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CONFIDENTIAL OFFERING MEMORANDUM



DATE: August 3, 2017

THE ISSUER

Name: First Access Funding Corp. ("**First Access**" or the "**Company**")

Head Office: Suite 600, 10109 – 106 Street, Edmonton, AB T5J 3L7

Phone #: (780) 756-5565

E-mail address: investors@fafcorp.ca

Internet: www.fafcorp.ca

Fax #: (888) 819-3092

Currently listed or quoted: These securities do not trade on any exchange or market.

Reporting Issuer: No

SEDAR filer: No

THE OFFERING

Securities Offered: Series II 9.5% secured subordinated convertible debentures of the Company ("**Series II 9.5% Convertible Debentures**"), with no aggregate minimum offering level (the "**Offering**"), which are offered for sale on a brokered and non-brokered private placement basis.

Conversion Terms: In the sole discretion of the Company, all or any Permitted Portion (as defined herein) of the principal amount outstanding on the Series II 9.5% Convertible Debentures, plus any accrued and unpaid interest thereon, may be converted into common shares of the Company ("**Common Shares**" or "**Shares**") at the Series II 9.5% CD Conversion Price (as defined herein) at any time and from time to time on or after the date on which the Company completes an "IPO", "Sale" or "RTO" (all as defined herein) or the Company otherwise becoming a reporting issuer. **The holders of Series II 9.5% Convertible Debentures shall have no right of conversion.**

Price Per Security: \$1,000 per Series II 9.5% Convertible Debenture, with a minimum subscription amount of \$5,000 (which may be waived by the Company, in its sole discretion, without notice to or the consent of the holders of Series II 9.5% Convertible Debentures).

Maximum/Minimum Offering: The maximum Offering is \$10,000,000 aggregate principal amount of Series II 9.5% Convertible Debentures. **There is no minimum Offering amount. You may be the only purchaser. Funds available under the Offering may not be sufficient to accomplish our proposed objectives.** The Company reserves the right, in its sole discretion, to increase the size of the Offering at any time without notice to or the consent of the holders of the Series II 9.5% Convertible Debentures.

Payment Terms: Subscription proceeds must be paid prior to acceptance.

Proposed Closing Dates: Closings of the Offering will be held from time to time on such dates as the Company may reasonably determine. The final closing will occur either on the date on which the Offering is fully subscribed or the last date on which the Company accepts a subscription for Series III 9.5% Convertible Debentures, whichever is latest.

Income Tax Consequences: There are important tax consequences to these securities. See "*Item 6: Income Tax Consequences and RRSP Eligibility*".

Selling Agents: Exempt market dealers registered under Applicable Securities Laws (as defined below) and qualified referral agents engaged from time to time by the Company ("**Selling Agents**"). The Selling Agents will be paid commissions on each Closing of the Offering. See "*Item 7: Compensation Paid to the Selling Agents and Other Fees*".

Resale Restrictions: You will be restricted from selling your securities for an indefinite period. See "*Item 10: Resale Restrictions*".

Purchaser's Rights: If you are purchasing Series II 9.5% Convertible Debentures under the offering memorandum exemption (as such exemption is described in Applicable Securities Laws), you have two (2) Business Days to cancel your agreement to purchase these securities. If there is a misrepresentation in this Offering Memorandum, you have a right to sue either for damages or to cancel the agreement. See "*Item 11: Purchasers' Rights*". The foregoing rights are provided to purchasers as described herein.

No securities regulatory authority or regulator has assessed the merits of these securities or reviewed this Offering Memorandum. Any representation to the contrary is an offence. This is a risky investment. See "*Item 8: Risk Factors*". Unless expressly defined in this Offering Memorandum, all capitalized terms shall have the meanings specified in "*Item 12: Glossary*".

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CONFIDENTIAL TERM SHEET

This term sheet is confidential. Under no circumstances are its contents to be reproduced or distributed to the public or the press. Securities legislation in all provinces prohibits such reproduction or distribution of information. This term sheet is for information purposes only and does not constitute an offer to sell or a solicitation of an offer to buy the securities referred to herein. This term sheet does not provide disclosure of all information required for an investor to make an informed investment decision. Before making an investment decision, investors should read the more detailed information and financial data and statements contained elsewhere in the Offering Memorandum, especially the risk factors described in "Item 8: Risk Factors".

Unless expressly defined in this term sheet or elsewhere in the Offering Memorandum, all capitalized terms shall have the meanings specified in "Item 12: Glossary".

Private Placement

August 3, 2017



Up to \$10,000,000 Series II 9.5% Secured Subordinated Convertible Debentures (with no aggregate minimum offering level)

INDICATIVE TERMS OF THE OFFERING	
Issuer:	First Access Funding Corp. (" First Access " or the " Company ") is a non-reporting issuer incorporated pursuant to the laws of Canada. First Access is engaged in financing automobile loans primarily in Western Canada and Ontario with the intention of expanding nationally.
Offering:	<p>Up to \$10,000,000 aggregate principal amount of series II 9.5% secured subordinated convertible debentures of the Company ("Series II 9.5% Convertible Debentures"), with no aggregate minimum offering level, offered for sale on a brokered and non-brokered private placement basis (the "Offering").</p> <p>First Access intends to accept subscriptions and complete the Offering in one or more closings as subscriptions are received. The Series II 9.5% Convertible Debentures will be issued pursuant to an indenture between the Company and Olympia Trust Company ("Olympia") dated October 24, 2013, as amended by supplemental indentures between the Company and Computershare Trust Company of Canada (a successor company to Olympia) (the "Trustee") dated as of February 16, 2015, March 12, 2015, October 21, 2015, July 7, 2016, November 1, 2016 and as otherwise supplemented or amended from time to time (collectively, the "Trust Indenture" or the "Indenture"). The Company reserves the right, in its sole discretion, to increase the size of the Offering at any time without notice to or the consent of the holders of the Series II 9.5% Convertible Debentures.</p> <p>The minimum subscription amount is \$5,000 (which may be waived by the Company, in its sole discretion, without notice to or the consent of the holders of Series III 8.5% Debentures).</p>

Term/Maturity:	December 31, 2021 (the " Maturity Date " or the " Series II 9.5% CD Maturity Date ").
Interest Rate and Payment:	The principal from time to time outstanding on the Series II 9.5% Convertible Debentures shall bear interest at a rate of 9.5% per annum (simple interest, not compounded), calculated and accrued monthly, and payable monthly, in arrears. The Series II 9.5% Convertible Debentures shall commence accruing interest on the date of issuance of the Series II 9.5% Convertible Debentures. The Series II 9.5% Convertible Debentures shall be <u>interest paying only</u> , with the outstanding principal and any accrued and unpaid interest thereon to be paid by the Company on the Maturity Date (subject to the Right of Prepayment described below).
Security and Subordination:	<p>The obligations of First Access under the Series II 9.5% Convertible Debentures will be secured by a general security agreement or agreements in respect of all present and after acquired personal property of First Access (the "Security Document"). The Series II 9.5% Convertible Debentures shall rank equally in respect of the security, and enforcement thereof, provided by First Access to: (i) each of the other holders of Series II 9.5% Convertible Debentures issued by First Access from time to time pursuant to the Offering and under the related Security Document; (ii) each of the holders of other secured subordinated debentures of First Access issued from time to time pursuant to the Indenture and under the related general security agreement or agreements in respect of all present and after acquired personal property of First Access (including, without limitation, the Company's Series I 8.5% Debentures, Series II 8.5% Debentures, Series III 8.5% Debentures, Series I 10.0% Debentures, Series I 10.5% Convertible Debentures and Series III 12% Debentures); and (iii) each other person granted general security in all of the Company's assets and business from time to time in connection with any liabilities, obligations or indebtedness (whether primary, secondary, direct or indirect, contingent, fixed, pursuant to a guarantee or otherwise) which may be incurred by the Company and in respect of which it determines, in its sole discretion, shall rank equally thereto (including, without limitation, each of the holders of Series I 9.5% Convertible Debentures). First Access reserves the right, in its sole discretion, and without notice to or the consent of the holders of the Series II 9.5% Convertible Debentures, to subordinate the Series II 9.5% Convertible Debentures and the related Security Document to any entity, including, without limitation, banks, insurance companies, trust companies, credit unions and institutional investment funds, and with respect to any other financial instrument or security issued in its favour.</p> <p>The obligations of First Access under the Series II 9.5% Convertible Debentures and the related Security Document are currently subordinated to the obligations of First Access, and the related security interests in respect of all present and after acquired personal property of First Access, under: (i) the Trust Term Loan in the principal amount of up to \$75 million; and (ii) the Operating Loan Facility in the principal amount of up to \$20 million. As at June 30, 2017, there was \$25.9 million aggregate principal amount outstanding under the Trust Term Loan and the Company had drawn an aggregate principal amount of \$10.9 million under the Operating Loan Facility. See "<i>Item 4: Capital Structure</i>".</p>

Conversion Terms:	<p>In the sole discretion of the Company, all or any Permitted Portion (as defined below) of the principal amount outstanding on the Series II 9.5% Convertible Debentures, plus any accrued and unpaid interest thereon, may be converted into common shares of First Access ("Common Shares" or "Shares") at the Series II 9.5% CD Conversion Price (as defined below) at any time and from time to time on or after the date on which the Company completes an "IPO", "Sale" or "RTO" (all as defined below) or the Company otherwise becoming a reporting issuer (each, a "Liquidity Event").</p> <p>The holders of Series II 9.5% Convertible Debentures shall have no right of conversion.</p> <p>The "Series II 9.5% CD Conversion Price" shall, subject to the applicable requirements of an Exchange, be equal to 95% of the Current Market Price. The Company will provide each Series II 9.5% Convertible Debenture holder with written notice at least 30 days prior to the anticipated completion of a Liquidity Event. See "<i>Item 12: Glossary</i>" for a definition of "Current Market Price".</p>
Right of Prepayment by First Access:	<p>First Access shall have the right, in its sole discretion, to redeem and prepay all or any Permitted Portion of the principal amount outstanding on the Series II 9.5% Convertible Debentures, plus any accrued and unpaid interest thereon, without notice, bonus or penalty, at any time or from time to time on or after the earlier of: (i) two years from the date of issuance of the first Series II 9.5% Convertible Debenture(s) issued pursuant to this Offering (the "2 Year Date"); or (ii) the date the Company completes a Liquidity Event.</p> <p>In the event First Access redeems and prepays any principal amount outstanding on the Series II 9.5% Convertible Debentures prior to the Maturity Date, then the Company shall issue to the holders of such Series II 9.5% Convertible Debentures warrants to purchase Common Shares ("Warrants"). The number of Warrants issuable to a holder of Series II 9.5% Convertible Debentures, which have been redeemed and prepaid by the Company, shall be equal to 5% of the principal amount of such Series II 9.5% Convertible Debentures redeemed and prepaid by the Company divided by the Current Market Price. See "<i>Item 12: Glossary</i>" for a definition of "Current Market Price". Subject to compliance with all Applicable Securities Laws, each Warrant will entitle the holder thereof to purchase one Common Share at 105% of the Current Market Price (the "Warrant Exercise Price") for period of one year following the date on which the Series II 9.5% Convertible Debentures are redeemed and prepaid. By way of example, and for illustrative purposes only, if \$100,000 principal amount of Convertible Debentures is prepaid by the Company and the Current Market Price is \$0.50, First Access is obliged to issue 10,000 Warrants to the holder ($\\$100,000 \times 0.05 / \\$0.50 = 10,000$ Warrants) with a Warrant Exercise Price of \$0.525.</p>
Use of Proceeds:	<p>The net proceeds of the Offering will be used primarily by First Access to, without limitation, originate automobile finance contracts, fund, in part, daily operations, commercial office rentals, legal, accounting, consulting, computer hardware and software and information technology expenses, management and employee salaries and bonuses, finance receivables, capital expenditures, targeted acquisitions, inventory and investments, marketing and travel expenses, interest and principal repayments, in whole or part (including without limitation to retire all or a portion of the Operating Loan Facility) and purchases of outstanding equity or debt securities.</p>

Closing:	<p>Closings of the Offering will be held from time to time on such dates as the Company may reasonably determine. The first closing date is expected to occur in September 2017, with subsequent closings thereafter. The final closing will occur either on the date on which the Offering is fully subscribed or the last date on which the Company accepts a subscription for Series II 9.5% Convertible Debentures, whichever is latest. There is no minimum Offering required to complete a closing.</p> <p>The closing of a subscription is subject to Applicable Securities Laws in the various jurisdictions in which the Series II 9.5% Convertible Debentures may be offered and/or purchased. It is the intention of First Access to distribute the Series II 9.5% Convertible Debentures in reliance upon applicable exemptions from the registration and prospectus requirements of all Applicable Securities Laws. There is no minimum Offering level and First Access intends to accept subscriptions and complete the Offering in one or more closings. There can be no certainty as to the level of funds to be raised by First Access pursuant to the Offering.</p>
Capital Structure:	<p>The authorized capital of the Company consists of an unlimited number of Common Shares without nominal or par value. As at June 30, 2017, 85,119,993 Common Shares are issued and outstanding as fully-paid and non-assessable shares of the Company.</p> <p>First Access has adopted a stock option plan (the "Option Plan") to assist in incenting and compensating, among others, key officers, directors, employees, advisors and individuals providing value to the Company ("Option Grantees"). The Option Plan provides for the issuance of options ("Options") for the purchase of Common Shares at a set purchase price for a period of three years from the date of issue. Options equal to up to 20% of the issued and outstanding Common Shares from time to time are available to be granted by the board of directors to Option Grantees upon such price, vesting and performance terms, if any, as may be decided by the board of directors.</p> <p>The Company also has, or will have, convertible and non-convertible debt outstanding, including under the Trust Term Loan, the Operating Loan Facility, Series I 8.5% Debentures, Series II 8.5% Debentures, Series III 8.5% Debentures, Series I 9.5% Convertible Debentures, Series II 9.5% Convertible Debentures, Series I 10.0% Debentures, Series I 10.5% Convertible Debentures and Series III 12% Debentures. The Company may also from time to time create, issue and offer additional series of Debentures under the Indenture. See "<i>Item 4: Capital Structure</i>" and "<i>Item 4: Capital Structure – Trust Term Loan</i>".</p>
Dividend Policy:	<p>The board of directors of First Access intends to retain future earnings for reinvestment in the Company's business and, therefore, has no current intention to pay dividends on Common Shares in the foreseeable future.</p>
Selling Jurisdictions:	<p>Provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario and such other jurisdictions of Canada and elsewhere as the Company determine.</p>
Resale Restrictions:	<p>The Series III 8.5% Debentures will be subject to a hold period of four months and one day from the later of: (i) the closing date; and (ii) the date the Company becomes a reporting issuer in any province or territory in Canada in accordance with <i>National Instrument 45102 - Resale of Securities</i>.</p>

<p>Concurrent Equity Offering:</p>	<p>Concurrent with this Offering, the Company may offer up to 10,000,000 Common Shares of the Company, with no aggregate minimum offering level, at a price per Common Share to be determined by the Board of Directors in the context of the market, and raising aggregate gross proceeds of up to \$5,000,000, which Common Shares are offered for sale on a brokered and non-brokered private placement basis in reliance upon applicable exemptions from the registration and prospectus requirements of all Applicable Securities Laws (the “Equity Offering”). First Access intends to accept subscriptions and complete the Equity Offering in one or more closings. There can be no certainty as to the level of funds to be raised by First Access pursuant to such offering. The Company reserves the right, in its sole discretion, to change the terms of the Equity Offering at any time without notice to or the consent of the holders of the Common Shares, which terms could include the price at which the Common Shares are issued under the Equity Offering. As at the date of this Offering Memorandum, the Company has not issued any Common Shares under the Equity Offering. There can be no certainty as to the level of funds to be raised by First Access pursuant to the Equity Offering.</p>
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<p>Concurrent Series III 8.5% Debenture Offering:</p>	<p>Concurrent with this Offering, the Company is offering up to \$10,000,000 aggregate principal amount of series III 8.5% secured subordinated debentures of the Company ("Series III 8.5% Debentures"), with no aggregate minimum offering level, which Series III 8.5% Debentures are offered for sale on a brokered and non-brokered private placement basis in reliance upon applicable exemptions from the registration and prospectus requirements of all Applicable Securities Laws (the "Series III 8.5% Debenture Offering"). First Access intends to accept subscriptions and complete the Series III 8.5% Debenture Offering in one or more closings. There can be no certainty as to the level of funds to be raised by First Access pursuant to such offering. The Company reserves the right, in its sole discretion, to increase the size of such offering at any time without notice to or the consent of the holders of the Series III 8.5% Debentures. As at the date of this Offering Memorandum, the Company has not issued any debentures under the Series III 8.5% Debenture Offering. There can be no certainty as to the level of funds to be raised by First Access pursuant to the Equity Offering.</p> <p>The Series III 8.5% Debentures are not convertible into Common Shares of the Company.</p> <p>The Series III 8.5% Debentures mature on December 31, 2021, and the principal from time to time outstanding on such debentures shall bear interest at a rate of 8.5% per annum (simple interest, not compounded), calculated and accrued monthly, and payable quarterly, in arrears.</p> <p>The Series III 8.5% Debentures will be issued pursuant to the Indenture and the obligations of First Access thereunder will be secured by a general security agreement or agreements in respect of all present and after acquired personal property of First Access. The Series III 8.5% Debentures shall rank equally in respect of the security, and enforcement thereof, provided by First Access to: (i) each of the other holders of Series III 8.5% Debentures issued by First Access from time to time pursuant to the offering of such Debentures and under the related general security agreement or agreements; (ii) each of the holders of other secured subordinated debentures of First Access issued from time to time pursuant to the Indenture and under the related general security agreement or agreements in respect of all present and after acquired personal property of First Access (including, without limitation, the Company's Series I 8.5% Debentures, Series II 8.5% Debentures, Series II 9.5% Convertible Debentures, Series I 10.0% Debentures, Series I 10.5% Convertible Debentures and Series III 12% Debentures); and (iii) each other person granted general security in all of the Company's assets and business from time to time in connection with any liabilities, obligations or indebtedness (whether primary, secondary, direct or indirect, contingent, fixed, pursuant to a guarantee or otherwise) which may be incurred by the Company and in respect of which it determines, in its sole discretion, shall rank equally thereto (including, without limitation, the Company's Series I 9.5% Convertible Debentures).</p> <p>First Access reserves the right, in its sole discretion and without notice to or the consent of the holders of the Series III 8.5% Debentures, to subordinate the Series III 8.5% Debentures and the related general security agreement or agreements to any entity, including, without limitation, banks, insurance companies, trust companies, credit unions and institutional investment funds, and with respect to any other financial instrument or security issued in its favour.</p>
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Selling Agents and Other Fees:	<p>Subject to compliance with all Applicable Securities Laws, at each Closing the Company has agreed to pay exempt market dealers registered under Applicable Securities Laws or qualified referral agents (collectively, "Selling Agents") a cash commission equal to up to a maximum of 4.0% of the aggregate subscription proceeds received by the Company pursuant to the Offering in respect of subscriptions introduced by that Selling Agent. In certain cases and subject to compliance with all Applicable Securities laws, the Company may pay additional fees to Selling Agents, consultants or other persons for such services and in such amounts as the Company may determine, in its sole discretion.</p> <p>In connection with the brokered portion of the Offering, the Company entered into a consulting services agreement (the "Consulting Services Agreement") with Lateral Thought Inc. effective May 1, 2014, which agreement was amended and restated as of September 1, 2015, pursuant to which Lateral Thought Inc. has agreed to act as the Company's wholesale consultant for that portion of the Offering and, subject to compliance with all Applicable Securities Laws, to provide consulting services (the "Lateral Thought Services") to certain exempt market dealers. In consideration for the Lateral Thought Services rendered by Lateral Thought and only in respect of subscriptions introduced by certain exempt market dealers, the Company has agreed to pay Lateral Thought a fee equal to 0.50% of the first \$500,000 of capital raised by such exempt market dealers in each calendar month, and 1.25% on all capital raised by such exempt market dealers in each calendar month in excess of \$500,000, calculated and payable on a monthly basis.</p> <p>See "<i>Item 7: Compensation Paid to the Selling Agents and Other Fees</i>".</p>
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CONFIDENTIALITY

This Offering Memorandum is confidential and has been prepared solely for delivery to and review by selected prospective purchasers of the securities offered hereby. This copy of the Offering Memorandum is personal to the person to whom it is delivered and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire any of the securities offered hereby. Distribution of this Offering Memorandum to any person other than the person to whom it is delivered and those persons, if any, retained to advise such person with respect thereto is unauthorized, and any disclosure of any of its contents without the prior written consent of the Company is prohibited. Each prospective purchaser, by accepting delivery of this Offering Memorandum, agrees to the foregoing and undertakes to make no photocopies of or to otherwise reproduce, in whole or in part, this Offering Memorandum, or any documents relating thereto and, if such prospective purchaser does not purchase any of the securities offered hereby or the Offering is terminated, to return promptly this Offering Memorandum and all such documents to the Company, if so requested by the Company.

FORWARD LOOKING STATEMENTS

Certain statements contained in this Offering Memorandum constitute "forward-looking statements". When used in this Offering Memorandum, the words "may", "would", "could", "will", "intend", "plan", "anticipate", "believe", "estimate", "expect", and similar expressions, as they relate to the Company, are intended to identify forward-looking statements. Such statements reflect the Company's current views with respect to future events and are subject to inherent risks, uncertainties and numerous assumptions, including, without limitation, general economic conditions, reliance on debt financing, dependence on non-prime borrowers, inability to sustain receivables, competition, interest rates, regulation, insurance, failure of key systems, debt service, future capital needs and such other risks or factors described under "*Item 8: Risk Factors*".

By their nature, forward-looking statements involve numerous assumptions, known and unknown, risks and uncertainties, both general and specific, which contribute to the possibility that predictions, forecasts, projections and other forms of forward-looking statements may not be achieved. Many factors could cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements and readers are cautioned that the list of factors in the foregoing paragraph is not exhaustive. Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking statements prove incorrect, actual results may vary materially from those described herein as intended, planned, anticipated, believed, estimated or expected. **Accordingly, readers are cautioned not to place undue reliance on forward-looking statements or interpret or regard forward-looking statements as guarantees of future outcomes.** Further, readers are cautioned that the forward-looking statements contained herein speak only as of the date of this Offering Memorandum and First Access does not undertake any obligation to publicly update or to revise any of the forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by Applicable Laws.

All forward-looking statements contained in this Offering Memorandum are expressly qualified by this cautionary statement.

ITEM 1: USE OF AVAILABLE FUNDS

1.1 Funds

		Assuming Minimum Offering ⁽¹⁾	Assuming Maximum Offering
A	Amount to be raised by the Offering	\$0	\$10,000,000
B	Selling commissions and finders' fees ⁽²⁾	\$0	\$600,000
C	Estimated offering costs (e.g. legal, accounting, audit)	\$250,000	\$250,000
D	Available funds: D = A - (B+C)	(\$250,000)	\$9,150,000
E	Additional sources of funding required ⁽³⁾⁽⁴⁾	\$0	\$0
F	Working capital deficiency ⁽⁵⁾	\$0	\$0
G	Total: (D+E) - F	(\$250,000)	\$9,150,000

Notes:

- (1) There is no aggregate minimum Offering amount. As at the date of this Offering Memorandum, the Company has not issued any Series II 9.5% Convertible Debentures.
- (2) Assumes an aggregate commission of 6.0% of all subscription proceeds of Series II 9.5% Convertible Debentures sold pursuant to the Offering payable to the Selling Agents. See "Item 7: Compensation Paid to the Selling Agents and Other Fees".
- (3) Concurrent with this Offering, the Company: (i) may offer up to 10,000,000 Common Shares of the Company, with no aggregate minimum offering level, at a price to be determined by the Board of Directors in the context of the market raising aggregate gross proceeds of up to \$5,000,000 (the "Equity Offering"); and (ii) is offering up to \$10,000,000 aggregate principal amount of series III secured subordinated 8.5% debentures of the Company ("Series III 8.5% Debentures"), with no aggregate minimum offering level (the "Series III 8.5% Debenture Offering"), which Common Shares and Series III 8.5% Debentures are offered for sale on a brokered and non-brokered private placement basis in reliance upon applicable exemptions from the registration and prospectus requirements of all Applicable Securities Laws. First Access intends to accept subscriptions and complete each of the Equity Offering and the Series III 8.5% Debenture Offering in one or more closings. **There can be no certainty as to the level of funds to be raised by First Access pursuant to either of these offerings.** The Company reserves the right, in its sole discretion, to change the terms of either of these offerings at any time without notice to or the consent of the holders of the Common Shares or the Series III 8.5% Debentures, as the case may be, which terms could include the price at which the Common Shares are issued under the Equity Offering. As at June 30, 2017, the Company has not issued any Common Shares pursuant to the Equity Offering nor any Series III 8.5% Debentures pursuant to the Series III 8.5% Debenture Offering.

1.2 Use of Available Funds

Description of intended use of net proceeds listed in order of priority	Assuming Minimum Offering ⁽¹⁾	Assuming Maximum Offering
Investment in retail automotive loans	\$0	\$8,500,000
Daily operations and general working capital ⁽²⁾	\$0	\$650,000
Total	\$0	\$9,150,000

Notes:

- (1) There is no aggregate minimum Offering amount.
- (2) The net proceeds of the Offering will be used primarily by First Access to, without limitation, originate automobile finance contracts, fund, in part, daily operations, commercial office rentals, legal, accounting, consulting, computer hardware and software and information technology expenses, management and employees salaries and bonuses, finance receivables, capital expenditures, targeted acquisitions, inventory and investments, marketing and travel expenses, interest and principal repayments, in whole or part (including without limitation to retire all or a portion of the Operating Loan Facility) and purchases of outstanding equity or debt securities. More than 10% of the available funds may be used to reduce indebtedness of the Company, which indebtedness was incurred to fund investment in retail automotive loans, daily operations and working capital of the Company, as more particularly described above in this note 2.

While First Access currently anticipates that it will use the net proceeds of this Offering received by it as set forth above, given the nature of the business of the Company and the early stage of development of the Company's business, future results may require amendments to be made to the amount and nature of allocations of the net proceeds.

Until required for the Company's purposes, the proceeds realized from the sale of securities pursuant to the Offering may be invested in securities of, or those guaranteed by, the Government of Canada or any province of Canada, or in certificates of deposit or interest bearing accounts of Canadian chartered banks or trust companies.

1.3 *Reallocation*

The Company intends to invest the available funds as stated. The Company will reallocate funds only for sound business reasons and for daily operations and general working capital purposes as outlined above. The Company may seek to acquire independent finance and/or vehicle loan/lease companies for accelerated revenue growth.

ITEM 2: BUSINESS OF FIRST ACCESS FUNDING CORP.

2.1 *Structure*

The Company was incorporated under the *Canada Business Corporations Act* on July 20, 2011. The Company's head and principal office is located at Suite 600, 10109 – 106 Street, Edmonton, AB, T5J 3L7. The Company has a secondary office located at Suite 1401, 67 Yonge Street, Toronto, ON, M5E 1J8.

2.2 *The Company's Business*

Company Overview

First Access is a privately-held finance company that specializes in the origination, acquisition and servicing of non-prime automotive retail purchase loans. Headquartered in Edmonton, Alberta, First Access originates indirect retail instalment contracts through a network of automotive dealerships, using a third party origination system. The Company currently originates these contracts in Alberta, British Columbia, Ontario, Saskatchewan and Manitoba. The non-prime credit market provides financing to borrowers who may have limited or no credit histories, past credit problems or who are attempting to establish stronger credit ratings. These consumers are unable to meet the credit standards of traditional financing sources. As a result, non-prime lenders typically price their loans accordingly and employ portfolio management systems to withstand a higher level of delinquency and credit losses. In order to compensate for higher default risk, non-prime automotive retail instalment contracts typically have higher interest rates.

There is a growing segment of the Canadian automobile buyers' marketplace that cannot access traditional credit lending including young people, those new to Canada and former bankrupts. First Access has recognized this growing segment of the marketplace as a business opportunity and extends automobile loans to these higher credit risk individuals under specific terms and conditions.

Industry Overview

There are a number of automotive retail lenders in Canada including TD Auto Finance, Scotia Dealer Advantage, RBC Automotive Finance, Carfinco Financial Group (Banco Santander), Rifco, CTL (Industrial Alliance) and certain regional competitors. Canada's main automotive retail lenders operate independently through automotive dealers to source retail instalment contracts. In addition to accessing auto credit indirectly through dealerships, consumers can access auto credit directly through dealers' captive finance companies and certain dealers who self-finance auto purchases. Other lenders (including most large chartered banks) provide vehicle loans directly to consumers.

In the specific area of the non-prime credit spectrum that First Access is targeting, the Company believes that Carfinco, Rifco, CTL, Trend Financial, AutoCapital, Cars on Credit, Eden Park and a small number of self-

financing dealers are the lenders who compete directly with First Access. Rifco originated approximately \$100 million in loans in the last twelve months ended March 31, 2017, based on Rifco's latest publicly available financial statements. Management of the Company estimates that, collectively, Carfinco, CTL, Trend Financial, AutoCapital, Cars on Credit and Eden Park originate over \$400 million annually in loans.

Contract Originations

Auto dealerships typically employ online origination systems, which directly link automotive credit applicants to retail lenders, which have the capability of processing credit applications within an hour. This allows for significantly greater efficiency and effectiveness in processing and reviewing automotive credit applications.

First Access provides financing to non-prime borrowers, as the Company originates loans through its automotive dealer network. Prior to establishing a relationship with a dealer, First Access determines the business and credit-worthiness of that dealer. Certain requirements must be met by every dealer, including, but not limited to the following:

- Legal requirement to sign an agreement outlining their legal responsibilities in the event of any claim, defense, right of set-off, or misrepresentation, following the assignment of a contract to the Company. While the Company has no recourse against a dealer for non-performance, any breach of compliance of relevant laws, representations and warranties automatically result in recourse against the dealer and may result in repayment of the contract.
- Dealer's reputation must be favourable.
- Number, quality, and average age of vehicles in inventory must be acceptable to the Company.
- Dealer must have established relationships with Canada's top automotive finance companies.

First Access currently utilizes Western Canada & Ontario Regional Manager, Chris Smith, and eleven business development managers to identify dealers, train dealership personnel on the Company's Adjudication/Loan Approval Process (described below), introduce the Company's services and maintain ongoing dealer relationships in Alberta, British Columbia, Ontario, Saskatchewan and Manitoba.

Adjudication/Loan Approval Process

The Company maintains a uniform set of credit standards through the implementation of a credit model, which supports the Company's credit decision process. The process is used to structure a loan, on an assessment of credit risk and differentiates credit applicants, to rank credit risk, on a basis of expected default rates and costs of servicing. The model is tied to the expected economic value of the loan to the Company. For example, a consumer with a recent credit card write-off would indicate a higher probability of default and, therefore, the structure and pricing of the loan would adjust accordingly. While First Access does employ a credit model in the credit approval process, the use of such a model does not completely eliminate credit risk.

The credit model attempts to analyze the quality of credit applicants and attempts to assess predictive characteristics. Factors considered in all credit applications include data presented on the application and data presented on an applicant's credit bureau report. The credit model considers the applicant's residential and employment stability, credit history, current financial capacity, integrity of meeting historical financial obligations, other credit bureau information and the terms of the loan being sought by the customer tied to the Company's booking chart, which assigns value based on such factors. The credit model takes these factors into account and produces a Company based quality of credit assessment of them. This assessment is used to segregate applicant risk profiles and determine whether the risk is acceptable and the price the Company should charge for that risk.

The credit model is reviewed on a regular basis through the comparison of actual versus projected performance. First Access continually refines the model based on new information and current correlations relating to receivables performance. The model is used as the main tool in the credit evaluation process of each application. Credit applications are subject to automated credit declines, but never automated credit approvals. Each application is evaluated by a credit analyst for approval.

First Access strives to maintain its competitiveness by meeting the needs of credit applicants without compromising the Company's credit standards. Dealers submit credit applications to First Access directly via DealerTrack Canada, a third party loan application processing portal. The Company's internet-based credit application system obtains credit histories and presents a summary of credit information. The information assists the credit analyst in the evaluation of the applicant's creditworthiness and in determining the best suited risk category. First Access provides a credit decision via the DealerTrack Canada internet portal for a submitted loan within one hour of its submission, during office hours.

In response to economic concerns in Alberta driven by lower oil prices, the Company has made certain internal changes in processes to reduce its direct and indirect exposure to customers whose credit quality may be affected by lower oil prices. These changes were first implemented in mid-2014 with further changes occurring in the first quarter of 2015 and in the first quarter of 2016, all of which remain currently in effect.

Verification of Documents and Funding

Upon finalization of the vehicle sale, dealers compile and send documentation packages to First Access' funding department in Edmonton, Alberta. The Company requires documentation packages to include, among other things, proof of the borrower's residency, employment, income, insurance and vehicle ownership.

A funding administrator will review each contract and verify the application data and contract documentation prior to forwarding funds to a dealer. They review documentation packages for accuracy and confirm or reconfirm the borrower's employment, income, residency details, registration and insurance. A contract is not funded where information cannot be confirmed. If information provided in the credit application is incorrect to the extent it affects the credit decision, the file is sent back to a credit analyst for reassessment. At contract funding, the Company obtains a security interest for all automobile finance contracts by registering a lien in the financed vehicle, with the applicable provincial registry for same.

After a contract is funded, the Company verifies, by telephone interview with the borrower, such facts as the terms of the contract, the year/make/model/mileage of the financed vehicle, the amount of the down payment, if any, and the equipment on the vehicle. First Access utilizes this process to reduce risk of misrepresentation by dealers, to reinforce the borrower's commitment for their payment obligation and to establish a relationship with the borrower. In the event of misrepresentation by a dealer, the Company may require full repayment of the proceeds by the dealer or may adjust the proceeds to correctly value the security. If misrepresentation continues, the Company may terminate its relationship with that dealer.

Portfolio Management and Collections

The Company's customer service and collection operations include, but are not limited to, the following activities:

- processing customer payments;
- responding to customer inquiries;
- contacting customers who are delinquent in their scheduled contract payment;
- maintaining the security interest in each contract;
- maintaining GPS transmissions with financed vehicle;
- monitoring impound lots for financed vehicles;
- monitoring insurance requirements;
- interrupting financed vehicle starters on delinquent accounts; and
- repossessing and liquidating vehicles when necessary.

First Access utilizes automated systems to support its servicing and collections activities. All customer payments and payment returns are electronically transmitted to and from the Company's bank and posted to the customer's account.

For delinquent accounts, collection activities on contracts are performed by customer representatives who follow standardized policies and procedures, and who are professional in their approach to delinquent accounts. The Company reports the status of its customer accounts to credit reporting agencies. Failure by a customer to maintain their account in good standing may negatively impact a customer's credit score. The status and performance of the customer's account with First Access is included in the customer's credit bureau report for a period of seven to ten years. The Company continually monitors the contracts to ensure that insurance is in place and charges fees to customers that do not comply with the contract requirements. Customer representatives endeavour to contact delinquent customers by telephone immediately after a payment is returned. An audible notification signal is also heard by delinquent customers in the vehicle until accounts are made current. The Company's policy is to work out suitable payment arrangements with a customer to bring the account up to date. If a customer persists in their delinquency, deals in bad faith or is unreachable in delinquency, the Company may escalate the collection activity, which may include repossession of the financed vehicle.

A GPS starter interrupter and locator module is installed in every vehicle the Company finances at 33.9% and 39.9% interest rates, and is installed in most vehicles the Company finances at 15.9% through 29.9% interest rates. The Company is able to track and locate the Company's vehicles anywhere in North America with cellular coverage via internet and satellite technology. The module is designed to enable the Company to locate its portfolio of automotive assets at all times. The Company sends an audible signal to notify borrowers that a payment is late. A starter interrupter switch within the GPS unit allows the Company to turn the vehicles starting capabilities on or off. The Company can only disrupt the vehicle's starting capabilities when the vehicle is not in motion (i.e., cannot turn off a car while in motion). If a repossession is required, the Company can then block usage of the vehicle and seek to seize the car forthwith. The GPS starter interrupter and locator is an effective tool to protect the Company's asset portfolio and induce responsible debt service. While the GPS starter interrupter is an effective tool, the Company estimates that up to 15% of the portfolio can be offline due to cellular service areas reach, tampering, malfunction and other factors.

Repossessions are a means of last resort and are handled by independent licensed bailiff firms engaged by the Company. The Company follows prescribed legal procedures for repossessions, which include:

- peaceful repossession;
- one or more notices of intention to sell;
- a prescribed waiting period, with a minimum of 21 days, prior to disposing of the collateral; and
- return of the customer's personal items.

Upon repossession and after any prescribed legal waiting period, the vehicle is typically sold at auction. In the event there is a shortfall in the auction proceeds, First Access pursues collection of deficiencies when it deems such action to be appropriate. In certain provinces or circumstances, the Company is subject to laws limiting or prohibiting deficiency judgments. Numerous other statutory provisions, including federal bankruptcy laws and related provincial laws, may affect the ability of the Company to repossess a vehicle or enforce a deficiency judgment. A bankruptcy court may reduce the monthly payments due under contract or change the rate of interest and time of repayment of the indebtedness. Delinquency is subject to periodic fluctuation based on, among other factors, seasonal events such as holiday periods.

Financing

A key factor in the success of First Access to date has been its ability to access appropriate amounts of capital to fund its net originations and overhead. The Company may at any time and from time to time conduct multiple offerings of other securities and financial instruments including, without limitation, common or preferred shares, Warrants, units, secured or unsecured debentures, other equity or debt products or financings, or access other sources of institutional financings or institutional securitization and/or trust facilities, all without notice to, or the consent of, purchasers of the Common Shares.

Competitive Strengths

The Company's principal competitive strength is its senior management team. First Access is led by David Ballantine, who has over 15 years of experience in investment banking and venture capital. Prior to his involvement with First Access, Mr. Ballantine was one of the founders and key executives of Basis100 and Root Capital Inc. Mr. Ballantine brings significant experience and connections to the Company. See “*Item 3: Interests of Directors, Management, Promoters and Principal Holders – Management Experience*”.

As previously noted, a key factor in the Company's success to date has been its ability to source large amounts of capital. When accessed at a relatively low cost, this widens the net interest margin, which can contribute to profit. It is the primary responsibility of senior management to not only raise capital, but ensure that it is deployed under the Company's processes and controls.

Other competitive strengths include:

- Key Employees – First Access has a number of key employees with experience in automotive retail financing. This has helped with business development and the establishment of strong dealership relationships and increased deal flow.
- Technological Applications & Operational Efficiencies – the Company's processes, including origination, funding, accounting and some adjudication are or will be automated, allowing for rapid growth and scalability.
- Entry-level Used Vehicles – First Access focuses on financing new and used vehicles priced between \$7,500 to \$40,000. New and used vehicles priced between \$7,500 to \$40,000 present appropriate exposure to the individual credit risk of the Company's loans.

Directors and Officers

The following table sets forth the name, municipality of residence, position held with the Company, and the date on which the person became a director and/or an executive officer of the Company.

Name	Municipality	Position	Held since
David Ballantine	Edmonton, Alberta	Chief Executive Officer, President and Director	July 20, 2011
Scott Larin	Toronto, Ontario	Chief Financial Officer	February 1, 2016
Paul Stephanson	Edmonton, Alberta	Vice President, Investor Relations	November 10, 2015
Steven Knaus	Calgary, Alberta	Vice President, Operations	March 31, 2014,
Roy Evans	Edmonton, Alberta	Vice President, Customer Service	March 31, 2014
Michael Williamson ⁽¹⁾⁽²⁾	Oakville, Ontario	Director	July 16, 2013
Brian Radmacher ⁽²⁾⁽³⁾	Sherwood Park, Alberta	Director	July 16, 2013
Martin Singer ⁽¹⁾⁽³⁾	Rocky View County, Alberta	Director	July 16, 2013

Notes:

- (1) Member of the Audit Committee.
(2) Member of the Compensation Committee.
(3) Member of the Nominations Committee.

Election of Directors – Staggered Board

As of the date of this Offering Memorandum, the Company's Board is comprised of four (4) directors, three of whom are independent. At the Company's annual and special meeting of shareholders held in June 2016, the Shareholders passed an ordinary resolution confirming By-law Number 4 as a by-law of the Corporation, which by-law provides for staggered terms of office for the directors in three classes: one class comprising two directors who shall hold office for a term expiring at the close of the third annual general meeting of the shareholders following their election ("**Class 3**"); a second class comprising one director who shall hold office for a term expiring at the close of the second annual general meeting following their election ("**Class 2**"); and a third class comprising one director who shall hold office for a term expiring at the close of the first annual general meeting following his or her election ("**Class 1**"). At each future annual general meeting of the Company's shareholders, each director in a class whose member or members must retire from office at such meeting, as a result of the expiration of the term for which he or she or they were elected, shall retire from office and will be replaced with a successor or stand for re-election, in either case for a term expiring at the close of the third annual meeting of the shareholders following such meeting.

The current directors were elected to the following classes at the Company's annual meeting in June 2016: David Ballantine (Class 3); Martin Singer (Class 3); Brian Radmacher (Class 2); and Michael Williamson (Class 1).

Shareholders Meetings – Quorum Requirements

At all meetings of shareholders of the Company, a quorum of shareholders is present at such meeting, irrespective of the number of persons actually present at the meeting, provided that: (i) the holders of twenty per cent (20%) of the shares entitled to vote at the meeting are present in person or represented by proxy; and (ii) the Chief Executive Officer and/or the Chief Financial Officer, if he or she is a security holder, is present at the meeting.

Employees

As at the date of this Offering Memorandum, the Company has approximately 57 employees. None of the Company's employees belong to a collective bargaining unit. The Company has not experienced a work stoppage as a result of a labour disruption. Management of the Company believes that it has a good relationship with its employees. The Company is a responsible employer and maintains a safe working environment.

2.3 Development of Business

The Company was incorporated in July 2011 and began operations in June 2012. As of July 19, 2017, the Company has funded approximately 8,700 vehicle loan contracts totalling approximately \$135.0 million, with an average of approximately \$15,500 per loan. The majority of such loans were used to finance the purchase of used vehicles and the remainder of such loans were used to finance new vehicle purchases. In order to be approved for a consumer loan, the vehicle being financed must meet strict criteria, including the age of vehicle, kilometre range and accident history. Prior to financing a loan, the Company requires minimum liability insurance of \$1,000,000 and collision and comprehensive insurance with a maximum deductible of \$1,000. The following table summarizes the status of all of the Company's vehicle loan contracts written since inception:

Status of Loan	Number of Loan Contracts
Active	3,438 loans
Refinanced / Repaid	3,443 loans
Defaulted	1,597 loans
Insurance Pay-Outs	222 loans
Paid to Maturity	3 loans

As noted above, 1,597 customers have defaulted on their loans. In order to maximize recovery of its remaining principal outstanding on these loans, the Company has chosen to either repossess the vehicle (or has commenced repossession) or commence legal proceedings. For completed repossessions, the vehicle sale proceeds and warranty recovery proceeds (if any) of those vehicles has recouped an average of approximately 50% of the principal remaining at time of repossession. The cost of repossessing the vehicles (such as bailiff fees and auction fees, if any) has averaged 5% of the principal remaining at time of repossession. For certain defaulted loans, the Company has received little to no proceeds due to either legal proceedings, or the vehicle and client could not be found, or the vehicle was not wanted by the Company.

The Company realizes losses on vehicles repossessed due to the associated costs of repossessions because vehicles are a depreciating asset and because the total amount financed for a vehicle purchase is often greater than the underlying resale and wholesale value. The Company bases its loan to value calculations on Canadian Black Book Values, which consider year, make, model, trim package, body style and mileage when estimating the wholesale and resale value of a vehicle. Over the past three months, the Company has lent at an average of 140% of the Canadian Black Book Retail Value. By way of example only, the amount the Company would finance on a vehicle with a Canadian Black Book Retail Value of \$10,000 would be \$14,000. As of July 19, 2017, the Company's current aggregate net receivables owned or managed by it equal \$49.6 million in principal outstanding. The adjusted Canadian Black Book Retail and Wholesale Values for the current aggregate owned or managed portfolio are \$375 million (32% loan to Black Book value) and \$312 million (159% loan to Black Book value), respectively. The Company documents the number of kilometres at the time of financing the vehicle. For the purposes of calculating the vehicle's value at any time thereafter, the Company estimates the current mileage of the vehicle by adding a multiple of 1,500 kilometres for every month the loan has been outstanding (18,000 annually).

The Company estimates future expected losses based on the portfolio's current delinquencies and the principal amount of delinquent loans in each of the following categories: (i) "current" loans; (ii) one to 30 days behind on payments; and (iii) 31 days or more behind on payments. The Company currently finances vehicle purchases with annual percentage rates ("APR") ranging from 19.9% (historically 15.9%) to 39.9%. For loans with an APR of 19.9% to 28.5%, the Company currently estimates that a total of 2.5% of "current" loans will default, 10% of loans one to 30 days behind in payments will default, 50% of loans 31 to 60 days will default, 90% of loans 61 to 90 days will default, and 100% of loans 91 days or more behind on payments will default. For loans with an APR of 28.9% to 39.9%, the Company estimates that a total of 4.0% of "current" loans will default, 20% of loans one to 30 days behind in payments will default, 75% of loans 31 to 60 days will default, 90% of loans 61 to 90 days will default, and 100% of loans 91 days or more behind on payments will default. Below are the month end delinquency numbers for 2017:

Arrears Aging	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17
31 to 60 Days	3.6%	2.9%	2.8%	2.8%	2.6%	2.4%
61 to 90 Days	1.1%	1.0%	1.1%	0.8%	0.9%	0.8%
90+ Days	0.8%	0.6%	0.4%	0.3%	0.2%	0.2%

As at July 19, 2017, the Company has: (i) \$27.4 million aggregate principal amount outstanding under the Trust Term Loan; (ii) drawn an aggregate principal amount of \$10.9 million under the Operating Loan Facility, which bears interest at a rate of Prime + 3.0% per annum; (iii) \$2,281,000 aggregate principal amount of Series I 8.5% Debentures outstanding; (iv) \$50,000 aggregate principal amount of Series II 8.5% Debentures outstanding; (v) \$152,281 aggregate principal amount of Series I 9.5% Convertible Debentures outstanding; (vi) \$450,000 aggregate principal amount of Series I 10.0% Debentures outstanding; (vii) \$10,763,000 aggregate principal amount of Series I 10.5% Convertible Debentures outstanding; and (viii) \$17,259,000 aggregate principal amount of Series III 12% Debentures outstanding. See "Item 4 – Capital Structure- Long-Term Debt Securities" for a description of the terms of the Company's long-term debt securities.

As at July 19, 2017, the aggregate principal amount of the Company's outstanding long-term debt is \$42.1 million, which debt is secured by an underlying portfolio with a Canadian Black Book retail and wholesale values of \$15.7 million and \$13.6 million, respectively, as illustrated in the table below.

Description ⁽¹⁾	Amount Outstanding (Company) ⁽²⁾	Amount Outstanding (Trust) ⁽³⁾	Priority Ranking of Security ⁽¹⁾⁽⁴⁾
Cash	\$0.6 million	\$9.8 million	
Operating Loan Facility	\$10.9 million		First at Company
Series I 8.5% Debentures	\$2.3 million		Second at Company
Series II 8.5% Debentures	\$0.05 million		Second at Company
Series I 9.5% Convertible Debentures	\$0.2 million		Second at Company
Series I 10.0% Debentures	\$0.5 million		Second at Company
Series I 10.5% Convertible Debentures	\$10.8 million		Second at Company
Series III 12% Debentures	\$17.3 million		Second at Company
Trust Term Loan		\$27.4 million	First at Trust
TOTAL LONG-TERM DEBT	\$42.1 million	\$27.4 million	
Canadian Black Book Retail Value ⁽⁵⁾	\$15.7 million	\$21.8 million	
Canadian Black Book Wholesale Value ⁽⁵⁾	\$13.6 million	\$17.6 million	
Current Net Receivables ⁽⁵⁾	\$21.7 million	\$27.9 million	

Notes:

- (1) See "Item 4: Capital Structure – Long-Term Debt Securities" for a description of the terms of the Company's long-term debt securities.
- (2) As at July 19, 2017.
- (3) The Company expects that the principal amount outstanding under the Operating Loan Facility from time to time will vary significantly as vehicle loan receivables are originated by the Company and then sold to the Trust, with some or all of the proceeds of the subsequent sales of such loan receivables being used to repay a portion of the principal amount owing under the Operating Loan Facility. See "Item 4: Capital Structure – Trust Term Loan".
- (4) All Debentures issued under the Indenture rank equally in respect of the security, and enforcement thereof, provided by First Access to: (i) each of the other Debentures issued under the Indenture of any series; and (ii) each other person granted general security in all of the Company's assets and business from time to time in connection with any liabilities, obligations or indebtedness (whether primary, secondary, direct or indirect, contingent, fixed, pursuant to a guarantee or otherwise) which may be incurred by the Company and in respect of which it determines, in its sole discretion, shall rank equally thereto. First Access reserves the right to subordinate the Debentures and the related Security Documents, in the sole discretion of the Company and without the consent of the purchasers of the Debentures, to any entity, including, without limitation, banks, insurance companies, trust companies, credit unions and institutional investment funds, and with respect to any other financial instrument or security issued in its favour.
- (5) As at July 19, 2017. Net Receivables means the principal amount of vehicle loan receivables.

2.4 Long Term Objectives

The Company's management team has strong ties to the automotive industry and maintains a large network of relationships with the dealer body, which is important in growing the loan application pool. The Company has expanded its dealer network in Alberta, British Columbia, Saskatchewan, Manitoba and Ontario, with a longer-term plan to expand into other provinces located in Eastern Canada

2.5 *Short Term Objectives*

The short term objectives of the Company include completing the Offering and financing automotive loans with the net proceeds. The following table sets out the objectives, the timelines and the expected costs to complete the short term objectives for the next twelve months:

Short Term Objective	Target completion date	Cost to complete
Raise up to \$10,000,000 in gross subscription proceeds from this Offering	Open offering with no set completion date	\$250,000 for legal, accounting and audit expenses
Raise up to \$5,000,000 in gross subscription proceeds from the Equity Offering	Open offering with no set completion date	\$250,000 for legal, accounting and audit expenses
Raise up to \$10,000,000 in gross subscription proceeds from the Series III 8.5% Debenture Offering	Open offering with no set completion date	\$250,000 for legal, accounting and audit expenses
Invest available funds into automotive loans	Following closing of each financing with no set completion dates	Costs associated with generating loans are covered in general operating expenses

Note:

(1) See "Item 4: Capital Structure – Long-Term Debt Securities" and "Item 4: Capital Structure - Prior Sales" below.

2.6 *Insufficient Funds*

If the Company is unsuccessful in obtaining subscriptions from a sufficient number of investors to proceed with further closings under one or more of this Offering, the Equity Offering or the Series II 9.5% Convertible Debenture Offering, then the Company may have insufficient funds to proceed with its longer term objectives. There is no assurance that alternative financing will be available.

2.7 *Material Agreements*

Except for contracts made in the ordinary course of business, the following are the only material agreements to which the Company is currently a party:

- (a) the Series I 9.5% Convertible Debentures and the related general security agreements with the holders of such debentures (as described below under "Item 4: Capital Structure – Long-Term Debt Securities – Series I 9.5% Convertible Debentures");
- (b) the Indenture (as described below under "Item 5: Securities Offered");
- (c) the Commitment Letter, the Operating Loan GSA and related agreements with the Operating Lender (as described below under "Item 4: Capital Structure – Long-Term Debt Securities - Operating Loan Facility");
- (d) the Trust Term Loan Agreement;
- (e) the Receivables Purchase Agreement;
- (f) the Servicing Agreement;
- (g) the Exclusivity and Right of First Refusal Agreement;
- (h) the Limited Indemnity; and

- (i) the Blocked Account Agreement,

Each of the agreements in subparagraphs (d) through (i), inclusive, are described under "*Item 4: Capital Structure – Trust Term Loan*".

ITEM 3: INTERESTS OF DIRECTORS, MANAGEMENT, PROMOTERS AND PRINCIPAL HOLDERS

3.1 *Compensation and Securities Held*

Name and municipality of principal residence	Positions held and the date of obtaining that position	Compensation paid by issuer or related party in the most recently completed financial year and the compensation anticipated to be paid in the current financial year	Number, type and percentage of securities of the Company as at the date hereof and after the Offering ^{(1) (2)}
David Ballantine Edmonton, Alberta	President, Chief Executive Officer and Director (July 20, 2011)	2016 - \$225,000 (2016 – 12,000 Options) 2017 - \$225,000 (2017 – 100,000 Options)	5,000,000 Shares (5.9%) 862,000 Options
Scott Larin Toronto, Ontario	Chief Financial Officer (February 1, 2016)	2016 - \$148,000 (2016 – 85,000 Options) 2017 - \$170,000 (285,000 Options)	370,000 Options
Paul Stephanson Edmonton, Alberta	Vice President, Investor Relations (November 10, 2015)	2016 - \$190,000 2017 - \$190,000 (2017 – 100,000 Options)	3,961,500 Shares (4.7%) 850,000 Options
Steven Knaus Calgary, Alberta	Vice-President, Operations (March 31, 2014)	2016 - \$190,000 2017 - \$190,000 (2017 – 100,000 Options)	1,335,000 Shares (1.6%) 850,000 Options
Roy Evans Edmonton, Alberta	Vice-President, Customer Service (March 31, 2014)	2016 - \$190,000 2017 - \$190,000 (2017 – 100,000 Options)	1,650,000 Shares (1.9%) 850,000 Options
Westlake Credit Corp.	Rebecca Hall is the President, Director and sole shareholder of Westlake Credit Corp.(3)	N/A	9,000,000 Shares (10.6%)
Brian Radmacher Sherwood Park, Alberta	Director (July 16, 2013)	2016 - \$0 (2016 – 12,000 Options) 2017 - \$0 (2017 – 500,000 Options)	360,000 Shares (0.4%) 512,000 Options \$450,000 Series III 12% Debentures
Martin Singer Rocky View County, Alberta	Director (July 16, 2013)	2016 - \$0 (2016 – 12,000 Options) 2017 - \$0 (2017 – 300,000 Options)	6,250,000 Shares (7.4%) 312,000 Options 2,000,000 Warrants ⁽⁴⁾ \$2,000,000 Series III 12% Debentures

Michael Williamson Oakville, Ontario	Director (July 16, 2013)	2016 - \$0 (2016 – 12,000 Options) 2017 - \$0 (2017 – 300,000 Options)	130,000 Shares (0.1%) 312,000 Options
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Notes:

- (1) The Options to acquire Common Shares issued under the Option Plan held by the persons listed above have exercise prices, which range from \$0.10 to \$0.50 per Common Share, and expiry dates, which range from August 21, 2016 to December 31, 2019. See "Item 4: Capital Structure" – Option Plan" below.
- (2) The percentages in this column are based on 85,119,993 issued and outstanding Common Shares, which is the number of issued and outstanding Common Shares as at the date of this Offering Memorandum and excludes the issuance of any Common Shares upon the exercise or conversion of any stock options, Warrants, convertible debentures or any other rights to acquire Common Shares of the Company and any additional Common Shares issuable pursuant to this Offering.
- (3) To the knowledge of management of the Company, Ms. Hall is the sole director, officer and shareholder of Westlake Credit Corp.
- (4) On April 5, 2015, as consideration for advancing the Company a loan in the principal amount of \$1,000,000 which was due on March 31, 2015, the Company issued to Mr. Singer 2,000,000 Warrants, with each such Warrant entitling Mr. Singer to acquire one Common Share at an exercise price of \$0.50 per Common Share. The Warrants will expire on March 1, 2019.

Employment and Consulting Agreements

Effective May 1, 2015, the Company entered into new employment agreements with each person who is employed as part of the senior management team of the Company (being David Ballantine, Roy Evans, Steven Knaus, Paul Stephanson and Roger Gilliam), as well as a new consulting agreement with Anglia Consulting Services which provides consulting and advisory services to the Company (collectively, the "**Management and Advisory Group**"). All of the employment agreements are for an indefinite term. The consulting agreement has a term of five (5) years.

Annual Base Compensation

The annual base salary or base consulting fee payable under the arrangements described above or other arrangements are as follows: David Ballantine - \$225,000; Scott Larin - \$170,000; Roy Evans - \$190,000; Roger Gilliam - \$150,000; Steven Knaus - \$190,000; Paul Stephanson - \$190,000; and Anglia Consulting Services - \$195,000 (in each case, "**Annual Base Compensation**"). Annual Base Compensation is reviewed annually by the board of directors and may, in the discretion of the board, be increased.

Annual Performance Bonus

In addition to Annual Base Compensation, each member of the Management and Advisory Group may be entitled to receive an annual performance bonus (an "**Annual Performance Bonus**") which, if granted, shall be paid within sixty (60) days of the approval by the board of directors of the annual audited financial statements of the Company. In each of the first three (3) fiscal years of the term of the employment and consulting agreements, each member of the Management and Advisory Group shall be entitled to an Annual Performance Bonus calculated on the basis of the achievement by the Company of annual consolidated net income in excess of targeted thresholds, as described below. Thereafter, payment of an Annual Performance Bonus in respect of any fiscal year shall be subject to such member and the Company achieving performance objectives ("**Annual Performance Objectives**") to be established by the board of directors in respect of such fiscal year. The Annual Performance Objectives in respect of a fiscal year shall be established by the Board, in its sole and unfettered discretion, after consultation with the members of the Management and Advisory Group. The Annual Performance Objectives shall include, without limitation, the achievement by the Company of annual consolidated net income in excess of targeted thresholds.

Year 1 (for the period January 1, 2015 to December 31, 2015)

In respect of the fiscal year commencing January 1, 2015 and ending December 31, 2015 ("**Year 1**"), the Company has established an annual performance pool for the Management and Advisory Group (the "**2015 Performance Bonus Pool**"). The 2015 Performance Bonus Pool shall be equal to fifty percent (50%) of the consolidated annual net income of the Company in Year 1 in excess of one million dollars (\$1,000,000) calculated before all bonuses to be paid to all members of the Management and Advisory Group in respect of such year have been deducted as an expense, subject to a maximum aggregate amount equal to one hundred percent (100%) of the aggregate amount of all Annual Base Compensation paid in such year. Consolidated annual net income in any fiscal year before

deduction of all such bonuses is referred to as "**Pre-Bonus Earnings**". The Management and Advisory Group shall be entitled to participate in the 2015 Performance Bonus Pool, if any, on a pro rata basis according to their respective Annual Base Compensation paid in Year 1.

Year 2 (for the period January 1, 2016 to December 31, 2016)

In respect of the fiscal year commencing January 1, 2016 and ending December 31, 2016 ("**Year 2**"), in the event that: (i) consolidated annual net income of the Company in Year 2 calculated after all proposed bonuses to be paid to all members of the Management and Advisory Group in respect of such year have been deducted as an expense (for such purposes, consolidated annual net income in any fiscal year after deduction of all such bonuses is referred to as "**Post-Bonus Earnings**") equals or exceeds one million dollars (\$1,000,000); and (ii) Post-Bonus Earnings in Year 2 have increased by an amount equal to or in excess of twenty percent (20%) of Post-Bonus Earnings in Year 1 (the "**Minimum 2016 Target**"), each member shall be entitled to an Annual Performance Bonus equal to up to a maximum of one hundred (100%) percent of such member's Annual Base Compensation.

In the event that: (i) Post-Bonus Earnings in Year 2 equal or exceed one million dollars (\$1,000,000); and (ii) Post-Bonus Earnings in Year 2 have also increased by an amount equal to or in excess of sixty percent (60%) of Post-Bonus Earnings in Year 1 (the "**Maximum 2016 Target**"), each member shall be entitled to receive the maximum Annual Performance Bonus equal to one hundred (100%) percent of the member's Annual Base Compensation.

In the event that: (i) Post-Bonus Earnings in Year 2 equal or exceed one million dollars (\$1,000,000); and (ii) Post-Bonus Earnings in Year 2 exceed the Minimum 2016 Target but are less than the Maximum 2016 Target, then each member shall be entitled to receive an Annual Performance Bonus in an amount equal to the percentage of the member's Annual Base Compensation that is the same percentage that Post-Bonus Earnings in Year 2 were of the Maximum 2016 Target as compared to the Minimum 2016 Target.

For illustrative purposes, if the Minimum 2016 Target was \$1,800,000 and the Maximum 2016 Target was \$2,400,000, and if Post-Bonus Earnings in Year 2 were \$2,100,000, then the member would be entitled to receive an Annual Performance Bonus equal to fifty percent (50%) of the member's Annual Base Compensation.

Year 3 (for the period January 1, 2017 to December 31, 2017)

In respect of the fiscal year commencing January 1, 2017 and ending December 31, 2017 ("**Year 3**"), in the event that: (i) Post-Bonus Earnings in Year 3 equal or exceed one million dollars (\$1,000,000); and (ii) Post-Bonus Earnings in Year 3 have increased by an amount equal to or in excess of twenty percent (20%) of Post-Bonus Earnings in Year 2 (the "**Minimum 2017 Target**"), each member shall be entitled to an Annual Performance Bonus equal to up to a maximum of one hundred (100%) percent of the member's Annual Base Compensation.

In the event that: (i) Post-Bonus Earnings in Year 3 equal or exceed one million dollars (\$1,000,000); and (ii) Post-Bonus Earnings in Year 3 have also increased by an amount equal to or in excess of forty percent (40%) of Post-Bonus Earnings in Year 2 (the "**Maximum 2017 Target**"), each member shall be entitled to receive the maximum Annual Performance Bonus equal to one hundred (100%) percent of the member's Annual Base Compensation.

In the event that: (i) Post-Bonus Earnings in Year 3 equal or exceed one million dollars (\$1,000,000); and (ii) Post-Bonus Earnings in Year 3 exceed the Minimum 2017 Target but are less than the Maximum 2017 Target, then each member shall be entitled to receive an Annual Performance Bonus in an amount equal to the percentage of the member's Annual Base Compensation that is the same percentage that Post-Bonus Earnings in Year 2 were of the Maximum 2017 Target as compared to the Minimum 2017 Target.

For illustrative purposes, if the Minimum 2017 Target was \$3,000,000 and the Maximum 2016 Target was \$3,500,000, and if Post-Bonus Earnings in Year 3 were \$3,400,000, then the member would be entitled to receive an annual Performance Bonus equal to eighty percent (80%) of the member's Annual Base Compensation.

Annual Discretionary Bonus

In addition to the Annual Base Compensation and Annual Performance Bonus, each member of the Management and Advisory Group and Scott Larin may be entitled to be awarded a discretionary bonus ("**Discretionary Bonus**") in such amount and at such time or times as may be determined by the board of directors, in its discretion.

Grant of Stock Options

As an incentive to enter into the new employment and consulting agreements described above, the Company granted 750,000 Options to each member of the Management and Advisory Group. All of these Options have an exercise price of \$0.50 per Common Share, vest and become exercisable at various times over a period of 18 months, and have an exercise term of three (3) years from the date of vesting.

Termination Benefits

The Company has the right to terminate the employment or consulting agreement with any member of the Management and Advisory Group without cause, for any reason. However, in such event, the Company must provide such member with, among other things: (i) payment equal to two times such member's Annual Base Compensation; (ii) continuation of benefits for a period of twelve (12) months; (iii) any portion of the member's Annual Base Compensation, Annual Performance Bonus and Discretionary Bonus that is then declared but unpaid; and (iv) subject to any applicable laws and the rules or other requirements of any Exchange or over-the-counter trading system on which securities of the Company may be listed, quoted or otherwise traded governing equity incentive or similar plans, any Equity Rights that have been granted to the member that have not yet vested shall vest if they would have otherwise vested during the twenty-four (24) month period following the date the Company provides notice of termination to the member. All Equity Rights of a member shall remain in full force and effect with their respective terms unchanged in the event the member's employment or consulting agreement is terminated on a without cause basis for a period of twenty-four (24) months following the date notice of termination is provided to the member.

Non-Competition and Non-Solicitation

Under such employment and consulting agreements, each member of the Management and Advisory Group and Scott Larin has agreed that he or it shall not, at any time while employed or engaged by the Company and for a period of twelve (12) months thereafter, regardless of the manner or reason for termination, within any province of Canada where the Company is then carrying on business, compete with the Company. In addition, each member has agreed that he or it will not, during his employment or engagement for a period of twenty-four (24) months thereafter: (i) solicit or abet in the solicitation of clients, dealer partners, financing sources or suppliers of the Company for the benefit of any person engaged in a business that is competitive with the Company's business or for the purpose of diverting business away from the Company; (ii) seek in any way to persuade or entice any employee or contractor of the Company to leave their employment or engagement with the Company or to terminate their contract or relationship with the Company; (iii) be a party to or abet any action undertaken for the purpose of diverting, taking away from or interfering with the business of the Company; or (iv) do anything which would adversely affect the Company in retaining for itself, its clients, dealer partners, financing sources and suppliers.

Share Purchase Loans

Under the terms of the new employment and consulting agreements the Company funds to each member of the Management and Advisory Group for the express purpose of exercising previously granted Options (collectively, the "**Share Purchase Loans**"). See "*Item 3.4: Loans*".

3.2 *Management Experience*

Name	Principal occupation and related experience
David Ballantine Chief Executive Officer, President and Director	David Ballantine was a co-founder and Managing Partner of Root Capital Inc., a financial services company that assists in equity and debt placements. Mr. Ballantine has been active in the Canadian financial services industry for over 15 years. Mr. Ballantine's early successes include Basis100 (TSX: BAS) as one of the founders and managers. Mr. Ballantine later worked with the capital pool company Grey Horse Capital, just post its founding, and assisted in arranging the last component of financing that led to the acquisition of Equity Transfer Services (now TMX Equity Transfer Services) by Grey Horse Capital (TSX: EQI). Mr. Ballantine stepped down from his operational role with Root Capital Inc. in June 2012.
Scott Larin Chief Financial Officer	Scott Larin has spent 19 years in the financial sector providing strategic and financial advice and arranging financing in the public and private markets for Canadian and U.S. corporations. Prior to First Access, Mr. Larin was a Partner at Hydra Capital Partners where he provided strategic, operational and financial advice to private and public companies in various growth sectors. Mr. Larin was also Director, Head of Equity Capital Markets at Wellington West Capital Markets for five years, where he originated and managed all aspects of new issues. Prior to Wellington West, Mr. Larin spent a decade at CIBC World Markets in Equity Capital Markets and Investment Banking roles. Mr. Larin became a CFA Charterholder in January 2000.
Paul Stephanson Vice President, Investor Relations	Paul Stephanson has over 25 years of experience in retail automotive sales. Mr. Stephanson has led dealership sales teams, most recently as the General Sales Manager of Eastside Dodge, the third largest volume Chrysler dealership in Canada. Mr. Stephanson was also the General Manager of Western RV, the second largest volume RV dealership in Canada.
Steven Knaus Vice-President, Operations	Steve Knaus spent 14 years with VFC Inc., a pioneer in Canadian non-prime auto-finance. He was the Area Manager of Southern Alberta for eight years and then the Regional Manager of Alberta, Manitoba and Saskatchewan. Post the TD Financing Services purchase of VFC Inc., Mr. Knaus managed a sales and marketing team of nine area managers in Southern Alberta and B.C.
Roy Evans Vice-President, Customer Service	Roy Evans has had a comprehensive 40-year automotive career. Most recently he was the Operating Partner and Owner of one of Canada's largest Saturn Saab franchises. Mr. Evans also served a term as Vice President and President of the Edmonton Motor Dealers' Association, and at the same time, as a Director of the Motor Dealers Association of Alberta. Mr. Evans also served a two year term for Saturn Saab of Canada as a Director on the retail team.
Michael Williamson Director	Michael Williamson is the owner of Tropical Inc. / Tropical Nut and Fruit Inc., a snack food manufacturing and distribution company that operates in Canada and the United States. Mr. Williamson served as a trustee on the board of directors of a publicly traded US corporation and, as a trustee, served on the Nominations Committee, Audit Committee, Compensation Committee, and, while going through a stock purchase transaction for this company, served as a member of the Special Committee that handled the negotiations. Mr. Williamson currently sits as a member on the board of advisors for a Canadian private company.
Brian Radmacher Director	Brian Radmacher is currently the co-owner of Eddie's Auto Sales in Edmonton, Alberta. Prior to that, he was Non-Prime Finance Director of Londonderry Chrysler Dodge Jeep dealership in Edmonton, Alberta and the General Manager of Carco Auto Sales in Edmonton from 2009 to May 2013. Prior to working at Carco, Mr. Radmacher was the Vice President, Operations of Carfinco Financial Group, a sub-prime automobile financing company, from 1997 to 2009.

Name	Principal occupation and related experience
Martin Singer Director	Martin Singer is a successful entrepreneur who built Singer Specialized Ltd., a small, independent one-man operation in 1976, into one of the largest specialized transportation businesses in Alberta employing over 90 employees. Upon the recent sale of his business to a Canadian public corporation, he has expanded his interests to the financial industry and to real estate. Mr. Singer also sits on the board of directors of the Inn From the Cold charity in Calgary.

3.3 *Penalties, Sanctions and Bankruptcy*

No director or executive officer of the Company or person holding a sufficient number of securities of the Company to affect materially the control of the Company has in the last 10 years:

- (a) been subject to any penalties or sanctions imposed by a court or regulatory authority;
- (b) been a director, executive officer or control person of any issuer that has been subject to any penalties or sanctions imposed by a court or by a regulatory authority while the director, executive officer or control person was a director, executive officer or control person of such issuer;
- (c) made any declaration of bankruptcy, voluntary assignment in bankruptcy or proposal under bankruptcy or insolvency legislation or been subject to any proceedings, arrangement or compromise with creditors or appointment of a receiver, receiver-manager or trustee to hold assets; or
- (d) been a director, executive officer or control person of any issuer that has made any declaration of bankruptcy, voluntary assignment in bankruptcy, proposal under bankruptcy or insolvency legislation, or been subject to any proceedings, arrangement or compromise with creditors or appointment of a receiver, receiver-manager or trustee to hold assets while the director, executive officer or control person was a director, executive officer or control person of such issuer.

3.4 *Loans*

As at the date hereof, the Company has advanced the following six (6) separate Share Purchase Loans to the individuals set out in the table below, each of whom are members of the Management and Advisory Group, in the indicated amounts for the express purpose of them being able to exercise certain Options previously granted to them. See also "Item 3.1 – Compensation and Securities Held – Employment and Consulting Agreements".

Name of Debtor	Principal amount of loan	Number of Common Shares purchased	Price per share	Scheduled date for repayment
David Ballantine	\$60,000	600,000	\$0.10	May 1, 2020
Roy Evans	\$50,000	500,000	\$0.10	May 1, 2020
Roger Gilliam	\$40,000	400,000	\$0.10	May 1, 2020
Steven Knaus	\$35,000	350,000	\$0.10	May 1, 2020
Paul Stephanson	\$60,000	600,000	\$0.10	May 1, 2020
Anglia Consulting Services	\$60,000	600,000	\$0.10	May 1, 2020
TOTAL	\$305,000	3,050,000		

Notes:

- (1) The Share Purchase Loans are evidenced by a non-interest bearing promissory note and are secured against the Common Shares acquired with the proceeds of the Share Purchase Loans. The Company's sole recourse is against such Common Shares. If the borrower under the Share Purchase Loans is still employed or engaged, as the case may be, by the Company and the Share Purchase Loan is not repaid prior to April 30, 2020, such loan must be repaid in cash, or the Common Shares acquired with the proceeds of the loan returned for cancellation at a deemed price per share equal to their respective issue price.

ITEM 4: CAPITAL STRUCTURE**4.1 Share Capital**

Description of security	Number authorized to be issued	Price per security	Number outstanding as at the date of this Offering Memorandum	Number outstanding after min. Offering ⁽¹⁾	Number outstanding after max. Offering
Shares ⁽²⁾	Unlimited	(2)	85,119,993 ⁽³⁾⁽⁴⁾	85,119,993 ⁽³⁾⁽⁴⁾	95,119,993 ⁽³⁾⁽⁴⁾
Options ⁽⁴⁾	20% of issued and outstanding Shares	\$0.10 - \$0.50	10,890,000	10,890,000	10,890,000
Warrants ⁽⁵⁾	2,000,000	\$0.50	2,000,000	2,000,000	2,000,000
Warrants ⁽⁶⁾	100,000	\$0.50	100,000	100,000	100,000
Warrants ⁽⁷⁾	92,000	\$0.50	92,000	92,000	92,000
Series I 9.5% Convertible Debentures ⁽⁸⁾	--	--	--	--	--
Series I 10.5% Convertible Debentures ⁽⁹⁾⁽¹⁰⁾	--	--	--	--	--

Notes:

- (1) There is no aggregate minimum Offering.
- (2) Common Shares of the Company have been issued at purchase prices ranging from \$0.00001 to \$0.50 per Share. Each Common Share entitles the holder thereof to receive notice of any meetings of shareholders of the Company, to attend and to cast one vote per Common Share at all such meetings. Holders of Common Shares do not have cumulative voting rights with respect to the election of directors and, accordingly, holders of a majority of the Common Shares entitled to vote in any election of directors may elect all directors standing for election. Holders of Common Shares are entitled to receive on a pro-rata basis such dividends, if any, as and when declared by the Company's board of directors at its discretion from funds legally available therefore and upon the liquidation, dissolution or winding up of the Company are entitled to receive on a pro-rata basis the net assets of the Company after payment of debts and other liabilities, in each case subject to the rights, privileges, restrictions and conditions attaching to any other series or class of shares ranking senior in priority to or on a pro-rata basis with the holders of Common Shares with respect to dividends or liquidation. The Common Shares do not carry any pre-emptive, subscription, redemption or conversion rights, nor do they contain any sinking or purchase fund provisions. The Common Shares currently are not listed on any Exchange.
- (3) The figure of 85,119,993 issued and outstanding Common Shares is the number of issued and outstanding Shares as at the date of this Offering Memorandum and excludes the issuance of any Common Shares issuable upon the exercise or conversion of any stock options, Warrants, convertible debentures or any other rights to acquire Common Shares of the Company, including pursuant to the Equity Offering.
- (4) See "Option Plan" below.
- (5) These Warrants were issued to Martin Singer, a director of the Company, in connection with a loan to the Company in the principal amount of \$1,000,000. The Warrants will expire on March 1, 2019. See "Item 3: Interests of Directors, Management, Promoters and Principal Holders - Loans" above.
- (6) These Warrants were issued to an exempt market dealer on June 30, 2016 as additional compensation in connection with raising more than \$5,000,000 in investments in the Company's Series I 8.5% Debenture, Series II 12% Debenture and Equity Offerings of the Company, as more particularly described herein.

- (7) These Warrants were issued to an agent of the Company on February 20, 2015 as compensation in connection with the conversion of certain Series I 9.5% Convertible Debentures and Series II 12% Convertible Debentures on February 1, 2015 and the expiry date of the Warrants was subsequently extended pursuant to a board resolution dated December 9, 2016.
- (8) See "*Long-Term Debt Securities*" and "*Series I 9.5% Convertible Debentures*" in this Item 4 below for a description of the material terms of these debentures. The Company is not currently offering additional Series I 9.5% Convertible Debentures. The Company has \$152,281 aggregate principal amount of Series I 9.5% Convertible Debentures outstanding.
- (9) See "*Long-Term Debt Securities*" and "*Series I 10.5% Convertible Debentures*" in this Item 4 below for a description of the material terms of such debentures. The Company has \$10,763,000 aggregate principal amount of Series I 10.5% Convertible Debentures outstanding. The Company is not currently offering any additional Series I 10.5% Convertible Debentures.
- (10) In the event First Access redeems and prepays any principal amount outstanding on the Series I 10.5% Convertible Debentures prior to the Series I 10.5% CD Maturity Date, then the Company shall issue Warrants to the holders of such Series I 10.5% Convertible Debentures. The number of Warrants issuable to a holder of Series I 10.5% Convertible Debentures, which have been redeemed and prepaid by the Company, shall be equal to 5% of the principal amount of such Series I 10.5% Convertible Debentures redeemed and prepaid by the Company divided by the Current Market Price. See "*Series II 9.5% Convertible Debentures*" below in this Item 4 for a definition of "*Current Market Price*". Subject to compliance with all Applicable Securities Laws, each Warrant will entitle the holder thereof to purchase one Common Share at the Warrant Exercise Price (being 105% of the Current Market Price) for a period of one year following the date on which the Series I 10.5% Convertible Debentures are redeemed and prepaid. By way of example, and for illustrative purposes only, if \$100,000 principal amount of Series I 10.5% Convertible Debentures is prepaid by the Company and the Current Market Price is \$0.50, First Access is obliged to issue 10,000 Warrants to the holder ($\$100,000 \times 0.05 / \$0.50 = 10,000$ Warrants) with a Warrant Exercise Price of \$0.525. Additionally, pursuant to the non-brokered portion of the Series I 10.5% Convertible Debenture Offering, subject to compliance with all Applicable Securities Laws, the Company may pay commissions or referral fees, in its sole discretion, to qualified individuals or entities ("**Qualified Referral Agents**") consisting of: (i) a cash commission equal to 6% of the subscription proceeds received by the Company; and (ii) a cash administration fee of 1% of the subscription proceeds received by the Company. In the event the Series I 10.5% Convertible Debentures sold pursuant to the non-brokered portion of the Offering are converted into Common Shares, in whole or in part, First Access may pay additional commissions or referral fees to such Qualified Referral Agents, in its sole discretion, as follows: Warrants equal to 6% of the principal amount of such Series I 10.5% Convertible Debentures converted by the Company divided by the Current Market Price. By way of example, and for illustration purposes only, if \$100,000 of Series I 10.5% Convertible Debentures is converted into Common Shares and the Current Market Price is \$0.50, First Access may issue up to 12,000 Warrants to the Qualified Referral Agent ($\$100,000 \times 6\% / (\$0.50) = 12,000$ Warrants). The conversion of any convertible debentures of the Company, the early redemption and prepayment of any such convertible debentures, or the issuance of any Warrants to holders of Series I 10.5% Convertible Debentures or to Qualified Referral Agents (and the exercise thereof) would potentially increase the number of Common Shares after conversion or exercise of such securities. See "*Item 8: Risk Factors – Dilution and Shareholdings*".

Option Plan

First Access has adopted the Option Plan to assist in incenting and compensating, among others, the Option Grantees. As at the date of this Offering Memorandum, the Company has granted Options under the Option Plan for the purchase of Common Shares at exercise prices of \$0.10, \$0.25, \$0.35, and \$0.50 per Common Share for a period of three years from the date of issuance (with expected future option grants at exercise prices of \$0.35, \$0.50, \$0.65 and \$0.80 per Common Share, subject to certain employment conditions) for a period of three years from the date of issuance. Options equal to a total of 20% of the then-issued and outstanding Common Shares of First Access are available for the board of directors to grant to Option Grantees upon such price, vesting and performance terms, if any, as may be decided by the board of directors.

4.2 Long Term Debt Securities

Description of Long-Term Debt	Interest Rate	Repayment Terms	Amount Outstanding as at the date of this Offering Memorandum	Amount Outstanding after Minimum Offering ⁽¹¹⁾	Amount Outstanding after Maximum Offering ⁽¹¹⁾
Operating Loan Facility of up to \$20,000,000 ⁽¹⁾	Prime plus 3% per annum	The Operating Loan Facility is payable monthly, calculated daily on the unused portion of the authorized amount of the loan, and is repayable in full in September 2018.	\$10,900,000	\$10,900,000	\$10,900,000
Series I 8.5% Debentures ⁽²⁾	8.5% per annum	The Series I 8.5% Debentures are interest bearing only, with	\$2,281,000	\$2,281,000	\$2,281,000

Description of Long-Term Debt	Interest Rate	Repayment Terms	Amount Outstanding as at the date of this Offering Memorandum	Amount Outstanding after Minimum Offering⁽¹¹⁾	Amount Outstanding after Maximum Offering⁽¹¹⁾
		the principal amount and any accrued and unpaid interest thereon to be paid on the Series I 8.5% Debenture Maturity Date, subject to the prepayment provisions. The Series I 8.5% Debentures are secured subordinated debt obligations of the Company.			
Series II 8.5% Debentures ⁽³⁾	8.5% per annum	The Series II 8.5% Debentures are interest bearing only, with the principal amount and any accrued and unpaid interest thereon to be paid on the Series II 8.5% Debenture Maturity Date, subject to the prepayment provisions. The Series II 8.5% Debentures are secured subordinated debt obligations of the Company.	\$50,000	\$50,000	\$20,000,000
Series III 8.5% Debentures ⁽⁴⁾	8.5% per annum	The Series III 8.5% Debentures are interest bearing only, with the principal amount and any accrued and unpaid interest thereon to be paid on the Series III 8.5% Debenture Maturity Date, subject to the prepayment provisions. The Series III 8.5% Debentures are secured subordinated debt obligations of the Company.	NIL	NIL	\$10,000,000
Series I 9.5% Convertible Debentures ⁽⁵⁾	9.5% per annum	The Series I 9.5% Convertible Debentures are interest bearing only for the first two years of the term of such Series I 9.5% Convertible Debentures. Thereafter, in addition to interest, the principal amount of each such Series I 9.5% Convertible Debenture shall be repaid in equal quarterly payments until the Series I 9.5% CD Maturity Date. The Series I 9.5% Convertible Debentures are secured subordinated debt	\$152,281	\$152,281	\$152,281

Description of Long-Term Debt	Interest Rate	Repayment Terms	Amount Outstanding as at the date of this Offering Memorandum	Amount Outstanding after Minimum Offering⁽¹¹⁾	Amount Outstanding after Maximum Offering⁽¹¹⁾
		obligations of the Company.			
Series II 9.5% Convertible Debentures ⁽⁶⁾	9.5% per annum	The Series II 9.5% Convertible Debentures are interest bearing only, with the principal amount and any accrued and unpaid interest thereon to be paid on the Series II 9.5% CD Maturity Date, subject to the prepayment provisions. The Series II 9.5% Convertible Debentures are secured subordinated debt obligations of the Company.	NIL	NIL	\$10,000,000
Series I 10.0% Debentures ⁽⁷⁾	10.0% per annum	The Series I 10.0% Debentures are interest bearing only until December 31, 2019. During the final twelve (12) month period prior to the Series I 10.0% Maturity Date, the aggregate principal amount and interest owing shall be fully amortized and repaid in twelve (12) equal blended payments of principal and interest, subject to the prepayment provisions. The Series I 10.0% Debentures are secured subordinated debt obligations of the Company.	\$450,000	\$450,000	\$20,000,000
Series I 10.5% Convertible Debentures ⁽⁸⁾	10.5% per annum	The Series I 10.5% Convertible Debentures are interest bearing only, with the principal amount and any accrued and unpaid interest thereon to be paid on the Series I 10.5% CD Maturity Date, subject to the prepayment provisions. The Series I 10.5% Convertible Debentures are secured subordinated debt obligations of the Company.	\$10,763,000	\$10,763,000	\$10,763,000

Description of Long-Term Debt	Interest Rate	Repayment Terms	Amount Outstanding as at the date of this Offering Memorandum	Amount Outstanding after Minimum Offering ⁽¹¹⁾	Amount Outstanding after Maximum Offering ⁽¹¹⁾
Series III 12% Debentures ⁽⁹⁾	12% per annum	The Series III 12% Debentures are interest bearing only, with the principal amount and any accrued and unpaid interest thereon to be paid on the Series III 12% Debenture Maturity Date, subject to the prepayment provisions. The Series III 12% Debentures are secured subordinated debt obligations of the Company.	\$17,259,000	\$17,259,000	\$17,259,000
Trust Term Loan ⁽¹⁰⁾	CDOR plus 10.50% per annum	The Trust Term Loan is repayable in accordance with the Waterfall and must be repaid in full by September 16, 2021. See "Item 4: Capital Structure – Trust Term Loan".	\$25,900,000	\$25,900,000	\$25,900,000

Notes:

- (1) See "Operating Loan Facility" below in this Item 4.
- (2) See "Series I 8.5% Debentures" below in this Item 4.
- (3) See "Series II 8.5% Debentures" below in this Item 4.
- (4) See "Item 5 – Securities Offered".
- (5) See "Series I 9.5% Convertible Debentures" below in this Item 4.
- (6) See "Series II 9.5% Convertible Debentures" below in this Item 4.
- (7) See "Series I 10.0% Debentures" below in this Item 4.
- (8) See "Series I 10.5% Convertible Debentures" below in this Item 4.
- (9) See "Series III 12% Debentures" below in this Item 4.
- (10) See "Trust Term Loan" below in this Item 4.
- (11) There is no aggregate minimum offering level for any of the offerings of securities described in the above table. The amounts set out in the column "Amounts Outstanding after Maximum Offering" in the above table for: (i) the Operating Loan Facility and the Trust Term Loan reflect amounts outstanding as at the date of this Offering Memorandum as the Company cannot estimate what the actual amounts outstanding will be assuming completion of the maximum offering of Series III 8.5% Debentures; and (ii) Series II 9.5% Convertible Debentures reflect amounts outstanding assuming completion of the maximum offering of Series II 9.5% Convertible Debentures.

Operating Loan Facility

On July 23, 2014, the Company first entered into a commitment letter (the "**Commitment Letter**") with an institutional lender (the "**Operating Lender**") pursuant to which, on October 15, 2014, it was granted an operating loan facility (the "**Operating Loan Facility**") of up to \$15,000,000 (the "**Authorized Amount**") to be used to retire the Original Term Loan Facility and to assist in the growth and retention of auto financing contracts. The Authorized Amount was increased to \$19,970,000 as of September 12, 2015.

On December 22, 2015, the Company amended the Operating Loan Facility by entering into a new Commitment Letter with the Operating Lender to increase the Authorized Amount by \$5,000,000. The additional amount was classified as a bridge loan (the "**Bridge Loan**" or the "**Bridge Facility**"), and otherwise had identical terms to the original Operating Loan Facility, with the exception of interest rate increases commencing from and after March 31, 2016 if the Bridge Loan was not repaid in full at that time. As at the date of this Offering Memorandum, the Company has repaid the Bridge Loan in full.

On September 16, 2016, the Company and the Operating Lender entered into a new commitment letter related to the Operating Loan Facility, which provided for a committed operating loan facility with a new Authorized Amount of up to \$20,000,000, payable in full in two years.

Advances under the Operating Loan Facility are limited to the amount equal to the lesser of the maximum principal amount of the Operating Loan Facility and 50% of Eligible Total Finance Contracts (as defined in the Commitment Letter) of the Company. Advances under the Operating Loan Facility bear interest at prime plus 3% per annum, and the unused portion of the Authorized Amount is subject to a non-refundable facility fee calculated at a rate of 0.25% per annum, payable quarterly, and calculated daily on the unused portion of the Authorized Amount. The Operating Loan Facility may be prepaid in whole or in part at any time (subject to the notice periods provided under the Commitment Letter) without penalty. The Operating Loan Facility may revolve in multiples, and the Company may borrow, repay and re-borrow, up to the Authorized Amount and subject to the notice periods provided under the Commitment Letter.

The terms of the Operating Loan Facility include a number of covenants and restrictions, including the requirement to meet certain financial conditions tests. These covenants include, but are not limited to, a financial leverage ratio, an interest coverage ratio and a portfolio delinquency ratio.

In connection with the Operating Loan Facility, the Company entered into a number of agreements, including, without limitation: (i) a general security agreement with the Operating Lender dated September 23, 2014 (the "**Operating Loan GSA**") and related agreements pursuant to which the Company granted to the Operating Lender a first priority security interest in all of its assets; (ii) a postponement and subordination agreement with the Operating Lender dated September 23, 2014 (executed by the Company on behalf of the holders of the Series I 9.5% Convertible Debentures) pursuant to which the Company agreed to postpone and subordinate all indebtedness, present and future, of the Company to the holders of the Series I 9.5% Convertible Debentures, together with the related security, to all indebtedness, present and future, of the Company to the Operating Lender, together with the related security; and (iii) the Subordinate Loan Subordination Agreement with the Subordinate Lenders and the Operating Lender dated September 23, 2014 pursuant to which the Original Lender agreed to postpone and subordinate all indebtedness, present and future, of the Company to the Original Lender, together with the related security, to all indebtedness, present and future, of the Company to the Operating Lender, together with the related security. Further, in connection with the Operating Loan Facility the Trustee under the Trust Indenture executed a postponement and subordination agreement with the Operating Lender dated September 23, 2014 (executed by the Trustee on behalf of the holders of the Series I 10.5% Convertible Debentures and the Series III 12% Convertible Debentures) pursuant to which the Trustee agreed to postpone and subordinate all indebtedness, present and future, of the Company to the holders of the Series I 8.5% Debentures, the Series I 10.5% Convertible Debentures, the Series III 12% Convertible Debentures and the Series III 12% Debentures, together with the related security, to all indebtedness, present and future, of the Company to the Operating Lender, together with the related security.

As of the date of this Offering Memorandum, the Company has drawn a total of \$10.9 million under the Operating Loan Facility.

Series I 8.5% Debentures

The Series I 8.5% Debentures mature on October 30, 2018 and the principal from time to time outstanding on such debentures shall bear interest at a rate of 8.5% per annum (simple interest, not compounded), calculated and accrued monthly, and payable monthly, in arrears. The Series I 8.5% Debentures are not convertible into Common Shares of the Company.

First Access shall have the right, in its sole discretion, to redeem and prepay all or any portion of the principal amount outstanding on the Series I 8.5% Debentures, plus any accrued and unpaid interest thereon, without notice, bonus or penalty, at any time or from time to time; provided, however, that if any Series I 8.5% Debentures are redeemed and prepaid, in whole or in part, prior to the date which is 12 months from the date of issuance, a payment equal to the difference between 12 months' interest owing on such debentures to be redeemed and prepaid and the total interest paid to the holder prior to the date of redemption shall be made to the holder of debentures so redeemed and prepaid. For clarity, the Series I 8.5% Debentures are not redeemable by holders thereof prior to October 30, 2018.

As at the date of this Offering Memorandum, the Company has issued \$2,281,000.00 aggregate principal amount of Series I 8.5% Debentures under the Series I 8.5% Debenture Offering.

The Company is not currently offering additional Series I 8.5% Debentures.

Series II 8.5% Debentures

The Series II 8.5% Debentures mature on December 31, 2020 and the principal from time to time outstanding on such debentures shall bear interest at a rate of 8.5% per annum (simple interest, not compounded), calculated and accrued monthly, and payable monthly, in arrears. The Series II 8.5% Debentures are not convertible into Common Shares of the Company.

First Access shall have the right, in its sole discretion, to redeem and prepay all or any portion of the principal amount outstanding on the Series II 8.5% Debentures, plus any accrued and unpaid interest thereon, without notice, bonus or penalty, at any time or from time to time; provided, however, that if any Series II 8.5% Debentures are redeemed and prepaid, in whole or in part, prior to the date which is 12 months from the date of issuance, a payment equal to the difference between 12 months' interest owing on such debentures to be redeemed and prepaid and the total interest paid to the holder prior to the date of redemption shall be made to the holder of debentures so redeemed and prepaid. For clarity, the Series II 8.5% Debentures are not redeemable by holders thereof prior to September 30, 2019.

As at the date of this Offering Memorandum, the Company has issued \$50,000 aggregate principal amount of Series II 8.5% Debentures under the Series II 8.5% Debenture Offering.

The Company is not currently offering additional Series II 8.5% Debentures.

Series III 8.5% Debentures

See "Item 5 – Securities Offered" below.

Series I 9.5% Convertible Debentures

The Series I 9.5% Convertible Debentures bear interest at a rate of 9.5% per annum, payable quarterly and accrued monthly. The Series I 9.5% Convertible Debentures are interest-paying only for the first two years following the last closing of the issuance of such debentures, and thereafter, interest shall continue to be paid quarterly. Quarterly principal repayments started September 30, 2015 and will continue in equal quarterly payments until maturity on September 30, 2017 (the "**Series I 9.5% CD Maturity Date**").

On December 19, 2014, the Company sent a notice to the holders of the Series I 9.5% Convertible Debentures offering such debentureholders the right to elect one of the following options: (i) an option to convert, in accordance with the terms of their Series I 9.5% Convertible Debentures, each fifty cents (\$0.50) of the principal amount and accrued and unpaid interest up to January 31, 2015 (the "**Converted Amount**") into one (1) Common Share on February 1, 2015, in return for a one-time payment of six (6) months interest owing on the Converted Amount (the "**Conversion Option**"); or (ii) an option to have repaid the principal amount plus accrued and unpaid interest up to January 31, 2015 (the "**Repaid Amount**") in return for a one-time payment of six (6) months interest owing on the Repaid Amount (the "**Early Repayment Option**").

Holders of \$3,832,704 aggregate principal amount of Series I 9.5% Convertible Debentures elected the Conversion Option. Certain holders of Series I 9.5% Convertible Debentures also agreed to have their one-time payment of six (6) months' interest paid in Common Shares. On February 1, 2015, the Company issued an aggregate of 8,107,269 Common Shares in connection with the early conversion of Series I 9.5% Convertible Debentures, including satisfying the payment of certain interest obligations in Common Shares. Holders of \$150,400 aggregate principal amount of Series I 9.5% Convertible Debentures elected the Early Repayment Option. On or about February 15, 2015, the Company paid an aggregate of \$9,531.67 to the holders who elected the Early Repayment Option on account of accrued interest and the one-time payment of six (6) months interest owing on the Repaid Amount.

Holders of \$1,330,000 aggregate principal amount of Series I 9.5% Convertible Debentures chose, or were deemed to choose, neither option and, as such, their debentures continued in accordance with the original terms of the Series I 9.5% Convertible Debentures.

Prior to June 30, 2015 certain additional holders of \$80,000 aggregate principal amount of Series I 9.5% Convertible Debentures elected to convert their debentures as per the original terms of their respective Series I 9.5% Convertible Debentures. Pursuant to the terms of the Series I 9.5% Convertible Debentures, these investors agreed to have any accrued and unpaid interest paid in additional Common Shares. On July 31, 2015, the Company issued an aggregate of 161,269 Common Shares in connection with the early conversion of these Series I 9.5% Convertible Debentures, including satisfying the payment of certain interest obligations in Common Shares.

As at the date of this Offering Memorandum, holders of \$152,281 aggregate principal amount of Series I 9.5% Convertible Debentures chose, or were deemed to choose, to continue their debentures in accordance with the original terms of the Series I 9.5% Convertible Debentures.

The Company is not currently offering additional Series I 9.5% Convertible Debentures.

Series II 9.5% Convertible Debentures

Concurrent with this Offering, the Company is offering up to \$10,000,000 aggregate principal amount of series II secured subordinated 9.5% convertible debentures of the Company ("**Series II 9.5% Convertible Debentures**"), with no aggregate minimum offering level (the "**Series II 9.5% Convertible Debenture Offering**"), which Series II 9.5% Convertible Debentures are offered for sale on a brokered and non-brokered private placement basis in reliance upon applicable exemptions from the registration and prospectus requirements of all Applicable Securities Laws.

The Series II 9.5% Convertible Debentures will mature on December 31, 2021. The principal from time to time outstanding on the Series II 9.5% Convertible Debentures shall bear interest at a rate of 9.5% per annum (simple interest, not compounded), calculated and accrued monthly, and payable monthly, in arrears, commencing on the date of issuance of the Series II 9.5% Convertible Debentures. **The Series II 9.5% Convertible Debentures will be interest paying only**, with the outstanding principal and any accrued and unpaid interest thereon to be paid by the Company on the Series II 9.5% CD Maturity Date (subject to the Series II 9.5% CD Right of Prepayment). **The holders of Series II 9.5% Convertible Debentures shall have no right of conversion.** All or any permitted portion of the principal amount outstanding on the Series II 9.5% Convertible Debentures, plus any accrued but unpaid interest thereon, is convertible at the option of the Company at any time after the completion of a Liquidity Event, and subject to receipt of all required regulatory approvals, into Common Shares at a conversion price equal to 95% of the Current Market Price (the "**Series II 9.5% CD Conversion Price**").

First Access shall have the right, in its sole discretion, to redeem and prepay all or any Permitted Portion (as defined below) of the principal amount outstanding on the Series II 9.5% Convertible Debentures (pro-rated across the holders of Series II 9.5% Convertible Debentures), plus any accrued and unpaid interest thereon, without notice, bonus or penalty, at any time or from time to time on or after the earlier of: (i) two years from the date of issuance of the first Series II 9.5% Convertible Debenture(s); or (ii) the date the Company completes a Liquidity Event.

In the event First Access redeems and prepays any principal amount outstanding on the Series II 9.5% Convertible Debentures prior to the Series II 9.5% CD Maturity Date, then the Company shall issue Warrants to the holders of such Series II 9.5% Convertible Debentures. The number of Warrants issuable to a holder of Series II 9.5% Convertible Debentures, which have been redeemed and prepaid by the Company, shall be equal to 5% of the principal amount of such Series II 9.5% Convertible Debentures redeemed and prepaid by the Company divided by the Current Market Price (as defined below). Subject to compliance with all Applicable Securities Laws, each Warrant will entitle the holder thereof to purchase one Common Share at 105% of the Current Market Price (the "**Warrant Exercise Price**") for period of one year following the date on which the Series II 9.5% Convertible Debentures are redeemed and prepaid. By way of example, and for illustrative purposes only, if \$100,000 principal amount of Series II 9.5% Convertible Debentures is prepaid by the Company and the Current Market Price is \$0.50, First Access will be obliged to issue 10,000 Warrants to the holder ($\$100,000 \times 0.05 / \$0.50 = 10,000$ Warrants) with a Warrant Exercise Price of \$0.525.

For purposes of the Indenture, including the Series II 9.5% Convertible Debentures: (i) "**Current Market Price**" means, in respect of a Common Share: (A) for the period of 20 trading days immediately following the completion of a Liquidity Event (the "**20 Day Period**"), the Liquidity Event Price; or (B) at any time following the 20 Day Period, the volume weighted average trading price per Common Shares for the 20 consecutive trading days ending on the fifth trading day preceding the date of determination on the Exchange; (ii) "**Liquidity Event**" means: (A) an IPO, (B) an RTO, (C) a Sale, or (D) any transaction other than an IPO, RTO or Sale whereby the Company becomes a reporting issuer (as defined in the *Securities Act* (Ontario) (see "*Item 12: Glossary*" for definitions of the terms "IPO", "RTO" and "Sale"); (iii) "**Liquidity Event Price**" means the issuance price of the securities of the Company issued pursuant to a Liquidity Event. and (iv) "**Permitted Portion**" means an amount equal to 5% of the outstanding aggregate principal amount of Series II 9.5% Convertible Debentures or Series I 10.5% Convertible Debentures, as the case may be, at the relevant time. Where the Common Shares are not listed on any Exchange, then the Current Market Price shall mean that fair value as may reasonably be determined by the Board of Directors. The volume weighted average trading price shall be determined by the Company by dividing the aggregate sale price of all Common Shares sold on the said exchange or market, as the case may be, during the said 20 consecutive trading days by the total number of Common Shares so sold.

Series I 10.0% Debentures

The Series I 10.0% Debentures mature on December 31, 2020 (the "**Series I 10.0% Debenture Maturity Date**"). The Series I 10.0% Debentures are not convertible into Common Shares of the Company. The principal from time to time outstanding on the Series I 10.0% Debentures shall bear interest at a rate of 10.0% per annum (simple interest, not compounded), calculated and accrued monthly, and payable monthly, in arrears. The Series I 10.0% Debentures shall commence accruing interest on the date of issuance of the Series I 10.0% Debentures with interest payments commencing on the last day of the calendar month following the date of issuance and payable each calendar month thereafter. Until December 31, 2019, the Series I 10.0% Debentures shall be interest paying only. During the final twelve (12) month period prior to the Series I 10.0% Debenture Maturity Date, the aggregate principal amount and interest owing under the Series I 10.0% Debentures shall be fully amortized and repaid to the holders of such Series I 10.0% Debenture in twelve (12) equal blended payments of principal and interest, with the first such payment commencing on January 31, 2020 and the subsequent eleven (11) monthly payments being paid on the last day of each calendar month thereafter until the Series I 10.0% Debenture Maturity Date (subject to the right of prepayment described below).

First Access shall have the right, in its sole discretion, to redeem and prepay all or any portion of the principal amount outstanding on the Series I 10.0% Debentures, plus any accrued and unpaid interest thereon, without notice, bonus or penalty, at any time or from time to time; provided, however, that if any Series I 10.0% Debentures are redeemed and prepaid, in whole or in part, prior to the date which is twelve (12) months from the date of issuance, a payment equal to the difference between twelve (12) months' interest owing on such debentures to be redeemed and prepaid and the total interest paid to the holder prior to the date of redemption shall be made to the holder of debentures so redeemed and prepaid. For clarity, the Series I 10.0% Debentures are not redeemable by holders thereof prior to December 31, 2020.

As at the date of this Offering Memorandum, the Company has issued \$450,000 aggregate principal amount of Series I 10.0% Debentures under the Series I 10.0% Debenture Offering.

The Company is not currently offering additional Series I 10.0% Debentures.

Series I 10.5% Convertible Debentures

The Series I 10.5% Convertible Debentures have a maturity date of September 30, 2018 (the "**Series I 10.5% CD Maturity Date**"). The principal from time to time outstanding on the Series I 10.5% Convertible Debentures shall bear interest at a rate of 10.5% per annum (simple interest, not compounded), calculated and accrued monthly, and payable quarterly, in arrears. The Series I 10.5% Convertible Debentures shall commence accruing interest on the date of issuance of the Series I 10.5% Convertible Debentures with interest payments commencing on the last day of the calendar quarter following the date of issuance and payable each quarter thereafter. The fiscal quarters of the Company in each year occur on March 31, June 30, September 30 and December 31. The Series I 10.5%

Convertible Debentures shall be interest paying only, with the outstanding principal and any accrued and unpaid interest thereon to be paid by the Company on the Series I 10.5% CD Maturity Date (subject to the Series I 10.5% CD Right of Prepayment described below).

The holders of Series I 10.5% Convertible Debentures shall have no right of conversion. All or any Permitted Portion of the principal of the Series I 10.5% Convertible Debentures, plus any accrued but unpaid interest thereon, is convertible at the option of the Company, at any time after the completion of a Liquidity Event, and subject to receipt of all required regulatory approvals, into Common Shares at a conversion price equal to 90% of the Current Market Price per Common Share (the "**Series I 10.5% CD Conversion Price**").

First Access shall have the right, in its sole discretion, to redeem and prepay all or any Permitted Portion of the principal amount outstanding on the Series I 10.5% Convertible Debentures (pro-rated across the holders of Series I 10.5% Convertible Debentures), plus any accrued and unpaid interest thereon, without notice, bonus or penalty, at any time or from time to time on or after the earlier of: (i) two years from the date of issuance of the last Series I 10.5% Convertible Debenture(s) issued pursuant to the Series I 10.5% Convertible Debenture Offering (the "**Series I 10.5% Second Anniversary**"); or (ii) the date the Company completes a Liquidity Event. Such right of First Access is referred to in this Offering Memorandum as the "**Series I 10.5% CD Right of Prepayment**". The Series I 10.5% CD Second Anniversary occurred on March 12, 2017.

In the event First Access redeems and prepays any principal amount outstanding on the Series I 10.5% Convertible Debentures prior to the Series I 10.5% CD Maturity Date, then the Company shall issue Warrants to the holders of such Series I 10.5% Convertible Debentures. The number of Warrants issuable to a holder of Series I 10.5% Convertible Debentures, which have been redeemed and prepaid by the Company, shall be equal to 5% of the principal amount of such Series I 10.5% Convertible Debentures redeemed and prepaid by the Company divided by the Current Market Price. Subject to compliance with all Applicable Securities Laws, each Warrant will entitle the holder thereof to purchase one Common Share at 105% of the Current Market Price (the "**Warrant Exercise Price**") for a period of one year following the date on which the Series I 10.5% Convertible Debentures are redeemed and prepaid. By way of example, and for illustrative purposes only, if \$100,000 principal amount of Series I 10.5% Convertible Debentures is prepaid by the Company and the Current Market Price is \$0.50, First Access is obliged to issue 10,000 Warrants to the holder ($\$100,000 \times 0.05 / \$0.50 = 10,000$ Warrants) with a Warrant Exercise Price of \$0.525.

As at the date of this Offering Memorandum, the Company has issued \$10,763,000 aggregate principal amount of Series I 10.5% Convertible Debentures under the Series I 10.5% Convertible Debenture Offering.

The Company is not currently offering additional Series I 10.5% Convertible Debentures.

Series II 12% Convertible Debentures

During the period February 1, 2013 and April 29, 2013, the Company issued \$6,375,000 aggregate principal amount of Series II 12% Convertible Debentures, which bore interest at a rate of 12% per annum, payable quarterly and accrued monthly, and had a maturity date of March 31, 2018 (the "**Series II 12% CD Maturity Date**"). The principal amount of each Series II 12% Convertible Debenture, plus any accrued and unpaid interest, could be converted by the holder, or the Company in the event that the holder elected not to so convert, in whole or in part, into Common Shares at the Series II 12% CD Conversion Price, upon the earlier of: (i) the completion of a Liquidity Event; and (ii) ten (10) days prior to the Series II 12% CD Maturity Date. The "**Series II 12% CD Conversion Price**" was the lesser of: (i) \$0.50 per Common Share; and (b) 75% of the Liquidity Event Price.

Early Conversion or Repayment of Series II 12% Convertible Debentures

On December 19, 2014, the Company sent a notice to the holders of Series II 12% Convertible Debentures offering them the right to elect (subject to certain term and conditions) one of the following options:

- (a) an option (the "**Early Conversion Option**") to convert each fifty cents (\$0.50) (the "**Series II 12% CD Conversion Price**") of the principal amount of their Series II 12% Convertible Debentures into one (1) Common Share on February 1, 2015, in consideration for a one-time

payment of six (6) months interest owing on the principal amount (the "**Early Conversion Fee**"); or

- (b) an option to have repaid the principal amount of their Series II 12% Convertible Debentures on February 1, 2015, such repayment to be satisfied by the issuance of a unit of the Company consisting of a 8.5% subordinated secured redeemable debenture of the Company maturing February 1, 2020 and a Common Share purchase warrant of the Company.

The additional material terms and conditions of the Early Conversion Option provide as follows:

- (c) if the Company completes a Liquidity Event prior to March 31, 2018 and the Liquidity Event Price is less than \$0.67 per Common Share, the Company will make the required adjustments at the time of the Liquidity Event, through the issuance of additional Common Shares, to ensure that the Series II 12% CD Conversion Price in respect of each of the following amounts is amended to represent the lesser of: (i) \$0.50 per Common Share; and (ii) 75% of the Liquidity Event Price: (A) the Early Conversion Option; (B) the accrued and unpaid interest on the converted Series II 12% Convertible Debenture from October 1, 2014 to December 31, 2014 if it is converted into Common Shares; (C) the accrued and unpaid interest on the Series II 12% Convertible Debenture from January 1, 2015, to January 31, 2015 if it is converted into Common Shares; and (D) the Early Conversion Fee if it is converted into Common Shares;
- (d) if the Company does not complete a Liquidity Event before August 1, 2015, the former debentureholder has the right to receive from the Company a one-time payment (the "**Interest Equivalent Fee**") in an amount equal to the interest on the principal amount which would otherwise have been paid to the debentureholder if the debentureholder had not previously converted the Series II 12% Convertible Debenture into Common Shares pursuant to the exercise of the Early Conversion Option, during the period commencing on August 1, 2015 and ending on the earlier of the date on which the Company completes a Liquidity Event and March 31, 2018. The Interest Equivalent Fee accrues until the earlier of the date on which the Company completes a Liquidity Event and March 31, 2018, and is paid on such earlier date. Payment of the Interest Equivalent Fee is satisfied by the issuance of Common Shares at a price equal to the lesser of: (i) \$0.50 per Common Share; and (ii) 75% of the Liquidity Event Price; provided, however, that if the Company does not complete a Liquidity Event before December 1, 2017, the former debentureholder has the right to elect that the Company satisfy the payment of the Interest Equivalent Fee to the debentureholder by cheque on March 31, 2018. The debentureholder can exercise this right by delivering written notice thereof to the Company at any time after December 1, 2017 and prior to January 1, 2018, at which time such right shall expire. No Interest Equivalent Fee is payable to the former debentureholder if the Company completes a Liquidity Event before August 1, 2015; and
- (e) if the Company does not complete a Liquidity Event before March 31, 2018, the former debentureholders have the right (the "**Put Right**") to sell some or all of the Common Shares acquired pursuant to the Early Conversion Option to the Company at the price of \$0.50 per Common Share for cancellation. A debentureholder can exercise the Put Right by delivering written notice thereof to the Company at any time after March 31, 2018 and prior to April 30, 2018, at which time the Put Right shall expire. The purchase of Common Shares by the Company for cancellation is to be completed, if any former debentureholders exercise such Put Right, on or before May 31, 2018.

All of the holders of the \$6,375,000 aggregate principal amount of Series II 12% Convertible Debentures outstanding elected the Early Conversion Option. Certain of those debentureholders also elected that certain payments of accrued and accruing interest owing under the debentures, as well as the Early Conversion Fee, be satisfied by the issuance of Common Shares at the Series II 12% CD Conversion Price. On February 1, 2015, the Company issued an aggregate of 13,035,000 Common Shares in connection with the early conversion of Series III 12% Convertible Debentures, including satisfying the payment of certain interest obligations in Common Shares. On

or about February 15, 2015, the Company paid an aggregate of \$495,000 to the holders who elected the Early Conversion Option but also elected to be paid accrued interest and/or the Early Conversion Fee by cheque.

Series III 12% Debentures

The Series III 12% Debentures mature on October 30, 2018 and the principal from time to time outstanding on such debentures shall bear interest at a rate of 12% per annum (simple interest, not compounded), calculated and accrued monthly, and payable monthly, in arrears. The Series III 12% Debentures are not convertible into Common Shares of the Company.

First Access shall have the right, in its sole discretion, to redeem and prepay all or any portion of the principal amount outstanding on the Series III 12% Debentures, plus any accrued and unpaid interest thereon, without notice, bonus or penalty, at any time or from time to time; provided, however, that if any Series III 12% Debentures are redeemed and prepaid, in whole or in part, prior to the date which is 12 months from the date of issuance, a payment equal to the difference between 12 months' interest owing on such debentures to be redeemed and prepaid and the total interest paid to the holder prior to the date of redemption shall be made to the holder of debentures so redeemed and prepaid. For clarity, the Series III 12% Debentures are not redeemable by holders thereof prior to October 30, 2018.

As at the date of this Offering Memorandum, the Company has issued \$17,259,000 aggregate principal value of Series III 12% Debentures under the Series III 12% Debenture Offering.

The Company is not currently offering additional Series III 12% Debentures.

Security and Subordination of Debentures

The Series I 9.5% Convertible Debentures and the Series I 8.5% Debentures, the Series II 8.5% Debentures, the Series III 8.5% Debentures, the Series II 9.5% Convertible Debentures, the Series I 10.0% Debentures, the Series I 10.5% Convertible Debentures and the Series III 12% Debentures issued or to be issued pursuant to the Indenture and the obligations of First Access under all such Debentures will be secured by general security agreements in respect of all present and after acquired personal property of First Access. All such Debentures shall rank equally in respect of the security, and enforcement thereof, provided by First Access to: (i) each of the holders of other secured subordinated debentures of First Access and the related general security agreement or agreements in respect of all present and after acquired personal property of First Access; and (ii) each other person granted general security in all of the Company's assets and business from time to time in connection with any liabilities, obligations or indebtedness (whether primary, secondary, direct or indirect, contingent, fixed, pursuant to a guarantee or otherwise) which may be incurred by the Company and in respect of which it determines, in its sole discretion, shall rank equally thereto. First Access reserves the right, in its sole discretion, and without notice to or the consent of the holders of any of the Debentures, to subordinate such Debentures and the related general security agreements in respect of all present and after acquired personal property of First Access to any entity, including, without limitation, banks, insurance companies, trust companies, credit unions and institutional investment funds, and with respect to any other financial instrument or security issued in its favour.

Trust Term Loan

The development and growth of the business of the Company will require substantial additional financing including debt financing to fund its loan contracts. In early 2016, the Company commenced efforts to seek a debt financing arrangement with a senior lender, or a syndicate of senior lenders, which would supplement funds available under the Operating Loan Facility that the Company currently has with the Operating Lender, and provide additional borrowing capacity. In that regard, the Company indirectly entered into the Trust Term Loan described below and completed the Initial Receivables Sale on September 16, 2016. There can be no assurance that the funding arrangements currently available to the Company under the Trust Term Loan will continue or will be sufficient to fund the Company's needs, that other future borrowings from the Trust Term Loan Lenders (as defined below) or other lenders will be available to the Company, or that such other future borrowings will be available on acceptable terms in an amount sufficient to fund the Company's needs.

Description of the Trust Term Loan Arrangements

Trust Term Loan Agreement

On September 16, 2016, the Company indirectly entered into a new \$75,000,000 senior secured delayed draw term loan facility (the "**Trust Term Loan**" or the "**Trust Term Loan Commitment**") by facilitating the formation of First Access Funding Trust (the "**Trust**"), a newly formed special purpose charitable trust administered by the Company, which Trust entered into a term loan agreement (the "**Trust Term Loan Agreement**") with certain lenders (the "**Trust Term Loan Lenders**") and an administrative agent and a collateral agent (collectively, the "**Agent**") under which the Trust Term Loan Commitment become available to the Trust. The Trust has provided a first-priority security interest in favour of the Agent for the benefit of the Agent and the Trust Term Loan Lenders on all assets of the Trust as security for the Trust Term Loan. The draw period is 18 months following the closing date of the Trust Term Loan, subject to extensions at the request of the Trust at the Trust Term Loan Lenders' sole discretion (the "**Draw Period**"). The Trust Term Loan must be paid in full 60 months after such closing date.

The interest rate of the Trust Term Loan is one (1) month Canadian Dollar Offered Rate ("**CDOR**") plus 10.50% per annum, subject to a CDOR floor of 1.00%, paid monthly in arrears on a current basis. CDOR will be reset monthly and interest will be calculated on an actual/360 day basis (the "**Trust Term Loan Interest Rate**").

All cash collections are remitted directly to a collections account, which is a segregated account held in the name of the Trust that is under the sole dominion and control of the Agent in accordance with the Blocked Account Agreement (as defined below – see "*Blocked Account Agreement*" in this Item 4.3) for distribution in accordance with the Waterfall (as defined below – see "*Background: Debt Refinancing through Trust Term Loan and Reason for the Receivables Sales*" in this Item 4.3).

The Trust Term Loan Agreement includes the following ongoing fees:

- an administrative agent fee of \$2,500 per month, payable in advance of the closing date and each monthly payment date;
- an unused fee, being 0.50% annually, payable monthly in arrears during the Draw Period on the average daily undrawn portion of the Trust Term Loan Commitment during the preceding month; and
- a failure to draw the entire Trust Term Loan Commitment during the Draw Period will require the Trust to pay the Trust Term Loan Lenders a make-whole fee equal to the product of: (i) the highest Trust Term Loan Interest Rate in effect during the Draw Period and (ii) the amount of such shortfall.

Prepayment is not allowed during the Draw Period. Following the Draw Period, the Trust may voluntarily prepay all but not less than all of the outstanding amount of the Trust Term Loan Commitment upon payment of a prepayment fee equal to: (i) during the first year after the last day of the Draw Period, 3% times the Trust Term Loan Commitment; (ii) during the second year after the last day of the Draw Period, 2% times the Trust Term Loan Commitment; and (iii) during the third year after the last day of the Draw Period, 1% times the Trust Term Loan Commitment. Thereafter, the Trust may prepay the whole of the Trust Term Loan Commitment at any time without the payment of a prepayment fee.

During the Draw Period under the Trust Term Loan, all eligible vehicle loan receivables from Canadian consumers originated by the Company ("**Receivables**") are required to be either: (i) sold to the Trust or (ii) pledged to the Operating Lender or any replacement credit facility approved by the Trust Term Loan Agent, the Debentureholders and the Series I 9.5% Debentureholders.

The Trust is subject to normal and customary events of default, including but not limited to breach of performance triggers, a breach under related agreements (including but not limited to the Receivables Purchase Agreement, the Servicing Agreement and the Limited Indemnity - each such agreement is defined and described below in this Item 4.3) and the occurrence of a regulatory trigger event. Following an event of default, the Agent may terminate the

Draw Period, charge a default rate of interest and declare all outstanding obligations of the Trust immediately due and payable.

The Receivables Purchase Agreement

As contemplated under the Trust Term Loan Agreement, the Company and the Trust entered into a master receivables purchase agreement (the "**Receivables Purchase Agreement**"). The Receivables Purchase Agreement sets out the terms of: (i) the sale (the "**Initial Receivables Sale**") of the Receivables outstanding on the closing date of the Trust Term Loan to the Trust, on a true sale basis, which sale will constitute the sale of all or substantially all of the assets of the Company; and (ii) all subsequent sales (each, a "**Subsequent Receivables Sale**" and, collectively, the "**Subsequent Receivables Sales**" and together with the Initial Receivables Sale, the "**Receivables Sales**") from time to time of all new Receivables originated by the Company since either: (A) the Initial Receivables Sale; or (B) the last Subsequent Receivables Sale, to the Trust, on a true sale basis, each of which sale may also at that time constitute the sale of all or substantially all of the assets of the Company.

The Purchase Price in respect of any Receivables sold to the Trust is an amount equal to the aggregate of the Initial Purchase Price and the Deferred Purchase Price, as such terms are defined below (collectively, the "**Purchase Price**"). The Purchase Price is paid by the Trust to the Company as follows:

1. on the closing date, the initial purchase price, being a minimum of 60% of the unpaid principal balance of such Receivables subject to certain adjustments (the "**Initial Purchase Price**"); and
2. the deferred purchase price of all Receivables, being the net proceeds of the collections of all Receivables owned by the Trust from time to time, after payment of all amounts owing under the Trust Term Loan (including principal, fees and expenses) and amounts owing to other third parties, in each case, in accordance with the Waterfall (the "**Deferred Purchase Price**"). The payments towards the Deferred Purchase Price are made on a monthly basis. See "*Background: Debt Refinancing through Trust Term Loan and Reason for the Receivables Sales*" below in this Item 4.3 for a description of the Waterfall payments.

The Initial Purchase Price is paid by the Trust to the Company by the Trust drawing down on the Trust Term Loan. Any Receivables Sale will be subject to the Trust satisfying all conditions precedent to each drawdown set out in the Trust Term Loan Agreement. The Trust Term Loan Agreement will allow for draws no more frequently than once per week in the minimum amount of \$100,000.

Only eligible Receivables are able to be part of any of the Receivables Sales. The eligibility criteria is substantially consistent with the existing eligibility criteria already used by the Company when originating similar Receivables. The Company has determined that up to 90% of new receivables will meet the Trust Term Loan's eligibility criteria.

The Company expects to complete a Receivables Sale on a monthly or bi-monthly basis, but such sales could occur more or less frequently depending on the rate that the Receivables are originated or other factors determined by management of the Company and/or the Board.

The Trust has not granted nor will it grant the Company any security in respect of the Trust's obligation to pay the Deferred Purchase Price.

One of the conditions to each of the Receivables Sales is that the sales are on true sale basis and therefore the Company sells to the Trust all of the Company's right, title and interest in the respective Receivables free and clear of all encumbrances. The Company has no, and will have no ownership right in the Receivables sold. Each Receivables Sale will require the Operating Lender, the Debentureholders and the Series I 9.5% Debentureholders to release any security interest they have in the Receivables.

The Receivables Purchase Agreement contains representations, warranties and covenants typical in similar transactions.

Servicing Agreement

The Company also entered into the Servicing Agreement with the Trust in order for the Company to manage, service and collect the Receivables, manage repossessed vehicle inventory and provide ongoing reporting to the Trust Term Loan Lenders. The Servicing Agreement will automatically terminate on the earliest of: (i) the date on which the realizable proceeds of all Receivables have been reduced to zero either by payment, liquidation, charge off or otherwise; and (b) the date that the Company is replaced with a back-up servicer.

The Company is not paid any fees for performing services under the Servicing Agreement.

The Company is required to maintain certain financial covenants, including, but not limited to, minimum levels of tangible net worth and liquidity (cash and cash equivalents), as well as maximum debt-to-tangible net worth levels.

The Servicing Agreement contains normal and customary events of default typical in similar agreements including but not limited to a breach of financial covenants and key-man provisions. If an event of default occurs, the Company may be replaced by a back-up servicer.

Exclusivity and Right of First Refusal Agreement

The Trust Term Loan Lenders have a right of first refusal to provide any additional financing for Receivables originated by the Company or the Trust on terms substantially similar to those contained in any other bona fide written offers for financing received by the Company or the Trust.

During the Draw Period under the Trust Term Loan, all of the Receivables originated by the Company are required to be either: (i) sold to the Trust or (ii) pledged to the Operating Lender or any replacement credit facility approved by the Agent, the Debentureholders and the Series I 9.5% Debentureholders.

The Company's Limited Indemnity

The Company has agreed to, upon the occurrence of a Trigger Event (as defined below), indemnify (on a joint and several basis with the Trust) the Agent, the Trust Term Loan Lenders, their affiliates, and their respective officers, partners, directors, trustees, employees and agents (each, an "**Indemnatee**") from any liabilities, obligations, losses, damages suffered by the Indemnatee in connection with a Trigger Event (the "**Limited Indemnity**"). The Trigger Events include: (a) willful misconduct of the Trust; (b) fraud committed by the Company or by the Trust; (c) theft or misappropriation of funds by the Company or the Trust; (d) any felonies or crimes by the Company or by the Trust or any willful violation of any laws or legal requirements by the Company or by the Trust relating to the business, property or assets of the Company or the Trust; (e) any intentional act by the Company or by the Trust which prevents, delays or hinders the Trust Term Loan Agent's security interest in the collateral; and (f) any voluntary sale, encumbrance or disposition of any collateral not expressly permitted by the Trust Term Loan Loan Agreements or any other document in connection with the Trust Term Loan (the "**Trigger Events**"). **The Limited Indemnity is not limited to a dollar amount.**

Blocked Account Agreement

The Trust, the Company, the Agent and the Trust's bank entered into a blocked account agreement in respect of the bank account where all future cash collections from the Receivables are remitted and all payments are made in accordance with the Waterfall (the "**Blocked Account Agreement**") The Blocked Account Agreement will provide that the account will be under the sole dominion and control of the Agent.

The Company and the Trust will, jointly and severally, indemnify the bank from and against any and all liabilities, obligations, losses, costs incurred by the bank as a result of entering into the Blocked Account Agreement, except for any loss resulting from the bank's gross negligence or wilful misconduct.

Risk Factors Relating to the Trust Term Loan

The following risk factors do not purport to be a comprehensive summary of all the risks to the Company associated with the completion of the transactions contemplated by the Trust Term Loan Agreement. Rather, the following are only certain particular risks relating to the Trust Term Loan to which the Company is subject, in addition to those contained in or incorporated by reference into this Offering Memorandum. **Management urges prospective investors to discuss such risks and other potential risks in detail with their professional advisors prior to making an investment decision.**

The Trust Term Loan Agreement is subject to conditions and could be terminated in accordance with its terms and the transactions may not be completed

The Trust Term Loan Agreement contains a number of conditions that must be satisfied or waived to complete the closing of the Trust Term Loan and to complete each draw on the Trust Term Loan. Those conditions include, among others: receipt of Shareholder approval, Debentureholder approval, the release by the Operating Lender, the Debentureholders and the Series I 9.5% Debentureholders of each of their security interest in the Receivables, the payout, discharge and release of the Subordinate Lender, the execution of all related agreements in connection with the Trust Term Loan, a perfected first-priority security interest in favour of the Agent for the benefit of the Trust Term Loan Secured Parties on all assets of the Trust, opinions of counsel, no events of default and all representations and warranties of the Company shall be true and correct.

The Trust Term Loan contains provisions that restrict the Company's ability to pursue alternative financing

During the Draw Period under the Trust Term Loan, all of the Receivables originated by the Company are required to be either: (i) sold to the Trust or (ii) pledged to the Operating Lender or any replacement credit facility approved by the Agent, the Debentureholders and the Series I 9.5% Debentureholders.

The Trust Term Loan Lenders have a right of first refusal to provide any additional financing for the Receivables on terms substantially similar to those contained in any other bona fide written offers for financing received by the Company.

The Company will incur direct and indirect costs as a result of the Trust Term Loan

The Company has incurred and will continue to incur substantial expenses in connection with completion of the Trust Term Loan and the ongoing transactions and other matters contemplated under the Trust Term Loan Agreement and the agreements described above. The Company must reimburse the Agent from time to time on demand for all reasonable documented out-of-pocket fees and expenses (including, but not limited to, the reasonable fees, disbursements and other charges of all legal counsel to the Agent and examiners, search fees, due diligence expenses and travel expenses) incurred in connection with the Trust Term Loan. The Company paid the Agent an initial deposit in the amount of USD \$75,000 in consideration of the Agent undertaking to work towards providing the Trust Term Loan.

The Company also incurred its own advisor and legal counsel costs.

Receivables Sales

The Company will from time to time hold Receivables prior to a Receivables Sale and will hold any Receivables which are ineligible to be sold to the Trust pursuant to the terms of the Trust Term Loan. The Receivables Sales are generally seamless from the perspective of the Company's customers, dealers and other stakeholders. The Company, as the originator and servicer of the Receivables, will remain as the single point of contact with its customers, dealers and other stakeholders.

The Company completed the Initial Receivables Sale on September 16, 2016 and the Trust made an initial draw on the Trust Term Loan in the amount of \$8,800,000 to obtain the funds required to purchase the \$13,559,793 of

Receivables from the Company, which funds were used by the Company to retire the Subordinate Loan Facility, to retire a portion of the Operating Loan Facility and provide it with additional working capital. Subsequent to the Initial Receivables Sale, the Company has completed five additional Subsequent Receivables Sales.

Concurrently with or following Subsequent Receivables Sales, the Company intends to use a portion of the proceeds it receives from such sales to make partial payments to its existing senior lender (the "**Operating Lender**") towards the then outstanding balance of the existing operating loan facility (the "**Operating Facility**").

For purposes of the remaining discussion in this Item 4.3, "**Debentureholders**" means, unless the context otherwise requires, the holders of the Series I 8.5% Debentures, the Series I 10.5% Convertible Debentures and the Series III 12% Debentures, collectively, and not the holders of the Series I 9.5% Convertible Debentures.

In order to complete the Initial Receivables Sale, the Operating Lender agreed to release its security interest in the Receivables sold to the Trust. The Operating Lender continues to hold a first priority security interest over the assets of the Company. The Operating Lender will also have to agree to release its security interest in the Receivables sold pursuant to each Subsequent Receivables Sale. **In the event that the Operating Lender refuses to release its security interest in the Receivables, in connection with any Subsequent Receivables Sale, then such sale will not be able to be completed.**

The Debentureholders and the holders of the Series I 9.5% Convertible Debentures continue to hold their subordinate security interest over the assets of the Company and, in connection with each future Subsequent Receivables Sale, have given their approval to release their security interest in the Receivables sold pursuant to each Subsequent Receivables Sale, conditional on the same release being approved by the Operating Lender.

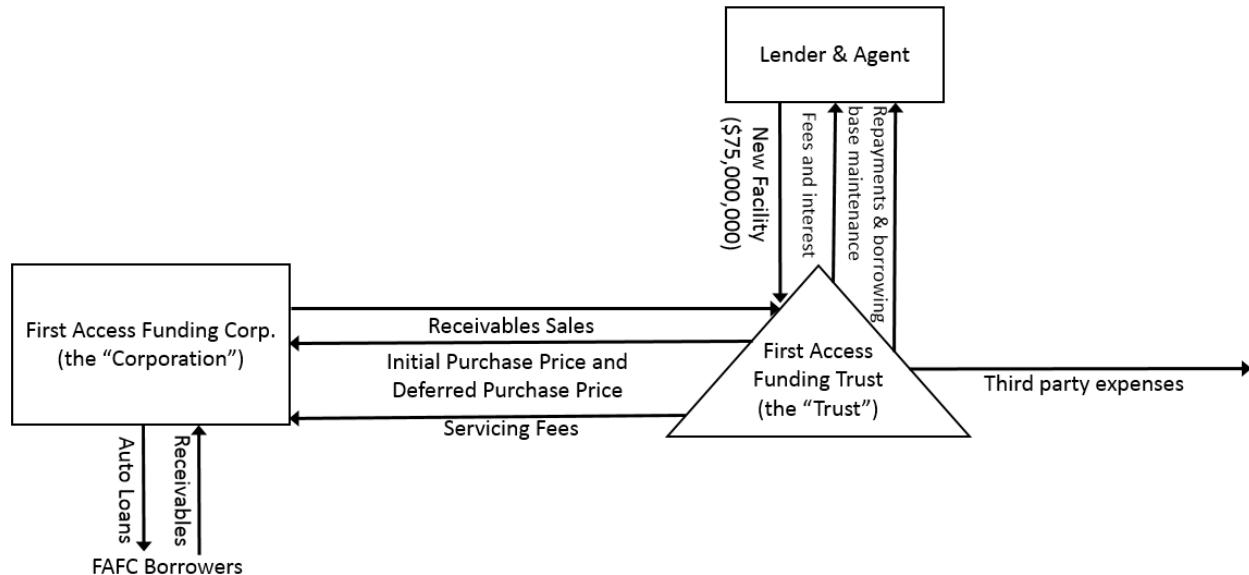
The Company entered into a servicing agreement with the Trust and the Agent in order for the Company to manage, service and collect the Receivables, manage repossessed vehicle inventory and provide ongoing reporting to the Agent (the "**Servicing Agreement**"). The Company also entered into an administration agreement to provide administrative services to the Trust (the "**Administration Agreement**").

All cash collections from the Receivables sold to the Trust will be remitted directly to a segregated account held in the name of the Trust that is under the sole dominion and control of the Trust Term Loan Lenders, for distribution in accordance as follows, on a monthly basis (the "**Waterfall**"):

1. Third-party expenses (e.g. collection bank, trustee, backup servicer and custodian);
2. Accrued fees, interest, expenses and other amounts to Agent and the Trust Term Loan Lenders;
3. Amounts necessary to maintain the borrowing base to the Trust Term Loan Lenders and any hedging expenses incurred by the Lender;
4. During the 42 months following the last day of the Draw Period, to the Trust Term Loan Lenders to reduce the Trust Term Loan advance rate to the target advance rate or repay the Trust's obligations in accordance with the Trust Term Loan Loan Agreement;
5. Following an event of default, to the Trust Term Loan Lenders until full repayment of all Trust obligations has been received; and
6. To the Trust, any remaining amounts. The Deferred Purchase Price will be paid to the Company out of the remaining amounts.

On each Subsequent Receivables Sale, the Trust will draw down on the Trust Term Loan to obtain the necessary funds to purchase Receivables from the Company in the amount of the Initial Purchase Price.

Diagram of the Receivables Sales



Purpose and Benefits of the Trust Term Loan

The Trust Term Loan provides the Company with an indirect additional source of funds in the form of a senior loan facility. The Company is able to use the proceeds of advances under the Trust Term Loan to finance a greater amount of Receivables and generally increase the size of its operations. The Operating Lender continues to provide a facility to the Company to also finance the Company's business. The Trust Term Loan also offers a higher advance rate per amount of Receivables than the Operating Facility, meaning that the Company has access to a higher proportion of debt to Receivables.

The Trust Term Loan provides longer term, committed capital, with larger availability than that to which the Company has access under the Operating Facility. Due to the Trust Term Loan's size, it allows the Company to indirectly access capital during the Draw Period to fund new auto loans and the Trust can draw upon the Trust Term Loan, subject to its terms, in the amounts and at the timing of its choosing. The Company currently has access to several sources of capital: (a) indirect access to the Trust Term Loan; (b) the Operating Facility with the Operating Lender; and (c) a network of retail investors, including high net-worth investors, providing additional debt and equity capital.

The Trust Term Loan also offers flexibility for the Company to fund a large portion of its auto loan originations with: (a) a favourable advance rate versus eligible receivables, (b) a range of terms to maturity and (c) a range of interest rate levels. The maturity date of the Trust Term Loan also removes the requirement of the Company to source additional senior capital for a period estimated to be between 12 to 18 months, thereby allowing the Company to focus on its growth and diversification efforts, and its customer service/collections operations.

The timing of the Trust Term Loan is favourable to the Company as it coincides with the Company's expansion into Ontario and increased presence in British Columbia. The Company believes that the Trust Term Loan will accelerate the Company's growth profile in those provinces, allowing the Company to further diversify its auto loan portfolio.

Debentureholder and Shareholder Approval of the Receivables Sales and Trust Indenture Amendments

(1) The Receivables Sales

In order for the Trust Term Loan to proceed, at the Debentureholders Meeting the Company required the Debentureholders and the Shareholders to approve the Receivables Sales to the Trust.

The Receivables Sales required an Extraordinary Resolution pursuant to section 13.11(d) of the Indenture (the "**Extraordinary Debentureholders Resolution**"). In order to be passed, such resolution must be passed by the votes of holders of not less than two-thirds (66.67%) of the principal amount of the Debentures present or represented by proxy at the Debentureholders Meeting.

The Receivables Sales also required a Special Resolution pursuant to Section 189(3) of the CBCA (the "**Special Shareholders Resolution**"). In order to be passed, such resolution must be passed by the votes of holders of not less than two-thirds (66.67%) of the Shares present or represented by proxy at the Special Shareholders Meeting.

(2) The Fourth Supplemental Indenture

Debentureholders were also asked to consider and, if deemed appropriate, to adopt, with or without amendment, an Extraordinary Resolution approving certain amendments to the Indenture, which amended Section 13.11(d) of the Indenture, which provides that Debentureholders shall have powers exercisable from time to time by Extraordinary Resolution, to sanction any scheme for the reconstruction, reorganization or recapitalization of the Company or for the consolidation, amalgamation or merger of the Company with any other person or for the sale, leasing, transfer or other disposition of all or substantially all of the undertaking, property and assets of the Company or any part thereof, provided that no such sanction shall be necessary in respect of any such transaction if the provisions of Section 10.1 (reference to such Section will be corrected to refer to Section 11.1) shall have been complied with, as follows:

Exception to Section 13.11(d): Such power to sanction shall not apply to a disposition of all or substantially all of the undertaking, property and assets of the Company in connection with a sale to an entity administered by the Company for the purposes of providing security for ongoing financing with a senior secured lender.

Section 11.1 of the Indenture was also amended to provide that, for greater certainty, Section 13.11(d) is an exception to the provisions of Section 11.1.

Other than the foregoing amendments and the amendments required to create the Series III 8.5% Debentures and Series I 10.0% Debentures, the Indenture remains unchanged.

As described below, the amendment was approved and the Extraordinary Debentureholders Resolution was passed by the Debentureholders, and the Company and the Trustee entered into a fourth supplement to the Indenture to implement the amendments described above (the "**Fourth Supplemental Indenture**") and the effective date of the Fourth Supplemental Indenture is July 7, 2016.

The Meetings to Approve the Trust Term Loan and Entitlement to Vote at the Meetings

The Company held Meetings of the Debentureholders (other than the holders of Series I 9.5% Convertible Debentures) and Shareholders on June 22, 2016 in Red Deer, Alberta, at which: (i) Debentureholders were asked to consider and, if advisable, pass, with or without variation, the Extraordinary Debentureholders Resolution to approve the Receivables Sales under Section 13.11(d) of the Trust Indenture; and (ii) Shareholders were asked to consider and, if advisable, pass, with or without variation, the Special Shareholders Resolution to approve the Receivables Sales under section 189(3) of the CBCA.

Debentureholders representing \$12,145,000 aggregate principal amount of Debentures (or 48.97% of the issued and outstanding Debentures) were present in person or by proxy at the Meeting of the Debentureholders.

Debentureholders representing \$12,048,999 aggregate principal amount of Debentures (or 99.46% of the issued and outstanding Debentures present in person or by proxy at the Meeting of the Debentureholders) voted FOR the Extraordinary Debentureholders Resolution to approve the Receivables Sales under Section 13.11(d) of the Trust Indenture.

Shareholders representing 50,993,262 Common Shares (or 64.81% of the issued and outstanding Common Shares) were present in person or by proxy at the Special Shareholders Meeting. Shareholders representing 50,885,345 Common Shares (or 99.79% of the issued and outstanding Common Shares present in person or by proxy at the Special Shareholders Meeting) voted FOR the Special Shareholders Resolution to approve the Receivables Sales under section 189(3) of the CBCA.

The Board of Directors established the record date for the Meeting of Debentureholders to consider the Extraordinary Debentureholders Resolution as the close of business on May 25, 2016 (the "**Debentureholder Record Date**"). Only Debentureholders of record at the close of business on the Debentureholder Record Date were entitled to notice of the Meeting of Debentureholders or any adjournment thereof. No Debentureholder becoming a Debentureholder of record after the Debentureholder Record Date were entitled to vote at the Meeting of Debentureholders or any adjournment thereof, unless such Debentureholder: (a) subscribed for such Debentures no later than June 1, 2016; (b) confirmed receipt of the related Notice of Meeting, proxy materials and Management Information Circular; and (b) waived notice of the Meeting of Debentureholders in accordance with Section 13.2(a) of the Trust Indenture.

The Board of Directors did not fix a record date for the Meeting of Shareholders and therefore the record date for the determination of Shareholders entitled to receive notice of the Meeting of Shareholders was at the close of business on the date immediately preceding the day on which notice of the Meeting of Shareholders is given, which was May 25, 2016. Only Shareholders of record at the close of business on such date were entitled to notice of the Meeting of Shareholders or any adjournment thereof. No Shareholder becoming a Shareholder of record after such date were entitled to vote at the Meeting of Shareholders or any adjournment thereof.

4.3 *Prior Sales*

Since the beginning of 2015, the Company has issued the following Common Shares or securities exercisable or convertible into Common Shares.

A. **Common Shares, Options and Warrants**

Date of Issuance	Type of Security Issued	Price Per Security	Number of Securities Issued	Total Funds Received
January 30, 2015	Common Shares	\$0.50	2,034,000	\$1,017,000
February 1, 2015 ⁽¹⁾	Common Shares	\$0.50	21,142,269	\$10,571,134.50
February 1, 2015 ⁽²⁾	Warrants	\$0.50	685,462	N/A
March 1, 2015 ⁽³⁾	Warrants	\$0.50	2,000,000	N/A
February 1, 2014 to February 1, 2015	Options ⁽⁴⁾	\$0.25-0.50	960,000	N/A
March 12, 2015	Common Shares	\$0.50	251,200	\$125,600
April 28, 2015	Common Shares	\$0.50	8,313	N/A
May 1, 2015 ⁽⁵⁾	Common Shares	\$0.10	3,050,000	\$305,000

Date of Issuance	Type of Security Issued	Price Per Security	Number of Securities Issued	Total Funds Received
June 2, 2015 ⁽⁶⁾	Common Shares	\$0.50	120,000	N/A
June 8, 2015 ⁽⁵⁾	Common Shares	\$0.10	200,000	\$20,000
June 15, 2015 ⁽⁵⁾	Common Shares	\$0.10	20,000	\$2,000
June 17, 2015 ⁽⁷⁾	Common Shares	\$0.50	115,000	N/A
June 17, 2015 ⁽⁷⁾	Warrants	\$0.50	115,000	N/A
June 24, 2015 ⁽⁵⁾	Common Shares	\$0.10	100,000	\$10,000
June 30, 2015 ⁽⁵⁾	Common Shares	\$0.10	100,000	\$10,000
July 31, 2015 ⁽⁸⁾	Common Shares	\$0.50	161,269	\$80,000
February 1, 2015 to February 1, 2016	Options ⁽⁴⁾	\$0.25-\$0.50	8,877,500	N/A
December 11, 2015 and December 31, 2015	Common Shares	\$0.50	1,971,743	\$985,872
January 28, 2016	Common Shares	\$0.50	82,000	\$41,000
March 1, 2016 ⁽⁵⁾	Common Shares	\$0.10	40,000	\$4,000
March 4, 2016	Common Shares	\$0.50	190,000	\$95,000
March 18, 2016 ⁽⁵⁾	Common Shares	\$0.15	40,000	\$6,000
April 7, 2016	Common Shares	\$0.50	175,000	\$87,500
June 14, 2016 ⁽⁵⁾	Common Shares	\$0.10	16,667	\$1,666.70
June 30, 2016	Common Shares	\$0.50	1,206,000	\$603,000
June 30, 2016 ⁽⁹⁾	Warrants	\$0.50	100,000	N/A
July 22, 2016	Common Shares	\$0.50	507,099	\$253,549.50
September 7, 2016	Common Shares	\$0.50	450,000	\$225,000.00
February 2, 2016 to September 16, 2016	Options ⁽⁴⁾	\$0.50	244,000	N/A
October 26, 2016	Common Shares	\$0.50	734,000	\$367,000
December 1, 2016	Common Shares	\$0.25	75,000	\$18,750.00
December 30, 2016	Common Shares	\$0.50	30,000	\$15,000.00
January 1, 2017	Common Shares	\$0.25	100,000	\$25,000.00

Date of Issuance	Type of Security Issued	Price Per Security	Number of Securities Issued	Total Funds Received
March 28, 2017	Common Shares	\$0.50	2,640,000	\$1,320,000.00
April 27, 2017	Common Shares	\$0.25	40,000	\$10,000.00
June 29, 2017	Common Shares	\$0.50	600,000	\$300,000.00
September 16, 2016 to July 10, 2017	Options ⁽⁴⁾	\$0.50	2,833,000	N/A

Notes:

- (1) On February 1, 2015, the Company issued: (i) an aggregate of 8,107,269 Common Shares in connection with the conversion of \$3,832,704 principal amount of Series I 9.5% Convertible Debentures; and (ii) an aggregate of 13,035,000 Common Shares in connection with the conversion of \$6,375,000 principal amount of Series III 12% Convertible Debentures, as described in "Item 4: Capital Structure – Long-Term Debt Securities" above. The figure of \$10,571,134.50 reflects the aggregate purchase price of 21,142,269 Common Shares issued pursuant to such conversions of debt and not additional capital received by the Company.
- (2) These Warrants were issued to agents of the Company on February 1, 2015 as partial consideration for the compensation earned by such agents in connection with the completion of the conversions of the Series I 9.5% Convertible Debentures and Series III 12% Convertible Debentures described in Note (1) above.
- (3) These Warrants were issued to Martin Singer, a director of the Company, in connection with a loan to the Company in the principal amount of \$1,000,000. The Warrants will expire on March 1, 2019. See "Item 3: Interests of Directors, Management, Promoters and Principal Holders - Loans" above.
- (4) See "Option Plan" above in this Item 4.
- (5) These Common Shares were purchased pursuant to the exercise of certain Options which were originally granted between May 1, 2012 and March 19, 2013.
- (6) These Common Shares were issued to Peter Ballantine, the brother of the CEO of the Company, in connection with a loan to the Company in the principal amount of \$500,000.
- (7) These Warrants and Common Shares were issued to certain former holders of Series II 12% Convertible Debentures on June 17, 2015 as additional consideration and incentive in connection with their participation in the conversions of their respective Series II 12% Convertible Debentures described above in this Item 4 under "Early Conversion or Repayment of Series II 12% Convertible Debentures".
- (8) On July 31, 2015, the Company issued an aggregate of 161,269 Common Shares in connection with the conversion of \$80,000 principal amount of Series I 9.5% Convertible Debentures, as described in "Item 4: Capital Structure – Long Term Debt Securities" above.
- (9) These Warrants were issued to an exempt market dealer on June 30, 2016 as additional compensation in connection with raising more than \$5,000,000 in investments in the Company's Series I 8.5% Debenture, Series III 12% Debenture and Equity Offerings of the Company, as more particularly described herein.

B. Series I 10.5% Convertible Debentures

Date of Issuance	Principal Amount	Exercise Price per security ⁽¹⁾
October 24, 2013	\$809,000.00	--
December 5, 2013	\$1,303,000.00	--
January 16, 2014	\$997,000.00	--
February 27, 2014	\$1,557,000.00	--
April 4, 2014	\$876,000.00	--
May 15, 2014	\$408,000.00	--
June 12, 2014	\$338,000.00	--
July 17, 2014	\$255,000.00	--

Date of Issuance	Principal Amount	Exercise Price per security⁽¹⁾
October 23, 2014	\$882,000.00	--
December 11, 2014	\$445,000.00	--
January 30, 2015	\$966,000.00	--
March 12, 2015	\$1,525,000.00	--
December 11, 2015	\$302,000.00	--
December 31, 2015	\$100,000.00	--
Total:	\$10,763,000.00	--

Note:

(1) See "Item 4: Long-Term Debt Securities – Capital Structure – Series I 10.5% Convertible Debentures".

C. Series I 10.0% Debentures

Date of Issuance	Principal Amount	Exercise Price per security⁽¹⁾
March 28, 2017	\$250,000	--
July 5, 2017	\$200,000	--
Total:	\$450,000.00	--

Notes:

(1) See "Item 4: Long-Term Debt Securities – Capital Structure – Series I 10.0% Debentures".

D. Series I 8.5% Debentures

Date of Issuance	Principal Amount	Exercise Price per security⁽¹⁾
December 11, 2015	\$54,000	--
December 31, 2015	\$136,000	--
January 28, 2016	\$277,000	--
March 4, 2016	\$218,000	--
April 7, 2016	\$660,000	--
June 30, 2016	\$558,000	--
July 22, 2016	\$299,000	--
September 7, 2016	\$79,000	--

Date of Issuance	Principal Amount	Exercise Price per security ⁽¹⁾
Total:	\$2,281,000.00	--

Note:

(1) See "Item 4: Long-Term Debt Securities – Capital Structure – Series I 8.5% Debentures".

E. Series II 8.5% Debentures

Date of Issuance	Principal Amount	Exercise Price per security ⁽¹⁾
December 30, 2016	\$30,000	--
March 28, 2017	\$20,000	--
Total:	\$50,000.00	--

Notes:

(1) See "Item 4: Long-Term Debt Securities – Capital Structure – Series II 8.5% Debentures".

F. Series III 12% Debentures

Date of Issuance	Principal Amount	Exercise Price per security ⁽¹⁾
November 12, 2015	\$1,500,000	--
November 30, 2015	\$1,100,000	--
December 11, 2015	\$1,025,000	--
December 31, 2015	\$200,000	--
January 28, 2016	\$1,121,000	--
March 4, 2016	\$2,300,000	--
April 7, 2016	\$873,000	--
June 30, 2016	\$200,000	--
July 22, 2016	\$1,120,000	--
September 7, 2016	\$1,700,000	--
October 26, 2016	\$450,000	--
Total:	\$17,259,000.00	--

Note:

(1) See "Item 4: Long-Term Debt Securities – Capital Structure – Series III 12% Debentures".

ITEM 5: SECURITIES OFFERED

5.1 *Terms of Series II 9.5% Convertible Debentures*

The material terms of the Series II 9.5% Convertible Debentures described herein are a summary only of the terms contained in the Indenture and that to the extent there is any conflict, the Indenture governs. A copy of the Indenture may be obtained by contacting the Chief Financial Officer of the Company at the address contained herein.

- (a) Unless converted in accordance with the terms hereof, the Company shall repay the aggregate outstanding Principal Amount of the Series II 9.5% Convertible Debentures in immediately available funds. The payment of the Principal Amount with respect to the Series II 9.5% Convertible Debentures shall be paid to the Purchasers rateably in proportion to each Purchaser's Pro Rata Share.
- (b) Subject to the provisions of the Indenture, the Company shall repay the entire remaining outstanding balance, if any, of the Principal Amount and any interest accrued thereon, on the Maturity Date.
- (c) At any time prior to the Maturity Date and concurrently with or at any time subsequent to the occurrence of a Liquidity Event, and subject to and in accordance with the provisions and conditions of the Indenture, the Principal Amount and any Interest accrued but unpaid thereon shall be convertible, at the option of the Company, into Common Shares at the Conversion Price. Not less than 30 days prior to the occurrence of a Liquidity Event, the Company shall deliver a Liquidity Event Notice (the "**Liquidity Event Notice**") to the Purchaser and the Trustee in the form attached to the Indenture, setting out the date of the Liquidity Event and the Liquidity Event Price.
- (d) In the event the Company wishes to convert the Series II 9.5% Convertible Debentures in whole or in part into Common Shares, the Company shall provide the Debentureholders a conversion notice (the "**Conversion Notice**") in the form attached to the Indenture, and an officer's certificate to the Trustee, at least 10 days in advance of the proposed date of conversion (the "**Conversion Date**"), indicating that the Company will be exercising its right to convert such Debentures in accordance with the provisions of the Indenture. Thereupon, such Debentureholder shall be entitled to be entered in the books of the Company as at the conversion date (or such later date as is specified in the Indenture), as the holder of the number of Common Shares into which such Debenture is convertible in accordance with the provisions of the Indenture and, as soon as practicable thereafter, the Company shall deliver or cause to be delivered to such Debentureholder, a certificate or certificates for such Common Shares and, subject to the provisions of the Indenture, make or cause to be made any payment of interest to which such holder is entitled in accordance with the Indenture.
- (e) Upon the Company exercising its right of conversion in respect of only a part of the Series II 9.5% Convertible Debenture and the holder surrendering such Series II 9.5% Convertible Debenture to the Trustee in accordance with the terms of the Indenture, the Trustee shall cancel the same and shall without charge to the holder forthwith certify and deliver to the holder a new Series II 9.5% Convertible Debenture(s) in an aggregate principal amount equal to the unconverted part of the principal amount of the Series II 9.5% Convertible Debenture so surrendered.
- (f) The Series II 9.5% Convertible Debenture called for conversion in accordance with the terms of the Indenture shall be deemed to also have surrendered for conversion all accrued but unpaid interest in respect thereof up to but excluding the conversion date (less applicable withholding taxes, if any) and the Common Shares issued upon such conversion shall rank only in respect of dividends declared in favour of shareholders of record on and after the Conversion Date or such later date as such holder shall become the holder of record of such Common Shares pursuant to the terms of the Indenture, from which applicable date they will for all purposes be and be deemed to be issued and outstanding as fully paid and non-assessable Common Shares.

- (g) The Company shall comply with all Applicable Securities Laws regulating the issue and delivery of Common Shares upon a conversion and shall cause to be listed and posted for trading such Common Shares on each Exchange on which the Common Shares are then listed, if any.
- (h) Interest. The Series II 9.5% Convertible Debentures shall be dated the Closing Date, and shall bear interest from such date at the rate of 9.5% per annum (simple interest, not compounded) calculated and accrued monthly, and payable quarterly in arrears (all such interest, collectively referred to as "**Interest**"), with interest payments commencing on the last of the calendar quarter following the Closing Date and payable each quarter thereafter. The fiscal quarters of the Company in each year occur on March 31, June 30, September 30 and December 31.
- (i) Maturity. The Series II 9.5% Convertible Debentures are Interest paying only. All accrued Interest owing as of the Maturity Date shall be due and payable on such date together with the unpaid principal balance of the Series II 9.5% Convertible Debentures and all other Obligations owing at such time.
- (j) Payments of Amounts Due on Maturity. Subject to the terms of the Indenture, payments of amounts due upon maturity of the Series II 9.5% Convertible Debentures will be made in the following manner. The Company will establish and maintain with the Trustee a Maturity Account for the Series II 9.5% Convertible Debentures. The Maturity Account shall be maintained by and be subject to the control of the Trustee for the purposes of the Indenture. On or before 11:00 a.m., Calgary time, on the Business Day immediately prior to the Maturity Date, the Company will deliver to the Trustee an electronic transfer of funds, bank draft, money order or a certified cheque for deposit in the Maturity Account in an amount sufficient to pay the cash amount payable in respect of the Series II 9.5% Convertible Debentures (including the Principal Amount together with any accrued and unpaid Interest thereon less any tax required by law to be deducted or withheld). The Trustee will pay to each holder entitled to receive payment the principal amount of and premium (if any) and accrued and unpaid Interest on the Series II 9.5% Convertible Debentures (less any taxes required to be deducted or withheld), upon surrender of the Series II 9.5% Convertible Debenture at any branch of the Trustee designated for such purpose from time to time by the Company and the Trustee. The delivery of such funds to the Trustee for deposit to the Maturity Account will satisfy and discharge the liability of the Company for the Series II 9.5% Convertible Debentures to the extent of the amount delivered (plus the amount of any tax deducted or withheld as aforesaid) and the Series II 9.5% Convertible Debentures will thereafter to that extent not be considered as outstanding under the Indenture and such holder will have no other right in regard thereto other than to receive out of the money so delivered or made available the amount to which it is entitled.
- (k) Taxes. The Company shall from time to time promptly pay, or make provision satisfactory to the Trustee for the payment of, all taxes and charges which may be imposed by the laws of Canada or any province thereof (except income tax, withholding tax or security transfer tax, if any) which shall be payable with respect to the issuance or delivery of the Series II 9.5% Convertible Debenture Shares to holders upon a Conversion pursuant to the terms of the Indenture.
- (l) The Company shall make all payments of the Principal Amount and Interest (including Interest on amounts in default) on the Series II 9.5% Convertible Debentures without withholding of or deduction for or on account of any present or future taxes imposed or levied by any taxing authority unless such taxes are required to be withheld or deducted by the Company by law or by the interpretation or administration thereof, or upon demand of the taxing authority. Whenever in the Indenture the Company is obligated to make a payment in respect of which it is so required to withhold or deduct a sum in respect of taxes, this provision shall be read and construed so as to permit such deduction or withholding (whether or not explicitly stated in connection with the particular payment obligation).
- (m) The Company shall make any withholdings or deductions in respect of taxes required by law or by the interpretation or administration thereof and shall remit the full amount withheld or deducted to

the relevant taxing authority in accordance with Applicable Law and shall provide the Trustee with full particulars thereof.

- (n) Security for Debentures and Negative Pledge. The Company grants, conveys, assigns, mortgages and charges (i) a continuing security interest to and in favour of the Trustee in and to all of the Company's present and after-acquired personal property; and (ii) as and by way of a floating charge, to and in favour of the Trustee, in and to the undertaking and all the property and assets of the Company, to have and to hold such assets and interest and all rights conferred unto the Trustee forever but in trust, nevertheless, for and on behalf of itself and the Debentureholders for the uses and purposes and with the powers and authorities and subject to the terms and conditions set forth in the Indenture. The Company shall not, without the consent in writing of the Series II 9.5% Convertible Debentureholders by Extraordinary Resolution, create, assume or suffer to exist any Security Interest (other than Permitted Encumbrances) on or in respect of the Secured Property or any part thereof.
- (o) Registration of Security. The Company shall:
 - (i) register, file or record or cause to be registered, filed or recorded the Indenture and all instruments supplemental or ancillary hereto at every office and place where the registration, filing or recording thereof may, in the opinion of counsel to the Company, be necessary to preserve and protect the Security Interest created by the Indenture;
 - (ii) renew or cause to be renewed such registrations, filings or recordings from time to time as and when required; and
 - (iii) if and when requested to do so by the Trustee, furnish to the Trustee an opinion of counsel to the Company to establish compliance with the provisions of the Indenture.
- (p) Right of Prepayment.
 - (i) The Company shall have the right, in its sole discretion and subject to the provisions of the Indenture, to redeem and prepay all or any Permitted Portion of the principal amount of Debentures, plus any accrued and unpaid interest thereon, without bonus or penalty, at any time and from time to time on or after the earlier of: (i) the second anniversary of the date of issuance of the last Debenture issued (the "**Second Anniversary**"), or (ii) the completion of a Liquidity Event.
 - (ii) In the event the Company redeems and prepays any principal amount outstanding on the Series II 9.5% Convertible Debentures prior to the Maturity Date, then the Company shall issue to the holders of such Series II 9.5% Convertible Debentures, that number of Warrants equal to 5% of the principal amount of such Series II 9.5% Convertible Debentures redeemed and prepaid by the Company divided by the Current Market Price. Subject to compliance with all applicable Securities Laws, each Warrant will entitle the holder thereof to purchase one Common Share at the Warrant Exercise Price for period of one year following the date on which the Series II 9.5% Convertible Debentures are redeemed and prepaid. By way of example, and for illustrative purposes only, if \$100,000 principal amount of Convertible Debentures is prepaid by the Company and the Current Market Price is \$0.50, First Access is obliged to issue 10,000 Warrants to the holder ($\$100,000 \times 0.05 / \$0.50 = 10,000$ Warrants) with a Warrant Exercise Price of \$0.525.
- (q) Subordination. Subject to the prior payment in full of all Senior Indebtedness, the holders of the Debentures shall be subrogated to the rights of the holders of Senior Indebtedness to receive payments or distributions of assets of the Company to the extent of the application thereto of such payments or other assets which would have been received by the holders of the Debentures but for

the provisions hereof until the principal of, premium, if any, and interest on the Debentures shall be paid in full, and no such payments or distributions to the holders of the Debentures of cash, property or securities, which otherwise would be payable or distributable to the holders of the Senior Indebtedness, shall, as between the Company, its creditors other than the holders of Senior Indebtedness, and the holders of Debentures, be deemed to be a payment by the Company to the holders of the Senior Indebtedness or on account of the Senior Indebtedness, it being understood that the provisions of the Indenture are and are intended solely for the purpose of defining the relative rights of the holders of the Debentures, on the one hand, and the holders of Senior Indebtedness, on the other hand.

5.2 *Additional Terms of the Indenture*

In addition to the terms of the Series II 9.5% Convertible Debentures outlined above, the Indenture also provides for the following terms governing the Series II 9.5% Convertible Debentures.

5.2.1 *Events of Default; Rights and Remedies*

This section contains a description of events of default and rights and remedies of the Trustee and Purchasers as set out in the Indenture and is a summary only and is subject to the provisions of the Indenture. To the extent any description contained in this Offering Memorandum conflict with the provisions of the Indenture, the terms of the Indenture shall govern and control.

(a) Events of Default

Each of the following events constitutes, and is herein sometimes referred to as, an "**Event of Default**":

- (i) if any payment on account of the Principal Amount or Interest owing thereon is not made when due under any provision of the Indenture and such payment is not made within a period of 30 days after such payment was due;
- (ii) default in the observance or performance of any material covenant or condition of the Indenture by the Company for a period of 30 days after notice in writing has been given by the Trustee to the Company specifying such default and requiring the Company to remedy such default;
- (iii) if a decree or order of a court having jurisdiction is entered adjudging the Company a bankrupt or insolvent under the *Bankruptcy and Insolvency Act* (Canada) or any other bankruptcy, insolvency or analogous laws, or issuing sequestration or process of execution against, or against any substantial part of, the property of the Company, or approving a receiver of, or any substantial part of, the property of the Company or ordering the winding-up or liquidation of its affairs, and any such decree or order continues unstayed and in effect for a period of 30 days;
- (iv) if the Company institutes proceedings to be adjudicated a bankrupt or insolvent, or consents to the institution of bankruptcy or insolvency proceedings against it under the *Bankruptcy and Insolvency Act* (Canada) or the *Companies' Creditors Arrangement Act* (Canada) for such bankruptcy or insolvency or any other bankruptcy, insolvency or analogous laws, or consents to the filing of any such petition or to the appointment of a receiver of, or of any substantial part of, the property of the Company or makes a general assignment for the benefit of creditors, or admits in writing its inability to pay its debts generally as they become due;
- (v) if a resolution is passed for the winding-up or liquidation of the Company except in the course of carrying out or pursuant to a transaction in respect of which the conditions of the Indenture are duly observed and performed; or

- (vi) if, after the date of the Indenture, any proceedings with respect to the Company are taken with respect to a compromise or arrangement, with respect to creditors of the Company generally, under the Applicable Laws of any jurisdiction,

and in each and every such event the Trustee may, in its discretion, and shall, upon receipt of a request in writing signed by the holders of not less than 25% in principal amount of the Debentures then outstanding, subject to the provisions of the Indenture, by notice in writing to the Company declare the principal of and Interest on all Series II 9.5% Convertible Debentures then outstanding and all other monies outstanding hereunder to be due and payable and the same shall forthwith become immediately due and payable to the Trustee, and the Company shall forthwith pay to the Trustee for the benefit of the Debentureholders such principal, accrued and unpaid Interest and Interest on amounts in default on such Debenture (and, where such a declaration is based upon a voluntary winding-up or liquidation of the Company, the premium, if any, on the Debentures then outstanding which would have been payable upon the redemption thereof by the Company on the date of such declaration) and all other monies outstanding hereunder, together with subsequent Interest at the rate borne by the Debentures on such principal, Interest and such other monies from the date of such declaration until payment is received by the Trustee, such subsequent Interest to be payable at the times and places and in the manner mentioned in and according to the tenor of the Debentures. Such payment when made shall be deemed to have been made in discharge of the Company's obligations hereunder and any monies so received by the Trustee shall be applied in the manner provided pursuant to the Indenture.

For greater certainty, for the purposes of the Indenture, the Debentures shall be in default in respect of an Event of Default if such Event of Default relates to a default in the payment of the Principal Amount or Interest, if any, on the Debentures.

(b) Notice of Events of Default

If an Event of Default shall occur and be continuing the Trustee shall, within 30 days after it receives written notice of the occurrence of such Event of Default, give notice of such Event of Default to the Debentureholders in the manner provided in the Indenture, provided that notwithstanding the foregoing, unless the Trustee shall have been requested to do so by the holders of at least 25% of the principal amount of the Debentures then outstanding, the Trustee shall not be required to give such notice if the Trustee in good faith shall have determined that the withholding of such notice is in the best interests of the Debentureholders and shall have so advised the Company in writing.

(c) Waiver of Default

Upon the happening of any Event of Default as provided for in the Indenture and described herein:

- (i) the holders of the Debentures shall have the power (in addition to the powers exercisable by Extraordinary Resolution as hereinafter provided) by requisition in writing by the holders of more than 50% of the principal amount of Debentures then outstanding, to instruct the Trustee to waive any Event of Default and to cancel any declaration made by the Trustee pursuant to the Indenture and the Trustee shall thereupon waive the Event of Default and cancel such declaration, or either, upon such terms and conditions as shall be prescribed in such requisition; provided that notwithstanding the foregoing if the Event of Default has occurred by reason of the non-observance or non-performance by the Company of any covenant applicable to the Debentures, then the holders of more than 50% of the principal amount of the outstanding Debentures shall be entitled to exercise the foregoing power and the Trustee shall so act and it shall not be necessary to obtain a waiver from the holders of any other series of Debentures; and
- (ii) the Trustee, so long as it has not become bound to declare the principal and Interest on the Debentures then outstanding to be due and payable, or to obtain or enforce payment of the same, shall have power to waive any Event of Default if, in the Trustee's opinion, the same shall have been cured or adequate satisfaction made therefor, and in such event

to cancel any such declaration theretofore made by the Trustee in the exercise of its discretion, upon such terms and conditions as the Trustee may deem advisable.

No such act or omission either of the Trustee or of the Debentureholders shall extend to or be taken in any manner whatsoever to affect any subsequent Event of Default or the rights resulting therefrom.

(d) Enforcement by the Trustee

Subject to the provisions of the Indenture and to the provisions of any Extraordinary Resolution that may be passed by the Debentureholders, if the Company shall fail to pay to the Trustee, forthwith after the same shall have been declared to be due and payable under the Indenture, the principal of and premium (if any) and Interest on all Debentures then outstanding, together with any other amounts due hereunder, the Trustee may in its discretion and shall upon receipt of a request (a "**Debentureholders' Request**"), in accordance with the terms of the Indenture, in writing signed by the holders of not less than 66 2/3% in principal amount of the Series II 9.5% Convertible Debentures then outstanding and upon being funded and indemnified to its reasonable satisfaction against all costs, expenses and liabilities to be incurred, proceed in its name as trustee hereunder to obtain or enforce payment of such principal of and premium (if any) and Interest on all the Series II 9.5% Convertible Debentures then outstanding together with any other amounts due pursuant to the terms of the Indenture, and enforce the Security Interest hereby constituted, by such proceedings authorized by the Indenture or by law or equity as the Trustee in such request shall have been directed to take, or if such request contains no such direction, or if the Trustee shall act without such request, then by such proceedings authorized by the Indenture or by suit at law or in equity as the Trustee shall deem expedient.

Pursuant to the terms of the Indenture, the Trustee shall be entitled and empowered, either in its own name or as Trustee of an express trust, or as attorney-in-fact for the holders of the Series II 9.5% Convertible Debentures, or in any one or more of such capacities, to file such proof of debt, amendment of proof of debt, claim, petition or other document as may be necessary or advisable in order to have the claims of the Trustee and of the holders of the Series II 9.5% Convertible Debentures allowed in any insolvency, bankruptcy, liquidation or other judicial proceedings relative to the Company or its creditors or relative to or affecting its property. The Trustee is hereby irrevocably appointed (and the successive respective holders of the Series II 9.5% Convertible Debentures by taking and holding the same shall be conclusively deemed to have so appointed the Trustee) the true and lawful attorney-in-fact of the respective holders of the Series II 9.5% Convertible Debentures with authority to make and file in the respective names of the holders of the Series II 9.5% Convertible Debentures or on behalf of the holders of the Series II 9.5% Convertible Debentures as a class, subject to deduction from any such claims of the amounts of any claims filed by any of the holders of the Series II 9.5% Convertible Debentures themselves, any proof of debt, amendment of proof of debt, claim, petition or other document in any such proceedings and to receive payment of any sums becoming distributable on account thereof, and to execute any such other papers and documents and to do and perform any and all such acts and things for and on behalf of such holders of the Series II 9.5% Convertible Debentures, as may be necessary or advisable in the opinion of the Trustee, in order to have the respective claims of the Trustee and of the holders of the Series II 9.5% Convertible Debentures against the Company or its property allowed in any such proceeding, and to receive payment of or on account of such claims; provided, however, that subject to the terms of the Indenture, nothing contained in the Indenture shall be deemed to give to the Trustee, unless so authorized by Extraordinary Resolution, any right to accept or consent to any plan of reorganization or otherwise by action of any character in such proceeding to waive or change in any way any right of any Debentureholder.

The Trustee shall also have the power at any time and from time to time to institute and to maintain such suits and proceedings as it may be advised shall be necessary or advisable to preserve and protect its interests and the interests of the Debentureholders.

All rights of action under the Indenture may be enforced by the Trustee without the possession of any of the Series II 9.5% Convertible Debentures or the production thereof on the trial or other proceedings relating thereto. Any such suit or proceeding instituted by the Trustee shall be brought in the name of the Trustee as trustee of an express trust, and any recovery of judgment shall be for the rateable benefit of the holders of the Series II 9.5% Convertible Debentures subject to the provisions of the Indenture. In any proceeding brought by the Trustee (and also any proceeding in which a declaratory judgment of a court may be sought as to the interpretation or

construction of any provision of the Indenture, to which the Trustee shall be a party) the Trustee shall be held to represent all the holders of the Series II 9.5% Convertible Debentures, and it shall not be necessary to make any holders of the Series II 9.5% Convertible Debentures parties to any such proceeding.

If the Trustee has become entitled to enforce the Security Interest under the Indenture:

- (i) the Trustee, by itself, its officers, its agents or its attorneys, may, in its discretion, and either with or without notice as it in its absolute discretion determines, enter into and upon and take possession of the Secured Property with full power to exclude the Company and additionally shall have full power and authority:
 - (A) to carry on, manage and conduct the business operations of the Company relating to the Secured Property and to borrow money in its own name or advance its own monies for the purpose of the conduct of such business operations, the maintenance and preservation of the Secured Property or any part thereof, the making of such replacements of and additions to the Secured Property as the Trustee shall deem desirable, and the payment of taxes, wages and other charges ranking in priority to the Security Interest constituted under the Indenture and of current operating expenses incurred not more than 45 Business Days prior to such taking of possession, and monies so borrowed or advanced shall be repaid by the Company on demand and until repaid shall (with Interest thereon) be secured by the Security Interest constituted under the Indenture in priority to sums otherwise secured under the Indenture; and
 - (B) to receive and give notifications of and receipts for the revenues, incomes, issues and profits in respect of the Secured Property and to pay therefrom the reasonable costs, charges and expenses of the Trustee incurred in connection with carrying on the said business operations, and all taxes, assessments and other charges against such property ranking in priority to the Security Interest constituted under the Indenture or the payment of which may be necessary to preserve such property, and to apply the remainder of the monies so received in the same manner as if the same arose from a sale or realization of such property. If so requested in a Debentureholders' Request, the Trustee and such agents and attorneys shall return such business and property to the Company without prejudice to the rights of the Trustee and the Debentureholders hereunder with respect to the same Event of Default (if not then waived or remedied) or any other subsequent Event of Default, and in such event, the balance of income received by the Trustee pursuant hereto, after payment in full of all amounts due to or property payable to the Trustee hereunder, shall be returned to the Company and the Security Interest constituted under the Indenture shall no longer be deemed to have become enforceable by reason of the Event of Default which theretofore existed, but the rights arising out of the same Event of Default (if not then waived or remedied) or any other subsequent Event of Default shall not be affected thereby;
- (ii) the Trustee, either after entry as aforesaid or after other entries by itself or its agents, or without any entry, may in its discretion sell or dispose of the Secured Property either as a whole or in separate parcels (to the extent permitted by Applicable Laws):
 - (A) by private contract upon notice to the Company given prior thereto of such length as the Trustee may deem proper; or
 - (B) at public auction or by public tender, having first given such notice of the time and place of such sale to the Company and otherwise as the Trustee may deem proper. The Trustee may make any such sale either for cash or upon credit and upon such reasonable conditions as to upset or reserve bid or price and terms of

payment as it may deem proper, rescind or vary any contract or sale that may have been entered into and re-sell with or under any of the powers conferred herein, adjourn such sale from time to time, and execute and deliver to the purchaser or purchasers of the said property or any part thereof good and sufficient deed or deeds for the same, the Trustee being irrevocably constituted, under the Indenture, the attorney of the Company for the purpose of making such sale and executing such deeds, and any such sale made as aforesaid shall be a perpetual bar at law and in equity against the Company, its successors and assigns and all other Persons claiming the said property or any part or parcel thereof by, from, through or under the Company or its successors or assigns, and the proceeds of any such sale shall be distributed in the manner provided in the Indenture;

- (iii) the Trustee may, with or without entry or sale as aforesaid, in its discretion proceed to protect and enforce its rights under the Indenture by sale under judgment or order in any judicial proceeding or by foreclosure or a suit or suits in equity or at law or otherwise whether for the specific performance of any covenant or agreement contained in the Indenture or in aid of the execution of the Indenture or for the enforcement of any other legal or equitable remedy as the Trustee shall deem most effective to protect and enforce any of the rights or duties of the Trustee and Debentureholders;
- (iv) the Trustee may in its discretion appoint a Receiver of the Secured Property or any part thereof and of the rents, issues, profits, revenues and income thereof and in respect thereto the following provisions shall apply:
 - (A) such appointment shall be made in writing signed by the Trustee and such writing shall be conclusive evidence for all purposes of such appointment. The Trustee may from time to time in the same manner remove any Receiver so appointed and appoint another in his stead; in making any such appointment the Trustee shall be deemed to be acting as the attorney for the Company;
 - (B) any such appointment may be limited to any part or parts of the Secured Property or may extend to the whole thereof;
 - (C) every such Receiver may, in the discretion of the Trustee, be vested with all or any of the powers and discretions of the Trustee;
 - (D) the Trustee may from time to time fix the reasonable remuneration of every such Receiver and direct the payment thereof out of the Secured Property, the income therefrom or the proceeds thereof (in priority to the Trustee);
 - (E) the Trustee may from time to time require any such Receiver to give security for the performance of its duties and may fix the nature and amount thereof, but shall not be bound to require such security;
 - (F) every such Receiver may, with the consent in writing of the Trustee, borrow money for the purposes of carrying on the business of the Company in respect of any part of the Secured Property or for the maintenance, protection or preservation of the Secured Property or any part thereof, and any Receiver may issue certificates (in this Section called "**Receiver's Certificates**") for such sums as will, in the opinion of the Trustee, be sufficient for obtaining upon the security of the Secured Property or any part thereof the amounts from time to time required, and such Receiver's Certificates may be payable either to order or bearer and may be payable at such time or times as the Trustee may consider expedient, and shall bear Interest at the Interest Rate and the Receiver may sell, pledge or otherwise dispose of the same in such manner as the Trustee may

consider advisable and may pay such commission on the sale thereof as the Trustee may consider reasonable, and the amount from time to time payable by virtue of such Receiver's Certificates shall at the option of the Trustee be entitled to the Security Interest hereby constituted in priority to the principal, Interest and other amounts secured by the Indenture;

- (G) every such Receiver shall, so far as concerns responsibility for his acts or omissions, be deemed the agent of the Company, and in no event the agent of the Trustee or any Debentureholder, and the Trustee shall not, in making or consenting to such appointment, incur any liability to any Receiver for his remuneration or otherwise howsoever;
- (H) except as may be otherwise directed by the Trustee all monies from time to time received by any Receiver shall be paid over to the Trustee at the principal office of the Trustee in Calgary, Alberta as hereinbefore provided, to be held by it as part of the Secured Property; and
- (I) the Trustee may pay over to any Receiver any monies constituting part of the Secured Property to the extent that the same may be applied for the purposes of the Indenture by such Receiver, and the Trustee may from time to time determine what funds any Receiver shall be at liberty to keep on hand with a view to the performance of his duties as such Receiver;

(v) the Trustee may, in its discretion in lieu of appointing a Receiver, and without regard to the adequacy of the Security Interest hereby constituted or the solvency of the Company, apply to any court or courts of competent jurisdiction for the appointment of a Receiver of the Secured Property, and of the rents, issues, profits, revenues and income thereof, with such powers as the court or courts making such appointment or appointments shall confer; and

(vi) the Company shall on demand by the Trustee yield up possession of the Secured Property whenever the Trustee shall have a right of entry under the foregoing provisions and agrees to put no obstacle in the way of, but to facilitate by all legal means, the actions of the Trustee or any Receiver hereunder and not to interfere with the carrying out of the powers granted hereby or conferred by any court or courts hereunder to or upon the Trustee or any Receiver.

(e) No Suits by Debentureholders

No holder of any Debenture shall have any right to institute any action, suit or proceeding at law or in equity for the purpose of enforcing payment of the principal of or Interest on the Series II 9.5% Convertible Debentures or for the execution of any trust or power hereunder or for the appointment of a liquidator or receiver or for a receiving order under the *Bankruptcy and Insolvency Act* (Canada) or to have the Company wound up or to file or prove a claim in any liquidation or bankruptcy proceeding or for any other remedy under the Indenture, unless: (a) such holder shall previously have given to the Trustee written notice of the happening of an Event of Default under the Indenture; and (b) the Debentureholders by Extraordinary Resolution or by written instrument signed by the holders of at least 25% in principal amount of the Series II 9.5% Convertible Debentures then outstanding shall have made a request to the Trustee and the Trustee shall have been afforded reasonable opportunity either itself to proceed to exercise the powers granted under the Indenture or to institute an action, suit or proceeding in its name for such purpose; and (c) the Debentureholders or any of them shall have furnished to the Trustee, when so requested by the Trustee, sufficient funds and security and indemnity satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby; and (d) the Trustee shall have failed to act within a reasonable time after such notification, request and offer of indemnity and such notification, request and offer of indemnity are hereby declared in every such case, at the option of the Trustee, to be conditions precedent to any such proceeding or for any other remedy hereunder by or on behalf of the holder of any Debentures.

(f) Application of Monies by Trustee

- (i) Except as otherwise expressly provided in the Indenture, any monies received by the Trustee from the Company pursuant to the Indenture, or as a result of legal or other proceedings or from any trustee in bankruptcy or liquidator of the Company, shall be applied, together with any other monies in the hands of the Trustee available for such purpose, as follows:
 - (A) firstly, if and to the extent that the Trustee deems it in the interest of the Debentureholders generally, to pay all liens, Security Interests and other encumbrances (if any) on the Secured Property ranking or capable of ranking in priority to the Security Interest granted herein or to keep in good standing any such prior encumbrances;
 - (B) second, in payment or in reimbursement to the Trustee of its compensation, costs, charges, expenses, borrowings, advances or other monies furnished or provided by or at the instance of the Trustee in or about the execution of its trusts under, or otherwise in relation to, the Indenture, with Interest thereon as herein provided;
 - (C) third, but subject the terms of the Indenture, in payment, rateably and proportionately to the holders of Debentures, of the principal of and premium (if any) and accrued and unpaid Interest and Interest on amounts in default on the Series II 9.5% Convertible Debentures which shall then be outstanding in the priority of principal first and then premium and then accrued and unpaid Interest and Interest on amounts in default unless otherwise directed by Extraordinary Resolution and in that case in such order or priority as between principal, premium (if any) and Interest as may be directed by such resolution; and
 - (D) fourth, to pay the amount owing on any mortgages, charges, liens, security interests and other encumbrances ranking junior to the Security Interest; and
 - (E) fifth, in payment of the surplus, if any, of such monies to the Company or its assigns;

provided, however, that no payment shall be made pursuant to clause (C) above in respect of the principal, premium or Interest on any Debenture held, directly or indirectly, by or for the benefit of the Company or any Subsidiary (other than any Debenture pledged for value and in good faith to a person other than the Company or any Subsidiary but only to the extent of such person's interest therein) except subject to the prior payment in full of the principal, premium (if any) and Interest (if any) on all Debentures which are not so held.

- (ii) The Trustee shall not be bound to apply or make any partial or interim payment of any monies coming into its hands if the amount so received by it, after reserving thereout such amount as the Trustee may think necessary to provide for the payments mentioned in the Indenture, is insufficient to make a distribution of at least 2% of the aggregate principal amount of the outstanding Debentures, but it may retain the money so received by it and invest or deposit the same as provided pursuant to the Indenture until the money or the investments representing the same, with the income derived therefrom, together with any other monies for the time being under its control shall be sufficient for the said purpose or until it shall consider it advisable to apply the same in the manner hereinbefore set forth. The foregoing shall, however, not apply to a final payment in distribution hereunder.

(g) Notice of Payment by Trustee

Not less than 15 days' notice shall be given in the manner provided pursuant to the Indenture by the Trustee to the Debentureholders of any payment to be made under the Indenture. Such notice shall state the time when and place where such payment is to be made and also the liability under the Indenture to which it is to be applied. After the day so fixed, unless payment shall have been duly demanded and have been refused, the Debentureholders will be entitled to interest only on the balance (if any) of the principal monies, premium (if any) and interest (if any) due to them, respectively, on the Series II 9.5% Convertible Debentures, after deduction of the respective amounts payable in respect thereof on the day so fixed.

(h) Trustee May Demand Production of Debentures

The Trustee shall have the right to demand production of the Series II 9.5% Convertible Debentures in respect of which any payment of principal, Interest or premium required by the Indenture is made and may cause to be endorsed on the same a memorandum of the amount so paid and the date of payment, but the Trustee may, in its discretion, dispense with such production and endorsement, upon such indemnity being given to it and to the Company as the Trustee shall deem sufficient.

(i) Remedies Cumulative

No remedy conferred in the Indenture upon or reserved to the Trustee, or upon or to the holders of Debentures is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now existing or hereafter to exist by law or by equity.

(j) Judgment Against the Company

The Company covenants and agrees with the Trustee that, in case of any judicial or other proceedings to enforce the rights of the Debentureholders, judgment may be rendered against it in favour of the Debentureholders or in favour of the Trustee, as trustee for the Debentureholders, for any amount which may remain due in respect of the Series II 9.5% Convertible Debentures and premium (if any) and the Interest thereon and any other monies owing hereunder.

(k) Immunity of Trustee and Others

The Debentureholders and the Trustee waive and release any right, cause of action or remedy now or hereafter existing in any jurisdiction against any past, present or future officer or director of the Company or holder of Common Shares of the Company or of any successor thereto, for the payment of the principal or premium or Interest on any of the Series II 9.5% Convertible Debentures or on any covenant, agreement, representation or warranty by the Company herein or in the Series II 9.5% Convertible Debentures contained.

5.2.2 ***Meetings of Debentureholders***

This section contains a description of the terms of the Indenture with respect to meetings of Debentureholders and is a summary only and is subject to the provisions of the Indenture. To the extent any description of the Indenture contained in this Offering Memorandum conflict with the provisions of the Indenture, the terms of the Indenture shall govern and control.

(a) Right to Convene Meeting

The Trustee or the Company may at any time and from time to time, and the Trustee shall, on receipt of a written request of the Company or a written request signed by the holders of not less than 25% of the Principal Amount of the Series II 9.5% Convertible Debentures and upon receiving funding and being indemnified to its reasonable satisfaction by the Company or by the Debentureholders signing such request against the costs which may be incurred in connection with the calling and holding of such meeting, convene a meeting of the Debentureholders. In the event of the Trustee failing, within 30 days after receipt of any such request and such funding or indemnity, to give notice convening a meeting, the Company or such Debentureholders, as the case may be, may convene such meeting. Every such meeting shall be held in the City of Edmonton or at such other place as may be approved or determined by the Trustee.

(b) Notice of Meetings

- (i) At least 21 days' notice of any meeting shall be given to the Debentureholders in the manner provided pursuant to the terms of the Indenture and a copy of such notice shall be sent by post to the Trustee, unless the meeting has been called by it. Such notice shall state the time when and the place where the meeting is to be held and shall state briefly the general nature of the business to be transacted thereat and it shall not be necessary for any such notice to set out the terms of any resolution to be proposed or any of the relevant provisions of the Indenture. The accidental omission to give notice of a meeting to any holder of Debentures shall not invalidate any resolution passed at any such meeting. A holder may waive notice of a meeting either before or after the meeting.
- (ii) Subject to the relevant provisions of the Indenture, the determination as to whether any business to be transacted at a meeting of Debentureholders, or any action to be taken or power to be exercised by instrument in writing under the relevant terms of the Indenture, especially affects the rights of the Debentureholders of one or more series in a manner or to an extent differing in any material way from that in or to which it affects the rights of Debentureholders of any other series (and is therefore an especially affected series) shall be determined by an opinion of counsel, which shall be binding on all Debentureholders, the Trustee and the Company for all purposes hereof and of the Indenture.

(c) A proposal:

- (i) to extend the maturity of Debentures of any particular series or to reduce the principal amount thereof, the rate of Interest or redemption premium thereon or to impair any conversion right thereof;
- (ii) to modify or terminate any covenant or agreement which by its terms is effective only so long as Debentures of a particular series are outstanding; or
- (iii) to reduce with respect to Debentureholders any percentage stated in certain provisions of the Indenture;

shall be deemed to especially affect the rights of the Debentureholders in a manner differing in a material way from that in which it affects the rights of holders of debentures of any other series, whether or not a similar extension, reduction, modification or termination is proposed with respect to debentures of any or all other series.

(d) Chairman

Some person, who need not be a Debentureholder, nominated in writing by the Trustee shall be chairman of the meeting and if no person is so nominated, or if the person so nominated is not present within 15

minutes from the time fixed for the holding of the meeting, a majority of the Debentureholders present in person or by proxy shall choose some person present to be chairman.

(e) Quorum

Subject to the provisions of the Indenture, at any meeting of the Debentureholders a quorum shall consist of Debentureholders present in person or by proxy and representing at least 25% in principal amount of the outstanding Debentures. If a quorum of the Debentureholders shall not be present within 30 minutes from the time fixed for holding any meeting, the meeting, if summoned by the Debentureholders or pursuant to a request of the Debentureholders, shall be dissolved, but in any other case the meeting shall be adjourned to the same day in the next week (unless such day is not a Business Day in which case it shall be adjourned to the next following Business Day) at the same time and place and no notice shall be required to be given in respect of such adjourned meeting. At the adjourned meeting, the Debentureholders present in person or by proxy shall, subject to the terms of the Indenture, constitute a quorum and may transact the business for which the meeting was originally convened notwithstanding that they may not represent 25% of the principal amount of the outstanding Debentures or of the Series II 9.5% Convertible Debentures then outstanding. Any business may be brought before or dealt with at an adjourned meeting which might have been brought before or dealt with at the original meeting in accordance with the notice calling the same. No business shall be transacted at any meeting unless the required quorum is present at the commencement of business.

(f) Power to Adjourn

The chairman of any meeting at which a quorum of the Debentureholders is present may, with the consent of the holders of a majority in principal amount of the Series II 9.5% Convertible Debentures represented thereat, adjourn any such meeting and no notice of such adjournment need be given except such notice, if any, as the meeting may prescribe.

(g) Show of Hands

Every question submitted to a meeting shall, subject to the terms of the Indenture, be decided in the first place by a majority of the votes given on a show of hands except that votes on Extraordinary Resolutions shall be given in the manner hereinafter provided. At any such meeting, unless a poll is duly demanded as herein provided, a declaration by the chairman that a resolution has been carried or carried unanimously or by a particular majority or lost or not carried by a particular majority shall be conclusive evidence of the fact. The chairman of any meeting shall be entitled, both on a show of hands and on a poll, to vote in respect of the Series II 9.5% Convertible Debentures, if any, held by him.

(h) Poll

On every Extraordinary Resolution, and on any other question submitted to a meeting when demanded by the chairman or by one or more Debentureholders or proxies for Debentureholders, a poll shall be taken in such manner and either at once or after an adjournment as the chairman shall direct. Questions other than Extraordinary Resolutions shall, if a poll be taken, be decided by the votes of the holders of a majority in principal amount of the Series II 9.5% Convertible Debentures and of each especially affected series, if applicable, represented at the meeting and voted on the poll.

(i) Voting

On a show of hands every person who is present and entitled to vote, whether as a Debentureholder or as proxy for one or more Debentureholders or both, shall have one vote. On a poll each Debentureholder present in person or represented by a proxy duly appointed by an instrument in writing shall be entitled to one vote in respect of each \$100 principal amount of Debentures of which he shall then be the holder. In the case of any Debenture denominated in a currency or currency unit other than Canadian dollars, the principal amount thereof for these purposes shall be computed in Canadian dollars on the basis of the conversion of the principal amount thereof at the applicable spot buying rate of exchange for such other currency or currency unit as

reported by the Bank of Canada at the close of business on the Business Day next preceding the meeting. Any fractional amounts resulting from such conversion shall be rounded to the nearest \$100. A proxy need not be a Debentureholder. In the case of joint holders of a Debenture, any one of them present in person or by proxy at the meeting may vote in the absence of the other or others but in case more than one of them be present in person or by proxy, they shall vote together in respect of the Series II 9.5% Convertible Debentures of which they are joint holders.

(j) Proxies

A Debentureholder may be present and vote at any meeting of Debentureholders by an authorized representative. The Company (in case it convenes the meeting) or the Trustee (in any other case) for the purpose of enabling the Debentureholders to be present and vote at any meeting without producing their Debentures, and of enabling them to be present and vote at any such meeting by proxy and of lodging instruments appointing such proxies at some place other than the place where the meeting is to be held, may from time to time make and vary such regulations as it shall think fit providing for and governing any or all of the following matters:

- (i) the form of the instrument appointing a proxy, which shall be in writing, and the manner in which the same shall be executed and the production of the authority of any person signing on behalf of a Debentureholder;
- (ii) the deposit of instruments appointing proxies at such place as the Trustee, the Company or the Debentureholder convening the meeting, as the case may be, may, in the notice convening the meeting, direct and the time, if any, before the holding of the meeting or any adjournment thereof by which the same must be deposited; and
- (iii) the deposit of instruments appointing proxies at some approved place or places other than the place at which the meeting is to be held and enabling particulars of such instruments appointing proxies to be mailed, faxed or sent by other electronic means before the meeting to the Company or to the Trustee at the place where the same is to be held and for the voting of proxies so deposited as though the instruments themselves were produced at the meeting.

Any regulations so made shall be binding and effective and the votes given in accordance therewith shall be valid and shall be counted. Save as such regulations may provide, the only persons who shall be recognized at any meeting as the holders of any Debentures, or as entitled to vote or be present at the meeting in respect thereof, shall be Debentureholders and persons whom Debentureholders have by instrument in writing duly appointed as their proxies.

(k) Persons Entitled to Attend Meetings

The Company and the Trustee, by their respective officers and directors, the Auditors of the Company and the legal advisors of the Company, the Trustee or any Debentureholder may attend any meeting of the Debentureholders, but shall have no vote as such except as set out in the Indenture.

(l) Powers Exercisable by Extraordinary Resolution

In addition to the powers conferred upon them by any other provisions of the Indenture or by law, a meeting of the Debentureholders shall have the following powers exercisable from time to time by Extraordinary Resolution, subject in the case of certain exceptions to receipt of the prior approval of any Exchange on which the Series II 9.5% Convertible Debentures may then be listed:

- (i) power to authorize the Trustee to grant extensions of time for payment of any principal, premium or Interest on the Series II 9.5% Convertible Debentures, whether or not the principal, premium or Interest, the payment of which is extended, is at the time due or overdue;

- (ii) power to sanction any modification, abrogation, alteration, compromise or arrangement of the rights of the Debentureholders or the Trustee against the Company, or against its property, whether such rights arise under the Indenture or the Series II 9.5% Convertible Debentures or otherwise;
- (iii) power to assent to any modification of or change in or addition to or omission from the provisions contained in the Indenture which shall be agreed to by the Company and to authorize the Trustee to concur in and execute any indenture supplemental to the Indenture embodying any modification, change, addition or omission;
- (iv) power to sanction any scheme for the reconstruction, reorganization or recapitalization of the Company or for the consolidation, amalgamation or merger of the Company with any other person or for the sale, leasing, transfer or other disposition of all or substantially all of the undertaking, property and assets of the Company or any part thereof, provided that no such sanction shall be necessary in respect of any such transaction if the provisions of the Indenture have been complied with;
- (v) power to direct or authorize the Trustee to exercise any power, right, remedy or authority given to it by the Indenture in any manner specified in any such Extraordinary Resolution or to refrain from exercising any such power, right, remedy or authority;
- (vi) power to waive, and direct the Trustee to waive, any default hereunder and/or cancel any declaration made by the Trustee pursuant to the terms of the Indenture either unconditionally or upon any condition specified in such Extraordinary Resolution;
- (vii) power to restrain any Debentureholder from taking or instituting any suit, action or proceeding for the purpose of enforcing payment of the principal, premium or Interest on the Series II 9.5% Convertible Debentures, or for the execution of any trust or power hereunder;
- (viii) power to direct any Debentureholder who, as such, has brought any action, suit or proceeding to stay or discontinue or otherwise deal with the same upon payment, if the taking of such suit, action or proceeding shall have been permitted by the Indenture, of the costs, charges and expenses reasonably and properly incurred by such Debentureholder in connection therewith;
- (ix) power to assent to any compromise or arrangement with any creditor or creditors or any class or classes of creditors, whether secured or otherwise, and with holders of any shares or other securities of the Company;
- (x) power to appoint a committee with power and authority (subject to such limitations, if any, as may be prescribed in the resolution) to exercise, and to direct the Trustee to exercise, on behalf of the Debentureholders, such of the powers of the Debentureholders as are exercisable by Extraordinary Resolution or other resolution as shall be included in the resolution appointing the committee. The resolution making such appointment may provide for payment of the expenses and disbursements of and compensation to such committee. Such committee shall consist of such number of persons as shall be prescribed in the resolution appointing it and the members need not be themselves Debentureholders. Every such committee may elect its chairman and may make regulations respecting its quorum, the calling of its meetings, the filling of vacancies occurring in its number and its procedure generally. Such regulations may provide that the committee may act at a meeting at which a quorum is present or may act by minutes signed by the number of members thereof necessary to constitute a quorum. All acts of any such committee within the authority delegated to it shall be binding upon all Debentureholders. Neither the committee nor any member thereof shall be liable for any

loss arising from or in connection with any action taken or omitted to be taken by them in good faith;

- (xi) power to remove the Trustee from office and to appoint a new Trustee or Trustees provided that no such removal shall be effective unless and until the new Trustee or Trustees shall have become bound by the Indenture;
- (xii) power to sanction the exchange of the Series II 9.5% Convertible Debentures for or the conversion thereof into shares, bonds, debentures or other securities or obligations of the Company or of any other person formed or to be formed;
- (xiii) power to authorize the distribution in specie of any shares or securities received pursuant to a transaction authorized under the provisions the Indenture; and
- (xiv) power to amend, alter or repeal any Extraordinary Resolution previously passed or sanctioned by the Debentureholders or by any committee appointed pursuant to the provisions of the Indenture.

Notwithstanding the provisions of the Indenture summarized in the foregoing section, none of such provisions shall in any manner allow or permit any amendment, modification, abrogation contrary to the terms of the Indenture.

(m) Powers Cumulative

Any one or more of the powers in the Indenture stated to be exercisable by the Debentureholders by Extraordinary Resolution or otherwise may be exercised from time to time and the exercise of any one or more of such powers from time to time shall not be deemed to exhaust the rights of the Debentureholders to exercise the same or any other such power or powers thereafter from time to time.

(n) Minutes

Minutes of all resolutions and proceedings at every meeting as aforesaid shall be made and duly entered in books to be from time to time provided for that purpose by the Trustee at the expense of the Company, and any such minutes as aforesaid, if signed by the chairman of the meeting at which such resolutions were passed or proceedings had, or by the chairman of the next succeeding meeting of the Debentureholders, shall be *prima facie* evidence of the matters therein stated and, until the contrary is proved, every such meeting, in respect of the proceedings of which minutes shall have been made, shall be deemed to have been duly held and convened, and all resolutions passed thereat or proceedings taken thereat to have been duly passed and taken.

(o) Instruments in Writing

All actions which may be taken and all powers that may be exercised by the Debentureholders at a meeting may also be taken and exercised by the holders of 66 2/3% of the principal amount of all the outstanding Debentures, by an instrument in writing signed in one or more counterparts and the expression "**Extraordinary Resolution**" when used in the Indenture shall include an instrument so signed.

(p) Binding Effect of Resolutions

Every resolution and every Extraordinary Resolution passed in accordance with the provisions of the Indenture at a meeting of Debentureholders shall be binding upon all the Debentureholders, whether present at or absent from such meeting, and every instrument in writing signed by Debentureholders in accordance with the Indenture shall be binding upon all the Debentureholders, whether signatories thereto or not, and each and every Debentureholder and the Trustee (subject to the provisions for its indemnity herein contained) shall be bound to give effect accordingly to every such resolution, Extraordinary Resolution and instrument in writing.

(q) Meaning of "Extraordinary Resolution"

- (i) The expression "**Extraordinary Resolution**" when used in the Indenture and described in this Offering Memorandum means, subject as hereinafter in this section provided, a resolution proposed to be passed as an Extraordinary Resolution at a meeting of Debentureholders (including an adjourned meeting) duly convened for the purpose and held in accordance with the provisions of this section and passed by the favourable votes of the holders of not less than 66 2/3% of the principal amount of the Series II 9.5% Convertible Debentures then outstanding and voted upon on a poll on such resolution.
- (ii) If, at any such meeting, the holders of not less than 25% of the principal amount of the Series II 9.5% Convertible Debentures then outstanding are not present in person or by proxy within 30 minutes after the time appointed for the meeting, then the meeting, if convened by or on the requisition of Debentureholders, shall be dissolved but in any other case it shall stand adjourned to such date, being not less than 14 nor more than 60 days later, and to such place and time as may be appointed by the chairman. Not less than 10 days notice shall be given of the time and place of such adjourned meeting in the manner provided in this Section 12 and the Indenture. Such notice shall state that at the adjourned meeting the Debentureholders present in person or by proxy shall form a quorum. At the adjourned meeting the Debentureholders present in person or by proxy shall form a quorum and may transact the business for which the meeting was originally convened and a resolution proposed at such adjourned meeting and passed thereat by the affirmative vote of holders of not less than 66 2/3% of the principal amount of the Series II 9.5% Convertible Debentures then outstanding shall be an Extraordinary Resolution within the meaning of the Indenture, notwithstanding that the holders of not less than 25% in principal amount of the Series II 9.5% Convertible Debentures then outstanding are not present in person or by proxy at such adjourned meeting.
- (iii) Votes on an Extraordinary Resolution shall always be given on a poll and no demand for a poll on an Extraordinary Resolution shall be necessary.

5.2.3 ***Debentures***

This section contains a description of the provisions of the Indenture with respect to the transfer, exchange and replacement of Debentures and is a summary only and is subject to the provisions of the Indenture. To the extent any provisions set out in this Offering Memorandum conflict with the provisions of the Indenture, the terms of the Indenture shall govern and control.

(a) Transfer and Exchange of Debentures.

- (i) Upon any assignment by any Purchaser of its rights and obligations in accordance with the terms of the subscription agreement and the Indenture to any other Person, and upon surrender of any Debenture issued in the name of the assigning Purchaser in connection therewith to the Trustee and with the prior written consent of the Company, in accordance with the terms of the Indenture, the Company shall execute and deliver, at the Company's expense, one or more new Debentures, (as requested by the assigning Purchaser) in exchange therefor, in an aggregate principal amount equal to the unpaid Principal Amount (and accrued and unpaid Interest owing in respect thereof) of the surrendered Debenture (evidencing the same and continuing obligation of the Debenture(s) so surrendered). Each such new Debenture shall be substantially in the form of set out in the Indenture and shall be dated and bear Interest from the date to which Interest shall have been paid on the surrendered Debenture.
- (ii) No transfer of any Debenture will be valid unless duly entered on the appropriate register of transfers upon the surrender to the Trustee of the Debenture certificate, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Trustee

executed by, the registered holder or his executors, administrators or other legal representatives or his or their attorney duly appointed by an instrument in writing in form and execution satisfactory to the Trustee and with the written consent of the Company, and, upon compliance with such requirements and other reasonable requirements as the Trustee may prescribe, such transfer will be duly noted on the appropriate register of transfers by the Trustee.

- (iii) The transferee of a Debenture shall be entitled, after the appropriate form of transfer is lodged with the Trustee or other registrar and upon compliance with all other conditions in that behalf required by the Indenture or by law, to be entered on the register as the owner of such Debenture free from all equities or rights of set-off or counterclaim between the Company and the transferor or any previous holder of such Debenture, save in respect of equities of which the Company is required to take notice by statute or by order of a court of competent jurisdiction.

(b) Replacement of Debentures.

In case any of the Series II 9.5% Convertible Debentures issued under the Indenture shall become mutilated or be lost, stolen or destroyed, the Company, in its discretion, may issue, and thereupon the Trustee shall certify and deliver, a new Debenture upon surrender and cancellation of the mutilated Debenture, or in the case of a lost, stolen or destroyed Debenture, in lieu of and in substitution for the same, and the substituted Debenture shall be in a form approved by the Trustee and shall be entitled to the benefits of the Indenture and rank equally in accordance with its terms with all other Debentures issued or to be issued hereunder. In case of loss, theft or destruction the applicant for a substituted Debenture shall furnish to the Company and to the Trustee such evidence of the loss, theft or destruction of the Series II 9.5% Convertible Debenture and such other documents as shall be satisfactory to them in their respective discretion and shall also furnish an indemnity and surety bond satisfactory to them in their respective discretion. The applicant shall pay all reasonable expenses incidental to the issuance of any substituted Debenture.

5.3 *Subscription Procedure*

A Purchaser may subscribe for the Series II 9.5% Convertible Debentures by delivering the following documents to the Company at the address shown in the subscription agreement:

- (a) an executed subscription agreement, including attachments, in the form provided with this Offering Memorandum;
- (b) a certified cheque, bank draft or wire transfer made payable in accordance with the instructions set out in the subscription agreement. The subscription funds will be held in trust until the appointed closing date. Thereafter, First Access intends to complete subscriptions in one or more closings as subscriptions are received. See "Item 11": Purchaser's Rights; and
- (c) this Offering is not subject to any aggregate minimum subscription level, and therefore any funds received from a Purchaser are available to the Company and need not be refunded to the Purchaser. The Company anticipates that there will be multiple closings.

ITEM 6: INCOME TAX CONSEQUENCES AND RRSP ELIGIBILITY

6.1 You should consult your own professional advisers to obtain advice on the income tax consequences that apply to you.

6.2 You should consult your own professional advisers to obtain advice on appropriate legal, tax and accounting issues and implications prior to making an investment.

6.3 Not all securities are eligible for investment in a registered retirement savings plan (RRSP). You should consult your own professional advisers to obtain advice on the RRSP eligibility of these securities.

ITEM 7: COMPENSATION PAID TO THE SELLING AGENTS AND OTHER FEES

Subject to compliance with all Applicable Securities Laws, at each Closing the Company has agreed to pay exempt market dealers registered under Applicable Securities Laws or qualified referral agents (collectively, "Selling Agents") a cash commission equal to up to a maximum of 4.0% of the aggregate subscription proceeds received by the Company pursuant to the Offering in respect of subscriptions introduced by that Selling Agent. In certain cases and subject to compliance with all Applicable Securities laws, the Company may pay additional fees to Selling Agents, consultants or other persons for such services and in such amounts as the Company may determine, in its sole discretion.

In connection with the brokered portion of the offering, the Company may enter into one or more selling agency agreements with exempt market dealers containing customary terms and conditions for agreements of such nature, which agreement or agreements may include terms which entitle the agent to terminate its obligations thereunder upon the occurrence of certain stated events as set out therein and which require the Company to indemnify the agent, its affiliates and each of their respective directors, officers, employees, dealers and agents against certain liabilities, claims, actions, complaints, losses, costs, fines, penalties, taxes, interest, damages and expenses.

In connection with the brokered portion of the Offering, the Company entered into the Consulting Services Agreement with Lateral Thought effective as of May 1, 2014, which agreement was to be amended and restated as of September 1, 2015, pursuant to which Lateral Thought has agreed to act as the Company's wholesale consultant for that portion of the Offering and, subject to compliance with all Applicable Securities Laws, to provide the Lateral Thought Services to certain exempt market dealers. In consideration for the Lateral Thought Services rendered by Lateral Thought and only in respect of subscriptions introduced by certain exempt market dealers, the Company has agreed to pay Lateral Thought a fee equal to 0.50% of the first \$500,000 of capital raised by such exempt market dealers in each calendar month, and 1.25% of all capital raised by such exempt market dealers in each calendar month in excess of \$500,000, calculated and payable on a monthly basis.

ITEM 8: RISK FACTORS

The purchase of the Series III 8.5% Debentures offered hereby is suitable only for sophisticated investors of adequate financial means who can bear the risk of loss associated with an investment in the Company and who have no need for liquidity in this investment. Prospective investors should give careful consideration to the following risk factors in evaluating the merits and suitability of an investment in the Company. The following does not purport to be a comprehensive summary of all the risks associated with an investment in the Company. Rather, the following are only certain particular risks to which the Company is subject. Management urges prospective investors to discuss such risks and other potential risks in detail with their professional advisors prior to making an investment decision. INVESTORS MAY LOSE THEIR ENTIRE INVESTMENT.

There are trends and factors that may be beyond the Company's control which affect its operations and business. Such trends and factors include adverse changes in the conditions in the specific markets for the Company's products and services, the conditions in the broader market for vehicle and consumer financing and the conditions in the domestic or global economy generally. Although the Company's performance is affected by the general condition of the economy, not all of its service areas are affected equally. It is not possible for management to accurately predict economic fluctuations and the impact of such fluctuations on its performance. Specific risk factors include, but are not limited to, the following:

Limited Operating History

The Company has a limited history of operations, is in the early stage of development and must be considered a start-up. As such, the Company is subject to many risks common to such enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial and other resources and the lack of revenues. There is

no assurance that the Company will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered in light of its early stage of operations.

Nature of Loan Portfolio

The Company's portfolio of automotive loans is secured by automobiles. All automotive investments are subject to elements of risk. Automobile values are affected by general economic conditions, competition from other available financial lenders and other factors described below. While independent appraisals are generally reviewed and evaluated before the Company makes any automotive investments, the appraised values provided therein, even where reported on an "as is" basis are not necessarily reflective of the market value of the underlying automobile, which may fluctuate. The value of receivable finance contracts may also depend on the credit-worthiness and financial stability of the borrowers. The Company's income would be adversely affected if a significant number of borrowers were unable to pay their obligations to the Company or if the Company were unable to invest its funds in automotive loans on economically-favourable terms. On default by a borrower, the Company may experience delays in enforcing its rights as a lender and may incur substantial costs in protecting its investment. There are trends and factors that may be beyond the Company's control which affect its operations and business. Such trends and factors include adverse changes in the conditions in the specific markets for the Company's products and services, the conditions in the broader market for vehicle and consumer financing and the conditions in the domestic or global economy generally. It is not possible for management to accurately predict economic fluctuations and the impact of such fluctuations on its performance.

Receivables Consist Mainly of Loans made to "Non-Prime" Borrowers

The Company's receivables will consist primarily of "non-prime" automobile loan receivables originated under lending programs the Company has designed to serve consumers who have limited access to traditional financing. There is a high degree of risk associated with non-prime borrowers. Non-prime borrowers are characterized by higher-than-average delinquency and default rates. The typical non-prime borrower may have had previous financial difficulties or may not yet have sufficient credit history. Because the Company serves consumers who are unable to meet the credit standards imposed by most traditional financing sources, it charges interest at higher rates than those charged by many traditional financing sources. Non-prime loan receivables therefore entail relatively higher risk and are expected to experience higher levels of delinquencies and credit losses than receivables originated by traditional prime financing sources. The Company cannot guarantee delinquency and loss levels of the receivables will correspond to the forecasted levels the Company has projected for its portfolio. The Company will review static historical industry ratios of write-offs, current write-offs and recovery experience, estimates of the underlying collateral value and the economic conditions and trends to make the necessary judgments as to the appropriateness of the allowance for loan losses. There is a risk that delinquencies and losses could increase significantly for various reasons including, without limitation, recent fluctuations of the underlying collateral value due to the increased strength of the Canadian dollar; changes in the local, regional or national economies; and changes in federal income tax laws. In addition to the payment performance of the obligor, certain factors that may affect the ability to recoup the full amount due on a receivable include:

- failure to file financing statements to perfect a security interest in a financed vehicle;
- depreciation, obsolescence, damage or loss of any financed vehicle;
- fraud/forgery by the persons financing their vehicles;
- errors by government agencies (e.g. personal property security filings);
- priority liens on financed vehicles; and
- the application of federal and provincial bankruptcy and insolvency laws.

Federal or provincial laws may prohibit, limit or delay repossession and sale of the vehicles to recover losses on defaulted automobile finance and automobile repair contracts, as well as limit the Company's right to sue for any deficiency.

Future Financings

The development and growth of the business of the Company will require substantial additional financing. Failure to obtain sufficient financing may result in the stagnation of the business and ultimately lead to a loss of productivity and create losses in the Company. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favourable to the Company. In addition, any future financing may be dilutive to existing security holders of the Company.

General Investment Risk

An investment in the Company should be viewed as a speculative investment. It is not intended as a complete investment program and is designed only for investors who have adequate means of providing for their needs and contingencies without relying on any prospective distributions from the Company, who are financially able to maintain their investment and who can afford the loss of their entire investment. All investments in securities and other financial instruments risk the loss of invested capital. There can be no guarantee against losses resulting from an investment in the Company and there can be no assurance that the Company's lending practices will be successful or that its investment objectives will be attained. There is no assurance of any return on an investor's investment. The Company may realize substantial losses, rather than gains, from some or all of its loans to target borrowers. The success of the Company's investments will be affected by general economic conditions such as interest rates, availability of credit, inflation rates, prices of crude oil and gasoline, commodities, exchange rates, the growth rate of both the domestic and world economies, economic uncertainty, changes in laws and national and international political circumstances, and other conditions.

As well, the performance of any one investment is subject to numerous factors which are neither within the control of, nor can be predicted by, the Company. Such factors include a range of economic, political, competitive, and other conditions which may affect investments in general or specific industries or companies, including but not limited to: risks of an economic slowdown or downturn; industry trends and cycles; risks inherent in changes in prevailing market interest rates; funding opportunities and borrowing costs; changes in funding markets (including the asset-based securitization market); uncertainties associated with risk management, including credit risk management, asset/liability management and interest rate risk management; inadequacy of reserves for credit losses; risks associated with the value and recoverability of loans; and the entrance of new competitors in the credit granting business of the Company. The profitability of the Company substantially depends upon the Company correctly assessing the ability of the Borrowers in which the Company invests to repay their loans. There can be no assurance that the Company will be successful in accurately assessing such ability.

Small Company Risk

The Company is a small company. Small companies can be riskier investments than larger companies. They are often newer and may not have an established track record, extensive financial resources or a management depth. They are also more vulnerable to competition, lack of credit, and fluctuations in market demand for their products or services.

Geographic Concentration Risk

To date, the loans provided by the Company are highly concentrated in one geographic region. If economic factors in this region change, there is a risk that the number of loans in default will increase, which would adversely affect the financial results and profitability of the Company.

Debt Levels

The Company currently has, and will continue to have a significant amount of indebtedness. Its ability to make payments of principal and interest on its debt, including the Series III 8.5% Debentures, or to refinance its indebtedness will depend on the Company's future operating performance and its ability to enter into additional debt and equity financings, which to a certain extent is subject to economic, financial, competitive and other factors beyond its control.

If the Company is unable to generate sufficient cash flow in the future to service its debt it may be required to refinance all or a portion of its existing debt or obtain additional financing. There can be no assurance that any such refinancing would be possible or that any additional financing could be obtained on terms acceptable to the Company. The inability to obtain additional financing could have a material adverse effect on the Company. Any additional equity financing would result in the dilution of the shareholders.

Operating Loan Facility

In addition to funding provided by the Series III 8.5% Debentures and other offerings of the Company, First Access depends on the Operating Loan Facility to finance the funding of its loan contracts. The Operating Lender may terminate the availability of the Operating Loan Facility (including any undrawn portion) at any time without notice. There can be no assurance that future borrowings will be available to the Company, or available on acceptable terms in an amount sufficient to fund the Company's needs. In such a case, the business, financial condition, liquidity and results of operations or future prospects of the Company would suffer.

Market for Series III 8.5% Debentures

There is currently no market through which the Series III 8.5% Debentures may be sold and purchasers may not be able to resell the Series III 8.5% Debentures. No assurance can be given that an active or liquid trading market for the Series III 8.5% Debentures will develop or be sustained. If an active or liquid trading market for the Series III 8.5% Debentures does not develop or is not sustained, this may affect the pricing of the Series III 8.5% Debentures in the secondary market, the transparency and availability of trading price and the liquidity of the Series III 8.5% Debentures.

Dilution and Shareholdings

If additional financing is raised by way of Convertible Debentures being converted into Common Shares or further issuance of Warrants, control of the Company may change and current shareholders may suffer additional dilution. The value of the Common Shares is subject to volatility in market trends and conditions generally, notwithstanding any potential success of the Company in creating revenues, cash flows or earnings.

Credit Risk

The likelihood that purchasers of the Series III 8.5% Debentures will receive payments owing to them under the terms of the Series III 8.5% Debentures will depend on the financial health of the Company and its creditworthiness. Accordingly, there is no assurance the Company will have sufficient capital to repay the Series III 8.5% Debentures on the Maturity Date or that it will be able to raise sufficient capital on acceptable terms by the Maturity Date to repay the Series III 8.5% Debentures.

No Guaranteed Return

There is no guarantee that an investment in Series III 8.5% Debentures will earn any positive return or any return at all in the short or long term. Moreover, the interest rates being charged for automotive loans reflect the general level of interest rates and, as interest rates fluctuate, management of the Company expects that the aggregate yield on automotive loan investments will also change.

Failure to Meet Commitments

The Company may commit to making future automotive loan investments in anticipation of repayment of principal outstanding under existing finance contract investments. In the event that such repayments of principal are not made in contravention of the borrowers' obligations, the Company may be unable to advance some or all of the funds required to be advanced pursuant to the terms of its commitments and may face liability in connection with its failure to make such advances.

Competition

The Company will be competing for investments with individuals, corporations and institutions (both Canadian and foreign) which are seeking or may seek investments similar to those desired by the Company. Many of these investors will have greater financial resources than those of the Company, or operate without the investment or operating restrictions of the Company or according to more flexible conditions. An increase in the availability of investment funds and an increase in interest in such investments may increase competition for those investments, thereby increasing purchase prices and reducing the yield on the investments.

Vehicle purchase financing is a highly competitive market place. The companies that compete in this market place on a national level have significantly more financial, technical and human resources than the Company. They have solid reputations with dealers, debt providers and greater market experience. Competitors are considerably larger and are funded at a lower cost than the Company can currently obtain. There can be no assurance that the Company will be able to compete successfully in this market against current or future competitors or that such competition will not have a material adverse impact on the business, operations and financial condition of the Company.

Changes in Legislation

There can be no assurance that income tax laws and government incentive programs relating to the automotive industry will not be changed in a manner which adversely affects the Company.

Consumer Protection Laws and Government Regulation Risk

Numerous consumer protection laws and related regulations impose substantial requirements upon lenders involved in consumer finance. Additionally, federal and provincial laws impose restrictions on consumer transactions and require contract disclosures relating to the cost of borrowing and other matters. These requirements impose specific statutory liabilities upon creditors who fail to comply with their provisions. Courts have applied general equitable principles to secured parties pursuing repossession or litigation involving deficiency balances. These equitable principles may have the effect of relieving an obligor from some or all of the legal consequences of default.

The Company currently operates in an unregulated environment with regards to capital requirements. However, the *Criminal Code of Canada* imposes a restriction on the cost of borrowing in any lending transaction of 60%. The application of capital requirements or a reduction in the maximum cost of borrowing could impact the Company's ability to operate profitably.

The Company takes reasonable measures to ensure compliance with governing statutes, regulations or regulatory policies. A failure to comply with such statutes, regulations or regulatory policies in Canada could result in sanctions, fines or other settlements that could adversely affect both the Company's earnings and reputation. Changes to laws, statutes, regulations or regulatory policies could also change the economics of the Company's business activities.

Lending Risk

The Company's receivables will consist primarily of non-traditional loans to borrowers who may have had previous financial difficulties or may not yet have a sufficient credit history. These are borrowers that cannot meet the credit standards imposed by traditional lenders. There is a higher degree of risk associated with these borrowers. For this reason the Company will charge higher rates and expects to experience higher levels of delinquencies and credit losses than traditional lenders. The Company cannot guarantee that delinquency and loss levels will correspond with historical levels experienced in the industry. There is risk that delinquency rates and loss rates could increase significantly. The Company will maintain a uniform set of credit standards and a credit model to support the credit approval process. The Company will utilize risk-based pricing through its pricing matrix system to accurately reflect increasing levels of risk. Many applications may be approved with a significant number of conditions and many contracts will not be funded due to the borrower's inability to comply with approval conditions. The Company will maintain a proactive position on collection of its finance receivables. The Company's systems collect payments electronically which provides for quick notification of delinquencies. Delinquent borrowers are normally contacted on the same day the Company learns that a payment has not cleared their account. The Company will report to credit

reporting agencies in order to provide customers with additional motivation to make timely payments. For each loan granted, the Company obtains a registered charge against the collateral through the *Personal Property Security Acts* (PPSA) in the applicable province. Any failure to obtain such a registration as contemplated in the PPSA may result in the Company not perfecting a lien/ security interest position in the related financed vehicle and may jeopardize the Company's ability to realize on the collateral. In addition to the payment performance of the obligor, certain factors may affect the ability to recoup the full amount due on a finance receivable include:

- depreciation, damage or loss of any financed vehicle;
- insufficient or no insurance coverage being maintained;
- fraud or forgery by the persons financing their vehicle;
- fraud by the dealer offering First Access financing;
- priority liens on financed vehicles;
- the application of federal and provincial bankruptcy and insolvency laws.

Federal or provincial laws may prohibit, limit or delay repossession and sale of the vehicles to recover losses on defaulted contracts, as well as limit the Company's right to sue for any deficiency.

Key Executives

Certain key executives of the Company are important to its continued success. The success of the Company depends upon the successful implementation of its investment objectives, strategies and risk management by its management. The death, disability or withdrawal of the senior employees of the Company could have an adverse effect on the Company. In assessing the risks and rewards of an investment in Series III 8.5% Debentures, potential investors should appreciate that they are relying on the good faith and judgment of the directors in administering and managing the Company. There is no certainty that the persons who are currently directors will continue to be available to the Company for the entire period during which it requires the provision of their services. First Access may find it increasingly difficult to attract and to retain the necessary employees to meet its business capacity needs. It is possible additional incentives may be required and that some initiatives may be jeopardized if skill shortages occur. Operations are dependent on the abilities, experience and efforts of its management. Should any of these persons be unable or unwilling to continue in their employment with the Company, this could have a material adverse effect on the Company's delinquency, default, net loss rates, originations and financial results, business, financial condition and operations.

Technology risk

The Company is dependent upon the successful and uninterrupted functioning of its computer, internet and data processing systems. The failure of these systems could interrupt operations or materially impact management's ability to originate and service customer accounts. If sustained or repeated, a system failure could negatively affect financial results. First Access maintains confidential information regarding customers in its computer systems. This infrastructure may be subject to physical break-ins, computer viruses, programming errors, attacks by third parties or similar disruptive problems. A security breach of computer systems could disrupt operations, damage the Company's reputation or result in liability. As such, experienced personnel will be committed to the security, maintenance and continual development of these systems. The Company contemplates having an extensive disaster recovery plan, which includes:

- routinely backing up key software applications;
- databases and hardware are subject to strict security controls; and
- offsite data backup storage with remote facility set up capabilities.

Economic Conditions

The Company has not been exposed to a severe economic recession. Delinquencies, defaults, repossessions and losses are generally expected to increase during periods of economic recession. These periods also may be accompanied by decreased consumer demand for automobiles and declining values of automobiles securing outstanding loans, which weakens collateral coverage and increases the amount of a loss in the event of default. Significant increases in the inventory of used automobiles during periods of economic recession may also depress the prices at which repossessed automobiles may be sold or delay the timing of these sales. Since the Company focuses on non-prime borrowers, the actual rates of delinquencies, defaults, repossessions and losses on its contracts could be higher than those experienced in the general finance industry and could be more dramatically affected by a general economic downturn.

The Company is subject to changes in general economic conditions that are beyond its control. During times of economic slowdown or recession the Company would generally expect to see higher delinquencies, defaults, repossessions and losses which could result in the following:

- decreased consumer demand;
- reduced returns on repossessed vehicles;
- delayed timing on repossession sales;
- increase in collection staff to handle higher delinquency;
- increased operating expenses with potentially no revenue increase;
- sustained poor economic conditions could affect the liquidity of the Company,

all of which could materially adversely affect the business, financial results, liquidity and future prospects of the Company.

Interest Rates

The Company's business is tied to general economic conditions, and is sensitive to interest rate changes. The Company believes that small changes to the interest rates may not significantly impact its operations. Some interest rate changes can generally be passed on to consumers in the form of higher rates on loans granted, but the Company believes that there is a psychological barrier to interest rates in excess of 39.99%. As a result, increases in interest rates may result in some compression of interest rate spreads and originations. Increasing interest rates in the economy are generally tied to economic policy of the central banks, and tends to indicate a robust economy. An increase in interest rates would have an effect on net financing margin. Generally an increased rate environment would negatively affect the Company's business as market conditions may limit the Company's ability to increase rates charged. Marginal interest rates could rise to the point where the Company's business model is no longer viable.

Dealer Risk

Each dealer is required to enter into an agreement outlining the terms of conduct required to enable them to process applications to First Access. There is no recourse against a dealer for non-performance by the obligor. First Access will attempt to establish and maintain a dealer network in all provinces other than Quebec. Management will monitor portfolio originations, delinquencies and losses by dealers on a regular basis. Ongoing negative trends or an indication of misrepresentation by a dealer will result in the relationship being terminated. There is no guarantee that the dealer network will continue to generate loan referrals.

Demand for Entry Level Vehicles

First Access' focus is on financing in the pre-owned vehicle market. The Company has observed that the pre-owned vehicle market has been stable in terms of sales for the past several years, and is generally not tied to the same cyclicity of new car sales. The Company has observed that there may be periods of time where originations are lower as a result of the seasonality of car sales, such as around Christmas and during the winter months, when

weather can impact the activity of car sales. The volatility of demand for pre-owned vehicles may have an adverse effect on the financial condition and operational results of the Company.

Inadequate Insurance on Financed Vehicles

Each receivable requires that the person financing the vehicle maintain insurance covering physical damage to the vehicle in an amount of not less than the unpaid principal balance of the receivable with the Company named as a loss payee. Since such persons select their own insurers to provide the required coverage, the specific terms and conditions of their policies vary. If the insurance coverage is not maintained, then insurance recoveries may be limited in the event of losses or casualties to vehicles financed by the Company.

Security Registration Matters

Registration of a financing statement in respect of a financed vehicle associated with an automobile finance contract is contemplated in the PPSAs of each of the provinces and territories of Canada (other than Québec). The practice of the Company is to ensure the registration of each financed vehicle in such a manner as will result in the priority of the claim in the related financed vehicle of the dealer and its assignee, being the Company, over any claim by the general creditors or trustee in bankruptcy of the related debtor. Any failure to effect such a registration as contemplated in the PPSAs may result in the Company not perfecting a priority lien position in the related financed vehicle and its ability to realize on the collateral.

Liquidity Risk

In addition to working capital, First Access will attempt to utilize debt and may utilize securitization as sources of capital for financing contract originations. Certain debt providers will have a general assignment over Company assets and require that the Company maintain certain financial covenants. Failure to maintain these financial covenants could result in the cancellation and demand of the debt facilities. The Company cannot guarantee or assure the investor that the Company will have access to additional debt or securitization facilities.

Litigation Risk

From time to time, the Company may become involved in material litigation. There can be no assurance that any litigation in which the Company may become involved in the future will not have a material adverse effect on the Company's business, financial condition or results of operations.

Conflicts of Interest

There are potential conflicts of interest to which a director and/or an officer of the Company may become subject with respect to the operations of the Company. Certain of the directors and/or officers of the Company may serve as directors and/or officers of other companies or have significant shareholdings in other companies. The directors, officers and employees of the Company may engage in investment activities for their own accounts and for family members and friends. Such activities may involve the purchase and sale of securities of the borrowers and companies to which the Company makes loans. Any conflicts of interest will be subject to and governed by Applicable Law.

Each director and officer will devote as much time as is necessary to manage or advise on the business and affairs of the Company. The services of certain directors, officers, employees, advisors or consultants of the Company are not exclusive to the Company and such directors, officers, employees, advisors or consultants may at any time engage in promoting or managing any other entity or its investments. The Company may lend funds directly to its directors, officers and/or affiliates.

ITEM 9: REPORTING OBLIGATIONS

The Company is not a "reporting issuer" under securities legislation of any jurisdiction. Accordingly, the Company is not subject to the continuous disclosure obligations of reporting issuers. **Unless you purchased Series III 8.5% Debentures under this Offering pursuant to the offering memorandum exemption (as such exemption is described in Applicable Securities Laws), the Company is not required to send you any notices or documents**

on an annual or ongoing basis. The Company will make available on its website quarterly financial statements within 60 days of the end of each quarter. The Company will make available on its website audited year-end financial statements within 120 days of the fiscal year end (and where required under applicable law will deliver such financial statements to holders of Common Shares). The aforementioned reporting obligations will commence no later than the first complete quarter after the last closing of this Offering.

ITEM 10: RESALE RESTRICTIONS

10.1 General Statement - For trades in Alberta, British Columbia, New Brunswick, Newfoundland and Labrador, Northwest Territories, Nova Scotia, Nunavut, Ontario, Prince Edward Island and Saskatchewan:

These securities will be subject to a number of resale restrictions, including a restriction on trading. Until the restriction on trading expires, you will not be able to trade the securities unless you comply with an exemption from the prospectus and registration requirements under securities legislation.

10.2 Restricted Period - For trades in Alberta, British Columbia, New Brunswick, Newfoundland and Labrador, Northwest Territories, Nova Scotia, Nunavut, Ontario, Prince Edward Island and Saskatchewan:

Unless permitted under securities legislation, you cannot trade the securities before the date that is 4 months and a day from the later of (a) the Closing Date; and (b) the date the Company becomes a reporting issuer in any province or territory in Canada in accordance with National Instrument 45-102.

10.3 Manitoba Resale Restrictions - For trades in Manitoba, if the issuer will not be a reporting issuer in a jurisdiction at the time the security is acquired by the purchaser state:

Unless permitted under securities legislation, you must not trade the securities without the prior written consent of the regulator in Manitoba unless:

- (a) **the Company has filed a prospectus with the regulator in Manitoba with respect to the securities you have purchased and the regulator in Manitoba has issued a receipt for that prospectus, or**
- (b) **you have held the securities for at least 12 months.**

The regulator in Manitoba will consent to your trade if the regulator is of the opinion that to do so is not prejudicial to the public interest.

ITEM 11: PURCHASERS' RIGHTS

Rights of Action for Damages or Rescission

If you purchase these securities you will have certain rights, some of which are described below. For information about your rights you should consult a lawyer.

The following is a summary of the statutory or contractual rights of action for damages or rescission which may be available to a Purchaser of Series III 8.5% Debentures. The Applicable Securities Laws in certain jurisdictions provides purchasers, or requires purchasers be provided, with remedies for rescission or damages, or both, if this Offering Memorandum or any amendment to it or any information or documents incorporated or deemed to be incorporated herein by reference contains a misrepresentation. However, these remedies must be exercised within the time limits prescribed. Purchasers should refer to the Applicable Securities Laws for the complete text of these rights and/or consult with a legal advisor.

Any Offering Memorandum marketing materials related to the Offering and which are delivered or made reasonably available to a Purchaser before the closing of that Purchaser's subscription for Series III 8.5% Debentures are deemed to be incorporated by reference in this Offering Memorandum.

As used herein, except where otherwise specifically defined, (i) "**misrepresentation**" means an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make any statement in this Offering Memorandum or any amendment hereto or any information or documents incorporated or deemed to be incorporated herein by reference not misleading in light of the circumstances in which is made. A "**material fact**" means a fact that significantly affects or would reasonably be expected to have a significant effect on the market price of value of the Series III 8.5% Debentures.

Rights for purchasers in British Columbia, Alberta, Saskatchewan, Manitoba, New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland and Labrador purchasing under the offering memorandum exemption as such exemption is described in applicable securities legislation:

Two-Day Cancellation Right – You can cancel your agreement to purchase these securities. To do so, you must send a notice to us by midnight on the second Business Day after you sign the agreement to buy the securities.

Statutory Rights of Action in the event of a misrepresentation for purchasers in British Columbia, Saskatchewan, Manitoba, New Brunswick, Prince Edward Island and Nova Scotia – If there is a misrepresentation in this Offering Memorandum or any amendment to it or any information or documents incorporated or deemed to be incorporated herein by reference, you have a statutory right to sue:

- (a) the Company to cancel your agreement to buy these securities, or
- (b) for damages against the Company, and, except in New Brunswick, every person who signed the Offering Memorandum, as well as in Saskatchewan, every person who or company that signs this Offering Memorandum, every promoter of the Company at the time of delivery of the Offering Memorandum and every person who or company that sells securities on behalf of the Company.

This statutory right to sue is available to you whether or not you relied on the misrepresentation. However, there are various defences available to the persons or companies that you have a right to sue. In particular, they have a defence if you knew of the misrepresentation when you purchased the securities. If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations set out below.

Contractual Rights of Action in the event of a misrepresentation for purchasers in Newfoundland and Labrador and Alberta – If there is a misrepresentation in this Offering Memorandum or any amendment to it or any information or documents incorporated or deemed to be incorporated herein by reference, you have a contractual right to sue the Company:

- (a) to cancel your agreement to buy these securities, or
- (b) for damages.

This contractual right to sue is available to you whether or not you relied on the misrepresentation. However, in an action for damages, the amount you may recover will not exceed the price that you paid for your securities and will not include any part of the damages that the Company proves does not represent the depreciation in value of the securities resulting from the misrepresentation.

The Company has a defence if it proves that you knew of the misrepresentation when you purchased the securities. If you intended to rely on the rights described in (a) or (b) above, you must do so within strict time limitations. You must commence your action to cancel the agreement within 180 days after you signed the agreement to purchase the

securities. You must commence your action for damages within the earlier of 180 days after learning of the misrepresentation and 3 years after you signed the agreement to purchase the securities.

Rights of Purchasers in Ontario

In the event that this Offering Memorandum, together with any amendment or supplement thereto, or any information or documents incorporated or deemed to be incorporated herein by reference, delivered to a purchaser of Series III 8.5% Debentures resident in Ontario contains a misrepresentation and it was a misrepresentation at the time of purchase of Series III 8.5% Debentures by such purchaser, the purchaser will have, without regard to whether the purchaser relied on such misrepresentation, a right of action for damages against the Company or, while still the owner of the Series III 8.5% Debentures purchased by that purchaser, for rescission (in which case, if the purchaser elects to exercise the right of rescission, the purchaser will have no right of action for damages against the Company) provided that:

- (a) the right of action for rescission or damages will only be exercisable if the purchaser commences an action to enforce the right, not later than
 - (i) in the case of an action for rescission, 180 days after the date of purchase; or
 - (ii) in the case of an action for damages, the earlier of (A) 180 days following the date the purchaser first had knowledge of the misrepresentation, and (B) three years after the date of purchase;
- (b) the Company will not be liable if it proves that the purchaser purchased the Series III 8.5% Debentures with knowledge of the misrepresentation;
- (c) in the case of an action for damages, the Company will not be liable for all or any portion of the damages that it proves do not represent the depreciation in value of the Series III 8.5% Debentures as a result of the misrepresentation relied upon;
- (d) in no case will the amount recoverable in any action exceed the price at which the Series III 8.5% Debentures were sold to the purchaser; and
- (e) the Company will not be liable for a misrepresentation in forward-looking information if the Company proves:
 - (i) that the Offering Memorandum contains reasonable cautionary language identifying the forward-looking information as such, and identifying material factors that could cause actual results to differ materially from a conclusion, forecast or projection in the forward-looking information, and a statement of material factors or assumptions that were applied in drawing a conclusion or making a forecast or projection set out in the forward-looking information; and
 - (ii) the Company has a reasonable basis for drawing the conclusion or making the forecasts and projections set out in the forward-looking information.

The foregoing rights do not apply to the following purchasers relying upon the accredited investor exemption in Ontario:

- (f) a Canadian financial institution, meaning either:
 - (i) an association governed by the *Cooperative Credit Associations Act* (Canada) or a central cooperative credit society for which an order has been made under section 473(1) of that Act; or

- (ii) a bank, loan corporation, trust company, trust corporation, insurance company, treasury branch, credit union, caisse populaire, financial services corporation, or league that, in each case, is authorized by an enactment of Canada or a jurisdiction of Canada to carry on business in Canada or a jurisdiction in Canada;
- (g) a Schedule III bank, meaning an authorized foreign bank named in Schedule III of the *Bank Act* (Canada),
- (h) The Business Development Bank of Canada incorporated under the *Business Development Bank of Canada Act* (Canada), or
- (i) a subsidiary of any person referred to in paragraphs (a), (b) or (c) if the person owns all of the voting securities of the subsidiary, except the voting securities required by law to be owned by the directors of the subsidiary.

No action shall be commenced to enforce these statutory rights more than:

- (j) in an action for rescission, 180 days from the date of the transaction that gave rise to the cause of action; or
- (k) in an action for damages, the earlier of:
 - (i) 180 days after the plaintiff first had knowledge of the facts giving rise to the cause of action; or
 - (ii) three years after the date of the transaction that gave rise to the cause of action.

The rights of action described above are in addition to and without derogation from any other right or remedy that the purchaser may have at law.

Rights for Purchasers in Manitoba

In the event that this Offering Memorandum or any amendment to it or any information or documents incorporated or deemed to be incorporated herein by reference delivered to a purchaser of Series III 8.5% Debentures in Manitoba contains a misrepresentation and it was a misrepresentation at the time of purchase of Series III 8.5% Debentures by such purchaser, the purchaser will be deemed to have relied on such misrepresentation and will have a right of action against the Company for damages or for rescission, in which case, if the purchaser elects to exercise the right of rescission, the purchaser will have no right of action for damages against the Company provided that:

- (a) the Company will not be liable if it proves that the purchaser purchased the Series III 8.5% Debentures with the knowledge of the misrepresentation;
- (b) in the case of an action for damages, the Company will not be liable for all or any portion of the damages that it proves does not represent the depreciation in value of the Series III 8.5% Debentures as a result of the misrepresentation;
- (c) in no case will the amount recoverable in any action exceed the price at which the Series III 8.5% Debentures were sold to the purchaser; and
- (d) the right of action for rescission or damages will be exercisable only if the purchaser commences an action to enforce such right, not later than:
 - (i) in the case of an action for rescission, 180 days after the date of purchase of the Series III 8.5% Debentures; or

- (ii) in the case of an action for damages, the earlier of (A) 180 days following the date the purchaser first had knowledge of the misrepresentation, and (B) two years after the date of the purchase of the Series III 8.5% Debentures.

The rights of action for rescission or damages conferred are in addition to and do not derogate from any other right that the purchaser may have at law.

Rights for Purchasers in New Brunswick

If this Offering Memorandum, together with any amendment to this Offering Memorandum, or any information or documents incorporated or deemed to be incorporated herein by reference, delivered to an investor resident in New Brunswick, contains a misrepresentation that was a misrepresentation at the time of purchase, the investor will be deemed to have relied on the misrepresentation and will have a right of action against the Company for damages or, alternatively, while still the owner of the purchased Series III 8.5% Debentures, for rescission, provided that:

- (a) no action may be commenced to enforce a right of action:
 - (i) for rescission more than 180 days after the date of the purchase; or
 - (ii) for damages more than the earlier of (A) one year after the investor first had knowledge of the facts giving rise to the cause of action, and (B) six years after the date of purchase;
- (b) the Company will not be liable if it proves that the purchaser purchased the security with knowledge of the misrepresentation;
- (c) in an action for damages, the defendant is not liable for all or any portion of the damages that it proves do not represent the depreciation in value of the security as a result of the misrepresentation relied upon; and
- (d) in no case shall the amount recoverable under the right of action described herein exceed the price at which the security was offered.

The right of action for rescission or damages described herein is and is in addition to and without derogation from any right the purchaser may have at law.

Rights for Purchasers in Nova Scotia

If this Offering Memorandum, together with any amendment to this Offering Memorandum or any advertising or sales literature, or any information or documents incorporated or deemed to be incorporated herein by reference, contains a misrepresentation and it was a misrepresentation at the time of purchase, the investor resident in Nova Scotia will be deemed to have relied upon the misrepresentation and will have a right of action against the Company, every director of the Company at the date of this Offering Memorandum and every person who signed this Offering Memorandum (if applicable), for damages or, alternatively, while still the owner of the purchased Series III 8.5% Debentures, for rescission against the Company, provided that:

- (a) no action shall be commenced to enforce any of the foregoing rights more than 120 days: (i) after the date on which payment was made for the Series III 8.5% Debentures; or (ii) after the date on which the initial payment was made for the Series III 8.5% Debentures;
- (b) no person will be liable if it proves that the purchaser purchased the Series III 8.5% Debentures with knowledge of the misrepresentation;
- (c) no person or company other than the Company is liable if the person or company proves that

- (i) this Offering Memorandum or the amendment to this Offering Memorandum was sent or delivered to the purchaser without the person's or company's knowledge or consent and that, on becoming aware of its delivery, the person or company gave reasonable general notice that it was delivered without the person's or company's knowledge or consent;
- (ii) after delivery of this Offering Memorandum or the amendment to this Offering Memorandum and before the purchase of the Series III 8.5% Debentures by the purchaser, on becoming aware of any misrepresentation in this Offering Memorandum, or amendment to this Offering Memorandum, the person or company withdrew the person's or company's consent to this Offering Memorandum, or amendment to this Offering Memorandum, and gave reasonable general notice of the withdrawal and the reason for it; or
- (iii) with respect to any part of this Offering Memorandum or amendment to this Offering Memorandum purporting (i) to be made on the authority of an expert, or (ii) to be a copy of, or an extract from, a report, an opinion or a statement of an expert, the person or company had no reasonable grounds to believe and did not believe that (iii) there had been a misrepresentation, or (iv) the relevant part of this Offering Memorandum or amendment to this Offering Memorandum (A) did not fairly represent the report, opinion or statement of the expert, or (B) was not a fair copy of, or an extract from, the report, opinion or statement of the expert;
- (d) no person or company, other than the Company, is liable with respect to any part of this Offering Memorandum or amendment to this Offering Memorandum not purporting to be made on the authority of an expert; or to be a copy of, or an extract from, a report, opinion or statement of an expert, unless the person or company (i) failed to conduct a reasonable investigation to provide reasonable grounds for a belief that there had been no misrepresentation; or (ii) believed that there had been a misrepresentation;
- (e) in the case of an action for damages, no person will be liable for all or any portion of the damages that it proves do not represent the depreciation in value of the Series III 8.5% Debentures as a result of the Misrepresentation relied upon; and
- (f) in no case will the amount recoverable in any action exceed the price at which the Series III 8.5% Debentures were offered to the purchaser under this Offering Memorandum or amendment to this Offering Memorandum.

The rights summarized above are in addition to and without derogation from any other rights which the purchaser may have at law.

Rights for Purchasers in Newfoundland and Labrador

If this Offering Memorandum, together with any amendment to this Offering Memorandum or any record incorporated by reference in, or considered or deemed to be incorporated into this Offering Memorandum contains a misrepresentation and it was a misrepresentation at the time of purchase, an investor in Newfoundland and Labrador has a right of action for damages against the Company, every director of the Company at the date of this Offering Memorandum and every person or company who signed this Offering Memorandum (if applicable), for damages, or alternatively, while still the owner of the purchased Series III 8.5% Debentures, for rescission against the Company (in which case the investor shall cease to have a right of action for damages), provided that:

- (a) no person or company will not be liable if it proves that the purchaser purchased the Series III 8.5% Debentures with knowledge of the misrepresentation;
- (b) in the case of an action for damages, the Company will not be liable for all or any portion of the damages that it proves do not represent the depreciation in value of the Series III 8.5% Debentures as a result of the misrepresentation; and

- (c) in no case will the amount recoverable in any action exceed the price at which the Series III 8.5% Debentures were sold to the purchaser.

No action shall be commenced to enforce these contractual rights more than:

- (d) in the case of an action for rescission, 180 days after the date of the transaction that gave rise to the cause of action; or
- (e) in the case of an action for damages, before the earlier of:
 - (i) 180 days after the purchaser first has knowledge of the facts giving rise to the cause of action; or
 - (ii) three years after the date the purchaser signs the agreement to purchase the Series III 8.5% Debentures.

The contractual rights for rescission or damages are in addition to and do not detract from any other right of the purchaser.

Rights for Purchasers in Saskatchewan

In Saskatchewan, in the event that this Offering Memorandum and any amendment hereto or advertising or sales literature used in connection herewith any information or documents incorporated or deemed to be incorporated herein by reference delivered to a purchaser of Series III 8.5% Debentures resident in Saskatchewan contains a misrepresentation and it was a misrepresentation at the time of purchase of the Series III 8.5% Debentures, the purchaser will be deemed to have relied upon that misrepresentation and will have a right of action for damages against the Company and the sellers of Series III 8.5% Debentures, or may elect to exercise a right of rescission against the Company in which case he would have no action for damages, provided that:

- (a) no person or company is liable where the person or company proves that the purchaser purchased the Series III 8.5% Debentures with the knowledge of the misrepresentation;
- (b) no person or company, other than the Company, is liable with respect to this Offering Memorandum, an amendment to this Offering Memorandum or advertising or sales literature unless that person or company: (i) failed to conduct a reasonable investigation sufficient to provide reasonable grounds for a belief that there has been no representation; or (ii) believed there had been a misrepresentation;
- (c) no seller of Series III 8.5% Debentures acting on behalf of the Company is liable with respect to this Offering Memorandum, an amendment to this Offering Memorandum or advertising or sales literature if that seller can establish that he cannot reasonably be expected to have had knowledge of any misrepresentation in this Offering Memorandum or amendment to this Offering Memorandum or knowledge that the advertising or sales literature was disseminated and contained a misrepresentation;
- (d) in an action for damages, the defendant is not liable for all or any portion of the damages that it proves does not represent the depreciation in the value of the Series III 8.5% Debentures as a result of the misrepresentation; and
- (e) in no case shall the amount recoverable pursuant to such right action exceed the price at which the Series III 8.5% Debentures were offered to the purchaser;

but no action shall be commenced to ensure these rights more than:

- (f) in the case of an action for rescission, 180 days after the date of the transaction that gave rise to the cause of action;
- (g) in the case of any action, other than an action for rescission, the earlier of one year after the purchaser had first knowledge of the facts giving rise to the cause of action or six years after the date of the transaction that gave rise to the cause of action.

A Purchaser resident in Saskatchewan who has delivered a subscription for Series III 8.5% Debentures and who receives an amendment to this Offering Memorandum that discloses a material change in the affairs of the Company or a change in the terms or conditions of the Offering as described in this Offering Memorandum that occurred or arose before the subscription has been accepted, may within two business days of receiving the amendment deliver a notice to the Company or agent through whom the Series III 8.5% Debentures are being purchased indicating the Purchaser's intention not to be bound by the subscription agreement.

These rights are in addition to, and without derogation from, any other right the purchaser may have at law.

Rights Purchasers in British Columbia, Alberta and Prince Edward Island

Investors in British Columbia, Alberta and Prince Edward Island not otherwise described in this Item 11 are granted the same rights of action for damages or rescission as residents of Ontario who purchase Series III 8.5% Debentures. The rights summarized above are in addition to, and without derogation from, any other rights or remedy which investors may have at law.

ITEM 12: GLOSSARY

Capitalized terms used in this Offering Memorandum shall have the following respective meanings:

- (a) **"Administration Agreement"** means the agreement the Company will enter into to provide administrative services to the Trust.
- (b) **"affiliate"** means, with respect to any Person: (i) each Person that, directly or indirectly, owns or controls, whether beneficially, or as a trustee, guardian or other fiduciary, 10% or more of the Stock having ordinary voting power in the election of directors of such Person, (ii) each Person that controls, is controlled by or is under common control with such Person, (iii) each of such Person's officers, directors, joint venturers, partners and trustees, and (iv) in the case of the Company, the immediate family members, spouses and lineal descendants of individuals who are Affiliates of the Company. For the purposes of this definition, "control" of a Person shall mean the possession, directly or indirectly, of the power to direct or cause the direction of its management or policies, whether through the ownership of voting securities, by contract or otherwise.
- (c) **"Agent"** means the party named as collateral agent and administrative agent pursuant to the Trust Term Loan Agreement.
- (d) **"Applicable Laws"** means, in relation to any person, property, transaction or event, all applicable provisions, whether now or hereafter in effect (or mandatory applicable provisions, if so specified) of federal, provincial, state or local laws, statutes, rules, regulations, official directives and orders of all Governmental Authorities (whether or not having the force of law) and all judgments, orders and decisions of all Governmental Authorities in which the person in question is a party or by which it is bound or having application to the person, property, transaction or event.
- (e) **"Applicable Securities Laws"** means applicable securities laws (including published national policies, rules or instruments, regulations, blanket orders or rulings) in the provinces of Canada.

- (f) **"Authorized Amount"** means up to \$20,000,000 available under the Operating Loan Facility.
- (g) **"Board"** means the board of directors of the Corporation.
- (h) **"Bridge Facility"** or **"Bridge Loan"** means the \$5 million increase in the Authorized Amount available under the Operating Facility extended to the Company by the Operating Lender pursuant to a new Commitment Letter entered into on December 22, 2015, which Bridge Facility was repaid in full on September 16, 2016.
- (i) **"Business Day"** means any day on which banks are generally open for interbank or foreign exchange transactions in the City of Edmonton, Alberta.
- (j) **"Canadian Dollars"**, **"Cdn. Dollars"**, **"Cdn.\$"** or **"\$"** shall mean lawful money of Canada.
- (k) **"Canadian Resident"** means, at any time, a resident of Canada for the purposes of the *Income Tax Act* (Canada) and an authorized foreign bank which at all times holds its interest in the Debentures in the course of its Canadian banking business for purposes of the *Income Tax Act* (Canada).
- (l) **"CBCA"** means the *Canada Business Corporations Act*.
- (m) **"CDOR"** means the Canadian Dollar Offered Rate.
- (n) **"Closing Date"** means such date or dates determined by the Company on which the Offering will close.
- (o) **"Common Share"** means a common share in the capital of the Company.
- (p) **"Company"** means First Access Funding Corp. and its successors and permitted assigns.
- (q) **"Computershare"** means Computershare Trust Company of Canada.
- (r) **"Consulting Services Agreement"** means the consulting services agreement entered into between the Company and Lateral Thought on May 1, 2014, which agreement was amended and restated as of September 1, 2015, pursuant to which Lateral Thought has agreed to act as the Company's wholesale consultant for the Offering and, subject to compliance with all Applicable Securities Laws, to provide the Lateral Thought Services to certain exempt market dealers (which agreement was assigned to Lateral Thought effective September 1, 2016).
- (s) **"Conversion Option"** has the meaning ascribed to it in *"Item 4: Long Term Debt Securities – Early Conversion or Repayment of Series I 9.5% Convertible Debentures"*.
- (t) **"Converted Amount"** has the meaning ascribed to it in *"Item 4: Long Term Debt Securities – Early Conversion or Repayment of Series I 9.5% Convertible Debentures"*.
- (u) **"CRA"** means the Canada Revenue Agency.
- (v) **"Current Market Price"** has the meaning ascribed to it in *"Item 4: Long Term Debt Securities – Series II 9.5% Convertible Debentures"*.
- (w) **"Debenture Certificates"** means the definitive certificates representing the Series III 8.5% Debentures.
- (x) **"Debenture Documents"** means the offering memorandum (as same may have been supplemented, amended or restated from time to time), the subscription agreement, the Debenture, the Indenture, the Security Document and all other agreements, instruments, documents and

certificates executed and delivered to, or in favour of a purchaser of Debentures or the Trustee and including all other pledges, powers of attorney, consents, assignments, contracts, notices and all other written matter whether heretofore, now or hereafter executed by or on behalf of the Company, or any employee of the Company, and delivered to any purchaser of Debentures or the Trustee in connection with the transactions contemplated by the relevant subscription agreement.

- (y) **"Debenture Postponement"** has the meaning ascribed to it in Section 4.5 of this Offering Memorandum.
- (z) **"Debenture Trustee"** or **"Trustee"** means Computershare Trust Company of Canada (a successor company to Olympia).
- (aa) **"Debentureholders"** means, unless the context otherwise requires, the persons for the time being entered in the register for Debentures as registered holders of Debentures.
- (bb) **"Debentures"** means, unless the context otherwise requires, the debentures, notes or other evidence of indebtedness of the Company issued and certified under the Indenture, or deemed to be issued and certified thereunder, including, without limitation, the Series I 8.5% Debentures, the Series II 8.5% Debentures, the Series III 8.5% Debentures, the Series I 9.5% Convertible Debentures, the Series II 9.5% Convertible Debentures, the Series I 10.0% Debentures, the Series I 10.5% Convertible Debentures, the Series II 12% Convertible Debentures and the Series III 12% Debentures, and for the time being outstanding.
- (cc) **"Default"** means any event that, with the passage of time or notice or both, would, unless cured or waived, become an Event of Default.
- (dd) **"Deferred Purchase Price"** has the meaning ascribed thereto under *"Item 4: Capital Structure – The Trust Term Loan"*.
- (ee) **"Draw Period"** means 18 months following the closing date of the Trust Term Loan, subject to extensions at the request of the Trust at the Trust term Loan Lenders' sole discretion.
- (ff) **"Early Conversion Fee"** has the meaning ascribed to it in *"Item 4: Long Term Debt Securities – Early Conversion or Repayment of Series II 12% Convertible Debentures"*.
- (gg) **"Early Conversion Option"** has the meaning ascribed to it in *"Item 4: Long Term Debt Securities – Early Conversion or Repayment of Series II 12% Convertible Debentures"*.
- (hh) **"Early Repayment Option"** has the meaning ascribed to it in *"Item 4: Long Term Debt Securities – Early Conversion or Repayment of Series I 9.5% Convertible Debentures"*.
- (ii) **"Equity Offering"** means the offering of up to 10,000,000 Common Shares of the Company, with no minimum offering level, at a price per Common Share to be determined by the Board of Directors in the context of the market, raising aggregate gross proceeds of up to \$5,000,000, which Common Shares are offered for sale on a brokered and non-brokered private placement basis in reliance upon applicable exemptions from the registration and prospectus requirements of all Applicable Securities Laws.
- (jj) **"Event of Default"** has the meaning ascribed to it in Section 5.2.1(a) of this Offering Memorandum.
- (kk) **"Exchange"** means the Toronto Stock Exchange, the TSX Venture Exchange, the CDNX, the NASDAQ National Market, the New York Stock Exchange, OTCBB, the London Stock Exchange or the Alternative Investment Market (AIM) of the London Stock Exchange.

- (ll) **"Existing Commitment Letter"** means the commitment letter dated July 23, 2014 between the Company and the Operating Lender relating to the Operating Loan Facility.
- (mm) **"Extraordinary Debentureholders Resolution"** means the Extraordinary Resolution which, to be passed, required approval by the votes of the holders of not less than 66 2/3% of the principal amount of the Debentures (other than the Series I 9.5% Convertible Debentures) voted in respect of such resolution and was required in respect of the Trust Term Loan because each of the Receivables Sales is expected to be a sale of all or substantially all of the undertaking, property and assets of the Company to the Trust. Such disposition requires an Extraordinary Resolution pursuant to section 13.11(d) of the Indenture.
- (nn) **"Extraordinary Resolution"** has the meaning ascribed thereto in Section 5.2.2(q) of the Indenture.
- (oo) **"Governmental Approval"** means an authorization, consent, approval, waiver, order, decree, licence, exemption, permit, registration, filing, qualification or declaration of or with any Governmental Authority or the giving of notice to any Governmental Authority or any other action in respect of a Governmental Authority.
- (pp) **"Governmental Authority"** means any federal, state, provincial, county, local or municipal government; any governmental body, agency, authority, board, bureau, department or commission (including any taxing authority); any instrumentality or office of any of the foregoing (including any court or tribunal) exercising executive, legislative, judicial, regulatory or administrative functions; or any person directly or indirectly controlled by any of the foregoing.
- (qq) **"IFRS"** means International Financial Reporting Standards.
- (rr) **"Initial Purchase Price"** has the meaning ascribed thereto under *"Item 4: Capital Structure – The Trust Term Loan"*.
- (ss) **"Initial Receivables Sale"** means the sale of all or substantially all of the assets of the Corporation, specifically, all eligible vehicle loan receivables from Canadian consumers, to the Trust, on a true sale basis, pursuant to the Receivables Purchase Agreement.
- (tt) **"Interest Equivalent Fee"** has the meaning ascribed to it in *"Item 4: Long Term Debt Securities – Early Conversion or Repayment of Series II 12% Convertible Debentures"*.
- (uu) **"Interest Rate"** means 9.5% per annum.
- (vv) **"IPO"** means an offering, distribution or qualification for distribution of shares of any class in the capital of the Company to members of the public pursuant to a prospectus, registration statement, special warrant issuance or similar document in Canada or the United States and such securities being listed and posted for trading on an Exchange.
- (ww) **"ITA"** means the *Income Tax Act* (Canada).
- (xx) **"Lateral Thought"** means Lateral Thought Capital Consulting Inc.
- (yy) **"Lateral Thought Services"** means the wholesale consulting services to be provided by Lateral Thought to certain registered exempt market dealers in respect of the Offering.
- (zz) **"Limited Indemnity"** has the meaning in *"Item 4: Capital Structure – The Trust Term Loan"*.
- (aaa) **"Liquidity Event"** has the meaning ascribed to it in *"Item 4: Long Term Debt Securities – Series II 9.5% Convertible Debentures"*.

- (bbb) "**Liquidity Event Price**" has the meaning ascribed to it in "*Item 4: Long Term Debt Securities – Series II 9.5% Convertible Debentures*".
- (ccc) "**Maturity Account**" means an account or accounts required to be established by the Company (and which shall be maintained by and subject to the control of the Trustee) for each series of Debentures pursuant to and in accordance with the Indenture.
- (ddd) "**Maturity Date**" or "**Series II 9.5% CD Maturity Date**" means December 31, 2021.
- (eee) "**Meeting of Debentureholders**" means the meeting of Debentureholders (other than the holders of Series I 9.5% Convertible Debentures) held on June 22, 2016, for purposes of, among other things, considering an extraordinary resolution approving:
- (i) the initial Receivables Sale and all subsequent Receivables Sales, each of which is expected to be a sale of all or substantially all of the undertaking, property and assets of the Corporation to the Trust. Such disposition will require an Extraordinary Resolution pursuant to Section 13.11(d) of the Indenture; and
 - (ii) certain amendments to the Indenture and authorizing the Trustee to execute the fourth supplement to the trust indenture (the "**Fourth Supplemental Indenture**") embodying amendments to Sections 11.1 and 13.11(d) of the Indenture in order to permit the sale or other disposition of all or substantially all of the undertaking, property and assets of the Corporation to an entity administered by the Corporation for the purposes of providing security for ongoing financing with a secured lender.
- In order to be passed, such resolution had to be approved by the holders of not less than 66 2/3% of the principal amount of Debentures outstanding who voted in respect of such resolution.
- (fff) "**Meetings**" means the meetings of Debentureholders and Shareholders of the Company held in Red Deer, Alberta, on June 22, 2016, for purposes of, among other things, considering and, if advisable, passing, the Extraordinary Debentureholders Resolution and the Special Shareholders Resolution.
- (ggg) "**NI 45-106**" means National Instrument 45-106 – *Prospectus and Registration Exemptions* of the Canadian Securities Administrators.
- (hhh) "**Obligations**" means all advances, debts, liabilities and obligations, for the performance of covenants, tasks or duties or for payment of monetary amounts (whether or not such performance is then required or contingent, or such amounts are liquidated or determinable) owing by the Company to the Trustee or any purchaser of Debentures under or in connection with any relevant Debenture Document, including in respect of the Debentures and all covenants and duties regarding such amounts, of any kind or nature, present or future, whether or not evidenced by any Debenture, agreement or other instrument, arising under the Indenture or any of the other Debenture Documents. This term includes all principal, interest (including all interest that accrues after the commencement of any bankruptcy or insolvency proceeding upon or after the insolvency of the Company, whether or not allowed in such proceeding), premium, fees, expenses, legal fees and any other sum chargeable to the Company under the Indenture or any of the other relevant Debenture Documents.
- (iii) "**Offered Securities**" means the up to \$10,000,000 aggregate principal amount of Series II 9.5% Convertible Debentures offered for sale on a brokered and non-brokered private placement basis pursuant to the Offering.

- (jjj) **"Offering"** means the private placement offering, comprised of brokered and non-brokered portions, of up to \$10,000,000 aggregate principal amount of Series II 9.5% Convertible Debentures described in this Offering Memorandum.
- (kkk) **"Offering Jurisdictions"** means, collectively, the Provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario and such other provinces and territories of Canada and other jurisdictions as may be determined by the Company, in its sole discretion, where the Offered Securities are offered to prospective purchasers, as the context permits or requires.
- (lll) **"Offering Memorandum"** means this confidential offering memorandum dated August 3, 2017.
- (mmm) **"Offering Memorandum marketing materials"** means a written communication, other than an OM standard term sheet, intended for prospective Purchasers regarding a distribution of securities under this Offering Memorandum delivered pursuant to the offering memorandum exemption under Applicable Securities Laws that contains material facts relating to the Company, the Series II 9.5% Convertible Debentures or the Offering;
- (nnn) **"OM standard term sheet"** means a written communication intended for prospective Purchasers regarding a distribution of securities under an offering memorandum delivered pursuant to the offering memorandum exemption under Applicable Securities Laws that:
 - (i) is dated;
 - (ii) includes the following legend, or words to the same effect, on the first page:

"This document does not provide disclosure of all information required for an investor to make an informed investment decision. Investors should read the offering memorandum, especially the risk factors relating to the securities offering, before making an investment decision"
 - (iii) contains only the following information in respect of the issuer, the securities or the offering:
 - (A) the name of the issuer;
 - (B) the jurisdiction of foreign jurisdiction in which the issuer's head office is located;
 - (C) the statute under which the issuer is incorporated, continued or organized or, if the issuer is an unincorporated entity, the laws of the jurisdiction or foreign jurisdiction under which it is established and exists;
 - (D) a brief description of the business of the issuer;
 - (E) a brief description of the securities;
 - (F) the price or price range of the securities;
 - (G) the total number or dollar amount of the securities, or range of the total number or dollar amount of the securities;
 - (H) the names of any agent, finder or other intermediary, whether registered or not, involved with the offering and the amount of any commission, fee or discount payable to them;

- (I) the proposed or expected closing date of the offering;
- (J) a brief description of the use of proceeds;
- (K) the exchange on which the securities are proposed to be listed, if any, provided that the OM standard term sheet complies with the requirements of securities legislation for listing representations;
- (L) in the case of debt securities, the maturity date of the debt securities and a brief description of any interest payable on the debt securities;
- (M) in the case of preferred shares, a brief description of any dividends payable on the securities;
- (N) in the case of convertible securities, a brief description of the underlying securities into which the convertible securities are convertible;
- (O) in the case of exchangeable securities, a brief description of the underlying securities into which the exchangeable securities are exchangeable;
- (P) in the case of restricted securities, a brief description of the restriction;
- (Q) in the case of securities for which a credit supporter has provided a guarantee or alternative credit support, a brief description of the credit supporter and the guarantee or alternative credit support provided;
- (R) whether the securities are redeemable or retractable;
- (S) a statement that the securities are eligible, or are expected to be eligible, for investment in registered retirement savings plans, tax-free savings accounts or other registered plans, if the issuer has received, or reasonably expects to receive, a legal opinion that the securities are so eligible;
- (T) contact information for the issuer or any registrant involved, and
- (U) for the purposes of paragraph (c), "brief description" means a description consisting of no more than three lines of text in type that is at least as large as that used generally in the body of the OM standard term sheet.

(ooo) **"Olympia"** means Olympia Trust Company.

(ppp) **"Operating Facility"** (also referred to as the **"Operating Loan Facility"**) means the existing operating loan facility in effect between the Company and the Operating Lender.

(qqq) **"Operating Lender"** means the Company's existing senior lender under the Operating Facility.

(rrr) **"Operating Loan Facility"** (also referred to as the **"Operating Facility"**) means the secured operating loan facility of up to \$20 million contemplated in the Existing Commitment Letter provided by the Operating Lender, as amended, supplemented, restated or replaced from time to time.

(sss) **"Operating Loan GSA"** means a general security agreement dated September 23, 2014 granted by the Company in favour of the Operating Lender, as amended, supplemented, restated or replaced from time to time.

- (ttt) **"Permitted Encumbrances"** means as of any particular time any of the following encumbrances on the Secured Property or property intended to form part of the Secured Property or any part thereof:
- (i) Senior Indebtedness;
 - (ii) liens for taxes, assessments or governmental charges not at the time due or delinquent or the validity of which are being contested at the time in good faith by the Company by proceedings diligently conducted;
 - (iii) the lien arising from any judgment rendered or claim filed against the Company which the Company is contesting at the time in good faith by proceedings diligently conducted;
 - (iv) undetermined or inchoate liens and charges incidental to construction or to current operations which have not at such time been filed pursuant to Applicable Law against the Company or which relate to obligations not due or delinquent;
 - (v) easements, rights-of-way, servitudes or other similar rights in land (including, without limiting the generality of the foregoing, rights-of-way and servitudes for railways, sewers, drains, gas and oil pipelines, gas and water mains, electric light and power and telephone or telegraph or cable television conduits, poles, wires and cables) granted to or reserved or taken by other persons which singly or in the aggregate do not materially detract from the value of the land concerned or materially impair its use in the operation of the business of the Company;
 - (vi) security given by the Company to a public utility or any municipality or governmental or other public authority which is required by such utility or municipality or other authority in connection with the operations of the Company, all in the ordinary course of its business which singly or in the aggregate does not materially detract from the value of the assets concerned or materially impair their use in the operation of the business of the Company;
 - (vii) the reservation in any original grants from the Crown of any land or interests therein and statutory exceptions to title;
 - (viii) purchase-money security interests granted to secure the purchase price of assets purchased by the Company, provided that the security interest extends only to such assets, provided, however, that if the assets acquired are limited partnership units or shares, the security interest may extend to assets of the limited partnership or company, respectively, to which the units or shares, respectively, relate;
 - (ix) any Security Interest consented to in writing by an Extraordinary Resolution of the Debentureholders delivered to the Trustee;
 - (x) the Security Interest created by the Indenture;
 - (xi) liens imposed or permitted by law such as carriers' liens, builders' liens, materialmen's liens and other liens, privileges or other charges of a similar nature which relate to obligations not due or delinquent or if due or delinquent, any lien, privilege or charge which the Company shall be contesting in good faith and for which adequate cash reserves have been established by the Company;
 - (xii) any Security Interest which ranks behind the security granted under the Indenture;

- (xiii) any Security Interest or trust arising in connection with workers' compensation, unemployment insurance, pension and employment laws or regulations; and
- (xiv) Security Interests securing the performance of bids, tenders, leases, contracts (other than for the repayment of borrowed money), statutory obligations, surety and appeal bonds and performance bonds and other obligations of like nature, incurred as an incident to and in the ordinary course of business.
- (uuu) **"Permitted Portion"** means an amount equal to 5% of the outstanding aggregate principal amount of Series II 9.5% Convertible Debentures or the Series I 10.5% Convertible Debentures, as the case may be, at the relevant time.
- (vvv) **"Person"** means any individual, sole proprietorship, partnership, joint venture, trust, unincorporated organization, association, corporation, limited liability company, institution, public benefit corporation, other entity or government (whether federal, provincial, state, county, city, municipal, local, foreign, or otherwise, including any instrumentality, division, agency, body or department thereof).
- (www) **"PPSA"** shall mean the *Personal Property Security Act* (Alberta) and the Regulations thereunder, as from time to time in effect, provided however, if attachment, perfection or priority of the Trustee's Security Interests in any Secured Property are governed by the personal property security laws of any jurisdiction other than the Province of Alberta, PPSA shall mean those personal property security laws in such other jurisdiction for the purposes of the provisions of the Indenture or other Debenture Documents relating to such attachment, perfection or priority and for the definitions related to such provisions.
- (xxx) **"Prime"** means the prime lending rate per annum established by the Operating Lender from time to time for commercial loans denominated in Canadian dollars made by the Operating Lender in Canada.
- (yyy) **"Pro Rata Share"** means with respect to all matters relating to any purchaser of Debentures the percentage obtained by dividing (x) the principal amount of the Debentures of that series held by that purchaser, by (y) the aggregate principal amount of the Debentures held by all purchasers of that series of Debentures.
- (zzz) **"Purchase Price"** has the meaning ascribed thereto under *"Item 4: Capital Structure – The Trust Term Loan"*.
- (aaaa) **"Purchasers"** means the purchasers of the Series III 8.5% Debentures under the Offering and such other Persons to whom such Purchasers shall assign all or any portion of the Obligations (including the Series III 8.5% Debentures), in accordance with the terms of the Debenture Documents.
- (bbbb) **"Put Right"** has the meaning ascribed to it in *"Item 4: Long Term Debt Securities – Early Conversion or Repayment of Series II 12% Convertible Debentures"*.
- (cccc) **"Receivables"** means all eligible vehicle loan receivables from Canadian consumers, which represents all or substantially all of the assets of the Company.
- (dddd) **"Receivables Purchase Agreement"** means a master receivables purchase agreement between the Company, the Trust and the Agent, governing each of the Receivables Sales.
- (eeee) **"Receivables Sales"** means Initial Receivables Sales together with Subsequent Receivables Sales.
- (ffff) **"Receiver"** means a receiver or receiver manager.

- (gggg) **"Receiver's Certificates"** has the meaning ascribed to it in Section 5.2.1(d)(iv)(F) of this Offering Memorandum.
- (hhhh) **"Regulation D"** means Regulation D under the 1933 Act.
- (iiii) **"Regulation S"** means Regulation S under the 1933 Act.
- (jjjj) **"Repaid Amount"** has the meaning ascribed to it in *"Item 4: Long Term Debt Securities – Early Conversion or Repayment of Series I 9.5% Convertible Debentures"*.
- (kkkk) **"RTO"** means a transaction, other than an IPO, whereby: (i) the Company becomes a reporting issuer or a wholly-owned subsidiary of a reporting issuer; or (ii) any Common Shares are exchanged for shares of any other corporation or company that is a reporting issuer upon the exchange, conversion, reclassification or redesignation of the Common Shares and the resulting company's securities are listed and posted for trading on an Exchange.
- (llll) **"Sale"** means (i) a sale of all or substantially all of the assets of the Company, (ii) a merger or other corporate consolidation by which the assets of the Company constitute less than 50% of the aggregate of the assets of the surviving entity; (iii) a sale, merger, amalgamation, arrangement or similar transaction where the existing shareholders of the Company, at the time of such transaction exercise less than 50.1% of the total number of votes attaching to the voting shares of the successor entity; or (iv) sale of 50.1% of the voting shares of the Company.
- (mmmm) **"Secured Parties"** means the on behalf of (i) itself and (ii) the Purchasers.
- (nnnn) **"Secured Property"** means the assets, rights and things of the Company from time to time subject to the Security Interest created pursuant to the terms of the Indenture.
- (oooo) **"Securities Laws"** means, collectively, the securities legislation and regulations of, and the instruments, policies, rules, orders, codes, notices and interpretation notes of the applicable securities regulatory authority or applicable securities regulatory authorities of, the applicable jurisdiction or jurisdictions, and the rules and policies of any Exchange on which the securities of the Company are listed from time to time.
- (pppp) **"Security"** means the Security Interest granted by the Company pursuant to the terms of the Indenture, and any and all other documents, instruments or agreements to which the Trustee is granted or receives a Security Interest pursuant to the terms of the Indenture or other Security Document.
- (qqqq) **"Security Document"** means the general security agreement entered into by the Company in favour of a purchaser of Debentures granting a Security Interest upon Secured Property as security for payment of the Obligations.
- (rrrr) **"Security Interest"** means any assignment, mortgage, charge, pledge, lien, encumbrance or security interest whatsoever, howsoever created or arising, whether absolute or contingent, fixed or floating, perfected or not, but does not include set-off or any right of set-off.
- (ssss) **"Senior Indebtedness"** means (a) indebtedness of the Company or its Subsidiaries for borrowed money; (b) obligations of the Company or its Subsidiaries evidenced by bonds, debentures, notes or other similar instruments; (c) obligations of the Company or its Subsidiaries arising pursuant to or in relation to bankers' acceptances, letters of credit and letters of guarantee (including payment and reimbursement obligations in respect thereof) or indemnities issued in connection therewith; (d) obligations of the Company or its Subsidiaries under any swap, hedging or other similar contracts or arrangements; (e) obligations of the Company or its Subsidiaries under guarantees, indemnities, assurances, legally binding comfort letters or other contingent obligations relating to

the Senior Indebtedness or other obligations of any other person which would otherwise constitute Senior Indebtedness within the meaning of this definition; (f) all indebtedness of the Company or its Subsidiaries representing the deferred purchase price of any property including, without limitation, purchase money mortgages; (g) accounts payable to trade creditors; (h) all renewals, extensions and refinancing of any of the foregoing; (i) all accrued and unpaid interest, fees and other amounts in respect of any of the foregoing; and (j) all costs and expenses incurred by or on behalf of the holder of any Senior Indebtedness in enforcing payment or collection of any such Senior Indebtedness, including enforcing any security interest securing the same. "**Senior Indebtedness**" shall not include any indebtedness that would otherwise be Senior Indebtedness if it is expressly stated to be subordinate to or rank *pari passu* with the Debentures.

- (tttt) "**Series I 8.5% Debenture Maturity Date**" means October 30, 2018.
- (uuuu) "**Series I 8.5% Debenture Offering**" means the offering of up to \$10,000,000 aggregate principal amount of Series I 8.5% Debentures, with no aggregate minimum offering level, which debentures are offered for sale on a brokered and non-brokered private placement basis in reliance upon applicable exemptions from the registration and prospectus requirements of all Applicable Securities Laws.
- (vvvv) "**Series I 8.5% Debentures**" means Series I 8.5% subordinated secured debentures of First Access maturing on October 30, 2018.
- (wwwv) "**Series I 9.5% Convertible Debentures**" means Series I 9.5% subordinated secured convertible debenture of First Access maturing on the Series I 9.5% CD Maturity Date.
- (xxxx) "**Series I 9.5% CD Maturity Date**" means September 30, 2017.
- (yyyy) "**Series I 10.0% Debenture Maturity Date**" means December 31, 2020.
- (zzzz) "**Series I 10.0% Debenture Offering**" means the offering of up to \$20,000,000 aggregate principal amount of Series I 10.0% Debentures, with no aggregate minimum offering level, which debentures are offered for sale on a brokered and non-brokered private placement basis in reliance upon applicable exemptions from the registration and prospectus requirements of all Applicable Securities Laws.
- (aaaaa) "**Series I 10.0% Debentures**" means Series I 10.0% subordinated secured debentures of First Access maturing on the Series I 10.0% Debenture Maturity Date.
- (bbbbb) "**Series I 10.5% CD Conversion Price**" has the meaning ascribed to it in "*Item 4: Long Term Debt Securities –Series I 10.5% Convertible Debentures*" (being 90% of the Current Market Price).
- (ccccc) "**Series I 10.5% CD Maturity Date**" means September 30, 2018.
- (ddddd) "**Series I 10.5% CD Right of Prepayment**" has the meaning ascribed to it in "*Item 4: Long Term Debt Securities –Series I 10.5% Convertible Debentures*".
- (eeee) "**Series I 10.5% Convertible Debentures**" means Series I 10.5% subordinated secured convertible debentures of First Access maturing on the Series I 10.5% CD Maturity Date.
- (ffff) "**Series I 10.5% Second Anniversary Date**" has the meaning ascribed to it in "*Item 4: Long Term Debt Securities –Series I 10.5% Convertible Debentures*".
- (ggggg) "**Series II 9.5% CD Conversion Price**" has the meaning ascribed to it in "*Item 4: Long Term Debt Securities –Series II 9.5% Convertible Debentures*" (being 95% of the Current Market Price).

- (hhhhh) "**Series II 9.5% CD Maturity Date**" means December 31, 2021.
- (iiii) "**Series II 9.5% Convertible Debentures**" means Series II 9.5% subordinated secured convertible debentures of First Access maturing on the Series II 9.5% CD Maturity Date.
- (jjjj) "**Series II 12% CD Conversion Price**" has the meaning ascribed to it in "*Item 4: Long Term Debt Securities – Series II 12% Convertible Debentures*".
- (kkkk) "**Series II 12% CD Maturity Date**" has the meaning ascribed to it in "*Item 4: Long Term Debt Securities – Series II 12% Convertible Debentures*".
- (llll) "**Series III 8.5% Debenture Maturity Date**" or "**Maturity Date**" means December 31, 2021.
- (mmmm) "**Series III 8.5% Debenture Offering**" means the offering of up to \$10,000,000 aggregate principal amount of Series III 8.5% Debentures with no aggregate minimum offering level, which debentures are offered for sale on a brokered and non-brokered private placement basis in reliance upon applicable exemptions from the registration and prospectus requirements of all Applicable Securities Laws.
- (nnnn) "**Series III 8.5% Debentures**" means Series III 8.5% subordinated secured debentures of First Access maturing on December 31, 2021.
- (oooo) "**Series III 12% Convertible Debentures**" means Series III 12% subordinated secured convertible debenture of First Access maturing on March 31, 2018.
- (pppp) "**Series III 12% Debenture Maturity Date**" means October 30, 2020.
- (qqqq) "**Series III 12% Debenture Offering**" means the offering of up to \$20,000,000 aggregate principal amount of Series III 12% Debentures. with no aggregate minimum offering level, which debentures are offered for sale on a brokered and non-brokered private placement basis in reliance upon applicable exemptions from the registration and prospectus requirements of all Applicable Securities Laws.
- (rrrr) "**Series III 12% Debentures**" means Series III 12% subordinated secured debentures of First Access maturing on October 30, 2020.
- (ssss) "**Servicing Agreement**" means the agreement the Company will enter into with the Trust to manage, service and collect the Receivables, manage repossessed vehicle inventory and provide ongoing reporting to the Trust Term Loan Lenders.
- (tttt) "**Special Shareholders Resolution**" means a Shareholders resolution which, to be passed, required approval by a majority of not less than two-thirds of the votes cast by the Shareholders who voted in respect of such resolution. A Special Shareholders Resolution was required in respect of the Trust Term Loan because each of the Receivables Sales is expected to be a sale of all or substantially all of the property of the Corporation, and therefore constitutes an extraordinary sale pursuant to Section 189(3) of the CBCA.
- (uuuu) "**Stock**" means all shares, options, Warrants, units, general or limited partnership interests, membership interests or other equivalents (regardless of how designated) of or in a corporation, partnership, limited liability company or equivalent entity whether voting or nonvoting, participating or non-participating, including common stock, preferred stock or any other equity security.
- (vvvv) "**Subordinate Lenders**" means the parties that were lenders pursuant to the Subordinate Loan Facility.

- (wwwww) **"Subordinate Loan Agreement"** means the syndicated loan agreement dated April 15, 2015, as amended, supplemented, restated or replaced from time to time, between the Company and the Subordinate Lenders relating to the Subordinate Loan Facility.
- (xxxxx) **"Subordinate Loan Facility"** means the senior secured loan facility of up to an aggregate amount of \$20 million created by the Subordinate Loan Agreement, which was repaid by the Company in full on September 16, 2016 and the security granted to the Subordinate Lenders was discharged.
- (yyyyy) **"Subordinate Loan Subordination Agreement"** means the postponement and subordination agreement dated April 15, 2015 pursuant to which the Subordinate Lenders agreed to postpone and subordinate their present and future indebtedness under the Subordinate Loan Facility, to all present and future indebtedness owing to and security held by the Operating Lender for up to \$25,000,000.
- (zzzzz) **"Subsequent Receivables Sale"** means the sale of all or substantially all of the assets of the Company, specifically, the new Receivables originated by the Company since either (a) the Initial Receivables Sale or (b) the last Subsequent Receivables Sale to the Trust, on a true sale basis, from time to time pursuant to the Receivables Purchase Agreement.
- (aaaaa) **"Subsidiary"** means, with respect to any Person, (a) any corporation of which an aggregate of more than fifty percent (50%) of the outstanding stock having ordinary voting power to elect a majority of the board of directors of such corporation (irrespective of whether, at the time, Stock of any other class or classes of such corporation shall have or might have voting power by reason of the happening of any contingency) is at the time, directly or indirectly, owned legally or beneficially by such Person or one or more Subsidiaries of such Person, or with respect to which any such Person has the right to vote or designate the vote of fifty percent (50%) or more of such stock whether by proxy, agreement, operation of law or otherwise, and (b) any partnership or limited liability company or other Person in which such Person and/or one or more Subsidiaries of such Person shall have an interest (whether in the form of voting or participation in profits or capital contribution) of more than fifty percent (50%) or of which any such Person is a general partner or may exercise the powers of a general partner.
- (bbbbb) **"Tax"** and **"Taxes"** includes all present and future taxes, surtaxes, duties, levies, imposts, rates, fees, assessments, withholdings and other charges of any nature (including income, corporate, capital (including large corporations), net worth, sales, consumption, use, transfer, goods and services, harmonized, value-added, stamp, registration, franchise, withholding, payroll, employment, health, education, employment insurance, pension, excise, business, school, property, occupation, customs, anti-dumping and countervail taxes, surtaxes, duties, levies, imposts, rates, fees, assessments, withholdings and other charges) imposed by any Governmental Authority, together with any fines, interest, penalties or other additions on, to, in lieu of, for non-collection of or in respect of those taxes, surtaxes, duties, levies, imposts, rates, fees, assessments, withholdings and other charges levied by any Governmental Authority.
- (ccccc) **"Trust"** means a newly formed, special purpose charitable trust administered by the Company, which is to be the purchaser of all or substantially all of the assets of the Company in the Receivables Sales.
- (dddddd) **"Trust Indenture"** or the **"Indenture"** means the trust indenture dated October 24, 2013 between the Company and Olympia, as amended by the supplemental indentures between the Company and the Trustee dated as of February 16, 2015, March 12, 2015, October 21, 2015, July 7, 2016 and November 1, 2016 and as otherwise supplemented or amended, providing for the terms and conditions upon which the Trustee shall act on behalf of all of the purchasers of Series I 8.5% Debentures, Series II 8.5% Debentures, Series III 8.5% Debentures, Series II 9.5% Convertible Debentures, Series I 10.0% Debentures, Series I 10.5% Convertible Debentures, Series II 12% Debentures and Series III 12% Debentures.

- (eeeeee) **"Trust Term Loan"** or **"Trust Term Loan Commitment"** means a \$75,000,000 senior secured delayed draw term loan facility between the Trust, the Agent, and the Trust Term Loan Lenders.
- (ffffff) **"Trust Term Loan Agent"** means the party named as collateral agent and administrative agent pursuant to the Trust Term Loan Agreement.
- (gggggg) **"Trust Term Loan Agreement"** means the term loan agreement between Computershare, in its capacity as trustee of the Trust, the Trust Term Loan Agent and the Trust Term Loan Lenders in respect of the Trust Term Loan.
- (hhhhh) **"Trust Term Loan Interest Rate"** means 1 month CDOR plus 10.50% per annum, subject to a CDOR floor of 1.00%, paid monthly in arrears on a current basis. CDOR will be reset monthly and interest will be calculated on an actual/360 day basis.
- (iiiiii) **"Trust Term Loan Lenders"** means one or more parties named as lenders pursuant to the Trust Term Loan Agreement.
- (jjjjjj) **"Trust Term Loan Secured Parties"** means the Trust Term Loan Agent and the Trust Term Loan Lenders.
- (kkkkkk) **"Trustee Postponement"** means a postponement and subordination agreement dated September 23, 2014, as amended, granted by the Trustee on behalf of the holders of the Series I 8.5% Debentures, the Series II 8.5% Debentures, the Series III 8.5% Debentures, the Series II 9.5% Convertible Debentures, the Series I 10.0% Debentures, the Series I 10.5% Convertible Debentures, the Series II 12% Convertible Debentures and the Series III 12% Debentures in favour of the Operating Lender.
- (llllll) **"United States"** means the United States as that term is defined in Regulation S.
- (mmmmm) **"Warrant Exercise Price"** has the meanings ascribed to it in *"Item 4: Long Term Debt Securities –Series II 9.5% Convertible Debentures"* and *"Item 4: Long Term Debt Securities – Series I 10.5% Convertible Debentures"*.
- (nnnnnn) **"Warrant Shares"** means the Common Shares underlying the Warrants.
- (oooooo) **"Warrants"** means Common Share purchase warrants of the Company.
- (pppppp) **"Waterfall"** has the meaning ascribed thereto under *"Item 4: Capital Structure – The Trust Term Loan"*.

ITEM 13: Financial Statements

First Access Funding Corp.

Condensed Interim Financial Statements

(in Canadian dollars)

(unaudited)

**For the Three Months Periods Ended
March 31, 2017 and 2016**

First Access Funding Corp.
Condensed Interim Statement of Financial Position
(in Canadian dollars)
As at March 31, 2017
(unaudited)

	March 31, 2017	December 31, 2016 (audited)
Assets		
Cash and cash equivalents	\$ 1,582,795	\$ 1,510,107
Finance receivable, net (Note 4)	50,930,705	54,879,418
Restricted cash (Note 9)	7,461,275	4,226,408
Prepaid expenses and other current assets	1,016,751	502,772
Accrued interest income	614,813	655,523
Property and equipment (Note 6)	672,545	600,680
	\$ 62,278,884	\$ 62,374,908

Liabilities

Accounts payable and accrued liabilities	\$ 1,150,180	\$ 1,107,716
Loans payable (Note 7)	11,178,832	14,450,000
Debentures (Note 8)	29,961,149	29,719,310
Trust Term loan (Note 9)	21,070,463	17,075,285
	63,360,624	62,352,311

Shareholders' Deficiency

Common shares (Note 10)	17,549,440	16,564,010
Shares to be issued	(147,500)	(140,500)
Warrant capital (Note 11)	358,461	23,979
Contributed surplus	684,793	615,524
Deficit	(19,526,934)	(17,040,416)
	(1,081,740)	22,597
	\$ 62,278,884	\$ 62,374,908

Commitments (Note 17)
Subsequent events (Note 18)

Approved by the Board "Brian Radmacher" "David Ballantine"
Director (Signed) Director (Signed)

First Access Funding Corp.
Condensed Interim Statement of Comprehensive Loss
(in Canadian dollars)
For the Three Month Period Ended March 31,
(unaudited)

	2017	2016
Financial revenue		
Interest revenue	\$ 3,310,865	\$ 3,556,720
Fees and servicing income	111,678	274,569
	3,422,543	3,831,289
Financial expense		
Interest and accretion on debentures and loans payable	1,990,350	1,165,763
Net financial income before credit losses and operating expenses	1,432,193	2,665,526
Operating expenses		
Amortization	51,848	32,537
General and administrative (Note 15)	1,132,213	999,102
Loss on sale of assets	4,596	-
Provision for credit losses (Note 5)	1,646,053	1,463,212
Salaries and wages	1,007,904	911,625
Stock-based compensation	76,097	(13,101)
	3,918,711	3,393,375
Net loss and comprehensive loss	\$ (2,486,518)	\$ (727,849)
Loss per share		
Basic and diluted	\$ (0.030)	\$ (0.009)
Weighted average number of common shares outstanding		
Basic and diluted	81,696,445	78,128,860

First Access Funding Corp.
Condensed Interim Statement of Changes in Equity
(in Canadian dollars)
For the Three Month Period Ended March 31, 2017
(unaudited)

	Common Shares Number	Value	Shares to be issued or repurchased	Warrant Capital	Contributed Surplus	Deficit	Total
Balance, December 31, 2015	78,099,227	\$ 14,935,761	\$ 22,000	\$ 4,168	\$ 916,308	\$ (10,675,230)	\$ 5,203,007
Issuance of shares (net of share issuance costs)	272,000	130,204	-	-	-	-	130,204
Exercise of stock options	40,000	6,978	-	-	(978)	-	6,000
Exercise of warrants	2,400	1,200	-	(101)	101	-	1,200
Stock-based compensation	-	-	-	-	(13,101)	-	(13,101)
Net loss and comprehensive loss	-	-	-	-	-	(727,849)	(727,849)
Balance, March 31, 2016	78,413,627	15,074,143	22,000	(4,067)	(902,330)	(11,403,079)	4,599,461
Balance, December 31, 2016	81,644,993	16,564,010	(140,500)	23,979	615,524	(17,040,416)	22,597
Issuance of shares (net of share issuance costs)	2,640,000	1,303,084	(22,000)	-	-	-	1,281,084
Exercise of stock options	100,000	16,828	15,000	-	(6,828)	-	25,000
Extension of warrants	-	(334,482)	-	334,482	-	-	-
Stock-based compensation	-	-	-	-	76,097	-	76,097
Net loss and comprehensive loss	-	-	-	-	-	(2,486,518)	(2,486,518)
Balance, March 31, 2017	84,384,993	\$ 17,549,440	\$ (147,500)	\$ 358,461	\$ 684,793	\$ (19,526,934)	\$ (1,081,740)

First Access Funding Corp.
Condensed Interim Statement of Cash Flows
(in Canadian dollars)
For the Three Month Period Ended March 31, 2017
(unaudited)

	March 31, 2017	March 31, 2016
Cash provided by (used in)		
Operations		
Net loss	\$ (2,486,518)	\$ (727,849)
Items not affecting cash		
Stock-based compensation	76,097	(13,101)
Accretion expense	213,115	127,052
Credit losses	1,646,053	1,463,212
Accrued interest income	40,710	(554,949)
Amortization	51,848	32,537
Loss on disposal of property and equipment	4,596	-
Interest expense	1,162,422	1,038,711
	708,323	1,365,613
Net changes in undernoted items:		
Prepaid expenses	(4,033)	(66,084)
Accounts payable and accrued liabilities	42,464	512,948
Funds advanced on finance receivables	(5,120,737)	(8,678,645)
Principal collections of finance receivables	7,683,374	6,955,168
Origination costs	(259,977)	(559,987)
Restricted Cash	(3,234,867)	-
	(185,453)	(470,987)
Investing		
Proceeds from sales of property and equipment	19,134	-
Purchase of property and equipment	(147,444)	(99,121)
	(128,310)	(99,121)
Financing		
Issuance of common shares	664,304	155,000
Share issuance costs	(16,916)	(5,796)
Cash Received from shareholders for previous issuances	123,750	-
Proceeds from options and warrants exercised	25,000	7,200
Cash held in trust for debentures to be issued	-	288,000
Cash held in trust for future option exercises	-	1,000
Cash paid for interest	(1,162,422)	(1,038,711)
Issuance of debentures	270,000	3,916,000
Debt issuance costs	(800)	(138,888)
Repayment of debenture	(145,297)	(127,340)
Advances from loans payable	270,000	3,441,782
Repayment of loans payable	(3,541,168)	(120,000)
Advances from Trust Term loan	3,900,000	-
	386,451	6,378,247
Net change in cash	72,688	5,808,139
Cash and cash equivalents, beginning of period	1,510,107	1,047,548
Cash and cash equivalents, end of period	\$ 1,582,795	\$ 6,855,687

First Access Funding Corp.
Notes to Condensed Interim Financial Statements
(in Canadian dollars)
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(unaudited)

1. NATURE OF THE CORPORATION

First Access Funding Corp. (the "Company" or "First Access") was incorporated on July 20, 2011 as per the Canadian Business Corporations Act. First Access specializes in the acquisition and servicing of non-prime automobile retail conditional sales contracts.

The head office, principal address and registered address of the Company are located at 10109-106 Street, Suite 600, Edmonton Alberta T5J 3L7.

On July 26, 2017, the Board of Directors approved the financial statements for the period ended March 31, 2017.

2. BASIS OF PRESENTATION

Statement of Compliance

These unaudited condensed interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34") as issued by the International Accounting Standards Board ("IASB").

In preparing these condensed interim financial statements, the significant judgments made by management in applying the Company's accounting policies and key sources of estimation uncertainty were the same as those that applied to the financial statements as at and for the year ended December 31, 2016. These unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Company for the year ended December 31, 2016.

Basis of Preparation

The financial statements are presented in Canadian dollars, which is the Company's functional and reporting currency.

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities. The estimates and associated assumptions are based on anticipations and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the review affects both current and future periods.

First Access Funding Corp.
Notes to Condensed Interim Financial Statements
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3. Future Changes in Accounting Policies

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods after December 31, 2017 or later periods. Many are not applicable or do not have a significant impact to the Company and have been excluded from the list below. The following has not yet been adopted and is being evaluated to determine its impact on the Company:

- (a) IFRS 9 Financial Instruments was issued in final form in July 2014 by the IASB and will replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 also includes requirements relating to a new hedge accounting model, which represents a substantial overhaul of hedge accounting which will allow entities to better reflect their risk management activities in the financial statements. The most significant improvements apply to those that hedge non-financial risk, and so these improvements are expected to be of particular interest to non-financial institutions. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted.
- (b) In May 2014, IASB issued IFRS 15 Revenue from Contracts with Customers. The core principle of the new standard is for companies to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the company expects to be entitled in exchange for those goods or services. The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple element arrangements. The new standard is effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted. IFRS 15 supersedes the following standards: IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers, and SIC-31 Revenue—Barter Transactions Involving Advertising Services.
- (c) Effective for annual periods beginning on or after January 1, 2019, IFRS 16 Leases was issued by the IASB in January 2016 and will replace IAS 17 Leases. IFRS 16 introduces a single accounting model for lessees and for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee will be required to recognize a right-of-use asset, representing its right to use the underlying asset, and a lease liability, representing its obligation to make lease payments. The accounting treatment for lessors will remain largely the same as under IAS 17. Earlier application is permitted only if the Company early adopts IFRS 15.

First Access Funding Corp.
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4. FINANCE RECEIVABLES, NET

Finance receivables consist of conditional sales contracts, which have terms of 12 to 96 months with fixed rates of interest. A vehicle collateralizes each individual finance receivable.

	March 31, 2017	December 31, 2016 (audited)
Principal balance of finance receivables	\$ 50,585,588	\$ 54,981,993
Dealer reserve fees	2,021,832	1,923,167
Payments past due and sundry balances	640,242	578,427
Repossession inventory	1,962,647	1,909,009
Allowance for credit losses (Note 5)	(3,088,232)	(3,394,020)
Unearned income from administrative fees	(1,191,372)	(1,119,158)
Finance receivables, net	\$ 50,930,705	\$ 54,879,418

The Company's experience has shown that the actual contractual payment stream will vary depending on a number of variables. These variables include prepayment rates, write-offs and deferrals.

The carrying amount of the asset is reduced through the use of the allowance for credit losses with the amount of the loss recognized through the statement of loss as a provision for credit losses. The carrying amount of the Company's repossession inventory is reduced to its expected net realizable value through the use of the allowance for credit losses with the expected amount of the loss recognized through the statement of loss as a provision for credit losses.

The Company has no significant concentration of credit risk arising from customers. Out of total finance payments past due of \$276,238 (December 31, 2016 - \$329,185), finance payments past due in excess of 30 days but not impaired as of the reporting date were approximately \$152,000 (December 31, 2016 - \$196,000). The Company is actively pursuing its efforts to collect these receivables.

First Access Funding Corp.
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5. ALLOWANCE FOR CREDIT LOSSES

The changes in the allowance for credit losses during the periods presented are as follows:

	Total
Allowance, January 1, 2016	\$ 2,765,591
Provision for credit losses	6,760,830
Write-offs	(5,708,852)
Repossession and recovery costs	(423,549)
Allowance, December 31, 2016	\$ 3,394,020
Provision for credit losses	1,646,053
Write-offs	(1,816,790)
Repossession and recovery costs	(135,051)
Allowance, March 31, 2017	\$ 3,088,232

The Company takes allowances for credit losses on its delinquent loans, on vehicles in the Company's repossession inventory, and a collective allowance against loans identified as not delinquent.

The Company's total allowance is comprised of the following:

- (a) As at March 31, 2017, delinquent loans totaled \$7,068,777 (December 31, 2016 - \$7,992,988) and the Company took an allowance of \$1,194,920 (December 31, 2016 - \$1,458,857).
- (b) As at March 31, 2017, the vehicles in the Company's repossession inventory had an aggregate remaining principal value of \$1,962,647 (December 31, 2016 - \$1,909,009) and the Company took an allowance of \$1,158,111 (December 31, 2016 - \$1,145,405).
- (c) As at March 31, 2017, the Company took an allowance of \$735,201 (December 31, 2016 - \$789,758) on loans identified as not delinquent.

First Access Funding Corp.
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5. ALLOWANCE FOR CREDIT LOSSES (Cont'd)

The aging analysis of finance receivables and their respective allowance for credit losses are as follows:

March 31, 2017	Current	1 - 30 days past due	31 - 60 days past due	61 - 90 days past due	Over 90 days past due	Total Finance Receivables
Finance receivables	\$ 44,157,053	\$ 4,901,012	\$ 1,410,280	\$ 555,358	\$ 202,127	\$ 51,225,830
Percent of total finance receivables	86.2 %	9.6 %	2.7 %	1.1 %	0.4 %	100.0 %
Allowance for credit losses	\$ 735,201	\$ 353,760	\$ 449,970	\$ 277,070	\$ 114,120	\$ 1,930,121
Allowance for repossession inventory	-	-	-	-	-	1,158,111
Total allowance for credit losses						\$ 3,088,232

December 31, 2016	Current	1 - 30 days past due	31 - 60 days past due	61 - 90 days past due	Over 90 days past due	Total Finance Receivables
Finance receivables	\$ 47,637,600	\$ 5,474,568	\$ 1,466,710	\$ 532,228	\$ 519,482	\$ 55,630,588
Percent of total finance receivables	85.6 %	9.9 %	2.6 %	1.0 %	0.9 %	100.0 %
Allowance for credit losses	\$ 789,758	\$ 420,336	\$ 471,608	\$ 271,682	\$ 295,231	\$ 2,248,615
Allowance for repossession inventory	-	-	-	-	-	1,145,405
Total allowance for credit losses						\$ 3,394,020

First Access Funding Corp.
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6. PROPERTY AND EQUIPMENT

Cost	Office Furniture	Leasehold Improvements	Computer Software	Vehicles	Total
Balance, January 1, 2016	\$ 204,088	\$ 135,440	\$ 231,103	\$ 37,471	\$ 608,102
Additions	54,547	5,911	130,550	90,407	281,415
Balance, December 31, 2016	258,636	141,351	361,653	127,878	889,518
Additions	852	9,242	31,181	106,169	147,444
Disposals	-	-	-	(37,149)	(37,149)
Balance, March 31, 2017	\$ 259,488	\$ 150,593	\$ 392,834	\$ 196,898	\$ 999,813

Accumulated Amortization	Office Furniture	Leasehold Improvements	Computer Software	Vehicles	Total
Balance January 1, 2016	\$ 44,099	\$ 18,204	\$ 53,157	\$ 18,105	\$ 133,565
Additions	46,272	27,679	59,275	22,047	155,273
Balance December 31, 2016	90,371	45,883	112,432	40,152	288,838
Additions	12,975	7,530	19,643	11,702	51,850
Disposals	-	-	-	(13,418)	(13,418)
Balance March 31, 2017	\$ 103,346	\$ 53,413	\$ 132,075	\$ 38,436	\$ 327,270

Net Carrying Amounts

At December 31, 2016	\$ 168,265	\$ 95,468	\$ 249,221	\$ 87,726	\$ 600,680
At March 31, 2017	\$ 156,142	\$ 97,180	\$ 260,759	\$ 158,462	\$ 672,543

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7. LOANS PAYABLE

The Alberta Treasury Branches ("ATB") facility is a two-year committed operating loan (revolving) (the "Operating Loan Facility") in the amount of up to \$20,000,000, bears interest at ATB prime plus 3% per annum, and is subject to certain financial covenants. The Operating Loan contains a general security agreement. At certain dates during the period, and as at March 31, 2017, the Company was not in compliance with its interest coverage ratio covenant. Subsequent to the period ended, ATB advised that it was not taking action related to this non-compliance for the period ending March 31, 2017, and advises that it maintains its rights in subsequent periods relating to all provisions of the facility. As at March 31, 2017, the Company had a balance outstanding of \$11,178,832 (December 31, 2016 - \$14,450,000)

8. DEBENTURES

The Company had the following debentures outstanding as at:

	March 31, 2017	December 31, 2016
9.5% Debentures ^(a)	\$ 293,640	\$ 432,104
10.5% Debentures ^(c)	10,313,020	10,254,610
Series I 10% Debentures ^(f)	250,000	-
Series III 12% Debentures ^(c)	16,876,355	16,837,453
Series I 8.5% Debentures ^(d)	2,178,930	2,165,143
Series II 8.5% Debentures ^(e)	49,204	30,000
Total debentures	\$ 29,961,149	\$ 29,719,310

(a) 9.5% Debentures

The 9.5% Debentures bear interest at a rate of 9.5% per annum, payable quarterly and accrued monthly. The 9.5% Debentures are interest-paying only for the first two years following the last closing, and thereafter, interest continues to be paid quarterly, and principal shall be repaid in equal quarterly payments until maturity September 30, 2017.

The 9.5% Debentures outstanding bear a weighted average effective interest rate of 16.4% (December 31, 2016 - 16.4%), are due September 30, 2017. The remaining 9.5% Debentures are no longer convertible into common shares. The outstanding principal balance as at March 31, 2017 is \$301,029 (December 31, 2016 - \$446,327)

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8. DEBENTURES (Cont'd)

(b) 10.5% Debentures

The 10.5% Debentures bear interest at a rate of 10.5% per annum, payable quarterly and accrued monthly and have a maturity date of five years from the date of closing. The principal amount of each 10.5% Debenture, plus any accrued and unpaid interest, may be converted at the option of the Company, in whole or in part, into common shares of the Company at the Conversion Price at any time and from time to time on or after the date on which the Company completes an initial public offering, a sale, a reverse take-over or otherwise becomes a reporting issuer. The Conversion Price is equal to 90% of the going public transaction price or the then current market price. The Company has the right, in its sole discretion, to redeem and prepay all or any permitted portion of the principal amount outstanding on the 10.5% Debentures, plus any accrued and unpaid interest thereon, without notice, bonus or penalty, at any time or from time to time on or after the earlier of (a) two years from the date of issuance of the last 10.5% Debentures issued pursuant to this Offering; or (b) the Company completing an initial public offering, a sale, a reverse take-over or otherwise becomes a reporting issuer.

The Series 10.5% Debentures are secured by a general security agreement in respect of all present and after acquired personal property of the Company. The 10.5% Debentures are subordinated to the security interests of: (i) ATB in connection with the Operating Loan Facility; and (ii) the Trust Term Loan.

In the event that the Company redeems and prepays any principal amount outstanding on the 10.5% Debentures prior to the Maturity Date, then the Company shall issue to the holders of such 10.5% Debentures warrants to purchase common shares of the Company. The number of warrants issuable to a holder of 10.5% Debentures, which have been redeemed and prepaid by the Company, shall be equal to 5% of the principal amount of such 10.5% Debentures redeemed and prepaid by the Company divided by the current market price on issuance of the warrants. Each warrant will entitle the holder thereof to purchase one common share of the Company at 105% of the current market price on issuance of the warrants for a period of one year following the date on which the 10.5% Debentures are redeemed and prepaid.

Gross proceeds and outstanding principal balance for the 10.5% Debentures that have been issued as at March 31, 2017 is \$10,763,000 (December 31, 2016 - \$10,763,000), bear a weighted average effective interest rate of 13.5% (December 31, 2016 - 13.5%) and are due September 30, 2018.

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8. DEBENTURES (Cont'd)

(c) Series III 12% Debentures

The Series III 12% secured subordinated debentures bear interest at a rate of 12% per annum, payable monthly and accrued monthly, in arrears and have a maturity date of October 30, 2018.

The Series III 12% Debentures are secured by a general security agreement in respect of all present and after acquired personal property of the Company. The Series III 12% Debentures are subordinated to the security interests of: (i) ATB in connection with the Operating Loan Facility; and (ii) the Trust Term Loan.

The Company has the right, in its sole discretion, to redeem and prepay all or any portion of the principal amount outstanding on the Series III 12% Debentures, plus any accrued and unpaid interest thereon. If any the Series III 12% Debentures are redeemed and prepaid, in whole or in part, prior to the date which is 12 months from the date of issuance, a payment equal to the difference between 12 months' interest owing on such Series III 12% Debentures to be redeemed and prepaid and the total interest paid to the holder prior to the date of redemption shall be made to the holder of Series III 12% Debentures so redeemed and prepaid.

Gross proceeds and outstanding principal balance for the Series III 12% Debentures that have been issued as at March 31, 2017 is \$17,159,000 (December 31, 2016 - \$17,159,000), bear a weighted average effective interest rate of 13.2% (December 31, 2016 - 12.9%), and are due October 30, 2018.

(d) Series I 8.5% Debentures

The Series I 8.5% secured subordinated debentures bear interest at a rate of 8.5% per annum, payable quarterly and accrued monthly, in arrears and have a maturity date of October 30, 2018.

The Series I 8.5% Debentures are secured by a general security agreement in respect of all present and after acquired personal property of the Company. The Series I 8.5% Debentures are subordinated to the security interests of: (i) ATB in connection with the Operating Loan Facility; and (ii) the Trust Term Loan.

The Company has the right, in its sole discretion, to redeem and prepay all or any portion of the principal amount outstanding on the Series I 8.5% Debentures, plus any accrued and unpaid interest thereon. If any Series I 8.5% Debentures are redeemed and prepaid, in whole or in part, prior to the date which is 12 months from the date of issuance, a payment equal to the difference between 12 months' interest owing on such Series I 8.5% Debentures to be redeemed and prepaid and the total interest paid to the holder prior to the date of redemption shall be made to the holder of Series I 8.5% Debentures so redeemed and prepaid.

Gross proceeds and outstanding principal for the Series I 8.5% Debentures that have been issued as at March 31, 2017 is \$2,281,000 (December 31, 2016 - \$2,281,000), bear a weighted average effective interest rate of 11.6% (December 31, 2016 - 16.0%), and are due October 30, 2018.

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8. DEBENTURES (Cont'd)

(e) Series II 8.5% Debentures

The Series II 8.5% secured subordinated debentures bear interest at a rate of 8.5% per annum, payable quarterly and accrued monthly, in arrears and have a maturity date of December 31, 2020.

The Series II 8.5% Debentures are secured by a general security agreement in respect of all present and after acquired personal property of the Company. The Series II 8.5% Debentures are subordinated to the security interests of: (i) ATB in connection with the Operating Loan Facility; and (ii) the Trust Term Loan.

The Company has the right, in its sole discretion, to redeem and prepay all or any portion of the principal amount outstanding on the Series II 8.5% Debentures, plus any accrued and unpaid interest thereon. If any Series II 8.5% Debentures are redeemed and prepaid, in whole or in part, prior to the date which is 12 months from the date of issuance, a payment equal to the difference between 12 months' interest owing on such Series II 8.5% Debentures to be redeemed and prepaid and the total interest paid to the holder prior to the date of redemption shall be made to the holder of Series II 8.5% Debentures so redeemed and prepaid.

Gross proceeds and outstanding principal for the Series II 8.5% Debentures that have been issued as at March 31, 2017 is \$50,000 (December 31, 2016 - \$30,000), bear a weighted average effective interest rate of 9.4% (December 31, 2016 - 8.5%), and are due December 31, 2020.

(f) Series I 10% Debentures

The Series I 10% secured subordinated debentures bear interest at a rate of 10% per annum, payable quarterly and accrued monthly, in arrears and have a maturity date of December 31, 2020.

The Series I 10% Debentures are secured by a general security agreement in respect of all present and after acquired personal property of the Company. The Series I 10% Debentures are subordinated to the security interests of: (i) ATB in connection with the Operating Loan Facility; and (ii) the Trust Term Loan.

The Company has the right, in its sole discretion, to redeem and prepay all or any portion of the principal amount outstanding on the Series I 10% Debentures, plus any accrued and unpaid interest thereon. If any Series I 10% Debentures are redeemed and prepaid, in whole or in part, prior to the date which is 12 months from the date of issuance, a payment equal to the difference between 12 months' interest owing on such Series I 10% Debentures to be redeemed and prepaid and the total interest paid to the holder prior to the date of redemption shall be made to the holder of Series I 10% Debentures so redeemed and prepaid.

Gross proceeds and outstanding principal for the Series I 10% Debentures that have been issued as at March 31, 2017 is \$250,000 (December 31, 2016 - \$Nil), bear a weighted average effective interest rate of 10% (December 31, 2016 - Nil%), and are due December 31, 2020.

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8. DEBENTURES (Cont'd)

The required principal repayments under the all debentures are as follows:

2017	\$ 301,029
2018	30,203,000
2020	300,000
	<hr/>
	\$ 30,804,029
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9. TRUST TERM LOAN

The term loan is a \$75,000,000 senior secured delayed draw term loan facility (the "Trust Term Loan", and is administered via a special-purpose, bankruptcy-remote charitable trust (the "Trust"). The Company entered into the Trust Term Loan with Ares Agent Services L.P. ("Ares") on September 12, 2016.

The lenders of the Trust Term Loan take security for the repayment of the Trust Term Loan by requiring the Company to sell, transfer and assign all of its right, title and interest in certain finance receivables to the Trust on a true-sale basis. The Trust draws on the Trust Term Loan facility to pay to the Company the initial purchase price of the finance receivables sold by the Company to the Trust. The deferred purchase price of the finance receivables sold by the Company to the Trust are paid over time out of customer payments and prepayments and any other proceeds made on the finance receivables owned by the Trust.

The finance receivables advanced to the Trust do not qualify for de-recognition under IFRS and therefore the net proceeds received from the Trust for these finance receivables are recorded as the Trust Term Loan on the statements of financial position. The total amount of the term loan outstanding (net of transaction costs) as at March 31, 2017 amounted to \$21,070,463 (December 31, 2016 - \$17,075,285).

The Trust Term Loan is recorded at amortized cost using the effective interest rate method. Transaction costs, premiums, or discounts are applied to the carrying amount of the loan.

The collateral of the Trust Term Loan is reduced on a monthly basis by scheduled payments and prepayments relative to amounts collected from the finance receivables held by the Trust during the period. The total amount available for borrowing is determined based on the underlying value of the finance receivables in the Trust as well as the amount of cash held by the Trust. The Company does not guarantee the Trust Term Loan.

At certain dates during the period, and as at March 31, 2017, the Company was not in compliance with the Tier 1 Performance Trigger in respect of Average Annualized Net Loss Rate. Notwithstanding the occurrence of such Tier 1 Performance Triggers, Ares, on behalf of its Lenders, agreed that the Credit Agreement, including the rights, remedies, liabilities and obligations or each party thereunder, would be interpreted and construed as if such Tier 1 Performance Triggers had not occurred. Ares further advised that it waives none of its rights and remedies under the Credit Agreement other those explicitly waived, and all of the obligations of the Company thereunder remain in full force and effect, other than as modified by the waiver. All capitalized terms in this paragraph refer to defined terms in the agreements governing the Trust Term Loan.

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9. TRUST TERM LOAN (Cont'd)

Trust Term Loan

Balance at December 31, 2015	\$ -
Gross advances from the Trust	20,000,000
Repayments to the Trust	1,299,292
Cash collections within the Trust	(5,525,700)
Restricted cash	4,226,408
Unamortized Trust Term Loan costs	(2,924,715)

Balance at December 31, 2016	\$ 17,075,285
Gross advances from the Trust	3,900,000
Cash collections within the Trust, net of waterfall payments	(3,234,867)
Restricted cash	3,234,867
Amortized portion of Trust Term Loan costs	95,178

Balance at March 31, 2017	\$ 21,070,463
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Unamortized Trust Term Loan Cost

Balance at December 31, 2015	\$ -
Trust Term Loan costs incurred for the year	3,038,649
Amount of Trust Term Loan costs expensed during year	(113,934)

Balance at December 31, 2016	\$ 2,924,715
Amount of Trust Term Loan costs expensed during period	\$ (95,178)

Balance at March 31, 2017	\$ 2,829,537
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The Company records cash received from the sale as a financial liability and continues to recognize 100% of the finance receivables. Upon completion of a sale, servicing of the finance receivables remains the Company's responsibility.

Finance Receivables	March 31, 2017		December 31, 2016	
	Total	Percentage	Total	Percentage
Owned by the Company	24,078,563	47 %	29,446,152	54 %
Owned by the Trust	26,852,142	53 %	25,433,273	46 %
Total	\$ 50,930,705	100 %	\$ 54,879,425	100 %

Finance Receivables Owned by the Trust

Once the finance receivables are sold to the Trust, the Company is responsible for collecting all scheduled or receivable principal and interest payments relating to the finance receivables owned by the Trust, as well as any other payments relating to the Trust Term Loan pursuant to the terms of a servicing agreement and an administration agreement.

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9. TRUST TERM LOAN (Cont'd)

Finance Receivables Pledged as Collateral

As at March 31, 2017, the carrying value of the Trust's finance receivables used as collateral for the Trust Term Loan was \$26,852,142 (December 31, 2016 - \$25,433,273). These finance receivables were included in finance receivables on the statements of financial position.

As a requirement of the master receivables purchase agreement related to the Trust Term Loan, the Company sells, transfers and assigns to the Trust, all of its right, title, and interest in and to the finance receivables used as collateral by the Trust for the Trust Term Loan. Under certain default circumstances, the Trust's lenders may take direct control of the finance receivables owned by the Trust and assign the servicing of the finance receivables owned by the Trust to a back-up servicer.

The total risk of loss to the Company relating to finance receivables held in the Trust is limited to the cash collections for the Trust and finance receivables over collateralization if any. The total risk to the Company as of March 31, 2017 was \$16,438,725 (December 31, 2016 - \$15,773,592).

To protect against the risk of prepayment and credit losses and to maintain the borrowing base of the Trust Term Loan, the lenders require certain cash amounts to be maintained in the Trust collection account. As at March 31, 2017, the total cash amount in the Trust collection account amounted to \$7,461,275 (December 31, 2016 - \$4,226,408)

10. CAPITAL STOCK

Authorized

unlimited common shares

Issued and Outstanding

During the three month ended March 31, 2017, the Company entered into the following capital stock transactions:

- (i) On January 1, 2017 100,000 options were exercised into common shares of the Company at \$0.25 per common share.
- (ii) On March 28, 2017, the Company closed the thirteenth tranche of a non-brokered private placement, raising gross proceeds of \$1,320,000 through the issuance of 2,640,000 common shares at a price of \$0.50 per common share.

During the year ended December 31, 2015, the Company has granted six shareholder loans related to the exercise of 3,050,000 options of the Company. The aggregate amount of the loans totaled \$305,000 and are interest free with a repayment date of May 1, 2020. These loans have been recorded as a reduction to contributed surplus rather than as an asset as by their nature they represent in substance a share based payment.

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11. WARRANT CAPITAL

The following summarizes the warrants issued and outstanding during the period:

	March 31, 2017		December 31, 2016	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Beginning balance	2,192,000	\$0.50	2,685,462	\$0.50
Ribbon options	-	\$ NIL	-	\$ NIL
Issued	-	\$ NIL	100,000	\$0.50
Extended	-	\$ NIL	-	\$ NIL
Exercised	-	\$ NIL	-	\$ NIL
Expired	-	\$ NIL	(593,462)	\$0.10
Warrants to be issued	-	\$ NIL	-	\$ NIL
	-	\$ NIL	-	\$ NIL
Ending balance	2,192,000	\$0.50	2,192,000	\$0.50

The Company had the following warrants outstanding as at March 31, 2017:

Number of Warrants	Exercisable	Exercise Price	Expiry Date
2,000,000	2,000,000	\$ 0.50	March 1, 2019
100,000	100,000	\$ 0.50	June 30, 2017
92,000	92,000	\$ 0.50	December 9, 2017
2,192,000	2,192,000		

First Access Funding Corp.
Notes to Condensed Interim Financial Statements
(in Canadian dollars)
For the Three Month Period Ended March 31, 2017
(unaudited)

11. WARRANT CAPITAL (Cont'd)

On March 1, 2017, the Company extended the expiry date of the two million warrants with an expiry date of March 1, 2017 to March 1, 2019. The fair value of the warrants is estimated at the time of the extension and grant using the Black-Scholes option pricing model with the following inputs and assumptions:

	Extension	Grant
Exercise price	\$ 0.50	\$ 0.50
Expected volatility	60 %	60 %
Risk-free interest rate	0.87 %	0.59 %
Expected life	2.0 years	2.0 years
Estimated share price	\$ 0.50	\$ 0.10

The fair value of the warrants granted during the year ended December 31, 2016 was estimated at the time of the grant using the Black-Scholes option pricing model with the following inputs and assumptions:

	2016
Exercise price	\$ 0.50
Expected volatility	60 %
Risk-free interest rate	0.50 %
Expected life	2.0 years
Estimated share price	\$ 0.47

There were no warrants granted during the three month period ended March 31, 2017.

The expected volatility of the warrants is based on comparable companies in the industry. The warrants were measured based on the fair values of the common share purchase warrant, which amounted to \$10,082 for the year ended December 31, 2016. The compensation warrants were not measured at the fair value of the services received as this amount could not be measured reliably.

12. STOCK OPTIONS

The Company adopted a Stock Option Plan ("the Plan") in September 2011, which was authorized by the Board of Directors on September 1, 2012 to act as an incentive and compensate, among others, key officers, directors, employees, advisors and individuals providing value to the Company. The Plan provides for the issuance of options for the purchase of common shares of the Company at an exercise price of \$0.10 per common share or greater for a period of three years from the date of issuance. Options equal to a total of 20% of the issued and outstanding common shares of the Company are available for the Board of Directors to grant to option grantees upon such price, vesting and performance terms, if any, as may be decided by the Board of Directors. As a result, the options listed below were granted as of September 1, 2012 and later.

First Access Funding Corp.
Notes to Condensed Interim Financial Statements
(in Canadian dollars)
For the Three Month Period Ended March 31, 2017
(unaudited)

12. STOCK OPTIONS (Cont'd)

The following summarizes the stock options issued during the three months ended March 31, 2017:

	March 31, 2017		December 31, 2016	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Beginning balance	7,986,000	\$0.39	10,516,667	\$0.39
Issued	412,500	\$0.56	608,000	\$0.46
Expired	(100,000)	\$0.15	(171,667)	\$0.18
Exercised	(830,000)	\$0.15	(1,365,000)	\$0.18
Forfeited	(45,000)	\$0.01	(1,602,000)	\$0.34
Ending balance	7,423,500	\$0.47	7,986,000	\$0.39
Exercisable	6,961,501	\$0.47	6,969,001	\$0.43

The weighted average share price on the date of exercise was \$0.50 (December 31, 2016 - \$0.35).

The Company had the following options issued at March 31, 2017:

Number of Options	Exercisable	Exercise Price	Weighted Average Time to Maturity
442,500	430,000	\$ 0.25	0.29 years
700,000	700,000	\$ 0.30	0.47 years
190,000	126,667	\$ 0.35	1.30 years
5,923,500	5,545,667	\$ 0.50	1.56 years
167,500	159,167	\$ 0.65	2.81 years
7,423,500	6,961,501		

First Access Funding Corp.
Notes to Condensed Interim Financial Statements
(in Canadian dollars)
For the Three Month Period Ended March 31, 2017
(unaudited)

12. STOCK OPTIONS (Cont'd)

The fair value of the options granted is estimated at the time of the grant using the Black-Scholes option pricing model with the following weighted average assumptions:

	March 31, 2017	December 31 , 2016
Exercise price	\$ 0.55	\$ 0.43
Expected volatility	60 %	60 %
Risk-free interest rate	0.87 %	0.51 %
Expected life	3.0 years	2.8 years
Forfeiture rate	10 %	10 %
Estimated share price	\$ 0.50	\$ 0.45

The expected volatility of the options is based on comparable companies in the industry. The options issued by the Company consists of market or non-market vesting conditions. Options issued to employees, directors and consultants vest one third immediately, one third on the first anniversary and one third on the second anniversary of the grant date unless specified differently on the grantee's option agreement. Options granted to consultants were measured at the fair value of the equity instruments granted as the fair value of services was not reliably measurable.

13. RELATED PARTY TRANSACTIONS

For the three month period ended March 31, 2017, key management personnel included the Chief Executive Officer, the Chief Financial Officer and directors of the company. Total compensation for key management personnel amounted to \$112,638 during the three month period ended March 31, 2017 (2016 - \$104,476); of the total compensation, \$13,888 (2016 - \$4,884) relates to stock-based compensation and the remainder relates to salaries, bonuses and benefits. As at March 31, 2017 there is a balance of \$27,736 (December 31, 2016 - \$NIL) payable to key management personnel.

As described in note 11, on March 1, 2017, two million warrants were extended; these warrants were originally issued to a director of the Company, the total value of this extension was \$334,482.

14. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Capital Management

The Company's objective when managing capital is to maintain its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders.

The Company includes equity, comprised of issued capital stock, warrant capital, contributed surplus and deficit, in the definition of capital.

First Access Funding Corp.
Notes to Condensed Interim Financial Statements
(in Canadian dollars)
For the Three Month Period Ended March 31, 2017
(unaudited)

14. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Cont'd)

Capital Management (Cont'd)

The Company's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to fund new loans. To secure the additional capital necessary to pursue these plans, the Company may attempt to raise additional funds through the issuance of equity, the issuance of debt or by securing strategic partners. There has been no change with respect to the overall capital risk management strategy during the three month period ended March 31, 2017.

The Company's debt is subject to a number of covenants and restrictions including the requirement to meet certain financial ratios and financial condition tests. Refer to note 7 and 9.

Risk Disclosures and Fair Values

The Company's financial instruments, consisting of cash and cash equivalents, due from shareholders, and accounts payable and accrued liabilities, approximate fair values due to the relatively short term maturities of the instruments.

The fair value of the finance receivables as of March 31, 2017 is \$50,930,705 (2016 - \$54,879,418), which is equivalent to the principal balance outstanding at period end, net of the allowance for credit losses, at rates commensurate with the underlying risk of assets, any charge-offs and any deferred fees or costs, such as dealer reserve fees

The fair value of the debentures, loans payable and Trust Term Loan approximate carrying value as the effective interest rates implicit in the debt are consistent with current market rates.

(a) Liquidity risk

The Company has current liabilities of \$1,451,206 (December 31, 2016 - \$16,004,044) due within 12 months and has cash and cash equivalents of \$1,582,795 (December 31, 2016 - \$1,510,107). As a result the Company is not exposed to liquidity risk as at March 31, 2017.

As at March 31, 2017, the Company had the following contractual maturities:

	Less than 1 year	Within 1-2 years	Greater than 2 years
Accounts payable and accrued liabilities	\$ 1,150,177	\$ -	\$ -
9.5% Debenture	301,029	-	-
10.5% Debentures		10,763,000	-
Series I 10% Debentures		-	250,000
Series III 12% Debentures		17,159,000	-
Series I 8.5% Debentures		2,281,000	-
Series II 8.5% Debentures		-	50,000
Alberta Treasury Branches	-	11,178,832	-
Trust Term Loan		-	23,900,000
Total	\$ 1,451,206	\$ 41,381,832	\$ 24,200,000

Risk Disclosures and Fair Values (Cont'd)

(b) Credit risk (Cont'd)

First Access Funding Corp.
Notes to Condensed Interim Financial Statements
(in Canadian dollars)
For the Three Month Period Ended March 31, 2017
(unaudited)

14. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Cont'd)

The Company is primarily exposed to credit risk through the Company's finance receivables. Credit risk is the risk that a customer fails to meet its contractual obligations. The Company's maximum exposure to credit risk is represented by the carrying amount for finance receivables and cash and cash equivalents.

The Company manages credit risk in the following ways:

- (i) Credit Adjudication - The Company maintains certain minimum standards that are required in order to extend credit. Applications that fail to meet these minimum standards will result in an immediate decline. Each application is reviewed by an experienced credit underwriter.
- (ii) Collateral - The Company requires and obtains a lien on each vehicle financed for the duration of the term of the loan. The Company also requires each customer to obtain and maintain insurance on the vehicle financed to protect the value of the collateral in case the vehicle is damaged or destroyed. The Company installs a GPS device in each vehicle financed through the Company's 'Access 1-4' financing programs and in the event of default, the Company can track, disable and repossess the vehicles for liquidation. The Company installs a GPS device in certain vehicles it finances through its 'Access 5-6' financing programs. Collateral risk exists that in the event that a loan defaults, the realized value of the vehicle security is insufficient to pay off the entire loan without shortfall.

(c) Interest rate risk

The Company is exposed to interest rate risk on its fixed interest rate financial instruments. Fixed-rate instruments subject the Company to a fair value risk.

The bank borrowing bears interest at a floating rate. The floating rate debt is subject to interest cash flow risk as the required cash flows to service the debt will fluctuate as a result of changes in market rates. Fluctuation in interest rates on bank borrowing by plus or minus one percent, can impact the net income by plus or minus \$350,788, for the reporting period based on gross borrowing balance of \$35,078,832 as at March 31, 2017.

15. GENERAL AND ADMINISTRATIVE FEES

General and administrative fees are comprised of the following:

	2017	2016
Loan origination costs	\$ 360,534	\$ 245,768
Office and general	61,744	65,233
Professional fees	460,100	253,651
Rent	94,097	51,977
Travel and entertainment	77,842	200,328
Bonus	10,013	21,348
Other	67,883	160,797
	\$ 1,132,213	\$ 999,102

First Access Funding Corp.
Notes to Condensed Interim Financial Statements
(in Canadian dollars)
For the Three Month Period Ended March 31, 2017
(unaudited)

16. COMPARATIVE FIGURES

During the year ended December 31, 2016, the Company changed its equity reserve presentation on the statements of financial position, and grouped the amounts due from shareholders for shares issued in 2015, which was previously presented within equity into contributed surplus which is also presented within equity as these are considered a share based transaction with the directors and employees of the Company. This change has no impact on the Company's statement of comprehensive loss, and statement of cash flows.

17. COMMITMENTS

Lease Commitment

The Company has entered into a lease agreement for premises and two licensing contracts. The combined future minimum payments are as follows:

Less than 1 year	\$ 454,684
1-5 years	778,824
	<hr/>
	\$ 1,233,508
	<hr/>

18. SUBSEQUENT EVENTS

- (a) Subsequent to the period ended March 31, 2017, the Company paid down an additional \$300,000 of the Operating Loan Facility (Note 7) .
- (b) Subsequent to the period ended March 31, 2017, the Company completed an advance under the Trust Term Loan (Note 9) in the amount of \$2,000,000, by vending an additional \$4,192,339 in principal value of finance receivables. As of the latest measurement date of June 30, 2017, the total principal value of finance receivables pledge to the Trust is \$26,531,808, and total advances from the Trust Term Loan are \$25,900,000.
- (c) On February 3, 2017 the Company subscribed, for nominal consideration, for 3,575,000 common shares in a newly incorporated federal company called TruDecision Inc. ("TruDecision"). In addition, on April 27, 2017 the Company entered into the following agreements: (i) a license agreement with TruDecision whereby it licensed, on an exclusive basis, certain automated adjudication technology to TruDecision in return for payments based on TruDecision's use of said technology; (ii) a sub-lease agreement with TruDecision whereby TruDecision sub-leased fifty percent of the Company's Toronto office and is responsible for fifty percent of all associated rent and costs; and (iii) a shareholders agreement with certain shareholders of TruDecision and the company itself. Further, on April 27, 2017, TruDecision completed and closed an equity fundraising of approximately \$1.3 million. As at April 27, 2017, the Company directly and indirectly controls 29.3% of all outstanding common shares.



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AUDITORS' CONSENT

To: First Access Funding Corp.

We consent to the use of our report to the directors of First Access Funding Corp. (the "Company") on the statement of financial position of the Company as at December 31, 2016, and the statements of comprehensive income, changes in equity and cash flows for the year ended December 31, 2016, and a summary of significant accounting policies and other explanatory information in the offering document dated August 3, 2017 relating to the offering of up to \$10,000,000 aggregate principal amount of Series II 9.5% Debentures of the Company. Our report is dated May 1, 2017.

Collins Barrow Toronto LLP

Collins Barrow Toronto LLP
Chartered Professional Accountants
Licensed Public Accountants
Toronto, Ontario
August 3, 2017

First Access Funding Corp.

Financial Statements

(in Canadian dollars)

For Years Ended December 31, 2016 and 2015

INDEPENDENT AUDITORS' REPORT

To the Directors of First Access Funding Corp.

We have audited the accompanying financial statements of First Access Funding Corp. which comprise the statements of financial position as at December 31, 2016 and December 31, 2015, and the statements of comprehensive loss, changes in equity and cash flows for the years ended December 31, 2016 and December 31, 2015 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 financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the 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 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 control. 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 financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of First Access Funding Corp. as at December 31, 2016, and December 31, 2015 and its financial performance and its cash flows for the years ended December 31, 2016 and December 31, 2015 in accordance with International Financial Reporting Standards.

Collins Barrow Toronto LLP

Chartered Professional Accountants
Licensed Public Accountants
May 1, 2017
Toronto, Ontario

First Access Funding Corp.
Statement of Financial Position
(in Canadian dollars)
As at December 31, 2016

	2016	2015
Assets		
Cash and cash equivalents	\$ 1,510,107	\$ 1,047,548
Shareholder loans	-	98,572
Finance receivable, net (Note 4)	54,879,418	48,119,939
Restricted cash (Note 9)	4,226,408	-
Prepaid expenses and other current assets	502,772	369,198
Accrued interest income	655,523	443,368
Property and equipment (Note 6)	600,680	474,538
	\$ 62,374,908	\$ 50,553,163

Liabilities

Accounts payable and accrued liabilities	\$ 1,107,716	\$ 229,450
Bridge loan (Note 7)	-	848,218
Loans payable (Note 7)	14,450,000	29,772,555
Debentures (Note 8)	29,719,310	14,841,933
Trust term loan (Note 9)	17,075,285	-
	62,352,311	45,692,156

Shareholders' Equity

Common shares (Note 10)	16,564,010	14,935,761
Shares to be issued	(140,500)	22,000
Warrant capital (Note 11)	23,979	4,168
Contributed surplus	615,524	574,308
Deficit	(17,040,416)	(10,675,230)
	22,597	4,861,007
	\$ 62,374,908	\$ 50,553,163

Commitments (Note 18)
Subsequent events (Note 19)

Approved by the Board

"Brian Radmacher"
Director (Signed)

"David Ballantine"
Director (Signed)

First Access Funding Corp.
Statement of Comprehensive loss
(in Canadian dollars)
For the Year Ended December 31, 2016

	2016	2015
Financial revenue		
Interest revenue	\$ 13,906,391	\$ 10,346,018
Fees and servicing income	693,860	560,874
	14,600,251	10,906,892
Financial expense		
Interest on debentures and loans payable	6,169,725	3,604,505
Net financial income before credit losses and operating expenses	8,430,526	7,302,387
Operating expenses		
Amortization	155,274	100,553
General and administrative (Note 16)	4,163,236	3,402,166
Loss on sale of assets	-	13,451
Provision for credit losses (Note 5)	6,760,830	4,399,019
Salaries and wages	3,661,440	2,486,828
Stock-based compensation	54,932	476,871
	14,795,712	10,878,888
Net loss and comprehensive loss	\$ (6,365,186)	\$ (3,576,501)
Loss per share		
Basic and diluted	\$ (0.080)	\$ (0.049)
Weighted average number of common shares outstanding		
Basic and diluted	79,648,754	72,722,165

First Access Funding Corp.
Statement of Changes in Equity
(in Canadian dollars)
For the Year Ended December 31, 2016

	Common Shares Number	Value	Shares to be issued or repurchased	Warrant Capital	Contributed Surplus	Equity Component of Convertible Debentures	Deficit	Total
Balance, January 1, 2015	48,825,433	\$ 2,213,006	\$ 150,000	\$ -	\$ 413,638	\$ 1,412,113	\$ (7,098,729)	\$ (2,909,972)
Shares to be issued	-	-	22,000	-	-	-	-	22,000
Shares issued	4,256,943	2,128,472	(150,000)	-	-	-	-	1,978,472
Share issuance cost	-	(48,850)	-	-	-	-	-	(48,850)
Exercise of stock options	3,470,000	464,513	-	-	(117,513)	-	-	347,000
Issuance of warrants	-	-	-	4,067	-	-	-	4,067
Shares issued for bonus shares	990,174	432,634	-	-	-	-	-	432,634
Debt conversion	20,556,677	9,745,986	-	101	-	(1,268,801)	-	8,477,286
Expiry of conversion option	-	-	-	-	143,312	(143,312)	-	-
Shareholder purchase loans(Note 10)	-	-	-	-	(342,000)	-	-	(342,000)
Stock-based compensation	-	-	-	-	476,871	-	-	476,871
Net loss and comprehensive loss	-	-	-	-	-	-	(3,576,501)	(3,576,501)
Balance, December 31, 2015	78,099,227	14,935,761	22,000	4,168	574,308	-	(10,675,230)	4,861,007
Shares issued	3,374,099	1,676,967	-	19,912	(9,830)	-	-	1,687,049
Share issuance cost	-	(83,122)	-	-	-	-	-	(83,122)
Exercise of stock options	171,667	34,404	-	-	(3,987)	-	-	30,417
Expiry of warrants	-	-	-	(101)	101	-	-	-
Repurchase of shares(Note: 10(vii))	-	-	(162,500)	-	-	-	-	(162,500)
Stock-based compensation	-	-	-	-	54,932	-	-	54,932
Net loss and comprehensive loss	-	-	-	-	-	-	(6,365,186)	(6,365,186)
Balance, December 31, 2016	81,644,993	\$ 16,564,010	(140,500)	\$ 23,979	\$ 615,524	\$ -	\$ (17,040,416)	\$ 22,597

First Access Funding Corp.
Statement of Cash Flows
(in Canadian dollars)
For the Year Ended December 31, 2016

	2016	2015
Cash provided by (used in)		
Operations		
Net loss	\$ (6,365,186)	\$ (3,576,501)
Items not affecting cash		
Stock-based compensation	54,932	476,871
Accretion expense	581,518	352,084
Credit losses	6,760,830	4,399,019
Accrued interest income	(212,155)	(443,368)
Amortization	155,274	100,553
Loss on repayment of convertible debentures	-	2,953
Loss on disposal of property and equipment	-	13,451
Interest expense	4,907,753	2,826,214
Interest and commission settled in shares	-	432,633
Loan financing fees settled in warrants	-	4,067
	5,882,966	4,587,976
Net changes in undernoted items:		
Prepaid expenses	(133,574)	(38,577)
Accounts payable and accrued liabilities	715,766	(972,870)
Funds advanced on finance receivables	(39,805,895)	(47,213,439)
Principal collections of finance receivables	28,216,044	16,094,551
Origination costs	(1,930,458)	(1,906,277)
	(7,055,151)	(29,448,636)
Investing		
Proceeds from sales of property and equipment	-	12,075
Purchase of property and equipment	(281,416)	(327,574)
	(281,416)	(315,499)
Financing		
Issuance of common shares	1,687,050	1,631,100
Share issuance costs	(83,122)	(48,853)
Advances from shareholders	98,572	190
Shares to be issued	-	22,000
Proceeds from options and warrants exercised	30,417	42,000
Cash paid for interest	(4,907,753)	(2,816,525)
Issuance of debentures	15,455,000	6,685,920
Debt issuance costs	(466,577)	(361,364)
Repayment of debenture	(531,186)	(289,297)
Advances from loans payable	-	29,820,000
Repayment of loans payable	(15,370,000)	(5,000,000)
Repayment of short-term loan	-	(500,000)
Advances from (repayment of) bridge loan	(848,218)	848,218
Advances from Trust Term loan	20,000,000	-
Restricted cash	(4,226,408)	-
Trust Term loan issuance costs	(3,038,649)	-
	7,799,126	30,033,389
Net change in cash	462,559	269,254
Cash and cash equivalents, beginning of year	1,047,548	778,294
Cash and cash equivalents, end of year	\$ 1,510,107	\$ 1,047,548

1. NATURE OF THE CORPORATION

First Access Funding Corp. (the "Company" or "First Access") was incorporated on July 20, 2011 as per the Canadian Business Corporations Act. First Access specializes in the acquisition and servicing of non-prime automobile retail conditional sales contracts.

The head office, principal address and registered address of the Company are located at 10109-106 Street, Suite 600, Edmonton Alberta T5J 3L7.

On April 27, 2017, the Board of Directors approved the financial statements for the year ended December 31, 2016.

2. BASIS OF PRESENTATION

Statement of Compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRS IC").

Basis of Preparation

The financial statements are presented in Canadian dollars, which is the Company's functional and reporting currency.

The financial statements are prepared on a historical cost basis except for financial instruments classified as fair value through profit or loss ("FVTPL"), which are stated at their fair value. The accounting policies have been applied consistently throughout the entire period presented in these financial statements.

Significant Accounting Judgments and Estimates

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities. The estimates and associated assumptions are based on anticipations and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the review affects both current and future periods.

Significant estimates used in the preparation of these financial statements include the assumptions used in the valuation of options and warrants, the assessment of the allowance for credit losses, including provisions for credit losses. Significant judgments used by management include determining which origination costs are to be included in the effective interest rate calculation on the finance receivables and if the transfer of finance receivables qualifies for derecognition.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Instruments

All financial instruments are recorded initially at fair value. In subsequent periods, all financial instruments are measured based on the classification adopted for the financial instrument: held to maturity, loans and receivables, fair value through profit or loss ("FVTPL"), available for sale, FVTPL liabilities or other financial liabilities. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. Transaction costs on financial instruments classified as FVTPL are expensed as incurred. Transaction costs related to loans and receivables, available-for-sale financial assets and other financial liabilities are included in the carrying amounts of the financial instruments and amortized over the life of the instrument by the effective interest rate method.

FVTPL assets and liabilities are subsequently measured at fair value with the change in the fair value recognized in net income (loss) during the year.

Held to maturity assets, loans and receivables, and other liabilities are subsequently measured at amortized cost using the effective interest rate method.

Available for sale assets are subsequently measured at fair value with the changes in fair value recorded in other comprehensive income (loss), except for equity instruments without a quoted market price in an active market and whose fair value cannot be reliably measured, which are measured at cost.

The Company has classified its financial instruments as follows:

<u>Financial Instrument</u>	<u>Classification</u>
Cash and cash equivalents	FVTPL
Restricted cash	Loans and receivables
Shareholder loans	Loans and receivables
Finance receivables, net	Loans and receivables
Accrued interest income	Loans and receivables
Accounts payable and accrued liabilities	Other financial liabilities
Bridge loan	Other financial liabilities
Loan payable	Other financial liabilities
Trust term loan	Other financial liabilities
Debentures	Other financial liabilities

The Company's financial instruments measured at fair value on the statement of financial position consist of cash and cash equivalents. Cash and cash equivalents is measured at level 1 of the fair value hierarchy. There are three levels of the fair value hierarchy as follows:

Level 1: Values based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.

Level 2: Values based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability.

Level 3: Values based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

Finance Receivables

Finance receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Finance receivables are recorded at the time of origination or vehicle purchase for the principal amount financed and are subsequently reported at amortized cost, net of any allowance for credit losses. Amortized cost is the outstanding principal adjusted for any charge-offs and any unamortized deferred fees or costs, such as dealer reserve fees which are the compensation paid to the dealership for each finance receivable generated. The effective interest rate is the rate that discounts estimated future cash flows through the expected life of the financial instrument back to the net carrying amount of the financial asset. The calculation takes into account all contractual terms of the financial instrument, including prepayment options, fee income charged to the customer on the origination of all financial assets, and all purchase premiums or discounts, net of any transaction costs that are directly attributable to the financial instrument, but not future credit losses. The application of the effective interest rate method has the effect of recognizing revenue on the financial instrument evenly in proportion to the amount outstanding over the period to maturity or repayment.

Derecognition of Financial Assets and Financial Liabilities

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- (a) the rights to receive cash flows from the asset have expired; or
- (b) the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either:
 - (i) the Company has transferred substantially all the risks and rewards of the asset, or
 - (ii) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Derecognition of Financial Assets and Financial Liabilities (Cont'd)

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of comprehensive loss.

Property and Equipment

Property and equipment are recorded at cost less accumulated amortization. Amortization is calculated straight-line over the estimated useful life as set out below:

Office furniture	5 years
Leasehold improvements	5 years
Computer software	5 years
Vehicles	3.75 years

Leases

Leases, which the Company does not assume substantially all the risks and rewards of ownership, are classified as operating leases. These operating leased assets are not recognized in the Company's statement of financial position. Operating lease payments are recognized in profit or loss on a straight-line basis over the lease term.

Revenue Recognition

Interest and financial services fee income charged to the loan holders is recorded on an accrual basis using the effective interest rate method over the life of the loan agreement. The following specific recognition criteria must also be met before revenue is recognized:

(a) Interest revenue

Interest revenue is recognized in the statement of comprehensive income for all financial assets measured at amortized cost using the effective interest method.

Once the recorded value of a financial asset, or a group of similar financial assets, has been reduced due to an impairment loss, interest revenue continues to be recognized using the original effective interest rate. This is offset by a corresponding adjustment to the provision for impairment charge to reflect the fact that the additional revenue may not be collectable.

(b) Fee and servicing income

Fee income that is integral to the effective yield of a financial asset is recognized as an adjustment to the effective interest rate calculation and is included in interest revenue.

Fees charged to the customer for providing subsequent servicing of a financial asset are recognized as services are provided.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Revenue Recognition (Cont'd)

(b) Fee and servicing income (Cont'd)

Servicing income is recognized as services are provided to the customer and when it is probable that the economic benefits associated with the transaction will flow to the Company and the amount of revenue can be measured reliably.

Impairment

(a) Non financial assets

The carrying amounts of the Company's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash generating unit").

An impairment loss is recognized if the carrying amount of a cash generating unit exceeds its estimated recoverable amount. The recoverable amount of an asset or a cash generating unit is the greater of its value in use and its fair value, which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the assets. Impairment losses are recognized in net income (loss).

Impairment losses recognized in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of amortization, if no impairment loss had been recognized.

(b) Financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Impairment (Cont'd)

(b) Financial assets (Cont'd)

The calculation of the present value of estimated future cash flows reflects the projected cash flows including provisions for impairment, prepayment losses, and cost associated with servicing the finance receivables. Losses are recognized in net income (loss) and reflected in an allowance account. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through net income (loss).

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of the Company's internal system that considers credit risk and relevant economic factors.

Future cash flows on a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical credit loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions on which the historical credit loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect, and are directionally consistent with, changes in related observable data from year to year (such as changes in unemployment rates, inflation, borrowing rates, consumer fuel prices, vehicle auction values or other factors that are indicative of incurred losses in the group and their magnitude).

Finance receivables, together with the associated provision for impairment are reported as a credit loss when there is no realistic prospect of future recovery and when the Company is in possession of the loan asset. Interest income is accrued until the financial asset becomes a credit loss.

Loss Per Share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all warrants and options outstanding, if any, that may add to the total number of common shares. If the number of common shares outstanding increases or decreases as a result of share split or consolidation, the calculation of basic and diluted loss per share for all periods presented, is adjusted retrospectively. The effect of options and warrants has not been presented due to the anti-dilutive effect.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Current and Deferred Taxes

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax assets and liabilities are recognized for deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred 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 deferred tax assets and liabilities of a change in tax rates is recognized in income (loss) in the period that substantive enactment occurs.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, the deferred tax asset is reduced.

Stock-Based Compensation

The Company offers a share option plan for its officers, directors, employees, advisors and individuals providing value to the Company. The fair value of share-based payment awards granted is recognized as an expense with a corresponding increase in contributed surplus. Fair value is calculated using the Black-Scholes option pricing model and the resulting fair value is amortized over the vesting period of the respective tranches. In addition, stock-based compensation expense recognized reflects estimates of award forfeitures with any change in estimate thereof reflected in the period of the change. Consideration received upon the exercise of stock options is credited to share capital at which time the related contributed surplus is transferred to share capital. For equity-settled share-based payment transactions, the Company measures the goods or services received, and the corresponding increase in equity, directly, at the fair value of the goods or services received, unless that fair value cannot be estimated reliably, in which cases, the Company measures their value, and the corresponding increase in equity, indirectly, by reference to the fair value of the equity instruments granted.

Capital Stock

In the case of unit placements, the proceeds from the issuance of units is allocated between common shares and warrants on a pro-rata basis based on relative fair values, with the fair value of warrants being calculated using the Black-Scholes option pricing model. Share issuance costs incurred in connection with the issuance of capital stock are netted against the proceeds received.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Future Changes in Accounting Policies

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods after December 31, 2016 or later periods. Many are not applicable or do not have a significant impact to the Company and have been excluded from the list below. The following has not yet been adopted and is being evaluated to determine its impact on the Company:

- (a) IFRS 9 Financial Instruments was issued in final form in July 2014 by the IASB and will replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 also includes requirements relating to a new hedge accounting model, which represents a substantial overhaul of hedge accounting which will allow entities to better reflect their risk management activities in the financial statements. The most significant improvements apply to those that hedge non-financial risk, and so these improvements are expected to be of particular interest to non-financial institutions. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted.
- (b) In May 2014, IASB issued IFRS 15 Revenue from Contracts with Customers. The core principle of the new standard is for companies to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the company expects to be entitled in exchange for those goods or services. The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple element arrangements. The new standard is effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted. IFRS 15 supersedes the following standards: IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers, and SIC-31 Revenue—Barter Transactions Involving Advertising Services.
- (c) Effective for annual periods beginning on or after January 1, 2019, IFRS 16 Leases was issued by the IASB in January 2016 and will replace IAS 17 Leases. IFRS 16 introduces a single accounting model for lessees and for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee will be required to recognize a right-of-use asset, representing its right to use the underlying asset, and a lease liability, representing its obligation to make lease payments. The accounting treatment for lessors will remain largely the same as under IAS 17. Earlier application is permitted only if the Company early adopts IFRS 15.

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4. FINANCE RECEIVABLES, NET

Finance receivables consist of conditional sales contracts, which have terms of 15 to 96 months with fixed rates of interest. A vehicle collateralizes each individual finance receivable.

The contractual payments, including principal and interest, and the average stated contractual interest rates are due in the years as follows:

	December 31, 2016	Average Stated Contractual Interest rate	December 31, 2015	Average Stated Contractual Interest rate
2016	\$ -	- %	\$ 20,896,093	34.5 %
2017	19,367,093	27.6 %	20,821,724	34.4 %
2018	18,986,459	27.5 %	18,374,415	33.8 %
2019	18,254,431	27.3 %	13,607,950	33.3 %
2020	16,692,626	27.0 %	11,109,964	32.2 %
2021	13,115,666	26.2 %	6,868,454	29.5 %
2022	7,378,867	24.6 %	3,032,828	25.8 %
2023	2,052,270	22.9 %	434,838	21.1 %
2024	252,116	21.3 %	5,198	21.4 %
Gross finance receivables	96,099,528		95,151,464	
Unearned interest income	(41,117,535)		(46,070,492)	
Principal balance of finance receivables	54,981,993		49,080,972	
Dealer reserve fees	1,923,167		1,604,502	
Payments past due and sundry balances	578,427		195,102	
Repossession inventory	1,909,009		1,165,211	
Allowance for credit losses (Note 5)	(3,394,020)		(2,765,591)	
Unearned income from administrative fees	(1,119,158)		(1,160,257)	
Finance receivables, net	\$ 54,879,418		\$ 48,119,939	

The Company's experience has shown that the actual contractual payment stream will vary depending on a number of variables. These variables include prepayment rates, write-offs and deferrals.

The carrying amount of the asset is reduced through the use of the allowance for credit losses with the amount of the loss recognized through the statement of loss as a provision for credit losses. The carrying amount of the Company's repossession inventory is reduced to its expected net realizable value through the use of the allowance for credit losses with the expected amount of the loss recognized through the statement of loss as a provision for credit losses.

The Company has no significant concentration of credit risk arising from customers. Out of total finance payments past due of \$329,185 (2015 - \$195,102), finance payments past due in excess of 30 days but not impaired as of the reporting date were approximately \$196,000 (2015 - \$85,000). The Company is actively pursuing its efforts to collect these receivables.

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5. ALLOWANCE FOR CREDIT LOSSES

The changes in the allowance for credit losses during the periods presented are as follows:

	Total
Allowance, January 1, 2015	\$ 1,058,950
Provision for credit losses	4,399,019
Write-offs	(2,444,124)
Repossession and recovery costs	(248,254)
Allowance, December 31, 2015	\$ 2,765,591
Provision for credit losses	6,760,830
Write-offs	(5,708,852)
Repossession and recovery costs	(423,549)
Allowance, December 31, 2016	\$ 3,394,020

The Company takes allowances for credit losses on its delinquent loans, on vehicles in the Company's repossession inventory, and a collective allowance against loans identified as not delinquent.

The Company's total allowance is comprised of the following:

- (a) As at December 31, 2016, delinquent loans totaled \$7,992,988 (2015 - \$4,959,772) and the Company took an allowance of \$1,458,857 (2015 - \$856,891).
- (b) As at December 31, 2016, the vehicles in the Company's repossession inventory had an aggregate remaining principal value of \$1,909,009 (2015 - \$1,134,303) and the Company took an allowance of \$1,145,405 (2015 - \$665,623).
- (c) As at December 31, 2016, the Company took an allowance of \$789,758 (2015 - \$1,243,077) on loans identified as not delinquent.

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5. ALLOWANCE FOR CREDIT LOSSES (Cont'd)

The aging analysis of finance receivables and their respective allowance for credit losses are as follows:

2016	Current	1 - 30 days past due	31 - 60 days past due	61 - 90 days past due	Over 90 days past due	Total Finance Receivables
Finance receivables	\$47,567,432	\$ 5,474,568	\$ 1,466,710	\$ 532,228	\$ 519,482	\$55,560,420
Percent of total finance receivables	85.63 %	9.84 %	2.64 %	0.96 %	0.93 %	100.00 %
Allowance for credit losses	\$ 789,758	\$ 420,336	\$ 471,608	\$ 271,682	\$ 295,231	\$ 2,248,615
Allowance for repossession inventory	-	-	-	-	-	1,145,405
Total allowance for credit losses						\$ 3,394,020

2015	Current	1 - 30 days past due	31 - 60 days past due	61 - 90 days past due	Over 90 days past due	Total Finance Receivables
Finance receivables	\$44,316,302	\$ 3,959,858	\$ 700,874	\$ 141,080	\$ 157,960	\$49,276,074
Percent of total finance receivables	90.07 %	7.72 %	1.43 %	0.37 %	0.41 %	100.00 %
Allowance for credit losses	\$ 1,243,077	\$ 355,274	\$ 282,806	\$ 98,802	\$ 120,009	\$ 2,099,968
Allowance for repossession inventory	-	-	-	-	-	665,623
Total allowance for credit losses						\$ 2,765,591

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6. PROPERTY PLANT AND EQUIPMENT

Cost	Office Furniture	Leasehold Improvements	Computer Software	Vehicles	Total
Balance January 1, 2015	\$ 112,847	\$ 10,000	\$ 120,210	\$ 73,200	\$ 316,257
Additions	91,241	125,440	110,893	-	327,574
Disposals	-	-	-	(35,729)	(35,729)
Balance December 31, 2015	204,089	135,440	231,103	37,471	608,103
Additions	54,547	5,911	130,550	90,408	281,416
Balance December 31, 2016	\$ 258,636	\$ 141,351	\$ 361,653	\$ 127,879	\$ 889,519

Accumulated Amortization	Office Furniture	Leasehold Improvements	Computer Software	Vehicles	Total
Balance January 1, 2015	\$ 12,832	\$ 750	\$ 18,749	\$ 10,884	\$ 43,215
Additions	31,267	17,454	34,408	17,424	100,553
Disposals	-	-	-	(10,203)	(10,203)
Balance December 31, 2015	44,099	18,204	53,157	18,105	133,565
Additions	46,272	27,679	59,276	22,047	155,274
Balance December 31, 2016	\$ 90,371	\$ 45,883	\$ 112,433	\$ 40,152	\$ 288,839

Net Carrying Amounts

At December 31, 2015	\$ 159,990	\$ 117,236	\$ 177,946	\$ 19,366	\$ 474,538
At December 31, 2016	\$ 168,265	\$ 95,468	\$ 249,220	\$ 87,727	\$ 600,680

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7. LOANS PAYABLE

The Company had the following loans payable balances outstanding:

	2016	2015
Alberta Treasury Branches ^(a)	\$14,450,000	\$19,820,000
Tallinn Capital Mezzanine Limited Partnership ^(c)	-	9,952,555
Total loans payable	\$14,450,000	\$29,772,555
Alberta Treasury Branches Bridge Loan ^(b)	\$ -	\$ 848,218

- (a) The Alberta Treasury Branches ("ATB") facility is a two year committed operating loan (revolving) (the "Operating Loan Facility") in the amount of up to \$20,000,000, bears interest at prime plus 3% per annum, and is subject to certain financial covenants. The ATB loan contains a general security agreement. At certain dates during the year, and as at year end December 31, 2016, the Company was not in compliance with its interest coverage ratio covenant. Subsequent to the year end, ATB advised that it was not taking action related to this non-compliance as at December 31, 2016, and advises that it maintains its rights in subsequent periods relating to all provisions of the facility.
- (b) On December 22, 2015, the Company received a \$5,000,000 bridge loan (the "Bridge Loan") from ATB with the same terms as the existing credit facility outstanding with the exception of the interest rate which increased 2% each month subsequent to March 1, 2016 if the bridge loan was not repaid in full. Subsequent to June 1, 2016, the loan bore interest at prime plus 9% per annum. On September 20, 2016, the Company repaid the loan in full.
- (c) The Tallinn Capital Mezzanine Limited Partnership ("Tallinn") facility (the "Subordinate Loan Facility") was for a term loan facility in the amount of up to \$10,000,000. The loan bore interest at 9% per annum, with an initial maturity date of March 31, 2016, and was extended to September 30, 2016. The Tallinn loan contained a general security agreement and certain financial covenants. On September 16, 2016, the Company repaid the loan in full.

8. DEBENTURES

The Company had the following debentures outstanding as at:

	2016	2015
9.5% Debentures ^(a)	\$ 432,104	\$ 915,548
10.5% Debentures ^(c)	10,254,610	10,019,618
Series III 12% Debentures ^(c)	16,837,453	3,748,852
Series I 8.5% Debentures ^(d)	2,165,143	157,915
Series II 8.5% Debentures ^(e)	30,000	-
Total debentures	\$ 29,719,310	\$ 14,841,933

8. DEBENTURES (Cont'd)

(a) 9.5% Debentures

The 9.5% Debentures bear interest at a rate of 9.5% per annum, payable quarterly and accrued monthly. The 9.5% Debentures are interest-paying only for the first two years following the last closing, and thereafter, interest continues to be paid quarterly, and principal shall be repaid in equal quarterly payments until maturity September 30, 2017.

The 9.5% Debentures outstanding bear a weighted average effective interest rate of 16.4% (2015 - 16.1%), are due September 30, 2017. The remaining 9.5% Debentures are no longer convertible into common shares. The outstanding principal balance as at December 31, 2016 is \$446,327 (2015 - \$994,582)

(b) 10.5% Debentures

The 10.5% Debentures bear interest at a rate of 10.5% per annum, payable quarterly and accrued monthly and have a maturity date of five years from the date of closing. The principal amount of each 10.5% Debenture, plus any accrued and unpaid interest, may be converted at the option of the Company, in whole or in part, into common shares of the Company at the Conversion Price at any time and from time to time on or after the date on which the Company completes an initial public offering, a sale, a reverse take-over or otherwise becomes a reporting issuer. The Conversion Price is equal to 90% of the going public transaction price or the then current market price. The Company has the right, in its sole discretion, to redeem and prepay all or any permitted portion of the principal amount outstanding on the 10.5% Debentures, plus any accrued and unpaid interest thereon, without notice, bonus or penalty, at any time or from time to time on or after the earlier of (a) two years from the date of issuance of the last 10.5% Debentures issued pursuant to this Offering; or (b) the Company completing an initial public offering, a sale, a reverse take-over or otherwise becomes a reporting issuer.

The Series 10.5% Debentures are secured by a general security agreement in respect of all present and after acquired personal property of the Company. The 10.5% Debentures are subordinated to the security interests of: (i) ATB in connection with the Operating Loan Facility; and (ii) the Trust Term Loan which is a \$75,000,000 senior secured delayed draw term loan facility.

In the event that the Company redeems and prepays any principal amount outstanding on the 10.5% Debentures prior to the Maturity Date, then the Company shall issue to the holders of such 10.5% Debentures warrants to purchase common shares of the Company. The number of warrants issuable to a holder of 10.5% Debentures, which have been redeemed and prepaid by the Company, shall be equal to 5% of the principal amount of such 10.5% Debentures redeemed and prepaid by the Company divided by the current market price on issuance of the warrants. Each warrant will entitle the holder thereof to purchase one common share of the Company at 105% of the current market price on issuance of the warrants for a period of one year following the date on which the 10.5% Debentures are redeemed and prepaid.

Gross proceeds and outstanding principal balance for the 10.5% Debentures that have been issued as at December 31, 2016 is \$10,763,000 (2015 - \$10,763,000), bear a weighted average effective interest rate of 13.5% (2015 - 13.5%) and are due September 30, 2018.

8. DEBENTURES (Cont'd)

(c) Series III 12% Debentures

The Series III 12% secured subordinated debentures bear interest at a rate of 12% per annum, payable monthly and accrued monthly, in arrears and have a maturity date of October 30, 2018.

The Series III 12% Debentures are secured by a general security agreement in respect of all present and after acquired personal property of the Company. The Series III 12% Debentures are subordinated to the security interests of: (i) ATB in connection with the Operating Loan Facility; and (ii) the Trust Term Loan which is a \$75,000,000 senior secured delayed draw term loan facility.

The Company has the right, in its sole discretion, to redeem and prepay all or any portion of the principal amount outstanding on the Series III 12% Debentures, plus any accrued and unpaid interest thereon. If any the Series III 12% Debentures are redeemed and prepaid, in whole or in part, prior to the date which is 12 months from the date of issuance, a payment equal to the difference between 12 months' interest owing on such Series III 12% Debentures to be redeemed and prepaid and the total interest paid to the holder prior to the date of redemption shall be made to the holder of Series III 12% Debentures so redeemed and prepaid.

Gross proceeds and outstanding principal balance for the Series III 12% Debentures that have been issued as at December 31, 2016 is \$17,159,000 (2015 - \$3,825,000), bear a weighted average effective interest rate of 13.2% (2015 - 12.9%), and are due October 30, 2018.

(d) Series I 8.5% Debentures

The Series I 8.5% secured subordinated debentures bear interest at a rate of 8.5% per annum, payable quarterly and accrued monthly, in arrears and have a maturity date of October 30, 2018.

The Series I 8.5% Debentures are secured by a general security agreement in respect of all present and after acquired personal property of the Company. The Series I 8.5% Debentures are subordinated to the security interests of: (i) ATB in connection with the Operating Loan Facility; and (ii) the Trust Term Loan which is a \$75,000,000 senior secured delayed draw term loan facility.

The Company has the right, in its sole discretion, to redeem and prepay all or any portion of the principal amount outstanding on the Series I 8.5% Debentures, plus any accrued and unpaid interest thereon. If any Series I 8.5% Debentures are redeemed and prepaid, in whole or in part, prior to the date which is 12 months from the date of issuance, a payment equal to the difference between 12 months' interest owing on such Series I 8.5% Debentures to be redeemed and prepaid and the total interest paid to the holder prior to the date of redemption shall be made to the holder of Series I 8.5% Debentures so redeemed and prepaid.

Gross proceeds and outstanding principal for the Series I 8.5% Debentures that have been issued as at December 31, 2016 is \$2,281,000 (2015 - \$190,000), bear a weighted average effective interest rate of 11.6% (2015 - 16.0%), and are due October 30, 2018.

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8. DEBENTURES (Cont'd)

(e) Series II 8.5% Debentures

The Series II 8.5% secured subordinated debentures bear interest at a rate of 8.5% per annum, payable quarterly and accrued monthly, in arrears and have a maturity date of December 31, 2020.

The Series II 8.5% Debentures are secured by a general security agreement in respect of all present and after acquired personal property of the Company. The Series II 8.5% Debentures are subordinated to the security interests of: (i) ATB in connection with the Operating Loan Facility; and (ii) the Trust Term Loan which is a \$75,000,000 senior secured delayed draw term loan facility.

The Company has the right, in its sole discretion, to redeem and prepay all or any portion of the principal amount outstanding on the Series II 8.5% Debentures, plus any accrued and unpaid interest thereon. If any Series II 8.5% Debentures are redeemed and prepaid, in whole or in part, prior to the date which is 12 months from the date of issuance, a payment equal to the difference between 12 months' interest owing on such Series II 8.5% Debentures to be redeemed and prepaid and the total interest paid to the holder prior to the date of redemption shall be made to the holder of Series II 8.5% Debentures so redeemed and prepaid.

Gross proceeds and outstanding principal for the Series II 8.5% Debentures that have been issued as at December 31, 2016 is \$30,000 (2015 - \$NIL), bear a weighted average effective interest rate of 8.5% (2015 - NIL%), and are due October 30, 2020.

The required principal repayments under the all debentures are as follows:

2017	\$ 446,327
2018	30,203,000
2020	30,000
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	\$ 30,679,327

9. TRUST TERM LOAN

The term loan is a \$75,000,000 senior secured delayed draw term loan facility (the "Trust Term Loan", and is administered via a special-purpose, bankruptcy-remote charitable trust (the "Trust"). The Company entered into the Trust Term Loan with Ares Agent Services L.P. ("Ares") on September 12, 2016.

The lenders of the Trust Term Loan take security for the repayment of the Trust Term Loan by requiring the Company to sell, transfer and assign all of its right, title and interest in certain finance receivables to the Trust on a true-sale basis. The Trust draws on the Trust Term Loan facility to pay to the Company the initial purchase price of the finance receivables sold by the Company to the Trust. The deferred purchase price of the finance receivables sold by the Company to the Trust are paid over time out of payments and prepayments and any other proceeds made on the finance receivables owned by the Trust.

The finance receivables advanced to the Trust do not qualify for de-recognition under IFRS and therefore the net proceeds received from the Trust for these finance receivables are recorded as the Trust Term Loan on the statements of financial position. The total amount of the term loan outstanding (including any cash held in the collection account to support the borrowing base and net of transaction costs) as at December 31, 2016 amounted to \$17,075,285 (2015 - \$NIL).

First Access Funding Corp.
Notes to Financial Statements
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For the Year Ended December 31, 2016

9. TRUST TERM LOAN (Cont'd)

The Trust Term Loan is recorded at amortized cost using the effective interest rate method. Transaction costs, premiums, or discounts are applied to the carrying amount of the loan.

The outstanding balance of the Trust Term Loan is reduced on a monthly basis by scheduled payments and prepayments relative to amounts collected from the finance receivables held by the Trust during the period. The total amount available for borrowing is determined based on the underlying value of the finance receivables in the Trust as well as the amount of cash held by the Trust. The Company does not guarantee the Trust Term Loan.

The Trust must meet certain financial covenants under the Trust Term Loan, and throughout the year, the Trust was in compliance with all covenants. The Company must also meet certain financial covenants in its capacity as servicer of the Trust Term Loan, and throughout the year, the Company was in compliance with all covenants.

Trust Term Loan

Balance at December 31, 2015	\$ -
Gross advances from the Trust	20,000,000
Repayments to the Trust	1,299,292
Cash collections within the Trust	(5,525,700)
Restricted cash	4,226,408
Unamortized Trust Term Loan costs	(2,924,715)
Balance at December 31, 2016	\$ 17,075,285

Unamortized Trust Term Loan Cost

Balance at December 31, 2015	\$ -
Trust Term Loan costs incurred for the year	3,038,649
Amount of Trust Term Loan costs expensed during year	(113,934)
Balance at December 31, 2016	\$ 2,924,715

The Company records cash received from the sale as a financial liability and continues to recognize 100% of the finance receivables. Upon completion of a sale, servicing of the finance receivables remains the Company's responsibility.

Finance Receivables	December 31, 2016		December 31, 2015	
	Total	Percentage	Total	Percentage
Owned by the Company	29,446,152	54 %	NIL	NIL
Owned by the Trust	25,433,273	46 %	NIL	NIL
Total	\$ 54,879,425	100 %	\$	NIL

Finance Receivables Owned by the Trust

Once the finance receivables are sold to the Trust, the Company is responsible for collecting all scheduled or receivable principal and interest payments relating to the finance receivables owned by the Trust, as well as any other payments relating to the Trust Term Loan pursuant to the terms of a servicing agreement and an administration agreement.

9. TRUST TERM LOAN (Cont'd)

Finance Receivables Pledged as Collateral

As at December 31, 2016, the carrying value of the Trust's finance receivables used as collateral for the Trust Term Loan was \$25,433,273 (2015 - \$NIL). These finance receivables were included in finance receivables on the statements of financial position.

As a requirement of the master receivables purchase agreement related to the Trust Term Loan, the Company sells, transfers and assigns to the Trust, all of its right, title, and interest in and to the finance receivables used as collateral by the Trust for the Trust Term Loan. Under certain default circumstances, the Trust's lenders may take direct control of the finance receivables owned by the Trust and assign the servicing of the finance receivables owned by the Trust to a back-up servicer.

The total risk of loss to the Company relating to finance receivables held in the Trust is limited to the cash collections for the Trust and finance receivables over collateralization if any. The total risk to the Company as of December 31, 2016 was \$15,773,592.

10. CAPITAL STOCK

Authorized

unlimited common shares

Issued and Outstanding

During the year ended December 31, 2016, the Company entered into the following capital stock transactions:

- (i) On January 28, 2016, the Company closed the fifth tranche of a non-brokered private placement, raising gross proceeds of \$41,000 through the issuance of 82,000 common shares at a price of \$0.50 per common share.
- (ii) On March 1, 2016 40,000 options were exercised into common shares of the Company at \$0.10 per common share.
- (iii) On March 4, 2016, the Company closed the sixth tranche of a non-brokered private placement, raising gross proceeds of \$95,000 through the issuance of 190,000 common shares at a price of \$0.50 per common share.
- (iv) On March 19, 2016, 40,000 options were exercised into common shares of the Company at \$0.15 per common share.
- (v) On April 7, 2016, the Company closed the seventh tranche of a non-brokered private placement, raising gross proceeds of \$87,500 through the issuance of 175,000 common shares at a price of \$0.50 per common share.
- (vi) On June 14, 2016, 16,667 options were exercised into common shares of the Company at \$0.10 per common share.
- (vii) On June 22, 2016 a notice of dissent was filed by two shareholders with respect to 650,000 common shares the Company is required to repurchase these shares, and has estimated a value of \$162,500 related to the repurchase.

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10. CAPITAL STOCK (Cont'd)

- (viii) On June 30, 2016, the Company closed the eighth tranche of a non-brokered private placement, raising gross proceeds of \$603,000 through the issuance of 1,206,000 common shares at a price of \$0.50 per common share.
- (ix) On July 22, 2016, the Company closed the ninth tranche of a non-brokered private placement, raising gross proceeds of \$253,500 through the issuance of 507,099 common shares at a price of \$0.50 per common share.
- (x) On September 7, 2016, the Company closed the tenth tranche of a non-brokered private placement, raising gross proceeds of \$225,000 through the issuance of 450,000 common shares at a price of \$0.50 per common share.
- (xi) On October 26, 2016, the Company closed the eleventh tranche of a non-brokered private placement, raising gross proceeds of \$367,000 through the issuance of 734,000 common shares at a price of \$0.50 per common share.
- (xii) On December 1, 2016, 75,000 options were exercised into common shares of the Company at \$0.25 per common share.
- (xiii) On December 30, 2016, the Company closed the twelfth tranche of a non-brokered private placement, raising gross proceeds of \$15,000 through the issuance of 30,000 common shares at a price of \$0.50 per common share.

During the year ended December 31, 2015, the Company has granted six shareholder loans related to the exercise of 3,050,000 options of the Company. The aggregate amount of the loans totaled \$305,000 and are interest free with a repayment date of May 1, 2020. These loans have been recorded as a reduction to contributed surplus rather than as an asset as by their nature they represent in substance a share based payment.

11. WARRANT CAPITAL

The following summarizes the warrants issued and outstanding during the year:

	2016		2015	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Beginning balance	2,685,462	\$ NIL	-	\$ NIL
Issued	100,000	\$0.50	2,685,462	\$0.50
Expired	(593,462)	\$ NIL	-	\$ NIL
Ending balance	2,192,000	\$0.50	2,685,462	\$ NIL

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11. WARRANT CAPITAL (Cont'd)

The Company had the following warrants outstanding as at December 31, 2016:

Number of Warrants	Exercisable	Exercise Price	Expiry Date
2,000,000	2,000,000	\$ 0.50	March 01, 2017
100,000	100,000	\$ 0.50	June 30, 2017
92,000	92,000	\$ 0.50	December 09, 2017
2,192,000	2,192,000		

The fair value of the warrants granted is estimated at the time of the grant using the Black-Scholes option pricing model with the following inputs and assumptions:

	2016	2015
Exercise price	\$ 0.50	\$ 0.50
Expected volatility	60 %	60 %
Risk-free interest rate	0.50 %	0.54 %
Expected life	1.0	1.8
Estimated share price	\$ 0.47	\$ 0.10

The expected volatility of the warrants is based on comparable companies in the industry. The warrants were measured based on the fair values of the common share purchase warrant, which amounted to \$10,082 (2015 - \$4,168). The compensation warrants were not measured at the fair value of the services received as this amount could not be measured reliably.

12. STOCK OPTIONS

The Company adopted a Stock Option Plan ("the Plan") in September 2011, which was authorized by the Board of Directors on September 1, 2012 to act as an incentive and compensate, among others, key officers, directors, employees, advisors and individuals providing value to the Company. The Plan provides for the issuance of options for the purchase of common shares of the Company at an exercise price of \$0.10 per common share or greater for a period of three years from the date of issuance. Options equal to a total of 20% of the issued and outstanding common shares of the Company are available for the Board of Directors to grant to option grantees upon such price, vesting and performance terms, if any, as may be decided by the Board of Directors. As a result, the options listed below were granted as of September 1, 2012 and later.

First Access Funding Corp.
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12. STOCK OPTIONS (Cont'd)

The following summarizes the stock options issued during the year ended December 31, 2016:

	2016		2015	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Beginning balance	10,516,667	\$0.39	8,031,667	\$0.16
Issued	608,000	\$0.46	6,715,000	\$0.41
Expired	(171,667)	\$0.18	(760,000)	\$0.10
Exercised	(1,365,000)	\$0.18	(3,470,000)	\$0.10
Forfeited	(1,602,000)	\$0.34	-	\$ NIL
Ending balance	7,986,000	\$0.44	10,516,667	\$0.39
Exercisable	6,969,001	\$0.43	7,131,667	\$0.36

The weighted average share price on the date of exercise was \$0.35 (2015 - \$0.25).

The Company had the following options issued at December 31, 2016:

Number of Options	Exercisable	Exercise Price	Weighted Average Time to Maturity
1,372,500	1,360,000	\$ 0.25	0.21 years
700,000	700,000	\$ 0.30	0.72 years
190,000	126,667	\$ 0.35	1.73 years
5,711,000	4,778,167	\$ 0.50	1.78 years
12,500	4,167	\$ 0.65	2.65 years
7,986,000	6,969,001		

The fair value of the options granted is estimated at the time of the grant using the Black-Scholes option pricing model with the following weighted average assumptions:

	2016	2015
Exercise price	\$ 0.43	\$ 0.46
Expected volatility	60 %	60 %
Risk-free interest rate	0.51 %	0.57 %
Expected life	2.8	3.2
Forfeiture rate	10 %	NIL
Estimated share price	\$ 0.45	\$ 0.25

The expected volatility of the options is based on comparable companies in the industry. The options issued by the Company consists of market or non-market vesting conditions. Options issued to employees, directors and consultants vest one third immediately, one third on the first anniversary and one third on the second anniversary of the grant date unless specified differently on the grantee's option agreement. Options granted to consultants were measured at the fair value of the equity instruments granted as the fair value of services was not reliably measurable.

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13. INCOME TAXES

(a) Income Tax Expense

The following table reconciles income taxes calculated at combined Canadian federal/provincial tax rates with the income tax expense in the financial statements:

	2016	2015
Loss before income taxes	\$ (6,365,186)	\$ (3,576,501)
Statutory rate	25.0 %	25.0 %
Expected income tax recovery	\$ (1,591,297)	\$ (894,125)
Effect on income taxes of:		
Share issue costs	-	(102,948)
Debentures	(56,512)	(265,335)
Non-deductible expenses	18,649	210,602
Other	(847)	1,202
Deferred taxes not recognized	1,630,007	1,050,604
Income tax expense	\$ -	\$ -

(b) Deferred Income Taxes

The temporary differences that give rise to deferred income tax assets and deferred income tax liabilities are presented below:

	2016	2015
Amounts related to tax loss carry forwards	\$ 3,136,474	\$ 1,759,752
Share issue costs	276,374	280,067
Allowance for credit losses	848,505	691,398
Debentures	(240,004)	(296,517)
Other	48,402	5,046
Deferred tax asset	4,069,751	2,439,746
Less: Deferred taxes not recognized	(4,069,751)	(2,439,746)
	\$ -	\$ -

First Access Funding Corp.
Notes to Financial Statements
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13. INCOME TAXES (Cont'd)

(c) Loss and Tax Credit Carryforwards

As at December 31, 2016, the Company has total non-capital loss carryforwards of \$12,545,895 as follows:

2031	\$ 73,703
2032	1,042,178
2033	1,947,972
2034	2,593,694
2035	1,381,459
2036	5,506,889
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	\$ 12,545,895

The potential tax benefit relating to the non-capital losses and tax credit carryforwards has not been reflected in these financial statements.

14. RELATED PARTY TRANSACTIONS

For the year ended December 31, 2016, key management personnel included the Chief Executive Officer, the Chief Financial Officer and directors of the company. Total compensation for key management personnel amounted to \$410,736 during the year ended December 31, 2016 (2015 - \$465,111); of the total compensation, \$15,736 (2015 - \$127,111) relates to stock-based compensation and the remainder relates to salaries, bonuses and benefits.

15. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Capital Management

The Company's objective when managing capital is to maintain its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders.

The Company includes equity, comprised of issued capital stock, warrant capital, contributed surplus and deficit, in the definition of capital.

The Company's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to fund new loans. To secure the additional capital necessary to pursue these plans, the Company may attempt to raise additional funds through the issuance of equity, the issuance of debt or by securing strategic partners. There has been no change with respect to the overall capital risk management strategy during the year ended December 31, 2016.

The Company's debt is subject to a number of covenants and restrictions including the requirement to meet certain financial ratios and financial condition tests. During the year ended December 31, 2016 the Company was in compliance with all financial ratios and financial condition tests except for the interest coverage ratio relating to the ATB loan, subsequent to the year ended December 31, 2016 ATB advised that it was not taking action related to the non-compliance of this covenant (Note 7(a)).

First Access Funding Corp.
Notes to Financial Statements
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15. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Cont'd)

Risk Disclosures and Fair Values

The Company's financial instruments, consisting of cash and cash equivalents, due from shareholders, and accounts payable and accrued liabilities, approximate fair values due to the relatively short term maturities of the instruments.

The fair value of the finance receivables as of December 31, 2016 is \$54,879,418 (2015 - \$48,119,939), which is equivalent to the principal balance outstanding at year end, net of the allowance for credit losses, at rates commensurate with the underlying risk of assets, any charge-offs and any deferred fees or costs, such as dealer reserve fees

The fair value of the debentures, loans payable and trust term loan approximate carrying value as the effective interest rates implicit in the debt are consistent with current market rates.

(a) Liquidity risk

The Company has current liabilities of \$16,004,044 (2015 - \$31,453,253) due within 12 months and has cash and cash equivalents of \$1,510,107 (2015 - \$1,047,548). As a result the Company is exposed to liquidity risk as at December 31, 2016. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities, and maintaining credit facilities to ensure it has sufficient available funds to meet current and foreseeable requirements. In order to mitigate its liquidity risk, the Company entered into two credit facilities and continues to successfully complete equity and debenture private placements.

As at December 31, 2016, the Company had the following contractual maturities:

	Less than 1 year	Within 1-2 years	Greater than 2 years
Accounts payable and accrued liabilities	\$ 1,107,717	\$ -	\$ -
9.5% Debenture	446,327	-	-
10.5% Debentures		10,763,000	-
Series III 12% Debentures		17,159,000	-
Series I 8.5% Debentures		2,281,000	-
Series II 8.5% Debentures		-	30,000
Alberta Treasury Branches	14,450,000	-	-
Trust Term Loan		-	20,000,000
Total	\$ 16,004,044	\$ 30,203,000	\$ 20,030,000

First Access Funding Corp.
Notes to Financial Statements
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For the Year Ended December 31, 2016

15. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Cont'd)

Risk Disclosures and Fair Values (Cont'd)

(b) Credit risk

The Company is primarily exposed to credit risk through the Company's finance receivables. Credit risk is the risk that a customer fails to meet its contractual obligations. The Company's maximum exposure to credit risk is represented by the carrying amount for finance receivables and cash and cash equivalents.

The Company manages credit risk in the following ways:

- (i) Credit Adjudication - The Company maintains certain minimum standards that are required in order to extend credit. Applications that fail to meet these minimum standards will result in an immediate decline. Each application is reviewed by an experienced credit underwriter.
- (ii) Collateral - The Company requires and obtains a lien on each vehicle financed for the duration of the term of the loan. The Company also requires each customer to obtain and maintain insurance on the vehicle financed to protect the value of the collateral in case the vehicle is damaged or destroyed. The Company installs a GPS device in each vehicle financed through the Company's 'Access 1-4' financing programs and in the event of default, the Company can track, disable and repossess the vehicles for liquidation. The Company installs a GPS device in certain vehicles it finances through its 'Access 5-6' financing programs. Collateral risk exists that in the event that a loan defaults, the realized value of the vehicle security is insufficient to pay off the entire loan without shortfall.

(c) Interest rate risk

The Company is exposed to interest rate risk on its fixed interest rate financial instruments. Fixed-rate instruments subject the Company to a fair value risk.

The bank borrowing bears interest at a floating rate. The floating rate debt is subject to interest cash flow risk as the required cash flows to service the debt will fluctuate as a result of changes in market rates. Fluctuation in interest rates on bank borrowing by plus or minus one percent, can impact the net income by plus or minus \$344,500, for the reporting period based on gross borrowing balance of \$34,450,000 as at December 31, 2016.

16. GENERAL AND ADMINISTRATIVE FEES

General and administrative fees are comprised of the following:

	2016	2015
Loan origination costs	\$ 976,247	\$ 1,099,618
Office and general	282,061	231,576
Professional fees	1,805,473	1,210,934
Rent	332,997	192,064
Travel and entertainment	486,054	449,827
Bonus	110,007	130,212
Other	170,397	87,935
	\$ 4,163,236	\$ 3,402,166

17. COMPARATIVE FIGURES

During the year ended December 31, 2016, the Company changed its equity reserve presentation on the statements of financial position, and grouped the amounts due from shareholders for shares issued in 2015, which was previously presented within equity into contributed surplus which is also presented within equity as these are considered a share based transaction with the directors and employees of the Company. This change has no impact on the Company's statement of comprehensive loss, and statement of cash flows.

18. COMMITMENTS

Lease Commitment

The Company has entered into a lease agreement for premises and two licensing contracts. The combined future minimum payments are as follows:

Less than 1 year	\$ 448,634
1-5 years	860,514
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	\$ 1,309,148

19. SUBSEQUENT EVENTS

- (a) Subsequent to the year ended December 31, 2016, the Company paid down an additional \$5,280,000 of the Operating Loan Facility.
- (b) Subsequent to the year end December 31, 2016, the Company completed an advance under the Trust Term Loan in the amount of \$3,900,000, by vending an additional \$5,816,012 in principal value of Finance Receivables. As of the last measurement date the total principal value of Finance Receivables pledged to the Trust is \$27,369,951, and total advances from the Trust Term are \$23,900,000.
- (c) Subsequent to the year end December 31, 2016, the Company completed the following debt financings: (i) \$20,000 of 8.5% Series II Debentures and (ii) \$250,000 of 10% Series I Debentures.
- (d) Subsequent to the year end December 31, 2016, the Company completed a private placement of common shares at \$0.50 for gross proceeds of \$1,320,000.

ITEM 14: Date and Certificate

CERTIFICATE

Dated: August 3, 2017

This Offering Memorandum does not contain a misrepresentation.

(Signed) DAVID BALLANTINE
Chief Executive Officer

(Signed) SCOTT LARIN
Chief Financial Officer

On behalf of the Board of Directors

(Signed) BRIAN RADMACHER
Director

(Signed) MICHAEL WILLIAMSON
Director