

Offering Memorandum for Non-Qualifying Issuers



Payment Dependent Notes

The following updates the Base Offering Memorandum dated October 21, 2016 which was most recently amended on August 1, 2018.

Date: **March 25, 2019**

The Issuer:

Name: **Loop Funding Inc. ("Loop Funding" or the "Issuer")**

Head office: Address: 410 Adelaide Street West, Suite 500, Toronto ON M5V 1S8
Phone #: +1 (888) 223-5667 | Fax #: +1 647-490-4668
E-mail address: lenders@lendingloop.ca

These securities do not trade on any exchange or market.

Loop Funding is not a reporting issuer.

Loop Funding is a SEDAR filer.

The Offering	
Securities offered	Payment Dependent Notes issued in series, with each series of Notes related to one corresponding Borrower Loan.
Price per security	100% of principal amount of each Note.
Minimum/Maximum offering	There is no minimum. You may be the only purchaser. Maximum: \$1,000,000,000.00 Funds available under the offering may not be sufficient to accomplish our proposed objectives.
Minimum subscription amount	Lenders, as defined herein, may invest a minimum of \$25 in a Payment Dependent Note.
Payment terms:	Notes are purchased exclusively through the Platform. Each Lender's funds available for purchasing Notes are held in the name of Loop Securities Inc. (" Loop Securities ") in a trust account at a regulated Canadian financial institution (the " Trust Account "). Each Lender's funds are assigned to a sub-account, which we call a Lender Account, within the Trust Account. Upon a Lender making a Note Purchase Commitment, the funds allocated to that Note Purchase Commitment become unavailable for withdrawal or allocation to another Note Purchase Commitment. Where a Loan Request does not close, funds that were committed to purchase Notes corresponding to that Loan Request are made available to the Lenders who made such commitments. Upon the closing of the purchase of a Note by a Lender, Loop Securities will debit the Lender Account of that Lender in the amount of the purchase price of the Note. See Item 5.1 – Terms of Securities, <i>Loan Funding</i> .
Proposed closing date(s)	Notes are issued in series. Each series will correspond to a single loan to a single Borrower. In this Offering Memorandum, we refer to these loans as Borrower Loans and we refer to the Borrower Loan corresponding to a particular series of Notes as the " Corresponding Borrower Loan " for the series. Each series of Notes and Borrower Loan also corresponds to a Loan Request listed on our Website. Upon the closing of a Loan Request, we proceed with executing the purchase and sale of Notes to the Lenders who committed to purchase the Notes related to that Loan Request.
Income tax consequences:	There are important tax consequences to these securities. See Item 6: Income Tax Consequences and RRSP Eligibility.
Selling agent	Notes will be sold exclusively by Loop Securities, an exempt market dealer registered in all provinces and territories of Canada. Loop Funding Inc. is a connected or a related issuer of Loop Securities Inc. See Item 7: Compensation Paid to Sellers and Finders.
Resale restrictions	You will be restricted from selling your securities for an indefinite period. No reliance should be placed on the ability to trade or redeem Payment Dependent Notes and Lenders should be able to hold the Notes until their maturity. See Item 10: Resale Restrictions.
Purchasers' rights	You have 2 business days to cancel your agreement to purchase these securities. If there is a misrepresentation in this Base Offering Memorandum, you have the right to sue either for damages or to cancel the agreement. See Item 11: Purchasers' Rights.

No securities regulatory authority or regulator has assessed the merits of these securities or reviewed this offering memorandum. Any representation to the contrary is an offence. This is a risky investment. See Item 8: Risk Factors.

ABOUT THIS OFFERING MEMORANDUM

In this Offering Memorandum:

- **“Base Offering Memorandum”** means this Offering Memorandum exclusive of all supplements, such as Posting Supplements, which may be published on the Platform from time to time;
- **“Borrower”** means a Business registered on the Platform who may borrow money from time to time in the form of a Borrower Loan;
- **“Borrower Loan”** means a loan made by Loop Funding on the Platform;
- **“Express Loan Policy”** refers to the credit policy for reviewing loans made to businesses for loan amounts between \$1,000 to \$40,000;
- **“Standard Loan Policy”** refers to the credit policy for reviewing loans made to businesses for loan amounts between \$5,000 to \$500,000;
- **“Business”** means an entity organized as a partnership, corporation, co-operative, or a person carrying on business as a sole proprietorship;
- **“Lender”** means an entity registered on the Platform as a client of Loop Securities in order to purchase Notes from time to time;
- **“Lender Account”** means the sub account of a Lender which is maintained by Loop Securities;
- **“Loan Request”** means a prospective Borrower Loan, the particulars of which are posted on the Platform in a listing;
- **“Members”** means collectively Borrowers and Lenders;
- **“Note Purchase Agreement”** means one of the agreements made between Loop Funding, Loop Securities and Lenders which governs the purchase of Notes;
- **“Note Purchase Commitment”** means a binding commitment to purchase a Note, subject to the terms and conditions stated herein;
- **“Offering Memorandum”** means the Base Offering Memorandum together with all supplements, including Posting Supplements, and amendments which may be published on the Platform from time to time;
- **“Payment Dependent Note”** or **“Note”** has the meaning set forth below;
- **“Platform”** means the peer-to-peer electronic lending platform operated by Loop Financial, Loop Funding and Loop Securities;
- **“Posting Supplement”** has the meaning set forth below;
- **“Sales Update”** has the meaning set forth below;
- **“Stub Period Interest”** has the meaning set forth below;
- **“Website”** means www.lendingloop.ca, and
- **“Terms of Use of the Website”** means the terms and conditions that Members agree to in order to access the Platform, as amended from time to time.

The offering described in this Offering Memorandum is a continuous offering of Payment Dependent Notes issued by Loop Funding. In this Offering Memorandum, we sometimes refer to Payment Dependent Notes as the “Notes”. We offer Notes continuously, and sales of Notes through the Platform may occur on a daily basis. Before a Loan Request is posted on the Platform and we subsequently offer the series of Notes corresponding to that Borrower Loan, as described in Item 2.2 - Our Business, *About the Platform*, we will prepare, and post to the Platform, a supplement to this document, which we refer to as a “Posting Supplement”. See Appendix A - Posting Supplement (Standard Loans)

and Appendix B - Posting Supplement (Express Loans). In each Posting Supplement, we provide information about the series of Notes offered for sale that corresponds to the posted Loan Request.

After a Borrower Loan has closed and funds have been disbursed to the Borrower, the applicable Posting Supplement is filed with the applicable securities regulatory authorities. Posting Supplements that are filed in this manner are referred to as Sales Updates.

We may also prepare amendments to update this Base Offering Memorandum for other purposes, such as to disclose changes to the terms of the offering of the Notes. We will file these Base Offering Memorandum amendments with the applicable securities regulatory authorities and post them on the Website. When required by regulation, such as when there is a “fundamental change” in the offering of Notes or the information contained in this Base Offering Memorandum, we will file applicable amendments to the Base Offering Memorandum. We will disclose these changes in Base Offering Memorandum amendments by posting them on the Website at the time the amendment becomes effective. The Notes are available for offer and sale subject to standards and other conditions applicable to purchases of Notes in certain provinces and territories that are not otherwise set forth in this Offering Memorandum.

The securities offered hereunder have not been qualified for distribution in Canada by the filing of a prospectus with any securities commission or other securities regulatory authority. The securities are being offered pursuant to certain exemptions from prospectus requirements contained in the securities legislation of the provinces and territories of Canada and will only be offered in the jurisdictions of Canada in which Loop Securities is authorized to deal in securities under applicable securities legislation. Such exemptions relieve the Issuer from provisions under applicable securities legislation requiring the Issuer to file a prospectus and therefore subscribers do not receive the benefits associated with a subscription for securities issued pursuant to a filed prospectus, including the review of material by a securities commission or similar regulatory authority.

The information contained in this Offering Memorandum is intended only for the persons to whom it is transmitted for the purposes of evaluating the securities offered hereby. Prospective purchasers should only rely on the information in this Offering Memorandum. No persons are authorized to give any information or make any representation in respect of the Issuer or the securities offered herein, and any such information or representation must not be relied upon.

This offering is a private placement and is not, and under no circumstances is to be construed as, a public offering of the securities described herein. The securities are being offered in reliance upon exemptions from prospectus requirements set forth in applicable securities legislation.

This offering is highly speculative, and the Notes involve a high degree of risk. Investing in the Notes should be considered only by persons who can afford the loss of their entire investment. See Item 8: Risk Factors.

This Offering Memorandum contains forward-looking statements that relate to Loop Funding’s current expectations and views of future events. The forward-looking statements are principally contained under Item 2: Business of Loop Funding, Item 5: Securities Offered, and Item 8: Risk Factors.

Forward-Looking Statements

In some cases, these forward-looking statements can be identified by words or phrases such as “may”, “might”, “will”, “expect”, “anticipate”, “estimate”, “intend”, “plan”, “seek” or “predict”, or the negative of these terms, or other similar

expressions intended to identify forward-looking statements. The Issuer has based these forward-looking statements on its current expectations and projections about future events and financial trends that it believes might affect its financial condition, results of operations, business strategy and financial needs. These forward-looking statements include, among other things, statements relating to:

- Loop Funding's expectations regarding its revenue, expenses and operations;
- Loop Funding's anticipated cash needs and its needs for additional financing;
- Loop Funding's ability to protect, maintain and enforce its intellectual property;
- Third-party claims of infringement or violation of, or other conflicts with, intellectual property rights;
- Loop Funding's plans for and timing of expansion of its offering and services;
- Loop Funding's future growth plans;
- The acceptance by the Loop Funding's customers and the marketplace of new technologies and offerings;
- Loop Funding's ability to attract new Lenders and Borrowers and develop and maintain existing Lenders and Borrowers;
- Loop Funding's ability to attract and retain personnel;
- Loop Funding's expectations with respect to advancement of its product offering;
- Loop Funding's competitive position and the regulatory environment in which Loop Funding operates; and
- Anticipated trends and challenges in the Loop Funding's business and the markets in which it operates.

Forward-looking statements are based on certain assumptions and analyses made by Loop Funding in light of the experience and perception of historical trends, current conditions and expected future developments and other factors it believes are appropriate and are subject to risks and uncertainties. Although we believe that the assumptions underlying these statements are reasonable, they may prove to be incorrect, and we cannot assure that actual results will be consistent with these forward-looking statements. Given these risks, uncertainties and assumptions, prospective purchasers of Notes should not place undue reliance on these forward-looking statements. Whether actual results, performance or achievements will conform to the Loop Funding's expectations and predictions is subject to a number of known and unknown risks, uncertainties, assumptions and other factors, including those listed under "Risk Factors", which include:

- The speculative and high-risk nature of Payment Dependent Notes;
- Payments to holders of Notes is dependent on payments from corresponding Borrower Loans;
- The uncertainty associated with our realizing value from a security interest granted by any Borrower;
- The lack of a secondary market to sell Notes;
- Our minimally-tested credit model;
- The possibility that Borrowers will repay their Borrower Loans early;
- Potential portfolio concentration;
- Inaccurate data inputs into our credit model;
- Borrower fraud;
- Loop Funding's limited operating history;
- Loop Funding becoming insolvent;
- Our history of losses;
- Uncertainty associated with us being able to arrange alternative loan servicing;
- Disruptions in our computer systems;
- Data or privacy breaches;
- Competition for skilled employees;
- The reliability of third-party payments systems;

- Computer viruses and similar disruptions;
- Competition among business lenders;
- Noncompliance or inability to comply with regulations;
- Increased regulation of our business;
- An increased compliance burden following the date of this Base Offering Memorandum;
- Our ability to utilize a significant portion of our net operating loss carry-forwards;
- Risks related to litigation;
- Earthquakes, fire, power outages, floods, and other catastrophic events; and
- Problems such as terrorism.

If any of these risks or uncertainties materialize, or if assumptions underlying the forward-looking statements prove incorrect, actual results might vary materially from those anticipated in those forward-looking statements.

Information contained in forward-looking statements in this Base Offering Memorandum is provided as of the date of this Base Offering Memorandum, and we disclaim any obligation to update any forward-looking statements, whether as a result of new information or future events or results, except to the extent required by applicable securities laws. Information contained in forward-looking statements in supplements, including Posting Supplements, and amendments to this Base Offering Memorandum, is provided as of the date specified in such supplements and amendments, and we disclaim any obligation to update any forward-looking statements, whether as a result of new information or future events or results, except to the extent required by applicable securities laws. Accordingly, potential purchasers should not place undue reliance on forward-looking statements, or the information contained in those statements.

Table of Contents

Item 1: Use of Available Funds	8
1.1 - Funds	8
1.2 - Use of Available Funds	8
1.3 - Reallocation	8
Item 2: Business of Loop Funding	9
2.1 - Structure	9
2.2 - Our Business	9
2.3 - Development of Business	11
2.4 - Long Term Objectives	11
2.5 - Short Term Objectives and How We Intend to Achieve Them	11
2.6 - Insufficient Funds	12
2.7 - Material Agreements	12
Item 3: Interests of Directors, Management, Promoters and Principal Holders	13
3.1 - Compensation and Securities Held	13
3.2 - Management Experience	13
3.3 - Penalties, Sanctions and Bankruptcy	14
3.4 - Loans & Indebtedness	14
Item 4: Capital Structure	15
4.1 - Share Capital	15
4.2 - Long Term Debt	15
4.3 - Prior Sales	15
Item 5: Securities Offered	16
5.1 - Terms of Securities	16
5.2 - Subscription Procedure	33
Item 6: Income Tax Consequences and RRSP Eligibility	36
6.1 Tax Advice	36
6.2 RRSP Eligibility	36
Item 7: Compensation Paid to Sellers and Finders	37
Item 8: Risk Factors	38
8.1(a) – Investment Risks:	38
8.1(b) – Issuer Risks:	40

8.1(c) – Industry Risks:	43
Item 9: Reporting Obligations	44
9.1 – Disclosure Documents:	44
Item 10: Resale Restrictions	45
10.1 - Resale Restrictions, Canadian Provinces Other Than Manitoba	45
10.2 – Restricted Period	45
10.3 - Resale Restrictions, Manitoba.....	45
Item 11: Purchasers' Rights.....	46
11.1 - Two Day Cancellation Right.....	46
11.2 – Rights in the Event of False, Misleading, or Inaccurate Information Contained in Listings or Posting Supplements	46
11.3 - Contractual Rights of Action in the Event of a Misrepresentation	46
Item 12: Financial Statements	49
Item 13: Date and Certificate	68
Item 14: Appendices	69
Appendix A - Posting Supplement (Standard Loans)	69
Appendix B - Posting Supplement (Express Loans)	72

Item 1: Use of Available Funds

1.1 - Funds

The following table discloses the funds available as a result of this offering:

		Assuming min. offering	Assuming max. offering
A.	Amount to be raised by this offering	\$0	\$1,000,000,000
B.	Selling commissions and fees	\$0	\$0
C.	Estimated offering costs (e.g., legal, accounting, audit.)	\$0	\$0
D.	Available funds: $D = A - (B+C)$	\$0	\$1,000,000,000
E.	Additional sources of funding required	\$0	\$0
F.	Working capital deficiency	\$0	\$0
G.	Total: $H = (D+E) - F$	\$0	\$1,000,000,000

Any offering costs associated with this offering (e.g., legal, accounting, audit.) will be paid independently of the amounts raised by this offering as the total amount raised will be used solely to make Borrower Loans.

1.2 - Use of Available Funds

The following table provides a detailed breakdown of how Loop Funding Inc. will use the available funds:

Description of intended use of available funds listed in order of priority	Assuming min. offering	Assuming max. offering
Funds will be used entirely to make Borrower Loans*. Notes will be issued in series. Each series will correspond to a single Borrower Loan facilitated through the Platform to a Borrower	\$0	\$1,000,000,000
Total: Equal to G in the Funds table above	\$0	\$1,000,000,000

* Borrowers are required to pay an origination fee to Loop Financial which is typically withheld prior to disbursement. (See Item 5.1 – Terms of Securities, *Origination Fee*)

1.3 - Reallocation

We intend to spend the available funds as stated. We will use all proceeds we receive from purchases of the Notes to make Borrower Loans. We will not reallocate funds for any reason or use the proceeds to fund Loop Funding's activities other than those specifically related to funding Borrower Loans.

Item 2: Business of Loop Funding

2.1 - Structure

Loop Funding was incorporated under the laws of the province of Ontario on August 11, 2016 under the name Loop Marketplace Inc. and subsequently amended its name to Loop Funding Inc. on September 22, 2016. Our principal offices are located at 410 Adelaide Street West, Suite 500, Toronto, Ontario M5V 1S8.

2.2 - Our Business

Overview

Loop Funding facilitates loans to Businesses and offers Lenders an opportunity to finance the loans. Our goal is to transform the banking and finance sector to make it more transparent, stable and efficient for its end users. Loop Funding cuts out the inefficiencies of traditional banking with an online marketplace that uses technology and a more efficient funding process to lower operational costs and deliver a better experience to both Borrowers and Lenders.

The provision of Borrower Loans is facilitated through the borrowing section of the Platform. Borrower Loans are funded by the proceeds of Notes sold through the lending section of the Platform. These two sections interact in the course of the borrowing and lending processes in order to provide for, *inter alia*, the funding of Loan Requests as well as the repayment of Notes issued in connection therewith to Lenders.

The Platform is owned by Loop Financial Inc. (“**Loop Financial**”) which maintains and supports both the borrowing and lending sides of the Platform. Loop Funding and Loop Securities operate the borrowing and lending sides of the Platform, which is known as Lending Loop, respectively pursuant to the terms and conditions of a licence agreement entered into with Loop Financial. Loop Financial originates all the Borrower Loans and receives an origination fee with regard to each Borrower Loan (See Item 5.1 – Terms of Securities, *Origination Fee*).

Loop Funding, and Loop Securities are affiliates, each being a wholly owned subsidiary of Loop Financial.

The Platform was previously owned by Loop Technologies Inc., a wholly owned subsidiary of Loop Financial. On May 1, 2017, Loop Technologies was amalgamated with Loop Financial, which carries on as the amalgamated corporation.

All Notes issued under this Offering Memorandum will be sold by Loop Securities where authorized to do so under applicable securities legislation. As of March 25, 2019, over \$41.5 million dollars in loans has been facilitated to over 550 Borrowers through the Platform. Persons wishing to acquire Notes must register as Lenders on the Platform and agree to be subject to applicable provisions of the Terms of Use of the Website.

The Platform operates entirely online. Our systems are computerized and automated. We do not operate physical branches or related infrastructure as is typical of traditional sources of business loans (e.g. banks, credit unions). We endeavor to maintain a low-cost structure in order to offer Borrowers highly competitive rates and offer Lenders attractive returns. Loop Funding generates revenue by charging Lenders a servicing fee. The industry in which Loop Funding operates is known as the “peer-to-peer” lending industry.

About the Industry

Peer-to-peer lending companies typically create internet-based networks of lenders and borrowers and facilitate lending through online platforms. The business model employed by peer-to-peer lending companies is generally significantly less cost-intensive than the business model employed by traditional sources of business loans (e.g. banks, credit unions). Peer-to-peer lenders generally do not accept deposits.

About the Platform

Through the Platform, we allow Borrowers to obtain loans with interest rates that they find attractive. We also provide Lenders with the opportunity to invest in loans with credit characteristics, interest rates and other terms that they find attractive. In operating the borrowing section of the Platform, we verify the identity of Borrowers, obtain Borrowers' credit profiles (commonly known as "credit reports") from consumer and business credit reporting agencies such as TransUnion and Equifax and screen Borrowers for eligibility to participate in the Platform. We also service the loans on an ongoing basis.

Under the Offering Memorandum, Lenders have the opportunity to buy Payment Dependent Notes issued by Loop Funding and designate the Corresponding Borrower Loans to be facilitated through the Platform. The Notes will be special, limited obligations of Loop Funding only and not obligations of any Borrower. The Notes are unsecured and holders of the Notes do not have a security interest in the corresponding Borrower Loans or the proceeds of those corresponding Borrower Loans, or in any other assets of Loop Funding, its affiliates, or the corresponding Borrower.

About the Notes

We will pay principal and interest on each Note in a series in an amount equal to each such Note's pro-rata portion of the principal and interest payments, if any, Loop Funding receives on the corresponding Borrower Loan funded by the proceeds of that series, net of a servicing fee which is an amount equal to an annualized rate of 1.50% of the outstanding principal of the loan ("**Servicing Fee**") and net any applicable Stub Period Interest, and any other applicable fees and charges described below. Loop Funding is entitled to reduce the amount payable in accordance with the terms of a Note where Loop Funding undertakes collection efforts to collect on the Borrower Loan to which a Note corresponds ("**Collection Fee**"). Any charges, fees, other form of compensation and disbursements owing to a collection agency or other third party ("**Third-Party Charges**") retained to undertake collection efforts will reduce the amount payable in accordance with the terms of a Note with regard to any Borrower Loan that is subject to collection efforts. Third-Party Charges are separate and distinct from the Collection Fee. The Collection Fee may be up to 35% of the amount received by Loop Funding Inc. if a collection action is taken with respect to a Borrower Loan. A Collection Fee is not charged if no amount is received by Loop Funding and no Collection Fee will be charged in excess of the amount received by Loop Funding. Loop Funding will not pay to Noteholders any Unsuccessful Payment Fees (as defined below), cheque processing and other processing fees, Collection Fees or Third-Party Charges and any payments due to Loop Funding on account of the portion of the Corresponding Borrower Loan, if any, that Loop Funding has funded itself. If Loop Funding were to become subject to a bankruptcy or similar proceeding, the holder of a Note will have a general unsecured claim against Loop Funding that may or may not be limited in recovery to payments in respect of the corresponding Borrower Loan. See Item 5.1 – Terms of Securities, *Ranking*.

Borrower Loans issued through the Platform have a fixed interest rate and have initial maturities ranging from 3 months to 5 years. Loan amounts range from \$1,000 to \$500,000, and bear interest rates currently ranging from 4.90% to 26.50%.

This Offering Memorandum pertains only to Borrower Loans facilitated through the Platform under what we call our “Standard Program”. We may provide loans through the Platform other than under our Standard Program, which we call “Custom Program” loans. Payment dependent notes or evidences of indebtedness issued by Loop Funding in respect of Custom Program loans are not issued under this Offering Memorandum.

2.3 - Development of Business

Loop Funding is a wholly owned subsidiary of Loop Financial. Since inception, Loop Financial has made significant developments in launching and scaling the Platform, which is Canada’s first peer-to-peer lending platform focused on small business financing. Between April 2014 and October 2015, Loop Financial’s management team was focused on developing industry-leading fractionalization and marketplace matching technology. Additionally, teams at Loop Financial were focused on creating and optimizing lender onboarding and borrower acquisition processes to ensure rapid growth at launch.

Loop Financial launched the Platform across Canada on October 7th, 2015. Loop Financial received over 3,000 Lender signups and received over \$20 million in loan applications from small businesses across Canada as of February 28, 2016. On March 1, 2016, Loop Financial voluntarily halted the posting of Loan Requests on the Platform. This voluntary halt was a result of ongoing conversations with the Ontario Securities Commission (“OSC”) which gave Loop Financial the opportunity to collaborate with the OSC to bring an appropriately regulated peer-to-peer lending platform to market.

2.4 - Long Term Objectives

Loop Funding has two primary long-term objectives.

Firstly, Loop Funding aims to give Canadian investors access to investing in business loans, a previously inaccessible asset class. We aim to provide investors, using our proprietary loan underwriting and pricing models, with the opportunity to assemble a portfolio of Notes that will provide them an attractive return. See Item 5.1 - Terms of Securities, *Minimum Credit Criteria and Underwriting*. As we grow our loan book, we and our affiliates will generate increasing revenue from the Servicing Fee and Collection Fees.

Secondly, Loop Funding aims to develop a liquid marketplace where Borrowers receive financing in a short period of time at affordable rates. A liquid marketplace will require a large number of participants on both sides of the Platform. Effective marketing efforts will be required in order to attract an adequate number of Members to both sides of the Platform. A liquid marketplace will allow Loop Financial to increase loan originations which will generate increased origination fees. See Item 5.1 - Terms of Securities, *Origination Fees*.

There cannot be any assurance, however, that either objective will be achieved. See Item 8: Risk Factors.

2.5 - Short Term Objectives and How We Intend to Achieve Them

The capital raised through this Offering Memorandum will not be directly used to fund the operations of Loop Funding or any of its subsidiaries, affiliate companies, or parent, or to advance the business of Loop Funding or any of its subsidiaries, affiliate companies, or parent. The capital raised through this Offering Memorandum will be used to provide Borrower Loans.

What we must do and how we will do it	Target completion date or, if not known, number of months to complete	Our cost to complete
Carry out the offering as described in this Offering Memorandum.	Ongoing	There are no costs associated with the proceeds of this Offering Memorandum.

2.6 - Insufficient Funds

There is no assurance that (i) any of this offering will be sold, (ii) the proceeds of the offering, if any, will be sufficient to accomplish our proposed objectives, or (iii) alternative financing will be available. If none of the offering is sold, we will continue to use our existing capital and cash flows to carry on our business.

2.7 - Material Agreements

Loop Funding operates under some important agreements with affiliated entities, most recently updated on January 1, 2018. Loop Funding operates the borrowing section of the Platform under license from Loop Financial. Loop Securities is the sole seller of Notes issued through this Offering Memorandum. Loop Securities and Loop Funding have a contractual relationship whereby Loop Securities is compensated for selling the Notes. Such compensation to Loop Securities is intended to compensate Loop Securities' for operating costs it incurs on an annual basis.

Borrowing and lending activities are facilitated through the Platform. The Platform, operating as "Lending Loop", is managed by Loop Funding for matters relating exclusively to Borrowers, including Borrowers' registration to the Platform and Borrowers' Loan Requests, and by Loop Securities with respect to all other matters, including Lenders' registration to the Platform and suitability assessments of Lenders. Loop Securities is the only authorized party associated with the Platform able to facilitate the distribution of Notes of Loop Funding to the Lenders. Loop Securities is registered as an exempt market dealer under applicable securities laws. The business name "Lending Loop" is registered by Loop Securities in jurisdictions where Loop Securities is currently operating.

Loop Funding and Loop Securities are all wholly owned subsidiaries of Loop Financial. Loop Financial and Loop Funding are engaged in a contractual relationship whereby Loop Financial is compensated for origination of Borrower Loans, providing of technology and resources to operate Loop Funding and Loop Securities.

Item 3: Interests of Directors, Management, Promoters and Principal Holders

3.1 - Compensation and Securities Held

Name and municipality of principal residence	Positions held (e.g. Director, officer, promoter and/or principal holder) and the date of obtaining that position	Compensation paid by Issuer or related party in the most recently completed financial year and the compensation anticipated to be paid in the current financial year	Number, type and percentage of securities of the Issuer held after completion of min. offering	Number, type and percentage of securities of the Issuer held after completion of max. offering
Cato Pastoll , Toronto	Director, CEO Since October 2016	2017 Salary: \$45,000 2018 Salary: \$83,558 2019 Salary: \$100,000	As at March 25, 2019 has purchased 572 Notes with an initial value of \$81,975	As at March 25, 2019 has purchased 572 Notes with an initial value of \$81,975
Brandon Vlaar , Waterdown	Director, CTO Since October 2016	2017 Salary: \$53,500 2018 Salary: \$83,558 2019 Salary: \$100,000	As at March 25, 2019 has purchased 426 Notes with an initial value of \$12,050	As at March 25, 2019 has purchased 426 Notes with an initial value of \$12,050

NOTE: As the offering is continuous, the Directors may continue to acquire Notes on a regular basis on the same terms and conditions as other investors.

3.2 - Management Experience

Name	Principal occupation and related experience
Cato Pastoll	Director, CEO - Cato served as the Executive Vice President of a medium-sized software consulting business. In addition to holding a senior management position, he attained experience building and managing robust commercial applications. Cato also brings relevant industry expertise from his time developing a loan evaluation and management solution for a private mortgage lender.
Brandon Vlaar	Director, CTO - Brandon is a self-taught software developer who has developed and launched three consumer web services over the past four years. A graduate of the Richard Ivey School of Business HBA program, Brandon has held finance positions at

	Manulife Financial and SMEs in both Canada and the United States.
--	---

3.3 - Penalties, Sanctions and Bankruptcy

There have been no penalties or sanctions against any director, executive officer or control person of the Issuer, or any issuer of which any director, executive officer or control person of the Issuer was a director, executive officer or control person at that time.

There have been no declarations of bankruptcy, voluntary assignments in bankruptcy, proposal under any bankruptcy or insolvency legislation, proceedings, arrangement or compromise with creditors or appointment of a receiver, receiver manager or trustee to hold assets, with regard to any director, executive officer or control person of the Issuer, or any issuer of which any director, executive officer or control person of the Issuer was a director, executive officer or control person at that time.

3.4 - Loans & Indebtedness

As of the date of this Base Offering Memorandum, Loop Funding has no outstanding indebtedness to or from any of its directors, members of management, promoters or principal holders.

Participation by Loop Funding and its Affiliates

Loop Funding, its affiliates and employees, directors, officers and representatives of Loop Financial and its affiliates may purchase Notes or invest directly in Borrower Loans and Pre-Funded Borrower Loans from time to time. Loop Financial, its affiliates and employees, directors, officers and representatives of Loop Financial and its affiliates will purchase Notes only on the same terms and conditions available to other Lenders.

Item 4: Capital Structure

4.1 - Share Capital

Description of security	Number authorized to be issued	Price per security	Number outstanding as at May 1, 2017	Number outstanding after min. offering	Number outstanding after max. offering
Common Shares	Unlimited	\$0.01	100	100	100

4.2 - Long Term Debt

Description of long-term debt (including whether secured)	Interest rate	Repayment terms	Amount outstanding at March 25, 2019
<i>Loan From Loop Financial</i>	Prime plus 5%	Interest Only, 5 Year Term	\$325,237.43
<i>Payment Dependent Notes</i>	6.8 % - 26.34%	12 to 60 Months	\$26,724,783.80

4.3 - Prior Sales

Date of Issuance	Type of security issued	Number of securities issued	Price per security	Total funds Received
November 7, 2016 to March 25, 2019	Payment Dependent Notes	451,820	\$25 - \$150,000	\$40,448,775

Item 5: Securities Offered

5.1 - Terms of Securities

5.1(a) - Overview

Notes are issued in series. A series of Notes and each constituent Note of that series corresponds to a single Borrower Loan which is provided to a single Borrower. Loop Funding's obligations with respect to a Note are not affected by the performance of any Borrower Loan other than the Borrower Loan to which the Note corresponds.

In the course of purchasing a Note corresponding to a Borrower Loan, Lenders are able to view limited information pertaining to the Borrower to which that Note corresponds, including information regarding the past performance of that Borrower's business, among other information provided by the Borrower.

Each series of Notes will have a stated fixed interest rate which will be the same as the interest rate for the corresponding Borrower Loan and an aggregate stated principal amount equal to the Lenders' aggregate commitment to purchase Notes, the proceeds of which they have committed to fund the corresponding Borrower Loan. We will pay you principal and interest on any Note you purchase in an amount equal to your pro-rata portion of the principal and interest payments we receive, if any, on the corresponding Borrower Loan net of the Servicing Fee, any applicable Stub Period Interest, and other applicable charges and fees.

Notwithstanding the foregoing, Loop Funding has no obligation to make any payments on the Notes unless, and then only to the extent that, Loop Funding has received principal and interest payments on the corresponding Borrower Loan, as described below under Item 5.1 - Terms of Securities, *Limitations on Payments*. The Notes may be prepaid without penalty under certain circumstances as described below under Item 5.1 - Terms of Securities, *Prepayments*.

The range of interest rates offered on the Notes is between 4.90% and 26.50% and is based upon a Pricing Model described in this Base Offering Memorandum (See Item 5.1 – Terms of Securities, *Minimum Credit Criteria and Underwriting*). All Notes will be Canadian dollar denominated, will bear simple interest from the date of issuance, be fully amortizing and be payable monthly. The Notes will have maturities ranging from 3 months to 5 years from the date of issuance. We will make any payments on the Notes within four business days after we receive the payments from a Borrower on the corresponding Borrower Loan. The Notes are risky investments and are not guaranteed or insured by any third party or any governmental agency.

Loop Funding is entitled to reduce the amount payable under the terms of a Note where Loop Funding undertakes collection efforts in order to collect on the Borrower Loan to which a Note corresponds. Such reduction may be up to 35% of the amount recovered if collection efforts are taken with respect to a Borrower Loan that is in default. Loop Funding does not charge a Collection Fee if no payments are collected, and no Collection Fee will be charged in excess of the amount recovered. Loop Funding will not pay to holders of Notes any Unsuccessful Payment Fees (as defined below), cheque processing and other processing fees, Collection Fees we or a third-party collection agent charge and any payments due to Loop Funding on account of the portion of any corresponding Borrower Loan, if any, that Loop Funding has funded itself.

Notes of each series will have an initial maturity date that is the same date as the date on which the term of the corresponding Borrower Loan expires. Loop Funding may extend the term of a Borrower Loan by up to 5 years in

order to arrange for payment plans in the event of non-performance. In such event, interest will continue to accrue at the stated rate.

If there are amounts owing to Loop Funding in respect of the corresponding Borrower Loan at the maturity of a Note, the holder of that Note will have the option to extend the term of his/her/its Note by 120 days to allow the holder to receive any payments that Loop Funding receives on the corresponding Borrower Loan after the maturity of the corresponding Borrower Loan. Following the expiry of 120 days past the maturity of a Note, the holder of that Note will have no rights to receive any further payments from Loop Funding with respect to that Note.

Denominations, Form and Registration

Except as may be provided otherwise for a particular series of Notes, we will issue Notes in denominations of \$25 and integral multiples of \$25. The Notes will be issued only in registered form and only in electronic form. This means that your ownership of Notes will be recorded on the Platform. You can view your Notes online and print copies for your records, by visiting your secure, password-protected webpage of the Website. We will not issue certificates for the Notes. Lenders will be required to hold their Notes through Loop Funding's electronic Note register. We will treat the Lenders in whose names the Notes are registered as the owners thereof for the purpose of receiving payments and for any and all other purposes whatsoever with respect to the Notes.

Use of Proceeds

We will use the proceeds of each series of Notes to fund that Borrower Loan as designated by the Lenders purchasing such series of Notes. Generally, a portion of funds of each loan will be retained by Loop Funding as an Origination Fee, which is payable to Loop Financial, prior to disbursement to the applicable Borrower. In other cases, the Borrower will pay the Origination Fee separately.

Pre-Funded Borrower Loans will be funded by a pool of capital obtained from various sources. We will use the proceeds of each series of Notes corresponding to a Pre-Funded Borrower Loan to replace the capital from this pool.

We will offer the Notes to our Lenders at 100% of their principal amount. The Notes will only be sold by Loop Securities through the lending section of the Platform.

Ranking

The Notes will not be contractually senior or contractually subordinated to any other indebtedness of Loop Funding. The Notes will be unsecured special, limited obligations of Loop Funding. Loop Funding will be obligated to pay principal and interest on each Note in a series only if, and to the extent that, Loop Funding receives payments from a Borrower on the corresponding Borrower Loan funded by the proceeds of that series, and such Borrower Loan payments ("**Borrower Loan Payments**") will be shared rateably among all Notes of the series after deduction of the Servicing Fee, any applicable Stub Period Interest, any other applicable fees and charges and any payments due to Loop Funding on account of the portions of the Borrower Loan, if any, funded by Loop Funding acting as a Lender on the lending section of the Platform.

In the event of a bankruptcy or similar proceeding of Loop Funding, the relative rights of the holder of a Note as compared to the holders of other unsecured indebtedness of Loop Funding with respect to payment from the proceeds of the Borrower Loan corresponding to that Note or other assets of Loop Funding may be uncertain. If Loop Funding were to become subject to a bankruptcy or similar proceeding, the holder of a Note may have a general unsecured claim against Loop Funding that may or may not be limited in recovery to the corresponding Borrower Loan payments.

Subject to the limitations described below, upon receiving a loan payment with respect to a Borrower Loan, the Lender Accounts of Lenders holding notes corresponding to the Borrower Loan will be credited on the payment date corresponding to the Borrower Loan Payment.

The stated interest rate on each Note will be the same as the interest rate on the corresponding Borrower Loan and interest will be computed and will accrue on the Note in the same manner as the interest on the corresponding Borrower Loan is computed and accrues. The Servicing Fee described above will reduce the effective yield of each Note below its stated interest rate.

Origination Fee

Borrowers pay Loop Financial an origination fee (the “**Origination Fee**”) upon the successful closing of a Borrower Loan. The Origination Fee is generally deducted from the loan proceeds prior to disbursement of the net amount to the Borrower. The amount of the Origination Fee is a function of the term and Loan Grade of the loan and currently does not exceed 6.5% of the principal amount of the Borrower Loan. Third parties may also charge an additional fee for brokering loan services in addition to the Origination Fee. The combined fees will not exceed 10% of the principal amount of a Borrower Loan.

Servicing Fee

Prior to making any payments on a Note, we will deduct a Servicing Fee equal to an annualized rate of 1.50% of the outstanding principal balance of the corresponding Borrower Loan at the time of the repayment. The Servicing Fee will reduce the effective yield on each Note by 1.50%. The Servicing Fee will be provided to the party providing the applicable services.

Stub Period Interest

Pre-Funded Borrower Loans close before the corresponding series of Notes is issued. We refer to the interest that accrues between the time that a Pre-Funded Borrower Loan closes and the time that the corresponding series of Notes is issued as Stub Period Interest. Lenders will not be entitled to receive any Stub Period Interest we receive from a Borrower.

Not a Structured Finance Product

In no case will payments to which a holder of any Note is entitled to be affected by the performance of other than the corresponding Borrower Loan. A structured-finance product is typically defined as a security that is primarily serviced by the cash flows of a discrete pool of financial assets. Given that each Note is backed by only a single Borrower Loan and not by a pool of financial assets, Notes are not structured-finance products.

Governing Law

The Notes will be governed by the laws of the Province of Ontario.

Customer Support

Customer support is provided to Lenders by Loop Securities and Loop Financial. Information about the Platform including answers to questions frequently asked by Lenders and a detailed description of fees charged to Lenders is published on the Website. Loop Securities’ and Loop Financials customer support agents may be contacted by email and phone.

Loop Funding and Loop Financial provides customer support to Borrowers by email and phone. Detailed information regarding the Platform of interest to Borrowers is published on the Website.

5.1(b) - Terms of Borrower Loans

All Borrower Loans have a fixed interest rate and a term that ranges between 3 to 60 months. Borrower Loans amortize monthly and require Borrowers to pay Loop Funding in equal monthly payments consisting of principal repayment and interest. Borrower Loans may be repaid in full at any time without penalty. Borrower Loans may be partly repaid at any time without penalty with the prior consent of Loop Funding Inc.

5.1(c) - Borrower Registration

To become Members, Borrowers must agree to the Terms of Use of the Website, including agreeing to conduct transactions and receive disclosures and other communications electronically. We verify the identity of Members or individuals authorized to act on behalf of Members (e.g. officers and directors of corporations) by comparing supplied names, social insurance numbers, addresses and telephone numbers against the records of a consumer reporting agency, as well as other databases.

The following criteria apply to Borrowers that wish to obtain financing using either the Standard Loan Policy or the Express Loan Policy”

Express Loan Policy:

- Have a valid email account;
- Have a deposit account at a regulated Canadian financial institution (referred to as a “designated deposit account”);
- Have a principal place of business in one of the provinces or territories of Canada;
- Have been operating for at least 2 years;
- Have at least 50% of the mind and management of the business be Canadian residents;
- Be at least the age of majority (where the borrower is a Sole Proprietorship); and
- Have generated at least \$30,000 in revenue in any given 12-month period within the last 24 months.

Standard Loan Policy:

- Have a valid email account;
- Have a deposit account at a regulated Canadian financial institution (referred to as a “designated deposit account”);
- Have a principal place of business in one of the provinces or territories of Canada;
- Have been operating for at least 1 year;
- Have generated at least \$100,000 in revenue in any given 12-month period within the last 24 months;
- Have at least 50% of the mind and management of the business be Canadian residents; and
- Have all its directors or partners be at least the age of majority.

Loop Funding may impose stricter eligibility criteria on prospective Borrowers where appropriate or prudent and reserves the right not to accept the registration of any Borrower.

All Borrowers enter into a loan agreement with Loop Funding. Borrowers may enter into a security agreement on all or certain of the Borrower’s assets. Borrower Loans may also be guaranteed by a corporation(s) or an individual(s).

The loan agreement sets forth the terms and conditions of the applicable Borrower Loan. See Item 5.1 – Term of Securities, *Security and Personal Guarantee*.

If a loan is extended to a Borrower, that Borrower agrees to be bound by the terms of a loan agreement. The Borrower authorizes Loop Funding to debit the Borrower's designated deposit account by electronic funds transfer for each payment due under the loan agreement. The loan agreement provides that all disputes in regard to the agreement are to be decided by binding arbitration. The Borrower agrees that Loop Funding may assign its right, title and interest in the Borrower's loan agreement without notice or consent.

5.1(d) - Loan Requests

Prospective Borrowers from across Canada are able to submit a loan application to Loop Funding through the Website. Loan amounts range from \$1,000 to \$500,000. We will generally allow Borrowers to have up to five separate Borrower Loans outstanding at any one time with a maximum aggregate outstanding principal of \$1.5 million. The Borrower must have already made consecutive, timely payments on their existing Borrower Loans in accordance with applicable terms and conditions and meet the applicable credit criteria in order to be eligible for additional financing. See Item 5.1 – Terms of Securities, *Minimum Credit Criteria and Underwriting*.

Certain information included in listings and Posting Supplements may be unverified as described in the Posting Supplements. We do take some measures to attempt to verify some of the information. However, we are not responsible for the veracity of this information, and do not represent that this information is accurate or correct. As we are not able to fully assess the veracity of this information, the information should not be considered as being factual nor should it be used as material in determining the market price and value of the Notes. As a result, in the event you have losses arising from such information being false, misleading or inaccurate, your recourse may be extremely limited. For details on the specific information provided and/or what information is verified, please see Item 2.2 - Our Business and Item 5.1 – Terms of Securities, *Loan Requests and Borrower Information Available on the Website*.

Loan Requests and Borrower Information Available on the Website

Borrowers have their loan applications evaluated and listed on the lending section of the Platform as Loan Requests if they are approved. Listings for Loan Requests are posted on the lending section of the Platform for viewing by Lenders. Lenders are then able to commit to purchase Notes that correspond to a specific Borrower Loan. Each listing will generally contain the information specified below. Note that some of the information may not appear in a listing if it has not been provided by the applicable Borrower.

Information provided by Loop Funding:

- A unique identifier representing the Borrower;
- A unique identifier representing the Loan Request;
- The type of entity that the Borrower is organised as (e.g. corporation, partnership, sole proprietorship, cooperative);
- The province or territory in which the Borrower's principal place of business is located;
- The requested loan amount;
- The Borrower's Lending Loop Loan Grade;
- The term of the loan;
- Whether the loan is supported by a security agreement; and

- Whether the loan is guaranteed by another entity.

Information provided by the Borrower which Loop Funding does not verify or monitor:

- Borrower's stated purpose for the obtaining the loan;
- Industry in which the Borrower operates;
- Supplementary information provided by the Borrower regarding the Borrower's business and its intended use of loan funds; and
- Financial statements or other documents and the type of engagement under which the financial statements, if any, were prepared (only for Standard Policy Loans).

Please note that while the name of a Borrower appears on the listing for its Loan Request, the Posting Supplement pertaining to that Borrower will not contain its name. We take this measure in order to protect the privacy of Borrowers as Posting Supplements become publicly accessible when they become Sales Updates.

Where applicable, Loop Funding will transcribe but not verify the balance sheet and income items noted above from financial statements or other documents provided by Borrowers in Posting Supplements. The financial statements or other documents from which these items are transcribed will be identified as prepared as one of the following: audit engagement, review engagement, notice to reader or management prepared, definitions of which are provided below. We rely on the financial statements and other documents as provided by Borrowers to us and do not verify the source of such statements and/or documents, their accuracy or completeness. In general, a Business' financial statements and/or other documents provided by a Borrower may not accurately represent the financial performance and position of that Borrower and should not be solely relied upon.

Statements contained in the information that is provided by Borrowers may be false, misleading, or inaccurate. Loop Funding will not verify the accuracy of statements contained in the supplementary information provided by Borrowers. Furthermore, Loop Funding, generally, will not monitor how Borrowers use loan funds and will not verify whether Borrowers spend funds in accordance with the Borrowers' stated intended use found in supplementary information.

Financial Statements – Definitions of Type of Engagement:

Audited statements	A financial statement audit is the examination of an entity's financial statements and accompanying disclosures by an independent auditor. The result of this examination is a report by the auditor, attesting to the fairness of presentation of the financial statements and related disclosures.
Review engagement	While an audit is meant to give some assurance that the financial statements are free of material misstatements, a review engagement is only meant to ascertain whether or not the financial statements are believable or plausible.
Notice to reader/Compiled	The entity's financial statement has not been audited or reviewed, therefore it does not have the level of reliability associated with audits or review engagements. When firms offer no assurance on financial statements that they prepare or assist in preparing, they issue a Notice to Reader Financial Statement report.
Management prepared	Refers to when a entity does its own books and prepares its interim and annual financial statements itself. Because these financial statements are internally prepared, they are considered the "lowest" quality of financial statements. These statements may be provided through the entity's internal accounting software without any human verification.

Security and Personal Guarantee

The obligations that a Borrower incurs under a Borrower Loan will be secured by at least one of:

- A specific security interest in one or more assets of that Borrower;
- A general security interest in all assets of that Borrower;
- A guarantee of a corporation; or
- A guarantee of an individual.

We may have the right to take possession of secured assets in the event a Borrower defaults on its secured obligation and certain other conditions are met. A person who provides a guarantee is obliged, jointly and severally with the Borrower (where such person is a separate entity from the Borrower), to fulfill a Borrower's repayment obligations under the applicable Borrower Loan. The security granted by the Borrower as part of a Borrower Loan may be granted in favour of an entity controlled by Loop Funding as nominee rather than to Loop Funding itself.

5.1(e) - Loan Funding

Contingent Borrower Loans and Pre-Funded Borrower Loans

Loop Funding currently offers Borrower Loans the closing of which is typically contingent on a corresponding Loan Request attracting Note Purchase Commitments from Lenders equal to the amount of that Loan Request. We refer to such Borrower Loans as "Contingent Borrower Loans".

Loop Funding may fund Borrower Loans the closing of which is not contingent to any extent on attracting Note Purchase Commitments. We refer to such Borrower Loans as "Pre-Funded Borrower Loans". A Pre-Funded Borrower Loan closes before the corresponding Loan Request is posted on the Website. Pre-Funded Borrower Loans may be a more attractive option for Borrowers who prefer not to wait until a Loan Request is funded in order to receive a loan or take the risk that it will not be funded.

A Lender's commitment to purchase a Note with regard to a Contingent Borrower Loan, which we refer to as a "Note Purchase Commitment" is a binding obligation, subject only, to receipt of Note Purchase Commitments with respect to a Loan Request equal to the amount of that Loan Request, or such lesser amount that Loop Funding may establish after the Loan Request is first posted with the Borrower's consent. In order to make a Note Purchase Commitment, a Lender must have sufficient funds in his/her/its Lender Account.

Upon the closing of a Borrower Loan, we proceed with executing the purchase and sale of Notes to the Lenders who have committed to purchase Notes related to that Borrower Loan. In the case of Contingent Borrower Loans, upon issuing Notes to Lenders and recording the Notes on our books and records, the principal amount of the Borrower Loan related to those Notes, less the Origination Fee to be paid to Loop Financial will be transferred to the Borrower from the Trust Account. A Lender's Account will be debited the amount of the Note he/she/it purchased. In the case of the purchase of Notes of a Pre-Funded Borrower Loan, Loop Securities will be directed to transfer the principal amount of such Notes to Loop Funding's bank account.

From time to time, Loop Securities will transfer accumulated Origination Fees to Loop Financial and applicable service charges due to Loop Financial or Loop Funding.

5.1(f) - Minimum Credit Criteria and Underwriting

After we receive a loan application, we evaluate whether the Borrower meets our minimum credit criteria for Borrower Loans. Our credit policy provides the underwriting and pricing criteria for all Borrower Loans. The credit policy may be changed from time to time. Any fundamental changes will be outlined in an amendment to this Base Offering Memorandum. Under the credit policy, no Loan Request will be posted on the Platform unless the following minimum credit criteria are met:

- Where a Borrower Loan is guaranteed by one (or more) guarantors who is an individual, such guarantor will have a credit score of at least 600 as reported by a consumer credit reporting agency; and
- The Borrower has been operating for at least 1 year;
- The Borrower has generated at least \$30,000 in revenue in any given 12-month period in the last two years.

Consumer Credit Scoring

Consumer credit reporting agencies assign credit scores that fall across a certain range based on information contained in individuals' credit reports. TransUnion and Equifax are two such agencies (the "**Agencies**") in Canada. A credit score is a simple numeric expression of an individual's creditworthiness. The Agencies use scoring systems based on the FICO scoring system developed by the Fair Isaac Corporation. However, each Agency uses slightly different formulae, and each relies solely on the data available to it. Credit scores assigned to an individual may vary between Agencies. We currently obtain consumer credit information from a single Agency; however, we may use other Agencies in the future.

FICO scores, as well as credit scores other companies calculate using different models, can predict similar types of risk. It's important to remember that because different FICO scores and other credit scores were created using different scoring models, the scores may not be identical. Different credit score models have different formulas and calculations (often called algorithms) that use data differently to help predict a person's likelihood to repay debts on time.

Although FICO has many different scoring models, it uses relative percentage weights to help determine how much impact certain factors will have in helping determine a FICO credit score. The main categories considered are a person's payment history (35%), amounts owed (30%), length of credit history (15%), new credit accounts (10%), and types of credit used (10%).

FICO scores are available from each of the two major credit bureaus (Equifax and TransUnion), based on information contained in consumers' credit reports. Because there are different FICO scoring models and different credit bureaus, consumer credit scores may differ depending on which bureau's credit report and which FICO score model is used.

Evaluation

We attempt to obtain a credit report for each Borrower. Where a Borrower Loan is guaranteed by a guarantor, we may obtain a credit report for that guarantor. These credit reports, where available, in addition to the financial statements and information provided by the Borrower, are used to determine whether the minimum credit criteria stated above are met. Loan applications that meet the minimum credit criteria are evaluated using Loop Funding's underwriting system.

In the underwriting process, loan applications are evaluated. Loan applications are either rejected or approved and if approved, assigned a loan grade (a "**Loan Grade**") determined using a predictive model (the "**Pricing Model**") developed by Loop Funding. Through the underwriting process an approved loan application will be assigned one of

10 possible Loan Grades from A+ through E, each of which has a corresponding target interest rate (see chart below) and expected charge-off rate.

The Pricing Model incorporates various statistical methods to assess credit risk and assign Loan Grades. The Pricing Model uses a wide array of variables including information contained on credit reports, credit scores, financial data specific to the Borrower, industry data, loan amount, term, and other information. Different types of variables may be included or excluded from consideration by the Pricing Model from time to time.

The following tables show Lending Loop's Loan Grades and the corresponding expected charge-off rates used in the Pricing Model. The expected charge-off rates shown are relevant for our internal purposes only and should under no circumstances be considered indicative or predictive of future default or charge-off rates for Borrower Loans. The expected charge-off rates are based on very limited data, may be entirely inaccurate and should not be relied upon for the purpose of making investment decisions. The expected Charge-Off rates for loans evaluated using the Express Loan Policy may differ from loans evaluated using the Standard Loan Policy over time and these tables will be updated, if necessary, when new information becomes available.

Loan Grade	Projected Default Rate	Projected Recovery Rate	Projected Charge-Off Rate
A	3.72%	30%	2.60%
B	5.13%	20%	4.10%
C	6.75%	10%	6.07%
D	10.65%	10%	9.59%
E	15.03%	5%	14.28%

How Expected Charge-Off Rates Are Calculated

The probability of a loan being charged-off are estimated by the Pricing Model using several variables that are collected during the review process. The weightings of variables that are used to estimate the default and charge-off rates in the Pricing Model are created from a data base of historical defaults using techniques such as logistic regression and from third-party datasets designed to predict probability of default, loss or charge-off. Once the Pricing Model determines a probability of default for a given loan, the corresponding Loan Grade will be assigned. The assumptions and projections that we use to calculate expected default rates and expected charge-off rates may be inaccurate. We will continue to monitor and update our data sets based on the information that we collect as the platform continues to operate with the aim of improving the predictive accuracy of the Pricing Model.

5.1(g) - Statistical Information on our Loan Portfolio

Loans Originated

Total Principal originated as at March 25, 2019:

Year Loan Originated	2015/2016/2017	2018	YTD 2019*
A	\$1,478,500	\$3,907,000	\$300,000
B	\$4,913,000	\$6,958,150	\$2,449,000
C	\$4,303,625	\$6,604,500	\$2,198,000
D	\$1,956,500	\$4,095,500	\$320,000
E	\$489,500	\$1,261,000	\$293,500

Loans Outstanding

Principal balance of loans that are outstanding as at March 25, 2019 (excludes loans charged-off):

Year Loan Originated	2015/2016/2017	2018	YTD 2019*
A	\$393,606	\$3,079,656	\$295,138
B	\$1,426,119	\$5,095,191	\$2,403,737
C	\$1,309,349	\$5,083,772	\$2,056,522
D	\$679,998	\$3,103,005	\$315,862
E	\$186,822	\$1,040,472	\$288,709

Delinquent Loans Rate

The principal balance for loans that are more than 30 days late or “In Default” as defined below as at March 25, 2019 expressed as a percentage of the principal balance of loans originated as at March 25, 2019:

Year Loan Originated	2015/2016/2017	2018	YTD 2019*
A	7.37%	0.00%	0.00%
B	5.41%	4.85%	0.00%
C	6.50%	2.91%	0.00%
D	9.72%	5.42%	0.00%
E	14.24%	13.44%	0.00%

Lifetime Charge-Off Rate

Principal balance for loans that have been Charged-Off as at March 25, 2019 expressed as a percentage of the principal balance of loans originated as at March 25, 2019:

Year Loan Originated	2015/2016/2017	2018	YTD 2019*
A	0.00%	0.00%	0.00%
B	0.00%	0.00%	0.00%
C	2.40%	0.00%	0.00%
D	10.21%	1.29%	0.00%
E	0.00%	0.00%	0.00%

*YTD 2019 figures are for loans originated between January 1, 2019 and March 25, 2019.

Please note that the tables above cover all loans originated through the Platform from September 1, 2015 which includes Borrower Loans and other loans made prior to October 21, 2016. The data in the tables above does not include any Express Loans as no loans had been issued at the time of writing.

How Projected Net Returns Are Calculated

From time to time, we provide projected net returns on the Website. The projected net returns are a portfolio weighted estimate of the annual return. To calculate the net return, we use the projected gross yield, the projected annual Charge-Off rate and the servicing fee for the Borrower Loans made. The average return is compounded and shown before tax.

To calculate a projected annualized net return, we multiply the estimated yield (net of servicing fees) and Charge-Off rate for each risk band by the estimated portfolio weights to determine a weighted average interest rate and loss rate for the modelled pool of loans. We then take the weighted average interest rates and loss rates for the modelled pool of loans and extrapolate them over a 5-year portfolio projection to arrive at a final cumulative net return estimate. The final cumulative net return estimate is then divided by 5 years in order to create the projected annualized net return.

Projected Gross Yield

The projected gross yield is an estimate of the average interest rate for a given year, before fees and bad debt, paid on Borrower Loans by the year they were made. The projected gross yield combines the actual gross yield to date for a given year, and the estimated gross yield for the remaining term of Borrower Loans that have not yet been fully repaid. To calculate this for each year of Borrower Loans made, the average interest amount received per month is divided by the average outstanding Borrower Loan principal per month.

Projected Annual Charge-Off Rate

The annualized percentage of Borrower Loans, by the expected principal amount to be Charged-Off, that are estimated to not be repaid. The projected charge-off rate is a combination of the actual charge-off rate for a given year with the estimated charge-off rate for the Borrower Loans that have not yet been fully repaid. As the charge-off rate is used, the recoveries we estimate to receive from Borrower Loans that have defaulted are included.

5.1(h) - Loan Review Process

Express Loans:

Loop Funding will take measures to verify that the business exists and confirm its' operations. Credit reports will be obtained for the Borrower. Credit reports may contain information regarding expected delinquency rates and sustainability, outstanding delinquencies, liens, collection items, judgements, returned cheques, and other relevant information. Loop Funding may examine a Borrower's most recently filed Tax Returns and information pertaining to a Borrower's designated deposit account. We may, at our sole discretion obtain any of the aforementioned items subsequent to extending credit to a Borrower should there be evidence of a deterioration in the Borrower's financial condition.

Standard Loans:

During the loan application process, each Borrower must also fully satisfy certain document requirements. Credit will not be granted to Borrowers that do not meet or exceed all document requirements. Every Borrower must provide or make available financial statements or information pertaining to its most recent full fiscal year provided that such

fiscal year that ended more than 120 days from the date of their loan application. We may, in many cases and at our discretion, require additional financial statements or information from Borrowers, including those pertaining to the fiscal year immediately preceding a Borrower's most recent full fiscal year and, a period after the end of the Borrower's most recent fiscal year.

Where a Borrower is a corporation, Loop Funding will take measures to verify that the corporation exists, ascertain the address of its registered headquarters, verify that it is not in receivership and/or liquidation, and identify its directors and senior officers. Credit reports may be obtained for Borrowers and guarantors. Credit reports may contain information regarding expected delinquency rates and sustainability, outstanding delinquencies, liens, collection items, judgements, returned cheques, and other relevant information. Loop Funding may examine a Borrower's most recently received Notice of Assessment or other document evidencing amounts owed, if any, to Canada Revenue Agency. We may obtain information pertaining to a Borrower's designated deposit account. Other documentation may, depending on the nature of the business, be obtained, such as asset schedules or accounts receivables listings. We may, at our sole discretion obtain any of the aforementioned items subsequent to extending credit to a Borrower should there be evidence of a deterioration in the Borrower's financial condition.

Loan Request Approval

Borrowers are informed of whether or not their Loan Request has been approved and are given a loan agreement which sets out the terms and conditions of the prospective Borrower Loan. The terms and conditions may differ from those requested in the Borrower's loan application.

Prior to posting a Borrower's Loan Request, an authorized representative of the Borrower signs and returns a loan agreement that sets out the terms and conditions that will be applicable to the Contingent Borrower Loan.

Prior to posting a Borrower's Loan Request corresponding to a Contingent Borrower Loan that is secured, an authorized representative of the Borrower will sign and provide a security agreement that will secure specified assets of the Borrower upon the loan's closing.

Prior to listing a Borrower's Loan Request corresponding to a Contingent Borrower Loan that is guaranteed, each guarantor will sign and return a guarantee that will bind the guarantor upon closing of the loan.

A Borrower may cancel a Loan Request before it closes. See Item 5.2 - Subscription Procedure.

Lending Loop Loan Grades Assigned to Loan Requests, Charge-Off Rates, and Interest Rates

Each Loan Request on the lending section of the Platform is assigned a Loan Grade. This rating, consisting of a rating from A+ through E, is intended to quantify the level of risk associated with a particular Loan Request and corresponds to the expected charge-off rate for loans in the assigned Loan Grade. The number of possible ratings as well as their associated expected charge-off rate may change over time; however, such changes will be reflected in amendments to this Base Offering Memorandum. We will make reasonable efforts to update our Pricing Model from time to time in order to improve its accuracy in predicting expected default and charge-off rates.

Interest rates are set by our Interest Rate Committee (the "**Committee**"), which, as of the date of this Base Offering Memorandum, is comprised of two of Loop Funding's directors. The Committee's objective in setting rates is to offer competitive rates to Borrowers while also providing attractive risk adjusted returns to Lenders. The following factors, amongst others, are taken into consideration by the Committee when setting rates:

- The economic climate, taking into account economic slowdowns and expansions; and
- Estimated default rates and terms to maturity.

Lending Loop Loan Grades correspond to target interest rates within the following ranges:

Loan Grade	Target Interest Rate
A+	4.90 - 7.50%
A	7.51 - 9.30%
B+	9.31 - 11.10%
B	11.11 - 13.00%
C+	13.01 - 14.90%
C	14.91-17.10%
D+	17.11 - 19.30%
D	19.31 – 21.60%
E+	21.61 - 24.00%
E	24.01 - 26.50%

Discretion of Credit Officers

As described above, the Pricing Model will assign a Loan Grade to a Borrower Loan based on the information that is input into the Pricing Model. In some cases, a borrower's loan application may be subject to human review and verification by a credit officer (a "**Credit Officer**"). An assigned Credit Officer has the ability to change the Loan Grade that is generated by the Pricing Model if he/she deems that a change is warranted based on parameters that are not adequately considered by the Pricing Model. We refer to such changes as a Manual Adjustment. Common reasons for these adjustments include: one of past three operating years exhibits exceptionally weak financial parameters, changes to expenditures are required to demonstrate positive cash flow requirements are met and/or the loan is being used to repay amounts owing to higher cost debt holders. Given the limited history and data currently available for the Pricing Model to consider, it is deemed prudent to grant Credit Officers this ability. As the Pricing Model improves over time, we expect the need for Manual Adjustments to decline or end.

5.1(i) - Post-Closing Loan Servicing and Collections

Following the purchase and sale of the Notes and the closing of the corresponding Borrower Loan, servicing for the Borrower Loans will begin. In return for servicing the loans, a servicing fee (the "**Servicing Fee**") is levied on Lenders. Servicing may be performed on behalf of Loop Funding by Loop Financial or a 3rd party. See Item 5.1 - Terms of Securities, *Servicing Fee*.

We have established collection procedures in the event of late payments. The collection procedures implemented may vary depending on the nature of the default.

- In general, if any loan payment is more than 15 days overdue, we identify the Corresponding Borrower Loan on the Website as “Late (16-30 days)”.
- In general, if any loan payment is more than 30 days overdue, we will identify the Corresponding Borrower Loan on the Website as “Delinquent (31-120 days)”.
- In general, if any loan payment is more than 120 days overdue, we will identify the Corresponding Borrower Loan on the Website as “In Default (121+ days)”. There may be other instances in which a Borrower Loan will be considered to be In Default, such as breach of a material term of the loan agreement.
- Once a Borrower Loan is deemed to be unrecoverable, we will identify the loan on the Website as “Charged-Off”. This will typically occur once a loan payment is more than 180 days past due.

When a loan payment is overdue, we either refer the Corresponding Borrower Loan to an outside collection agent or to our in-house collections department. We generally use our in-house collections department as a first step when a loan payment is more than 15 days late. In the event that our initial in-house attempts to contact a Borrower are unsuccessful, we generally refer the account to an outside collection agent. Amounts equal to any recoveries we receive from the collection process are payable to Lenders holding the applicable Notes on a pro rata basis, subject to deduction of the Servicing Fee, the Third-Party Charges and any Collection Fee (as described below) incurred in the event that a Borrower Loan subsequently goes into default.

Collections procedures which we may undertake following a Borrower’s non-payment include, but are not limited to:

- Attempt to contact the Borrower by phone and email to notify the Borrower of its delinquency and attempt to elicit payment from the Borrower as soon as possible;
- Sending formal demand letters to the Borrower and any/all guarantor(s) of the Borrower Loan;
- Having a solicitor’s demand letter and a notice of intention to enforce security sent to the Borrower and any guarantor(s); and
- Commence and maintain legal action against the Borrower and any guarantors, including insolvency proceedings if appropriate.

If Loop Funding undertakes collection efforts with respect to a Borrower Loan that is “In Default”, a fee (the “**Collection Fee**”) may be deducted from amounts received from the Borrower, any guarantor or from the proceeds from the disposition of any of the Borrower’s or any Guarantor’s assets. The Collection Fee with regard to any one Borrower Loan may equal up to 35% of the amount recovered after the deduction of Third-Party Charges (which may include legal fees). Under the Loan Agreement a Borrower Loan will be deemed in default in a number of circumstances.

If no amounts are collected, no Collection Fees will be applied. While Lenders are able to monitor the status of Borrower Loans in collection on the Website, they are prohibited from otherwise intervening in the collection process in any manner.

The following illustrates how the Collection Fee is applied. Suppose the Borrower Loan has an outstanding principal amount of \$18,700 with interest accruing at \$7.24 per day. If Loop Funding recovers \$12,500 in 45 days after the deduction of external fees and disbursements (by which time the balance outstanding has reached \$19,025.80), the

Collection Fee would be less than or equal to \$4,375 ($\$12,500 \times 35\%$). The amount recovered by Lenders in this case would be: $\$12,500 - \$4,375 = \$8,125$. This amount would be distributed according to Lenders' pro rata share of that series of Notes.

Borrower Loan Payments

Borrower Loan payments are usually received by debiting a Borrower's designated deposit account by electronic funds transfer. Funds received as Borrower Loan payments are either received directly into or immediately transferred to the Trust Account. Once a complete payment has been received and successfully cleared, funds are then allocated, net of the applicable Servicing Fee, to the sub-accounts of Lenders who hold Notes corresponding to that Borrower Loan.

Limitations on Payments

Each holder of a Note's right to receive principal and interest payments in respect of that Note is limited in all cases to the holder's pro rata portion of the Borrower Loan Net Payments (as defined below), if any.

For each series of Notes, "Borrower Loan Net Payments" means the amounts, if any, equal to the Borrower Loan Payments from the corresponding Borrower Loan minus the Servicing Fee. Borrower Loan Payments for each series of Notes means all amounts received by us in connection with the repayment of the corresponding Borrower Loan, including without limitation, all payments or prepayments of principal and interest, and any amounts received by us as a result of collection efforts with respect to the corresponding Borrower Loan, but excluding any Collection Fees, Unsuccessful Payment Fees (as defined below), any applicable Stub Period Interest, and Collection Fees, Third Party Charges and any payments due to Loop Funding or any of its subsidiaries, affiliates or parent on account of portions of the corresponding Borrower Loan, if any, funded by Loop Funding (or any of its subsidiaries, affiliates) acting in the capacity of Lender on the lending section of the Platform.

A fee (the "**Unsuccessful Payment Fee**") of \$50 or such lesser amount permitted by law may be charged by Loop Funding when Loop Funding's request for a Borrower Loan Payment is denied for any reason, including but not limited to, insufficient funds in the Borrower's designated deposit account or the closing of that account. Other fees, including wire transfer fees, may also be charged by Loop Funding where a fee is incurred by Loop Funding for accepting a Borrower Loan Payment.

To the extent that anticipated a Borrower Loan Payment is not received by Loop Funding, no payments will be due and payable by Loop Funding on the Notes related to the corresponding Borrower Loan.

Prepayments

To the extent that a Borrower prepays a Borrower Loan, such prepayment amount will be a Borrower Loan Payment and holders of Notes related to that corresponding Borrower Loan will be entitled to receive their pro rata shares of the prepayment amount net of the Servicing Fee.

Events of Default

Any of the following events will constitute an event of default for a series of Notes:

- Failure by Loop Funding to make required payments on the Notes within thirty days of the date such payments are due; or

- Failure by Loop Funding to perform, or the breach of, any other covenant for the benefit of the holders of the Notes of such series which continues for 90 days after written notice of the breach from holders of 25% of the outstanding principal amount of the Notes of that series, subject to an additional 90-day cure period.

It is not a default or event of default under the terms of the Note Purchase Agreement or any Note if we do not make payments when a Borrower does not make payments to us on the Borrower Loan corresponding with the particular series of Notes. In that case, Loop Funding is not required to make payments on Notes, so no default occurs. See Item 8: Risk Factors, *Default Risk*. An event of default with respect to one series of Notes is not automatically an event of default for any other series of Notes.

The holders of a simple majority of the aggregate principal amount of the outstanding Notes of any series, by notice to us (and without notice to any other holder of Notes of such series), may on behalf of the holders of all such Notes waive a default with respect to such Notes and its consequences except (i) a default in the payment of amounts due in respect of such Notes or (ii) a default in respect of a provision of the Note Purchase Agreement that cannot be amended without the consent of each holder affected by such waiver. When a default is waived, it is deemed cured, but no such waiver shall extend to any subsequent or other default or impair any consequential right.

A default in the payment of any of the Notes or a default with respect to the Notes that causes them to be accelerated, may give rise to a cross-default under our other indebtedness.

The Notes do not contain any provision for full or covenant defeasance.

Borrower Verification and Fraud Detection

It is possible that fraudulent loan applications could be submitted. Loop Funding has established measures to attempt to confirm the existence of Borrowers and verify the identity of the individuals who submit loan applications on behalf of Borrowers.

Where a Borrower has its' Loan Request posted on the lending section of the Platform;

- The individual who submitted the loan application will have had his or her identity verified by Loop Funding;
- Where that loan is guaranteed by an individual, that guarantor will have had his or her identity verified by Loop Funding; and
- Where that Borrower is a corporation, Loop Funding will have verified the existence of that corporation.

Identity Fraud Reimbursement

We will reimburse Lenders the unpaid principal balance of the series of Notes corresponding to a Borrower Loan obtained through identity fraud on a pro-rata basis. We will generally recognize the occurrence of identity fraud upon receipt of a police report regarding the identity fraud. This offer of reimbursement in the event of identity theft is not to be taken as a guarantee of the accuracy of a Borrower's self-reported information (beyond the Borrower's identity) or a Borrower's creditworthiness. We expect the incidence of identity fraud to be low because of the robustness of our identity verification process. The Lender agrees that in such circumstances the Lender will have no rights with respect to any such Notes except the crediting of the unpaid principal balance to the Lender's account.

Mandatory Redemption

Upon the occurrence of a confirmed case of identity fraud with respect to a Borrower Loan, Loop Funding will redeem all of the Notes of the series corresponding to such Borrower Loan for 100% of the outstanding principal amount of such Notes. A “case of identity fraud” means that the corresponding Borrower Loan has been obtained as a result of identity theft or fraud on the part of the purported Borrower. We may, in our discretion, require proof of the identity theft or fraud, such as a copy of the police report filed by the person whose identity was wrongfully used to obtain the corresponding Borrower Loan.

Servicing Covenant

Loop Funding is obligated to use commercially reasonable efforts to service and collect Borrower Loans, in good faith, accurately and in accordance with industry standards customary for servicing loans such as the Borrower Loans. If Loop Funding refers a delinquent Borrower Loan to a collections agent prior to the loan becoming 60 days past due, that referral shall be deemed to constitute commercially reasonable servicing and collection efforts. Furthermore, Loop Funding may, at any time and from time to time, amend or waive any term of a Borrower Loan, and may transfer, sell or cancel any Borrower Loan where any payment is more than 120 days delinquent without the consent of any holder of any Note of the series corresponding to such Borrower Loan. In the event that Loop Funding undertakes such a modification, waiver, transfer, sale or cancellation, Loop Funding will notify the relevant Lenders, and the impact of such action will be reflected in Lenders’ Lender Accounts.

The agreement governing a Note does not contain any financial covenants or other covenants limiting Loop Funding’s operations or activities, including the incurrence of indebtedness.

Consolidation, Merger, Sale of Assets

Loop Funding is prohibited from consolidating with or merging into another business entity or conveying, transferring or leasing our properties and assets substantially as an entirety to any business entity, unless:

- The surviving or acquiring entity is a corporation, limited liability partnership, partnership or trust and it expressly assumes our obligations with respect to the outstanding Notes;
- Immediately after giving effect to the transaction, no default shall have occurred or be continuing; and
- We have published on the Website an opinion of counsel, stating that the transaction and all conditions precedent relating to such transaction have been complied with.

5.1(j) - Documents Incorporated by Reference

The following documents of are specifically incorporated by reference, and form an integral part of, this Offering Memorandum

- (a) any Posting Supplement that is posted on the Platform; and
- (b) any disclosure on the Website that directly references the Base Offering Memorandum and contains material facts relating to Loop Funding, the Notes or the Offering.

Any “OM marketing materials” (as such term is defined in National Instrument 45-106 Prospectus Exemptions) are deemed to be incorporated by reference in this Offering Memorandum.

Any statement contained in this Offering Memorandum or in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded, for purposes of this Offering Memorandum, to the

extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such prior statement.

Posting Supplements Incorporated by Reference

Posting Supplements, which are regularly posted on the Platform on or after the date of this Base Offering Memorandum, contain information about each Loan Request.

While Loan Requests and borrower information in Posting Supplements may be subject to statutory rights of action or other rights provided for under applicable securities laws, certain information that was submitted to us directly by each Borrower is displayed without being verified and potential investors are advised of such in the Base Offering Memorandum and Posting Supplements. Potential purchasers of Notes should be aware that the reliability of this information is low, and recourse in the event this information is false, misleading or inaccurate will be extremely limited. As we are not able to fully assess the veracity of this information, the information should not be considered as being factual nor should it be used as material in determining the market price and value of the Notes.

Consequently, investors should rely on information provided in the Base Offering Memorandum and should not rely on unverified information provided by Borrowers when making an investment decision. See Item 8: Risk Factors, *Information Verification Risk*.

5.2 Subscription Procedure

General

Except as may be provided otherwise for a particular series of Notes, we will issue Notes in denominations of \$25 and integral multiples of \$25. The minimum Note amount is \$25, and the maximum Note amount is \$500,000.

Notes of a particular series will correspond to a Corresponding Borrower Loan facilitated through the borrowing section of the Platform. Each Borrower Loan facilitated through the Platform is for a specific term and is a fully amortizing loan made to a Borrower. Borrower Loans have fixed interest rates that currently range from 4.90% to 26.50% and are based upon the formulas set forth in Item 5.1 – Terms of Securities, *Minimum Credit Criteria and Underwriting*. Borrower Loans are repayable in monthly installments. Borrower Loans may be repaid in full at any time by Borrowers without prepayment penalty or partially repaid at any time with Loop Funding's consent.

When a Loan Request is posted on the lending section of the Platform, Lenders may commit to purchase Notes corresponding to a specific Borrower Loan. To purchase Notes, Lenders must first sign into their accounts on the Website. Lenders may then browse all available Loan Requests, which are identified by general information including the stated use of funds, Loan Grade, the loan policy, loan amount, and term. Loan Request listings can only be viewed by Lenders. As Lenders browse listings, they may click on a listing to view that listing's page which includes additional information about the Loan Request.

From the listing page, a Lender may commit to purchase a Payment Dependent Note corresponding to the Loan Request being viewed. A commitment on a Loan Request binds a Lender to purchase a Note in the amount of the Lender's commitment, subject only, and only in the case where a Note corresponds to a Contingent Borrower Loan to receipt of Note Purchase Commitments with respect to a Loan Request equal to the amount of that Loan Request, or such lesser amount that Loop Funding may establish with the Borrower's consent following the time that the Loan Request listing is first posted.

Note Purchase Agreement

When a Lender registers on the Platform, the Lender enters into a Note Purchase Agreement (the “NPA”) with us that governs the Lender’s purchases of Notes from time to time from us.

In order to commit to purchase a Note, the Lender must have sufficient funds in the his/her/its Lender Account to complete the purchase, and the Lender will not have access to those funds after making the purchase commitment. If the purchase of a Note does not close, then we will release that Lender from the purchase commitment and the associated funds will be released.

The NPA describes our limited obligation to redeem Notes in the case of identity fraud, which is also described above. The Lender agrees that in such circumstances the Lender will have no rights with respect to any such Notes except that Loop Funding will credit the amount equal to the outstanding principal of the Notes to the Lender’s account.

Each Lender agrees that he/she/it has no right to make any attempt, directly or through any third party, to take any action to collect from any Borrower, or guarantors as may be applicable, on the Lender’s Notes or the Corresponding Borrower Loans.

All Lenders acknowledge that the Notes are intended solely to be indebtedness of Loop Funding for income tax purposes and agrees not to take any position inconsistent with that treatment of the Notes for tax, accounting, or other purposes, unless required by law. Each Lender acknowledges that the Notes are not transferable at this time and that each Lender intends to hold the Notes until maturity and has no intention to distribute the Notes.

We expressly disclaim any representations as to any Borrower’s ability to pay their corresponding Borrower Loan and regarding any information provided by the Borrower. We do not act as a guarantor of any Borrower Loan.

Each Lender acknowledges and agrees that we assume no advisory or fiduciary responsibility in the Lender’s favor in connection with the purchase and sale of the Notes and we have not provided the Lender with any legal, accounting, regulatory or tax advice with respect to the Notes.

The NPA provides that neither party is liable to the other party for any lost profits, or special, exemplary, consequential or punitive damages. The NPA provides that all disputes under the NPA are to be decided by binding arbitration.

Loan Requests

Loan Requests will initially be posted on the Website for the lesser of 30 days from the date the Loan Request is first posted and the time at which the request is fully funded by Lender commitments. If a Loan Request has not attracted Lender commitments sufficient to fully fund the requested amount, or such lesser amount with the Borrower’s consent, within 30 days, Loop Funding may, at its sole discretion, extend the period of time during which that Loan Request will remain open by up to 30 days. If a Loan Request’s listing period expires and the Loan Request did not attract Lender commitments sufficient to fully fund the requested amount Loop Funding may provide a Borrower Loan in an amount less than the initial amount of the Loan Request funded by Lender Commitments, or Loop Funding or one of its affiliates may fund the remaining amount acting as a Lender. A Borrower may cancel a Loan Request at any time before its Borrower Loan is closed. In the event a Loan Request is cancelled, the amount that a Lender committed to that Loan Request will be released from their commitment.

Relist on Partially Funded Loan Request

Borrowers who receive only a portion of the amount of a Loan Request (the “**Original Loan**”) can request, within 30 days of the closing of the Original Loan, to list another loan of up to the maximum amount we approved them for less the amount of the Original Loan. Investors can use the filters provided to exclude Borrowers they have previously invested in.

New Information Regarding Pre-Funded Borrower Loans

If between the time that a Loan Request listing is posted and the time that Loan Request closes, where the Corresponding Borrower Loan is a Pre-Funded Borrower Loan, Loop Funding becomes aware of information regarding the Borrower of which it was previously unaware that causes Loop Funding to believe that the interest rate assigned to the loan will not adequately compensate Lenders for the risk associated with the Borrower Loan, Loop Funding will immediately cancel all commitments to that Loan Request and remove the listing.

Automated Investing

A Lender may choose to use a service we offer to automatically commit to purchase Notes that fulfill criteria set by that Lender. This service is referred to as “Auto-Lend”. A Lender using Auto-Lend will automatically commit to purchase Notes that meet his/her/its stated criteria, subject to the terms and conditions applying to this service. Commitments to purchase Notes will be made by Auto-Lend for Borrower Loans that meet the Lender’s stated criteria subject to availability. A Lender will set the denomination of the Notes they wish to commit to using Auto-Lend. A Lender may cancel use of the Auto-Lend service at any time. A Lender may cancel commitments to purchase Notes in accordance with the two-day cancellation right described herein. See Item 11: Purchasers' Rights.

A Lender using Auto-Lend may not commit to purchase Notes unless that Lender has sufficient funds in its Lender Account to cover the commitment, and funds will only be taken from the Lender’s Lender Account if and when a Corresponding Borrower Loan closes.

Item 6: Income Tax Consequences and RRSP Eligibility

6.1 Tax Advice

You should consult your own professional advisers to obtain advice on the income tax consequences of acquiring and holding Notes.

6.2 RRSP Eligibility

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

Item 7: Compensation Paid to Sellers and Finders

Loop Securities is the exclusive selling agent for the Notes under this Offering Memorandum. Loop Funding and Loop Securities are affiliates, each being a wholly owned subsidiary of Loop Financial. Loop Securities operates on a cost-recovery basis and is compensated by Loop Funding in an amount equal to the expenses incurred by Loop Securities in the course of selling the Notes.

Loop Funding is a connected issuer and a related issuer of Loop Securities, as both are wholly owned subsidiaries of Loop Financial. The directors of Loop Securities and Loop Funding are directors of Loop Financial. The issuance of Notes will result in receipt of Origination Fees by Loop Financial Inc. which may result in a benefit to Loop Securities.

Item 8: Risk Factors

An investment in the Notes involves a high degree of risk. In deciding whether to purchase Notes, you should carefully consider the following risk factors. Any of the following risks could have a material adverse effect on the value of the Notes you purchase and could cause you to lose all or part of the initial purchase price of your Notes or future principal and interest payments you expect to receive.

8.1(a) – Investment Risks:

Risks Relating to Payment Dependent Notes and Loans on Which They Are Dependant

Speculative Risk: Payment Dependent Notes are speculative and high risk. Only investors who can bear the loss of their entire purchase should purchase Payment Dependent Notes. Payment Dependent Notes are risky in nature because they are dependent on underlying loans made between Loop Funding and the Borrower.

Default Risk: Payments from Payment Dependent Notes are entirely based on payments from corresponding Borrower Loans. If a Borrower cannot or refuses to make a payment, you will not receive a payment from your corresponding Payment Dependent Note. We will only make payments on the Notes after we receive Borrowers' payments on corresponding Borrower Loans, net of the Servicing Fee, Collection Fee and Third-Party Charges as may be applicable. If we do not receive payments on the Corresponding Borrower Loan related to your Note, you will not be entitled to any payments under the terms of the Notes, and you will not receive any payments. The failure of a Borrower to repay a loan is not an event of default under the Notes.

Security Interest Risk: The underlying loans between the Borrowers and Loop Funding may or may not have a security interest tied to them. However, the existence of a security interest does not guarantee you will not suffer losses in the event of a Borrower default. The obligation that a Borrower incurs as part of a loan transaction will be secured by at least one of:

- A specific security interest in one or more assets of that Borrower;
- A general security interest in all assets of that Borrower;
- A guarantee of a corporation; or
- A guarantee of an individual.

However, a security interest and/or guarantee does not mean that you will not suffer losses. The collections process describes steps that may be taken to collect on any form of security interest associated to a corresponding Borrower Loan. In most cases the amount recovered will be zero and you will bear the entire loss. See Item 5.1 - Terms of Securities, *Post-Closing Loan Servicing and Collections*.

Liquidity Risk: Payment Dependent Notes have terms that range from 3 months to 5 years and there is no guarantee that there will be a secondary market to access liquidity before the maturity date of the Payment Dependent Note. Payment Dependent Notes are illiquid and there is no certainty that a secondary market will develop for Notes. When purchasing Notes, you should be prepared to hold them for the term of the corresponding Borrower Loan, which will be in the range of 3 months to 5 years.

Prepayment Risk: Borrowers have the ability to repay their loans early with no repayment penalty. You will not be entitled to any interest that would have accrued over the remainder of the life of the loan. Borrower Loan prepayment

occurs when a Borrower pays some or all of the principal amount on a Borrower Loan earlier than originally scheduled. A Borrower may decide to prepay all of the outstanding principal amount of its Borrower Loan at any time without penalty. We may, at our discretion, allow Borrowers to prepay a portion of the outstanding principal of a loan without penalty. In the event of a prepayment of the outstanding principal amount of a Borrower Loan on which your Notes are dependent, you will receive your share of such prepayment, but further interest will not accrue after the date on which the prepayment is made. If a Borrower prepays a portion of the outstanding principal balance on a Borrower Loan on which your Notes are dependent, the term of the Borrower Loan will not change, but interest will cease to accrue on the prepaid portion and future monthly payment amounts, including interest, will be reduced. If a Borrower prepays a Borrower Loan in full or in part, you will not receive all of the interest payments that you originally expected to receive on Notes that are dependent on that Borrower Loan, and you may not be able to find a similar rate of return on another investment at the time at which the Borrower Loan is prepaid in full or in part.

Debt Capacity Risk: A Borrower may obtain additional debt financing after receiving a loan from Loop Funding which may negatively affect the Borrower's ability to repay the loan from Loop Funding. If a Borrower incurs additional debt after obtaining a Borrower Loan, the additional debt may impair the ability of that Borrower to make payments on its Borrower Loan and your ability to receive the principal and interest payments that you expect to receive on Notes dependent on that Borrower Loan. In addition, the additional debt may adversely affect the Borrower's creditworthiness generally, and could result in the financial distress, insolvency, or bankruptcy of the Borrower. To the extent that the Borrower has or incurs other indebtedness and cannot pay all of its indebtedness, the Borrower may choose or be required to make payments to creditors other than Loop Funding. A Lender will not be made aware of any additional debt incurred by a Borrower, or whether such debt is secured.

Diversification Risk: You can decrease your risk by diversifying your portfolio of Payment Dependent Notes. Your risk of incurring substantial losses is greater if you do not diversify your portfolio. Borrower Loans have a wide range of Loan Grades, and we expect that some Borrowers will default on their Borrower Loans. Failing to diversify your portfolio of Notes increases the risk of losing significant portions or your entire investment in Notes due to a few (or a single) Borrower defaults. Diversification, however, will not eliminate the risk that you may lose some, or all, of your investment in your Notes.

Lack of Transferability Risk: Payment Dependent Notes will not be listed on any exchange and can only be held by Lenders. The Notes will not be listed on any exchange or marketplace. All Notes may only be held by Lenders, and currently there is no means by which Notes can be sold by holders and the Notes are not transferable. Unless and until we develop a resale platform which will permit transferability, Lenders should expect to hold their Notes to maturity.

Credit Information Risk: The credit information about a Borrower provided by third-parties and/or the Borrower may not accurately reflect the creditworthiness of the Borrower. Loop Funding uses credit information from third party providers that is collected and aggregated over an extended period of time. The information they collect may include errors or omit important credit information. Loop Funding obtains Borrower credit information from Agencies and obtains information from Borrowers themselves and assigns Loan Requests one of 10 Loan Grades, from A+ through E, based on the reported credit and other information reported by the Agencies, self-reported Borrower information and other metrics. A credit score or credit rating assigned to a Borrower by an Agency may not reflect that Borrower's actual creditworthiness because the credit score or rating may be based on outdated, incomplete or inaccurate data, and Loop Funding does not verify the information in credit reports. Additionally, there is a risk that, following the date of a credit report that Loop Funding obtains, a Borrower may have become delinquent in the

payment of an outstanding obligation, defaulted on an outstanding obligation, taken on additional debt or sustained an adverse financial event.

Borrower Fraud Risk: While we take precautions to prevent Borrower fraud, it is possible that fraud may occur and adversely affect your ability to receive the principal and interest payments that you expect to receive on those Notes. We use identity and fraud checks from a third-party provider to verify each Borrower's identity and credit history, as described in more detail in Item 5.1 - Terms of Securities, *Borrower Registration*. Notwithstanding our efforts, there is a risk that fraud may occur and remain undetected by us. While we will repurchase Notes in limited identity fraud circumstances involving the corresponding Borrower Loan, we are not otherwise obligated to repurchase a Note from you for any other reason. If Loop Funding repurchases a Note based on identity fraud, you will only receive an amount equal to the outstanding principal balance of the Note. See Item 5.1 – Terms of Securities, *Identity Fraud Reimbursement*.

Information Verification Risk: Information supplied by Borrowers may be inaccurate, misleading or false and should generally not be relied upon. Certain information included in listings and Posting Supplements may be unverified as described in the Posting Supplements. Other than as described in the Base Offering Memorandum, we do not verify this information, and it may be inaccurate, misleading or false. Lenders have a limited ability to obtain or verify Borrower information either before or after they purchase a Note. Lenders recourse in the event that information provided by the Borrower is false, misleading or inaccurate may be extremely limited. As we are not able to fully assess the veracity of this information, the information should not be considered as being factual nor should it be used as material in determining the market price and value of the Notes. Consequently, Lenders should place a greater reliance on Loan Grades, which are based on the inputs described above including information provided by Credit Agencies and the size of the Loan Requests and should not rely on unverified information provided by Borrowers in making an investment decision. You should not assume that a Note is appropriate for you as an investment just because it corresponds to a Loan posted on the lending section of the Platform.

8.1(b) – Issuer Risks:

Risks Relating to Loop Funding and the Platform

Issuer Specific Risk: Loop Funding's limited operating history means that Loop Funding's business may be negatively affected by unintended or known uncertainties, risks or expenses. If we are successful, the number of Borrowers and Lenders and the volume of Borrower Loans will increase, which will require us to increase our facilities, personnel and infrastructure in order to accommodate the greater servicing obligations and demands on the Platform. The Platform is dependent upon the Website in order to maintain current listings and transactions in the Borrower Loans and Notes. We must constantly update our software and the Website, expand our customer support services and add new employees to maintain the operations of the borrowing section of the Platform, as well as to satisfy our servicing obligations on Borrower Loans and make payments on the Notes. If we are unable to increase the capacity of the borrowing section of the Platform and maintain the necessary infrastructure, you may experience delays in receipt of payments on your Notes and periodic downtime of our systems.

Pricing Model Risk: Loop Funding's Pricing Model has not been tested through an entire credit cycle. In the event economic conditions deteriorate defaults on corresponding Borrower Loans may increase. Borrower Loan default rates may be significantly affected by economic downturns or general economic conditions beyond our control and beyond the control of Borrowers. In particular, default rates on Borrower Loans on which the Notes are dependent

may increase due to factors such as prevailing interest rates, the rate of economic growth, the level of consumer confidence, commercial real estate values, the value of the Canadian dollar, energy prices, changes in consumer spending, and other factors.

Competition Risk: The alternative lending market in Canada is hyper-competitive. If Loop Funding is unable to acquire significant loan volume it may cause Loop Funding to become insolvent. The small business and personal lending market is competitive and rapidly changing. With the introduction of new technologies and the influx of new entrants, we expect competition to persist and intensify in the future, which could harm our ability to increase loan volume. Our principal competitors include major banking institutions, credit unions, credit card issuers and other finance companies, as well as other peer-to-peer lending platforms. Competition could result in reduced volumes, reduced fees or the failure of the Platform to achieve or maintain more widespread market acceptance, any of which could harm our business. Most of our current or potential competitors have significantly more financial, technical, marketing and other resources than we do and may be able to devote greater resources to the development, promotion, sale and support of their platforms and distribution channels. Our potential competitors may also have longer operating histories, more extensive customer bases, greater brand recognition and broader customer relationships than we have. These competitors may be better able to develop new products, to respond quickly to new technologies and to undertake more extensive marketing campaigns. Our industry is driven by constant innovation. If we are unable to compete with such competitors and meet the need for innovation, the demand for our services could stagnate or substantially decline.

Capital Funding Risk: In the future Loop Funding will incur losses and will be required to raise additional equity capital. In the event that Loop Funding cannot raise additional capital, Loop Funding may become insolvent. At this early stage in our development, we have funded substantially all of our operations with proceeds from venture capital financings. In order to continue to operate, we will require substantial additional funds. To meet our financing requirements in the future, we may raise funds through equity offerings, debt financings or strategic alliances. Raising additional funds may involve agreements or covenants that restrict our business activities and options. Additional funding may not be available to us on favorable terms, or at all. If we are unable to obtain additional funds, we may be forced to reduce or terminate our operations.

Loan Servicing Risk: In the event Loop Funding becomes insolvent, it may take several months for a backup loan servicer to facilitate the flow of repayments between the Borrowers and Lenders. Lenders may not receive their payments throughout the period in which there is no loan servicer. We have made no arrangements for backup servicing of the Borrower Loans at the current time. If the Platform were to fail or we became insolvent, we would attempt to transfer our Borrower Loan servicing obligations to a third-party back-up servicer. There can be no assurance that a back-up servicer will be willing or able to adequately perform the servicing of the outstanding Borrower Loans. If a back-up servicer assumes the servicing of the Borrower Loans, the back-up servicer would be expected to impose additional servicing fees, reducing the amounts available for payments on the Notes. Additionally, transferring these servicing obligations to a back-up servicer may result in delays in the processing and recovery of information with respect to amounts owed on Borrower Loans or, if the Platform becomes inoperable, may prevent us from servicing Borrower Loans and making principal and interest payments on the Notes. If a back-up servicer is not able to service the Borrower Loans effectively, Lenders' ability to receive principal and interest payments on their Notes may be substantially impaired.

Technology Disruption Risk: Loop Funding's website and computer systems may experience service disruptions. Any service disruption, due to breakdown, equipment failure or otherwise, may reduce the attractiveness of the

Platform and make it difficult to acquire Lenders or Borrowers. If a catastrophic event resulted in an outage of the Platform and/or physical data loss, our ability to perform our servicing obligations would be materially and adversely affected. The satisfactory performance, reliability and availability of our technology and our underlying network infrastructure are critical to our operations, level of customer service, reputation and ability to attract new Members and retain existing Members. Additionally, in the event of damage or interruption, our insurance policies may not adequately compensate us for any losses that we may incur. Our business continuity plan has not been tested under actual disaster conditions, and we may not have sufficient capacity to recover all data and services in the event of an outage. These factors could prevent us from processing or posting payments on the Borrower Loans or the Notes, damage our brand and reputation, divert our employees' attention, reduce our revenue, subject us to liability and cause Members to abandon the Platform, any of which could adversely affect our business, financial condition and results of operations.

Data/Privacy Breach Risk: A security vulnerability that results in a data or privacy breach may introduce significant complications to servicing Notes and maintain accurate records. The Platform records and stores Borrowers' and Lenders' bank information and other personally-identifiable sensitive data. Any accidental or willful security breaches or other unauthorized access could cause secure information to be stolen and used for criminal or improper purposes. Security breaches or unauthorized access to secure information could also expose us to liability related to the loss of the information, time-consuming and expensive litigation and negative publicity. If security measures are breached because of third-party action, employee error, malfeasance or otherwise, or if design flaws in our software are exposed and exploited, and, as a result, a third party or disaffected employee obtains unauthorized access to any of our Members' data, our relationships with our Members will be severely damaged, and we could incur significant liability. Because techniques used to obtain unauthorized access or to sabotage systems change frequently and generally are not recognized until they are launched against a target, we and our third-party hosting facilities may be unable to anticipate these techniques or to implement adequate preventative measures. Any security breach, whether actual or perceived, would harm our reputation, and we could lose Members.

Human Capital Risk: Competition for skilled finance and technology employees in Canada is intense. Loop Funding may not be able to recruit and retain skilled employees who are needed to support our business activities. Competition for highly skilled technical and financial personnel is extremely intense. We may not be able to hire and retain these personnel at compensation levels consistent with our existing compensation and salary structure. Many of the companies with which we compete for experienced employees have greater resources than we have and may be able to offer more attractive terms of employment. In addition, we invest significant time and expense in training our employees, which increases their value to competitors who may seek to recruit them. If we fail to retain our employees, we could incur significant expenses in hiring and training their replacements and the quality of our services and our ability to serve Members could diminish, resulting in a material adverse effect on our business.

Third-Party Provider Risk: Loop Funding relies on third-party payments providers to transfer payments between Borrowers, us, and Lenders. In the event the payment providers' systems are disrupted Loop Funding will not be able to move funds between Borrowers, Loop Funding and Lenders. We rely on a third-party bank and transfer service to disburse Borrower Loans. The transfer and payments software may not continue to be available on commercially reasonable terms, or at all. If we cannot continue to obtain these services, or if we cannot transition to another service provider quickly, our ability to process payments could suffer, and your receipt of payments on the Notes could be delayed or impaired.

Cybersecurity Risk: Our ability to service the Borrower Loans or maintain accurate accounts may be adversely affected by computer viruses, physical or electronic break-ins and similar disruptions. The highly-automated nature of the Platform may make it an attractive target and potentially vulnerable to computer viruses, physical or electronic break-ins and similar disruptions. If a computer hacker were able to infiltrate the Platform, you would be subject to an increased risk of fraud or identity theft, and you may not receive the principal or interest payments that you expect to receive on any Notes you were fraudulently induced to purchase. Hackers might also disrupt the accurate processing and posting of payments to accounts such as yours on the lending section of the Platform or cause the destruction of data and thereby undermine your rights to repayment of the Notes you have purchased. While we have taken steps to prevent hackers from accessing the Platform, if we are unable to prevent hackers from accessing the Platform, your ability to receive the principal and interest payments that you expect to receive on your Notes and our ability to fulfill our servicing obligations and to maintain the borrowing section of the Platform likely would be adversely affected.

Obsolete Product Risk: In a hyper-competitive market many companies are modifying their product offering to develop products that are more attractive to borrowers. Loop Funding's term loan product could face obsolescence. The small business lending industry has become increasingly competitive over the past decades. Companies such as Square, Amazon, Shopify and other technology companies are offering direct-to-merchant business loans that come with favourable terms for small businesses. There is risk that these companies or new entrants may develop a new loan offering that better suits specific industries and leads to Loop Funding term loan product's obsolescence.

8.1(c) – Industry Risks:

Risks Related to Industry, Compliance and Regulation

Regulatory Risk: Noncompliance with laws and regulations may impair Loop Funding's ability to arrange or service loans. Generally, failure to comply with the laws and regulatory requirements applicable to our business may, among other things, limit our, or a collection agency's, ability to collect all or part of the principal or interest on the Borrower Loans on which the Notes are dependent and, in addition, could subject us to damages, revocation of required licenses or other authorities, class action lawsuits, administrative enforcement actions, and civil and criminal liability, which may harm our business and ability to operate and may result in Borrowers rescinding their Borrower Loans.

Emerging Industry Risk: Alternative lending is an emerging industry in Canada and may become subject to increasing regulation over time. Complying with new regulations and additional compliance requirements may add significant costs to our business model. As the alternative financing industry in Canada grows, regulation of the industry will continue to develop. We will continue to be diligent in adapting our business model to new and changing regulations. However, in some circumstances, new regulations may impose material barriers and obstacles to operating our business.

Legal & Compliance Risk: Loop Funding's legal and compliance burdens and costs will be significant. Loop Funding management will be required to devote a significant amount of time to compliance matters. We are required to comply with applicable securities laws. These rules and regulations will cause us to incur legal and financial compliance costs and will make some activities time-consuming and costly. For example, these rules and regulations may make it more expensive for us to obtain director and officer liability insurance coverage and more difficult for us to attract and retain qualified persons to serve as directors or executive officers.

Item 9: Reporting Obligations

9.1 – Disclosure Documents:

Audited Financial Statements:

We are required to provide copies of our audited financial statements to holders of Notes. We will make our annual financial statements available on the Platform following the end of each fiscal year.

Offering Memorandum:

This Offering Memorandum will be available on the Website to all Members at all times. Amendments to this Offering Memorandum will be accessible to all Members on the Website.

Other Disclosure Documentation:

Our Relationship Disclosure, Conflicts of Interest, Privacy Policy and Terms of Use of the Web Site documentation are accessible to all Members on the Website.

Item 10: Resale Restrictions

10.1 - Resale Restrictions, Canadian Provinces Other Than Manitoba

The Notes 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 Notes unless you comply with an exemption from the prospectus and registration requirements under securities legislation.

10.2 – Restricted Period

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

10.3 - Resale Restrictions, Manitoba

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

- Loop Funding has filed a prospectus with the regulator in Manitoba with respect to the Notes you have purchased and the regulator in Manitoba has issued a receipt for that prospectus, or
- you have held the Notes 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.

Notwithstanding the resale restrictions set out above, the Notes are not transferable.

Item 11: Purchasers' Rights

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

11.1 - Two Day Cancellation Right

You can cancel your agreement to purchase Notes. To do so, you must send a notice to Loop Funding by midnight on the second business day after you commit to buy a Note.

11.2 – Rights in the Event of False, Misleading, or Inaccurate Information Contained in Listings or Posting Supplements

Loop Funding has disclosed that certain information provided by Borrowers is displayed in Loan Requests and Posting Supplements without having been thoroughly verified by Loop Funding. Persons considering investing in the Notes are cautioned that the information provided by Borrowers may be false, misleading, or inaccurate. As we are not able to fully assess the veracity of this information, the information should not be considered as being factual nor should it be used as material in determining the market price and value of the Notes. In this Base Offering Memorandum, we advise potential investors as to the limitations on the reliability of information provided by Borrowers. Your recourse in the event that information provided by the Borrower is false, misleading or inaccurate may be extremely limited.

11.3 - Contractual Rights of Action in the Event of a Misrepresentation

The applicable securities legislation in certain jurisdictions of Canada provides purchasers, or requires purchasers be provided, with remedies for rescission (meaning a right to cancel the agreement to purchase the Notes) or damages if this Offering Memorandum or any amendment to it contains a misrepresentation. However, these remedies must be exercised within the time limits prescribed. Subscribers should refer to the applicable legislative provisions of their province or territory for the complete text of these rights and/or consult with a legal advisor.

British Columbia, Alberta, Manitoba, Nova Scotia and Newfoundland and Labrador: In British Columbia, Alberta, Manitoba, Nova Scotia or Newfoundland and Labrador if there is a misrepresentation in this Offering Memorandum, a purchaser has a statutory right to sue:

- (a) Loop Funding to cancel an agreement to buy the Notes; or
- (b) for damages against Loop Funding, every person who was a director of Loop Funding at the date of this Offering Memorandum and every other person who signed this Offering Memorandum.

Ontario and New Brunswick: In Ontario or New Brunswick if there is a misrepresentation in this Offering Memorandum, a purchaser has a statutory right to sue Loop Funding:

- (a) to cancel an agreement to buy the Notes; or
- (b) for damages.

Saskatchewan: In Saskatchewan if there is a misrepresentation in this Offering Memorandum, a purchaser has a statutory right to sue:

- (a) Loop Funding to cancel an agreement to buy the Notes;
- (b) for damages against:

- i. Loop Funding and every promoter or director of Loop Funding at the time this Offering Memorandum or the amendment to this Offering Memorandum was sent or delivered;
- ii. 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;
- iii. every person who or company that, in addition to the persons or companies mentioned in clauses (i) and (ii), signed this Offering Memorandum or an amendment to this Offering Memorandum; and
- iv. every person who or company that sells securities on behalf of Loop Funding under this Offering Memorandum or an amendment to this Offering Memorandum.

Quebec: In Quebec if there is a misrepresentation in this Offering Memorandum, a purchaser has a statutory right to sue:

- (a) Loop Funding to cancel an agreement to buy the Notes;
- (b) Loop Funding to have the price of the Notes revised; or
- (c) for damages against Loop Funding, Loop Funding's officers or directors, the dealer under contract to Loop Funding or holder, an expert whose opinion contained a misrepresentation, or any person who is required to sign an attestation in this Offering Memorandum.

Prince Edward Island, Northwest Territories, Yukon and Nunavut: In Prince Edward Island, Northwest Territories, Yukon or Nunavut if there is a misrepresentation in this Offering Memorandum, a purchaser has a statutory right to sue:

- (a) Loop Funding to cancel an agreement to buy the Notes; or
- (b) for damages against Loop Funding, every director of Loop Funding at the date of this Offering Memorandum, and every person who signed this Offering Memorandum.

The statutory right to sue is available to you whether or not you relied on the misrepresentation. However, there are various defences available to the persons or companies that you have a right to sue. In particular, they have a defence if you knew of the misrepresentation when you purchased the Notes.

If you intend to rely on the rights described above, you must do so within strict time limitations, as summarized below:

Rescission

In all Canadian jurisdictions other than Quebec, you must commence your action to cancel the agreement within 180 days from the day of the transaction that gave rise to the cause of action. In Quebec you must commence your action to cancel the agreement no more than 3 years after the date of your purchase of the Notes. If you elect to exercise your right of rescission, you will not have the right of action for damages.

Damages

In Ontario, British Columbia, Alberta, Prince Edward Island, Newfoundland and Labrador, Northwest Territories, Yukon and Nunavut, you must commence your action for damages within the earlier of 180 days after learning of the misrepresentation and 3 years from the day of the transaction that gave rise to the cause of action.

In Saskatchewan and New Brunswick, you must commence your action for damages within the earlier of one year after learning of the misrepresentation and 6 years from the day of the transaction that gave rise to the cause of action.

In Manitoba, you must commence your action for damages within the earlier of 180 days after learning of the misrepresentation and 2 years from the day of the transaction that gave rise to the cause of action.

In Nova Scotia you must commence your action for damages no later than 120 days after the date on which payment was made for the Notes or after the date on which the initial payment for the Notes was made.

In Quebec you must commence your action for damages within the earlier of 3 years after the investor first had knowledge of the facts giving rise to the cause of action and 5 years from filing of this Offering Memorandum with the Autorité des marchés financiers.

In the case of an action for damages, Loop Funding will not be liable for all or any part of the damages that it proves does not represent the depreciation in value of the Notes resulting from the misrepresentation and in no case will the amount of damages exceed the price at which the Notes were offered to you under this Offering Memorandum.

Item 12: Financial Statements

The following financial statements appear as part of this Item 12:

- Audited Financial Statements for the period from January 1, 2017 to December 31, 2017.
- Audited Financial Statements for the period from January 1, 2018 to December 31, 2018.

Loop Funding Inc.

Financial Statements
December 31, 2018



Independent auditor's report

To the Shareholder of Loop Funding Inc.

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Loop Funding Inc. (the Company) as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

What we have audited

The Company's financial statements comprise:

- the statements of financial position as at December 31, 2018 and 2017;
- the statements of operations and comprehensive loss for the years then ended;
- the statements of changes in shareholder's equity for the years then ended;
- the statements of cash flows for the years then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

PricewaterhouseCoopers LLP
PwC Tower, 18 York Street, Suite 2600, Toronto, Ontario, Canada M5J 0B2
T: +1 416 863 1133, F: +1 416 365 8215

"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



Responsibilities of management and those charged with governance for the financial statements

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
March 25, 2019

Loop Funding Inc.
Statement of Financial Position
As at December 31, 2018

(expressed in Canadian dollars)

	2018 \$	2017 \$
Assets		
Current assets		
Cash and cash equivalents	151,752	48,455
Borrower loans (note 8)	9,951,299	4,437,073
	10,103,051	4,485,528
Non-Current assets		
Borrower loans (note 8)	14,276,914	5,341,566
	24,379,965	9,827,094
Liabilities		
Current liabilities		
Accounts payable	82,081	14,271
Due to Loop Securities Inc. (note 6)	5,237	6,219
Payment dependent notes (note 8)	9,951,299	4,437,073
	10,038,618	4,457,563
Non-Current Liabilities		
Due to Loop Financial (note 6)	318,674	221,626
Payment dependent notes (note 8)	14,276,914	5,341,566
	24,634,205	10,020,755
Deficiency		
Share capital (note 3)	1	1
Deficit	(254,241)	(193,662)
	(254,240)	(193,661)
	24,379,965	9,827,094

Approved on Behalf of the Board

[Signed] “Cato Pastoll” _____ Director [Signed] “Brandon Vlaar” _____ Director

The accompanying notes are an integral part of these financial statements.

Loop Funding Inc.

Statement of Operations and Comprehensive Loss For the year ended December 31, 2018

(expressed in Canadian dollars)

	Year ended December 31, 2018 \$	Year ended December 31, 2017 \$
Revenue		
Loan interest income	2,446,262	634,077
Origination fees (note 2)	614,840	577,480
Servicing fees	243,324	71,769
Other	40,408	6,712
	<u>3,344,834</u>	<u>1,290,038</u>
Expenses		
Sales, general and administrative (note 5)	337,975	607,612
Loan interest expense	2,446,262	635,784
Interest	3,485	4,376
Management fees		
Loop Securities Inc.	49,018	97,722
Loop Financial Inc.	568,673	84,750
	<u>3,405,413</u>	<u>1,430,244</u>
Loss before provision for income taxes	(60,579)	(140,206)
Provision for income taxes (note 4)	-	-
Net loss for the period	(60,579)	(140,206)
Other comprehensive income	-	-
Net loss and comprehensive loss for the period	<u>(60,579)</u>	<u>(140,206)</u>

The accompanying notes are an integral part of these financial statements.

Loop Funding Inc.

Statement of Changes in Shareholder's Equity

As at December 31, 2018

(expressed in Canadian dollars)

	Number of shares	Share capital \$	Deficit \$
Balance - December 31, 2016	-	-	(53,456)
Issuance of common shares (note 3)	100	1	-
Net loss and comprehensive loss for the period	-	-	(140,206)
Balance - December 31, 2017	100	1	(193,662)
Issuance of common shares (note 3)	-	-	-
Net loss and comprehensive loss for the year	-	-	(60,579)
Balance - December 31, 2018	100	1	(254,241)

The accompanying notes are an integral part of these financial statements.

Loop Funding Inc.

Statement of Cash Flows

For the year ended December 31, 2018

(expressed in Canadian dollars)

	Year ended December 31, 2018 \$	Year ended December 31, 2017 \$
Cash provided by (used in)		
Operating activities		
Net loss for the period	(60,579)	(140,206)
Increase in Accounts Payable	67,810	14,271
Decrease (Increase) Due to Loop Securities Inc.	(982)	7,811
Increase Due to Loop Financial Inc.	97,048	194,126
	<u>103,297</u>	<u>76,002</u>
Investing activities		
Borrower loans	<u>(14,449,574)</u>	<u>(9,089,924)</u>
Financing activities		
Payment dependent notes	<u>14,449,574</u>	<u>9,058,537</u>
	<u>14,449,574</u>	<u>9,058,537</u>
Change in cash and cash equivalents during the period	103,297	44,615
Cash and cash equivalents - Beginning of period	<u>48,455</u>	<u>3,840</u>
Cash and cash equivalents - End of period	<u>151,752</u>	<u>48,455</u>

The accompanying notes are an integral part of these financial statements.

Loop Funding Inc.

Notes to Financial Statements

December 31, 2018

1 Company information

Loop Funding Inc. (Loop Funding or the company) was incorporated under the laws of the Province of Ontario on August 11, 2016 under the name Loop Marketplace Inc. and subsequently amended its name to Loop Funding Inc. on September 22, 2016. The company's principal offices are located at 410 Adelaide Street West, Suite 500, Toronto, Ontario M5V 1S8. Loop Funding is a wholly owned subsidiary of Loop Financial Inc. formed for the purposes of operating an online peer-to-peer lending business. The company provides loans to borrowers through its online platform and issues payment dependent notes to investors through its affiliate, Loop Securities Inc., which is registered as an exempt market dealer and wholly owned by Loop Financial Inc.

The financial statements of the company for the year ended December 31, 2018 were approved by the Board of Directors on March 25, 2019.

2 Summary of significant accounting policies

Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB), under the historical cost convention, except in accordance with relevant accounting policies where assets and liabilities are stated at their fair values.

New and revised standards and interpretations

- IFRS 9, Financial Instruments (IFRS 9)

In July 2014, the International Accounting Standards Board (IASB) issued the complete version of IFRS 9, first issued in November 2009, which brings together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement (IAS 39). IFRS 9 introduces a principles-based approach to the classification of financial assets based on an entity's business model and the nature of the cash flows of the asset. All financial assets, including hybrid contracts, are measured as at FVTPL, fair value through other comprehensive income or amortized cost. For financial liabilities, IFRS 9 includes the requirements for classification and measurement previously included in IAS 39. IFRS 9 also introduces an expected loss impairment model for all financial assets not as at FVTPL. Finally, IFRS 9 introduces a new hedge accounting model that aligns the accounting for hedge relationships more closely with an entity's risk management activities, permits hedge accounting to be applied more broadly to a greater variety of hedging instruments and risks and requires additional disclosures. IFRS 9 is effective for the company beginning on January 1, 2018. The company has assessed the adoption of this standard and it does not result in a material impact to the financial statements.

Loop Funding Inc.

Notes to Financial Statements

December 31, 2018

Classification of financial assets

Financial assets are measured at initial recognition at fair value and are classified and subsequently measured at fair value through profit or loss (FVTPL), fair value through other comprehensive income (FVOCI) or amortized cost based on our business model for managing the financial instruments and the contractual cash flow characteristics of the instrument.

Debt instruments are measured at amortized cost if both of the following conditions are met and the asset is not designated as FVTPL: (a) the asset is held within a business model that is Held-to-Collect (HTC) as described below, and (b) the contractual terms of the instrument give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI)

Loans are debt instruments recognized initially at fair value and are subsequently measured in accordance with the Classification of financial assets policy provided above. All of the company's loans are carried at amortized cost. Interest on loans is recognized in Interest income using the effective interest method.

- IFRS 15, Revenue from Contracts with Customers (IFRS 15)

In May 2014, the IASB issued IFRS 15, which establishes principles for reporting about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The standard provides a single, principles based five-step model for revenue recognition to be applied to contracts with customers except for revenue arising from items such as financial instruments. In April 2016, the IASB issued amendments to IFRS 15, which clarify the underlying principles of IFRS 15 and provide additional transitional relief on initial application. IFRS 15 and its amendments are effective for the company beginning on January 1, 2018. The company has assessed the adoption of this standard and it does not result in a material impact to the financial statements.

Adoption of new and revised standards and interpretations not yet effective

- IFRS 16, Leases (IFRS 16)

In January 2016, the IASB issued IFRS 16, which sets out the principles for the recognition, measurement, presentation and disclosure of leases. The standard removed the current requirement for lessees to classify leases as finance leases or operating leases by introducing a single lessee accounting model that requires the recognition of lease assets and lease liabilities on the balance sheet for most leases. Lessees will also recognize depreciation expense on the lease asset and interest expense on the lease liability in net income. IFRS 16 will be effective for annual periods beginning on or after January 1, 2019. Management is assessing the impact of the adoption of this standard and believes it will not result in a material impact to the financial statements.

Loop Funding Inc.

Notes to Financial Statements

December 31, 2018

Historical cost convention

The financial statements have been prepared under the historical cost convention.

Significant accounting adjustments, estimates and assumptions

The preparation of financial statements requires the company to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses, and the related disclosure of contingent assets and liabilities. The company evaluates its estimates on an ongoing basis. Such estimates are based on historical experiences and on various other assumptions that the company believes are reasonable under the circumstances; these estimates form the basis for making judgments about the carrying value of assets and liabilities and the reported amounts of revenue and expenses that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

The key area of judgment exercised by management in the preparation of the financial statements is the allocation of revenue recognized as a matching fee at inception of a loan and the origination fee deferred as part of the effective interest on the loan. This is based on: i) direct out-of-pocket costs and, ii) time incurred to complete the origination process relative to the process of matching a borrower and a lender, which includes the credit assessment of the borrower on behalf of the investor.

Functional and presentation currency

The company's financial statements are presented in Canadian dollars (the presentation currency), which is the company's functional currency.

Income taxes

The determination of the company's income tax liabilities requires interpretation of complex laws and regulations. All tax filings are subject to audit and potential reassessment after a lapse of considerable time. Deferred income tax assets are recognized to the extent that the company believes it is possible that the assets can be recovered. Deferred tax assets are recognized when a temporary difference arises between the tax bases of assets and liabilities and their respective carrying amounts, which give rise to a future tax benefit, or when a benefit arises due to unused tax losses. In both cases, deferred tax assets are only recognized to the extent that it is probable that future taxable amounts will be available to utilize those temporary differences or tax losses. Deferred tax liabilities are recognized when such temporary differences will give rise to taxable amounts that are payable in future periods. Deferred tax assets and tax liabilities are recognized at the tax rates expected to apply when the assets are recovered or the liabilities are settled under currently or substantively enacted tax law.

Revenue recognition

Loop Funding has two main sources of revenue, namely origination fees and servicing fees. Loop Funding also earns interest income on borrower loans, which is directly offset by interest expense paid on payment dependent notes.

Loop Funding Inc.

Notes to Financial Statements

December 31, 2018

The origination fee is outlined in a loan agreement that is signed by the borrower and Loop Funding. Loop Funding acts as a lender in the relationship with the borrower for the purposes of acting as a conduit to source capital from the range of investors that want to lend to a specific borrower. Investors choose specific borrowers that they want to lend to and make their investment through a payment dependent note in Loop Funding where repayment is tied to a specific borrower loan. The origination fee is a transaction fee that is charged once the loan is fully funded on the Lending Loop marketplace. The total origination fee is made up of two components that relate to different performance obligations. The component of the fee that relates to matching the investor with the borrower is the matching fee and the remainder relates to the loan origination and cost of credit adjudication. As per revenue recognition principles of financial instrument accounting, the matching fee is recognized upfront once the performance obligation of matching the borrower with the investor is complete. The remaining fee should be deferred and amortized over the term of the loan as part of the effective interest rate. For the year ended December 31, 2018 and December 31, 2017, the company has deemed the origination and credit adjudication component as insignificant and has recognized the entire fee upfront.

Servicing fee income is a 1.5% annual servicing fee on the outstanding principal balance of the loan, which is charged to lenders. Servicing fees are recognized when payment is received and it is probable that the economic benefits will flow to Loop Funding.

During 2018, the origination activities were moved from Loop Funding to Loop Financial Inc. As a result, from that point on, the origination fees are recognized in Loop Financial Inc.

Loop Funding Inc.

Notes to Financial Statements

December 31, 2018

Management fees

Loop Funding pays management fees to Loop Securities Inc. as Loop Securities Inc. acts as the exclusive dealer for the offering of debt securities of Loop Funding. Loop Securities Inc. operates on a cost recovery basis from fees paid by Loop Funding.

Loop Funding also pays Loop Financial Inc. an annual management fee for services provided on an ongoing basis. These services include but are not limited to the licensing of technology, management, administrative services and includes payroll from 2018 onwards, performed by employees of Loop Financial Inc., and an allocation of operating expenses such as rent.

Management fees are related party transactions, which are recorded at the exchange amount.

Financial assets

Financial assets include borrower loans classified as loans and receivables measured at amortized cost. The classification depends on the purpose for which the financial assets were acquired, which is determined at initial recognition and is re-evaluated at each reporting statement of financial position date.

Financial assets and liabilities are offset and the net is reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

- **Loans and receivables**

This category includes amounts due to and from related entities and borrower loans, which are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially recorded at fair value, net of transaction costs and subsequently recorded at amortized cost.

Financial liabilities

Financial liabilities including payment dependent notes are initially recorded at fair value and subsequently measured at amortized cost.

Loop Funding Inc.

Notes to Financial Statements

December 31, 2018

3 Share capital

The company is authorized to issue unlimited common shares.

The holders of the common shares are entitled to one vote per common share held at all shareholder meetings of the company and distributions of the company's income and assets in the case of liquidation (subordinate to the rights of the company's creditors).

	2018		2017	
	Number of shares	Amount \$	Number of shares	Amount \$
Common shares issued and outstanding	100	1	100	1

4 Income taxes

The company incurred a loss of \$60,578 and therefore no current tax expense was recognized for the year ended December 31, 2018.

No deferred tax was recognized on the loss as the company does not consider it probable that foreseeable future taxable amounts will be available to utilize the tax loss.

	2018 \$	2017 \$
Loss before income taxes	(60,579)	(140,206)
Tax at the Canadian tax rate of 26.51%	16,059	37,169
Tax effects of Deferred tax not recognized on tax loss	(16,059)	(37,169)
Tax charge	-	-
Deferred tax asset not recognized available for carry forward	(67,399)	(51,340)

Tax losses can be carried forward 20 years from the year in which they occurred. Deferred tax asset amounts expire in the following years, \$14,171 - 2036, \$37,160 - 2037, \$16,059 - 2028.

Loop Funding Inc.

Notes to Financial Statements

December 31, 2018

5 Sales, general and administrative expenses

Sales, general and administrative expenses by nature comprise the following:

	2018	2017
	\$	\$
Transaction and regulatory fees	168,507	151,060
Sales and marketing	117,740	63,827
General and administrative	549	4,549
Payroll	0	367,265
Professional fees	51,179	20,911
	<hr/>	<hr/>
	337,975	607,612
	<hr/>	<hr/>

Loop Funding Inc.

Notes to Financial Statements

December 31, 2018

6 Related party information

Loop Funding is an affiliated company of Loop Securities Inc. Loop Funding and Loop Securities Inc. are both wholly owned subsidiaries of Loop Financial Inc.

Loop Financial Inc. was incorporated under the laws of the Province of Ontario on April 15, 2014. The main operations, development of technology and the online platform are all managed by Loop Financial Inc. Loop Funding and Loop Securities Inc. were incorporated in 2016. The majority of the operational expenses are paid by the parent company, which is reflected in the management fees incurred by Loop Funding to Loop Financial Inc.

Loop Securities Inc. was incorporated under the laws of the Province of Ontario on June 10, 2016 and is registered as an Exempt Market Dealer in Ontario, British Columbia, Alberta, Saskatchewan, Manitoba, Quebec, New Brunswick, Newfoundland and Labrador, Nova Scotia, Prince Edward Island, Nunavut, Northwest Territories and Yukon. Loop Securities Inc. is licensed for the purposes of selling payment dependent notes issued by Loop Funding to Canadian investors.

An amount of \$5,237 (2017 - \$6,219) is owed to Loop Securities Inc. as at December 31, 2018. Loop Funding makes regular payments to Loop Securities Inc. for the aforementioned services related to the management fees. When a payment is made greater than an amount owing, the excess is treated as a related party receivable owed to Loop Funding.

As Loop Funding is not yet a profitable entity, Loop Funding regularly borrows money from Loop Financial Inc. in order to fund operations. The interest rate on amounts due to Loop Financial Inc. is prime plus 5%. The amount owing as at December 31, 2018 is \$318,674 (2017 - \$221,626).

7 Key management compensation

Key management are compensated by the parent with appropriate allocations charged as a component of management fees.

8 Financial risk management

The specific risks of the company's financial instruments are identified below.

Credit risk

Credit risk arises from the potential that one party to a financial instrument will fail to satisfy its obligations as they come due and will cause a financial loss for the other party.

Per the terms of the loan agreements, holders of the payment dependent notes bear the credit risk associated with borrower loan defaults. Loop Funding is not exposed to credit risk on the borrower loans. The remaining financial assets consist of cash and cash equivalents held with major Canadian financial institutions and related party receivables. Accordingly, credit risk is not considered a significant risk.

Loop Funding Inc.

Notes to Financial Statements

December 31, 2018

Liquidity risk

Liquidity risk is the risk the company will not be able to meet a demand for cash or fund its obligations as they come due. Liquidity risk also includes the risk of not being able to liquidate assets in a timely manner at a reasonable price.

The company's management is responsible for reviewing liquidity resources to ensure funds are readily available to meet its financial obligations as they come due as well as ensuring adequate funds exist to support business strategies and operations growth.

The table below classifies the company's financial liabilities into relevant maturity groupings based on the remaining period at the period-end date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted principal and interest.

	2018			
	Less than 1 year \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$
Due to Loop Financial Inc.	0	318,673	0	0
Payment dependent notes	12,751,809	9,432,459	6,941,388	0
	2017			
	Less than 1 year \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$
Due to Loop Financial Inc.	0	221,626	0	0
Payment dependent notes*	5,378,296	3,945,451	2,066,193	0

Loop Funding has the contractual obligation to pay the payment dependent note holders, without material delay, subsequent to the receipt of the cash flows from the associated borrower loans. Loop Funding has no obligation to pay amounts to the payment dependent note holders unless it collects the amounts from associated borrower loans.

Loop Funding Inc.

Notes to Financial Statements

December 31, 2018

9 Fair value of assets and liabilities

The following table presents the fair value hierarchy for financial instruments carried at amortized cost and disclosed at fair value:

	2018				
	Carrying amount \$	Level 1 inputs \$	Level 2 inputs \$	Level 3 inputs \$	Balance at fair value \$
Assets					
Cash and cash equivalents	151,752	-	151,752	-	151,752
Borrower loans	24,228,213	-	24,228,213	-	24,228,213
	<u>24,379,965</u>	<u>-</u>	<u>24,379,965</u>	<u>-</u>	<u>24,379,965</u>
Liabilities					
Accounts payable	82,081	-	82,081	-	82,081
Due to Loop Financial Inc.	318,674	-	318,674	-	318,674
Due to Loop Securities Inc.	5,237	-	5,237	-	5,237
Payment dependent notes	24,228,213	-	24,228,213	-	24,228,213
	<u>24,634,205</u>	<u>-</u>	<u>24,634,205</u>	<u>-</u>	<u>24,634,205</u>
	2017				
	Carrying amount \$	Level 1 inputs \$	Level 2 inputs \$	Level 3 inputs \$	Balance at fair value \$
Assets					
Cash and cash equivalents	48,455	-	48,455	-	48,455
Borrower loans	9,778,639	-	9,778,639	-	9,778,639
	<u>9,827,094</u>	<u>-</u>	<u>9,827,094</u>	<u>-</u>	<u>9,827,094</u>
Liabilities					
Accounts payable	14,271	-	14,271	-	14,271
Due to Loop Financial Inc.	221,626	-	221,626	-	221,626
Due to Loop Securities Inc.	6,219	-	6,219	-	6,219
Payment dependent notes	9,778,639	-	9,778,639	-	9,778,639
	<u>10,020,755</u>	<u>-</u>	<u>10,020,755</u>	<u>-</u>	<u>10,020,755</u>

The fair value of the financial instruments is calculated by discounting the projected cash flows at contractual interest rate. Fair value approximates market value as the contractual interest rate is equal to the market rate.

Item 13: Date and Certificate

DATED this 25 day of March 2019.

This Offering Memorandum, together with the documents incorporated in this Offering Memorandum by reference, will, as of the date of the last supplement to this Offering Memorandum relating to the securities offered by this Offering Memorandum and the supplement(s), not contain a misrepresentation.

[Signed] “Cato Pastoll”

Cato Pastoll, CEO

ON BEHALF OF THE DIRECTORS OF THE CORPORATION

[Signed] “Cato Pastoll”

Cato Pastoll, Director

[Signed] “Brandon Vlaar”

Brandon Vlaar, Director

Item 14: Appendices

Appendix A - Posting Supplement (Standard Loans)

Posting Supplement No. [###] dated [DD, MMM, YYYY]
to Base Offering Memorandum dated [DD, MMM, YYYY]

Loop Funding Inc. **Payment Dependent Notes**

This Posting Supplement supplements the Offering Memorandum dated [DD, MMM, YYYY] and provides information about the particular series of Payment Dependent Notes (the “Notes”) we are currently offering. Prospective investors should read this Posting Supplement together with the Offering Memorandum dated [DD, MMM, YYYY] to understand the terms and conditions of the Notes and how they are offered, as well as the risks of investing in Notes.

The following Notes are currently being offered:

Payment Dependent Notes Series [###]

Series of Payment Dependent Notes	Aggregate Principal Amount of Notes Offered	Loan Grade	Stated Interest Rate	Servicing Fee	Term	Loan Policy
						Standard

This series of Notes will be issued only upon the closing of the Loan Request corresponding to Borrower Loan [###]. Borrower Loan [###] was requested on [DD, MMM, YYYY] by a Borrower with the following characteristics:

Entity ID	
Entity Type	[Corporation/Partnership/Sole Proprietorship]
Entity Location	[Province]
Security and/or Guarantee(s) Provided	

BUSINESS BORROWER INFORMATION:

All of the information below has been obtained from the Borrower and is displayed without having been thoroughly verified by Loop Funding Inc. Persons considering investing in the Notes are cautioned that the information the Borrower has provided may be false, misleading, or inaccurate. In the Base Offering Memorandum, we advise potential investors as to the limitations on the reliability of information provided by all borrowers, including the Borrower, and an investor’s recourse in the event the information provided by the Borrower is false, misleading or inaccurate will be extremely limited. As we are not able to fully assess the veracity of this information, the information should not be considered as being factual nor should it be used as material in determining the market

price and value of the Notes. Consequently, investors should rely on information provided in the Base Offering Memorandum and should not rely on unverified information provided by borrowers.

Borrower's stated purpose for the obtaining the loan:	
Industry in which the Borrower operates:	
Supplementary information provided by the Borrower regarding the Borrower's business and its intended use of loan funds:	

The financial information below has been transcribed from the financial statements or other documents provided by the Borrower, none of which has been a) provided or reviewed by a securities regulatory authority or regulator, or b) verified by Loop Funding Inc.

Balance Sheet items:	Fiscal Year ended [date]	Fiscal Year ended [date]	Interim Year-to-Date (as at dd/mm/yy)
Type of Engagement ¹ :			
Current Assets:			
Long-Term Assets:			
Total Assets:			
Current Liabilities:			
Long-Term Liabilities:			
Owners'/Shareholders' Equity			
Total Liabilities & Owners'/Shareholder's Equity			

Income Statement items:	Fiscal Year ended [date]	Fiscal Year ended [date]	Interim Year-to-Date (as at dd/mm/yy)
Type of Engagement:			
Revenue:			
Cost of Goods Sold:			
Operating Costs:			

Depreciation & Amortization Expense:			
Interest Expense:			
Tax Expense:			
Net Income (Loss):			

¹ **Financial Statements – Definitions of Type of Engagement:**

Audited statements	A financial statement audit is the examination of an entity's financial statements and accompanying disclosures by an independent auditor. The result of this examination is a report by the auditor, attesting to the fairness of presentation of the financial statements and related disclosures.
Review engagement	While an audit is meant to give some assurance that the financial statements are free of material misstatements, a review engagement is only meant to ascertain whether or not the financial statements are believable or plausible.
Notice to reader/Compiled	The entity's financial statement has not been audited or reviewed, therefore it does not have the level of reliability associated with audits or review engagements. When firms offer no assurance on financial statements that they prepare or assist in preparing, they issue a Notice to Reader Financial Statement report.
Management prepared	Refers to when a entity does its own books and prepares its interim and annual financial statements itself. Because these financial statements are internally prepared, they are considered the "lowest" quality of financial statements. These statements may be provided through the entity's internal accounting software without any human verification.

Appendix B - Posting Supplement (Express Loans)

**Posting Supplement No. [###] dated [DD, MMM, YYYY]
to Base Offering Memorandum dated [DD, MMM, YYYY]**

Loop Funding Inc. Payment Dependent Notes

This Posting Supplement supplements the Base Offering Memorandum dated [DD, MMM, YYYY] and provides information about the particular series of Payment Dependent Notes (the “Notes”) we are currently offering. Prospective investors should read this Posting Supplement together with the Offering Memorandum dated [DD, MMM, YYYY] to understand the terms and conditions of the Notes and how they are offered, as well as the risks of investing in Notes.

The following Notes are currently being offered:

Payment Dependent Notes Series [###]

Series of Payment Dependent Notes	Aggregate Principal Amount of Notes Offered	Loan Grade	Stated Interest Rate	Servicing Fee	Term	Loan Policy
						Express

This series of Notes will be issued only upon the closing of the Loan Request corresponding to Borrower Loan [###]. Borrower Loan [###] was requested on [DD, MMM, YYYY] by a Borrower with the following characteristics:

Entity ID	
Entity Type	[Corporation/Partnership/Sole Proprietorship]
Entity Location	[Province]
Security and/or Guarantee(s) Provided	

BUSINESS BORROWER INFORMATION:

All of the information below has been obtained from the Borrower and is displayed without having been thoroughly verified by Loop Funding Inc. Persons considering investing in the Notes are cautioned that the information the Borrower has provided may be false, misleading, or inaccurate. In the Base Offering Memorandum, we advise potential investors as to the limitations on the reliability of information provided by all borrowers, including the Borrower, and an investor’s recourse in the event the information provided by the Borrower is false, misleading or inaccurate will be extremely limited. As we are not able to fully assess the veracity of this information, the information should not be considered as being factual nor should it be used as material in determining the market price and value of the Notes. Consequently, investors should rely on information provided in the Base Offering Memorandum and should not rely on unverified information provided by borrowers.

Borrower's stated purpose for the obtaining the loan:	
Industry in which the Borrower operates:	
Supplementary information provided by the Borrower regarding the Borrower's business and its intended use of loan funds:	