and at what amount. Under Section 3855, financial instruments must be classified into one of five categories: held-for-trading, held-to-maturity, loans and receivable, available-for-sale financial assets, or other financial liabilities. All financial instruments, including derivatives, are measured at the balance sheet date at fair value except for loans and receivables, held-to-maturity investments, and other financial liabilities which are measured at amortized cost.

The Corporation’s financial instruments consist of cash, bank indebtedness, accounts receivable, accounts payable, long term debt, convertible debentures and amounts due to related parties. Cash is measured at face value, representing fair value, and are classified as held-for-trading. Accounts receivable, which is measured at amortized cost, is classified as loans and receivables. Bank indebtedness, long term debt, convertible debentures, accounts payable and amounts due to a related parties are measured at amortized cost and classified as other financial liabilities. The fair value of these financial instruments approximates their carrying values, unless otherwise noted.

The Corporation has determined that it does not have derivatives or embedded derivatives.

The CICA Handbook Section 3862, Financial Instruments – Disclosure, requires an entity to classify fair value measurements in accordance with an established hierarchy that prioritizes the inputs in valuation techniques used to measure fair value. The levels and inputs which may be used to measure fair value are as follows:

- Level 1 – fair values are based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – fair values are based on inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); or
- Level 3 – applies to assets and liabilities for inputs that are not based on observable market data, which are unobservable inputs.

Financial instruments classified as level 1 include cash.

Income Taxes

Future income taxes are recorded using the asset and liability method whereby future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment or enactment occurs. To the extent that the Corporation does not consider it more likely than not that a future tax asset will be recovered, it provides a valuation allowance against the excess.

Stock-based Compensation

The Corporation grants options to purchase shares to employees or directors. The fair value of the options on the date of the grant is recognized as a compensation expense, with a corresponding increase in contributed surplus, over the period during which the related options vest. When options to purchase shares are granted to non-employees in return for goods or services, the fair value of the options granted is recognized as an expense, with a corresponding increase in contributed surplus, in the year in which the goods or services are received or are expected to be received. The consideration received on the exercise of share options is credited to share capital. When options are exercised, previously recorded compensation is transferred from contributed surplus to share capital to fully reflect the consideration for the shares issued.

Equipment

Equipment is recorded at cost and amortization is calculated on the declining balance basis at an annual rate of 30%.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of long-lived Assets

Long-lived assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable from the future undiscounted net cash flows expected to be generated by the asset. If the asset is not fully recoverable, an impairment loss would be recognized in that period for the difference between the carrying value of the asset and its estimated fair value based on discounted net future cash flows or quoted market prices.

Revenue recognition

Revenue from sales of products is recognized when title passes to the customer, which generally coincides with the delivery and acceptance of goods. Revenue derived from the sale of services contracts is recognized as revenue on a straight-line basis over the term of the contract. Consulting and management fee revenue is recorded at the time the service is rendered in the normal course of business.

Recent Accounting Pronouncements

International Financial Reporting Standards (“IFRS”)

The Canadian Accounting Standards Board will require all public corporations to use IFRS for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. Corporations will be required to provide IFRS comparative information for the previous fiscal year. The transition from Canadian GAAP to IFRS will be applicable for the Corporation for the first quarters of fiscal year ending September 30, 2012 when the Corporation will prepare both the current and comparative financial information using IFRS. The Corporation has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS and initial adoption alternatives have not been determined.

Business Combination, Consolidated Financial Statements and Non-controlling interest

For interim and annual financial statements relating to fiscal years commencing on or after January 1, 2011, the Corporation will be required to adopt new CICA Section 1582 “Business Combinations”, Section 1601 “Consolidated Financial Statements” and Section 1602 “Non-Controlling Interests”. Section 1582 replaces existing Section 1581 “Business Combinations”, and Sections 1601 and 1602 together replace Section 1600 “Consolidated Financial Statements”. The adoption of Sections 1582 and collectively, 1601 and 1602 provides the Canadian equivalent to IFRS 3 “Business Combinations” and International Accounting Standard (“IAS”) 27 “Consolidated and Separate Financial Statements” respectively. Management does not consider that the adoption of these standards will have a material impact on the Corporation’s consolidated financial statements.

3. CAPITAL DISCLOSURES

The Corporation manages its capital, consisting of share and working capital, in a manner consistent with the risk characteristic of the assets it holds. All sources of financing are analyzed by management and approved by the board of directors.

The Corporation’s objectives when managing capital are to safeguard the Corporation’s ability to continue as a going concern. The Corporation is meeting its objective of managing capital through preparing short-term and long-term cash flow analysis to ensure an adequate amount of liquidity. The Corporation is not subject to any externally imposed capital restrictions.

The Corporation’s overall strategy remains unchanged from the prior year. The Corporation is not subject to any other externally imposed capital requirements.

4. FINANCIAL INSTRUMENTS

Financial Risk Management

The Corporation is exposed in varying degrees to a variety of financial instrument related risks.

Liquidity risk

Liquidity risk arises through the excess of financial obligations over available financial assets due at any point in time. The Corporation's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements.

Interest rate risk

Interest rate risk refers to the risk that fair values of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Corporation is not exposed to significant interest rate risk.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Corporation's primary exposure to credit risk is on its cash. Cash is held with one financial institution giving rise to a concentration of credit risk. This risk is managed by using a major Canadian bank that is a high credit quality financial institution as determined by ratings agencies.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Corporation is not exposed to foreign currency fluctuations.

5. SECURED CONVERTIBLE DEBENTURES

During the year ended October 31, 2009, the Corporation issued \$600,000 in Debentures. The Debentures bear interest at the rate of 15% per annum and were originally scheduled to mature on June 30, 2010. An agreement was reached in June, 2010 with the holders of the Debentures to extend the maturity date to June 30, 2011. The Debentures were convertible into common shares of the Corporation at \$0.10 per share and were secured by the common shares of Dime.

On November 10, 2010, the Corporation defaulted on interest payments on the Debentures and the debenture holders assumed control of Dime. In December 2010, the Corporation reached agreements with all the holders of the Debentures to transfer all shares of Dime to the holders of Debentures in satisfaction of the liability and accrued interest due. Upon settlement of the Debentures, the Corporation recognized a gain of \$861,374, calculated as follows:

	\$
Extinguishment of Debentures (including interest)	641,585
Net liabilities of Dime and Line 4	219,789
Gain on settlement of Debentures	861,374

Included in the net liabilities and assets of Dime and Line 4 which were transferred to the holders of the Debentures are prepaid expenses, accounts receivable, inventory, equipment, bank indebtedness, deferred revenue, customer relationships, intellectual property and long term debt (Note 7).

6. DUE TO RELATED PARTIES

As at October 31, 2011, there was \$223,612 (2010 - \$277,225) owing to directors, or companies controlled by directors. During the year ended October 31, 2011, the Corporation paid \$11,799 (2010 - \$59,596) in interest expenses, \$32,181 (2010 - \$162,718) in consulting fees and \$Nil (2010 - \$2,715) in professional fees to directors, or companies controlled by directors.

Amounts due to related parties bear no interest, are unsecured and have no set terms of repayment.

INNOVATIVE PROPERTIES INC.
Notes to Consolidated Financial Statements
Year Ended October 31, 2011

7. LONG TERM DEBT

	October 31, 2011	October 31, 2010
	\$	\$
Preferred shares of Dime, 12% interest, unsecured	-	141,182
Long-term debt, 8% interest, unsecured, due November 10, 2012	-	24,500
Long-term debt, 12% interest, unsecured, due on August 13, 2013	-	21,190
Total	-	186,872
Current portion	-	(17,933)
Long-term portion	-	168,939

8. SHARE CAPITAL

Authorized: Unlimited common voting shares without nominal or par value

Outstanding: 23,537,825 common shares outstanding as at October 31, 2011, 2010, and 2009

On February 3, 2011, the Corporation completed a 7:1 share consolidation. The weighted average number of shares outstanding and the income (loss) per share amounts have been retroactively restated to reflect the share consolidation.

Stock Options

The Corporation has adopted a stock option plan for its directors, officers, consultants and employees which authorizes up to 20% of the issued and outstanding common shares for the Plan. Under this plan, 4,896,965 common shares were reserved for options with no required vesting period as approved by the Board of Directors.

	Number	Amount
		\$
Balance, October 31, 2009	7,014,495	299,256
Expired	(2,345,000)	(33,348)
Balance, October 31, 2010	4,669,495	265,908
Expired	(4,669,495)	(265,908)
Balance, October 31, 2011	-	-

Warrants

	Number
Balance, October 31, 2009	1,869,995
Expired	-
Balance, October 31, 2010	1,869,995
Expired	(869,995)
Balance, October 31, 2011	1,000,000

The weighted average exercise price and weighted average life of the warrants outstanding are \$0.10 and 2.67 years, respectively.

Contributed Surplus

	October 31, 2011	October 31, 2010
	\$	\$
Balance, beginning	225,988	69,136
Warrants expired	265,908	33,348
Equity component of Debentures	-	123,504
Balance, ending	491,896	225,988

INNOVATIVE PROPERTIES INC.
Notes to the Consolidated Financial Statements
October 31, 2011

9. INCOME TAXES

The Corporation is subject to Canadian federal and provincial income taxes at an approximate rate of 32.5% (2010 – 31%). The reconciliation of the recovery for income taxes at the Canadian statutory rate compared to the Corporation's income tax expense as reported is as follows:

	2011	2010
	\$	\$
Loss from continued operations	693,134	(749,349)
Statutory tax rate	32.5%	31%
Expected income tax recovery at the statutory rate	225,269	(232,298)
Non-deductible items and other permanent differences	(54,493)	51,890
Expiration of non-capital losses	-	338,408
Effect of change in tax rates	(7,855)	-
Change in valuation allowance	(162,920)	(158,000)
Total income tax recovery	-	-

Future income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Corporation's deferred assets and liabilities as of October 31, 2011 and 2010 are as follows:

	\$	\$
Future income tax assets		
Future income tax assets (liabilities):		
Non-capital losses carry-forward	433,428	640,000
Capital loss carry-forward	-	9,822
Share issuance costs	8,488	13,500
Cumulative eligible capital	3,599	4,000
Equipment	386	7,500
Intangible assets	-	(66,000)
Total future income tax assets	445,902	608,822
Less: Valuation allowance	(445,902)	(608,822)
Net future income tax assets	-	-

The Corporation has non-capital losses of approximately \$1,398,000. The expiration of these losses will occur as follows:

Year	Amount \$
2014	213,695
2026	448,494
2028	203,357
2029	227,033
2030	305,421
Total	1,398,000

Tax declarations, together with other legal compliance areas (as examples, customs and currency control matters) are subject to review and investigation by a number of authorities, who are enabled by law to impose extremely severe fines, penalties and interest charges. The risk remains that the relevant authorities could take differing positions with regard to interpretive issues and the effect could be significant.

10. Subsequent Events

- a. On November 14, 2011 Innovative Properties Inc. announced that, subject to the approval of the TSX-Venture Exchange and the shareholders of Innovative, it intends to move forward with a restructuring and recapitalization transaction to move toward reducing the Corporation's debt burden and strengthening its balance sheet.
- b. The Restructuring Transaction shall consist of the consolidation of the common shares of Innovative on a 7:1 basis such that the 23,537,825 Common Shares issued and outstanding as of the date hereof shall be consolidated to 3,362,546 Common Shares.
- c. In connection with the Restructuring Transaction, Innovative has borrowed \$45,000.00 from a group of investors for working capital purposes to satisfy certain debts. The Loan shall bear interest at a rate of 6% per annum and is evidenced by a demand promissory note.
- d. Gordon Neal and Boyd Hunter have resigned from their positions as President and Chief Executive Officer and Chief Financial Officer, respectively. The Board has elected Sonny Janda as President and Chief Executive Officer and Jamie Lewin as Chief Financial Officer. Mr. Neal will remain a director of the Corporation.
- e. Directors Ronald Smith and George Findlay have resigned. The Board has elected Eugene Beukman and Sonny Janda to replace these vacancies. In addition, Jamie Lewin has been elected to the Board as the sixth Director of the Corporation.
- f. On January 24, 2012 the Company announced a non-brokered private placement, consisting of up to eight million three hundred and thirty three thousand three hundred and thirty four (8,333,334) units at a purchase price of six (6) cents per unit (post-consolidation) to raise gross proceeds of up to five hundred thousand (\$500,000) dollars. Each unit will consist of one common share in the capital of the company and one share purchase warrant. Each warrant will entitle the holder to purchase one additional common share in the capital of the company for a period of two years at a purchase price of ten (10) cents per share (post-consolidation).
 - i. The company may pay a finder's fee in connection with the private placement within the maximum amount permitted by the policies of the exchange.
 - ii. The net proceeds from the private placement will be used by the company for general working capital.