

This Offering Memorandum constitutes an offering of these securities only in those jurisdictions and to those persons where and to whom they may be lawfully offered for sale, and therein only by persons permitted to sell such securities. The securities offered under this Offering Memorandum have not been and will not be registered under the United States Securities Act of 1933, as amended, or any state securities laws and, subject to certain exceptions, may not be offered or sold within the United States or to U.S. persons. This Offering Memorandum does not constitute an offer to sell or a solicitation of an offer to buy any of the securities offered hereby within the United States or to U.S. persons. This Offering Memorandum is not, and under no circumstances is to be construed as, a prospectus, an advertisement or a public offering of the securities in Canada. No securities regulatory authority or regulator in Canada or the United States 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 “Risk Factors”.

OFFERING MEMORANDUM

Private Placement

May 21, 2015



Canadian First Financial Group Inc.
Up to \$20,000,000

The Offering

This offering memorandum (the “**Offering Memorandum**”) has been prepared in connection with the distribution by private placement (the “**Offering**”) of up to 21,052,632 units (each, a “**Unit**” and collectively, the “**Units**”) of Canadian First Financial Group Inc. (the “**Company**”) at a price of \$0.95 per Unit (the “**Offering Price**”), with each Unit consisting of one common share in the capital of the Company (each, a “**Common Share**”), 0.2 of one Common Share purchase warrant (each whole Common Share purchase warrant, a “**Warrant**”) and one adjustment warrant (the “**Adjustment Warrant**”). Each Warrant will entitle the holder thereof to purchase one Common Share at a price of \$1.15 per Common Share for a period of five (5) years following the date of the issuance of the Warrant, subject to adjustment in certain events. Each Adjustment Warrant is exercisable, for no further consideration, for additional Common Shares in the event the Company completes an offering of Common Shares at a price less than the Offering Price at any time prior to 5:00 p.m. (Toronto time) on October 30, 2015, thereby providing an adjustment in the Offering Price. Subscriptions for the Units will be received and accepted periodically by the Company by Subscription Agreement (as hereinafter defined), subject to rejection or allotment by the Company in whole or in part, and the Company reserves the right to close the Offering at any time without notice. Each investor must invest a minimum of \$20,000, subject to the discretion of the Company. See “*Securities Offered – Subscription Procedure*”. As of the date hereof, no arrangements have been made to pay compensation to any persons in connection with the Offering. In the future, arrangements may be made with persons to act as the Company’s agents in connection with the Offering. In that event, agent fees will be deducted from subscription proceeds derived from the agent’s activities. See “*Compensation Paid to Sellers and Finders*”. There are tax consequences to these securities. See “*Income Tax Consequences and Eligibility for Registered Plans*”.

There is no minimum amount of Units to be offered under the Offering. You may be the only purchaser. These securities do not trade on any exchange or market. An investment in the Units should be considered risky and speculative due to various factors, including the nature of the Company’s business. The risk factors outlined in this Offering Memorandum should be carefully reviewed and considered by prospective purchasers in connection with their investment in the Units. See “*Caution Regarding Forward-Looking Statements*” and “*Risk Factors*”. Funds available under the Offering will not be sufficient to accomplish the Company’s proposed objectives. See “*Business of the Company – Insufficient Funds*”.

Investors should rely only on the information contained in this Offering Memorandum. This Offering Memorandum supersedes all previous offering memorandums of the Company dated prior to the date hereof. The Company has not authorized anyone to provide investors with different information. The Company is not making an offer of these securities in any jurisdiction where the offer is not permitted. Investors should not assume that the information contained in this Offering Memorandum is accurate as of any date other than the date on the front of this Offering Memorandum.

The address of the Company’s registered and head office is 2020 Winston Park Drive, Suite 302, Oakville ON, L6H 6X7. The Company’s main phone number is (866) 601-7632, its main facsimile number is (855) 999-4954 and its email address is info@canadianfirst.com.

Resale Restrictions

You will be restricted from selling your securities for an indefinite period. See “*Resale Restrictions*”.

Purchaser’s Rights

You have two (2) Business Days (as hereinafter defined) to cancel your agreement to purchase these securities. If there is a misrepresentation in this Offering Memorandum, you have the right to sue either for damages or to cancel the Subscription Agreement. See “*Purchasers’ Rights*”. **For information about your rights you should refer to any applicable provisions of the securities legislation of your province or territory or consult a lawyer.**

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CAUTION REGARDING FORWARD-LOOKING STATEMENTS

This Offering Memorandum contains forward-looking statements that relate to the Company's current expectations and view of future events. The forward-looking statements are contained principally in the sections titled "*Use of Funds*", "*Business of the Company*", "*Long Term Objectives*", "*Projected Financial Highlights*", "*Projected Sources of Capital*", "*Short Term Objectives and How We Intend to Achieve Them*" and "*Risk Factors*".

In some cases, these forward-looking statements can be identified by words or phrases such as "may", "could", "will", "expect", "anticipate", "intend", "plan", "believe", "estimate" or "project". The Company has based these forward-looking statements on its current expectations and projections about future events and financial trends that it believes may affect its financial condition, results of operations, business strategy and financial needs. These forward-looking statements include, among other things, statements relating to: (i) the business model of CFF Bank (as hereinafter defined) whereby it periodically sells its loan portfolio to third party purchasers; (ii) the Company's expectations regarding revenue, expenses and operations; (iii) the Company's anticipated cash needs and its needs for additional financing; (iv) the Company's plans for the timing of expansion of its services; (v) the Company's future growth plans, including expanding the volume of CFF Centres (as hereinafter defined); (vi) CFF Bank's ability to successfully execute its mortgage banking strategy, which is comprised of a number of critical components; (vii) the Company's competitive position and its expectations regarding competition; and (viii) anticipated trends and challenges in the Company's business and the markets in which it operates.

The forward-looking statements are based on a number of key expectations and assumptions made by the Company's management relating to the Company and its subsidiaries including, but not limited to: (i) the absence of deterioration in the Company's revenues; (ii) the Company's ability to manage costs; (iii) the favorable outcome of negotiations with third party purchasers to sell CFF Bank's mortgages to those purchasers, and CFF Bank's ability to sell its loan portfolio on an ongoing basis to those and other third party purchasers; (iv) demand for the products and services offered by the Company's subsidiaries (for example, mortgages funded by CFF Bank and otherwise sourced through CFF Bank's mortgage banking business); (v) target market acceptance of the products and services offered by the Company's subsidiaries; (vi) timing and amounts of capital expenditures; (vii) availability of capital; (viii) general economic and financial market conditions; (ix) government regulation; (x) success of the Company's marketing and sales strategies; (xi) the growth of the CFF Centres; and (xii) expectations and assumptions made in regulatory filings. These assumptions are subject to risks and uncertainties. Table 5 contains key assumptions and metrics used to produce the information in Table 4.

Although the Company believes that the assumptions underlying these statements are reasonable, they may prove to be incorrect. Given these risks, uncertainties and assumptions, prospective purchasers of securities should not place undue reliance on these forward-looking statements. Whether actual results, performance or achievements will conform to the Company's expectations and predictions is subject to a number of known and unknown risks (including those listed under "Risk Factors"), uncertainties, assumptions and other factors, which include: (i) risk that CFF Bank will be unable to generate or obtain cash or equivalents in a timely manner and at a reasonable cost to meet its commitments (both on and off-balance sheet) as they become due; (ii) risk that the Company, in certain circumstances, may not be capable of meeting its financial obligations when they are due to support the orderly continuation of operations; (iii) given the complexity of the regulatory regime applicable to the Company, which contains a high degree of regulatory discretion, the degree of compliance by CFF Bank at any given time with all applicable laws will vary, and may be out of the direct control of management of the Company and CFF Bank, and the ongoing effect of this regulatory discretion on CFF Bank, and the exercise of this regulatory discretion could have a direct and materially adverse effect on CFF Bank and the Company; (iv) as the Company is a holding company of a federally regulated financial institution, the Company may be required in the future to provide additional forms of support to CFF Bank, which support might include investment of additional shareholders' equity in CFF Bank in amounts which cannot be foreseen at this time; (v) credit risks may lead to unexpected losses; (vi) the concentration of loans within a particular industry or region may negatively impact CFF Bank's financial condition; (vii) CFF Bank's provision for credit losses may prove inadequate; (viii) the collateral securing a loan may not be sufficient; (ix) lack of funding may limit CFF Bank's ability to originate loans; (x) global financial markets and general economic conditions may adversely affect the Company's results; (xi) changes in interest rates may adversely affect CFF Bank's financial results; (xii) an unexpected increase in CFF Bank's borrowing costs may adversely affect its earnings; (ix) a competitive business environment may limit the growth of the Company's business (for example, the number of mortgages funded by CFF Bank and otherwise sourced through CFF Bank's mortgage banking business); (xiii) loss of key personnel may significantly harm the Company's business; (xvi) the inability to realize benefits from growth may harm the Company's financial condition; (xv) the Company's income and results of operations will be difficult to forecast and may fluctuate substantially; (xvi) litigation may negatively impact the Company's financial condition; and (xvii) a deterioration in asset carrying values may negatively impact CFF Bank's financial condition. These risks, uncertainties, assumptions and other factors could cause the Company's actual

results, performance, achievements and experience to differ materially from the Company's expectations, future results, performances or achievements expressed or implied by the forward-looking statements. In light of the significant risks and uncertainties in the forward-looking statements, investors should not place undue reliance on or regard these statements as a representation or warranty by the Company or any other person that the Company will achieve its objectives, strategies and plans in any specified time frame, if at all.

The forward-looking statements made in this Offering Memorandum relate only to events or information as of the date on which the statements are made in this Offering Memorandum. Except as required by law, the Company undertakes no obligation to update or revise publicly or otherwise any forward-looking statements, whether as a result of new information, future events or otherwise, after the date on which the statements are made or to reflect the occurrence of unanticipated events. An investor should read this Offering Memorandum with the understanding that the Company's actual future results may be materially different from what it expects. Future-oriented financial information in this Offering Memorandum relates to the Company's view of future events and is not appropriate to use for other purposes.

GLOSSARY

In this Offering Memorandum, unless otherwise indicated or unless the context otherwise requires, the following terms have the following meanings:

"Acceptance Date" means the date that the Company accepts a Subscription Agreement and receives the cash consideration for the Units pursuant to the Subscription Agreement in trust;

"Adjustment Warrant" means a whole adjustment warrant of the Company, partially comprising a Unit, issued pursuant to the Offering;

"Adjustment Warrant Expiry Time" has the meaning given to it under the Section *"Securities Offered – Terms of Securities"*;

"Adjustment Warrant Shares" has the meaning given to it under the Section *"Securities Offered – Terms of Securities"*;

"ALCO" means the asset and liability committee of CFF Bank;

"Allowable capital loss" has the meaning given to it under the Section *"Income Tax Consequences and RRSP Eligibility"*;

"Associate Agreement" means the standard form agreements between CFFC and the CFF Centres;

"Bank Act" means the *Bank Act* (Canada), and the regulations thereunder, as amended from time to time;

"Base Salary" has the meaning given to it under the Section *"Interests of Directors, Management, Promoters and Principal Holders – Employment Contracts and Termination Agreements"*;

"Board" means the board of directors of the Company;

"Business Day" means a day, other than a Saturday, Sunday or a civic or statutory holiday on which banks are open for business in Toronto, Ontario;

"CAMLO" means Chief Anti-Money Laundering Officer;

"Cause" has the meaning given to it under the Section *"Interests of Directors, Management, Promoters and Principal Holders – Employment Contracts and Termination Agreements"*;

"CBCA" means the *Canada Business Corporations Act*, and the regulations thereunder, as amended from time to time;

"CDIC" means the Canada Deposit Insurance Corporation;

"CFF Bank" means CFF Bank, formerly named MonCana Bank of Canada;

"CFFC" means Canadian First Financial Centres Limited, a wholly-owned subsidiary of the Company;

“**CFF Centre**” means a CBCA corporation in which CFF Investments has a shareholding and that is a party to agreements with CFF Investments and CFFC;

“**CFF Centre Business**” means the business to be operated by the CFF Centre;

“**CFF Centre Eligible Shareholder**” has the meaning given to it under the Section “*Business of the Company – Material Agreements*”;

“**CFF Centre Shareholder Agreement**” means the standard form unanimous shareholder agreements among CFF Investments and the other owners and operators of the CFF Centres;

“**CFF Insurance Services**” means Canadian First Financial Insurance Services Limited, a wholly-owned subsidiary of the Company;

“**CFF Investments**” means Canadian First Financial Investments Limited, a wholly-owned subsidiary of the Company;

“**Change of Control**” has the meaning given to it under the Section “*Interests of Directors, Management, Promoters and Principal Holders – Employment Contracts and Termination Agreements*”;

“**Change of Control Event**” has the meaning given to it under the Section “*Interests of Directors, Management, Promoters and Principal Holders – Employment Contracts and Termination Agreements*”;

“**Closing**” means the time immediately after the end of the Withdrawal Period at which the Company receives the consideration for the Units from trust;

“**CMHC**” means Canada Mortgage and Housing Corporation;

“**Common Shares**” means common shares of the Company;

“**Company**” means Canadian First Financial Group Inc.;

“**CRA**” has the meaning given to it under the Section “*Income Tax Consequences and RRSP Eligibility*”;

“**Current Share Price**” has the meaning given to it under the Section “*Business of the Company – Material Agreements*”;

“**Executive Agreements**” has the meaning given to it under the Section “*Interests of Directors, Management, Promoters and Principal Holders – Employment Contracts and Termination Agreements*”;

“**Executive Credit and Risk Committee**” means the credit and risk committee of CFF Bank;

“**First Preference Shares**” means first preference shares of the Company;

“**Good Reason**” has the meaning given to it under the Section “*Interests of Directors, Management, Promoters and Principal Holders – Employment Contracts and Termination Agreements*”;

“**Holder**” has the meaning given to it under the Section “*Income Tax Consequences and RRSP Eligibility*”;

“**LTIP**” and “**STIP**” have the respective meanings given to them in Note 1 to Table 8;

“**Maximum Offering**” means up to 21,052,632 Units;

“**MonCana Acquisition**” means the acquisition of MonCana Capital Corporation, parent of MonCana Bank of Canada, by the Company on October 25, 2013;

“**NHA MBS**” means mortgage backed-securities issued under the insured mortgage pooling program administered by CMHC pursuant to the *National Housing Act* (Canada);

“**NI 45-106**” means National Instrument 45-106 - *Prospectus and Registration Exemptions*;

“**NI 52-110**” means National Instrument 52-110 – *Audit Committees*;

“**OBCA**” means the *Business Corporations Act* (Ontario), and the regulations thereunder, as amended from time to time;

“**Offering**” means the maximum offering of 21,052,632 Units at the Offering Price;

“**Offering Price**” means the price per Unit sold pursuant to the Offering, being \$0.95 per Unit;

“**Offering Memorandum**” means this offering memorandum;

“**Ontario Act**” means the *Securities Act* (Ontario), and the regulations thereunder, as amended from time to time;

“**OSFI**” means the Office of the Superintendent of Financial Institutions (Canada);

“**Payment Event**” has the meaning given to it under the Section “*Interests of Directors, Management, Promoters and Principal Holders – Employment Contracts and Termination Agreements*”;

“**Proposed Amendments**” has the meaning given to it under the Section “*Income Tax Consequences and RRSP Eligibility*”;

“**Registered Plan**” has the meaning given to it under the Section “*Income Tax Consequences and RRSP Eligibility*”;

“**Risk Acknowledgement**” means Form 45-106F4 to NI 45-106;

“**Second Preference Shares**” means second preference shares of the Company;

“**Shareholders**” has the meaning given to it under the Section “*Business of the Company - Material Agreements*”;

“**Subscription Agreement**” means a subscription agreement for Units;

“**Subordinate Voting Shares**” means subordinate voting shares of the Company;

“**Tax Act**” means the *Income Tax Act* (Canada), and the regulations thereunder, as amended from time to time;

“**Taxable capital gain**” has the meaning given to it under the Section “*Income Tax Consequences and RRSP Eligibility*”;

“**Transaction**” has the meaning given to it under the Section “*Securities Offered – Terms of Securities*”;

“**Transaction Share Price**” has the meaning given to it under the Section “*Securities Offered – Terms of Securities*”;

“**Triggering Event**” has the meaning given to it under the Section “*Business of the Company– Material Agreements*”;

“**Unit**” means one Common Share and 0.2 of a one Warrant being sold together as a Unit at the Offering Price under the Offering;

“**Warrant**” means a whole warrant of the Company, partially comprising a Unit, issued pursuant to the Offering;

“**Withdrawal Period**” means the period beginning on the Acceptance Date and ending at midnight on the second Business Day after the Acceptance Date; and

“**you**” means a subscriber to the Offering.

PRESENTATION OF INFORMATION, ETC.

In this Offering Memorandum, unless otherwise indicated or unless the context otherwise requires, all references to the “Company” refer to Canadian First Financial Group Inc. and its subsidiaries. Unless otherwise indicated, all references to “\$” or “dollar” are to Canadian dollars. All information, unless otherwise indicated or unless the context otherwise requires, is stated as of the date of this Offering Memorandum. This Offering Memorandum supersedes all previous offering memorandums of the Company dated prior to the date hereof.

USE OF AVAILABLE FUNDS

Funds

As described in Table 1, the net maximum proceeds to be received by the Company from the Offering are estimated to be \$19,800,000 after deducting the expenses of the Offering, which are estimated to be \$200,000.

Table 1

		Assuming Minimum Offering	Assuming Maximum Offering
A.	Amount to be raised by this Offering	\$0	\$20,000,000
B.	Selling commissions and fees	\$0	\$0
C.	Estimated offering costs (e.g. legal, accounting, audit)	\$200,000	\$200,000
D.	Available Funds: $D = A - (B+C)$	\$0	\$19,800,000
E.	Additional sources of funding required	\$0	\$0
F.	Working capital deficiency	\$0	\$0
G.	Total: $G = (D+E) - F$	(\$200,000)	\$19,800,000

As of the date hereof, the Company has issued a total of approximately \$3.7 million in securities since the inception of this Offering in October 2014. As of the date hereof, no arrangements have been made to pay compensation to any persons in connection with the Offering. In the future, arrangements may be made with persons to act as the Company’s agents in connection with the Offering. In that event, agent fees will be deducted from subscription proceeds derived from the agent’s activities. See “*Compensation Paid to Sellers and Finders*”.

Use of Available Funds

Table 2 is a breakdown of how the Company will use the available funds.

Table 2

Description of intended use of available funds listed in order of priority	Assuming Minimum Offering	Assuming Maximum Offering
Working capital	n/a	\$2,800,000
To invest in shareholders’ equity of CFF Bank	n/a	\$17,000,000
Total: Equal to G in the table above	n/a	\$19,800,000

Reallocation

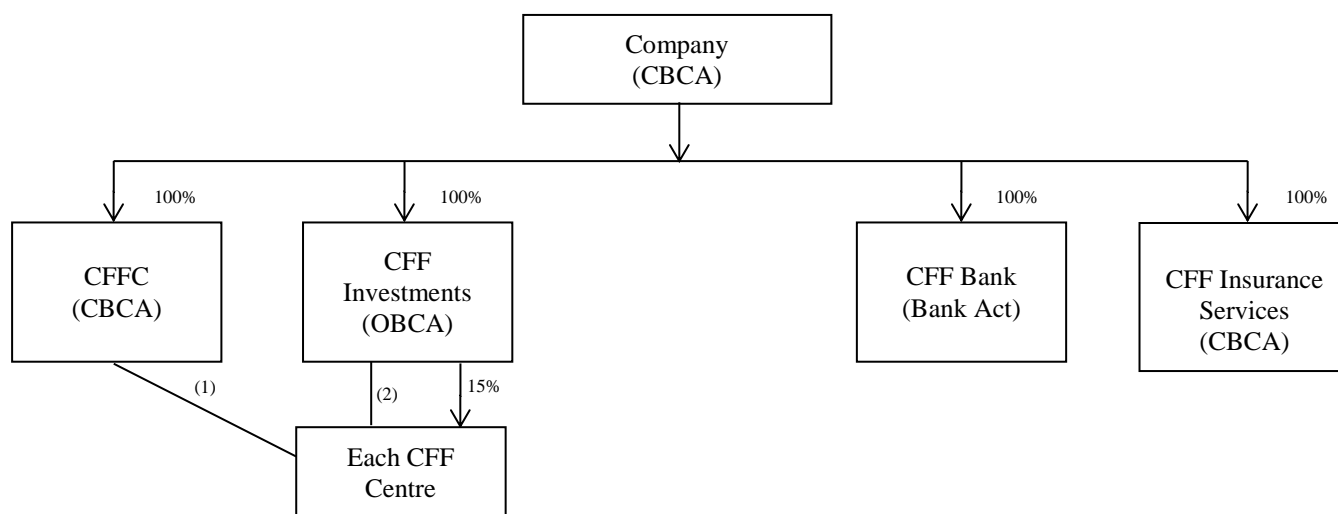
As stated above, the use of the net proceeds will be primarily allocated by the Company towards investment in shareholders’ equity in CFF Bank for the purposes of keeping within internal and external regulatory capital thresholds. CFF Bank will be required to raise additional shareholders’ equity from time to time in order to keep within minimum internal and external

regulatory capital thresholds. The Board will reallocate funds only for sound business reasons. See “*Risk Factors – Investment Risks – Discretion in the Use of Proceeds of the Offering*” and “*Risk Factors – Issuer Risks – Holding Company of a Financial Institution*” and “*Risk Factors – Issuer Risks – Risks Related to CFF Bank*”.

BUSINESS OF THE COMPANY

Corporate Group Structure

The following is a description of the Company and its material subsidiaries.



Notes:

- (1) Associate Agreement (See “*Material Agreements – Associate Agreement*”)
- (2) CFF Centre Shareholder Agreement (See “*Material Agreements – CFF Centre Shareholder Agreement*”)

The Company

The Company was formed by amalgamation under the CBCA on January 1, 2011. Its registered and head office is located at 2020 Winston Park Drive, Suite 302, Oakville, Ontario L6H 6X7. The Company’s function is to provide management and other support services to its subsidiaries and the CFF Centres. For example, the Company has entered into a management agreement with CFF Bank whereby the Company provides administrative services for CFF Bank. See “*Material Agreements – Management Agreement*.” The activities of the Company as the parent corporation of CFF Bank are subject to regulatory review. See “*Risk Factors- Issuer Risks – Holding Company of a Financial Institution*”.

CFF Bank

CFF Bank was incorporated by letters patent issued under the Bank Act on March 4, 2011. The bank received its commencement order under the Bank Act on September 22, 2011. The letters patent of the bank were amended on January 13, 2014 to change its name from “MonCana Bank of Canada” to “CFF Bank” and to relocate the head office of the bank from Calgary, Alberta to Oakville, Ontario. CFF Bank is owned indirectly by the Company through a holding corporation, MonCana Capital Corporation, a corporation incorporated under the *Business Corporations Act* (Alberta).

CFF Centres

Each CFF Centre is a corporation incorporated under the CBCA. CFF Investments owns 15% of the common shares of each CFF Centre. Each CFF Centre is a party to: (i) an Associate Agreement with CFFC; and (ii) a CFF Centre Shareholder Agreement with CFF Investments. The CFF Centre Shareholder Agreement governs the operation of the CFF Centre and matters related to its capitalization and transfers of its shares.

CFFC

CFFC was incorporated under the CBCA on November 22, 2007. CFFC is party to the Associate Agreements with the CFF Centres.

CFF Investments

CFF Investments was incorporated under the OBCA on March 4, 2009. CFF Investments is a party to the CFF Centre Shareholder Agreements governing each of the CFF Centres.

CFF Insurance Services

CFF Insurance Services was incorporated under the CBCA on April 29, 2009 and is registered under the *Insurance Act* (Ontario) to carry on the business of an associated general agency in Ontario. Its role is to make insurance services and products available to the CFF Centres.

Other

Prior to the MonCana Acquisition, on June 26, 2013, RedBrick Bank, an indirect wholly-owned subsidiary of the Company, was issued letters patent under the Bank Act as a Schedule I bank. RedBrick did not subsequently receive its commencement order under the Bank Act, and is now in the process of being wound up under the Bank Act.

The Business of the Company

The Company is in the early stages of building a retail banking and financial services business reaching Canadian consumers through a unique distribution model. The Company intends to grow its market share in the Canadian multi-billion dollar financial services market by providing products, advice and convenience through a network of owner-managed CFF Centres. Each Centre is financially aligned with the Company because they are jointly owned by financial service professionals and the Company. The Company believes that Canadians deserve the best advice and the choice of dealing with their trusted mortgage, wealth management or insurance professional and is committed to empowering them to do more for their customers while creating a more valuable and sustainable business for themselves.

The CFF Centres will have access to valuable customer relationships that should contribute to the Company achieving its business plans. These plans are centered on the Company's subsidiary, CFF Bank, that will provide a range of banking products and services including residential mortgages, personal lines of credit (both secured and unsecured), chequing/savings accounts, guaranteed investment certificates (including RSPs and TFSA's) and other retail banking products. The Company will also facilitate the sale of third party financial products and services such as insurance and wealth management products.

CFF Bank is a Schedule I bank authorized and regulated under the Bank Act. The Canadian retail banking industry is competitive but can be very profitable. Regulated by the Government of Canada, banking licenses are onerous to obtain, creating high barriers to entry.

The Company has assembled a dedicated and financially aligned leadership team and board of directors with extensive financial services and technology experience. See "*Interests of Directors, Management, Promoters and Principal Holders*".

Development of the Business

Since the beginning of 2012, the Company has completed a number of key strategic initiatives, including assembling an experienced executive team and board of directors; securing regulatory approvals; acquiring MonCana Bank of Canada's mortgage banking infrastructure to accelerate the commencement of retail banking operations; launching retail banking products; and expanding the CFF Centre network.

The Company acquired MonCana Bank of Canada in October, 2013. MonCana Bank of Canada commenced business in September 2011, originating, selling and servicing prime quality residential mortgages while raising client name deposits through the deposit broker channel. From commencing business, MonCana Bank of Canada had experienced operating losses. These operating losses can be attributed to a number of factors, including costs attributable to the overhead necessary to begin carrying on business, price competition from large financial institutions and a limited number of financial institutions willing to fund its mortgages. Those challenges related to the mortgage banking market continue for CFF Bank. Over time, the

Company believes that the causes contributing to the lack of profitability in the mortgage banking business can be alleviated through a number of remedial measures that will help provide for the future profitability of CFF Bank. These measures include the procurement of additional funding relationships to increase and diversify mortgage funding sources, the development of additional residential mortgage features and adjustments to mortgage underwriting policies.

While the mortgage banking business proved to be challenging in 2014 due to extreme price competition, the Company has also invested in building retail banking product capabilities that will ultimately be distributed through CFF Centres. These products include the CFF Bank EasyOne Account which acts as an unsecured line of credit combined with a savings account.

The Company is in the process of expanding the number of CFF Centres. CFF Centres will offer proprietary CFF Bank retail financial products or other Company proprietary products and services to their clients. The majority of CFF Centres will be “co-located” with third party mortgage brokerages that will enable clients to purchase mortgages from numerous lenders including CFF Bank. Over time, after retail banking relationships are developed with their clients, it is expected that the majority of CFF Bank mortgages will be originated through the mortgage brokerage firms affiliated with the CFF Centre network. It is also planned that CFF Centres will distribute third party wealth management and insurance products and services to their clients.

Long Term Objectives

The Company’s principal objectives over the long term (to December 31, 2019) are: (i) expanding the network of CFF Centres; (ii) develop sustainable and profitable lending and deposit products; (iii) grow residential mortgage product volumes and profitability; and (iv) raise additional shareholder equity to fund its growth.

Table 3

Principal Long Term Objectives	Target Completion Date	Cost to Complete Objective⁽¹⁾
Expanding the network of CFF Centres	2019	\$12,500,000
Develop sustainable and profitable personal lending and deposit products	2019	\$40,000,000
Grow residential mortgage product volumes and profitability	2017	\$14,100,000
Raise additional shareholders’ equity	2019	\$5,000,000

Notes:

(1) For the purposes of Table 3, “Cost to Complete Objective” represents the investment required to achieve the objective and includes the total expenses incurred over the applicable time period, without reference to any revenues that may be earned in the course of achieving the objective. This investment includes costs related to personnel, client and account acquisition (such as commissions and fees), technology (including depreciation and amortization of capital expenditures), CFF Centre training and development, marketing and branding, premises, travel and promotion, professional fees and other directly related office and similar expenses. “Cost to Complete Objective” includes projected investment in expenses incurred from January 2015 to target completion date.

Expanding the network of CFF Centres

Financial products and services are currently sold to hundreds of thousands of Canadian families on the advice of thousands of independent financial services professionals in communities across Canada. The Company believes that financial services professionals will benefit themselves and their clients by acquiring a CFF Centre and joining the CFF network. Owning a CFF Centre provides a way to strengthen existing client relationships and create more opportunities to develop new clients by offering more products and services than the financial professional currently offers today. The CFF Centre owner will also earn commissions and incentives from the sale of these additional products as well as benefit from the anticipated growth in the value of their investment in the CFF Centre. As at April 30, 2015, the Company had 34 CFF Centres located throughout Canada. The number of locations is expected to grow to approximately 60 by the end of 2015. The Company has established an objective of growing the CFF Centre Network by approximately 30 new locations per year. We expect more financial services professionals will want to own a CFF Centre as the Company launches retail banking products, services, training and branding over time. The Company intends to market the CFF Centre opportunity to established, independent financial services professionals in the mortgage brokerage, wealth management and insurance advisory sectors that possess thousands of customer relationships and have a strong reputation in the communities they reside in.

Develop sustainable and profitable personal lending and deposit products

The Company intends to develop a range of real estate secured and unsecured lending products that will be offered exclusively to clients of the CFF Centre network. The Company believes that CFF Centres will be well positioned to sell personal lending products after receiving sales training and centralized service support from its sales and service centres. The Company expects to prudently manage risks by restricting access to referrals to CFF Centre Network clients, employing risk-based pricing, centralized credit adjudication and proactive credit monitoring. The Company is also in various stages of developing and offering products such as savings accounts, chequing accounts, term deposits, creditor life insurance and wealth management products. Over time, the Company intends to grow and diversify low cost funding sources by distributing term deposits and other deposit products to clients through the CFF Centre network. The Company intends to grow its business with deposit brokers and diversify its deposit raising capabilities marketing to the “nominee” channel of large investment management companies.

Grow residential mortgage product volumes and profitability

The Company currently offers mortgages to mortgage brokers that own CFF Centres and mortgage brokers that potentially may own CFF Centres in the future. CFF Bank’s current mortgage products are primarily prime credit quality, default insured residential mortgages. CFF Bank intends to expand its product offering by developing the capabilities to originate prime quality, lower loan to value residential mortgages that appeal to a larger number of the mortgage brokers’ client base. As the CFF Centre network grows, the Company intends to originate the majority of the residential mortgages it will fund via the CFF Centre network. Once funded, these mortgages will increasingly be held on CFF Bank’s balance sheet or sold to institutional mortgage buyers. Profits are subject to volatility due to market pricing dynamics, CFF Bank’s cost of funding and operating expenses. The Company intends to place continued emphasis on cost controls and managing its funding and operating expenses. The Company plans to secure additional mortgage sales relationships and directly sell mortgage pools into government sponsored mortgage backed securities programs.

Raise additional shareholder equity

The Company expects to require a minimum of \$82 million in additional shareholders’ equity through to the end of 2019 to support its growth plans and meet its regulatory obligations. This estimate includes any amounts raised in the Offering. The Company plans to raise this capital from CFF Centre owners, related parties of those individuals, as well as from other investors.

The above objectives are subject to risks listed under the heading “Risk Factors”, including that the Company, in certain circumstances, may not be capable of meeting its financial obligations when they are due to support the orderly continuation of operations and risk that CFF Bank will be unable to generate or obtain cash or equivalents in a timely manner and at a reasonable cost to meet its commitments (both on and off-balance sheet) as they become due. See “*Risk Factors – Funding and Liquidity Risk*”. Additionally, the regulatory operating environment for the Company is significant. The exercise of regulatory authority and asserting corrective action, new regulatory requirements or changes to existing requirements may involve changes to the way the Company currently conducts its business. See “*Risk Factors - Regulatory Risk*”.

Projected Financial Highlights

The Company has developed a business plan and financial projections which include the operations of CFF Bank.

Table 4

Consolidated Financial Projection (in thousands)	2014 \$	2015 \$	2016 \$	2017 \$	2018 \$	2019 \$
Statement of Financial Position						
Cash and Securities	169,364	116,061	166,094	285,194	284,629	362,813
Mortgages Held for Sale	39,100	67,278	51,250	65,000	71,500	95,000
Mortgages Held for Investment	20,464	32,404	59,213	193,047	403,212	679,295
Personal Loans	6,218	43,184	132,834	266,557	409,674	530,026
Other	9,577	9,549	9,374	9,182	9,102	9,286
Total Assets	244,723	268,476	418,765	818,980	1,178,117	1,676,420
Deposits - Broker	192,755	166,349	200,055	330,586	309,885	307,569
Deposits - Retail	1,338	38,567	122,567	242,567	374,567	554,567
Secured Borrowing	20,379	32,404	59,213	193,047	403,212	679,295
Debentures & Promissory Note	9,126	14,126	5,000	-	-	-
Other	3,794	3,538	3,532	3,526	3,520	3,515
Total Liabilities	227,392	254,984	390,367	769,726	1,091,184	1,544,946
Share Capital	48,403	60,904	82,914	100,002	124,339	135,813
Contributed Surplus	15,636	15,471	15,461	15,123	11,536	10,562
Deficit	(46,708)	(62,883)	(69,977)	(65,870)	(48,942)	(14,901)
Total Equity	17,331	13,492	28,398	49,254	86,933	131,474
Total Liabilities and Equity	244,723	268,476	418,765	818,980	1,178,117	1,676,420
Statement of Income						
Net Interest Income (Loss)	(940)	518	4,905	13,104	24,472	37,087
Mortgage Sales Revenue	1,588	3,267	7,346	10,798	12,868	17,355
Other Revenue	2,132	4,049	5,731	7,649	9,646	12,114
Net Revenue	2,780	7,834	17,982	31,551	46,986	66,556
Salaries and Benefits	11,487	11,856	12,489	13,139	13,754	14,554
Operating Expenses	8,731	10,331	11,753	14,106	16,304	17,961
Interest on Debentures & Promissory Note	1,385	1,733	833	200	-	-
Expenses	21,603	23,920	25,075	27,445	30,058	32,515
Income (Loss) before Income Taxes	(18,823)	(16,086)	(7,094)	4,106	16,929	34,041
Income Taxes	5,367	-	-	-	-	-
Net Income (Loss) for the Year	(24,190)	(16,086)	(7,094)	4,106	16,929	34,041

Highlights from Table 4 include:

- Cash and short term investments are estimated to grow to over \$360 million;
- Balance sheet mortgages and personal loans are estimated to be over \$1.1 billion by 2019;
- Revenues from banking and CFF Centre sales are projected to exceed \$66 million per year by 2019;
- The banking operation is projected to achieve running breakeven during 2017;
- Profitability is projected to increase to exceed \$32 million before tax by 2019; and
- Shareholders' equity is estimated to be approximately \$131 million by the end of 2019.

Key Assumptions and Metrics

The information in Table 4 is based on the following key assumptions and metrics:

Table 5

Key Assumptions and Metrics	2014	2015	2016	2017	2018	2019
Sales of Mortgages to Third Parties						
Whole Loans (\$'000)	427,000	814,000	1,057,000	1,436,000	1,674,000	2,227,000
Commitments (\$'000)	-	111,000	400,000	500,000	500,000	500,000
Total Sales (\$'000)	427,000	925,000	1,457,000	1,936,000	2,174,000	2,727,000
Average Whole Loan Sales Margin	0.15%	0.45%	0.49%	0.57%	0.60%	0.65%
Average Commitment Sales Margin	0.00%	0.38%	0.38%	0.38%	0.38%	0.38%
Mortgages by Type						
Conventional	0%	15%	15%	15%	15%	15%
Insured	100%	85%	85%	85%	85%	85%
Key Rates						
Mortgages	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%
Personal Loans	8.9%	8.9%	8.9%	8.9%	8.9%	8.9%
Deposits - Broker	1.7%	1.7%	1.7%	1.7%	1.7%	1.7%
Deposits - Retail	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%
Loan Losses	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%
Retail Development						
Number of CFF Centres	25	60	90	120	150	180
Number of Employees	88	104	122	136	145	155
Active CFF Centre Network Clients	2,000	17,000	42,000	81,000	124,000	175,000
Active CFF Centre Network Accounts						
Mortgages	1,300	1,000	5,000	13,000	21,000	33,000
Personal Loans	600	6,000	16,000	30,000	46,000	59,000
Deposits	200	9,000	24,000	45,000	68,000	99,000
Creditor Life Insurance	1,200	2,000	4,000	6,000	8,000	11,000
Total Accounts	3,300	18,000	49,000	94,000	143,000	202,000

Key Assumptions and Metrics	2014 (Unaudited)	2015	2016	2017	2018	2019
Sales of Mortgages to Third Parties						
Whole Loans (\$'000)	427,000	829,000	1,073,000	1,436,000	1,674,000	2,227,000
Commitments (\$'000)	-	400,000	400,000	500,000	500,000	500,000
Total Sales (\$'000)	427,000	1,229,000	1,473,000	1,936,000	2,174,000	2,727,000
Average Mortgage Sales Margin	0.13%	0.47%	0.44%	0.53%	0.56%	0.60%
Mortgages by Type						
Conventional	0%	30%	30%	30%	30%	30%
Insured	100%	70%	70%	70%	70%	70%
Key Rates						
Mortgages	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%
Personal Loans	8.9%	8.9%	8.9%	8.9%	8.9%	8.9%
Deposits - Broker	1.7%	1.7%	1.7%	1.7%	1.7%	1.7%
Deposits - Retail	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%
Loan Losses	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%
Retail Development						
Number of CFF Centres	25	60	90	120	150	180
Number of Employees	88	104	110	124	133	143
Active CFF Centre Network Clients	2,000	18,000	44,000	83,000	126,000	176,000
Active CFF Centre Network Accounts						
Mortgages	1,300	2,000	5,000	13,000	22,000	33,000
Personal Loans	600	6,000	16,000	31,000	46,000	59,000
Deposits	200	11,000	25,000	46,000	69,000	100,000
Creditor Life Insurance	1,200	2,000	4,000	6,000	8,000	11,000
Total Accounts	3,300	21,000	50,000	96,000	145,000	203,000

Projected Sources of Capital

Table 6 sets forth the potential sources of Common Share capital over the next five (5) years. The projections assume: (i) the exercise of all outstanding options and warrants to purchase Common Shares expiring between 2016 and 2019; and (ii) that all outstanding debentures and promissory note of the Company are repaid upon maturity.

Table 6

Investment from (in thousands)	2015 \$	2016 \$	2017 \$	2018 \$	2019 \$	Total \$
New equity investment	12,000	21,970	15,910	7,000	6,810	63,690
Exercise of warrants and options	-	30	840	13,750	3,690	18,310
Capital Forecast	12,000	22,000	16,750	20,750	10,500	82,000

Short Term Objectives and How The Company Intends To Achieve Them

The Company's principal short-term objectives for the next 12 months are: (i) expanding the number of CFF Centres to 60 by the end of 2015; (ii) acquiring \$45 million of personal loans and \$39 million of retail deposits during 2015; (iii) originating \$880 million of residential mortgages by adding features, diversifying funding availability and increasing operational efficiencies; and, (iv) raise \$12 million of additional shareholders' equity.

Table 7

Principal Short Term Objectives	Target Completion Date	Cost to Complete Objective ⁽¹⁾
Expand the CFF Centre network to 60 CFF Centres by the end of 2015	December 2015	\$1,600,000
Acquire \$45 million of personal loans and \$39 million of retail deposits during 2015.	December 2015	\$2,800,000
Originate \$880 million of residential mortgages by adding features and diversify funding availability	December 2015	\$2,900,000
Raise \$12 million of additional shareholders' equity	December 2015	\$700,000

Notes:

(1) For the purposes of Table 7, "Cost to Complete Objective" represents the investment required to achieve the objective and includes the total expenses incurred over the applicable time period, without reference to any revenues that may be earned in the course of achieving the objective. This investment includes costs related to personnel, client and account acquisition (such as commissions and fees), technology (including depreciation and amortization of capital expenditures), CFF Centre training and development, marketing and branding, premises, travel and promotion, professional fees and other directly related office and similar expenses. "Cost to Complete Objective" includes projected investment in expenses incurred from January 1, 2015 to target completion date.

Expand the CFF Centre network to 60 CFF Centres by the end of 2015

The Company is actively engaged in launching new CFF Centres. The Company continues to engage in discussions with additional top producing financial professionals that have expressed an interest in owning a CFF Centre. The Company expects the network to have approximately 60 CFF Centre locations by the end of 2015. Launching each CFF Centre involves branding exterior and interior space and providing the training and support to begin offering CFF Bank retail banking products.

Acquire \$45 million of personal loans and \$39 million of retail deposits during 2015

In an effort to achieve the above objective, the Company has completed the following sub-objectives:

- Launched a suite of savings and investment products including Guaranteed Investment Certificates, Retirement Savings Plans, Tax-Free Savings Accounts, and High-Interest Savings Accounts;
- Implemented a new banking technology platform;
- Opened and resourced both an Eastern Canada and Western Canada Customer Sales and Service Centres and central Banking Operations;
- Launched the CFF Bank EasyOne Account;
- Introduced online banking for retail products;
- Added bill payment and debit card functionality to the EasyOne Account; and,
- Adjusted the Company's risk management framework to oversee the new bank products.

The Company also intends to grow both the Ontario and -Alberta operations to support CFF Centre expansion. Further, the Company intends on bolstering its product development, creating more comprehensive training programs, implementing streamlined technology platforms and furthering process refinement in an effort to provide a more complete offering of market competitive products and services.

Originate \$880 million of residential mortgages by adding features and diversify funding availability

In 2014, the Canadian prime residential mortgage market experienced a period of extended price competition among the largest financial institutions. As a consequence, CFF Bank significantly curtailed origination volume as mortgage rates were considered uneconomic. Due to the reduction in revenue, CFF Bank's mortgage banking business has experienced net losses as compared to expected net income. Management expects that margins will show improvement during 2015, but will remain below historical levels.

CFF Bank intends to broaden its mortgage product features to appeal to a broader segment of the residential market, diversify its funding sources and implement technology to garner operational efficiencies.

Progress has been made in the following areas:

- CFF Bank has been approved to participate in the NHA MBS program. This program is designed to ensure that mortgage funding is available to all market participants at a reasonable cost of funds. Issuances of NHA MBS typically provide a higher return to mortgage originators than earned from other funding sources. CFF Bank was approved by CMHC as an MBS Issuer during May 2014, and sold its first pool of NHA MBS in August 2014.
- CFF Bank has been approved to participate in the Canada Mortgage Bond (CMB) program. This program, like NHA MBS, is designed to ensure that mortgage funding is available to all market participants at a reasonable cost of funds. Issuances of CMB can typically provide an even higher return to mortgage originators than earned from NHA MBS. CFF Bank was approved by CMHC as a CMB Issuer during January 2015, and intends to sell its first pool of CMB during 2015.
- CFF Bank has broadened its mortgage offerings to consumers and was approved by Genworth to acquire portfolio insurance on pools of conventional mortgages. This allows the Bank to offer mortgages to customers of the CFF Centre Network that have more than 20% equity in their homes.
- CFF Bank may outsource its mortgage servicing function to third parties to secure additional mortgage funding and operational efficiencies.

Raise \$12 million of additional shareholders' equity

The Company expects to require a minimum of \$12 million in additional shareholders' equity through to the end of 2015 to support its growth plans and meet its regulatory obligations. This estimate includes any amounts raised in the Offering. The Company plans to raise this capital from CFF Centre owners, related parties of those individuals, as well as from other investors.

Additionally, the Company is seeking to raise additional capital through investment by a strategic partner. Further to this objective, the Company entered into a Fiscal Advisory Agreement in May 2015 whereby it retained an institutional advisor to pursue a strategic partner to complete an investment in the Company.

The above objectives are subject to risks listed under the heading "Risk Factors", including that the Company, in certain circumstances, may not be capable of meeting its financial obligations when they are due to support the orderly continuation of operations and risk that CFF Bank will be unable to generate or obtain cash or equivalents in a timely manner and at a reasonable cost to meet its commitments (both on and off-balance sheet) as they become due. See "*Risk Factors – Funding and Liquidity Risk*". Additionally, the regulatory operating environment for the Company is significant. The exercise of regulatory authority or asserting corrective action, new regulatory requirements or changes to existing requirements may involve changes to the way the Company currently conducts its business. See "*Risk Factors- Regulatory Risk*".

Insufficient Funds

The funds available as a result of the Offering will not be sufficient to accomplish all of the Company's objectives and there is no assurance that alternative financing will be available. The Company will need to maintain sufficient capital, at all times, to meet its regulatory obligations and maintain sufficient liquidity and solvency. The Company's growth expectations are projected to require the amount of capital as outlined in Table 6, including any amounts raised under this Offering Memorandum, through to the end of 2019. As the holding company of a federally regulated financial institution, the Company may be required in the future to provide additional forms of support to CFF Bank, which support might include investment of additional shareholders' equity in CFF Bank in amounts which cannot be foreseen at this time. Future regulatory changes, differences in the expansion of the business from those projected and determination of the future price of securities of the Company, among other things (see "*Risk Factors*"), could change the future amount of capital necessary to be raised. See "*Risk Factors – Issuer Risk – Limited Financial Resources, Regulatory Risk, and Holding Company of a Financial Institution*" and "*Risk Factors – Issuer Risk - Risks Related to CFF Bank*".

Material Agreements

The Company is a party to the material agreements described below.

CFF Centre Shareholder Agreement

The CFF Centre Shareholder Agreement is a unanimous shareholder agreement under the CBCA. Each CFF Centre Shareholder Agreement is among CFF Investments, the CFF Centre and the appropriate individuals associated with the particular CFF Centre, and comes into effect upon the CFF Centre entering into an Associate Agreement. Each CFF Centre

Shareholder Agreement remains in effect until (i) it is terminated by written agreement of all of the shareholders of the CFF Centre; or (ii) with respect to any particular shareholder, upon the sale or disposal of all of such shareholder's shares in the CFF Centre in accordance with the CFF Centre Shareholder Agreement. Notwithstanding the termination of a CFF Centre Shareholder Agreement, certain provisions survive the termination, including non-competition and non-solicitation covenants which come into effect upon the purchase of shares pursuant to the CFF Centre Shareholder Agreement.

Pursuant to the CFF Centre Shareholder Agreement, the only business of the CFF Centre shall be the CFF Centre Business. Unless otherwise approved in writing by all of the shareholders of the CFF Centre, the board of directors of each CFF Centre shall at all times consist of one nominee of (i) CFF Investments and (ii) each of the shareholders who is a guarantor under the CFF Centre's Associate Agreement or controlled by such a guarantor. In the case of shareholders who are guarantors under the CFF Centre's Associate Agreement or controlled by such guarantors, the nominee of those shareholders shall be the guarantor.

The CFF Centre Shareholder Agreement provides that the shareholders of the CFF Centre, other than CFF Investments, shall be responsible for developing the annual business plan for the CFF Centre. This business plan is to be developed in accordance with the format provided by CFF Investments and must be submitted to CFF Investments for its approval.

The CFF Centre Shareholder Agreement further requires the unanimous approval by written resolution of all of the shareholders of the CFF Centre and the delivery of notice thereof to the relevant company subsidiary for the CFF Centre to not exercise its option to renew the term of any agreement with the Company. Failing delivery of such notice, the CFF Centre shall be deemed to have automatically exercised its option to renew any agreement with the Company in accordance with the terms of that agreement and otherwise on such terms and conditions as may be in effect and required at the time of renewal. As such, unless CFF Investments otherwise agrees, every agreement with the Company must be renewed by a CFF Centre.

CFF Investments is issued 15% of the common shares of each CFF Centre upon its incorporation.

No shares of a CFF Centre may be issued unless: (i) the person is any of the following: (a) a guarantor under an Associate Agreement; (b) an employee of the CFF Centre; (c) an advisor, salesperson or representative engaged in the CFF Centre Business; (d) a shareholder, employee or representative of a mortgage brokerage business carried on by a guarantor under the Associate Agreement; (e) a corporation controlled by any of the individuals described in (a), (b), (c) or (d); or (f) any other person designated by CFF Investments from time to time as an eligible person (any of these persons being a "**CFF Centre Eligible Shareholder**"); (ii) after the issuance, the CFF Centre would be in compliance with applicable law; and (iii) the issuance receives the prior written approval of a majority of the holders of the CFF Centre's common shares, provided such majority includes CFF Investments. In addition, CFF Investments has the option, at any time, to purchase additional common shares of a CFF Centre at a price determined by applying a valuation methodology developed by Canadian First to value CFF Centre Businesses (the "**Current Share Price**"): (i) to maintain at least a 15% holding of common shares; (ii) if the purchase is required so that any of the Company and/or the CFF Centre Business remain or become again in compliance with applicable law; (iii) if the purchase is required so that any of the Company and/or the CFF Centre Business remain or become again in compliance with the CFF Centre Shareholder Agreement; or (iv) as otherwise agreed by a simple majority of the holders of common shares of the CFF Centre. The right to purchase common shares described in (ii) and (iii) is subject to a pro rata entitlement of the other shareholders of the CFF Centre to make purchases of common shares as well.

Except for a transfer: (i) to other shareholders of the CFF Centre; (ii) which is involuntary and results from the transmission of common shares from a deceased shareholder or a shareholder that has ceased to be involved in a CFF Centre Business for six consecutive months for medical reasons; (iii) as required under the CFF Centre Shareholder Agreement; or (iv) that has received the prior written approval of a majority of the holders of common shares, provided such majority includes CFF Investments, no shareholder may transfer any shares of the CFF Centre. These transfer restrictions do not apply to CFF Investments.

In the event: (i) any of the shareholders of the CFF Centre, other than CFF Investments, enters into any discussions with any shareholders of any CFF Centres, the likely affect of which would be the disruption of the orderly operation of the Company or the potential breach, default, repudiation or any type of indication of intent or threat to not comply with any of the agreements with the Company by any CFF Centre; (ii) any of the shareholders of the CFF Centre, other than CFF Investments, enters into any discussions with competitors of the Company prior to the delivery of notice that an agreement with the Company will not be renewed; (iii) of the termination of any agreement to which the Company is a party by any subsidiary of the Company as a response to, or result or consequence of, a breach, default, repudiation or any type of indication of intent or threat to not comply with any agreement with the Company; (iv) a breach or default by any shareholder of the shareholder's covenants and obligations under the CFF Centre Shareholder Agreement; or (v) a person no longer qualifies as a CFF Centre Eligible Shareholder (each a "**Triggering Event**"), the shareholder or shareholders to whom the Triggering Event relates shall

be deemed to have offered to sell all of the shares of the CFF Centre owned by those persons to the CFF Centre at a price discounted to the Current Share Price. In the event the Triggering Event is an event described in clause (v) of the above definition of Triggering Event and the event is not a result of a termination of the shareholder for cause, the price shall be the Current Share Price. The purchase of shares as a result of a Triggering Event shall be satisfied by the Company by the delivery of a promissory note bearing no interest payable in equal installments over six years from the date of the purchase (unless the Triggering Event is not a result of a termination for cause, as described above, in which case the purchase of the offered shares shall be for cash).

In the event of the purchase of CFF Centre shares by the CFF Centre as a result of a Triggering Event, the shareholders selling their shares to the CFF Centre shall be subject to certain non-competition and non-solicitation covenants in relation to the CFF Centre Business, the CFF Centre, other CFF Centres and the Company and its subsidiaries.

If the CFF Centre does not renew any agreement with the Company, the shareholders of the CFF Centre, other than CFF Investments, upon delivery of a notice to that effect, shall be deemed to have made an offer to CFF Investments to purchase all of the shares in the CFF Centre it owns at the Current Share Price. Within 20 Business Days after such offer is deemed to have been made to CFF Investments, CFF Investments must advise the shareholders making the offer in writing either: (i) that it accepts their offer; or (ii) that it elects to buy the shares of those offering shareholders at the Current Share Price, and upon such other terms and conditions consistent with the offer made to CFF Investments.

In the event of the purchase of CFF Centre shares by either the shareholders of the CFF Centre or CFF Investments as a result of the non-renewal of an agreement with the Company, the person selling their shares shall be subject to certain non-competition and non-solicitation covenants in relation to the CFF Centre Business, the CFF Centre, other CFF Centres and the Company and its subsidiaries.

Associate Agreement

Pursuant to the Associate Agreement, CFFC supports the business of the CFF Centre. The term of the CFFC Agreement is 10 years, with the option to renew the agreement for additional five (5) year periods upon certain conditions.

In consideration of entering into the Associate Agreement, CFFC agrees with each CFF Centre not to enter into an Associate Agreement with another CFF Centre within a defined geographic area. The Associate Agreement also provides for the splitting of revenue generated by the CFF Centre between the CFF Centre and CFFC.

In the event of breaches of the Associate Agreement or permitted assignments of the CFF Centre's interest in the Associate Agreement, the CFF Centre and guarantors of the obligations of the CFF Centre pursuant to the Associate Agreement (being the owners of the CFF Centre) are subject to certain non-competition and non-solicitation covenants.

Agreements Related to CFF Bank's Mortgage Banking Business

CFF Bank is a party to a number of agreements and ongoing negotiations with third parties relating to the sale of mortgages by CFF Bank to those third parties and the ongoing servicing of the mortgages sold to those third parties. These sale arrangements are the product of extensive negotiations with each party and terms vary between the agreements. Among other matters, each agreement generally provides for: (i) eligibility criteria for mortgages to be sold under the agreement; (ii) pricing and payment terms for those mortgages; (iii) ongoing servicing arrangements for the sold mortgages; (iv) procedures upon renewals of those mortgages; (v) indemnification procedures in the event of ineligibility of sold mortgages; (vi) audit procedures; and (vii) events of termination. See *"Risk Factors – Risks Related to CFF Bank's Mortgage Banking Business"*.

Agreement with Strategic Information Technology Limited

The Company has an agreement with Strategic Information Technology Limited ("**SIT**") whereby SIT provides technology for back office administration for CFF Bank and the CFF Centres. A director of the Company, Mr. Robert Leeming, is a director, officer and principal shareholder of SIT.

The Corporate License Agreement and Corporate Services Agreement with SIT, effective December 1, 2013, provide the Company with a customized Portfolio Plus program thereby providing technological efficiencies for its mortgage banking and retail banking business lines. Payment terms for the Corporate Services Agreement provide for per diem expenditures based on the type of professional service required from SIT. Payment terms for the Corporate Services Agreement include quarterly payments for the first two years ranging from \$133,000 to \$300,000 per installment. After the two year anniversary of the

agreement, quarterly payments will be determined by the greater of the annual minimum payment of \$1,000,000 or the Licensee's Assets under Management multiplied by the applicable fee rate as defined in the agreement.

There are no debentures, loans, finders fees and/or commissions payable pursuant to this agreement. Payments by the Company as well as substantial performance by SIT remain as material outstanding obligations under the agreement as both parties work towards completion.

Management Agreement

The Company has entered into a management agreement with CFF Bank whereby the Company provides administrative services for CFF Bank. Pursuant to the agreement, effective January 1, 2014, the Bank retains the Company for certain services, including but not limited to, corporate governance, bank records maintenance, legal services, financing, insurance procurement, sale and purchase of assets, dispute resolution, marketing, and other general administrative services. The fee for services, paid on a monthly basis, is the greater of \$50,000 per month or 100% of the total costs and expenses incurred for the benefit of the Bank during the prior calendar month.

Major Shareholders' Agreement

The Company is party to an agreement dated as of September 6, 2013 with certain holders of Common Shares (the "**Shareholders**") regarding the manner in which those Shareholders will vote their Common Shares in certain situations. During the term of that agreement, the Shareholders will vote their Common Shares so that the Board shall have at least 10 directors, nominated and elected as follows (provided that any nominee to be a director proposed by a Shareholder is reputable and qualified under any applicable laws to act as a director):

- (a) as long as Canaccord Genuity Group Inc. holds at least four per cent (4%) of the outstanding Common Shares (which threshold includes securities convertible into Common Shares), it shall be entitled to nominate one (1) director, who shall initially be Mr. David Kassie;
- (b) for a period of two years from the date of the agreement, and thereafter for as long as Britlith Canada Limited and its related shareholders hold at least four per cent (4%) of the outstanding Common Shares (which threshold includes securities convertible into Common Shares), they shall be entitled to nominate one (1) director, who shall initially be Mr. Robert Leeming;
- (c) for a period of two years from the date of the agreement, and thereafter for as long as F.I. Consulting Inc., the Straky Family Trust and Mr. Karl Straky and their related shareholders hold at least four per cent (4%) of the outstanding Common Shares (which threshold includes securities convertible into Common Shares), they shall be entitled to nominate one (1) director, who shall initially be Mr. Karl Straky...
- (d) for as long as Mr. Ron Rowbotham and his related Shareholders hold at least four per cent (4%) of the outstanding Common Shares, Mr. Rowbotham shall be a director;
- (e) for a period of two years from the date of the agreement, Mr. Peter Wallace shall be a director and shall be the chairman of the Board; and
- (f) the chief executive officer of CFF Bank shall be a director.

Pursuant to the agreement, the Company will ensure that the director nomination rights granted to Shareholders will also be reflected in the composition of the board of directors of CFF Bank. The Company will also ensure that Mr. Peter Wallace will be a director of CFF Bank for a period of two years from the date of the agreement.

Pursuant to the agreement, the Shareholders will elect such directors in such numbers as may be required to obtain or maintain any regulatory approvals or licences required or possessed by the Company and its subsidiaries. The Company will elect such directors in such numbers as may be required to obtain or maintain any regulatory approvals or licences required or possessed by the Company's subsidiaries, including CFF Bank.

This agreement will terminate upon: (i) the written agreement of holders of 85% of the Common Shares held by Shareholders who are parties to the agreement; (ii) the date upon which all of the Shareholders who are parties to the agreement no longer have a right to nominate a director pursuant to the agreement; (iii) the dissolution or bankruptcy of the Company or the making

by the Company of an assignment under the provisions of the *Bankruptcy and Insolvency Act* (Canada); (iv) one Shareholder becoming the beneficial owner of all the shares governed by the Agreement; (v) the date upon which the Company completes an initial public offering under Canadian securities laws of any of its voting securities and those securities are listed on a Canadian securities exchange; or (vi) December 31, 2016.

INTERESTS OF DIRECTORS, MANAGEMENT, PROMOTERS AND PRINCIPAL HOLDERS

The Board of Directors of the Company

The Company's directors are elected by its shareholders at each annual general meeting and typically hold office until the next annual general meeting, at which time they may be re-elected or replaced. Casual vacancies on the Board may be filled by the remaining directors. Consistent with the provisions of the CBCA, the directors may appoint one or more additional directors, which directors shall hold office for a term expiring not later than the close of the next annual meeting of shareholders, between annual meetings of shareholders, provided that the total number of directors so appointed may not exceed one-third of the number of directors elected at the previous annual meeting of shareholders.

The Company's officers are appointed by the Board and hold office indefinitely at the pleasure of the Board.

The Shareholders and the Company have entered into a voting agreement whereby the Shareholders have agreed, among other things, to vote for designees of the Shareholders to serve as directors. See "*Material Agreements – Major Shareholders' Agreement*".

The Board currently consists of the following ten directors: Messrs. Peter Wallace (Chairman), Nick Mancini, Peter Vukanovich, Karl Straky, David Kassie, Rob Leeming, Fred Lazar, Ian Murray, Ron Rowbotham and Peter Majthenyi. Eight of the directors, being Messrs. Wallace, Mancini, Kassie, Leeming, Lazar, Murray, Rowbotham and Majthenyi would be "independent" directors for the purposes of NI 52-110 if the Company was a reporting issuer under applicable securities laws. Messrs. Vukanovich and Straky, being officers of the Company, would not be considered to be "independent" for the purposes of NI 52-110. The following is a brief description of the background of the members of the Board.

After June 17, 2015, the Board will consist of eight directors whereby Mr. Mancini and Mr. Lazar will not be standing for re-election at the annual shareholders' meeting scheduled for that time.

Peter Wallace

Mr. Wallace has had a 38 year career in the investment industry and has been a significant contributor to executive teams that have created billions of dollars of shareholder value. Mr. Wallace started his career at Wood Gundy where he gained experience in corporate finance, retail distribution and syndication. Mr. Wallace left Wood Gundy as a vice president in 1987 to become President of Walwyn Capital (later re-named Midland Walwyn). When he joined Midland Walwyn, it had a stock market capitalization of \$50 million. In 1998, Midland Walwyn was sold to Merrill Lynch for over \$1 billion. In 1994, he founded a private securities firm which he sold to Canada Trust Financial Services in 1997 and assumed the role of Executive Vice President of Wealth Management. Mr. Wallace was the CEO and founding partner of the private investment firm Quartz Capital Group. Mr. Wallace holds a Bachelor of Commerce from McGill (1976) and an MBA from the University of Western Ontario (1978). Mr. Wallace is a past governor of the Toronto Stock Exchange and is currently Chairman of The Boys and Girls Foundation of Canada.

Nick Mancini

Mr. Mancini has over 35 years of experience in the financial and information services industries in Canada, the U.S. and internationally. Over that time, he has held a number of senior executive positions. As Managing Director of Amex Bank and Sr. Vice President, General Manager, Financial Services Group, American Express, he led the strategy, development and general management of the bank in Canada as well the company's highly successful credit card, line of credit, insurance and travelers cheque businesses. As President and CEO, International Group, Dun & Bradstreet he was responsible for the business information businesses in the growth regions of Asia-Pacific, Latin America, Canada, and for the world's largest commercial receivables management company and educational database businesses based in North America. As Executive Vice President at Canada Trust, he led the branch and advisory distribution groups and helped build Canada Trust into one of the country's most respected service and sales franchises until acquired by a major bank. Mr. Mancini led the integrated sales, service, product marketing and advertising teams at Trimark Investment Management as Executive Vice President until the company was acquired by a large international money management firm. As President and CEO, Assante Canada, he was responsible for the Canadian business model integrating 18 acquired dealerships into one of Canada's largest advisory and

managed money firms until it was acquired by a large mutual fund company. He was employed for a short time in 2004 at Paradigm/Portus. Mr. Mancini went on to be the Founder, Partner and CEO of CCL Managed Portfolios Inc. As a former member of the Interac Advisory Transition Board, he has helped shape and continues to advise on the next evolution of the debit and payment systems industry. He serves and has served on a number of private and public company boards and was an inaugural member of the Schulich Business School Advisory Council, International MBA program and MIT/York Enterprise forum and was a member of the Toronto Junior Achievement Board. Mr. Mancini holds an Honours B.A. and Masters in Economics from York University and has completed the Partners, Directors and Officers accreditation requirements.

Mr. Mancini will not be standing for re-election to the Board as of the annual shareholders' meeting on June 17, 2015.

Peter Vukanovich

Mr. Vukanovich is an entrepreneurial business leader with significant experience in building high performance teams that deliver growth and profitability in the financial services industry. From October 1997 to July 2012, he held various senior executive positions at Genworth Financial Mortgage Insurance Company of Canada (formerly known as GE Capital Mortgage Insurance Canada) including President and Chief Executive Officer from October 1997 to July 2009, President and Chief Operating Officer from July 2009 to April 2011, and Executive Vice President, Corporate Development from April 2011 to July 2012. Genworth Financial Canada is Canada's leading private sector mortgage insurance company and Mr. Vukanovich led the business' growth to in excess of \$5 billion in assets and its transition to a TSX listed public company. Mr. Vukanovich also held several senior executive roles with the General Electric Company. He was also a board member and President of the Canadian Institute of Mortgage Brokers and Lenders, now named the Canadian Association of Accredited Mortgage Professionals. In 2007, he was inducted into the Canadian Mortgage Industry Hall of Fame. Mr. Vukanovich has extensive experience in all disciplines of residential mortgage finance including corporate strategy, business development, risk management, operations, information technology, finance and investment management. Mr. Vukanovich is a Chartered Professional Accountant and obtained a Bachelor of Commerce degree from the University of Toronto.

Karl Straky

Mr. Straky founded the Company in 2006 and held the position of President and CEO until May, 2013. Mr. Straky has been involved in the mortgage sector for over 25 years. Mr. Straky was a principal of one of Canada's premier regional mortgage brokerage firms, Jordan Mortgages. He was also at the forefront of the creation of mortgage brokerage super brokers when he became a founder of Mortgage Intelligence. In addition, he was a previous owner of Filogix and the founder of The Mortgage Training Group. Mr. Straky's involvement with the Canadian Association of Accredited Mortgage Professionals (CAAMP) has been extensive. Mr. Straky served on the Executive Committee for four years as Secretary, Vice Chair, Chair and Past Chair. The AMP designation (Accredited Mortgage Professional) was created in 2001 under his stewardship as Chairman. Mr. Straky is also an active board member and advocate for the CAAMP Foundation. Earlier in his career as a top-producing mortgage agent, he received numerous awards and has been a member on a number of industry advisory committees. In December, 2008, he was recognized for his contributions to the Canadian mortgage sector with his induction into the Canadian Mortgage Industry Hall of Fame.

David Kassie

Mr. Kassie is CEO and Chairman of the Board of Canaccord Genuity Group Inc. Mr. Kassie was Principal, Chairman and CEO of Genuity Capital Markets (November 2004 to May 2010) at which time Genuity was acquired by Canaccord Genuity. Mr. Kassie is the former Chairman and Chief Executive Officer of CIBC World Markets and the Vice Chairman of CIBC (from 1979 to 2004). Mr. Kassie has extensive experience as an advisor, underwriter and principal. He sits on a number of corporate boards and is on the Advisory Board of OMERS Ventures. Mr. Kassie is actively involved in community and charitable organizations and is on the boards of the Ivey School of Business, the Toronto International Film Festival Group and formerly on the board of the Hospital for Sick Children. Mr. Kassie holds a B. Comm. (Honours) in Economics from McGill University, 1977 and an MBA from the University of Western Ontario, 1979.

Rob Leeming

Mr. Leeming's career in information technology began as a software developer in 1971. After creating a company that manufactured and distributed software, in 1989, he was one of the founders of Strategic Information Technology Limited (SIT), which was formed to develop state of the art computer systems for financial institutions. SIT has become a leading domestic and international supplier of information technology to Canadian and foreign banks, trust companies, credit unions and government agencies. With his leadership as Founder, Director and Senior Advisor, and President, SIT has expanded and currently employs over 160 people. Mr. Leeming has kept his organization at the forefront of both enterprise and departmental

solutions through such milestones as the introduction of its first loan origination system in 1990, the development (with Manulife Bank) of the "One Account", the receipt of the CIPA National Award for productivity (in conjunction with AGF Trust) and the development of SIT's present offerings that include a complete core banking, WEB and card solutions. In 2011, in recognition of his contribution to the industry, was inducted as a member of the Canadian Mortgage Hall of Fame.

Fred Lazar

Dr. Lazar brings an academic pedigree to the board, including a B. Comm. from the University of Toronto, as well as an M.A. and PH.D. from Harvard University. Dr. Lazar is currently an Associate Professor, Department of Economics, Faculty of Liberal Arts and Professional Studies, and the Schulich School of Business of York University. He is a past director of the Graduate Program of Economics and Coordinator, Economics Area, at Schulich. Among his high-profile endeavours, he has served as a consultant to the Ontario Royal Commission on the Status of Pensions, the Financial Services Commission of Ontario and the Prime Minister's Office. Dr. Lazar is currently a member of the Independent Review Committee of CCL and is an Executive Advisor for Aviado Partners, an aviation consulting firm headquartered in Germany. He has numerous publications in policy, economics and finance.

Mr. Lazar will not be standing for re-election to the Board as of the annual shareholders' meeting on June 17, 2015.

Ian Murray

Mr. Murray is a retired audit partner from KPMG, where he spent 34 years in a variety of industry settings. While at KPMG, he spent the last five years in the financial institutions practice where he was responsible for the audit of the capital market activities of the Bank of Montreal and was the National Director of the firm's investment dealer practice. In addition to his audit responsibilities, he led a major internal control SOX project for an SEC registrant and managed the firms Industrial and Automotive audit practice for a number of years. He is a past Chair of the Canadian Assurance Standards Board and represented Canada as its representative on the International Assurance Standards Board. Mr. Murray has chosen to stay involved in corporate Canada and has taken an active role on Boards including: Advisory Board Member - Wakefield Canada, a Top 50 best managed company. He is a past President of the Golf Association of Ontario, a past Chair of the Trillium Health Centre Foundation and a past President and Campaign Chair of the United Way of Peel. Mr. Murray was awarded an FCA by the Canadian Institute of Chartered Accountants for his contribution to the community and the profession.

Ron Rowbotham

Mr. Rowbotham is the President and Owner of Roll'n Oilfield Industries Ltd. since 1977. He possesses extensive global entrepreneurial business experience in the areas of corporate strategy, business development, risk management, operations, information technology, finance and investment management. Mr. Rowbotham is a major investor in the Company and served as the Chairman of the board of directors of MonCana Bank. Mr. Rowbotham has served as a director, Vice-Chair and Chair of the Canadian Association of Oilwell Drilling Contractors.

Peter Majthenyi

Mr. Majthenyi is recognized as a pioneer in Canada's mortgage financing industry. He began mortgage brokering in the late 1980s. He has become one of Canada's highest volume mortgage brokers and respected industry advisors. Mr. Majthenyi is the majority shareowner and President of the CFF Centre on The Queensway in Etobicoke, Ontario. This location was one of the original CFF Centres opened in 2009. Mr. Majthenyi's leadership, insights and knowledge have been extremely valuable as the CFF Centre has been a pilot location for many of CFF Bank's retail banking products and processes. Mr. Majthenyi was a founding board director of Canadian First Financial Group and was a board member from October 2007 to June 2013. The mortgage brokerage operation currently employs 9 agents and 3 mortgage administrators and is collectively one of Canada's highest mortgage origination brokerages. He holds the CAAMP AMP designation and serves on several advisory boards assisting with the development of new and better mortgage products. Mr. Majthenyi also organizes regular mortgage presentations and workshops to enhance consumer awareness. He is a frequent guest on Business News Network, where he comments on current developments in the mortgage sector. He holds a Bachelor Degree in Economics from McMaster University.

Compensation and Securities

Table 8 sets forth the name of each director and senior officer of the Company, their residence, their position(s) with the Company, the date of obtaining that position, the compensation paid to the individual for the most recently completed

financial year and the compensation anticipated to be paid in the current financial year and the number, type and percentage of securities of the Company held after completion of the Maximum Offering.

Table 8

Name and municipality of principal residence	Positions held and the date of obtaining that position	Compensation paid by the Company in the most recently completed financial year and the compensation anticipated to be paid in the current financial year ¹		Number, type and percentage of securities of the Company held after completion of Maximum Offering					
		2014	2015	Common Shares		Options		Warrants	
Peter Wallace (Toronto, ON)	Chairman (July 2013)	Note 3	Note 3	421,000	0.5%	543,000	4.0%	84,000	0.4%
Nick Mancini (Toronto, ON)	Director (Sept 2010)	Note 4	Note 4	Nil	Nil	950,000	7.0%	Nil	Nil
Peter Vukanovich (Oakville, ON)	Director, (Feb 2013) President, CEO (June 2013)	Notes 1, 5	Notes 1, 5	288,000	0.4%	1,219,000	9.0%	337,000	1.7%
Karl Straky (Windsor, ON)	Director, Chief Commercial Officer (Aug 2006)	Notes 1, 6	Notes 1, 6	972,000	1.2 %	3,215,000	23.7%	Nil	Nil
David Kassie (Toronto, ON)	Director (July 2013)	Notes 2, 7	Notes 2, 7	Nil	Nil	Nil	Nil	Nil	Nil
Robert Leeming (Blackstock, ON)	Director (Nov 2007)	Note 8	Note 8	3,742,000	4.6%	145,000	1.1%	970,000	4.8%
Fred Lazar (Toronto, ON)	Director (Jan 2011)	Note 9	Note 9	119,000	0.1%	16,000	0.1%	Nil	Nil
Ian Murray (Oakville, ON)	Director (Sept 2010)	Note 10	Note 10	24,000	0.1%	145,000	1.1%	38	0.2%1
Ron Rowbotham (Red Deer, AB)	Director (Oct 2013)	Note 11	Note 11	4,576,000	5.7%	23,000	0.2%	1,656,000	8.2%
Peter Majthenyi (Toronto, ON)	Director (Oct 2013)	Note 12	Note 12	1,061,000	1.3%	76,000	0.6%	232,000	1.1%
Paul Leonard (Toronto, ON)	CFO (Sept 2013)	Notes 1, 13	Notes 1, 13	Nil	Nil	270,000	2.0%	Nil	Nil
Stephen Ellis (Oakville, ON)	CCO, CRO, CAMLO (Feb 2011)	Notes 1, 14	Notes 1, 14	Nil	Nil	858,000	6.3%	Nil	Nil

Notes:

(1) Effective January 1, 2014, management became eligible to participate in the Company's Short Term ("STIP") and Long Term ("LTIP") Incentive Compensation Programs. Payments or grants under these plans, if any, are expected to be made by the end of first quarter of the following year. For each participant, STIP targets are established at the beginning of each year, and include specific corporate goals and individual goals. STIP payments will be based on annual performance results relative to the targets. The cumulative payment for these four executive participants under the STIP for 2014 is \$0. The Board approved a one-time award for these four executive participants for approximately \$565,000 in stock options at an exercise price of \$0.95 per share. The Company also intends to implement a Long-Term Incentive Plan. The specific LTIP payout criteria and amounts have not yet been determined. All payouts under the STIP and LTIP are subject to Board approval.

(2) Mr. Kassie is the Chairman of Canaccord Genuity Group Inc., which owns 5,263,000 of the outstanding Common Shares (6.5% after the Maximum Offering) and 1,053,000 of the outstanding Warrants (5.2% after the Maximum Offering).

(3) Mr. Wallace in 2014 received compensation of \$60,000. It is anticipated that Mr. Wallace will receive compensation of \$60,000 in 2015.

(4) Mr. Mancini in 2014 received compensation of \$30,000 and 31,580 options. It is anticipated that Mr. Mancini will receive compensation of \$30,000 and 31,580 options in 2015.

(5) Mr. Vukanovich in 2014 received salary compensation of \$300,000 and 200,000 options at an exercise price of \$0.95 per share. It is anticipated that Mr. Vukanovich will receive salary compensation of \$300,000 in 2015.

(6) Mr. Straky in 2014 received salary compensation of \$300,000 and 170,000 options at an exercise price of \$0.95 per share. It is anticipated that Mr. Straky will receive salary compensation of \$300,000 in 2015.

(7) Mr. Kassie in 2014 received compensation of \$25,000. It is anticipated that Mr. Kassie will receive compensation of \$25,000 in 2015.

(8) Mr. Leeming in 2014 received compensation comprised of 26,316 options. It is anticipated that Mr. Leeming will receive compensation of 26,316 options in 2015.

(9) Mr. Lazar in 2014 received compensation of \$15,000 and 15,788 options in 2014. It is anticipated that Mr. Lazar will receive compensation of \$26,250 and 3,947 options in 2015.

(10) Mr. Murray in 2014 received compensation of \$17,500 and 18,420 options. It is anticipated that Mr. Murray will receive compensation of \$17,500 and 18,420 options in 2015.

(11) Mr. Rowbotham in 2014 received compensation of \$12,500 and 13,156 options. It is anticipated that Mr. Rowbotham will receive compensation of \$12,500 and 13,156 options in 2015.

(12) It is anticipated that Mr. Majthenyi will receive compensation of \$25,000 in 2015.

(13) Mr. Leonard in 2014 received salary compensation of \$275,000 and 120,000 options at an exercise price of \$0.95 per share. It is anticipated that Mr. Leonard will receive salary compensation of \$275,000 in 2015.

(14) Mr. Ellis in 2014 received salary compensation comprised of \$200,000 and 75,000 options at an exercise price of \$0.95 per share. It is anticipated that Mr. Ellis will receive salary compensation of \$200,000 in 2015.

Compensation Philosophy and Objectives

It is the policy of the Company that its employees receive compensation based on the following criteria: (i) market value of the type of job they perform; (ii) internal pay equity; and (iii) their level of individual performance. The Company's focus on performance, which has been adopted by the Board and its Compensation Committee, is specifically emphasized in its executive compensation program in an effort to maintain the position of the Company in a highly competitive business environment. The overall compensation program of the Company is intended to attract and retain competent, committed individuals who will ensure the long-term success of the Company by providing appropriate awards and incentives. The compensation for executives (except as contractually provided for) is determined by the Board upon recommendation of its Compensation Committee and after consideration of recommendations of the President and Chief Executive Officer.

Awards of Equity Incentives

In its formation years, given the early stages of the Company's development, a significant proportion of compensation in the past has been paid in the form of equity incentives, specifically, option-based compensation. The Company continues to believe that this form of compensation aligns the interests of its executives with the interests of the Company's shareholders by allowing executives to participate in the long-term market appreciation of the value of the Common Shares.

Management Experience

Table 9 sets forth the principal occupations of the directors and senior executive officers over the past five (5) years.

Table 9

Name	Principal occupation and related experience
Peter Wallace	Corporate advisor. President, Blythco. Inc. Director, Chairman of the Company
Nick Mancini	Corporate advisor. Partner, President and Chief Executive Officer of CCL Managed Portfolios Inc. Director, Chairman of CFF Bank
Peter Vukanovich	President and Chief Executive Officer of the Company. Executive Vice President, President and Chief Operating Officer, President and Chief Executive Officer, Genworth Financial Mortgage Insurance Company of Canada
Karl Straky	Founder, Chief Commercial Officer of the Company. President and Chief Executive Officer of the Company
David Kassie	Chairman, CEO, Canaccord Genuity Group Inc. Principal, Chairman and Chief Executive Officer, Genuity Capital Markets
Robert Leeming	Founder, Director and Senior Advisor, President, Strategic Information Technology Limited
Fred Lazar	Associate Professor, York University Consultant and Member of Independent Review Committee of Connor, Clark & Lunn
Ian Murray	Corporate advisor. Partner, KPMG LLP
Ron Rowbotham	Founder and President, Roll'n Oilfield Industries Ltd. Director, Chairman of MonCana Bank of Canada
Peter Majthenyi	President, Canadian First Financial Centre - Queensway, Lead Mortgage Planner, Mortgage Architects
Paul Leonard	Chief Financial Officer of the Company. Chief Financial Officer, Ally Credit Canada. Chief Financial Officer, ING Bank of Canada
Stephen Ellis	Chief Compliance Officer of the Company, CAMLO, Chief Risk Officer of the Company. Chief Operating Officer, International Financial Data Services. Vice President, Treasury and Lending, Credit Union Central of Ontario Chief Operating Officer, Assante Canada

For a description of the relevant experience of each of the directors and senior executives in a business similar to the Company's business, see "*The Board of Directors of the Company*". For a description of the relevant experience of each of the disclosed senior executives, apart from Table 9, see "*The Board of Directors of the Company*".

Penalties, Sanctions and Bankruptcy

Penalties and Sanctions

No director or officer of the Company is, or within 10 years before the date hereof has been subject to any: (i) penalties or sanctions imposed by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority or has entered into a settlement agreement with a Canadian securities regulatory authority; or (ii) other penalties or sanctions imposed by a court or regulatory body.

Cease Trade Orders

No director or officer of the Company is, or within 10 years before the date hereof has been, a director or officer of any corporation (including the Company) that: (i) was subject to an order that was issued while the director or officer was acting in the capacity as director or officer; or (ii) was subject to an order that was issued after the director or officer ceased to be a director or officer and which resulted from an event that occurred while that person was acting in the capacity as director or officer. For the purposes of this paragraph, “order” means a cease trade order, an order similar to a cease trade order or an order that denied the relevant corporation access to any exemption under securities legislation, in each case that was in effect for a period of more than 30 consecutive days.

Bankruptcies

Except as described below, no director or officer of the Company: (i) is, or within 10 years before the date hereof has been, a director or executive officer of a corporation (including the Company) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or (ii) has, within the 10 years before the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director or officer.

Mr. Kassie, a director of the Company, was Chairman and a director of SkyPower Corporation at the time when, on August 12, 2009, the Ontario Superior Court of Justice (Commercial List) made an order under the *Companies’ Creditors Arrangement Act* (Canada) in respect of SkyPower Corporation. The realizations in the estate of the corporation (now called Interwind Corp.) are ongoing and any shortfall to the creditors is unknown at this time. Mr. Kassie was also a director of ACE Aviation Holdings Inc. at the time when, on April 25, 2012, it passed a shareholder resolution approving liquidation of the company pursuant to the CBCA. The liquidation process is continuing.

Loans

There are no loans outstanding to any directors, officers, promoters or principal holders of securities of the Company.

Mr. Rowbotham, a director of the Company, is the holder of an unsecured promissory note of the Company in the principal amount of \$3,840,970. The promissory note matures on June 30, 2016 and bears interest at a rate of 12% per annum. Mr. Rowbotham is also the holder of an unsecured debenture of the Company in the principal amount of \$500,000. The debenture matures on February 20, 2016 and bears interest at a rate of 10% per annum.

A corporation of which Mr. Kassie, a director of the Company, is a director is the holder of (i) an unsecured debenture of the Company in the principal amount of \$730,000. The debenture matures on February 20, 2016 and bears interest at a rate of 10% per annum, and (ii) an unsecured debenture of the Company in the principal amount of \$500,000. The debenture matures on April 30, 2016 and bears interest at a rate of 15% per annum.

Mr. Murray, a director of the Company, is the holder of an unsecured debenture of the Company in the principal amount of \$75,000. The debenture matures on February 20, 2016 and bears interest at a rate of 10% per annum.

A corporation of which Mr. Wallace, a director of the Company, is a director is the holder of an unsecured debenture of the Company in the principal amount of \$75,000. The debenture matures on April 30, 2016 and bears interest at a rate of 15% per annum.

Mr. Vukanovich, a director and CEO of the Company, is the holder of an unsecured debenture of the Company in the principal amount of \$50,000. The debenture matures on April 30, 2016 and bears interest at a rate of 15% per annum.

Employment Contracts and Termination Agreements

Executive Agreements

The Company has entered into agreements with each of Messrs. Vukanovich, Straky, Leonard and Ellis relating to their employment by the Company (the “**Executive Agreements**”).

For the purposes of the Executive Agreements, a “**Change of Control**” will be deemed to have occurred when any of the following events has taken place: (i) there is an acquisition of 50% or more of the outstanding voting shares of the Company (with the exclusion of issuances or sales of voting shares of the Company to investment dealers or underwriters pursuant to a prospectus offering or pursuant to an offering by way of private placement); (ii) there is a sale, lease or exchange of all or substantially all of the Company's property; (iii) less than 50% of the members of the directors proposed by the Company to the Company's shareholders are elected to the Board; or (iv) a transaction is completed which would have the same or similar effects to (i), (ii) or (iii) above.

For the purposes of the Executive Agreements, “**Cause**” shall include but not be limited to: (i) the wilful and repeated failure of the employee to properly carry out the employee's duties and responsibilities pursuant to his Executive Agreement or adhere to the written policies of the Company after written notice by the Company and such failures are not corrected upon expiry of a period of 10 days from the receipt of such notice; (ii) theft or fraud by the employee, involving the property, business or affairs of the Company, provided that, prior to any termination being effected, the Company provides the employee with written notice of same in reasonable detail; (iii) the employee's refusal to follow a lawful written direction of the Board, and such refusal remaining uncorrected upon expiry of a period of 10 days following written notice by the Board; or (iv) the existence of cause for termination of employment at common law as determined by the law of the province of Ontario.

For the purposes of the Executive Agreements, “**Good Reason**” means the occurrence of any of the following, in each case without the employee's written consent: (i) a material reduction in the employee's Base Salary (hereinafter defined); (ii) a material reduction in the employee's opportunity to earn Incentive Compensation (hereinafter defined); (iii) the Company's failure to obtain an agreement from any successor to the Company to assume and agree to perform the terms and conditions of the employee's employment in the same manner and to the same extent that the Company would be required to perform them if no succession had taken place (iv) a material, adverse change in the employee's title, authority, duties or responsibilities (other than temporarily while the employee is physically or mentally incapacitated) (v) a material adverse change in the reporting structure applicable to the employee; or (vi) relocating the Company's headquarters (the extent of the relocation depending on individual circumstances of the respective executive).

Termination Provisions

Each of the Executive Agreements for Messrs. Vukanovich, Straky, Leonard and Ellis contain provisions regarding payments that would be owed to these individuals in the event of either (i) a termination of the individual's employment with the Company without Cause; or (ii) the resignation of the individual for Good Reason (either event being a “**Payment Event**”).

For Mr. Vukanovich, in the event of a Payment Event, he would be entitled to receive the following: (i) a payment equivalent to 24 months' his base salary (“**Base Salary**”); (ii) any accrued but unpaid Base Salary for services rendered to the date of termination; (iii) subject to the approval of the Board, a STIP payment prorated based on service during the year in which the employee is terminated provided that other executives also receive STIP payments during the same period. (the Board not unreasonably withholding this entitlement); (iv) two (2) times the “Target” STIP payment for the year in which he is terminated; (v) any accrued but unpaid business expenses required to be reimbursed under his Executive Agreement as at the date of termination; (vi) any vacation pay accrued to the end of the minimum statutory notice period; (vii) any long term incentives to which the employee is entitled pursuant to the terms and conditions of the LTIP; and (viii) continued coverage of all of the employee's benefit plans. For the purposes of (iv), “Target” STIP is equivalent to 100 percent of the employee's Base Salary unless otherwise in writing.

For Mr. Straky, in the event of a Payment Event, he would be entitled to receive the following: (i) a payment equivalent to 18 months' his Base Salary; (ii) any accrued but unpaid Base Salary for services rendered to the date of termination; (iii) subject to the approval of the Board, a STIP payment prorated based on service during the year in which the employee is terminated provided that other executives also receive STIP payments during the same period. (the Board not unreasonably withholding this entitlement); (iv) one and one-half (1.5) times the “Target” STIP payment for the year in which he is terminated; (v) any accrued but unpaid business expenses required to be reimbursed under his Executive Agreement as at the date of termination; (vi) any vacation pay accrued to the end of the minimum statutory notice period; (vii) any long term incentives to which the

employee is entitled pursuant to the terms and conditions of the LTIP; and (viii) continued coverage of all of the employee's benefit plans. For the purposes of (iv), "Target" STIP is equivalent to 50 percent of the employee's Base Salary unless otherwise in writing.

For Mr. Leonard, in the event of a Payment Event, he would be entitled to receive the following: (i) a payment equivalent to 12 months' his Base Salary; (ii) any accrued but unpaid Base Salary for services rendered to the date of termination; (iii) subject to the approval of the Board, a STIP payment prorated based on service during the year in which the employee is terminated provided that other executives also receive STIP payments during the same period. (the Board not unreasonably withholding this entitlement); (iv) one (1) times the "Target" STIP payment for the year in which he is terminated; (v) any accrued but unpaid business expenses required to be reimbursed under his Executive Agreement as at the date of termination; (vi) any vacation pay accrued to the end of the minimum statutory notice period; (vii) any long term incentives to which the employee is entitled pursuant to the terms and conditions of the LTIP; and (viii) continued coverage of all of the employee's benefit plans. For the purposes of (iv), "Target" STIP is equivalent to 50 percent of the employee's Base Salary unless otherwise in writing.

For Mr. Ellis, in the event of a Payment Event, he would be entitled to receive the following: (i) a payment equivalent to 12 months' his Base Salary; (ii) any accrued but unpaid Base Salary for services rendered to the date of termination; (iii) subject to the approval of the Board, a STIP payment prorated based on service during the year in which the employee is terminated provided that other executives also receive STIP payments during the same period. (the Board not unreasonably withholding this entitlement); (iv) one (1) times the "Target" STIP payment for the year in which he is terminated; (v) any accrued but unpaid business expenses required to be reimbursed under his Executive Agreement as at the date of termination; (vi) any vacation pay accrued to the end of the minimum statutory notice period; (vii) any long term incentives to which the employee is entitled pursuant to the terms and conditions of the LTIP; and (viii) continued coverage of all of the employee's benefit plans. For the purposes of (iv), "Target" STIP is equivalent to 50 percent of the employee's Base Salary unless otherwise in writing.

Change of Control Provisions

Each of the Executive Agreements for Messrs. Vukanovich, Straky and Leonard contain provisions regarding a Change of Control. Pursuant to these agreements, payments would be owed to these individuals in the event of both (i) a Change of Control; and (ii) within one (1) year of the Change of Control, either (y) a termination of the individual's employment with the Company without Cause; or (z) a resignation by the individual for Good Reason, having occurred (both (i) and (ii) together being a "**Change of Control Event**").

For each of Messrs. Vukanovich, Straky and Leonard, in the event of a Change of Control Event, each would be paid the same amount as if a Payment Event had occurred.

CAPITAL STRUCTURE

Share Capital of the Company

Authorized Capital

The authorized share capital of the Company consists of: (i) an unlimited number of Common Shares; (ii) an unlimited number of Subordinate Voting Shares; (iii) an unlimited number of First Preference Shares; and (iv) an unlimited number of Second Preference Shares. At the date hereof, the Company has Common Shares issued and outstanding as per Table 10 below. No Subordinate Voting Shares, First Preference Shares or Second Preference Shares are currently issued and outstanding.

Common Shares and Subordinate Voting Shares

The holders of Common Shares and Subordinate Voting Shares are entitled to receive notice of, and to attend, all meetings of shareholders of the Company, except meetings at which only holders of another specified class of series of shares are entitled to vote. The holders of Subordinate Voting Shares are entitled to one vote for each Subordinate Voting Share held on all votes taken at such meetings and the holders of Common Shares are entitled to five votes for each Common Share held on all votes taken at such meetings.

Subject to the prior rights, privileges, restrictions and conditions attaching to the First Preference Shares and the Second Preference Shares, or any series thereof, and the shares of any other class ranking senior to the Common Shares and the

Subordinate Voting Shares, the holders of the Common Shares and the Subordinate Voting Shares shall be entitled to receive and participate equally as to dividends, share for share, as and when declared by the directors of the Company and all such dividends shall be declared and paid at the same time in an equal amount on all Common Shares and Subordinate Voting Shares at the time outstanding.

In the event of the liquidation, dissolution or winding-up of the Company or other distribution of the assets of the Company for the purpose of winding up its affairs, holders of Common Shares and Subordinate Voting Shares shall, after payment to the holders of First Preference Shares, Second Preference Shares and shares of any other class ranking senior to the Common Shares and the Subordinate Voting Shares of the amount payable to them, be entitled to receive the remaining property and assets of the Company without preference or distinction share-for-share.

Except in certain circumstances, the holders of the Common Shares and the holders of the Subordinate Voting Shares rank equally in all respects and have the same rights and restriction and, without limitation, subject to the prior rights of the holders of First Preference Shares, Second Preference Shares or any series thereof, and shares of any class ranking senior to the Common Shares and the Subordinate Voting Shares, rank equally with the other as to any distribution of the remaining property and assets of the Company in the event of the liquidation, dissolution or winding-up of the Company or other distribution of the assets of the Company for the purpose of winding-up its affairs.

A holder of Common Shares shall be entitled at any time and from time to time to have any or all of the Common Shares held by the holder converted into Subordinate Voting Shares on the basis of one Subordinate Voting Share for each one Common Share so converted. In event of: (i) any subdivision, consolidation, conversion, exchange or reclassification of the Common Shares or Subordinate Voting Shares; (ii) any reorganization of the share capital of the Corporation affecting in any manner the Commons Shares or Subordinate Voting Shares; or (iii) the amalgamation of the Corporation with any other company or companies, the appropriate adjustment shall be made to the conversion right provided above so as to preserve that right in all respects.

All Common Shares will be converted into Subordinate Voting Shares on the basis of one Subordinate Voting Share for each one Common Share so converted (and a new class of Common Shares thereby created) at the earlier of: (i) the date such conversion is approved by at least seventy-five per cent of the votes cast at a meeting of the holders of Common Shares called for that purpose, provided that vote shall be held every year at the annual meeting of the Corporation following the fourth anniversary of the date of the initial listing of the Subordinate Voting Shares on a stock exchange and (ii) the date that is ten years from the date the Subordinate Voting Shares are so listed.

First Preference Shares

The First Preference Shares are entitled to priority over the Second Preference Shares, Common Shares and Subordinate Voting Shares and over any other shares ranking junior to the First Preference Shares with respect to priority in the payment of dividends and the distribution of assets in the event of the liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, or any other distribution of the assets of the Company among its shareholders for the purpose of winding-up its affairs. If any cumulative dividends or amounts payable on a return of capital in respect of a series of First Preference Shares are not paid in full, the First Preference Shares of all series shall participate rateably in respect of such dividends, including accumulations, if any, in accordance with the sums that would be payable on such shares if all such dividends were declared and paid in full, and in respect of any repayment of capital in accordance with the sums that would be payable on such repayment of capital if all sums so payable were paid in full; provided, however, that in the event of there being insufficient assets to satisfy in full all such claims as aforesaid, the claims of the holders of the First Preference Shares with respect to repayment of capital shall first be paid and satisfied and any assets remaining thereafter shall be applied towards the payment and satisfaction of claims in respect of dividends. The First Preference Shares of any series may also be given such other preferences not inconsistent with the rights, privileges, restrictions and conditions of the Second Preference Shares, Common Shares and Subordinate Voting Shares and over any other shares ranking junior to the First Preference Shares as may be determined in the case of such series of First Preference Shares.

Except as hereinafter referred to or as otherwise provided by law, the holders of the First Preference Shares as a class are not entitled as such to receive notice of, to attend or to vote at any meeting of the shareholders of the Company and no series of First Preference Shares shall entitle the holder of shares of such series to vote at any meeting of shareholders of the Company except, if provided in the rights, privileges, restrictions and conditions attaching to such series, in the event the Company shall be in arrears in the payment of dividends, redemption moneys or other amounts properly payable to the holders of shares of such series.

The rights, privileges, restrictions and conditions attaching to the First Preference Shares as a class may be added to, changed or removed but only with the approval of the holders of the First Preference Shares given as hereinafter specified. The approval of the holders of the First Preference Shares to add to, change or remove any right, privilege, restrictions or conditions attaching to the First Preference Shares as a class or any other matter requiring the consent of the holders of the First Preference Shares as a class may be given in such manner as may then be required by law, subject to a minimum requirement that such approval be given by resolution passed by the affirmative vote of at least two-thirds of the votes cast at a meeting of the holders of First Preference Shares duly called for that purpose. The formalities to be observed in respect of the giving of notice of any such meeting or any adjourned meeting and the conduct thereof shall be those from time to time prescribed by the CBCA and the by-laws of the Company with respect to meetings of shareholders. On every poll taken at a meeting of holders of First Preference Shares as a class, or at a joint meeting of the holders of two or more series of First Preference Shares, each holder of First Preference Shares entitled to vote thereat shall have one vote in respect of each \$1.00 of the issue price of each First Preference Share held by the holder.

Second Preference Shares

The Second Preference Shares are entitled, subject to the prior rights of the holders of the First Preference Shares, to priority over the Common Shares and Subordinate Voting Shares and over any other shares ranking junior to the Second Preference Shares with respect to priority in the payment of dividends and in the distribution of assets in the event of the liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, or any other distribution of the assets of the Company among its shareholders for the purpose of winding-up its affairs. If any cumulative dividends or amounts payable on return of capital in respect of a series of Second Preference Shares are not paid in full, the Second Preference Shares of all series shall participate rateably in respect of such dividends, including accumulations, if any, in accordance with the sums that would be payable on such shares if all such dividends were declared and paid in full, and in respect of any repayment of capital in accordance with the sums that would be payable on such repayment of capital if all sums so payable were paid in full; provided, however, that in the event of there being insufficient assets to satisfy in full all such claims as aforesaid, the claims of the holders of the Second Preference Shares with respect to repayment of capital shall first be paid and satisfied and any assets remaining thereafter shall be applied towards the payment and satisfaction of claims in respect of dividends. The Second Preference Shares of any series may also be given such other preferences not inconsistent with the rights, privileges, restrictions and conditions of the First Preference Shares, Common Shares and Subordinate Voting Shares and over any other shares ranking junior to the Second Preference Shares as may be determined in the case of such series of Second Preference Shares.

Except as hereinafter referred to or as otherwise provided by law, the holders of the Second Preference Shares as a class shall not be entitled as such to receive notice of, to attend to or to vote at any meeting of the shareholders of the Company and no series of Second Preference Shares shall entitle the holder of shares of such series to vote at any meeting of shareholders of the Company except, if provided in the rights, privileges, restrictions and conditions attaching to such series, in the event the Company shall be in arrears in the payment of dividends, redemption moneys or other amounts properly payable to the holders of shares of such series.

The rights, privileges, restrictions and conditions attaching to the Second Preference Shares as a class may be added to, changed or removed but only with the approval of the holders of the Second Preference Shares given as hereinafter specified. The approval of the holders of the Second Preference Shares to add to, change or remove any right, privilege, restriction or condition attaching to the Second Preference Shares as a class or of any other matter requiring the consent of the holders of the Second Preference Shares as a class may be given by resolution passed by the affirmative vote of at least two-thirds of the votes cast at a meeting of the holders of Second Preference Shares duly called for that purpose. The formalities to be observed in respect of giving of notice of any such meeting or any adjourned meeting and the conduct thereof shall be those from time to time prescribed by the CBCA and the by-laws of the Company with respect to meetings of shareholders. On every poll taken at a meeting of holders of Second Preference Shares as a class, or at a joint meeting of the holders of two or more series of Second Preference Shares, each holder of Second Preference Shares entitled to vote thereat shall have one vote in respect of each \$1.00 of the issue price of each Second Preference Share held by the holder.

Outstanding Shares and Securities Convertible Into Shares

To the knowledge of the directors and executive officers of the Company, no person or corporation beneficially owns, or controls or directs, directly or indirectly, voting securities carrying 10% or more of the voting rights attached to any class of voting securities of the Company.

Table 10 sets forth details regarding the outstanding Common Shares and securities convertible into Common Shares as of the date of this Offering Memorandum and after the Maximum Offering.

Table 10

Description of security	Number authorized to be issued	Price per security	Number outstanding	Number outstanding after Maximum Offering
Common Shares	Unlimited	Various	63,449,651	80,607,496
Options	Unlimited	Nil	13,537,580	13,537,580
Warrants	Unlimited	Nil	16,850,047	20,281,616

All but 605,510 of the options identified in Table 10 have vested.

Long-Term Debt Securities

Table 11 sets forth details regarding the long-term debt securities of the Company as of the date of this Offering Memorandum. No portion of this debt is due within 12 months of the date of this Offering Memorandum.

Table 11

Description of long-term debt	Interest rate	Repayment terms	Amount outstanding
Debentures (unsecured)	10%	Due February 28, 2016	\$5,285,000 ⁽¹⁾
Debenture (unsecured)	15%	Due April 30, 2016	\$3,625,000
Promissory Note (unsecured)	12%	Due June 30, 2016	\$3,840,970 ⁽²⁾

Notes:

(1) Mr. Rowbotham, a director of the Company, is the holder of a debenture in the principal amount of \$500,000. Mr. Murray, a director of the Company, is the holder of a debenture in the principal amount of \$75,000. A corporation of which Mr. Kassie, a director of the Company, is a director is the holder of a debenture in the principal amount of \$730,000. (See “*Interests of Directors, Management, Promoters and Principal Holders – Loans*”.)

(2) Mr. Rowbotham is the holder of the promissory note. (See “*Interests of Directors, Management, Promoters and Principal Holders – Loans*”.)

The Company has authorized the issuance of up to \$7 million of unsecured debentures with an interest rate of 15% per annum, maturing on or after April 30, 2016, depending on the date of issuance. Interest is payable monthly in arrears.. Directors of the Company or their affiliates are the holders of an aggregate of \$4,540,970 of the long term debt securities of the Company (See “*Interests of Directors, Management, Promoters and Principal Holders – Loans*”).

Prior Sales

Common Shares

Table 12 is a summary of prior sales of the Common Shares for the 12 month period preceding the date of this Offering Memorandum:

Table 12

Date of Issuance	Number of Common Shares issued	Price per Common Share	Total funds received
November 2014	953,000	\$0.95	\$906,000
December 2014	1,260,000	\$0.95	\$1,197,000
March 2015	1,682,000	\$0.95	\$1,598,000

The Company has issued the following securities that are convertible into Common Shares in the 12 month period preceding the date of this Offering Memorandum:

Options

Table 13

Date of Grant	Number of Options Granted	Exercise Price
April 2014	46,000	\$0.001 ⁽¹⁾
July 2014	105,000	\$0.001 ⁽¹⁾
February 2015	700,000	\$0.950 ⁽²⁾

Notes: _____

(1) Options awarded to directors as directors' fees.

(2) Options awarded to executives as part of their employment arrangements.

All but 105,000 of the options identified in Table 13 have vested. Apart from 8,000 options (granted April 2014), none of the other options have been exercised. Each option has a 10-year exercise period.

Warrants

Table 14

Date of Grant	Number of Warrants Granted	Exercise Price
November 2014	191,000	\$1.15
December 2014	252,000	\$1.15
March 2015	336,000	\$1.15

All of the Warrants identified in Table 14 have five (5) year exercise periods and were issued for nominal consideration in conjunction with Common Shares or debentures. None of these warrants have been exercised.

SECURITIES OFFERED

Terms of Securities

Common Shares

For a description of the material attributes of the Common Shares, see "*Capital Structure – Share Capital of the Company*".

Warrants

The Units will separate immediately upon purchase into Common Shares, Warrants and Adjustment Warrants. Each whole Warrant will entitle the holder to purchase one Common Share at a price of \$1.15. The number of Common Shares issuable upon exercise is subject to adjustment in certain circumstances as more fully described below. Warrants will be exercisable at any time prior to 5:00 p.m. (Toronto time) on the date that is five years following the issuance of the Warrants, after which time the Warrants will expire and become null and void. The exercise price for the Warrants is payable in Canadian dollars.

In the event of any subdivision of the Common Shares at any time while the Warrants are outstanding into a greater number of Common Shares, the Company will thereafter deliver at the time or times of purchase of Common Shares through exercise of the Warrants, in addition to the number of Common Shares in respect of which the right to purchase is then being exercised, such additional number of Common Shares as result from such subdivision without any additional payment or other consideration therefor. In the event of any consolidation of the Common Shares at any time while the Warrants are outstanding into a lesser number of Common Shares, the number of Common Shares represented by the Warrants shall thereafter be deemed to be consolidated in like manner and any subscription by the Warrant holder for Common Shares shall be deemed to be a subscription for Common Shares as consolidated.

In the event of any reclassification of the Common Shares at any time while the Warrants are outstanding, the Company shall thereafter deliver at the time of purchase of Common Shares under the Warrants, the number of Common Shares of the appropriate class resulting from the reclassification as the Warrant holder would have been entitled to receive in respect of the number of Common Shares so purchased had the right to purchase been exercised before such reclassification.

If the Company at any time while the Warrants are outstanding pays any stock dividend upon the Common Shares, the Company shall thereafter deliver at the time of purchase of Common Shares under the Warrants in addition to the number of Common Shares in respect of which the right to purchase is then being exercised, the additional number of Common Shares of the appropriate class as would have been payable on the Common Shares so purchased if they had been outstanding on the record date for the payment of the stock dividend.

No fractional Common Shares will be issuable upon the exercise of any Warrants, and no cash or other consideration will be paid in lieu of fractional shares. Holders of Warrants will not have any voting or pre-emptive rights or any other rights which a holder of Common Shares would have.

Adjustment Warrants

The Units will separate immediately upon purchase into Common Shares, Warrants and Adjustment Warrants. You will receive a certificate representing the Adjustment Warrant at Closing. In the event the Company completes an offering of Common Shares (a “**Transaction**”) at a price less than the Offering Price (the “**Transaction Share Price**”) at any time prior to 5:00 p.m. (Toronto time) on October 30, 2015 (the “**Adjustment Warrant Expiry Time**”), the Adjustment Warrant shall be automatically exercised, without further action on the part of the holder and for no additional consideration, into an additional number of Common Shares (the “**Adjustment Warrant Shares**”) determined by the following formula:

Number of Common Shares acquired on the Closing Date x (Offering Price/ Transaction Share Price) - Number of Common Shares acquired on the Closing Date = Number of Adjustment Warrant Shares.

The Adjustment Warrant shall become automatically void in the event that a Transaction does not occur by the Adjustment Warrant Expiry Time, and relates to only the first, if any, Transaction occurring after the date hereof and prior to the Adjustment Warrant Expiry Time.. No fractional Common Shares will be issued upon exercise of the Adjustment Warrant. In lieu of fractional Common Shares, the Company will round up the number of Common Shares to be issued to the nearest whole number. The Adjustment Warrant shall not provide the holder to any rights as a shareholder of the Company, including, without limitation, any voting rights.

Subscription Procedure

Your subscription for the Units will be received by delivery by you to the Company of a signed Subscription Agreement and Risk Acknowledgement. Your subscription will be subject to rejection or allotment by the Company in whole or in part, and the Company reserves the right to close the Offering at any time without notice. Each investor must invest a minimum of \$20,000, provided that the Company may waive this requirement in its sole discretion and on a case by case basis in the event that you are a shareholder of a CFF Centre. No original certificates evidencing the Common Shares purchased under the Offering will be issued to purchasers.

The Company will accept a Subscription Agreement and Risk Acknowledgement and the cash consideration paid for the Units on the Acceptance Date. Payment can be made by means of bank draft, certified cheque or as otherwise directed by the Company. The consideration will be held in trust for the duration of the Withdrawal Period with counsel for the Company. At any time during the Withdrawal Period, you may request the return of your cash consideration deposited in payment for the Units. No interest will be payable on funds returned to you. At the end of the Withdrawal Period, the Closing will immediately take place without further notice to you.

Other than acceptance by the Company of the Subscription Agreement, there will be no conditions to Closing.

INCOME TAX CONSEQUENCES AND ELIGIBILITY FOR REGISTERED PLANS

Income Tax Consequences

The following is, as of the date hereof, a general summary of the principal Canadian federal income tax considerations applicable to a purchaser of Common Shares, Warrants and Adjustment Warrants pursuant to the Offering. This summary is applicable only to a purchaser who, at all relevant times and for purposes of the Tax Act, (i) is, or is deemed to be, resident in Canada, (ii) deals at arm's length with the Company, (iii) is not affiliated with the Company, and (iv) who will acquire and hold such Common Shares, Warrants and Adjustment Warrants as capital property (a “**Holder**”). Common Shares, Warrants and Adjustment Warrants will generally be considered to be capital property to a Holder unless the Holder holds such securities in the course of carrying on a business or has acquired them in one or more transactions considered to be an adventure or concern in the nature of trade. Certain Holders to whom Common Shares might not constitute capital property

may, in certain circumstances, make the irrevocable election under subsection 39(4) of the Tax Act to deem the Common Shares, and every other “Canadian security” as defined in the Tax Act, held by such Holder in the taxation year of the election and all subsequent taxation years, to be capital property. This election does not apply to the Warrants. Holders should consult their own tax advisors regarding this election.

This summary is based upon the current provisions of the Tax Act, specific proposals to amend the Tax Act (the “**Proposed Amendments**”) which have been announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof, and counsel’s understanding of the current published administrative policies and assessing practices of the Canada Revenue Agency (the “**CRA**”). This summary assumes that the Proposed Amendments will be enacted in the form proposed and does not take into account or anticipate any other changes in law, whether by way of judicial, legislative or governmental decision or action, nor does it take into account provincial, territorial or foreign income tax legislation or considerations, which may differ from the Canadian federal income tax considerations discussed herein. No assurances can be given that such Proposed Amendments will be enacted as proposed or at all, or that legislative, judicial or administrative changes will not modify or change the statements expressed herein.

This summary does not apply to a Holder (a) that is a “financial institution” as defined in the Tax Act for purposes of the mark-to-market provisions of the Tax Act; (b) that is a “specified financial institution” as defined in the Tax Act; (c) an interest in which would be a “tax shelter investment” for purposes of the Tax Act; (d) that has made a functional currency reporting election for purposes of the Tax Act; or (e) that has entered into a “derivative forward agreement” with respect to the Common Shares, the Warrants or the Adjustment Warrants. Such Holders should consult their own tax advisors.

This summary is not exhaustive of all possible Canadian federal income tax considerations applicable to an investment in Common Shares and Warrants. The following description of income tax considerations is of a general nature only and is not intended to be, nor should it be construed to be, legal or income tax advice to any particular Holder.

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

Allocation of Purchase Price

A Holder who acquires Units will be required to allocate the purchase price of each Unit between the Common Share, the 0.2 of one Warrant and the Adjustment Warrant comprising such Unit on a reasonable basis in order to determine their respective costs for purposes of the Tax Act. For its purposes, the Company intends to allocate \$0.90 of the Issue Price of each Unit as consideration for the issue of the Common Share, \$0.05 for the issue of the 0.2 of one Warrant, and no consideration to the Adjustment Warrant comprising such Unit. Although the Company believes such allocation is reasonable, such allocation will not be binding on the CRA or a Holder and counsel expresses no opinions as to allocation.

Adjusted Cost Base of Common Shares

The adjusted cost base to a Holder of a Common Share acquired hereunder will be determined by averaging the cost of that Common Share with the adjusted cost base (determined immediately before the acquisition of the Common Share) of all other Common Shares held as capital property by the Holder immediately prior to such acquisition.

Exercise of Warrants

A Holder will not realize a gain or loss upon the exercise of a Warrant. The Holder’s cost of the Common Shares so acquired will be equal to the aggregate of the Holder’s adjusted cost base of the Warrants exercised plus the exercise price paid for such Common Shares. The Holder’s adjusted cost base of Common Shares acquired on the exercise of a Warrant will be determined by averaging the cost of those Common Shares with the adjusted cost base (determined immediately before the acquisition of such Common Shares) of all other Common Shares held as capital property by the Holder immediately prior to the acquisition of such Common Shares.

Disposition and Expiry of Warrants

A Holder who disposes or is deemed to dispose of a Warrant or Adjustment Warrant (other than upon the exercise thereof) will realize a capital gain (or capital loss) equal to the amount by which the proceeds of disposition, net of any reasonable costs of disposition, are greater (or less) than the adjusted cost base of the Warrant or Adjustment Warrant to the Holder. If a Warrant or Adjustment Warrant expires unexercised, the Holder will realize a capital loss equal to the adjusted cost base of such Warrant to the Holder. The tax treatment of capital gains and capital losses is discussed under the sub-heading “Capital Gains and Capital Losses”.

Dividends on Common Shares

Dividends received or deemed to be received on Common Shares by an individual Holder (including certain trusts) will be included in computing the individual's income and will be subject to the gross-up and dividend tax credit rules applicable to taxable dividends received from taxable Canadian corporations, including an enhanced gross-up and dividend tax credit for dividends designated as "eligible dividends" by the Company. Dividends received or deemed to be received on Common Shares by a Holder that is a corporation will be included in computing its income and will generally be deductible in computing its taxable income. A Holder that is a "private corporation" or a "subject corporation", each as defined in the Tax Act, may be liable to pay a 33 1/3% refundable tax under Part IV of the Tax Act on dividends received on the Common Shares to the extent that such dividends are deductible in computing the Holder's taxable income.

Disposition of Common Shares

A Holder who disposes or is deemed to dispose of a Common Share (other than upon a disposition to the Company) will realize a capital gain (or capital loss) equal to the amount by which the proceeds of disposition, net of any reasonable costs of disposition, are greater (or less) than the adjusted cost base of the Common Share to the Holder. The tax treatment of capital gains and capital losses is discussed under the subheading "Capital Gains and Capital Losses".

Capital Gains and Capital Losses

One-half of any capital gain (a "**taxable capital gain**") realized on a disposition of a Common Share or Warrant must be included in the Holder's income and one-half of any capital loss (an "**allowable capital loss**") realized must generally be deducted against taxable capital gains realized in the year of disposition. Any unused allowable capital losses may be applied to reduce net taxable capital gains realized in any of the three prior years or in any subsequent year in the circumstances and to the extent provided in the Tax Act.

A capital loss realized on the disposition of a Common Share by a Holder that is a corporation may in certain circumstances be reduced by the amount of dividends that have been received or deemed to have been received by the Holder on such share or shares substituted for such share to the extent and in the circumstances described by the Tax Act. Similar rules may apply where a Holder that is a corporation is a member of a partnership or a beneficiary of a trust that owns Common Shares directly or indirectly through a partnership or trust.

A Holder that is a "Canadian-controlled private corporation" (as defined in the Tax Act) may be liable to pay an additional refundable tax of 6 2/3% on its "aggregate investment income" for the year, which includes an amount in respect of taxable capital gains.

Alternative Minimum Tax

Capital gains realized and taxable dividends received or deemed to be received by a Holder that is an individual or a trust (other than certain trusts) may affect the Holder's liability to pay alternative minimum tax under the Tax Act. Holders should consult their own tax advisors with respect to the application of alternative minimum tax.

Eligibility for Registered Plans

In the opinion of Wildeboer Dellelce LLP, counsel to the Company, and based on the current provisions of the Tax Act and on representations made by the Company that it qualifies as a "specified small business corporation" under the Tax Act, the Common Shares, Warrants and Adjustment Warrants, if acquired on the date hereof, would be "qualified investments" under the Tax Act for trusts governed by a registered retirement savings plan, registered retirement income fund or tax-free savings account (each a "**Registered Plan**"), provided that the Common Shares are not a "prohibited investment" to any annuitant or holder under such Registered Plan immediately after the Common Shares were acquired by the Registered Plan.

If the Common Shares, Warrants and Adjustment Warrants being offered pursuant to the Offering are a "prohibited investment" at any time for a particular Registered Plan, the annuitant or holder, as the case may be, will be subject to penalty taxes under the Tax Act. The Common Shares, Warrants and Adjustment Warrants will generally not be a "prohibited investment" for Registered Plans unless the annuitant or holder, as applicable: (i) does not deal at arm's length with the Company for purposes of the Tax Act; or (ii) has a "significant interest", as defined in the Tax Act, in the Company. Generally, an annuitant or holder will have a significant interest in a corporation if he or she and/or persons not dealing at arm's length with him or her, own directly or indirectly at any time in the year, 10% or more of the issued shares of any class of the capital stock of the corporation or of any other corporation that is related to the corporation, taking into account the

following rules: (i) beneficiaries of a trust and members of a partnership that hold shares are deemed to own such shares in proportion to their relative interests (on a fair market value basis) in the trust or partnership, as the case may be; and (ii) an individual is deemed to own each share owned, or deemed to be owned, by a person with whom he or she does not deal at arm's length.

In addition, the Common Shares, Warrants and Adjustment Warrants will become "prohibited investments" if the Company ceases to be a "specified small business corporation" for the purposes of the Tax Act and the Common Shares are not otherwise a "qualified investment" under the Tax Act.

You should consult your own tax advisor with respect to the prohibited investment rules.

COMPENSATION PAID TO SELLERS AND FINDERS

As of the date hereof, no arrangements have been made to pay compensation to any persons in connection with the Offering. In the future, arrangements may be made with persons to act as the Company's agents in connection with the Offering. In that event, agent fees will be deducted from subscription proceeds derived from the agent's activities. In the past, the Company has paid agents a commission rate of 7% of gross proceeds raised.

RISK FACTORS

An investment in the Units is speculative and subject to a high degree of risk and uncertainty. The occurrence of any one or more of these risks or uncertainties could have a material adverse effect on the value of any investment in the Company and the business, prospects, financial position, financial condition or operating results of the Company. You should carefully consider the following risk factors before a decision to purchase Units is made. The risk factors noted below are not an exhaustive list of all risk factors associated with an investment in the Units or in connection with the operations of the Company. Additional risks and uncertainties not currently known to the Company or that the Company currently deems immaterial may also substantially and adversely affect its business.

Issuer Risks

Limited Operating History

The Company has a limited operating history and is implementing an evolving business plan. As a result, it may be difficult to evaluate the Company's business prospects and future financial performance.

Limited Financial Resources

The Company has limited financial resources and is developing its operating revenues. The Company will require more funding for its operations (see "*Business of the Company – Long Term Objectives*" and "*Business of the Company – Insufficient Funds*") and there is no assurance that sufficient additional funding will be available to the Company, on acceptable terms or at all, to enable it to fulfill its business plan and obligations. In particular, the funding may not be available to the Company at the same price as the Offering Price. Failure to obtain such additional funding on a timely basis could cause the Company to reduce or terminate its operations. Any additional funding from issuances of Common Shares or otherwise would result in further dilution to the shareholders of the Company and could cause a change of control.

Holding Company of a Financial Institution

As the holding company of a federally regulated financial institution, the Company has in the past, and may be required in the future, to provide additional forms of support to CFF Bank, which support might include investment of additional shareholders' equity in CFF Bank in amounts which cannot be foreseen at this time. Such a requirement would require the Company to raise additional funding, which would result in dilution to the shareholders of the Company.

The securities of the Company are subject to a number of risks, including (i) risk that CFF Bank will be unable to generate or obtain cash or equivalents in a timely manner and at a reasonable cost to meet its commitments (both on and off-balance sheet, including regulatory capital obligations) as they become due; (ii) risk that the Company or CFF Bank, in certain circumstances, may not be capable of meeting its financial obligations (including regulatory capital obligations with respect to CFF Bank) when they are due to support the orderly continuation of operations; (iii) given the complexity of the regulatory regime applicable to CFF Bank, which contains a high degree of regulatory discretion, the degree of compliance by CFF Bank at any given time with all applicable laws will vary, and may be out of the direct control of management of CFF Bank, and the

ongoing effect of this regulatory discretion on CFF Bank, and the exercise of this regulatory discretion could have a direct and material adverse effect on CFF Bank and CFFG; (iv) as the Company is a holding company of a federally regulated financial institution, the Company has in the past, and may be required in the future, to provide additional forms of support to CFF Bank, which support might include investment of additional shareholders' equity in CFF Bank in amounts which cannot be foreseen at this time; and (v) risks associated with CFF Bank having to comply with the regulatory regime (including regulatory capital requirements) applicable to CFF Bank. OSFI's website (www.osfi-bsif.gc.ca) provides the public with detailed information with respect to the institutions it supervises and the guidelines and procedures it employs to regulate those institutions. On an ongoing basis, a number of guidelines are applicable to CFF Bank, including OSFI's *Guide to Intervention for Federally Regulated Deposit-Taking Institutions*, *Capital Adequacy Requirements*, *Corporate Governance Guideline*, *Internal Capital Adequacy Assessment Process (ICAAP)* and *Residential Mortgage Underwriting Practices and Procedures*.

There are regulations under the Bank Act (Canada) applicable to CFF Bank which prohibit, limit or restrict disclosure by CFF Bank of prescribed supervisory information. Information concerning CFF Bank is located on OSFI's website at www.osfi-bsif.gc.ca.

As further detailed in the section below entitled "*Risk Factors – Regulatory Risk*", the Ministry of Finance (Canada), OSFI, CDIC and CMHC, in particular, are important regulators for CFF Bank. Each of these regulators maintain a high degree of regulatory discretion. As such, increased capital support of CFF Bank through the transfer of shareholder equity from the Company may be required. The exercise of this regulatory discretion and the ensuing impact on shareholder equity could have a direct and materially adverse effect on CFF Bank and the Company, including, but not limited to, further deterioration of the Company's future financial viability. See "*Risk Factors – Regulatory Risk*".

Risks Related to CFF Bank

CFF Bank has experienced operating losses. These operating losses can be attributed to a number of factors, including costs attributable to the overhead necessary to carry on CFF Bank's mortgage banking business and a limited number of purchasers of mortgages from CFF Bank for that business. There is no assurance that the performance of CFF Bank will meet the goals set by the Company.

The members of CFF Bank's Board of Directors and Executive Management regularly review CFF Bank's internal minimum regulatory capital thresholds in terms of the future short-term viability of CFF Bank. Such internal thresholds are subject to further review and change, resulting in possible minimum regulatory capital threshold increases thereby triggering exercise of regulatory authority and corrective action related to CFF Bank.

In addition to the risks outlined above, there are a number of continuing risks relevant to CFF Bank, including those described below in "*Regulatory Risk*" and "*Risks Related to CFF Bank's Mortgage Banking Business*", as well as those identified elsewhere in this section "*Risk Factors*". The failure of CFF Bank, whether as a result of circumstances having a material adverse effect on CFF Bank in particular or otherwise, will have a material adverse effect on the Company.

Risks Related to CFF Bank's Mortgage Banking Business

For its mortgage banking business, CFF Bank sells mortgages to a variety of counterparties, including financial institutions and securitization vehicles. Purchasers of CFF Bank's mortgages will include: (i) financial institutions; (ii) government vehicles such as the Canadian Mortgage Bond Program and the National Housing Act Mortgage Backed Securities program; and (iii) private securitization vehicles such as asset-based commercial paper programs, residential mortgage backed securitization programs and privately sourced programs. CFF Bank's ability to utilize planned programs will be dependent upon a number of factors including regulatory directives, International Financial Reporting Standards treatment of sold mortgages, market liquidity and continuing government support of its funding programs. Changes in market conditions, accounting standards, the performance of the mortgage portfolio or regulatory requirements could result in: (i) an increase in the costs within the purchasers' securitization structures which will impact the gain on sale margin realized by CFF Bank; (ii) temporary periods in which the securitization structures are not available; or (iii) permanent unavailability of the securitization structures.

The Company is currently in negotiations with a number of counterparties for agreements to sell mortgages to those counterparties. There can be no assurance that these agreements will be completed, and if they are, that the agreements will be on terms and conditions that are optimally favourable to the Company.

Canadian residential real estate prices are currently at or near record levels in many markets. Significant declines in the price of Canadian real estate could adversely impact the Company's financial performance in terms of reduced consumer demand for residential mortgages.

If the mortgages that CFF Bank sells perform poorly compared to other market participants, it may adversely affect the perceived value of any future mortgages CFF Bank attempts to place or securitize. CFF Bank's access to the mortgage placement and securitization markets depends upon a number of factors, including general economic conditions, spreads on mortgages relative to other investments, conditions in the securities markets generally and conditions in the asset-backed securities market specifically. Accordingly, a decline in the securitization or placement markets or a change in either market's demand for CFF Bank's mortgages could adversely affect CFF Bank's ability to sell its mortgages, which could negatively impact CFF Bank's financial condition and results of operations.

CFF Bank's mortgage banking business will be dependent on the network of CFF Centres. These CFF Centres will not be contractually obligated to do business with CFF Bank. CFF Bank's competitors also have relationships with CFF Centres and will actively compete with CFF Bank in its efforts to originate mortgage loans. CFF Bank may find it difficult to attract mortgage banking business. The failure by CFF Bank to sufficiently meet its forecast level of mortgage origination from these sources for its mortgage bank business could have a material adverse effect on CFF Bank's business, financial condition, prospects and results of operations.

CFF Bank's mortgage banking business is subject to a significant regulatory operating environment, including compliance with the regulations imposed by CMHC. See "*Risk Factors - Regulatory Risk*".

Indebtedness

The Company has a number of debentures and a promissory note outstanding, and has recently issued a new series of debentures. (see "*Capital Structure – Long Term Debt Securities*")The inability of the Company to be able to satisfy its obligations under these debt securities at any time could have a material adverse effect upon the Company's operations.

Risks Related to an Increase in Unsecured Lending

All of CFF Bank's current mortgage lending is secured against residential real estate. CFF Bank has recently introduced personal loans that are unsecured. This new product line will bring on more potential risk to CFF Bank because the bank will not have security over these loans.

Funding and Liquidity Risk

CFF Bank will be subject to funding and liquidity risk. This is the risk that CFF Bank will be unable to generate or obtain cash or equivalents in a timely manner and at a reasonable cost to meet its commitments (both on and off-balance sheet) as they become due. This risk will arise from fluctuations in CFF Bank's cash flows associated with lending, securitization, deposit-taking, investing and other business activities. CFF Bank's liquidity risk management framework includes funding and liquidity policies, guidelines and procedures that are approved by the ALCO and CFF Bank's board of directors.

Liquidity risk also applies to the Company in that, in certain circumstances, it may not be capable of meeting its financial obligations when they are due to support the orderly continuation of operations. This could occur as a result of not being able to liquidate assets, payments not being received as expected, or not being able to obtain funding within the period of time required.

Reputational Risk

Reputational risk is the potential that adverse publicity, whether true or not, will or may cause a decline in the Company's earnings, liquidity and value of its securities or client base due to its impact on its corporate image. Reputational risk is inherent in virtually all of the Company's business operations.

Forward-Looking Statements May Prove Inaccurate

You are cautioned not to place undue reliance on forward-looking statements. By their nature, forward-looking statements involve numerous assumptions, known and unknown risks and uncertainties, of both a general and specific nature, that could cause actual results to differ materially from those suggested by the forward-looking statements or contribute to the possibility

that predictions, forecasts or projections will prove to be materially inaccurate. See “*Caution Regarding Forward-Looking Statements*”.

Strategic Risk

The Company’s ability to implement its strategy successfully may be affected by changes in the business environment, the behaviour of its strategic business partners, technological limitations, adverse business decisions, unsuccessful implementation of decisions or lack of responsiveness to changes in the business environment. In the event that the Company cannot implement its strategy successfully, it may be required to effect a fundamental transaction at a price below the Offering Price.

Expansion of Business

The expansion of the business of the Company will depend, in part, upon the ability of management to successfully implement the Company’s growth strategy for the CFF Centres. There is no assurance of the future growth of the CFF Centre network as such growth will depend on a variety of factors, including competition and the attractiveness of the Company’s model to financial professionals. The future growth of the CFF Centre network may be adversely affected by a variety of possible actions by participants in the financial services sector seeking to inhibit financial services professionals from becoming co-owners of CFF Centres.

As for growth by acquisition, the Company has no history of finding (apart from the MonCana Acquisition), acquiring or integrating other companies engaged in the same type of business. There can be no assurance that the Company will be able to grow the CFF Centres by finding suitable co-owners of CFF Centres or acquisition candidates at acceptable prices or that the Company will have sufficient capital resources to realize any acquisition strategy, be successful in entering into definitive agreements for desired acquisitions or successfully integrate acquired companies into the Company, or that such acquisitions, if consummated, will prove advantageous to the Company. The expansion of the business of the Company may also be influenced and depend, in part, upon the ability of management to successfully implement the Company’s strategy to expand the product and service offering of the CFF Centres by obtaining additional regulatory licences. There is no assurance that the Company will be able to secure these licences.

The achieving of the Company’s financial targets will also depend upon its ability to accumulate mortgage originations in the volumes and in the time frames envisioned in its plans. There can be no assurance that these mortgage originations will be secured as planned. See “*Risk Factors – Issuer Risk - Risks Related to CFF Bank’s Mortgage Banking Business*”.

Dependence upon Key Personnel

The Company’s future success will largely depend on its ability to retain and attract qualified personnel for itself, members of the Company’s group of companies and the CFF Centres. The market for such personnel is very competitive. The departure of key personnel from the Company could have a material adverse effect upon the Company’s operations.

Credit Risk

CFF Bank will be subject to credit risk. Credit risk is the risk of the loss of principal and/or interest from the failure of debtors and/or counterparties to honour their financial or contractual obligations to CFF Bank for any reason. CFF Bank’s overall exposure to credit risk will be governed by credit specific risk appetite limits and credit risk policies as approved by CFF Bank’s board of directors. The Executive Credit and Risk Committee will establish, implement and monitor credit risk related policies and guidelines enterprise-wide, taking into account business objectives, risk appetite, planned financial performance and risk profile. Credit risk limits will be established for all types of credit exposures and include geographic, product, property and security type limits over all classes of exposure. The Executive Credit and Risk Committee will oversee the credit portfolio through ongoing reviews of credit risk management policies, lending practices, portfolio composition and risk profile, the adequacy of loan loss reserves and credit-risk based capital.

CFF Bank is expanding its product offering to include unsecured loans, primarily through the EasyOne account. There is different credit risk involved in this line of lending from traditional mortgage lending because the loans are not secure by collateral. CFF Bank’s traditional delinquency and loss rates may not continue, and may deteriorate in a material way, with respect to its new unsecured lending business.

Interest Rate Risk

CFF Bank will be subject to structural interest rate risk. Structural interest rate risk is the risk of lost earnings or capital due to sudden changes in interest rates. The objective of interest rate risk management will be to ensure that CFF Bank is able to realize stable and predictable earnings over specific time periods despite interest rate fluctuations. CFF Bank will manage its asset and liability positions to prevent interest rate fluctuations from materially impacting future earnings, and match liabilities to assets in terms of maturity and interest rate repricing.

CFF Bank's market risk management framework will include interest rate risk policies, guidelines and procedures that are approved by its ALCO and CFF Bank's board of directors. The ALCO will be responsible for defining and monitoring CFF Bank's structural interest rate risk and reviewing significant maturity and/or duration mismatches, as well as developing strategies that allow CFF Bank to operate within its overall risk appetite.

Concentration Risk

CFF Bank may be subject to concentration risk. Concentration of credit exposure may arise when a group of counterparties have similar economic characteristics such as property type or are located in the same geographical region. The ability of these counterparties to meet contractual obligations may be similarly affected by changing economic or other conditions.

Conduct of CFF Centres

Although the Company attempts to minimize the likelihood of damaging behavior by individuals connected with the CFF Centres through the enforcement of various agreements, there can be no assurance that these controls will be adequate in preventing such behaviour. For example, the Company could have liability in the event of any fraud by CFF Centres and could also be subject to regulatory sanctions. Although the Company believes that it is adequately insured against such risks, there can be no assurance that such insurance will be maintained or that it will be adequate or even made available to meet any future liability.

Operational Risk

Operational risk is the risk of loss resulting from insufficient or failed internal processes and systems or external events. Situations arising from operational risk could result in the Company suffering significant financial loss, reputational harm and regulatory penalties. The Company may otherwise fail in its efforts to successfully implement its business strategies.

Legal Risks

The Company is subject to legal risks related to operations, contracts, relationships and otherwise under which the Company may be served with legal claims. Whether or not the claims are legally valid, such claims may result in legal fees, damages, settlement costs and other costs as well as significant time and distraction of management and employees.

Investment Risks

Potential Dilution of Common Shares

The issuance of Common Shares as a result of the exercise of the Warrants, Adjustment Warrants, stock options and the issuance of other additional equity securities in the future will result in dilution to the Common Shares and the voting power represented thereby. The Company will also have to raise additional funds to meet the capital requirements described in "*Business of the Company - Long Term Objectives*" and "*Business of the Company – Insufficient Funds*". As a result, your holdings of Common Shares and those of the Company's current shareholders will be diluted. No prediction can be made as to the effect, if any, that future issuances of stock options, sales of Common Shares, or the availability of Common Shares for future sale, will have on the price of the Common Shares. Sales of substantial amounts of Common Shares may adversely affect the price of the Common Shares and may make it more difficult for the Company to sell its equity securities and securities convertible into equity in the future at a time and price which the Company deems appropriate.

Determination of Price

The Offering Price has been determined by the Company and bears no relationship to a trading market. The Offering Price may not be indicative of the price for the Common Shares or Warrants after the Offering, which price may decline below the Offering Price.

Liquidity of Investment

The Common Shares and Warrants issued pursuant to any distribution will not be listed for trading on any stock exchange or trading market. As a result, there will be no market through which Common Shares or Warrants may be sold. These and other factors may affect the pricing of the Common Shares or Warrants in the secondary market, the transparency and availability of trading prices and the liquidity of these securities. In addition, the Common Shares and Warrants may only be sold pursuant to exemptions from the prospectus requirements in applicable securities regulations. See “*Resale Restrictions.*”

The articles of the Company also contain restrictions which restrict the liquidity of the Company’s securities. The articles provide that no securities of the Company (other than non-convertible debt securities) may be transferred without either: (i) the previous consent of the Board; or (ii) the previous consent of the holders of at least 51% of the outstanding securities of the class at that time.

No Payment of Dividends in the Foreseeable Future

The Company does not intend, in the foreseeable future, to pay dividends on the Common Shares, and you should not expect to receive any dividends on your investment in the foreseeable future or at all. The Company will consider paying dividends on the Common Shares when circumstances permit, having regard to, among other things, earnings, cash flow and financial requirements, as well as relevant legal and business considerations. Any future payment of dividends to holders of Common Shares will depend on decisions that will be made by the Board and will depend on then existing conditions, including the Company’s financial condition, contractual restrictions, capital requirements and business prospects.

Discretion in the Use of Proceeds of the Offering

Management will have broad discretion concerning the use of the net proceeds of the Offering as well as the timing of their expenditure. As a result, you will be relying on the judgment of management for the application of the net proceeds of the Offering. Management may use the net proceeds of the Offering in ways that may not be considered desirable. The results and the effectiveness of the application of the net proceeds are uncertain. If the net proceeds are not applied effectively, the results of the Company’s operations may suffer.

Industry Risks

Regulatory Risk

The regulatory operating environment for the Company is significant. New regulatory requirements or changes to existing requirements may involve changes to the way the Company currently conducts its business or may increase the cost and associated profitability of the Company’s business. Applicable laws grant broad administrative discretion over the Company’s business. Regardless of the Company’s effectiveness in monitoring and administering established compliance policies and procedures, the Company, and any of its directors, officers, employees and agents, may be subject to liability or fines that may limit its ability to conduct business.

The regulatory operating environment for CFF Bank will be particularly critical to the Company. The Ministry of Finance (Canada), OSFI, CDIC and CMHC, in particular, are important regulators for CFF Bank, and the ability of CFF Bank to satisfactorily operate at any given time will be directly affected by CFF Bank’s ability to comply with any and all directives of its regulators. In addition, given the importance of the maintenance of the soundness and stability of the Canadian financial system, in which banks play an integral role, the legislative and regulatory regime and practices applicable to CFF Bank are complex and unique. Given the complexity of this regulatory regime, which contains a high degree of regulatory discretion, the degree of compliance by CFF Bank at any given time with all applicable laws will vary, and may be out of the direct control of management of the Company and CFF Bank. It is not possible to predict the ongoing effect of this regulatory discretion on CFF Bank, and the exercise of this regulatory discretion could have a direct and materially adverse effect on CFF Bank and the Company, including, but not limited to, increased regulatory capital requirements or asserting corrective action as a result of its determination of future financial viability. See “*Risk Factors – Holding Company of a Financial Institution*”.

OSFI's website (www.osfi-bsif.gc.ca) provides the public with detailed information with respect to the institutions it supervises and the guidelines and procedures it employs to regulate those institutions. On an ongoing basis, a number of guidelines are applicable to CFF Bank, including OSFI's *Guide to Intervention for Federally Regulated Deposit-Taking Institutions*, *Capital Adequacy Requirements*, *Corporate Governance Guideline*, *Internal Capital Adequacy Assessment Process (ICAAP)* and *Residential Mortgage Underwriting Practices and Procedures*.

Litigation Risk

Litigation risk is inherent in the business of the Company. Litigation risk cannot be eliminated, even if there is no legal cause of action. The legal risks facing the Company include potential liability for violations of banking, securities and insurance laws.

Accounting Policies and Estimates

The accounting policies and estimates utilized by the Company determine how it reports its financial condition and results of operations; this may require management to make estimates or rely on assumptions about matters that are inherently uncertain. Such estimates and assumptions may require revisions, and changes to them may materially adversely affect the Company's results of operations and financial condition.

The Company assesses the carrying value of assets at least annually. From an accounting perspective, the carrying value of intangible assets such as Deferred Taxes and Goodwill could be diminished in the future.

Competition

The Company operates in a very competitive industry. These competitive forces may inhibit the ability of the Company to execute its business plan by, for example, inhibiting the ability of CFF Bank to fund mortgages or sell mortgages sourced through CFF Bank's mortgage banking business, and also bring about pricing pressures which could adversely affect the profitability of the Company. Competitors may seek to replicate in whole or in part the Company's business model. As a consequence of this competitive environment, the Company may find that its business model enjoys various degrees of success.

Licences and Regulatory Approvals

The successful execution of the Company's business plan requires maintaining in good standing and obtaining a number of licences or approvals to carry on a variety of financial services businesses. See "*Risk Factors- Industry Risks - Regulatory Risk*". There is no guarantee that the Company will be successful in maintaining and obtaining any or all of these licences. Failure to maintain or obtain any of these licences could have a material adverse effect on the Company and on the value of any investment in the Company.

Dependence on Markets

There are economic trends and factors that are and will continue to be beyond the Company's control and may affect its operations and business. Such trends and factors include, but are not limited to, adverse changes in conditions in the specific markets for the Company's products and services, the conditions in the broader market for residential mortgages, securities and insurance products and the conditions in the domestic or global economy generally. Although the Company's performance is and will continue to be affected by the general condition of the economy, not all of its service areas are or will be affected equally. It is not possible for management to accurately predict economic fluctuations and the impact of such fluctuations on performance. There is no guarantee that the revenue, asset and profit growth that the Company has projected will be achieved.

The mortgage financing industry in Canada continues to benefit from historically low and stable interest rates. There is a risk that an increase in interest rates could slow the pace of property sales and adversely affect growth in the mortgage market, which could adversely affect the Company's operations and stated growth initiatives. A decline in general economic conditions could also cause default rates to increase as creditworthiness decreases for borrowers. This could have a material adverse effect on the Company's, and in particular CFF Bank's, business, financial condition and results of operations. In addition, a significant decline in real estate values could negatively affect CFF Bank's operating results and growth prospects as this would result in a decrease in the value of mortgage transactions. As property values decline, security on mortgages could also be adversely affected, thereby reducing the ability to liquidate properties held by defaulting borrowers at favourable prices.

With respect to CFF Bank's mortgage banking business, the profits earned on mortgage sales will depend, in part, on the spread between mortgage rates and capital market funding rates and any fee income thereby derived. CFF Bank's mortgage portfolios will include assets whose value can fluctuate because of changing interest rates and economic and market conditions. In addition, some of these assets could be difficult to sell at any given time. Changes in interest rates and other market factors such as stock market prices and demographics could also affect the preferences of its customers for different types of products and adversely impact CFF Bank's, and, as a result, the Company's profitability. A reduction in positive spreads between mortgage rates and capital market funding rates could have a material adverse effect on the Company's business, financial condition and results of operations.

Monetary and Fiscal Policy

The Company's earnings are affected by the monetary policy of the Bank of Canada and the fiscal policy of the federal government of Canada and other governments in Canada and abroad. Changes in the supply of money, government spending and the general level of interest rates can affect the Company's profitability. A change in the level of interest rates will affect the interest spread between CFF Bank's deposits and loans and, as a result, will impact CFF Bank's net interest income. Changes in monetary and fiscal policy and in the financial markets are beyond the Company's control and are difficult to predict or anticipate.

Money Laundering and Terrorist Financing Risk

Money laundering is any act or attempted act to disguise the source of money or assets derived from criminal activity. Terrorist financing provides funds for terrorist activity, the main objective of which is to intimidate and threaten a population or compel a government to do something by intentionally killing, seriously harming or endangering a person, or causing substantial property damage. As a result of the above, the Company and CFF Bank, in particular, will be required to comply with relevant legislation and will incorporate required procedures into its operations.

REPORTING OBLIGATIONS

The Company is not a reporting issuer under Canadian securities laws. **As such, the Company is not required to send you any documents on an annual or ongoing basis under securities laws.**

Pursuant to the CBCA, the Company must send notice of its annual meeting to its shareholders and a management information circular for proxies to be solicited for use at the meeting. The Company has previously obtained an exemption from the requirement to prepare a management information circular for its annual meeting, and may apply again for that exemption.

For its annual meetings, the Company is also required to deliver to its shareholders its annual financial statements for the previously completed financial year, and possibly subsequent interim financial statements, depending on the date of the annual meeting.

Information concerning CFF Bank is located on OSFI's website at www.osfi-bsif.ca.

RESALE RESTRICTIONS

General - Purchasers in Alberta, British Columbia, New Brunswick, Newfoundland and Labrador, Northwest Territories, Nova Scotia, Nunavut, Prince Edward Island, Quebec, Saskatchewan and Yukon

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.

Restricted Period - Purchasers in Alberta, British Columbia, New Brunswick, Newfoundland and Labrador, Northwest Territories, Nova Scotia, Nunavut, Prince Edward Island, Quebec, Saskatchewan and Yukon

Unless permitted under securities legislation, you cannot trade the securities before the date that is four (4) months and a day after the date the Company becomes a reporting issuer in any province or territory of Canada.

Resale Restrictions - Purchasers in Manitoba

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

Resale Restrictions - Purchasers in Ontario

Any resale of the securities in Ontario must be made under available statutory exemptions from prospectus requirements or under a discretionary exemption granted by the Ontario Securities Commission.

PURCHASERS' RIGHTS

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.

Two Day Cancellation Right

You can cancel your agreement to purchase these securities. To do so, you must send a notice to the Company by midnight on the 2nd Business Day after you sign the Subscription Agreement to buy the securities.

Statutory Rights of Action in the Event of a Misrepresentation

Securities legislation in certain of the provinces of Canada provides investors, or requires investors to be provided with, a right of action for rescission or damages where an offering memorandum, any amendment thereto, a record incorporated by reference into an offering memorandum or advertising and sales literature contains a misrepresentation. As summarized below, these statutory rights of action, or notice with respect thereto, must be exercised, or delivered, as the case may be, by the purchaser within the time limit prescribed by the applicable securities legislation. Each purchaser should refer to provisions of the applicable securities legislation for the particulars of these rights or consult with a legal adviser.

The following summary is subject to the express provisions of the applicable securities laws, regulations and rules, and reference should be made to the complete text of such provisions. Such provisions may contain limitations and statutory defences not described herein on which the Company and other applicable parties may rely.

The rights of action described below are in addition to, and do not detract from, any other right or remedy available at law to you and are intended to correspond to the provisions of the relevant securities legislation and are subject to the defences contained therein.

For information about your rights you should refer to any applicable provisions of the securities legislation of your province or consult a lawyer.

Rights for Purchasers in Ontario

Section 130.1 of the *Securities Act* (Ontario) (the “**Ontario Act**”) provides that every purchaser of securities pursuant to an offering memorandum (such as this Offering Memorandum) shall have a statutory right of action for damages or rescission against the issuer in the event that the offering memorandum contains a misrepresentation (as defined in the Ontario Act). A purchaser who purchases securities offered by the offering memorandum during the period of distribution has, without regard to whether the purchaser relied upon the misrepresentation, a right of action for damages or, alternatively, while still the owner of the securities, for rescission against the issuer provided that:

- (a) if the purchaser exercises its right of rescission, it shall cease to have a right of action for damages as against the issuer;
- (b) the issuer will not be liable if they prove that the purchaser purchased the securities with knowledge of the misrepresentation;

- (c) the issuer will not be liable for all or any portion of damages that it proves do not represent the depreciation in value of the securities as a result of the misrepresentation relied upon; and
- (d) in no case shall the amount recoverable exceed the price at which the securities were offered.

Section 138 of the *Securities Act* (Ontario) provides that no action shall be commenced to enforce these rights more than:

- (a) in the case of an action for rescission, 180 days from the day of the transaction that gave rise to the cause of action; or
- (b) in the case of an action for damages, the earlier of:
 - (i) 180 days from the day that the purchaser first had knowledge of the facts giving rise to the cause of action; or
 - (ii) three years from the day of the transaction that gave rise to the cause of action.

The rights referred to in section 130.1 of the Ontario Act do not apply in respect of an offering memorandum delivered to a prospective purchaser in connection with a distribution made in reliance on the exemption from the prospectus requirement in section 2.3 of NI 45-106 (the “accredited investor” exemption) if the prospective purchaser is:

- (a) a Canadian financial institution or a Schedule III bank (as such terms are defined in NI 45-106);
- (b) the Business Development Bank of Canada incorporated under the Business Development Bank of Canada Act (Canada); or
- (c) a subsidiary of any person referred to in paragraphs (a) and (b), if the person owns all of the voting securities of the subsidiary, except the voting securities required by law to be owned by directors of that subsidiary.

Rights for Purchasers in Alberta

Section 204 of the *Securities Act* (Alberta) (“**Alberta Act**”) provides that if an offering memorandum (such as this Offering Memorandum) contains a misrepresentation (as defined in the Alberta Act), a purchaser who purchases a security offered by the offering memorandum is deemed to have relied on the representation, if it was a misrepresentation at the time of the purchase, and has a right of action (a) for damages against (i) the issuer, (ii) every director of the issuer at the date of the offering memorandum, and (iii) every person or company who signed the offering memorandum, and (b) for rescission against the issuer, provided that:

- (a) if the purchaser elects to exercise its right of rescission, it shall cease to have a right of action for damages against the person or company referred to above;
- (b) no person or company referred to above will be liable if it proves that the purchaser had knowledge of the misrepresentation;
- (c) no person or company (other than the issuer) referred to above will be liable if it proves that the offering memorandum was sent to the purchaser without the person’s or company’s knowledge or consent and that, on becoming aware of its being sent, the person or company promptly gave reasonable notice to the issuer that it was sent without the knowledge and consent of the person or company;
- (d) no person or company (other than the issuer) referred to above will be liable if it proves that the person or company, on becoming aware of the misrepresentation in the offering memorandum, withdrew the person’s or company’s consent to the offering memorandum and gave reasonable notice to the issuer of the withdrawal and the reason for it;
- (e) no person or company (other than the issuer) referred to above will be liable if, with respect to any part of the offering memorandum purporting to be made on the authority of an expert or purporting to be a copy of, or an extract from, a report, opinion or statement of an expert, the person or company proves that the person or company did not have any reasonable grounds to believe and did not believe that:

- (i) there had been a misrepresentation; or
- (ii) the relevant part of the 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;
- (f) the person or company (other than the issuer) will not be liable if with respect to any part of the offering memorandum not purporting to be made on the authority of an expert and not purporting to be a copy of, or an extract from, a report, opinion or statement of an expert, unless the person or company
 - (i) did not conduct an investigation sufficient to provide reasonable grounds for a belief that there had been no misrepresentation, or
 - (ii) believed there had been a misrepresentation;
- (g) in no case shall the amount recoverable exceed the price at which the securities were offered under the offering memorandum;
- (h) the defendant will not be liable for all or any part of the damages that the defendant proves do not represent the depreciation in value of the security as a result of the misrepresentation;

Section 211 of the Alberta Act provides that no action may be commenced to enforce these rights more than:

- (a) in the case of an action for rescission, 180 days from the day of the transaction that gave rise to the cause of action, or
- (b) in the case of any action, other than an action for rescission, the earlier of
 - (i) 180 days from the day that the plaintiff first had knowledge of the facts giving rise to the cause of action, or
 - (ii) 3 years from the day of the transaction that gave rise to the cause of action.

Rights for Purchasers Saskatchewan

Section 138 of the *Securities Act* (Saskatchewan) (the “**Saskatchewan Act**”) provides that where an offering memorandum (such as this Offering Memorandum) or any amendment to it is sent or delivered to a purchaser and it contains a misrepresentation (as defined in the Saskatchewan Act), a purchaser who purchases a security covered by the offering memorandum or any amendment to it is deemed to have relied upon that misrepresentation, if it was a misrepresentation at the time of purchase, and has a right of action for rescission against the issuer or has a right of action for damages against:

- (a) the issuer;
- (b) every promoter and director of the issuer at the time the offering memorandum or any amendment to it was sent or delivered;
- (c) every person or company whose consent has been filed respecting the offering, but only with respect to reports, opinions or statements that have been made by them;
- (d) every person who or company that, in addition to the persons or companies mentioned in (a) to (c) above, signed the offering memorandum or the amendment to the offering memorandum; and
- (e) every person who or company that sells securities on behalf of the issuer under the offering memorandum or amendment to the offering memorandum.

Such rights of rescission and damages are subject to certain limitations including the following:

- (a) if the purchaser elects to exercise its right of rescission against the issuer, it shall have no right of action for damages;
- (b) in an action for damages, a defendant will not be liable for all or any portion of the damages that he, she or it proves do not represent the depreciation in value of the securities resulting from the misrepresentation relied on;
- (c) no person or company, other than the issuer, will be liable for any part of the offering memorandum or any amendment to it not purporting to be made on the authority of an expert and not purporting to be a copy of, or an extract from, a report, opinion or statement of an expert, unless the person or company failed to conduct a reasonable investigation sufficient to provide reasonable grounds for a belief that there had been no misrepresentation or believed that there had been a misrepresentation;
- (d) in no case shall the amount recoverable exceed the price at which the securities were offered; and
- (e) no person or company is liable in an action for rescission or damages if that person or company proves that the purchaser purchased the securities with knowledge of the misrepresentation.

In addition, no person or company, other than the issuer, will be liable if the person or company proves that:

- (a) the offering memorandum or any amendment to it was sent or delivered without the person's or company's knowledge or consent and that, on becoming aware of it being sent or delivered, that person or company gave reasonable general notice that it was so sent or delivered; and/or
- (b) after the filing of the offering memorandum or the amendment to the offering memorandum and before the purchase of the securities by the purchaser, on becoming aware of any misrepresentation in the offering memorandum or the amendment to the offering memorandum, the person or company withdrew the person's or company's consent to it and gave reasonable general notice of the person's or company's withdrawal and the reason for it.

Not all defences upon which the Company or others may rely are described herein. Please refer to the full text of the Saskatchewan Act for a complete listing.

Similar rights of action for damages and rescission are provided in section 138.1 of the Saskatchewan Act in respect of a misrepresentation in advertising and sales literature disseminated in connection with an offering of securities.

Section 138.2 of the Saskatchewan Act also provides that where an individual makes a verbal statement to a prospective purchaser that contains a misrepresentation relating to the security purchased and the verbal statement is made either before or contemporaneously with the purchase of the security, the purchaser is deemed to have relied on the misrepresentation, if it was a misrepresentation at the time of purchase, and has a right of action for damages against the individual who made the verbal statement.

Section 141(1) of the Saskatchewan Act provides a purchaser with the right to void the purchase agreement and to recover all money and other consideration paid by the purchaser for the securities if the securities are sold in contravention of the Saskatchewan Act, the regulations to the Saskatchewan Act or a decision of the Saskatchewan Financial Services Commission.

Section 141(2) of the Saskatchewan Act also provides a right of action for rescission or damages to a purchaser of securities to whom an offering memorandum or any amendment to it was not sent or delivered prior to or at the same time as the purchaser enters into an agreement to purchase the securities, as required by Section 80.1 of the Saskatchewan Act.

The rights of action for damages or rescission under the Saskatchewan Act are in addition to and do not derogate from any other right which a purchaser may have at law.

Section 147 of the Saskatchewan Act provides that no action shall be commenced to enforce any of the foregoing rights more than:

- (a) 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

- (b) in the case of any other action, other than an action for rescission, the earlier of:
 - (i) one year after the plaintiff first had knowledge of the facts giving rise to the cause of action; or
 - (ii) six years after the date of the transaction that gave rise to the cause of action.

The Saskatchewan Act also provides a purchaser who has received an amended offering memorandum delivered in accordance with subsection 80.1(3) of the Saskatchewan Act has a right to withdraw from the agreement to purchase the securities by delivering a notice to the person who or company that is selling the securities, indicating the purchaser's intention not to be bound by the purchase agreement, provided such notice is delivered by the purchaser within two business days of receiving the amended offering memorandum.

Rights for Purchasers in Manitoba

The right of action for rescission or damages described herein is conferred by Section 141.1 of the *Securities Act* (Manitoba) ("**Manitoba Act**"). Manitoba's securities legislation provides, in the relevant part, that in the event that an offering memorandum (such as this Offering Memorandum) contains a misrepresentation (as defined in the Manitoba Act), a purchaser who purchases a security offered by the offering memorandum is deemed to have relied on the representation, if it was a misrepresentation at the time of purchase.

Such purchaser has a statutory right of action for damages against the issuer, every director of the issuer at the date of the offering memorandum and every person or company who signed the offering memorandum or, alternatively, while still an owner of the securities purchased by the purchaser, may elect instead to exercise a statutory right of rescission against the issuer, in which case the purchaser shall have no right of action for damages. No such action may be commenced to enforce rights:

- (a) in the case of an action for rescission, more than 180 days after the day of the transaction that gave rise to the cause of action, or
- (b) in any other case, after the earlier of
 - (i) 180 days after the day that the plaintiff first had knowledge of the facts giving rise to the cause of action, or
 - (ii) two years after the day of the transaction that gave rise to the cause of action,

All persons or companies referred to above that are found to be liable or accept liability are jointly and severally liable.

Manitoba's securities legislation provides a number of limitations and defences, including the following:

- (a) no person or company is liable if the person or company proves that the purchaser had knowledge of the misrepresentation;
- (b) in the case of an action for damages, the defendant is not liable for all or any part of the damages that the defendant proves do not represent the depreciation in value of the security as a result of the misrepresentation; and
- (c) in no case will the amount recoverable in any action exceed the price at which the securities were offered under the offering memorandum.

In addition, a person or company, other than the issuer, will not be liable if:

- (a) the person or company proves that the offering memorandum was sent to the purchaser without the person's or company's knowledge or consent, and that, after becoming aware that it was sent, the person or company promptly gave reasonable notice to the issuer that it was sent without the person's or company's knowledge and consent;

- (b) the person or company proves that after becoming aware of the misrepresentation, the person or company withdrew the person's or company's consent to the offering memorandum and gave reasonable notice to the issuer of the withdrawal and the reason for it;
- (c) with respect to any part of the offering memorandum purporting to be made on the authority of an expert or to be a copy of, or an extract from, an expert's report, opinion or statement, the person or company proves that the person or company did not have any reasonable grounds to believe and did not believe that (i) there had been a misrepresentation, or (ii) the relevant part of the offering memorandum (A) did not fairly represent the expert's report, opinion or statement, or (B) was not a fair copy of, or an extract from, the expert's report, opinion or statement; or
- (d) with respect to any part of the offering memorandum not purporting to be made on an expert's authority and not purporting to be a copy of, or an extract from, an expert's report, opinion or statement, unless the person or company (i) did not conduct an investigation sufficient to provide reasonable grounds for a belief that there had been no misrepresentation, or (ii) believed there had been a misrepresentation.

If a misrepresentation is contained in a record incorporated by reference in, or is deemed to be incorporated into, an offering memorandum, the misrepresentation is deemed to be contained in the offering memorandum.

Rights for Purchasers in British Columbia

Notwithstanding that the *Securities Act* (British Columbia) does not provide, or require the Company to provide, to purchasers resident in British Columbia any rights of action in circumstances where this Offering Memorandum or an amendment hereto contains a misrepresentation, the Company hereby grants to such purchasers contractual rights of action that are equivalent to the statutory rights of action set forth above with respect to purchasers resident in Ontario.

Rights for Purchasers in New Brunswick

Section 2.1 of New Brunswick Securities Commission Rule 45-802 provides that the statutory rights of action in rescission or damages referred to in Section 150 of the *Securities Act* (New Brunswick) ("**New Brunswick Act**") apply to information relating to an offering memorandum (such as this Offering Memorandum) that is provided to a purchaser of securities in connection with a distribution made in reliance on the "eligible investor" prospectus exemption in Section 2.9 of NI 45-106. In the event that any information relating to the offering provided to the purchaser contains a misrepresentation (as defined in the New Brunswick Act), the New Brunswick Act provides that where an offering memorandum is delivered to a prospective purchaser of securities in connection with a trade made in reliance on Section 2.9 of NI 45-106, and such offering memorandum contains a misrepresentation, a purchaser who purchases the securities shall be deemed to have relied on the misrepresentation and will have, subject to certain limitations and defences, a statutory right of action against the issuer for damages or, while still the owner of securities, for rescission. If the purchaser elects to exercise the right of rescission, the purchaser will have no right of action for damages. The right of action for rescission will be exercisable by the purchaser only if the purchaser commences the action not more than 180 days after the date of the transaction that gave rise to the cause of action; or, in the case of any action other than an action for rescission, the earlier of: (i) one year after the purchaser first had knowledge of the facts giving rise to the cause of action, or (ii) six years after the date of the transaction that gave rise to the cause of action.

The defendant shall not be liable for a misrepresentation if it proves that the purchaser purchased the securities with knowledge of the misrepresentation when the purchaser purchased the securities. In an action for damages, the defendant shall not be liable for all or any portion of the damages that the defendant proves do not represent the depreciation in value of the securities as a result of the misrepresentation relied upon.

In no case shall the amount recoverable for the misrepresentation exceed the price at which the securities were offered.

Rights for Purchasers in Nova Scotia

The right of action for damages or rescission described herein is conferred by section 138 of the *Securities Act* (Nova Scotia) (the "**Nova Scotia Act**"). Section 138 of the Nova Scotia Act provides that in the event that an offering memorandum (such as this Offering Memorandum), together with any amendment thereto, or any advertising or sales literature contains a misrepresentation (as defined in the Nova Scotia Act), the purchaser will be deemed to have relied upon such misrepresentation if it was a misrepresentation at the time of purchase and has, subject to certain limitations and defences, a statutory right of action for damages against the issuer and, subject to certain additional defences, every director of the issuer

at the date of the offering memorandum and every person who signed the offering memorandum or, alternatively, while still the owner of the securities purchased by the purchaser, may elect instead to exercise a statutory right of rescission against the issuer, in which case the purchaser shall have no right of action for damages against the issuer, directors of the issuer or persons who have signed the offering memorandum, provided that, among other limitations:

- (a) no action shall be commenced to enforce the right of action for rescission or damages by a purchaser resident in Nova Scotia later than 120 days after the date on which the initial payment was made for the securities;
- (b) no person will be liable if it proves that the purchaser purchased the securities with knowledge of the misrepresentation;
- (c) 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 securities as a result of the misrepresentation relied upon; and
- (d) in no case will the amount recoverable in any action exceed the price at which the securities were offered to the purchaser.

In addition, a person or company, other than the issuer, will not be liable if that person or company proves that:

- (a) the offering memorandum or amendment to the 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;
- (b) after delivery of the offering memorandum or amendment to the offering memorandum and before the purchase of the securities by the purchaser, on becoming aware of any misrepresentation in the offering memorandum or amendment to the offering memorandum the person or company withdrew the person's or company's consent to the offering memorandum or amendment to the offering memorandum, and gave reasonable general notice of the withdrawal and the reason for it; or
- (c) with respect to any part of the offering memorandum or amendment to the 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 (A) there had been a misrepresentation, or (B) the relevant part of the offering memorandum or amendment to offering memorandum did not fairly represent the report, opinion or statement of the expert, or was not a fair copy of, or an extract from, the report, opinion or statement of the expert.

Furthermore, no person or company, other than the issuer, will be liable with respect to any part of the offering memorandum or amendment to the offering memorandum not purporting (a) to be made on the authority of an expert or (b) 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.

If a misrepresentation is contained in a record incorporated by reference into, or deemed incorporated by reference into, the offering memorandum or amendment to the offering memorandum, the misrepresentation is deemed to be contained in the offering memorandum or an amendment to the offering memorandum.

Newfoundland and Labrador

In accordance with section 130.1 of the Securities Act (Newfoundland and Labrador) (the “**Newfoundland and Labrador Act**”), in the event an offering memorandum (such as this Offering Memorandum) contains a misrepresentation (as defined in the Newfoundland and Labrador Act), a purchaser to whom an offering memorandum has been delivered and who purchases securities offered under such offering memorandum shall be deemed to have relied upon such misrepresentation if it was a misrepresentation at the time of purchase, in which event the purchaser has a right of action for damages against the issuer and, subject to certain defences against the issuer, every director of the issuer at the date of the offering memorandum and every person or company who signed the offering memorandum. The purchaser may instead elect to exercise a right of

rescission against the issuer. Where a right of rescission is exercised, a purchaser shall have no right of action for damages against any other person.

A defendant is not liable: (a) if the purchaser had knowledge of the misrepresentation; (b) in an action for damages, 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. In an action for damages, the amount recoverable under the right of action shall not exceed the purchase price at which the security was offered under the offering memorandum.

In addition no person or company, other than the issuer, is liable if:

- (a) the person or company proves that the offering memorandum was sent 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 promptly gave reasonable notice to the issuer that it was sent without the person's or company's knowledge or consent;
- (b) the person or company proves that on becoming aware of any misrepresentation in the offering memorandum, the person or company withdrew the person's or company's consent to the offering memorandum, and gave reasonable notice to the issuer of the withdrawal and the reason for it;
- (c) with respect to any part of the offering memorandum purporting to be made on the authority of an expert (or purporting to be a copy of or an extract from a report, opinion or statement of an expert), the person or company proves they had no reasonable grounds to believe and did not believe that there had been a misrepresentation or the relevant part of the offering memorandum did not fairly represent the report, opinion or statement of the expert, or was not a fair copy of, or an extract from, the report, opinion or statement of the expert; or
- (d) with respect to any part of the offering memorandum not purporting to be made on the authority of an expert (and not purporting to be a copy of or an extract from a report, opinion or statement of an expert), unless the person or company did not conduct an investigation sufficient to provide reasonable grounds for a belief that there had been no misrepresentation, or believed there had been a misrepresentation.

If a misrepresentation is contained in a record incorporated by reference in, or deemed incorporated into the offering memorandum, the misrepresentation is deemed to be contained in the offering memorandum.

Pursuant to section 138 of the Newfoundland and Labrador Act, no action shall be commenced to enforce the rights conferred by section 130.1 thereof unless commenced:

- (a) 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
- (b) in the case of an action, other than an action for rescission, 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.

Rights for Purchasers in Prince Edward Island

The right of action for rescission or damages described herein is conferred by section 112 of the Securities Act (Prince Edward Island) (the "**PEI Act**") which provides that in the event an offering memorandum (such as this Offering Memorandum) contains a misrepresentation (as defined in the PEI Act), a purchaser who purchased securities offered by an offering memorandum during the period of distribution has, without regard to whether such purchaser relied upon the misrepresentation, a statutory right of action for damages against the issuer, every director of the issuer at the date of the offering memorandum and every person who signed an offering memorandum. Alternatively, a purchaser who purchased securities pursuant to an offering memorandum during the period of distribution may elect to exercise a statutory right of action for rescission against the issuer. If the purchaser elects to exercise a right of action for rescission, the purchaser will have no right of action for damages.

Statutory rights of action for rescission or damages by a purchaser are subject to the following limitations:

- (a) no action shall be commenced by a purchaser:

- (i) in the case of an action for rescission, more than 180 days after the date of the transaction that gave rise to the cause of action; or
 - (ii) in the case of any other action, the earlier of the expiry of (A) 180 days after the purchaser first had knowledge of the facts giving rise to the cause of action or (B) three years after the date of the transaction giving rise to the cause of action.
- (b) no person shall be liable if the person proves that the purchaser purchased the security with knowledge of the misrepresentation;
- (c) no person, other than the issuer, shall be liable if the person proves that:
 - (i) the offering memorandum was sent to the purchaser without the person's knowledge or consent and that, on becoming aware of it being sent, the person promptly gave reasonable notice to the issuer that it had been sent without the knowledge and consent of the person;
 - (ii) the person, on becoming aware of the misrepresentation in the offering memorandum, had withdrawn the person's consent to the offering memorandum and gave reasonable notice to the issuer of the withdrawal and the reason for it; or
 - (iii) with respect to any part of the offering memorandum purporting to be made on the authority of an expert or purporting to be a copy of, or an extract from, a report, statement or opinion of an expert, the person had no reasonable grounds to believe, and did not believe that (A) there had been a misrepresentation, or (B) the relevant part of the offering memorandum (x) did not fairly represent the report, statement or opinion of the expert, or (y) was not a fair copy of, or an extract from, the report, statement, or opinion of the expert.
- (d) no person, other than the issuer, shall be liable with respect to any part of an offering memorandum not purporting to be made on the authority of an expert and not purporting to be a copy of, or an extract from, a report, statement or opinion of an expert, unless the person:
 - (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; and
- (e) no person is liable for a misrepresentation in forward-looking information, excluding forward-looking information in a financial statement required to be filed under Prince Edward Island securities laws, if the person has a reasonable basis for drawing the conclusion or making the forecast or projections set out in the forward-looking information and if the offering memorandum containing the forward-looking information also contains, proximate to the forward-looking information:
 - (i) 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
 - (ii) a statement of the material factors or assumptions that were applied in drawing a conclusion or making a forecast or projection set out in the forward-looking information.

The foregoing rights are subject to the following: (a) in no case will the amount recoverable in any action exceed the price at which securities purchased by the purchaser were offered; and (b) in an action for damages, the defendant is not liable for any damages that the defendant proves do not represent the depreciation in value of securities as a result of the misrepresentation.

If a misrepresentation is contained in a record incorporated by reference in, or deemed to be incorporated into, an offering memorandum, the misrepresentation is deemed to be contained in the offering memorandum.

Rights for Purchasers in Yukon, Northwest Territories and Nunavut

The right of action for rescission or damages described herein is conferred by section 112 of each of the *Securities Act* (Yukon), the *Securities Act* (Northwest Territories) and the *Securities Act* (Nunavut) (each, a “**Securities Act**”) which provides that in the event an offering memorandum (such as this Offering Memorandum) contains a misrepresentation (as defined in each of the Securities Act), a purchaser who purchased securities offered by an offering memorandum during the period of distribution has, without regard to whether such purchaser relied upon the misrepresentation, a statutory right of action for damages against the issuer, every director of the issuer at the date of the offering memorandum and every person who signed an offering memorandum. Alternatively, a purchaser who purchased securities pursuant to an offering memorandum during the period of distribution may elect to exercise a statutory right of action for rescission against the issuer. If the purchaser elects to exercise a right of action for rescission, the purchaser will have no right of action for damages.

Statutory rights of action for rescission or damages by a purchaser are subject to the following limitations:

- (a) no action shall be commenced by a purchaser:
 - (i) in the case of an action for rescission, more than 180 days after the date of the transaction that gave rise to the cause of action; or
 - (ii) in the case of any other action, the earlier of the expiry of (A) 180 days after the purchaser first had knowledge of the facts giving rise to the cause of action or (B) three years after the date of the transaction giving rise to the cause of action.
- (b) no person shall be liable if the person proves that the purchaser purchased the security with knowledge of the misrepresentation;
- (c) no person, other than the issuer, shall be liable if the person proves that:
 - (i) the offering memorandum was sent to the purchaser without the person’s knowledge or consent and that, on becoming aware of it being sent, the person promptly gave reasonable notice to the issuer that it had been sent without the knowledge and consent of the person;
 - (ii) the person, on becoming aware of the misrepresentation in the offering memorandum, had withdrawn the person’s consent to the offering memorandum and gave reasonable notice to the issuer of the withdrawal and the reason for it; or
 - (iii) with respect to any part of the offering memorandum purporting to be made on the authority of an expert or purporting to be a copy of, or an extract from, a report, statement or opinion of an expert, the person had no reasonable grounds to believe, and did not believe that (A) there had been a misrepresentation, or (B) the relevant part of the offering memorandum (x) did not fairly represent the report, statement or opinion of the expert, or (y) was not a fair copy of, or an extract from, the report, statement, or opinion of the expert.
- (d) no person, other than the issuer, shall be liable with respect to any part of an offering memorandum not purporting to be made on the authority of an expert and not purporting to be a copy of, or an extract from, a report, statement or opinion of an expert, unless the person
 - (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; and
- (e) no person is liable for a misrepresentation in forward-looking information, excluding forward-looking information in a financial statement required to be filed under Prince Edward Island securities laws, if the person has a reasonable basis for drawing the conclusion or making the forecast or projections set out in the forward-looking information and if the offering memorandum containing the forward-looking information also contains, proximate to the forward-looking information:

- (i) 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
- (ii) a statement of the material factors or assumptions that were applied in drawing a conclusion or making a forecast or projection set out in the forward-looking information.

The foregoing rights are subject to the following: (a) in no case will the amount recoverable in any action exceed the price at which securities purchased by the purchaser were offered; and (b) in an action for damages, the defendant is not liable for any damages that the defendant proves do not represent the depreciation in value of securities as a result of the misrepresentation.

If a misrepresentation is contained in a record incorporated by reference in, or deemed to be incorporated into, an offering memorandum, the misrepresentation is deemed to be contained in the offering memorandum.

FINANCIAL STATEMENTS

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AUDITED ANNUAL FINANCIAL STATEMENTS
OF THE COMPANY
FOR THE YEAR ENDED DECEMBER 31, 2014



Consolidated Financial Statements
(In Canadian dollars)

CANADIAN FIRST FINANCIAL GROUP INC.

Year ended December 31, 2014



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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Canadian First Financial Group Inc.

We have audited the accompanying consolidated financial statements of Canadian First Financial Group Inc., which comprise the consolidated statement of financial position as at December 31, 2014, the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal 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 consolidated financial statements.

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



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Emphasis of Matter

Without qualifying our opinion, we draw attention to the notes to the consolidated financial statements which describe a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Canadian First Financial Group Inc. as at December 31, 2014, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

A handwritten signature in black ink that reads 'KPMG LLP' with a horizontal line underneath.

Chartered Professional Accountants, Licensed Public Accountants

May 21, 2015
Toronto, Canada

CANADIAN FIRST FINANCIAL GROUP INC.

Consolidated Statement of Financial Position
(In thousands of Canadian dollars)

December 31, 2014, with comparative information for 2013

	2014	2013
Assets		
Cash and cash equivalents	\$ 169,364	\$ 118,499
Derivative financial instruments (note 5)	—	483
Mortgage loans held for sale (note 6)	39,100	99,333
Securitized mortgages (note 7)	20,464	—
Lines of credit (note 8)	6,218	—
Other (note 10)	2,342	1,415
Deferred tax assets (note 11)	—	5,367
Capital assets (note 12)	1,172	1,441
Intangible assets (note 13)	1,182	1,395
Goodwill (note 4)	4,480	4,359
	\$ 244,322	\$ 232,292
Liabilities and Shareholders' Equity		
Liabilities:		
Income taxes (note 11)	\$ —	\$ 22
Other (note 14)	3,752	5,728
Derivative financial instruments (note 5)	42	—
Loans payable (note 15)	8,994	5,819
Secured borrowing (note 7)	20,379	—
Deposit liabilities (note 16)	194,093	182,387
	227,260	193,956
Shareholders' equity:		
Share capital (note 17)	48,403	46,562
Contributed surplus (notes 17 and 23)	15,166	14,091
Deficit	(46,507)	(22,317)
	17,062	38,336
Commitments (notes 6 and 25)		
	\$ 244,322	\$ 232,292

See accompanying notes to consolidated financial statements.

Approved by the Board of Directors:

_____ Director

_____ Director

CANADIAN FIRST FINANCIAL GROUP INC.

Consolidated Statement of Comprehensive Income
(In thousands Canadian dollars)

	2014	2013
Income (loss):		
Net interest revenue (expense) (note 18)	\$ (844)	\$ 76
Mortgage banking income (note 19)	1,588	637
Servicing income	1,775	294
Other income	357	348
	2,876	1,355
Provision for credit losses (note 9)	(96)	—
	2,780	1,355
Expenses:		
Personnel (note 20)	11,487	7,505
Other (note 22)	8,944	2,718
Depreciation and amortization	1,172	906
	21,603	11,129
Loss before income taxes	(18,823)	(9,774)
Income taxes (recovery) (note 11):		
Current	—	17
Deferred	5,367	(639)
	5,367	(622)
Comprehensive loss	\$ (24,190)	\$ (9,152)

See accompanying notes to consolidated financial statements.

CANADIAN FIRST FINANCIAL GROUP INC.

Consolidated Statement of Changes in Equity
(In thousands Canadian dollars)

Year ended December 31, 2014, with comparative information for 2013

2014	Share capital	Contributed surplus	Deficit	Total
Balance, beginning of year	\$ 46,562	\$ 14,091	\$ (22,317)	\$ 38,336
Issuance of share capital (note 17)	1,841	—	—	1,841
Issuance of warrants (note 17)	—	328	—	328
Stock-based compensation (note 23)	—	747	—	747
Redemption of share capital (note 17)	—	—	—	—
Comprehensive loss	—	—	(24,190)	(24,190)
Balance, end of year	\$ 48,403	\$ 15,166	\$ (46,507)	\$ 17,062

2013	Share capital	Contributed surplus	Deficit	Total
Balance, beginning of year	\$ 6,665	\$ 6,084	\$ (13,165)	\$ (416)
Issuance of share capital (note 17)	39,942	—	—	39,942
Issuance of warrants (note 17)	—	3,054	—	3,054
Stock-based compensation (note 23)	—	5,193	—	5,193
Redemption of share capital (note 17)	(45)	(240)	—	(285)
Comprehensive loss	—	—	(9,152)	(9,152)
Balance, end of year	\$ 46,562	\$ 14,091	\$ (22,317)	\$ 38,336

See accompanying notes to consolidated financial statements.

CANADIAN FIRST FINANCIAL GROUP INC.

Consolidated Statement of Cash Flows
(In thousands Canadian dollars)

Year ended December 31, 2014, with comparative information for 2013

	2014	2013
Cash flows from (used in) operating activities:		
Loss for the year	\$ (24,190)	\$ (9,152)
Adjustments for:		
Depreciation and amortization	1,172	906
Stock-based compensation	747	5,193
Provision for credit losses	96	—
Net interest expense (income)	844	(76)
Amortization of debenture discount	85	—
Income tax	—	17
Deferred taxes, net	5,367	(639)
	(15,879)	(3,751)
Changes in:		
Derivative financial instruments	525	(483)
Mortgage loans held for sale	60,119	(35,785)
Lines of credit	(6,314)	—
Deposit liabilities	10,418	46,187
Securitized mortgages	(20,423)	—
Secured borrowing	20,351	—
Other assets and liabilities, net	(2,932)	(1,851)
	61,744	8,068
Interest received	4,490	719
Interest paid	(3,938)	(109)
Net cash from operating activities	46,417	4,927
Cash flows from (used in) financing activities:		
Issuance of share capital	1,841	29,513
Redemption of share capital	—	(285)
Increase (decrease) in promissory note	(1,978)	5,489
Issuance of debentures with warrants	5,285	—
Equity-settled share-based payments transactions	111	—
Net cash from financing activities	5,259	34,717
Cash flows from (used in) investing activities:		
Treasury bills guaranteed by government	(898)	(200)
Net acquisition of capital assets	(314)	(56)
Cash acquired on acquisition of subsidiary	(121)	78,886
Acquisition of intangible assets	(376)	(73)
Net cash from (used in) from investing activities	(1,709)	78,557
Increase in cash	49,967	118,201
Cash, beginning of year	118,299	98
Cash, end of year	168,266	118,299
Treasury bills guaranteed by government	1,098	200
Cash and cash equivalents, end of year	\$ 169,364	\$ 118,499

See accompanying notes to consolidated financial statements.

CANADIAN FIRST FINANCIAL GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of Canadian dollars, unless otherwise indicated)

Year ended December 31, 2014

Canadian First Financial Group Inc. (the "Company") (formerly Canadian First Financial Holdings Limited) is incorporated under the Canada Business Corporations Act. The Company is domiciled in Canada and the address of its head office is 2020 Winston Park Drive, Suite 302, Oakville, Ontario, L6H 6X7. The consolidated financial statements as at and for the year ended December 31, 2014 comprise the Company and its subsidiaries, hereinafter together referred to as the "Company" and individually as "Company entities". The Company is a financial services provider, primarily involved in the origination, sale and administration of mortgage loans in Canada.

On October 25, 2013, the Company acquired MonCana Capital Corporation ("MCC"), the parent of MonCana Bank of Canada (the "Bank"), a Schedule I bank incorporated under the Bank Act (Canada). As part of the acquisition, the Company invested \$24 million of Tier 1 capital into the Bank. On January 13, 2014, MonCana Bank of Canada changed its name to CFF Bank (the "Bank"). In 2014, the Company injected an additional capital of \$6 million into the Bank.

These financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. The Company's subsidiary, CFF Bank, is in a start-up phase and has recorded significant losses since inception, resulting in erosion of its capital. If certain minimum capital levels are not maintained, the Bank could be subject to regulatory intervention.

The Bank is heavily reliant on continued financing in the absence of achieving profitable operations. The capital requirements have been achieved as of the date of approval of these financial statements, however, if these capital levels are not maintained, the Bank will need to raise additional financing to continue operations and meet its minimum capital requirements. Although the Bank has been able to raise financing in the past, there can be no assurance that future financing will be available to the Bank, or available on terms acceptable to the Bank.

These circumstances indicate the existence of a material uncertainty that may cast significant doubt about the appropriateness of the use of accounting principles applicable to a going concern. These consolidated financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. These adjustments could be material.

CANADIAN FIRST FINANCIAL GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(In thousands of Canadian dollars, unless otherwise indicated)

Year ended December 31, 2014

The principal business of the Bank is to provide Canadian consumers with a range of banking products and services including residential mortgage loans, personal lines of credit, savings accounts and term deposits. During 2014, the Bank launched its retail banking platform offering personal loans, savings accounts and selected term deposits through CFF Centres, an exclusive network of financial service centers created by the Company. The Bank also offers a selected range of term deposits to consumers through non-exclusive deposit brokers. Residential mortgage loans, once originated, are typically sold directly to third parties or securitized under the Government of Canada's National Housing Act ("NHA") Mortgage Backed Securities ("MBS") program, and then sold to third parties. The Bank services a substantial portion of residential mortgage loans sold. The Bank is an approved lender for Canada Mortgage and Housing Corporation and Genworth Financial Mortgage Insurance Company Canada (collectively the "mortgage insurers") and is a member of Canada Deposit Insurance Corporation.

The consolidated financial statements for the year ended December 31, 2014 have been approved for issue by the Board of Directors on May 21, 2015. Neither the Company's owners nor others have the power to amend the consolidated financial statements after issue.

1. Significant accounting policies:

The principal accounting policies applied in preparation of these consolidated financial statements are set out below:

(a) Basis of presentation:

(i) Statement of compliance:

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

(ii) Basis of measurement:

These consolidated financial statements have been prepared on the historical cost basis, except for financial instruments measured at fair value through profit or loss.

CANADIAN FIRST FINANCIAL GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(In thousands of Canadian dollars, unless otherwise indicated)

Year ended December 31, 2014

1. Significant accounting policies (continued):

(iii) Functional and presentation currency:

These consolidated financial statements are presented in Canadian dollar, which is the Company's functional currency.

(iv) Use of estimates and judgments:

The preparation of consolidated financial statements in accordance with IFRS requires the use of certain accounting estimates and assumptions. It also requires management to exercise its judgment applying the Company's accounting policies. Actual results may differ from these estimates. Management believes the underlying assumptions are appropriate and the Company's consolidated financial statements, therefore, present the financial position and results fairly. Estimates and underlying assumptions are reviewed on an ongoing basis.

Areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are the determination of fair value of financial instruments, the allowance of credit losses, the useful lives of capital assets and intangible assets, the accounting treatment of secured borrowing and are disclosed in note 3.

(b) Basis of consolidation:

(i) Subsidiaries:

Subsidiaries are investees controlled by the Company. The Company controls an investee when it is exposed to, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date control ceases.

CANADIAN FIRST FINANCIAL GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(In thousands of Canadian dollars, unless otherwise indicated)

Year ended December 31, 2014

1. Significant accounting policies (continued):

The consolidated financial statements as at and for the year ended December 31, 2014 include the assets, liabilities and results of operations of the Company and its wholly owned subsidiaries: Canadian First Financial Centres Limited, Canadian First Financial Investments Limited, Canadian First Financial Capital Corporation and Canadian First Financial Insurance Services Limited, MCC, MonCana Financial Corporation and the Bank. The consolidated financial statements as at and for the year ended December 31, 2013 included results of operations of MCC, MonCana Financial Corporation and the Bank for the period from October 26, 2013 to December 31, 2013 (note 4).

(ii) Non-controlling interests:

Non-controlling interests are recorded using proportionate consolidation. Non-controlling interests as at and for the year ended December 31, 2014 include the assets, liabilities and results of operations of a 50% share of Canadian First Financial Technologies Limited.

(iii) Transactions eliminated on consolidation:

Intra-group balances, and income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

(c) Financial assets and liabilities:

Where financial assets and liabilities are recognized or measured at fair value in these consolidated financial statements, the fair value 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. The fair value of a liability reflects its non-performance risk. The Company uses widely recognized valuation models for determining fair value that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all factors that market participants would take into account in pricing a transaction.

CANADIAN FIRST FINANCIAL GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(In thousands of Canadian dollars, unless otherwise indicated)

Year ended December 31, 2014

1. Significant accounting policies (continued):

In accordance with International Accounting Standard ("IAS") 39, Financial Instruments - Recognition and Measurement ("IAS 39"), all financial assets and liabilities are recognized in the consolidated statement of financial position and measured in accordance with their assigned categories as follows:

(i) Financial assets:

The Company holds financial assets, consisting of: cash and cash equivalents, mortgage loans held for sale, securitized mortgages, lines of credit, derivative financial instruments and certain other assets.

At initial recognition, the Company assigns its financial assets to one of two categories:

(a) financial assets recognized at fair value through profit or loss ("FVTPL"); or (b) financial assets recognized at amortized cost.

(a) Financial assets at FVTPL:

Financial assets recognized at FVTPL consist of two sub-categories: (i) financial assets classified as held-for-trading; and (ii) financial assets designated upon initial recognition to be recognized at FVTPL. All of the Company's financial assets at FVTPL are recorded in the first sub-category - financial assets classified as held-for-trading.

A financial asset is classified as held-for-trading if it is acquired principally for the purpose of selling it in the near term. Financial assets held for trading consist of mortgage loans held for sale and derivative financial instruments. These financial instruments are recognized initially at fair value and related transaction costs are immediately recognized in the consolidated statement of comprehensive income. Certain costs relating to mortgage loans held for sale are deferred and amortized using the effective interest method. Gains and losses arising from changes in fair value are part of mortgage banking income (note 19). Interest income and expense on financial assets held for trading are included in net interest revenue (expense) (note 18).

CANADIAN FIRST FINANCIAL GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(In thousands of Canadian dollars, unless otherwise indicated)

Year ended December 31, 2014

1. Significant accounting policies (continued):

(i) Mortgage loans held for sale:

Mortgage loans held for sale are recorded at fair value at inception. Subsequent measurement is at fair value, determined by taking into account changes in factors that market participants would take into account when pricing the mortgages held for sale.

Origination of mortgage loans held for sale may include costs which are deferred and amortized over the term of the loan using the effective interest rate method until the loan is sold, at which time, the costs are expensed in full. These costs, which are incurred by the Company in exchange for a higher mortgage interest rate, are lender-paid mortgage insurance premiums and are recorded in net interest revenue.

(ii) Derivative financial instruments:

Derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value. Fair values are determined using valuation models with market data inputs.

Changes in the fair value of a derivative financial instrument are recognized immediately in the consolidated statement of comprehensive income under mortgage banking income.

(b) Financial assets at amortized cost:

Financial assets at amortized cost are non-derivative financial assets that the Company holds to collect contractual cash flows. Financial assets at amortized cost consist of securitized mortgages, lines of credit, accounts receivable, security deposits on premises and cash collateral posted related to derivative financial instruments, all of which are included in other assets.

These are initially recognized at fair value, which is the cash consideration to purchase the financial asset, together with any transaction costs. Subsequently, these financial assets are measured at amortized cost, using the effective interest method.

CANADIAN FIRST FINANCIAL GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(In thousands of Canadian dollars, unless otherwise indicated)

Year ended December 31, 2014

1. Significant accounting policies (continued):

Cash and cash equivalents:

Cash and cash equivalents comprise cash on hand, deposits held with regulated financial institutions and other short-term, highly quality liquid investments with original maturities of three months or less.

(ii) Financial liabilities:

The Company's financial liabilities consist of: deposit liabilities, secured borrowing, accounts payable, mortgage loan commitments, loans payable and derivative financial instruments.

The Company assigns its financial liabilities to one of two categories: (a) financial liabilities recognized at FVTPL; or (b) financial liabilities at amortized cost. Financial liabilities are derecognized when extinguished.

(a) Financial liabilities at FVTPL:

Financial liabilities recognized at FVTPL consist of two sub-categories: (i) financial liabilities classified as held-for-trading; and (ii) financial liabilities designated at FVTPL upon initial recognition. All of the Company's financial liabilities at FVTPL are recorded in the first sub-category - financial liabilities classified as held-for-trading.

A financial liability is classified as held-for-trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking.

Derivative financial instruments, which are used to manage the Company's interest rate risk, are categorized as held-for-trading. Financial liabilities classified as held-for-trading are mortgage commitments, which are included with other liabilities in the consolidated statement of financial position. Gains and losses arising from changes in fair value of financial liabilities classified as held-for-trading are included in the consolidated statement of comprehensive income and reported as part of mortgage banking income (note 19).

CANADIAN FIRST FINANCIAL GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(In thousands of Canadian dollars, unless otherwise indicated)

Year ended December 31, 2014

1. Significant accounting policies (continued):

Mortgage commitments:

A mortgage commitment allows a customer to enter into a mortgage transaction at a specified interest rate within a defined period of time. A change in market interest rates prior to funding the mortgage loan may result in an obligation to provide the future financing at below current market rates. This obligation is recorded as mortgage commitments in other liabilities.

The fair value of the mortgage commitments is determined using valuation models with market data inputs.

Changes in the obligation for commitments of mortgage loans held for sale are recorded immediately in mortgage banking income.

(b) Financial liabilities measured at amortized cost:

Financial liabilities that are not classified at FVTPL fall into this category and are measured at amortized cost. Included in this category are deposit liabilities, secured borrowing, accounts payable, which are included as part of other liabilities, and loans payable (note 15). Costs directly associated with the origination of deposit liabilities are included in the carrying amount of the deposit liability. Origination costs are amortized and recognized as a portion of interest expense over the term of the deposit using the effective interest rate method.

(c) Transfer of receivables:

Under the National Housing Association ("NHA") Mortgage-backed Securities ("MBS") program, the Company creates pool of mortgages insured by Canada Mortgage and Housing Corporation ("CMHC") and sells the interest in these mortgage pools to CMHC in trust for investors in NHA MBS certificates.

CANADIAN FIRST FINANCIAL GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(In thousands of Canadian dollars, unless otherwise indicated)

Year ended December 31, 2014

1. Significant accounting policies (continued):

The securitization of mortgage pools under NHA MBS program does not qualify for derecognition because the Company retains the interest only strip and the servicing rights. These mortgages are reclassified as securitized mortgages and are accounted for at amortized cost, plus accrued interest, reported net of unamortized origination fees. The net origination fees are amortized to income on an effective yield basis over the term of the mortgages to which they relate, and are included in interest income.

The securitization of mortgages results in the recognition of secured borrowing. Secured borrowing is recorded at amortized cost, plus accrued interest, and is reported net of any unamortized transaction costs incurred in obtaining the secured borrowing. Interest expense is allocated over the expected term of borrowing by applying the effective interest rate to the carrying amount of the liability.

(d) Derecognition of mortgage loans:

The Company enters into transactions, whereby mortgage loans are transferred to institutional investors ("investor-clients"). The transactions are pursuant to purchase and sale agreements under which the Company transfers (i) the rights to receive the cash flows; and (ii) substantially all risks and rewards of the mortgage loans. Consequently, the transactions are accounted for as sales and the mortgage loans are removed from the consolidated statement of financial position.

When the Company sells mortgage loans and retains the rights and obligations associated with servicing the mortgage loans, the investor-clients have no recourse to the Company's other assets.

Gains or losses are recognized at the time of sale as part of mortgage banking income. Related origination costs previously expensed are reversed and charged to gains and losses (note 19).

CANADIAN FIRST FINANCIAL GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(In thousands of Canadian dollars, unless otherwise indicated)

Year ended December 31, 2014

1. Significant accounting policies (continued):

(e) Capital assets:

Capital assets are stated at cost, less accumulated depreciation. Cost includes expenditures that are directly attributable to the acquisition of the asset and preparing it for use. Subsequent expenditures are included in the asset's carrying amount or are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be reliably measured. Where the acquired capital asset replaces the existing asset which is retired, the carrying amount of the replaced asset is derecognized. All repairs and maintenance costs are charged to other expenses during the period in which they are incurred.

Depreciation of assets is calculated using the straight-line method over their estimated useful lives, as follows:

Furniture	10 years
Office equipment	5 years
Computer hardware and software	5 years
Leasehold improvements	Remaining lease term

The residual values and useful lives of the assets are reviewed and adjusted, if appropriate, at each date of the consolidated statement of financial position. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of (i) the asset's fair value less costs to sell; and (ii) value in use. No capital assets were impaired as at December 31, 2014.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. No capital assets were disposed of during the year.

CANADIAN FIRST FINANCIAL GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(In thousands of Canadian dollars, unless otherwise indicated)

Year ended December 31, 2014

1. Significant accounting policies (continued):

(f) Intangible assets:

Intangible assets comprise separately identifiable intangible items arising from obtaining the bank license (for the Bank) and computer software licenses.

Intangible assets are initially recognized at cost. Such cost includes costs directly attributable to acquiring the intangible asset and preparing it for use, including internally allocated personnel costs. Costs related to computer software licenses are recognized as an asset when the Company is able to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits, and can reliably measure the costs to complete the development.

After initial recognition, the Company measures intangible assets at amortized cost. Intangible assets with definite useful lives are amortized using the straight-line method over their estimated useful economic lives, generally not exceeding 10 years. Intangible assets with indefinite useful lives are not amortized. Intangible assets are reviewed annually for indications of impairment or changes in estimated future economic benefits. If such indications exist, the intangible assets are analyzed to assess whether their carrying amount is fully recoverable. An impairment loss is recognized if the carrying amount exceeds the recoverable amount.

(i) Bank license:

The bank license represents the costs incurred to incorporate the Bank and to obtain the necessary regulatory approvals to operate as a Schedule I bank. The useful life of this intangible asset is determined to be indefinite and, accordingly, the asset is not amortized. The bank license is tested annually, as well as whenever a trigger event has been observed, for impairment. Impairment losses are not reversed.

CANADIAN FIRST FINANCIAL GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(In thousands of Canadian dollars, unless otherwise indicated)

Year ended December 31, 2014

1. Significant accounting policies (continued):

(ii) Computer software licenses:

Computer software licenses represent costs incurred to acquire licenses for application software and software specific to, and customized for, the Company's operating activities. Amortizations of such licenses are as follows:

Application software licenses	5 years
Customized computer software licenses	10 years

(iii) Goodwill:

Goodwill represents the excess purchase price paid over the net fair value of identifiable assets and liabilities acquired in a business combination. Goodwill is carried at its initial cost less accumulated impairment losses.

Goodwill is allocated to the Bank based on the expected benefit from the synergies of the business combination. The Bank is the smallest identifiable group of assets that generates cash flows largely independent of the cash inflows from other assets. The Bank represents the lowest level within the Company at which goodwill is monitored for internal management purposes.

Goodwill is assessed for impairment at least annually and when an event or change in circumstances indicates that the carrying amount may be impaired. If the recoverable amount is less than the carrying amount, an impairment loss is recognized and goodwill is adjusted accordingly. An impairment loss cannot be reversed in future periods.

CANADIAN FIRST FINANCIAL GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(In thousands of Canadian dollars, unless otherwise indicated)

Year ended December 31, 2014

1. Significant accounting policies (continued):

(g) Income tax:

(i) Current income tax:

Income tax payable (receivable) is calculated based on the laws and regulations of the Income Tax Act (Canada) and is recognized as an expense (income) for the year.

(ii) Deferred income tax:

Deferred income tax is recorded using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates that have been enacted or substantially enacted by the date of the consolidated statement of financial position and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets are recognized when it is probable that future taxable profit will be available against which these temporary differences and carryforwards of unused losses or unused tax credits can be utilized. The Company will adjust the carrying amount of the deferred tax asset to the extent that there is convincing evidence available to support the probability that sufficient taxable profits will allow the benefit of the deferred tax asset to be utilized.

CANADIAN FIRST FINANCIAL GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(In thousands of Canadian dollars, unless otherwise indicated)

Year ended December 31, 2014

1. Significant accounting policies (continued):

(h) Income:

(i) Interest income and expense:

Interest income and expense are recognized within net interest revenue on the consolidated statement of comprehensive income using the effective interest method. The effective interest rate is the constant return on the carrying value of the financial instrument throughout its term and exactly discounts estimated future cash payments or receipts to the net carrying amount. When calculating the rate, the Company estimates cash flows factoring in contractual terms of the financial instrument, fees, transactions costs and other premiums or discounts, but does not consider future losses or early prepayment and redemption.

(ii) Mortgage banking income and expenses:

A majority of mortgages originated by the Company are sold to institutional investors. When mortgages are placed with institutional investors, the Company transfers the contractual right to receive mortgage cash flows to the investor. The Company derecognizes these assets since it has transferred substantially all the risks and rewards of ownership of these mortgages. The transactions are accounted for as sales and the mortgage loans are removed from the consolidated statement of financial position. Gains or losses are recognized at the time of sale as part of mortgage banking income (note 19).

(iii) Servicing:

The Company earns servicing fees on mortgage loans serviced for certain institutional investors. The servicing fees are recognized as the services are performed.

CANADIAN FIRST FINANCIAL GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(In thousands of Canadian dollars, unless otherwise indicated)

Year ended December 31, 2014

1. Significant accounting policies (continued):

(iv) Other income:

Income from commissions earned on mutual funds, guaranteed investment certificates and segregated fund sales are recognized when the trade is executed, while commissions earned from trailer fees on these sales is recognized when received. Income from commissions earned on the sale of insurance policies is recognized when the policy is in-force with the issuing insurance company. Income earned on the sale of creditor insurance is recognized as revenue when received. Income earned from fees and rental of assets are recognized as earned. The fee charged upon entering into an operating agreement with Canadian First Financial Centres Limited is recognized into income over the term of the agreement.

(i) Employee benefits:

(i) Termination benefits:

Termination benefits are recognized as an expense when the Company is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before normal retirement date. If benefits payable are more than 12 months after the reporting date, then they are discounted to their present value.

(ii) Short-term employee benefits:

Short-term employee benefits obligations are measured on an undiscounted basis and are expensed as the related service is provided.

CANADIAN FIRST FINANCIAL GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(In thousands of Canadian dollars, unless otherwise indicated)

Year ended December 31, 2014

1. Significant accounting policies (continued):

(iii) Share-based payment transactions:

The Company issues share-based payment awards in the form of stock options ("options") to eligible persons. Options are awarded to eligible persons to purchase common shares between \$0.001 and \$1.15 per share. The Company uses the fair value method of accounting for options. Compensation expense is calculated using the Black-Scholes option pricing model. The fair value of the options is recognized on a straight-line basis over the vesting period of the options granted as stock-based compensation expense with a corresponding increase to contributed surplus. The balance will be reduced as the options are exercised and the amount initially recorded for the options is credited to share capital. The expense related to stock-based compensation is included in the consolidated statement of comprehensive income.

(j) Warrants:

Periodically, the Company sources its funds through issuance of debentures and shares, with and without warrants. If warrants are issued with debt, the Company initially fair values the debt using its current borrowing rate. Warrants issued with debentures are deemed equity. The difference between the fair value and nominal value of debt is recorded in contributed surplus. The discount on the debt is amortized to income using the effective interest rate method over the term of the debt (notes 15 and 17).

(k) Offsetting:

Financial assets and financial liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions such as the Company's trading activity.

CANADIAN FIRST FINANCIAL GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(In thousands of Canadian dollars, unless otherwise indicated)

Year ended December 31, 2014

1. Significant accounting policies (continued):

(l) Standards issued but not yet effective:

The following IFRS may impact the future financial statements of the Company. These standards have been issued but are not yet effective. The Company has not early adopted these standards and is currently assessing the impact of the standards or amendments on the current or future financial statements.

(i) IFRS 15, Revenue from Contracts with Customers ("IFRS 15"):

On May 28, 2014 the IASB issued IFRS 15. The new standard is effective for annual periods beginning on or after January 1, 2017. Earlier application is permitted.

IFRS 15 will replace IAS 11, Construction Contracts, IAS 18, Revenue, International Financial Reporting Interpretations Committee ("IFRIC") 13, Customer Loyalty Programmes, IFRIC 15, Agreements for the Construction of Real Estate, IFRIC 18, Transfer of Assets from Customers, and Standing Interpretation Committee 31, Revenue - Barter Transactions Involving Advertising Services.

The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized.

The new standard applies to contracts with customers. It does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRSs.

The Company intends to adopt IFRS 15 in its financial statements for the annual period beginning on January 1, 2017. The extent of the impact of adoption of the standard has not yet been determined.

CANADIAN FIRST FINANCIAL GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(In thousands of Canadian dollars, unless otherwise indicated)

Year ended December 31, 2014

1. Significant accounting policies (continued):

(ii) IFRS 9, Financial Instruments ("IFRS 9"):

On July 24, 2014, the IASB issued the complete IFRS 9 ("IFRS 9 (2014)"). The mandatory effective date of IFRS 9 is for annual periods beginning on or after January 1, 2018 and must be applied retrospectively with some exemptions. Early adoption is permitted.

IFRS 9 (2014) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2014), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows.

The standard introduces additional changes relating to financial liabilities.

It also amends the impairment model by introducing a new 'expected credit loss' model for calculating impairment.

IFRS 9 (2014) also includes a new general hedge accounting standard which aligns hedge accounting more closely with risk management. The new standard does not fundamentally change the types of hedging relationships or the requirement to measure and recognize ineffectiveness, however, it will provide more hedging strategies that are used for risk management to qualify for hedge accounting and introduce more judgment to assess the effectiveness of a hedging relationship.

Special transitional requirements have been set for the application of the new general hedging model.

The Company intends to adopt IFRS 9 (2014) in its financial statements for the annual period beginning on January 1, 2018. The extent of the impact of adoption of the standard has not yet been determined.

CANADIAN FIRST FINANCIAL GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(In thousands of Canadian dollars, unless otherwise indicated)

Year ended December 31, 2014

2. Risk management and control practices:

The Company is subject to risks which can result in losses or profits foregone, caused by internal or external factors.

The Company's approach to risk management addresses overall risks, such as strategic and business risk, operational risk and reputational risk, as well as more specific risks, principal of which are market risk, credit risk and liquidity risk. The Board of Directors (the "Board") approves the business strategy, as well as the principal policies which guide senior management. The policies are reviewed at least annually to reflect changes in markets, products and best practices.

The core functions of the Company's senior management include identifying the key risks of the Company and specifically the Bank, measuring and monitoring these risks and managing the risk positions. The aim is to achieve an appropriate balance between risk and return and minimize potential adverse effects on the Company's financial performance. Additional oversight of risk-taking activities is provided by the Chief Risk and Compliance Officer, the Chief Financial Officer and the Internal Auditor.

(a) Strategic and business risk:

Strategic and business risk is the risk of loss due to external factors and consists primarily of (i) adverse changes in the external business environment; (ii) the failure to adjust business activities to adjust for external events or business results; or (iii) the inability of the business to adjust its cost levels in response to those changes. Strategic and business risk is managed by the Chief Executive Officer and the Board. The Board approves the Company's strategies at least annually and reviews results at least quarterly.

(b) Operational risk:

Operational risk, which is inherent in all business activities, is the risk of loss resulting from internal factors, such as inadequate or failed internal processes, people and systems. Because it is present in all areas of business, the impact of operational risk may include financial loss, loss of reputation or regulatory penalties. Operational risk cannot be eliminated; however, the Company has taken a number of steps to identify operational risks and to mitigate them.

CANADIAN FIRST FINANCIAL GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(In thousands of Canadian dollars, unless otherwise indicated)

Year ended December 31, 2014

2. Risk management and control practices (continued):

Operational risk is managed by the Company through a number of processes and controls over the operating environment. The Company also has an internal audit group that routinely conducts audits and investigations on various operations of the Company and reports thereon directly to the Audit and Risk Committees.

(c) Reputational risk:

Reputational risk is the risk that an activity undertaken by the Company or its representatives will impair its image in the community or lower public confidence in it, resulting in loss of business, legal action or increased regulatory oversight.

Reputational risk can arise from a number of events and primarily occurs in connection with operational risks and legal or regulatory compliance. Protecting the Company's reputation is the responsibility of the Board of Directors and extends through senior management to all of the Company's employees.

(d) Market risk:

Market risk is the risk that the future cash flows or the fair value of a financial instrument will fluctuate because of changes in market values. The Company's principal market risk is its exposure to interest rate fluctuations through its hedging program. The Company uses hedging transactions, consisting primarily of derivatives in the form of bond locks and put options to manage its interest rate risk relating to unsold mortgages and mortgage commitments. As interest rates change, the value of the derivatives varies inversely with the value of the mortgages and mortgage commitments.

Management of interest rate risk includes: (i) monitoring of changes in interest rates; (ii) evaluating the net risk related to financial instruments, including the expected value of mortgage commitments, mortgage loans held for sale and hedging transactions; and (iii) adjusting the level of hedging transactions to reduce the risk.

CANADIAN FIRST FINANCIAL GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(In thousands of Canadian dollars, unless otherwise indicated)

Year ended December 31, 2014

2. Risk management and control practices (continued):

The Company's deposit-taking activities provide overall liquidity in the form of cash and cash equivalents, which is used primarily for the initial funding of mortgage loans held for sale. The Company assumes market risk during the period that it holds cash and cash equivalents and mortgage loans held for sale. While the mortgage loans held for sale are generally not held for longer than one month, the Company accepts deposits with longer terms, generally 12 months. This mismatch in maturities may impact earnings if the interest rates changes. This component of market risk is managed, to the extent possible, by maintaining an even level of deposit maturities throughout the year. The Company accepts this managed component of interest rate risk in exchange for reduced liquidity risk.

(e) Credit risk:

Credit risk is the risk of suffering financial loss should any of the Company's borrowers or market counterparties fail to fulfill their contractual obligations to the Company. Credit risk arises mainly from mortgage loans and cash and cash equivalents.

Management and the Board manage exposure to credit risk relating to mortgage loans and through review of credit policies and lending practices. The Company uses stringent underwriting criteria and experienced adjudicators to mitigate this risk. The Company applies a detailed set of credit policies and prudent arrears management. Credit risk is mitigated by originating and holding mortgages insured by the Mortgage Insurers. This insurance covers the principal and interest of a mortgage loan and any associated collection and recovery costs. At December 31, 2014, there was one (2013 - nil) mortgage in arrears of over 90 days, which is a common quality measurement used in the banking industry. The loan in arrears represents 0.61% of the mortgage portfolio and is insured by CMHC.

Lines of credit represent unsecured lending to retail customers through an exclusive network of financial service centers. The Company limits exposure to credit risk by regular review of credit policies and lending practices. Individual lines of credit are specifically provided once objective evidence of impairment is identified. Management also records a collective allowance for credit losses based on review of credit quality, portfolio size, concentrations and economic factors.

CANADIAN FIRST FINANCIAL GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(In thousands of Canadian dollars, unless otherwise indicated)

Year ended December 31, 2014

2. Risk management and control practices (continued):

The Company manages, limits and controls concentrations of credit risk by placing limits on the amount of risk accepted in relation to one borrower and by lending across Canada. Credit risk relating to cash and cash equivalents is mitigated by holding all such financial instruments at a major Canadian financial institution.

(f) Liquidity risk:

Liquidity risk is the risk that the Company is unable to generate or obtain sufficient cash in a timely and cost-effective manner to meet its obligations as they come due.

The Company's liquidity risk is subject to a Board-approved policy and is administered by senior management, which provides quarterly reports to the Board on the Company's liquidity position.

The liquid assets maintained by the Company consist of cash and cash equivalents. The Company uses weekly cash flow forecasts, which evaluate cash inflows and outflows under expected and adverse conditions, to measure the cash requirements. These cash flow forecasts also quantify the Bank's Liquidity Coverage Ratio ("LCR"), which considers highly liquid assets as a percentage of all of the Bank's expected cash requirements over a 30-day period. Reflecting Basel III requirements planned for January 1, 2015, the Bank's liquidity policy requires that a LCR of 100% is maintained. At December 31, 2014, the Bank's LCR was 372% (2013 - 343%).

(g) Capital management:

The Company's objectives when managing capital are to:

- ensure that the Company has enough capital to maintain confidence in its safety and stability while providing a return on capital that is sufficient to satisfy the expectations of its investors; and
- maintain a strong capital base to support the development of its business.

CANADIAN FIRST FINANCIAL GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(In thousands of Canadian dollars, unless otherwise indicated)

Year ended December 31, 2014

2. Risk management and control practices (continued):

The Company's banking subsidiary is subject to externally imposed capital requirements from the Office of the Superintendent of Financial Institutions ("OSFI"), the primary regulator of the Bank. The Bank's capital management objective is to maintain a consistently strong capital position while considering the economic risks generated by its mortgage banking business and to meet all regulatory capital requirements, as defined by OSFI. Capital adequacy is monitored on a monthly basis by senior management and reported quarterly to the Board.

3. Critical accounting estimates and judgments:

The Company's consolidated financial statements are influenced by accounting policies, assumptions, estimates and management judgment, which necessarily have to be made in the course of preparation of the consolidated financial statements. The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. All estimates and assumptions required in conformity with IFRS are best estimates undertaken in accordance with the applicable standard. Estimates and judgments are evaluated on a continuous basis, and are based on past experience and other factors, including expectations with regard to future events. Accounting policies and management's judgments for the following items are especially critical for the Company's results and financial situation due to their materiality.

(a) Fair values of financial instruments:

Where financial assets and liabilities are recognized or measured at fair value in these consolidated financial statements, the fair value 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. The fair value of a liability reflects its non-performance risk. The Company uses widely recognized valuation models for determining fair value that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all factors that market participants would take into account in pricing a transaction. Changes in quoted market prices and the market input used in valuation models could affect the reported fair values of financial instruments.

CANADIAN FIRST FINANCIAL GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(In thousands of Canadian dollars, unless otherwise indicated)

Year ended December 31, 2014

3. Critical accounting estimates and judgments (continued):

The Company uses the following hierarchy for categorizing the inputs to valuation techniques, which are subsequently used for determining and disclosing fair values of financial instruments:

- Level 1 - inputs that are quoted market prices (unadjusted) in an active market for identical instruments;
- Level 2 - inputs other than quoted prices included in Level 1 that are observable either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data; and
- Level 3 - inputs that are unobservable. This category includes all instruments where valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between instruments.

See note 27 for details of the fair values of financial assets and liabilities.

(b) Income taxes:

The deferred tax assets recognized at December 31, 2013 (note 11) have been based on future profitability assumptions and tax rates.

The deferred tax assets have been based on future profitability assumptions, which include a detailed earnings forecast and a forecast of taxable earnings. As part of these forecasts, management has reviewed and assessed the probability of taxable profits before the tax losses expire, the cause of losses and the likelihood of these losses recurring.

The Company will adjust the carrying amount of the deferred tax asset to the extent that there is convincing evidence available to support the probability that sufficient future taxable profits will allow the benefit of the deferred tax asset to be utilized. At December 31, 2014, deferred tax assets have not been recognized. Refer to note 11 for details on income taxes.

CANADIAN FIRST FINANCIAL GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(In thousands of Canadian dollars, unless otherwise indicated)

Year ended December 31, 2014

3. Critical accounting estimates and judgments (continued):

(c) Contributed surplus:

The Company uses a number of estimates in order to determine the stock-based compensation expense and the fair value of the warrants issued in conjunction with share and debt issuances. For stock-based compensation expense, the Company uses judgment in determining the length of the vesting period for stock options that vest over an extended period of time (in excess of one year). The common shares are not actively traded since the Company is privately held. As a result, the Company estimates the expected volatility of the share price in order to determine fair value of the instruments. The Company uses judgment in order to estimate the expected volatility based on market comparable data and sensitivity analysis. The fair value of the stock-based compensation and the warrants are determined by using the Black-Scholes pricing model. For warrants issued with debt, the Company uses judgment in determining the fair value of the debt and the difference is ascribed to the value of equity.

4. Goodwill:

On October 25, 2013, the Company obtained control of MCC, and its banking subsidiary, the Bank, by acquiring 100% of the shares and voting interests in MCC. Goodwill of \$4,359 was recognized as a result of the acquisition. During 2014, an additional \$121 was recognized on final settlement of the purchase price.

Beginning of year	\$ 4,359
Purchase price adjustment	121
End of year	<u>\$ 4,480</u>

The goodwill is attributable to the skills and technical talent of MCC's workforce, its fully operational banking subsidiary which is doing business across Canada and the synergies expected to be achieved from integrating the MCC into the Company. None of the goodwill recognized is expected to be deductible for income tax purposes.

As at December 31, 2014, the Company determined that there was no impairment of goodwill identified during the year.

CANADIAN FIRST FINANCIAL GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(In thousands of Canadian dollars, unless otherwise indicated)

Year ended December 31, 2014

5. Derivative financial instruments:

The Company used derivative financial instruments based on Government of Canada bonds ("GoC bonds") to manage interest rate risk relating to mortgage loans held for sale and commitments to fund mortgage loans in the future.

Put options are contractual agreements under which the Company purchases an option, but not an obligation, to sell GoC bonds with a negotiated nominal amount at a predetermined price at a specified future date and time. A net settlement occurs for the difference between the predetermined price and the market price. The Company pays a premium to purchase the option.

Bond locks are derivatives that replicate a short position in a bond. Bond locks are individually negotiated contracts that call for a cash settlement for the difference between a contracted bond price and the bond's current market price at a predetermined future date based on a notional principal amount.

In addition, the Company's mortgage commitments allow a customer to enter into a mortgage transaction at a specified interest rate within a defined period of time. A change in market interest rates prior to funding the mortgage loan may result in an obligation to provide the future financing at below current market rates. This obligation is recorded as mortgage commitments in other liabilities (note 14).

CANADIAN FIRST FINANCIAL GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(In thousands of Canadian dollars, unless otherwise indicated)

Year ended December 31, 2014

5. Derivative financial instruments (continued):

During the year ended 2014, the change in realized and unrealized gains or losses relating to all derivative financial instruments is as follows:

	2014			2013		
	Realized losses	Unrealized gains (losses)	Total	Realized gains	Unrealized gains (losses)	Total
Change in fair value of:						
Put options	\$ (88)	\$ –	\$ (88)	\$ 608	\$ –	\$ 608
Bond locks	(2,378)	(525)	(2,903)	1,001	450	1,451
Unfunded mortgage commitments	–	311	311	–	(146)	(146)
	\$ (2,466)	\$ (214)	\$ (2,680)	\$ 1,609	\$ 304	\$ 1,913

At December 31, 2014, the notional amounts of the underlying GoC bonds relating to bond locks were \$35,000 (2013 - \$95,000) and the fair value of the bond locks was a liability of \$42 (2013 - an asset of \$483). No put options were held at December 31, 2014 (2013 - nil).

All derivative instruments have a term to maturity of less than 50 (2013 - 45) days and are based on GoC bonds with terms of three to five years.

CANADIAN FIRST FINANCIAL GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(In thousands of Canadian dollars, unless otherwise indicated)

Year ended December 31, 2014

6. Mortgage loans held for sale:

(a) Mortgage loans held for sale consist of the following:

	Principal balance	Deferred fees	Fair value adjustment	Accrued interest	Total
Insured residential mortgage loans					
Balance, December 31, 2013	\$ 99,493	\$ 122	\$ (386)	\$ 104	\$ 99,333
Changes:					
Origination	390,156	159	—	—	390,315
Sales	(426,726)	(214)	(1,188)	(375)	(428,503)
Secured borrowing	(20,561)	—	—	—	(20,561)
Repayments	(3,528)	—	—	—	(3,528)
Amortization of deferred fees	—	(60)	—	—	(60)
Accruals	—	—	1,794	310	2,104
	(60,659)	(115)	606	(65)	(60,233)
Balance, December 31, 2014	\$ 38,834	\$ 7	\$ 220	\$ 39	\$ 39,100

Mortgages are sold to third parties at a price based on GoC bond yields plus a negotiated spread. The fair value of mortgage loans held for sale, as reported in these consolidated financial statements, consists of: (i) the fair value to acquire the mortgage loan, without consideration of acquisition costs; and (ii) a fair value adjustment for the impact of changes in the quoted bond yields since the acquisition date. The carrying value may differ from the fair value obtained in a sale transaction.

(b) The remaining terms to maturity of the mortgage loans is as follows:

	2014	2013
Principal balance of insured residential mortgage loans:		
1 year or less	\$ 1,257	\$ 2,669
More than 1 to 3 years	18,419	2,254
More than 3 to 5 years	19,158	94,570
Principal outstanding	38,834	99,493
Fair value adjustments	220	(386)
Deferred costs, net	7	122
Accrued interest	39	104
	\$ 39,100	\$ 99,333

CANADIAN FIRST FINANCIAL GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(In thousands of Canadian dollars, unless otherwise indicated)

Year ended December 31, 2014

6. Mortgage loans held for sale (continued):

(c) The remaining amortization of the mortgage loans is as follows:

	2014		2013	
	Amount	Percentage	Amount	Percentage
Principal balance of insured residential mortgage loans:				
20 years or less	\$ 4,916	12.7	\$ 4,197	4.2
More than 20 to 25 years	28,015	72.1	81,351	81.8
More than 25 to 30 years	5,417	13.9	12,050	12.1
More than 30 to 35 years	486	1.3	1,895	1.9
Principal outstanding	38,834	100.0	99,493	100.0
Fair value adjustments	220	—	(386)	—
Deferred costs, net	7	—	122	—
Accrued interest	39	—	104	—
	\$ 39,100	100.0	\$ 99,333	100.0

(d) The geographic breakdown of the mortgage loans is as follows:

	2014		2013	
	Amount	Percentage	Amount	Percentage
Principal balance of insured residential mortgage loans:				
Alberta	\$ 15,471	39.8	\$ 47,475	47.7
Ontario	9,083	23.4	25,686	25.8
British Columbia	5,776	14.9	3,532	3.6
Atlantic Canada	5,656	14.5	10,029	10.1
Saskatchewan	1,929	5.0	9,577	9.6
Manitoba	680	1.8	1,961	2.0
Northwest Yukon Territories	239	0.6	1,233	1.2
Principal outstanding	38,834	100.0	99,493	100.0
Fair value adjustments	220	—	(386)	—
Deferred costs, net	7	—	122	—
Accrued interest	39	—	104	—
	\$ 39,100	100.0	\$ 99,333	100.0

CANADIAN FIRST FINANCIAL GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(In thousands of Canadian dollars, unless otherwise indicated)

Year ended December 31, 2014

6. Mortgage loans held for sale (continued):

(e) Mortgage commitments:

In the normal course of business, the Company issues commitments at fixed or floating rates for mortgage loans to be held for sale. The commitment period for fixed rate mortgages is generally not more than 120 days. The table below summarizes the Company's outstanding commitments in notional amounts at fixed and floating rates and estimates of probable funding.

	Notional amounts	
	2014	2013
Outstanding mortgage commitments	\$ 40,989	\$ 81,865
Comprising:		
Fixed rate	\$ 37,035	\$ 76,931
Floating rate	3,954	4,934
	\$ 40,989	\$ 81,865
Estimated funding probabilities	\$ 27,561	\$ 50,782
Weighted average remaining commitment term	45 days	58 days

CANADIAN FIRST FINANCIAL GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(In thousands of Canadian dollars, unless otherwise indicated)

Year ended December 31, 2014

7. Securitization activity:

(a) The remaining terms to maturity of the securitized mortgages is as follows:

	2014	2013
Principal balance of insured securitized residential mortgage loans:		
More than 1 to 3 years	\$ 14,939	\$ —
More than 3 to 5 years	5,448	—
	20,387	—
Deferred issuance costs, net	34	—
Accrued interest	43	—
	\$ 20,464	\$ —

(b) The remaining amortization of the mortgage loans is as follows:

	2014	2013
Principal balance of insured securitized residential mortgage loans:		
20 years or less	\$ 1,598	\$ —
More than 20 to 25 years	16,832	—
More than 25 to 30 years	1,957	—
	20,387	—
Deferred issuance costs, net	34	—
Accrued interest	43	—
	\$ 20,464	\$ —

CANADIAN FIRST FINANCIAL GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(In thousands of Canadian dollars, unless otherwise indicated)

Year ended December 31, 2014

7. Securitization activity (continued):

(c) The geographic breakdown of securitized mortgages is as follows:

	2014		2013	
	Amount	Percentage	Amount	Percentage
Principal balance of insured residential mortgage loans:				
Alberta	\$ 8,790	43.1	\$ —	—
Ontario	7,369	36.2	—	—
British Columbia	4,228	20.7	—	—
	20,387	100.0	—	—
Deferred issuance costs, net	34	—	—	—
Accrued interest	43	—	—	—
	\$ 20,464	100.0	\$ —	—

(d) The Company's outstanding secured borrowing is as follows:

	2014	2013
Principal balance of NHA MBS debt:		
More than 1 to 3 years	\$ 14,918	\$ —
More than 3 to 5 years	5,440	—
	20,358	—
Deferred issuance costs, net	(4)	—
Accrued interest	25	—
	\$ 20,379	\$ —

8. Lines of credit:

During the year, the Company introduced a new retail product, the EasyOne account, which offers customers combined unsecured line of credit and high interest savings.

CANADIAN FIRST FINANCIAL GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(In thousands of Canadian dollars, unless otherwise indicated)

Year ended December 31, 2014

8. Lines of credit (continued):

The geographic breakdown of the lines of credit (net of individual allowances for credit losses) is as follows:

	2014		2013	
	Amount	Percentage	Amount	Percentage
Ontario	\$ 4,339	68.9	\$ —	—
Alberta	1,059	16.8	—	—
Saskatchewan	480	7.6	—	—
British Columbia	273	4.3	—	—
Manitoba	117	1.8	—	—
Atlantic Canada	34	0.6	—	—
	6,302	100.0	—	—
Collective allowance for credit losses	(84)	—	—	—
	\$ 6,218	100.0	\$ —	—

9. Allowance for credit losses:

An allowance for credit losses is maintained at an amount that, in management's opinion, is considered adequate to absorb all credit-related losses that have occurred in the lines of credit portfolio. The allowance consists of accumulated individual and collective allowances, each of which is reviewed periodically.

For the year, the Company charged credit losses of \$96 (2013 - nil) on unsecured lines of credit, representing \$12 for an individual provision and \$84 as a collective provision.

CANADIAN FIRST FINANCIAL GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(In thousands of Canadian dollars, unless otherwise indicated)

Year ended December 31, 2014

10. Other assets:

	2014	2013
Cash collateral	\$ 800	\$ 100
Prepaid expenses	711	368
GST/HST Instalment	281	42
Accounts receivable	118	531
Security deposit on premises	191	177
Interest receivable	106	113
Others	72	41
Bridge financing	63	43
	\$ 2,342	\$ 1,415

The deposit on premises of \$191 (2013 - \$177) is secured by the Company's use of the premises, which will be realized in 2021. The rest of other assets will be realized within 12 months. The cash collateral of \$800 (2013 - \$100) includes a guarantee of \$500 (2013 - nil) on letters of credit issued, a security of \$200 (2013 - nil) against clearing deficiencies and \$100 (2013 - \$100) related to derivative financial instruments. The cash collateral is held by a major Canadian financial institution at December 31, 2014 and 2013.

CANADIAN FIRST FINANCIAL GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(In thousands of Canadian dollars, unless otherwise indicated)

Year ended December 31, 2014

11. Income taxes:

Deferred tax assets have not been recognized in respect of deductible temporary differences in excess of taxable temporary differences because it is not probable that future profit will be available against which the Company can utilize the benefits. The deductible temporary differences are mainly comprised of \$48,209 (2013 - \$31,888) of non-capital losses available for carry forward against future taxable income. The losses begin to expire in 2025 if not utilized.

The tax on the Company's loss before tax differs from the amount that would arise using the statutory income tax rate applicable to income as follows:

	2014	2013
Loss before income taxes	\$ (18,823)	\$ (9,774)
Statutory income tax rate	26.5%	18.1%
Income tax recovery at statutory income tax rate	\$ (4,988)	\$ (1,767)
Tax effect of:		
Non-deductible items	286	1,153
Capital tax	—	19
Tax rate differences	91	(27)
Unrecognized temporary difference and other	9,978	—
	10,355	1,145
Income tax expense (recovery)	\$ 5,367	\$ (622)

CANADIAN FIRST FINANCIAL GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(In thousands of Canadian dollars, unless otherwise indicated)

Year ended December 31, 2014

12. Capital assets:

2014	Furniture and office equipment	Computer hardware and software	Leasehold improvements	Total
Opening net book value	\$ 625	\$ 657	\$ 159	\$ 1,441
Additions	132	168	51	351
Disposals	(83)	(77)	(153)	(313)
Depreciation	(77)	(219)	(11)	(307)
Closing net book value	\$ 597	\$ 529	\$ 46	\$ 1,172
At December 31, 2014:				
Cost	\$ 790	\$ 1,063	\$ 51	\$ 1,904
Accumulated depreciation	(193)	(534)	(5)	(732)
Net book value	\$ 597	\$ 529	\$ 46	\$ 1,172

2013	Furniture and office equipment	Computer hardware and software	Leasehold improvements	Total
Opening net book value	\$ –	\$ 5	\$ –	\$ 5
Acquisition through business combination	613	670	163	1,446
Other additions	28	28	–	56
Depreciation	(16)	(46)	(4)	(66)
Closing net book value	\$ 625	\$ 657	\$ 159	\$ 1,441
At December 31, 2013:				
Cost	\$ 762	\$ 1,053	\$ 202	\$ 2,017
Accumulated depreciation	(137)	(396)	(43)	(576)
Net book value	\$ 625	\$ 657	\$ 159	\$ 1,441

CANADIAN FIRST FINANCIAL GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(In thousands of Canadian dollars, unless otherwise indicated)

Year ended December 31, 2014

13. Intangible assets:

2014	Bank license	Customized computer software licenses	Application software licenses	Total
Opening net book value	\$ 100	\$ 1,086	\$ 208	\$ 1,394
Additions	—	—	376	376
Disposals	—	(42)	—	(42)
Amortization	—	(199)	(347)	(546)
Closing net book value	\$ 100	\$ 845	\$ 237	\$ 1,182
At December 31, 2014:				
Cost	\$ 100	\$ 2,376	\$ 421	\$ 2,897
Accumulated amortization	—	(1,531)	(184)	(1,715)
Net book value	\$ 100	\$ 845	\$ 237	\$ 1,182

2013	Bank license	Customized computer software licenses	Application software licenses	Total
Opening net book value	\$ —	\$ 3	\$ —	\$ 3
Acquisition through business combination	100	1,713	219	2,032
Other additions	—	198	2	200
Amortization	—	(827)	(13)	(840)
Closing net book value	\$ 100	\$ 1,087	\$ 208	\$ 1,395
At December 31, 2013:				
Cost	\$ 100	\$ 2,337	\$ 278	\$ 2,715
Accumulated amortization	—	(1,250)	(70)	(1,320)
Net book value	\$ 100	\$ 1,087	\$ 208	\$ 1,395

There was no impairment of intangible assets identified during the year (2013 - nil).

CANADIAN FIRST FINANCIAL GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(In thousands of Canadian dollars, unless otherwise indicated)

Year ended December 31, 2014

14. Other liabilities:

	2014	2013
Accounts payable	\$ 3,295	\$ 5,169
GST and HST payable	251	170
Sublease advances	104	45
RSP withholding tax	59	8
Fair value of mortgage loan commitments	25	336
Subscription liability	18	—
	\$ 3,752	\$ 5,728

The majority of the other liabilities are due within 12 months.

15. Loans payable:

The Company has a promissory note and debentures with the following amounts:

	2014	2013
Promissory notes	\$ 3,841	\$ 5,819
Debentures	5,153	—
	\$ 8,994	\$ 5,819

The Company has one promissory note of \$3,841 (2013 - \$5,819) outstanding, which bears interest at 12% (2013 - 18%) and is repayable in June 2016. It is owned by a director and shareholder of the Company.

The debentures were sold in units of \$1,000, bear interest at 10% and include 500 warrants. The warrants have an exercise price of \$1.15 and expire in five years. During the year, the Company issued 5,285 units of debentures (2013 - nil) and 2,643 warrants (2013 - nil). The nominal value of debentures was \$5,285 and mature in February 2016. Debentures issued with warrants were initially carried at fair value using current borrowing rate (without warrants) including transaction costs. The difference between the nominal value and fair value of debentures is ascribed to the value of warrants and is recorded in contributed surplus. The discount of debenture is amortized using effective interest rate over the term of debenture.

As at December 31, 2015, the debentures were carried at \$5,153, net of unamortized discount of \$132.

CANADIAN FIRST FINANCIAL GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(In thousands of Canadian dollars, unless otherwise indicated)

Year ended December 31, 2014

16. Deposit liabilities:

2014	Principal balance	Origination costs	Subtotal	Accrued interest	Total
Broker channel:					
Individuals	\$ 181,361	\$ (258)	\$ 181,103	\$ 2,645	\$ 183,748
Business	8,841	(15)	8,826	181	9,007
	190,202	(273)	189,929	2,826	192,755
Retail channel:					
Individuals	1,338	–	1,338	–	1,338
	\$ 191,540	\$ (273)	\$ 191,267	\$ 2,826	\$ 194,093

2013	Principal balance	Origination costs	Subtotal	Accrued interest	Total
Individuals	\$ 165,242	\$ (360)	\$ 164,882	\$ 1,899	\$ 166,781
Business	14,493	(33)	14,460	185	14,645
Financial institutions	950	(1)	949	12	961
	\$ 180,685	\$ (394)	\$ 180,291	\$ 2,096	\$ 182,387

The remaining terms to maturity of the deposits are as follows:

	2014	2013
Broker channel:		
Demand ⁽¹⁾	\$ 723	\$ 225
Notice ⁽²⁾	30	447
Term deposits ⁽³⁾ :		
1 year or less	161,171	141,260
More than 1 to 3 years	24,469	29,075
More than 3 to 5 years	3,809	9,678
	190,202	180,685
Retail channel:		
Demand ⁽¹⁾	1,338	–
	\$ 191,540	\$ 180,685

⁽¹⁾Deposits payable on demand include all deposits for which we do not have the right to notice withdrawal. These deposits include savings accounts.

⁽²⁾Deposits payable after notice include term deposits which can be cashable after 30 days.

⁽³⁾Term deposits include deposits payable on a fixed rate.

CANADIAN FIRST FINANCIAL GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(In thousands of Canadian dollars, unless otherwise indicated)

Year ended December 31, 2014

17. Share capital:

	2014	2013
Authorized:		
Unlimited voting, non-cumulative Class A preference shares, dividends to a maximum of 12% of the issued amount, redeemable and retractable at the amount paid thereon		
Unlimited non-voting, non-cumulative Class B preference shares, dividends to a maximum of 13% of the issued amount, redeemable and retractable at the amount paid thereon		
Unlimited non-voting Class A shares, subject to dividends on a share-for-share basis equal to those declared on common shares of the issuing company and are convertible into common shares on a one-for-one basis at the option of the Company		
Unlimited common shares		
Issued:		
61,479 (2013 - 59,070) common shares	\$ 48,403	\$ 46,562

During the year, the Company issued 2,282 (2013 - 34,018) common shares for gross proceeds of \$1,944 (2013 - \$32,359), and issued 127 common shares for proceeds of \$121 to settle the final acquisition cost of MCC. The Company incurred agent and legal fees in the amount of \$224 (2013 - \$2,846), which were offset against share capital.

	2014		2013	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Outstanding, beginning of year	13,255	\$ 1.12	1,515	\$ 1.04
Issued	3,201	1.15	11,740	1.13
Outstanding, end of year	16,456	1.13	13,255	1.12

CANADIAN FIRST FINANCIAL GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(In thousands of Canadian dollars, unless otherwise indicated)

Year ended December 31, 2014

17. Share capital (continued):

The Company recorded the fair value of the warrants outstanding totaling \$328 (2013 - \$3,054), including \$217 (2013 - nil) issued with debt. The fair value of warrants issued with shares during 2014 and 2013 were estimated at the issue date using the Black-Scholes valuation model, with the following assumptions:

	2014	2013
Risk-free rate	1.25%	1.25%
Expected warrant life (years)	5	5
Expected volatility	35%	35%

The Company's banking subsidiary is prohibited from declaring or paying dividends on its share capital if, as a result of paying such dividends, the Bank would be in contravention of the capital adequacy, liquidity or any other regulatory directives issued under the Bank Act (Canada).

18. Net interest revenue (expense):

	2014	2013
Interest revenue on financial assets held for trading:		
Cash and cash equivalents	\$ 1,963	\$ 217
Mortgage loans held for sale	2,300	528
Securitized mortgages	125	—
Lines of credit	22	—
	4,410	745
Interest expense on financial liabilities:		
Deposit liabilities	(5,164)	(669)
Secured borrowing	(90)	—
	(5,254)	(669)
	\$ (844)	\$ 76

CANADIAN FIRST FINANCIAL GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(In thousands of Canadian dollars, unless otherwise indicated)

Year ended December 31, 2014

19. Mortgage banking income:

	2014	2013
Mortgage sale volume	\$ 426,726	\$ 116,939
Mortgages sold to third parties:		
Sale revenue	\$ 8,080	\$ 2,785
Transaction costs	(4,913)	(1,478)
Change in fair value of mortgages sold	(1,196)	(682)
	1,971	625
Mortgage commission expense (recovery)	495	(420)
Hedging income (loss):		
Realized loss of derivatives	(2,466)	(552)
Unrealized gain (loss) of derivatives	(214)	911
	(2,680)	359
Change in fair value of:		
Loans sold to third parties	1,196	682
Mortgage loans held for sale	606	(609)
	1,802	73
Mortgage banking income	\$ 1,588	\$ 637

During the year, the Bank sold mortgage loans with an unpaid principal balance of \$426,726 (2013 - \$795,835) to third parties and received cash proceeds of \$434,736 (2013 - \$808,783). At December 31, 2014, the mortgage loans under administration by the Bank for third parties are \$1,289,473 (2013 - \$1,062,206).

CANADIAN FIRST FINANCIAL GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(In thousands of Canadian dollars, unless otherwise indicated)

Year ended December 31, 2014

20. Personnel:

	2014	2013
Senior management and directors:		
Fixed	\$ 2,681	\$ 846
Variable	552	—
Stock-based compensation	747	4,553
	3,980	5,399
Non-senior management:		
Fixed	6,660	1,411
Variable	847	55
Stock-based compensation	—	640
	7,507	2,106
	\$ 11,487	\$ 7,505

(a) Senior management and directors:

During the year, the Company paid \$3,233 (2013 - \$846) in salaries and other short-term benefits to key management personnel and directors who have authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly.

Fixed compensation includes salary and employee benefits. The employee benefits program, the cost of which is shared by the Company and employees, includes health care coverage, life and accident insurance and disability coverage. The variable compensation is paid to certain personnel directly involved in origination of mortgages and is based on the volume of mortgages originated.

(b) Stock-based compensation:

The Company's compensation plan issues stock options to key management personnel and directors. The fair value of the options is recognized over the vesting period of the options granted as stock-based compensation expense. The expense for the year totaled \$747 (2013 - \$5,193) (note 23), of which \$747 (2013 - \$4,553) was paid to key management personnel and directors.

CANADIAN FIRST FINANCIAL GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(In thousands of Canadian dollars, unless otherwise indicated)

Year ended December 31, 2014

21. Related party disclosures:

The following summarizes balances for the year with companies that are controlled by directors of the Company:

At December 31, 2014, the Company has a promissory note outstanding in the amount of \$3,841 (2013 - \$5,044) with a company that was controlled by existing shareholder who is a director of the Company. The Company also entered into convertible debenture agreements with a number of companies that were controlled by existing shareholders who are directors of the Company in the amount of \$1,305 (2013 - nil). The warrants have an exercise price of \$1.15 per share and expire in five years.

As part of the common share issuances, the Company paid agent fees of \$16 (2013 - \$2,400) to a company that is controlled by an individual who is a director and shareholder.

The following summarizes transactions for the year with companies that are controlled by directors of the Company. The amounts paid are as follows:

	2014	2013
Interest and bank charges	\$ 802	\$ 89
Rent	34	34

The Company paid interest of \$802 (2013 - \$89) on the promissory note and convertible debentures to a number of companies that were controlled by existing shareholders who are/were directors of the Company during the year.

The office space at one of the Company's offices is rented on a month-to-month basis to a company that is controlled by an individual who is an executive, director and a shareholder. Rent expense paid to that company was \$34 (2013 - \$34).

The Company has an agreement with Strategic Information Technology ("SIT") to license a comprehensive retail banking system (note 16). One of the shareholders of SIT is a director of the Company.

CANADIAN FIRST FINANCIAL GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(In thousands of Canadian dollars, unless otherwise indicated)

Year ended December 31, 2014

21. Related party disclosures (continued):

At December 31, 2014, the Company has a balance of \$227 (2013 - \$222) payable to SIT for two months' corporate license agreement fee and 50% of service implementation fee.

The above transactions are recorded at fair value being the amounts agreed to by the parties.

22. Other expenses:

	2014	2013
Premises	\$ 1,295	\$ 393
Sublease of premises	(434)	(77)
Computer system	2,206	290
Legal and accounting	875	885
General and administrative	1,886	414
Travel	562	170
Advertising and marketing	284	210
Consulting	527	101
Insurance	258	68
Interest and bank charges	1,184	123
Commissions	301	141
	\$ 8,944	\$ 2,718

CANADIAN FIRST FINANCIAL GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(In thousands of Canadian dollars, unless otherwise indicated)

Year ended December 31, 2014

23. Stock-based compensation:

The Company grants stock options to purchase common shares to eligible persons. The outstanding options expire on various dates to December 2023. A summary of the Company's stock option activity and related information is as follows:

	2014		2013	
	Number of stock options	Weighted average exercise price	Number of stock options	Weighted average exercise price
Outstanding, beginning of year	12,759	\$ 0.087	9,335	\$ 0.017
Granted	297	0.320	3,424	0.279
Exercised	(119)	0.001	—	—
Cancelled	(100)	0.950	—	—
Outstanding, end of year	12,837	0.094	12,759	0.087
Exercisable, end of year	11,660	\$ 0.090	11,260	\$ 0.076

Under the fair value-based method of accounting for stock options, the Company has recorded stock-based compensation expense in the amount of \$747 (2013 - \$5,193) related to grants of options under the stock option plan. This amount has been credited to contributed surplus.

CANADIAN FIRST FINANCIAL GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(In thousands of Canadian dollars, unless otherwise indicated)

Year ended December 31, 2014

23. Stock-based compensation (continued):

The fair value of options granted during 2014 and 2013 were estimated at the date of grant using the Black-Scholes valuation model, with the following assumptions:

	2014	2013
Risk-free rate	1.25 - 3.5%	1.25 - 2.75%
Expected option life (years)	10	10
Expected volatility	35%	35%
Weighted average fair value of each option	\$0.95	\$0.96

24. Other information:

During the year, the Company incurred legal fees of \$197 (2013 - \$978) and entered into an option agreement with its law firm to issue 500 common shares at \$0.95 per share that expires in 2023. The option grant formed part of an agreement with the law firm to provide services in order to raise the capital and complete all legal work necessary to obtain a Commencement Order for a bank under the Bank Act (Canada). One of the law firm's lawyers is a shareholder of the Company.

The above transactions are recorded at fair value being the amounts agreed to by the parties.

CANADIAN FIRST FINANCIAL GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(In thousands of Canadian dollars, unless otherwise indicated)

Year ended December 31, 2014

25. Commitments:

The future minimum payments under non-cancellable operating leases and software system contracts are as follows:

	2014	2013
1 year or less	\$ 2,151	\$ 1,090
More than 1 to 5 years	7,612	4,784
More than 5 years	1,732	3,026
	<u>\$ 11,495</u>	<u>\$ 8,900</u>

The Company will receive \$660 in 2015 (2014 - \$385) as sublease payments from an unrelated party. This amount has been netted against the commitments above.

The Company completed a number of private placements in the year which issued warrants to the participants based on the amount of their investment. The warrants give the warrant holders the right to purchase common shares in the Company at an exercise price from \$0.001 to \$1.15 per share until December 31, 2018. The Company issued a total of 3,201 warrants (2013 - 11,739) in the year and has 16,456 warrants (2013 - 13,255) outstanding at the end of the year.

26. Interest rate sensitivity:

The Company is exposed to interest rate risk as a result of a mismatch or gap between the assets and liabilities scheduled to mature or reprice on particular dates.

CANADIAN FIRST FINANCIAL GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(In thousands of Canadian dollars, unless otherwise indicated)

Year ended December 31, 2014

26. Interest rate sensitivity (continued):

The gaps which existed at December 31, 2014, based on the earlier of maturity or repricing date of interest-sensitive instruments, are detailed as follows:

						2014	2013
	Floating rate	Within 3 months	3 - 12 months	1 - 5 years	Non-rate sensitive	Total	Total
Assets							
Cash and cash equivalents	\$ 168,364	\$ 1,000	\$ –	\$ –	\$ –	\$ 169,364	\$ 118,499
Mortgage loans held for sale	5,662	–	1,260	31,958	220	39,100	99,333
Securitized mortgages	5,448	–	–	14,939	77	20,464	–
Lines of credit	6,314	–	–	–	(96)	6,218	–
Derivative financial instruments	–	–	–	–	–	–	483
Other assets	700	–	–	–	8,476	9,176	13,977
Total assets	\$ 186,488	\$ 1,000	\$ 1,260	\$ 46,897	\$ 8,677	\$ 244,322	\$ 232,292
Liabilities and Equity							
Deposit liabilities	\$ 2,061	\$ 53,734	\$ 109,651	\$ 28,647	\$ –	\$ 194,093	\$ 182,387
Secured borrowing	5,442	–	–	14,916	21	20,379	–
Income taxes	–	–	–	–	–	–	22
Derivative financial instruments	–	–	–	–	42	42	–
Loans payable	–	–	–	8,994	–	8,994	–
Other liabilities	–	–	–	–	3,752	3,752	11,547
Equity	–	–	–	–	17,062	17,062	38,336
Total liabilities and equity	\$ 7,503	\$ 53,734	\$ 109,651	\$ 52,557	\$ 20,877	\$ 244,322	\$ 232,292
Total gap	\$ 178,985	\$ (52,734)	\$ (108,391)	\$ (5,660)	\$ (12,200)	\$ –	\$ –
Adjustment ⁽ⁱ⁾	–	32,178	–	(31,958)	(220)	–	–
Net gap, end of year	\$ 178,985	\$ (20,556)	\$ (108,391)	\$ (37,618)	\$ (12,420)	\$ –	\$ –

⁽ⁱ⁾The adjustment reflects the Bank's mortgage banking activities, whereby mortgage loans held for sale are expected to be sold as part of the normal course of business

In the normal course of business, loan customers may repay their loans in part or in full prior to the contractual maturity date. Similarly, term deposits are sometimes redeemed before their contractual maturity date. These events are not considered in the sensitivity analysis.

CANADIAN FIRST FINANCIAL GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(In thousands of Canadian dollars, unless otherwise indicated)

Year ended December 31, 2014

27. Fair values of financial instruments:

The following table compares the carrying value (value recorded in the consolidated statement of financial position) and fair value of each class of financial instrument along with the hierarchy level used:

	2014			2013			
	Financial instruments classified at FVTPL	Financial instruments, at amortized cost		Financial instruments classified at FVTPL	Financial instruments, at amortized cost		
	Carrying and fair values	Carrying value	Fair value	Carrying and fair values	Carrying value	Fair value	Level
Financial assets							
Cash and cash equivalents (l)	\$ —	\$ 169,364	\$ 169,364	\$ —	\$ 118,499	\$ 118,499	1
Mortgage loans held for sale (a)	39,100	—	—	99,333	—	—	2
Securitized mortgages (c)	—	20,464	20,510	—	—	—	2
Lines of credit (d)	—	6,218	6,218	—	—	—	3
Derivative financial instruments (b)	—	—	—	483	—	—	2
Other assets:							
Bridge loan financing (f)	—	63	63	—	43	43	3
Security deposits on premises (e)	—	191	178	—	177	155	3
Interest receivable (f)	—	106	106	—	113	113	3
Accounts receivable (f)	—	118	118	—	522	522	3
Cash collateral (f)	—	800	800	—	100	100	3
Financial liabilities							
Deposit liabilities (g)	—	194,093	194,313	—	182,387	180,685	3
Secured borrowing (h)	—	20,379	20,379	—	—	—	2
Derivative financial instruments (b)	42	—	—	—	—	—	2
Loans payable (j)	—	8,994	8,992	—	5,819	5,819	3
Other liabilities:							
Accounts payable (i)	—	3,295	3,295	—	5,132	5,132	3
Fair value of mortgage loan commitments (b)	25	—	—	336	—	—	2
Sublease advances (k)	—	104	104	—	—	—	3

CANADIAN FIRST FINANCIAL GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(In thousands of Canadian dollars, unless otherwise indicated)

Year ended December 31, 2014

27. Fair values of financial instruments (continued):

There were no transfers between any of the levels during 2014 or 2013.

The Company uses a hierarchy for categorizing the inputs to valuation techniques which are subsequently used for determining and disclosing fair values of financial instruments. The levels used in the hierarchy are detailed in note 3(a). Where Level 3 valuation techniques are used for these financial instruments, the fair value amounts should not be interpreted as being realizable in an immediate settlement of the instruments.

Inputs and valuation techniques used for Level 2 and Level 3 financial instruments:

- (a) Mortgage loans held for sale - fair value of the mortgage loan considers only changes in components of the valuation model that are observable in active markets; namely, volatility (observed bond rate) and strike price (present value of loans using observed bond rate);
- (b) Derivatives - fair value of bond locks is determined using the current bond price and repo rate (both of which are observable inputs). Fair value of put option is determined using the Black-Scholes model and inputs include strike price and expiry (from the contract) and current bond price; volatility and repo rate which are observable in market;
- (c) Securitized mortgages - fair value of the securitized mortgages considers only changes in components of the valuation model that are observable in active markets; namely, volatility (observed bond rate) and strike price (present value of loans using observed bond rate);
- (d) Lines of credit - due to the short-term nature of these items, the fair value of this asset approximates the carrying value;
- (e) Security deposits on premises - fair value of security deposits on premises is calculated as the future value of the deposit, discounted using the 10-year risk-free Canadian bond rate;
- (f) Other assets - due to the short-term nature of these items, the fair value of these assets approximates the carrying value;

CANADIAN FIRST FINANCIAL GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(In thousands of Canadian dollars, unless otherwise indicated)

Year ended December 31, 2014

27. Fair values of financial instruments (continued):

- (g) Deposit liabilities - fair value of deposit liabilities is the present value, calculated by multiplying the duration by the change in the Bank's internal rate of return at the bond curve between the issue date and the valuation date;
- (h) Secured borrowing - fair value of secured borrowing considers only changes in components of the valuation model that are observable in active markets; namely a change in the Government of Canada bond yields between the issuer date and the current date;
- (i) Other liabilities - due to the short-term nature of these items, the fair value of accounts payable approximates the carrying value;
- (j) Loans payable - fair value of the loans is determined using the current borrowing rate to the end of term;
- (k) Sublease advances - due to the short-term nature of these items, the fair value of this liability approximates the carrying value; and
- (l) Cash and cash equivalents - due to the short-term nature, the acquisition cost of cash and cash equivalents approximates fair value.

28. Cash held in trust:

The Company holds \$2,962 (2013 - \$2,441) in trust in respect of property taxes the Company is remitting on behalf of borrowers. There is no recourse to the Company in the event of non-payment of property taxes and, as such, the liability and corresponding cash amounts have not been recorded in the consolidated financial statements.

CANADIAN FIRST FINANCIAL GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(In thousands of Canadian dollars, unless otherwise indicated)

Year ended December 31, 2014

29. Subsequent events:

Subsequent to year-end, the Company issued 1,929 common shares and 386 warrants for proceeds of \$1,833. Subscription liability outstanding as at April 10, 2015 was \$1,284. Funds in escrow was \$516.

On January 20, 2015 and March 20, 2015, the Company injected additional capital of \$1,000 and \$1,700 respectively to the Bank through MCC.

On February 24, 2015, the Company issued 700 stock options to the Bank, 565 of which is granted to senior management personnel as short-term incentives.

On April 30, 2015, the Company issued debentures at par of \$3,625, one-year, at 15%. Interest is payable monthly in arrears. On April 30, 2015, the Company used the proceeds to inject capital of \$3,500 into CFF Bank via MCC.

30. Comparative information:

Certain comparative information has been reclassified to conform with the financial statement presentation adopted in the current year.

CERTIFICATE OF THE COMPANY

Dated: May 21, 2015.

This Offering Memorandum does not contain a misrepresentation.

CANADIAN FIRST FINANCIAL GROUP INC.

By: "*Peter Vukanovich*"
President and Chief Executive Officer

By: "*Paul Leonard*"
Chief Financial Officer

On Behalf of the Board of Directors:

By: "*Peter Wallace*"
Director

By: "*Ian Murray*"
Director