



## **Management's Discussion and Analysis**

**For the three and nine months ended September 30, 2015**

### **Overview**

The following Management's Discussion and Analysis ("MD&A") provides additional analysis of the operations, financial position and financial performance of Aylen Capital Inc. ("Aylen" or the "Company") for the three and nine months ended September 30, 2015. It is supplementary information and should be read in conjunction with the Company's financial statements and accompanying notes for the three and nine months ended September 30, 2015 and for the year ended December 31, 2014. Reference should also be made to the Company's filings with the Canadian securities regulatory authorities that are available at [www.sedar.com](http://www.sedar.com).

This MD&A is the responsibility of the management. The Board of Directors carries out its responsibility for the review of this disclosure principally through its audit committee which is comprised of a majority of independent directors. The audit committee reviews and, prior to its publication and pursuant to the authority delegated to it by the Board of Directors, approves this disclosure.

Aylen was incorporated on October 28, 2010 under the Canada Business Corporations Act. Aylen carries on a web-based survey and data collection business based in Markham, Ontario under the name Grapevine Solutions ("Grapevine") as an unincorporated division of Aylen. In addition it has a venture investment in Leonardo Worldwide Corporation and a portfolio of marketable securities.

Aylen is a publicly-traded company listed on the Canadian Securities Exchange under the symbol "AYL".

### **Forward Looking Statements**

*Matters may be included in this MD&A that constitute "forward-looking" information within the meaning of Canadian securities law. Such forward-looking statements may be identified by words such as "plans", "proposes", "estimates", "intends", "expects", "believes", "may" or words of a similar nature. There can be no assurance that such statements will prove to be accurate. Actual results and future events could differ materially from such statements. Factors that could cause actual results to differ materially include among others, regulatory risks, risk inherent in foreign operations, commodity prices and competition. Most of these factors are outside the control of the Company. All subsequent forward-looking statements attributable to the Company or its agents are expressly qualified in their entirety by these cautionary comments. Except as otherwise required by applicable securities statutes or regulation, the Company expressly disclaims any intent or obligation to update publicly forward-looking information, whether as a result of new information, future events or otherwise.*

### **Overall Performance in the Third Quarter 2015**

The revenues of the Grapevine business in the third quarter of 2015 were in line with the revenues in the same period in 2014. North American financial markets were generally unchanged in the third quarter of 2015.

Aylen recorded a realized gain (loss) in its portfolio of marketable securities of \$500 and an unrealized loss of \$3,000 for the third quarter of 2015.

At September 30, 2015, the Company had cash of \$74,000 (December 31, 2014 \$157,000), investments in marketable securities of \$121,000 (December 31, 2014 \$84,000) and a venture investment totalling \$1,038,000 (December 31, 2014 \$1,038,000).

### ***The Grapevine Business***

Grapevine, which operates as a division of Aylen, was acquired by Centiva Capital Inc. ("Centiva"), the Company's predecessor, in October 2007 from TriNorth Capital Inc. ("TriNorth"). For accounting purposes, TriNorth's carrying value for Grapevine was nil and the acquisition of Grapevine was recorded at that carrying value.

Grapevine's business is based in Markham, Ontario and it consists of licensing and selling web-based survey and data collection software to third parties, most of whom are companies based in North America. Its software is used to perform customizable employee evaluations such as 360° employee evaluations, employee surveys, customer surveys, training surveys, web polls and data collection. The business has three full-time employees.

The primary business objectives for Aylen over the next 12 months are to continue to grow the revenues of the Grapevine business through increased sales and marketing efforts and to establish Grapevine as a leading Human Resources online survey firm in North America.

The following is a summary of selected financial information for Grapevine over the past two financial quarters ended September 30.

	<b>September 30, 2015</b>	<b>September 30, 2014</b>
Total Revenues	228,573	241,948
Deferred Revenues(1)	288,257	66,870
Selling Expenses	128,392	124,774

(1) Deferred revenues are unearned subscription fees collected from customers amortized on a straight – line basis over the remaining life of the contract.

Grapevine's revenues have generally stayed the same over the comparative quarters. The majority of Grapevine's revenues originate in the US and the majority of Grapevine's sales are made in US dollars. The weaker Canadian dollar relative to the US dollar which has persisted for most of 2014 and 2015 has had a positive impact on Grapevine's revenues which are recorded in Canadian dollars.

### ***Investments***

#### **Leonardo Worldwide Corporation**

At September 30, 2015 Aylen owned a 12.6 % equity interest in Leonardo Worldwide Corporation ("Leonardo"), 11.6 % on a fully-diluted basis, should all warrants and options be exercised. At September 30, 2015 Aylen owned 15,075,359 common shares and 2,436,658 Class A Series 1 convertible preference shares in the capital of Leonardo. The Class A and Class B preference shares have a priority over the common shares on liquidation, winding-up and sale of the company. The Class A Series 1 preference shares which are owned by Aylen represent approximately 2.6% of all outstanding Class A and Class B preference shares. At December 31, 2014 the redemption amount, including accrued and unpaid dividends, of the Class A Series 1 preference shares owned by Aylen was US \$1,164,591.

Leonardo, which is headquartered in Toronto, Ontario, has developed an online video and rich media advertising platform and distribution network that allow advertisers to distribute informational rich media marketing content to highly targeted consumers across thousands of relevant sites and electronic channels. Currently, Leonardo provides multi-channel digital marketing and technology-driven rich-media solutions, connectivity and interactivity for the hotel, lodging and the online travel distribution industries. Leonardo's end-to-end media management and distribution solution is a content "hub" that aggregates hotel and travel-related digital rich media content such as videos, 360° virtual tour images, Flash productions and still images, and automates its distribution to travel websites and any other points of contact where rich media can be viewed by consumers researching and booking travel accommodations.

Leonardo is one of the world's largest providers and distributors of online visual content for the hotel and travel industry. For more information, visit Leonardo's website at [www.leonardo.com](http://www.leonardo.com).

### **Portfolio Investments**

Aylen's portfolio investments consist of a broadly diversified selection of Canadian large cap equities managed by an independent portfolio manager. At September 30, 2015, the market value of the portfolio investments was \$121,000 (\$84,000 at December 31, 2014). This increase in value was largely due to investing the cash amount in the brokerage account in the first quarter of 2015.

The portfolio realized a profit (loss) of \$(3,000) in the third quarter of 2015.

### **Results of Operations**

Grapevine had sales revenue of \$230,000 and selling expenses of \$128,000 in the third quarter of 2015 (the "current quarter"). Sales revenue for the third quarter of 2014 was \$240,000 with selling expenses of \$125,000. Deferred revenue, which represents unearned subscription fees collected from customers amortized on a straight-line basis over the remaining life of the contract, was \$288,000 at September 30, 2015 (\$67,000 for the same quarter end in 2014).

The Company's other primary source of revenue arises from interest and other income from its cash and marketable securities, which for the current quarter was \$2,000 (\$1,000 for the third quarter of 2014).

Under the provisions of IAS 39 Financial Instruments – Recognition and Measurement and IAS 32 Financial Instruments – Presentation and IFRS 7 Financial instruments - Disclosure, unrealized mark-to-market gains and losses on the Company's portfolio of marketable securities held for trading are recognized in computing net income. Such amounts totalled an unrealized (loss) of \$(3,000) for the current quarter. A gain (loss) of \$500 was realized for the current quarter on the sale of marketable securities.

General and administrative expenses totalled \$83,000 for the current quarter compared with \$107,000 for the second quarter of 2014.

As a result of the foregoing, the Company recorded a net income and comprehensive income of \$16,000 (\$0.001) per share for the current quarter (net income and comprehensive income of \$10,000 (\$0.001 per share) for the third quarter of 2014).

## Summary of Quarterly Information

	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Q4 2013
Revenue								
Sales	229,513	215,540	219,374	(6,307)	239,948	219,440	230,040	165,841
Interest and investment income	2,031	1,190	1,014	1,052	1,199	1,577	1,091	1,532
Gain (loss), realized and unrealized, on marketable securities	(2,971)	(3,121)	2,487	(2,321)	814	7,275	6,982	12,103
Net Income (Loss)								
Total	16,395	(11,147)	18,875	(826,816)	9,655	50,736	54,571	(120,445)
Per share	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Per share (diluted)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Comprehensive Income (Loss)	16,395	(11,147)	18,875	(826,816)	9,655	50,736	54,571	(120,445)

Revenues at Grapevine are subject to the influences of North American economic conditions and are also subject to some seasonal fluctuations. The demand for Grapevine's product offerings, which consist primarily of surveys and polls for businesses, including employee surveys and evaluations, is directly affected by economic conditions generally. In difficult economic times such as the period from 2008 to 2010 in North America and Europe, businesses tend to reduce discretionary spending, which would include Grapevine's products and conversely in more robust economic times spending on discretionary items tends to increase. In addition there is a limited amount of seasonality to Grapevine's revenues. Businesses tend to conduct the majority of employee surveys and polls at or towards the end of the calendar year and sales tend to slow down in the summer months due to vacations. As a result Grapevine's revenues are somewhat stronger in the fourth and first quarter and tend to be somewhat softer in the second and third quarters.

## Liquidity and Financial Position and Capital Resources

The Company's ability to generate sufficient cash to fund its operations and working capital requirements depends upon the following factors: (i) the ability of the Grapevine business to generate positive cash flow, and (ii) the interest, other income and proceeds, if any, from the sales of the Company's portfolio of marketable securities. Grapevine's ability to generate positive cash flow from its business requires it to have revenues in excess of its costs. The table set out below shows Grapevine's revenues and costs for the three years 2012 to 2014 inclusive and the net amount of cash generated by Grapevine and the portfolio of marketable securities which is available to fund other Company expenses. Historically, the cash generated by Grapevine and from the interest and gains from the portfolio of marketable securities has not been sufficient to cover the Company's general and administrative expenses and the Company has experienced negative cash flow and negative working capital as shown in the following table.

At September 30, 2015, the Company had a working capital surplus of \$186,000 after deducting deferred revenue of \$288,000 but before deducting the promissory note. There is little liquidity risk associated with the promissory note because the holder of the note is restricted from demanding repayment except from the net proceeds of sale of assets. In addition, the holder of the note has waived the right to demand payment until January 1, 2016. With respect to the Company's working capital requirements, the general and administrative expenses of the Company were \$212,000 in the third quarter of 2015. The general and administrative expenses in 2015 are substantially all committed and non-discretionary expenses and are representative of the approximate amount of general and administrative expenses which would likely be incurred by the Company in a year in the normal course of business. The cash generated by Grapevine and the interest and gains from the portfolio of marketable securities may not be sufficient to cover all of the Company's operating expenses. In such event the Company will need to raise cash from the sale of marketable securities or other assets or from the sale of equity to continue its operations.

Current liabilities were \$350,000 at September 30, 2015, and this amount includes \$288,000 of deferred revenue which represents the unearned portion of subscription fees collected from customers amortized on a straight – line basis over the remaining life of the contract. Accounts payable and accrued liabilities were \$62,000 at September 30, 2015.

The portfolio of marketable securities included in working capital together with cash and cash equivalents was \$195,000 at September 30, 2015 (\$241,000 at December 31, 2014). Accounts receivable included in working capital were \$29,000 at September 30, 2015 (\$28,000 at December 31, 2014). Aylen has sufficient cash and cash equivalents and marketable securities to provide adequate liquidity for the next 12 months.

These capital resources, along with the income and gains, if any, from the marketable securities, and the income, if any, from the operations of Grapevine, are used to fund Aylen's financial requirements.

### ***Analysis of Financial Condition and Financial Performance***

The financial condition of the Company is directly dependent on the performance of Grapevine and the performance of the portfolio of marketable securities. In the third quarter of 2015 Grapevine's revenues were \$230,000 which was in line with the revenues of \$241,000 the same period in 2014. The portfolio of marketable securities increased to \$121,000, an increase of \$37,000 from the amount at December 31, 2014. This increase in marketable securities in the first nine months of 2015 was primarily the result of investing the cash held in the broker account in the first quarter of the year.

The majority of Grapevine's customer base resides in the US. The products offered by Grapevine are heavily focused on the human resources sector of businesses and include products such as employee surveys and evaluations. These products represent discretionary, non-critical expenses for most businesses. In difficult economic times, such as the period from 2008 to 2010 in North America and Europe, businesses in general often try to reduce discretionary spending as a first measure to survive during the period of reduced demand for their goods and services.

### ***Related Party Transactions***

The following related party transactions occurred and were reflected in the financial statements during the periods ended September 30, 2015 and 2014 as follows:

	Three Months September 30,		Nine Months September 30,	
	2015	2014	2015	2014
Legal fees paid to a firm of which the CEO is counsel	\$ 229	\$ -	\$ 2,118	\$ -

### **Remuneration of Key Personnel**

	Three Months September 30,		Nine Months September 30,	
	2015	2014	2015	2014
Salaries	\$ 51,000	\$ 51,000	\$ 155,864	\$ 156,527
Directors' fees	3,750	10,000	11,250	10,000
Total	<u>\$ 54,750</u>	<u>\$ 61,000</u>	<u>\$ 167,114</u>	<u>\$ 166,527</u>

Key management personnel are those individuals having authority and responsibility for planning, directing and controlling the activities of the Company and its subsidiary including the Company's Board of Directors. The Company considers key management to be the members of the Board of Directors and the Chief Executive Officer.

Included in accounts payable and accrued liabilities are legal fees of \$349 (December 31, 2014 - \$Nil) due to a firm of which the CEO is counsel.

### **Directors and Officers Compensation**

The following table sets out all compensation paid to directors of the Corporation for their services as directors in the third quarter of 2015.

Name	Fees earned (\$)	Share-based awards (\$)	Option-based awards (\$)	Non-equity incentive plan compensation (\$)	Pension value (\$)	All other compensation (\$)	Total (\$)
Douglas Babcock	1,250	Nil	Nil	Nil	Nil	Nil	1,250
William Hale	1,250	Nil	Nil	Nil	Nil	Nil	1,250
John Pennal	1,250	Nil	Nil	Nil	Nil	Nil	1,250

In addition in the third quarter of 2015 Mr. Pennal received \$53,125 as President and CEO and Jenifer Cho received \$10,000 as Chief Financial Officer.

### **Commitment**

The Company has contracted with a third party to provide operations and sales management services to Grapevine for an annual fee of \$103,600 plus applicable taxes, and additional sales based incentives.

### **Risk Factors and Risk Management**

Aylen shareholders and potential investors in Aylen should carefully consider the following risk factors and all the other information contained in this prospectus when evaluating Aylen and its common shares.

An investment in Aylen's shares involves a number of risks, many of which are beyond its control. The risks and uncertainties set out below are all of the known risks which are deemed to be material to the Company's business or the results of its operations. When reviewing forward-looking statements and other information contained in this prospectus, investors and others should carefully consider these

factors, as well as other uncertainties, potential events and industry-specific factors that may adversely affect the Company's future results. If any of these risks should actually occur, the Company's business, financial condition, results of operations, cash flows and prospects could be harmed. Such risks and uncertainties are not the only ones the Company faces. Additional risks and uncertainties of which the Company is currently unaware or that are deemed immaterial may also adversely affect the Company's business, financial condition, results of operations, cash flows and prospects.

### **Limited Cash and Working Capital and Negative Cash Flows**

Historically, the Company has had negative cash flow from operating activities and has had to fund its operations with cash on hand and the sale of marketable securities. The Company's cash on hand and marketable securities at quoted market value less liabilities (other than the promissory note which is payable only out of the proceeds of the sale of assets) at September 30, 2015 was \$186,000. This amount may prove to be inadequate to continue to fund the Company's operations beyond the next 12 months in which case the Company would have to sell assets such as the Grapevine business, or raise funds through the sale of additional equity or a combination of those two things, failing which it would have to discontinue its operations. There may not be a ready market for the sale of its assets and it may not be possible to issue additional shares or other securities, or the issue of additional shares or other securities if it were to be possible may result in significant dilution to the interests of existing shareholders.

The Company's negative cash flow and limited cash and working capital also means that the Company is not able to invest any significant amount of additional funds in Grapevine or Leonardo in the event they should need additional funding and this may result in a discontinuance of operations of that particular business or a significant dilution of the Company's investment.

### **Limited Diversification of Investments**

Due to the small size of the Company and the fact that it has only a limited number of investments, the Company is subject to a greater risk of a downturn in one or more of its investments. A concentration of the Company's invested funds in its portfolio of marketable securities, its Grapevine business and its investment in Leonardo means that in the event that any such business or industry or investment is unsuccessful or experiences a downturn, this will likely have a material adverse effect on the Company's business, results from operations, and financial condition. It also means that the Company is more exposed to business cycles than it would be if it owned a larger number of investments which were diversified over various industries with differing business cycles in different geographic areas.

### **Dependency on Private Company Operations**

The Company owns a 12.6% equity interest (11.6% fully diluted) in Leonardo which is a private company. Due to the small size of its equity investment the Company does not have any significant influence over Leonardo or its operations nor does the Company have the ability to exercise control over Leonardo.

### **Operating Liquidity**

Both the Grapevine business and Leonardo's business are not fully developed and may continue to require additional funding to continue operations or to develop their business plans until they become self funding. The Company has limited cash resources and is unable to provide any significant amount of additional funding to Grapevine or Leonardo if it should be required. In such an event, if no other source of funding is available, the operations would have to terminate and it would not be possible for the Company to recover its investment. If an additional source of funding is found, it may result in significant dilution of the Company's investment.

## **Industry Risks**

Each of Grapevine and Leonardo is subject to the risks inherent in the industry in which it operates. In the case of Grapevine, the business is very dependent on the continued demand for on-line surveys and polls by businesses, particularly those surveys and polls relating to employees, and particularly in North America. In the case of Leonardo, its business is very dependent on the strength of the hotel segment of the travel industry and the continued use by travellers of on-line services in planning travel and booking hotels. Each business would be adversely affected by a significant downturn in its particular industry segment or a change in the demand by consumers for its products and services.

## **Competition**

Both Grapevine and Leonardo face intense competition, including competition from other companies with greater financial and other resources, and more advanced technological development. There can be no assurance that they will be able to successfully compete against their respective competitors or that such competition will not have a material adverse effect on their businesses, financial condition, results of operations and cash flows.

## **Effect of General Economic Conditions**

Grapevine's and Leonardo's results of operations in the period prior to 2010 were adversely affected by the global economic downturn and there is a significant risk that global economic conditions or economic conditions in North America and Europe might deteriorate again which will have a material adverse effect on the Company's business, financial condition, results of operations and cash flows. In the case of both Leonardo and Grapevine, its products and services represent discretionary expenses to the customers they serve and would be among the most likely expenses to be eliminated if economic conditions deteriorate.

## **Currency Fluctuations**

The majority of the Company's costs are incurred in Canadian dollars and more than half of its revenues are received in U.S. dollars. A deterioration in the value of the U.S. dollar against the Canadian dollar will have a significant negative effect on the Company's revenues, financial condition, results of operations and cash flows. The Company does not use currency derivatives to hedge against adverse currency fluctuations.

## **Legal Claims and Other Contingencies**

Aylen, Grapevine and Leonardo may become parties to law suits, claims and litigation arising in the ordinary course of business.

Such law suits could result in significant costs and the outcome of such law suits could have a material negative impact on the Company's financial position, operating results, or the Company's ability to continue to carry on its business activities.

## **Lack of Market for Aylen's Shares**

The Company's common shares are listed on the Canadian Securities Exchange. The Company's shares are thinly traded and there may not be a liquid market for the shares from time to time and any market price for the shares may not reflect the underlying value of the Company's business and assets.



## ***Internal Controls***

### **Disclosure controls and procedures**

Management of the Company is responsible for establishing and maintaining disclosure controls and procedures for the Company as defined under National Instrument 52-109 issued by the Canadian Securities Administrators. The Company as a venture issuer is not required to certify the design and evaluation of the issuer's disclosure controls and procedures.

### **Internal controls over financial reporting**

Management of the Company is responsible for designing internal controls over financial reporting for the Company as defined under National Instrument 52-109 issued by the Canadian Securities Administrators. The Company as a venture issuer is not required to certify the design and evaluation of the issuer's internal controls over financial reporting.

## ***Future Direction***

The Company intends to continue to grow the revenues of its Grapevine business, and to increase the value of its investment in Leonardo and its portfolio of marketable securities. The Company does not have the necessary capital to make any additional investments in Grapevine or Leonardo and it is unable to make any new investments without raising new equity or selling some of its assets and there are no plans at the present time to attempt to raise new capital or sell assets.

### ***Outstanding Share Data***

The Company has authorized an unlimited number of common shares, an unlimited number of Class A common shares and an unlimited number of preferred shares issuable in series. As at the date of this MD&A, and as at September 30, 2015 and as at December 31, 2014, there were 16,856,632 common shares issued and outstanding and there were no Class A common shares and no preferred shares outstanding.

### ***Date and Other Available Information***

Unless otherwise indicated, the information contained in this MD&A is as of November 26, 2015. Additional information concerning the Company including its regulatory filings may be found on the Canadian System for Electronic Document Analysis and Retrieval ("SEDAR") at [www.sedar.com](http://www.sedar.com).