

## Offering Memorandum for Non-Qualifying Issuers



### Payment Dependent Notes

Date: October 21, 2016

#### The Issuer:

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

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**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	<b>There is no minimum. You may be the only purchaser.</b> Maximum: \$1,000,000,000.00 <b>Funds available under the offering may not be sufficient to accomplish our proposed objectives.</b>
Minimum subscription amount	Investors may invest a minimum of \$25 in Payment Dependent Notes.
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 in a trust account at a Canadian Financial Institution. Each Lender's funds are assigned to a sub-account, which we call a Lender Account, within that 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. Upon a Loan Request failing to close, funds that were committed to purchase Notes corresponding to that Loan Request are made available again 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 Section 2.2 - Our Business, <i>Loan Funding and Lender Balances</i> .
Proposed closing date(s)	We will issue the Notes in series. Each series will correspond to a single loan to one of our Borrowers. 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	No selling agent is being used for the issuance of any Notes under this Offering Memorandum.
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 investors should be able to hold notes for the whole period until maturity. See Item 10: Resale Restrictions.
Purchaser's rights	You have 2 business days to cancel your agreement to purchase these securities. In this case, Loop Funding will redeem the notes at par value. 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 the Offering Memorandum exclusive of all supplements, such as Posting Supplements, which may be published on the Platform from time to time;
- **“Borrower”** means an entity 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;
- **“Business”** means an entity organized as a partnership or corporation;
- **“Lender”** means an entity registered on the Platform who may purchase Notes from time to time;
- **“Lender Account”** means the sub account of a Lender which is maintained by Loop Securities;
- **“Loan Request”** or **“Borrower 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 this document together with all supplements, including Posting Supplements, and amendments made to this document 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 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; and
- **“Website”** means [www.lendingloop.ca](http://www.lendingloop.ca).

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 our Payment Dependent Notes as the “Notes”. We offer Notes continuously, and sales of Notes through the Platform may occur on a daily basis. Before we list a Loan Request on the Platform and thereby offer the series of Notes corresponding to that Borrower Loan, as described in Section 2.2 - Our Business, *About the Loan 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. In the Posting Supplement, we provide information about the series of Notes offered for sale that corresponds to the posted Borrower Loan.

We also periodically compile information contained in recently posted Posting Supplements into a document we refer to as a “Sales Update”, which are filed with the applicable securities regulatory authorities. Posting Supplements include information about the principal amount, credit rating of the corresponding Borrower Loan, maturity and interest rate of each series of Notes sold.

We may also prepare amendments to update this Base Offering Memorandum for other purposes, such as to disclose changes to the terms of our offering of the Notes. We will file these Base Offering Memorandum amendments with the applicable securities regulatory authorities and post them on the Platform. When required by regulation, such as when there is a “fundamental change” in our offering 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 posted on our Website at the time the amendment becomes effective. The Notes are available for offer and sale subject to suitability 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 the registration and 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 solution and services;
- Loop Funding's future growth plans;
- The acceptance by the Issuer's customers and the marketplace of new technologies and solutions;
- 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 the Issuer 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 from Notes' dependence on payments from Borrower Loans;
- The uncertainty associated with us realizing value from a security interest;
- 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.

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## Item 1: Use of Available Funds

### 1.1 Funds

		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

### 1.2 Use of Available Funds

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

### 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 555 Richmond St W, Suite 1102, Toronto, Ontario M5V 3B1.

### 2.2 Our Business

#### **Overview**

Loop Funding facilitates loans to consumers and businesses and offers investors 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 a traditional bank 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, a computer-based lending platform operated by Loop Funding. Borrower Loans are funded by the proceeds of Notes sold through the lending section of the Platform which is operated by Loop Securities Inc. (“**Loop Securities**”). These two sections interact in the course of the borrowing and lending process in order to provide for, *inter alia*, the funding of Borrowers’ Loan Requests as well as the repayment of Notes issued in connection therewith to Lenders.

The Platform is owned by Loop Technologies Inc. (“**Loop Technologies**”) 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 Lending Loop respectively pursuant to the terms and conditions of a licence agreement entered into with Loop Technologies.

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

All Notes issued under this Offering Memorandum will be sold by Loop Securities where authorized to do so under applicable securities legislation. Prior to the date of this Base Offering Memorandum, the Platform was operated by Loop Financial Inc. As of the date of this Base Offering Memorandum, Loop Financial Inc., parent company of Loop Funding, facilitated over \$1.07 million dollars in loans to 24 borrowers through the Platform.

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 banks. 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 Borrowers origination fees and charging Lenders a servicing fee. The industry in which Loop Funding operates is known as the “peer-to-peer” lending industry.



### **The Peer-to-Peer Lending Industry**

Peer-to-peer lending companies 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 banking institutions. Peer-to-peer lenders do not perform a deposit taking function.

### **About the Platform**

Through the Platform, we allow qualified 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 investors find attractive. As part of operating the borrowing section of the Platform, we verify the identity of Borrowers, obtain Borrowers' credit profiles from consumer and business reporting agencies such as TransUnion, PayNet and Equifax and screen Borrowers for eligibility to participate in the Platform. We also service loans on an ongoing basis.

Under this Offering Memorandum, Lenders have the opportunity to buy Payment Dependent Notes issued by Loop Funding and designate that the corresponding loans 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 underlying 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 our servicing fee which is an amount equal to an annualized rate of 1.50% of the outstanding principal of the loan ("**Servicing Fee**"), any applicable Stub Period Interest, and any other applicable fees and charges described below. 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 (a "**Collection Fee**"). Such reduction may go up to 35% of the amount recovered if a collection action must be taken with respect to a Borrower Loan. 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 noteholders any Unsuccessful Payment Fees (as defined below), check processing and other processing fees, Collection Fees we or a third-party collection agency charge 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 8: Risk Factors, "*If we were to become subject to a bankruptcy or similar proceeding...*".

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 \$5,000 to \$500,000, and bear interest rates ranging from 5.90% to 26.50%. Borrowers consist of individuals and Businesses.

This Offering Memorandum pertains only to 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. Custom Program loans are not issued under this Offering Memorandum.

## **Borrower and Lender Registration**

New Borrowers and Lenders must agree to the terms and conditions of the Website, including agreeing to conduct transactions and receive disclosures and other communications electronically. We verify the identity of all Members or individuals registered on behalf of Members by comparing supplied names, social insurance numbers, addresses and telephone numbers against the records of a consumer reporting agency, as well as other databases.

### **Borrower Registration**

Borrowers will:

- Meet the requirements of either the Standard Program or a Custom Program;
- Have a valid email account;
- Have an account at a Canadian Financial Institution; and
- Where the Borrower is a Business;
  - Have a principal place of business in one of the provinces or territories of Canada;
  - Have been operating for at least 1 year; and
  - Have at least \$100,000 in annual revenue.

Furthermore, if a Borrower is a corporation, that Borrower will:

- Have at least 50% of the directors of the corporation be legal Canadian residents; and
- Have all the directors of the corporation be at least 18 years old.

Loop Funding may create additional eligibility criteria specific to individuals in order to become Borrowers.

All Borrowers enter into a credit profile authorization and a loan agreement with Loop Funding. These agreements set forth the terms and conditions of the loan. In the credit profile authorization agreement(s), the Borrower authorizes us to obtain and use business and/or consumer reports on the Borrower, its directors, and/or its guarantors. Borrowers may enter into a security agreement on all or certain of the Borrower's assets. Borrower Loans may also be guaranteed by a personal guarantee. See Section 2.2 - Our Business, *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 bank account by electronic funds transfer (EFT) for each loan payment due under the loan agreement. The agreement provides both parties the right to elect to have disputes under the loan agreement decided by binding arbitration. The Borrower agrees that Loop Funding may assign its right, title and interest in the loan agreement and the Borrower's loan agreements to others without notice.

### **Lender Registration**

During Lender registration, each applicant will have his/her identity and bank accounts verified in accordance with Loop Securities' know-your-client ("KYC") policies and procedures. Loop Securities will not register a prospective Lender on the lending section on the Platform unless certain criteria are met with respect to that Lender.

Additionally, Lenders will enter into a Note Purchase Agreement and agree to be bound by the Terms and Conditions for Lenders governing Lenders' use of the Platform. Lenders must meet minimum suitability requirements as set out in Section 2.2 - Our Business, *Lender Suitability*.

A Lender will be one of the following types of persons:

- An individual;

- A corporation;
- A limited partnership;
- A limited liability partnership; or
- A partnership other than a limited partnership or limited liability partnership.

A prospective Lender will not be registered on the Platform if, (i) where the applicant (natural person) applying on behalf of that prospective Lender or, (ii) where the applicant is a natural person, the applicable natural person:

- Is not a resident of Canada; and
- Does not have a valid email account.

In the course of registration, the identity of applicants is verified. In order to verify the identity of an applicant, his/her name, address, and phone number are compared to the records of a third-party consumer reporting agency.

A prospective Lender that is a corporation will not be registered unless:

- That corporation resides in Canada;
- Loop Securities receives the corporation's articles of incorporation; and
- If the applicant applying on behalf of that corporation is not the sole director of that corporation, Loop Securities receives a document evidencing that the applicant has the requisite authority to purchase Notes on the Platform.

A prospective lender that is a limited partnership or limited liability partnership will not be registered unless:

- Loop Securities receives a copy of the written partnership agreement governing that limited liability partnership.

A prospective lender that is a partnership other than a limited partnership or limited liability partnership will not be registered unless:

- Loop Securities receives a copy of the written partnership agreement governing that partnership; and
- Loop Securities receives documentation evidencing that each partner consents that the applicant may purchase Notes on the Platform.

Every Lender must have an account at a Canadian Financial Institution. In the course of registration, Loop Securities verifies the bank accounts of prospective Lenders. Verification of a Lender's bank account may be accomplished by referencing documentation related to the Lenders bank account, which we refer to as "bank verification documentation". Bank verification documentation can be either in the form of a bank statement, void cheque, or online banking interface screenshot, or be obtained by a programmatic interface that will electronically retrieve information relating to the prospective Lender's bank account. Loop Securities requires that a prospective Lender provide his/her/its bank account number, bank transit number, and the name his/her/its financial institution. If a bank account verification is carried out by referencing bank verification documentation, Loop Securities verifies that the name, address, account number, and transit number provided by the prospective Lender does not differ from the information contained on the bank verification documentation.

Lenders agree to a Note Purchase Agreement that governs every purchase of Notes made through the Platform. See Appendix B - Note Purchase Agreement.

Lenders remain anonymous with respect to other users of the lending section of the Platform. Lenders will conduct activities on the Platform under user-selected usernames and Lenders' identities will not be made known to Borrowers or other Lenders, unless required by law or in accordance with this Offering Memorandum.

### **Lender Suitability**

Loop Securities will strive to ensure that a Lender does not make a purchase of Notes unless that purchase is suitable for that Lender.

A profile pertaining to every Lender will be created for the purpose of assessing suitability. A Lender's profile will contain information pertaining to his/her/its needs, risk tolerance, investment objectives, and restrictions, all of which are determined based on that Lender's biographical information as well as a questionnaire that each Lender will answer.

Once a Lender submits the aforementioned questionnaire, he/she/it will be assessed as either suitable, unsuitable or of indeterminate suitability to purchase Notes on the Platform. If a prospective Lender's suitability is indeterminate, one of Loop Securities' authorized representatives will contact that prospective Lender in order to ask further questions and make a final determination as to that Lender's suitability.

Loop Securities will deploy technology to monitor and review transactions made by Lenders in order to attempt to ensure that Note purchases are suitable for Lenders given their respective investment profiles. Furthermore, Loop Securities will notify a Lender if its investment portfolio is no longer suitable given that Lender's profile.

Loop Securities will perform an annual suitability assessment to attempt to ensure all KYC and suitability-related information is current. Loop Securities will also make commercially reasonable efforts to determine if a material change in a Lender's circumstances occurred. Such a material change would include, for example, a marriage, divorce, birth of a child, loss or change in employment, or change in investment needs or objectives. If it is determined that a material change has taken place, Loop Securities will immediately require the Lender to update its KYC and/or suitability information as applicable.

Additionally, Loop Securities will monitor and attempt to ensure that all Lenders abide by the investment limits established by their province of residence and investor status, as required.

Loop Securities will use technology to maintain a record of all assessments related to suitability. If it is deemed to be unsuitable for a Lender to purchase notes, Loop Securities will provide the Lender with reasons why its registration is not accepted wherever possible. Loop Securities will maintain a record on file of the rejected registration attempt.

### **Borrower Loan Requests**

Prospective Borrowers from across Canada are able to submit a loan application to Loop Funding through the Website. Loan amounts range from \$5,000 to \$500,000. We allow Borrowers to have up to three loans outstanding at any one time with a maximum combined outstanding principal amount of \$1 million. To apply for additional financing, the Borrower must have already made consecutive, timely payments for a specified period.

Borrowers supply a variety of unverified information that is included in the listings on the Website and in the Posting Supplements we provide for Notes. We do take some measures to attempt to validate this information.

However, any liability for losses arising from a misrepresentation contained in this information rests on the Borrower. See Section 2.2 - Our Business, *Due Diligence*.

As part of the application process, Borrowers supply Loop Funding with a variety of information that is included in the listings on the lending section of the Platform. Some of the information included in the listings might be unverified and entirely self-reported by the corresponding Borrower. For details on the specific information provided and/or what information is verified, see: Section 2.2 - Our Business, *Loan Requests and Borrower Information Available on our Website* and Section 2.2 - Our Business, *Due Diligence*.

### **Loan Requests and Borrower Information Available on our Website**

Borrowers have their loan applications evaluated and listed on the lending section of the Platform as Loan Requests if they are approved. Loan Requests are listed on the lending section of the Platform for viewing by Lenders. Lenders are then able to purchase Notes that are dependent on the corresponding Borrower Loan. Each listing will contain the following information:

- The Borrower's unique identifier;
- The type of entity constituting the Borrower;
- The Borrower's province or territory of residence;
- The requested loan amount;
- A Lending Loop Credit Rating;
- The term length of the loan;
- Security under the loan, if any;
- Whether the loan is guaranteed by a guarantor; and
- Where the Borrower is a Business,
  - The entity's name;
  - Supplementary information provided by the Borrower regarding the Borrower's business and its intended use of loan funds;
  - Summary financial statements including values for the following items;
    - From the balance sheet;
      - Current assets;
      - Long term assets;
      - Current liabilities;
      - Long term liabilities; and
      - Shareholders' equity;
    - From the income statements;
      - Revenue;
      - Cost of sales;
      - Operating costs;
      - Depreciation & amortization expense;
      - Interest expense;
      - Tax expense; and
      - Net income;
  - The Borrower's fiscal year end; and
  - The type of engagement under which the financial statements were prepared, if any.

Please note that while the name of a Business Borrower appears on its listing, the Posting Supplement pertaining to that Borrower will not contain its name. We take this measure in order to protect the privacy of Businesses as Posting Supplements become publicly accessible. Where applicable, Loop Funding will transcribe the financial statement items noted above from Borrowers' provided financial statements into an electronic format. The financial statements from which the items are transcribed will be identified as prepared by a third party under either an auditing engagement, review engagement, or compilation engagement, or prepared by the Borrower. In general, a business' financial statements may not accurately represent the economic performance and position of that business.

Statements contained in the supplementary information provided by Borrowers may not be accurate. In general, 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 statements the Borrower provided as supplementary information.

### **Security and Personal Guarantee**

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 by a corporation; or
- A personal guarantee by an individual guarantor.

We may have the right to take possession of the secured assets in the event a Borrower defaults on its secured obligation and certain other conditions are met. A person who provides a personal guarantee is obligated jointly and severally with the Borrower to fulfill a Borrower's obligations under its loan agreement. The security granted by the Borrower as part of a loan transaction may be granted in favour of an entity controlled by Loop Funding rather than Loop Funding itself.

### **Terms of Borrower Loans**

All Borrower Loans have a fixed interest rate and term of either 3, 6, 9, 12, 18, 24, 36, 48, or 60 months. Borrower Loans amortize monthly and require Borrowers to pay Loop Funding in uniform monthly payments consisting of principal repayment and interest. Borrower Loans may be repaid in full at any time without prepayment penalty.

### **Lender Balances**

Lender Accounts are sub-accounts maintained under a bank account at a Canadian Financial Institution. That account is a pooled demand deposit account, titled in the name of Loop Securities as trustee for Lenders, and is known as the "Trust Account". Neither we nor Loop Securities have any economic interest in the assets of sub-accounts. Furthermore, a Lender does not have any right, title, or interest in the assets of any other Lender held in the Trust Account.

A Lender's Account contains funds available for the Lender to commit to Loan Requests, and committed funds. A Lender may transfer funds from his/her/its verified bank account to his/her/its Lender Account. In the event a payment to a Lender under a Note is made, such payment, will be credited to that Lender's Lender Account. Upon request by a Lender, we will transfer the funds in that Lender's Lender Account to that Lender's verified bank account by Electronic Funds Transfer.

## **Loan Funding**

### **Contingent Borrower Loans and Pre-Funded Borrower Loans**

Loop Funding currently offers Borrower Loans the closing of which is contingent on a corresponding Borrower 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 provide 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 a corresponding Loan Request is listed on the Website. Pre-Funded Borrower Loans may be a more attractive option for Borrowers who prefer not to wait until a Borrower Loan Request is funded in order to receive a loan.

A Lender’s commitment to purchase a Note, which we refer to as a “Note Purchase Commitment” is a binding obligation, 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. 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 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, Loop Securities will be directed to transfer the principal amount, less our origination fee, of the Borrower Loan related to those Notes to the Borrower. This transfer represents payment by a Lender to us in consideration for the purchase of a Note. A Lender’s sub-account will be debited in the value of the Note he/she/it purchased. In the case of a Pre-Funded Borrower Loan, Loop Securities will be directed to transfer the principal amount to Loop Funding’s bank account.

From time to time, Loop Securities will transfer accumulated origination fees and Service Charges due to Loop Funding.

### **Minimum Credit Criteria and Underwriting**

After we receive a loan application, we evaluate whether the Borrower meets our minimum credit criteria established for Borrower Loans. Our credit policy provides the underwriting and pricing criteria for all Borrower Loans. The policy may be updated or 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 listed on the lending section of the Platform unless the following minimum credit criteria are met:

- Where the corresponding Borrower Loan is guaranteed by one or more personal guarantors, one such guarantor will have a credit score of at least 600 as reported by a Consumer Reporting Agency; and
- Where the Borrower is a Business;
  - The corresponding Borrower has been operating for at least 1 year;
  - The corresponding Borrower generates at least \$100,000 in annual revenue; and
  - The corresponding Borrower has minimum debt service coverage ratio of 1.0, as calculated by Loop Funding based on information provided by the Borrower.

For purposes of the credit policy, “Debt service coverage ratio” is calculated primarily using values provided by Borrowers via their financial statements and may be supplemented by reports obtained from various third party data providers.

#### Consumer Credit Scoring

Consumer Reporting Agencies (“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 in Canada. A credit score is a simple numeric expression of an individual’s creditworthiness. Both of the aforementioned Canadian 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 from Agency to Agency. We currently obtain consumer credit information from a single Agency; however, we may use other reporting Agencies in the future.

One of the credit scores that is provided by Equifax is referred to as an “Equifax Beacon Score” which ranges from 300 to 900. The Financial Consumer Agency of Canada states that as of April 3, 2012, consumers in Canada are distributed amongst Equifax Beacon Scores as follows:

<b>Beacon Score Range</b>	<b>Percentage of Canadian Population</b>
300 – 559 Poor	4%
560 – 659 Fair	10%
660 – 724 Good	15%
725 – 759 Very Good	14%
760+ Excellent	57%

One of the credit scores that is provided by TransUnion is referred to as a “TransUnion Risk Score” which ranges from 300 to 900. As of April of 2013, consumers in Canada are distributed amongst TransUnion Risk Scores as follows:

<b>Score Range</b>	<b>Percentage of Canadian Population</b>
300 – 582 Poor	10%



583 – 666 Fair	10%
667 – 716 Good	10%
717 – 769 Very Good	10%
770+ Excellent	60%

The Equifax Beacon Score is calculated based on a number of factors listed in an individual's credit history that describe components of his/her financial life. Each of these factors is assigned a numerical value, and then weighted based on how prominently they affect creditworthiness. As of the date of this Base Offering Memorandum, the Equifax scoring model takes into account the following five categories of data according to the stated weightings:

- Payment history, at 35%, with historical timeliness of repayment, public record items, and collection information taken into account;
- Amounts owed, at 30%, with individuals having a higher ratio of credit utilization to maximum credit available receiving lower scores;
- Type of credit used, at 15%, with individuals demonstrating an ability to manage multiple trade lines of different types receiving higher scores;
- New credit, at 10%, with individuals having many new credit accounts opening recently and/or many recent credit check requests receiving lower scores; and
- Length of credit history, at 10%, with individuals managing credit accounts over a longer period of time receiving higher scores.

Numerous personal details are not considered by the Equifax, TransUnion and FICO scoring models, including: age, race, sex, income, education, marital status, and whether an individual rents or owns his/her home, among others.

#### Evaluation

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

In the underwriting phase, loan applications are re-evaluated. Loan applications are either rejected or approved and assigned a credit rating (a "Lending Loop Credit Rating") determined using an underwriting model developed by Loop Funding. The model takes into account the historical loan performance of actual prior Borrowers Loans, financial data specific to the Borrower, industry data, other Borrower-specific factors including acquisition channel, loan amount, term, and other information. Through the underwriting process an approved loan application will be

assigned one of 10 possible Lending Loop Credit Ratings from A+ through E, which corresponds to a loan interest rate and estimated loss rate.

At present Loop Funding uses scorecards in the underwriting process to assess credit and assign Lending Loop Credit Ratings. A scorecard-based approach offers an objective way to assess risk, can be consistently applied, and ensures that manual or systematic overrides are minimized. A Borrower Loan's Lending Loop Credit Rating is determined in three phases that are as follows:

- (1) A credit score, obtained from a credit rating agency, pertaining to the Borrower or one or more guarantors is referenced, and a preliminary Lending Loop Credit Rating is computed based on a range of expected default rates corresponding to the credit score(s);
- (2) The preliminary Lending Loop Credit Rating is then upgraded or downgraded based on various of the Borrower's financial metrics and metrics related to the Borrower's application; and
- (3) Other adjustments are applied to the result of the second phase if necessary.

The foundation of Loop Funding's Lending Loop Credit Rating is a credit score pertaining to a Business or individual obtained from a credit rating agency. Loop Funding may from time to time change the type or source of the credit scores it uses to determine credit ratings. Business credit score providers leverage state-of-the-art predictive modelling and powerful historical information to evaluate borrowing history in addition to attributes of borrowers found to be most predictive of repayment. These models incorporate variables in areas such as: payment and delinquency history, delinquency patterns, years in business, years borrowing, borrower size, and industry segmentation, among others. Business credit scores predict the rate of default on new accounts for new term loans.

The following table shows Lending Loop Credit Ratings and the corresponding range of expected default rates used in the first phase of the underwriting process. The expected default rates shown are relevant for internal underwriting purposes only and should under no circumstances be considered indicative or predictive of future default rates. This information should not be relied upon for the purpose of making investment decisions.

<b>Lending Loop Credit Rating</b>	<b>A+</b>	<b>A</b>	<b>B+</b>	<b>B</b>	<b>C+</b>	<b>C</b>	<b>D+</b>	<b>D</b>	<b>E+</b>	<b>E</b>
<b>Expected Default Rates</b>	0.00 - 1.12%	1.13 - 2.53%	2.54 - 3.56%	3.57 - 5.07%	5.08 - 5.84%	5.85 - 6.65%	6.66 - 7.56%	7.57 - 8.43%	8.44 - 9.24%	9.25 - 10.03%

In the second phase of the underwriting process, an adjustment factor based on characteristics of the Borrower and prospective loan, measured across various parameters, is applied.

Some parameters which may be considered where the Borrower is a Business are as follows: (1) debt service coverage ("DSC") ratio, (2) debt-to-tangible net worth ("Debt/TNW"), (3) working capital, (4) amount of loan, and (5) term-length requested. The parameters that will be considered will change from time to time. The aforementioned parameters are provided only as examples to illustrate the types of parameters that may be considered.

Each parameter corresponds to a possible adjustment factor which will be applied to the preliminary Lending Loop Credit Rating. Each parameter then receives a weighting. The adjustment factor corresponding to each parameter is then multiplied by its respective weighting to determine the overall adjustment applied to the preliminary Lending Loop Credit Rating. There are various scorecard versions, each of which consists of a different series of weightings applied to each metric. The weighting of each metric is determined based on the particular version of the scorecard being applied. The scorecard version applied in a given case is selected based on a set of factors relating to the nature of the loan. Weights for each metric will not exceed 50%. The adjustment determined in this phase indicates the number of Lending Loop Credit Rating grades a score is upgraded or downgraded. For example, an adjustment of +2 applied to a preliminary Lending Loop Credit Rating of C would entail an upgrade to B. If the adjustment factor would result in a Lending Loop Credit Rating below the E rating the application would be rejected. The highest possible Lending Loop Credit Rating is an A+ and no adjustments beyond it are possible.

Consider the following example as illustrative of the underwriting process. Assume a Business Borrower submits an application for a \$150,000 loan with a 5-year term. We would first determine whether the application meets the minimum credit criteria by obtaining, where applicable, the relevant personal and, where available, business credit reports and the financial statements the Borrower provided and assessing the information contained therein against the minimum credit criteria. We would assign the application a preliminary Lending Loop Credit Rating based on the expected probability of default associated with the appropriate credit score(s). Assume for this example that the Borrower's business credit score is associated with an expected delinquency rate of 2.75%. This rate would lead the Borrower to be initially classified a B+. Next, suppose that, based on the Borrower's financial statements, the following financial ratios are calculated: (1) DSC = 1.35, (2) Debt/TNW = 1.75, and (3) Working Capital = 0.8; and that the adjustment factors corresponding to each parameter are: +1, -2, and -2 respectively. Suppose that the adjustment factors corresponding to the sought loan amount and loan term noted above are -3 and -3 respectively. If the scorecard applied assigns equal weightings of  $1/5^{\text{th}}$  to each adjustment factor, we arrive at an overall -2 rating adjustment. The adjustment is rounded to the nearest integer. In this case -1.8 is rounded to -2. This downgrades the Borrower's rating from B+ to C+. Assuming there are no other adjustments, the final Lending Loop Credit Rating of the Borrower would then be C+ with an expected default probability in the range of 5.08 - 5.84%.

### **Due Diligence**

During the loan application process, each Borrower must also fully satisfy certain document requirements. No credit will be granted to Borrowers that do not meet or exceed all document requirements. Every Business Borrower must submit financial statements pertaining to its most recent full fiscal year. We may, in certain cases and at our discretion, require additional financial statements from Borrowers, including those pertaining to the fiscal year immediately preceding a Borrower's most recent full fiscal year, and, if applicable, a period starting from 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 is active, ascertain its registered headquarters, verify that it is not in receivership and/or liquidation, and identify its directors and officers. Credit reports will be obtained for every Borrower and guarantor pertaining to which/whom there is a credit report available from a credit reporting agency. 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 will examine a Business Borrowers' most recent Notice of Assessment from the Canada Revenue Agency. We will obtain a minimum of 3 months of bank statements pertaining to a Business Borrower's primary bank account. Other documentation may, depending on the nature of the business, be obtained, such as point-of-sale data in the form of merchant processing statements. We may, at our

sole discretion re-obtain any of the aforementioned items subsequent to lending should there be evidence of a deterioration in a Borrower's financial condition, including in the event of a missed payment.

Borrowers are informed of whether or not they have been approved for a loan and are given the terms and conditions of the proposed loan. The terms and conditions a Borrower receives may be different than those requested in that Borrower's loan application. A Borrower may cancel a Loan Request before it closes. See Section 5.2 - Subscription Procedure, *Listings*.

Prior to listing a Borrower's Loan Request, a representative of that Borrower signs a loan agreement and agrees that its corresponding Borrower Loan will be governed by the terms of that loan agreement. Before listing a Loan Request corresponding to a prospective Borrower Loan that is secured, a representative of the Borrower will sign a security agreement that will secure some assets of the Borrower upon the loan's closing. Before listing a Loan Request corresponding to a prospective Borrower Loan that is personally guaranteed, all guarantors will sign a personal guarantee that will bind the personal guarantor upon the loan's closing. A representative of the corresponding Borrower will sign a certificate stating that the information contained in its Posting Supplement does not contain a misrepresentation.

#### **Lending Loop Credit Ratings Assigned to Loan Requests, Loss Rates, and Interest Rates**

Each Loan Request on the lending section of the Platform is assigned a Lending Loop Credit Rating. 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 an estimated loss rate for the loan. The number of possible ratings as well as their associated loss expectations 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 underwriting model from time to time in order to increase its accuracy.

Interest rates are set by our Interest Rate Committee ("Committee"), which, as of the date of this Base Offering Memorandum, is comprised of two of Loop Funding's Directors and its Director of Credit. The Committee's objective in setting rates is to offer competitive rates to Borrowers relative to other similar credit options while also providing attractive risk adjusted returns to the Lenders. The following factors 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.

Considering the projected default rates associated with each Lending Loop Credit Rating, the Committee sets interest rates to reflect target returns.

Lending Loop Credit Ratings correspond to interest rates and estimated default rates within the following ranges:

<b>Lending Loop Credit Rating</b>	<b>Target Interest Rate</b>	<b>Estimated Annual Default Rates</b>
A+	5.90 - 7.50%	0.00 - 1.12%
A	7.51 - 9.30%	1.13 - 2.53%

B+	9.31 - 11.10%	2.54 - 3.56%
B	11.11 - 13.00%	3.57 - 5.07%
C+	13.01 - 14.90%	5.08 - 5.84%
C	14.91-17.10%	5.85 - 6.65%
D+	17.11 - 19.30%	6.66 - 7.56%
D	19.31 – 21.60%	7.57 - 8.43%
E+	21.61 - 24.00%	8.44 - 9.24%
E	24.01 - 26.50	9.25 - 10.03

### Origination Fee

Borrowers pay Loop Funding an origination fee upon the successful closing of a loan. The origination fee is deducted from the loan proceeds prior to disbursing the net amount to the Borrower. This fee is determined by the term and Lending Loop Credit Rating of the loan and currently ranges from 3.5% to 6.5% of the aggregate principal amount, as set forth in the chart below:

<b>Borrower Charge</b>	<b>3 to 12 months</b>	<b>13 to 36 months</b>	<b>37 to 60 months</b>
A+ to B	3.5%	4.0%	5.0%
C+ to D	4.0%	5.0%	6.0%
E+ to E	4.5%	6.0%	6.5%

### Post-Closing Loan Servicing and Collections

Following the purchase and sale of the Notes and the closing of the corresponding Borrower Loan, Loop Funding will begin servicing the Borrower Loans. In return for servicing the loans, a Servicing Fee of 1.5% is levied on Lenders. See Section 5.1 - Terms of Securities, *Servicing Fee*.

We have established collection procedures for events of Borrower default. The collection procedures vary depending on the type of default. Typically, defaults are associated with missed payments. A loan may enter into default for various reasons, including if Loop Funding has been notified in writing that the Borrower will be unable to pay its debts as they become due or if the Borrower ceases to carry on business.

A collection process which we may undertake following a Borrower default is as follows:

- Within 1 day, the Borrower is contacted by phone and email to notify the Borrower of its delinquency and attempt to elicit payment from the Borrower as soon as possible;

- Within 3 days, the Borrower and any/all guarantor(s) of the Borrower's Borrower Loan is/are sent a formal demand letter;
- Within 6 days, the Borrower is contacted at least 6 times by phone and 3 times by email to advise of delinquency status and establish when its account can be brought current;
- Within 10 days, the Borrower is forwarded via registered mail a letter concerning the arrears situation and demanding repayment within 10 days of the date of the letter, and at the latest, prior to the due date of the next payment, and such letter should be forwarded to each and every guarantor;
- Within 14 days, Loop Funding (i) reviews relevant security documentation, (ii) establishes a legal plan of action, (iii) establishes an estimation of the costs involved in executing the legal plan of action; and (iv) examines the appropriateness of work-out scenarios;
- Upon the passing of 60 days, the Borrower may be sent a solicitor's demand letter and a notice of intention to enforce security; and
- Upon the occurrence of 3 consecutive missed payments or other event of default as defined by the loan agreement governing the Borrower's Borrower Loan, formal legal action may be commenced against the Borrower, including insolvency proceedings if appropriate.

Note that the above might be accelerated based on the circumstances of a specific Borrower. For example, if a Borrower becomes bankrupt and ceases to carry on business, we may immediately begin by sending a demand letter and notice of intention to enforce security.

In the event of the death of a Borrower or one of the guarantors of a Borrower Loan or, in the case of a corporate Borrower, a Borrower's sole or majority shareholder, a claim against the Borrower's estate, the relevant shareholder's estate, or the relevant guarantor's estate may be filed following receipt of a death certificate from the executor or administrator of the relevant estate. Collections from estates will be pursued in a similar manner to what is described in this section.

Amounts equal to any recoveries we receive from the collection process net of Collection Fees are payable to Lenders on a pro rata basis. If no amounts are collected, Loop Funding will not subject Lenders to any Collection Fees and Loop Funding will instead absorb such costs. While Lenders are able to monitor the status of loans in collections on the Website, they are prohibited from otherwise intervening in the collection process in any manner.

If Loop Funding undertakes collection efforts with respect to a Borrower Loan, a Collection Fee may be deducted from amounts recovered. A Collection Fee is a percentage of the amount recovered charged in order to recover Loop Funding's costs. Collection Fees may equal up to 35% of amounts recovered in collections.

To illustrate the above, suppose a Borrower experiences an event of default. At the time of defaulting the outstanding principal amount was \$18,700 and interest accrues per diem at \$7.24. Suppose that Loop Funding is able to recover \$12,500 in 45 days by which time the balance outstanding has reached \$19,025.80. Loop Funding's Collection Fee would equal an amount less than or equal to \$4,375 (\$12,500 x 35%). As such, the amount recovered by Lenders would be: \$12,500 - \$4,375 (Collection Fee) = \$8,125. This amount would be distributed according to Lenders' pro rata share of that series of Notes.

**Borrower Loan Payments**

Our Borrower Loan payment procedure is usually performed by debiting a Borrower's bank account by Electronic Funds Transfer. Funds received as loan payments are transferred directly to the Trust Account and allocated appropriately, net of the Servicing Fee, to the sub-accounts of Lenders who purchased notes related to that Borrower Loan.

**Participation by Loop Funding and its Affiliates**

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

**Customer Support**

Customer support is provided to Lenders by Loop Securities. 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' customer support agents are available to be contacted by email and phone.

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

**Borrower Verification and Fraud Detection**

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

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

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

**Identity Fraud Reimbursement**

We will reimburse Lenders for the unpaid principal balance of a Note that is dependent on a Borrower Loan obtained through identity fraud. We will generally recognize the occurrence of identity fraud upon receipt of a police report regarding the identity fraud. This reimbursement for identity fraud only provides an assurance that our Borrower identity verification is accurate; in no way is it a guarantee of a Borrower's self-reported information (beyond the Borrower's identity) or a Borrower's creditworthiness. We expect the incidence of identity fraud on the borrowing section of the Platform to be low because of the robustness of our identity verification process.

**2.3 Development of Business**

Loop Funding is a wholly owned subsidiary of Loop Financial Inc. Since inception, Loop Financial Inc. 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 Inc.'s

management team was focused on developing industry-leading fractionalization and marketplace matching technology. Additionally, teams at Loop Financial Inc. were focused on creating and optimizing lender onboarding and borrower acquisition processes to create rapid growth at launch.

Loop Financial Inc. launched the Platform across Canada on October 7th, 2015 and its loan book grew at a compounded monthly growth rate of 67% over the first 5 months of operation. Loop Financial Inc. received over 3,000 Lender signups and received over \$20 million in loan applications from small businesses across Canada. On March 1, 2016 Loop Financial Inc. 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 Inc. 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 individual and 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 loans that will provide them an attractive return. See Section 2.2 - Our Business, *Minimum Credit Criteria and Underwriting*. As we grow our loan book, we will generate increasing revenue from the Servicing Fee charged to Lenders.

Secondly, Loop Funding aims to develop a liquid marketplace where borrowers receive financing in a short period of time at an affordable rate. 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 Funding to increase loan originations which will generate increased origination fee revenue that is earned when a loan is funded. See Section 5.1 - Terms of Securities, *Origination Fees*.

There cannot be any assurance, however, that we will achieve either objective. 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 used to fund the operations of Loop Funding or any of its subsidiaries, affiliate companies, or parents, or to advance the business of Loop Funding or any of its subsidiaries, affiliate companies, or parents. 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	Ongoing	There are no costs associated with the proceeds of this Offering



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## **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. Loop Funding operates the borrowing section of the Platform under license from Loop Technologies. Loop Securities is the sole seller of Notes issued through this Offering Memorandum. Loop Securities and Loop Funding are engaged in 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 person 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, Loop Technologies, and Loop Securities are all wholly owned subsidiaries of Loop Financial Inc.

## 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	\$0	0	0
Brandon Vlaar, Waterdown	Director	\$0	0	0

### 3.2 Management Experience

Name	Principal occupation and related experience
Cato Pastoll	Director - 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 - Brandon is a self-taught software developer who has developed and launched 3 consumer web services over the past 4 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.
Adam Kadar	Director of Credit - Adam spent 10+ years working at TD Bank in various departments including Retail, Wealth, Wholesale, and most recently Commercial Lending. The last four years were spent actively managing and underwriting the credit risk for a portfolio of over 75 mid-market businesses whose needs ranged from working capital, real estate, equipment, and acquisition financing. Adam is a University of Toronto - Bachelor of Commerce and Rotman School of Management - Master of Finance graduate and since 2011 also serves as a sessional lecturer within the Department of Management at the University of Toronto.

### **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**

Loop Funding has no outstanding loans payable as of the date of Base Offering Memorandum.

## **Item 4: Capital Structure**

### **4.1 Share Capital**

Description of security	Number authorized to be issued	Price per security	Number outstanding as at October 21, 2016	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 October 21, 2016
<i>nil</i>	Not applicable	Not Applicable	Not Applicable

### **4.3 Prior Sales**

Loop Funding has not issued any securities of the class being offered under the Offering Memorandum (or convertible or exchangeable into the class being offered under the Offering Memorandum) within the last 12 months.

## Item 5: Securities Offered

### 5.1 Terms of Securities

#### **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 that Note corresponds.

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

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 designated 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 our 1.50% 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 payments on the corresponding Borrower Loan, as described below under Section 5.1 - Terms of Securities, *Limitations on Payments*. The Notes will also be subject to prepayment without penalty under certain circumstances as described below under Section 5.1 - Terms of Securities, *Prepayments*.

The range of interest rates is from 5.90% to 26.50% and is based upon a formula described in this document. All Notes will be Canadian dollar denominated, will bear interest from the date of issuance, be fully amortizing and be payable monthly. The notes will have initial maturities ranging from 3 months to 5 years from the date of issuance. Similarly, all Notes will have the final maturities ranging from 6 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 Borrowers on the corresponding Borrower Loan. The Notes are not guaranteed or insured by any third party or any governmental agency.

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 our 1.50% Servicing Fee, any applicable Stub Period Interest, and any other applicable fees and charges. 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 go up to 35% of the amount recovered if a collection action must be taken with respect to a Borrower Loan. 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 noteholders any Unsuccessful Payment Fees (as defined below), check processing and other processing fees, Collection Fees we or a third-party collection agency charge 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.

Notes of each series will have an initial maturity 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, but in no case will the term of a Borrower Loan be extended past the Final Maturity of the Notes corresponding to that Borrower Loan.

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.

### **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 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 amount of Stub Period Interest we receive from a Borrower.

### **No Structured Finance Products**

A Note is not a structured-finance product. In no case will payments to which a noteholder is entitled in respect to a Note be affected by the performance of more than one 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.

### **Use of Proceeds**

We will use the proceeds of each series of Notes corresponding to a Contingent Borrower Loan to fund that Borrower Loan as designated by the Lenders purchasing such series of Notes.

If we offer Pre-Funded Borrower Loans, such loans will be funded by a pool of capital that will be 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 used to fund the Borrower Loan.

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 the 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 Loop Funding’s 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 in its capacity 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 such 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 on your Notes below their stated interest rates.

### **Limitations on Payments**

Each holder of a Note's right to receive principal and interest payments and other amounts 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 applicable 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 upon 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 any collection and enforcement fees imposed by Loop Funding or Loop Funding's third-party collection agency and any payments due to Loop Funding or any of its subsidiaries, affiliate companies, or parents on account of portions of the corresponding Borrower Loan, if any, funded by Loop Funding or any of its subsidiaries, affiliate companies, or parents in its capacity as a lender on the lending section of the Platform.

A fee (the "Unsuccessful Payment Fee") of \$25 or such lesser amount permitted by law charged by Loop Funding when Loop Funding's payment request is denied for any reason, including but not limited to, insufficient funds in the Borrower's bank account or the closing of that bank account.

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

Lenders will be required to hold their Notes through the lending section of the Platform'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.

### **Prepayments**

To the extent that a Borrower prepays its 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 net of the applicable Servicing Fee.

### **Mandatory Redemption**

Upon the occurrence of a confirmed identity fraud incident 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. An “identity fraud incident” 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 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 balance of principal at the time of the repayment. The Servicing Fee will reduce the effective yield on your Notes to be 1.50% below the stated interest rate.

### **Origination Fee**

Borrowers pay Loop Funding an origination fee upon successful closing of the loan. The origination fee is deducted from the loan proceeds prior to disbursing the net amount to the Borrower. This fee is determined by the term and amount of the loan and currently ranges from 3.5% to 6.5% of the aggregate principal amount, as set forth in Section 2.2 - Our Business, *Origination Fee*.

### **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 collection agency prior to the 60<sup>th</sup> day of its delinquency, 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 Notes 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. See Section 2.2 - Our Business, *Post-Closing Loan Servicing and Collection* for a description of Loop Funding’s imposition of late fees.

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 made publicly available an opinion of counsel, stating that the transaction and all conditions precedent relating to such transaction have been complied with.

### **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 each Note will be stored 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.

### **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 for thirty days past the applicable due date; 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 from holders of 25% of the outstanding principal amount of the debt securities 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 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, "*Payments from Payment Dependant Notes are entirely based on payments from corresponding Borrower Loans...*". An event of default with respect to one series of Notes is not automatically an event of default for any other series.

The holders of a majority in aggregate principal amount of the outstanding Notes of any series, by notice to us (and without notice to any other holder of Notes), may on behalf of the holders of all such Notes waive an existing 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 consequent 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.

### **Governing Law**

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

### **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 particular Borrower Loan facilitated through the borrowing section of the Platform to one of our Borrowers. 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 will range from 5.90% to 26.50% and are based upon the formulas set forth in Section 2.2 - Our Business, *Minimum Credit Criteria and Underwriting*. Borrower Loans are repayable in monthly installments. Borrower Loans may be repaid at any time by our Borrowers without prepayment penalty.

When a Loan Request is listed on the lending section of the Platform, Lenders may commit to purchase Notes dependent on a Borrower Loan. Lenders navigate the Website and purchase Notes as follows. Lenders first sign into their accounts. Lenders may then browse all available Loan Requests, which are identified by general information including the listing name, Lending Loop Credit Rating, 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. The loan detail page includes general information about the Borrower and the Loan Request that is viewable by non-Lenders, and more detail viewable only by signed-in Lenders.

From the listing page, a Lender may commit to purchase a Payment Dependent Note relating 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. Lenders commit the amount they are willing to spend to purchase a Note.

## **Note Purchase Agreement**

When a Lender registers on the Platform, the Lender enters into a Note Purchase Agreement with us that governs the Lender's purchases of Notes from time to time from us. See Appendix B - Note Purchase Agreement. Under the agreement, we provide the Lender the opportunity through the lending section of the Platform to review Loan Requests and purchase Notes corresponding to a particular Borrower Loan.

Under the Note Purchase Agreement, the Lender must commit to purchase a Note prior to the closing of that Note purchase. At the time the Lender commits to purchase a Note the Lender must have sufficient funds in the his/her/its Lender Account with us to complete the purchase, and the Lender will not have access to those funds after making the purchase commitment. If the Note Purchase does not close, then we will inform the Lender and release that Lender from the purchase commitment.

The agreement describes our limited obligation to redeem Notes in the case of identity fraud, which is 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 Note to the Lender's account.

The Lender agrees that the Lender has no right to make any attempt, directly or through any third party, to take any action to collect from the Borrowers on the Lender's Notes or the corresponding Borrower Loans.

The Lender acknowledges that the Notes are intended 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. The Lender acknowledges that the Notes are not transferable at this time and that the Lender intends to hold the Notes until maturity and has no intention to distribute the Notes.

The Note Purchase Agreement describes the limitations on payments on the Notes, which are described above. We expressly disclaim any representations as to any Borrower's ability to pay the corresponding Borrower Loan and do not act as a guarantor of any corresponding Borrower Loan payments by any Borrower.

The 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 agreement provides that neither party is liable to the other party for any lost profits, or special, exemplary, consequential or punitive damages. The agreement provides both parties the right to elect to have disputes under the agreement decided by binding arbitration.

### **Loan Requests**

Loan Requests will be listed for the earlier of 30 days from the date the Loan Request is first listed 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 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 15 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 or Loop Funding or one of its affiliates may fund the remaining amount. A Borrower may cancel a Loan Request at any time before the loan is closed. In the event a Loan Request is cancelled, the amount that a Lender committed to that Loan Request will be credited back to that Lender's Account.

### **New Information Regarding Pre-Funded Borrower Loans**

If between the time that a Loan Request is listed 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**

The lending section of the Platform may at some point in the future include a service that will allow each Lender to automatically purchase Notes that fulfill criteria set by that Lender. This service is referred to as "Automated Investing". In order to use Automated Investing, Lenders set criteria related to Loan Requests. A Lender using Automated Investing will automatically commit to purchase Notes that fulfils his/her/its stated criteria. Commitments to purchase Notes will be made periodically according to a fixed schedule. A Lender will set the denomination in which Notes will be purchased and the aggregate value of Notes that will be purchased. A Lender may turn off the Automated Investing service at any time. A Lender may cancel his/her/its commitments to purchase notes in accordance with the Two Day Cancellation Right requirements described herein. See Item 11: Purchasers' Rights.

As with a Lender manually committing to purchase Notes, a Lender using Automated Investing is not permitted to commit to purchase Notes unless that Lender has sufficient funds in its Lender Account to cover the commitment, and funds will only be debited from its Lender Account if and when a Borrower Loan is closed.

In the event of any errors in Automated Investing that cause a Lender to purchase a Note that that Lender would not otherwise have purchased or that differs materially from the Note that Lender would have purchased had there been no error, we will either repurchase the Note, indemnify the Lender against losses suffered on that Note or cure the breach.

## **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 that apply to you.

### **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**

There is no commission or compensation paid to sellers and/or finders for the distribution of Payment Dependant Notes from this Offering Memorandum.

## Item 8: Risk Factors

An investment in Payment Dependant 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.

### **Risks Relating to Payment-Dependant Notes and Loans on Which They Are Dependant**

*Payment Dependant Notes are speculative and high risk. Only investors who can bear the loss of their entire purchase should purchase Payment Dependant Notes.*

Payment Dependant Notes are risky in nature because they are dependent on underlying loans made between Loop Funding and the Borrower.

*Payments from Payment Dependant Notes are entirely based on payments from corresponding Borrower Loans. If a Borrower cannot make its payment, you will not receive a payment from your Payment Dependant Note.*

We will only make payments on the Notes after we receive Borrowers' payments on corresponding Borrower Loans, net of our Servicing Fee or payments due to Loop Funding on account of portions of the corresponding Borrower Loan, if any, funded by Loop Funding in its capacity as a Lender on the lending section of the Platform. 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 terms of the Notes.

*The underlying loans between the Borrower and Loop Funding may or may not have a security interest tied to them. However, the existence of a security interest does not guarantee your losses will be recovered 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 by an corporation; or
- A personal guarantee by an individual guarantor.

However, recovering any losses on your behalf is not guaranteed. The collections process describes steps that may be taken to collect on any form of security interest assigned to a corresponding Borrower Loan. In many circumstances the amount recovered will be zero and you will bear the entire loss. See Section 2.2 - Our Business, *Post-Closing Loan Servicing and Collections*.

*Payment Dependant 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 Dependant Note.*

Payment Dependant 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 loan which ranges from 3 months to 5 years.

*Loop Funding's credit 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.

*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 remaining principal amount at any time without penalty. We may, at our discretion, allow Borrowers to repay a portion of the remaining principal of a loan. In the event of a prepayment of the entire remaining unpaid 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 payment is made. If a Borrower prepays a portion of the remaining unpaid 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 amounts, 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.

*Borrowers may obtain additional debt financing after they receive their loans from Loop Funding which may negatively affect the business and its ability to repay its loan from Loop Funding.*

If a Borrower incurs additional debt after obtaining a Borrower Loan through the Platform, 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 those loans. 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 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.

*You will increase your risk if you don't diversify your Payment Dependant Note portfolio. You will be at risk of incurring substantial losses unless you purchase a large number of Payment Dependant Notes.*

Borrower Loans originated through the Platform have a wide range of credit grades, and we expect that some Borrowers will default on their Borrower Loans. Failing to diversify your investment portfolio increases the risk of losing your entire investment due to a few (or a single) Borrowers' defaults. Diversification, however, will not eliminate the risk that you may lose some, or all, of the value of your Notes.

*Payment Dependant Notes will not be listed on any exchange and can only be held by users of the lending section of the Platform.*

The Notes will not be listed on any securities exchange. Also, until such time as we are able to establish a resale platform, the Notes are not transferable. All Notes must be held by Loop Funding's Lenders, and currently there is no resale platform for Notes. Unless and until we develop a resale platform, Lenders should expect to hold their Notes to maturity.

*The credit information provided by third-parties may not accurately reflect the creditworthiness of the underlying Borrower. Loop Funding uses credit data from third party providers that is collected and aggregated over an extended period of time. The data they collect may include errors or omit important credit-driving information.* Loop Funding obtains Borrower credit information from commercial reporting agencies and obtains information from Borrowers themselves and assigns Loan Requests one of 10 credit ratings, from A+ through E, based on the reported credit score and other information reported by the Agencies, self-reported Borrower information and other metrics. A credit score or credit rating assigned to a Borrower may not reflect that Borrower's actual creditworthiness because the credit score may be based on outdated, incomplete or inaccurate data, and Loop Funding does not verify the information obtained from Borrowers' credit reports. Additionally, there is a risk that, following the date of the credit report that Loop Funding obtains and reviews, a Borrower may have become delinquent in the payment of an outstanding obligation, defaulted on a previous obligation, taken on additional debt or sustained an adverse financial event.

*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 with a third-party provider to verify each Borrower's identity and credit history, as described in more detail in Section 2.2 - Our Business, *Borrower and Lender 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 involving the corresponding Borrower Loan, you will only receive an amount equal to the outstanding principal balance of the Note. See Section 2.2 - Our Business, *Identity Fraud Reimbursement*.

*Information supplied by Borrowers may be inaccurate or intentionally false and should generally not be relied upon.*

Borrowers supply a variety of information that is included in the listings on our website and in the Posting Supplements we post to the Website. Other than as described below, we do not verify this information, and it may be inaccurate, incomplete or intentionally false. Investors have a limited ability to obtain or verify Borrower information either before or after they purchase a Note. Potential investors may only communicate with Borrowers through the Website postings. While we may monitor Website postings for appropriate content, we do not verify any information in the postings nor do we respond to requests from investors or Borrowers in any posting and any response to the contrary should not be seen as accurate.

If you rely on false, misleading or unverified information supplied by Borrowers in deciding to purchase Notes, you may lose part or the entire purchase price you pay for a Note. A Borrower will have its representative sign a certificate certifying that the information provided by the Borrower that is contained on its Posting Supplement does not contain a misrepresentation. In this document, we advise potential investors as to the limitations on the reliability of this information. An investor's recourse in the event this information is false will be extremely limited. Consequently, Lenders should rely on Lending Loop Credit Ratings, which we determine based on the inputs described above including information provided by credit reporting agencies and the size of the Loan Requests, and should not rely on unverified information provided by Borrowers.

You should not assume that a Note is appropriate for you as an investment vehicle just because it corresponds to a Loan listed on the lending section of the Platform.

## **Risks Relating to Loop Funding and the Platform**

*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 originated through the Platform 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.

*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 consumer 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 companies and meet the need for innovation, the demand for services could stagnate or substantially decline.

*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.

*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 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 our back-up servicer may result in delays in the processing and recovery of information with respect to amounts owed on the Borrower Loans or, if the Platform becomes inoperable, may prevent us from servicing the Borrower Loans and making principal and interest payments on the Notes. If our 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.

*Loop Funding's website and computer systems may experience service disruptions. Any sudden event in technology disruption 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.

*A security vulnerability that results in a data or privacy breach may introduce significant complications to service Notes and maintain accurate records.*

The Platform 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 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.

*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 the business.*



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.

*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.

*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 hacker access, your ability to receive the principal and interest payments that you expect to receive on Notes you purchase and our ability to fulfill our servicing obligations and to maintain the borrowing section of the Platform would be adversely affected.

*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 develop a new loan offering that better suits specific industries and leads to Loop Funding term loans' obsolescence.

### **Risks Related to Industry, Compliance and Regulation**

*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 amount of 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.

*Alternative lending is an emerging industry in Canada and may become the subject of increasing regulation over time. Complying with new regulations and additional compliance regimes will add significant costs to the business model.*

As the alternative financing industry in Canada grows, regulation in 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 the business.

*Loop Funding's legal compliance burden and costs will be significant. Loop Funding management will be required to devote a significant amount of time to compliance matters.*

After the date of this Base Offering Memorandum, we will have 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 We are not required to send you any documents on an annual or ongoing basis.**

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

## **Item 10: Resale Restrictions**

### **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.

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.

### **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.

## **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.

### **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 the Notes.

### **Rights in the Event of a Misrepresentation made in the Posting Supplement**

Loop Funding bears no liability in relation to misrepresentations regarding Borrowers that are contained in Posting Supplements or listings. The Borrower assumes any and all liability arising from misrepresentations contained in Posting Supplements related to its Borrower Loan. Purchasers of Notes may not initiate any claim for damages against Loop Funding or its affiliates for misrepresentations regarding Borrowers that are contained in Posting Supplements or listings.

### **Statutory 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 Base 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 Base 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 Base Offering Memorandum and every other person who signed this Base Offering Memorandum.

*Ontario and New Brunswick:* In Ontario or New Brunswick if there is a misrepresentation in this Base 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 Base 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 Base Offering Memorandum or the amendment to this Base 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 Base Offering Memorandum or an amendment to this Base Offering Memorandum; and
- iv. every person who or company that sells securities on behalf of Loop Funding under this Base Offering Memorandum or an amendment to this Base Offering Memorandum.

*Quebec:* In Quebec if there is a misrepresentation in this Base 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 Base 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 Base 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 Base Offering Memorandum, and every person who signed this Base 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 Base 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 August 11, 2016 (date of incorporation) to September 30, 2016.

Financial Statements (Expressed in  
Canadian dollars)

## **LOOP FUNDING INC.**

Period from August 11, 2016 (date of incorporation) to  
September 30, 2016



KPMG LLP  
Bay Adelaide Centre  
333 Bay Street, Suite  
4600 Toronto ON M5H  
2S5 Canada  
Tel 416-777-8500  
Fax 416-777-8818

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Loop Funding Inc.

We have audited the accompanying financial statements of Loop Funding Inc., which comprise the statement of financial position as at September 30, 2016, the statements of income and comprehensive income, changes in shareholder's equity and cash flows for the period from August 11, 2016 (date of incorporation) to September 30, 2016, and notes, comprising a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

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

### *Auditors' Responsibility*

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

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

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

KPMG LLP, is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. KPMG Canada provides services to KPMG LLP.





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*Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of Loop Funding Inc. as at September 30, 2016, and its financial performance and its cash flows for the period from August 11, 2016 (date of incorporation) to September 30, 2016 in accordance with International Financial Reporting Standards.

*KPMG LLP*

Chartered Professional Accountants, Licensed Public Accountants

October 4, 2016  
Toronto, Canada

# LOOP FUNDING INC.

Statement of Financial Position  
(Expressed in Canadian dollars)

September 30, 2016

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## Assets

Current assets:

Cash	\$	1
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## Shareholder's Equity

Share capital (note 2)	\$	1
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See accompanying notes which form an integral part of these financial statements.

On behalf of the Board:

[Signed] "Cato Pastoll" Director

[Signed] "Brandon Vlaar" Director

## **LOOP FUNDING INC.**

Statement of Income and Comprehensive Income  
(Expressed in Canadian dollars)

Period from August 11, 2016 (date of incorporation) to September 30, 2016

Revenue	\$	—
Expenses		—
Net income and comprehensive income	\$	—

See accompanying notes which form an integral part of these financial statements.

## LOOP FUNDING INC.

Statement of Changes in Shareholder's Equity  
(Expressed in Canadian dollars)

Period from August 11, 2016 (date of incorporation) to September 30, 2016

	Number of shares	Share capital
Balance, beginning of period	–	\$ –
Issuance of common shares (note 2)	100	1
Balance, end of period	100	\$ 1

See accompanying notes which form an integral part of these financial statements.

## LOOP FUNDING INC.

Statement of Cash Flows (Expressed  
in Canadian dollars)

Period from August 11, 2016 (date of incorporation) to September 30, 2016

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Cash provided by (used in):

Operating activities:

Net income and comprehensive income	\$	–
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Financing activities:

Issuance of common shares (note 2)		1
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Increase in cash, being cash, end of period	\$	1
---	----	---

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See accompanying notes which form an integral part of these financial statements.

# LOOP FUNDING INC.

Notes to Financial Statements  
(Expressed in Canadian dollars)

Period from August 11, 2016 (date of incorporation) to September 30, 2016

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Loop Funding Inc. (the "Corporation") was incorporated on August 11, 2016 under the Business Corporations Act of the Province of Ontario as Loop Marketplace Inc. and subsequently amended its name to Loop Funding Inc. on September 22, 2016. The Corporation is domiciled in Canada and its registered office is 555 Richmond Street West, Suite 1102, Toronto, Ontario M5V 3B1. The Corporation is a wholly owned subsidiary of Loop Financial Inc., a company domiciled in Canada.

The financial statements were authorized for issuance by the Board of Directors of the Corporation on October 4, 2016.

## 1. Significant accounting policies:

### (a) Basis of preparation:

These financial statements of the Corporation as at and for the period ended September 30, 2016 have been prepared in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board.

The financial statements of the Corporation have been prepared on a historical cost basis. The Corporation's functional and presentation currency is the Canadian dollar.

### (b) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

## 2. Share capital:

The Corporation is authorized to issue an unlimited number of common shares. On September 21, 2016, the Corporation issued 100 common shares in exchange for proceeds of \$1.

### **Item 13: Date and Certificate**

DATED this 21 day of October, 2016

**This Base Offering Memorandum does not contain a misrepresentation.**

[Signed] “Cato Pastoll”

---

Cato Pastoll, Director

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

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 Base 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	Lending Loop Credit Rating	Stated Interest Rate	Servicing Fee	Term

This series of Notes will be issued upon closing of the Borrower 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:

Entity Location:

Security and/or Guarantee(s) Provided:

Borrower Type:

#### **BUSINESS BORROWER INFORMATION [WHERE APPLICABLE]:**

The information below was obtained from the borrower and displayed without having been verified.

Supplementary information provided by the Borrower regarding the Borrower’s business and its intended use of loan funds:

The Borrower has also provided the following financial information:



**Time Period:**

Statement Quality:

**From the Income Statement:**

Revenue:

Cost of Sales:

Operating Costs:

Interest Expense:

Tax Expense:

Depreciation &amp; Amortization Expense:

Net Income (Loss):

**From the Balance Sheet:**

Current Assets:

Long-Term Assets:

Total Assets:

Current Liabilities:

Long-Term Liabilities:

Shareholders' Equity:

Total Liabilities &amp; Shareholders' Equity:

The Borrower's financial statements have not been provided to or reviewed by a securities regulatory authority or regulator.

**INDIVIDUAL BORROWER INFORMATION [WHERE APPLICABLE]:**

Home Ownership, employment and income was provided by the borrower and displayed without having been verified.

Home Ownership Status:

Occupation:

Length of Employment:

Gross Income:

Debt-to-Income Ratio:

The following information was reported by a credit bureau regarding the Borrower on [Date of Credit Report]. The information was obtained from the borrower's credit report and displayed without having been verified.

Credit Score Range:

Earliest Credit Line:

Open Credit Lines:

Total Credit Lines:

Revolving Credit Balance:

Credit Utilization:

Inquiries in Last 12 Months:

Current Delinquent Accounts:

Current Delinquent Amount:

Delinquencies (Last 2 Years):

Months Since Last Delinquency:

Public Records on File:  
Months Since Last Record:  
Months Since Last Major Derogatory:

Supplementary information provided by the Borrower regarding the intended use of loan funds is displayed without having been verified:

## **PURCHASERS' RIGHTS**

### **Rights in the Event of a Misrepresentation made in the Posting Supplement**

Loop Funding bears no liability in relation to misrepresentations regarding Borrowers that are contained in Posting Supplements or listings. The Borrower assumes any and all liability arising from misrepresentations contained in Posting Supplements related to its Borrower Loan. Purchasers of Notes may not initiate any claim for damages against Loop Funding or its affiliates for misrepresentations regarding Borrowers that are contained in Posting Supplements or listings.

### **Statutory 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 Posting Supplement 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 Posting Supplement, a purchaser has a statutory right to sue:

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

*Ontario and New Brunswick:* In Ontario or New Brunswick if there is a misrepresentation in this Posting Supplement, a purchaser has a statutory right to sue the Borrower:

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

*Saskatchewan:* In Saskatchewan if there is a misrepresentation in this Posting Supplement, a purchaser has a statutory right to sue:

- (a) the Borrower to cancel an agreement to buy the Notes;
- (b) for damages against:
  - i. the Borrower and every promoter or director of the Borrower at the time this Posting Supplement or the amendment to this Posting Supplement 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 Posting Supplement or an amendment to this Posting Supplement; and
- iv. every person who or company that sells securities on behalf of the Borrower under this Posting Supplement or an amendment to this Posting Supplement.

*Quebec:* In Quebec if there is a misrepresentation in this Posting Supplement, a purchaser has a statutory right to sue:

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

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

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

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 Posting Supplement with the Autorité des marchés financiers.

In the case of an action for damages, the Borrower 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 Posting Supplement.

A copy of this Posting Supplement duly signed by a representative of the Borrower is stored by Loop Funding. The signed certificate which is attached to this Posting Supplement will be made available to you upon written request. In order to obtain a signed copy of the certificate, please send an email to [lenders@lendingloop.ca](mailto:lenders@lendingloop.ca) with your name, lender account number, registered email account, and the Payment Dependent Notes Series from this supplement and we will provide you a certificate request form which you must complete and return to us.

#### **CERTIFICATE**

DATED this \_\_ day of \_\_\_\_\_, \_\_\_\_\_

**This Posting Supplement does not contain a misrepresentation.**

ON BEHALF OF THE BORROWER

Signature: (Signature)

Account ID: \_\_\_\_\_

## **Appendix B - Note Purchase Agreement**

The following terms constitute a binding agreement (“**Agreement**”) between you, Loop Securities Inc. (“**Loop Securities**”) and Loop Funding Inc. (“**Loop Funding**”). This Agreement will govern all purchases of payment dependant notes issued by Loop Funding (“**Notes**”) that you may, from time to time, purchase from Loop Funding on the peer-to-peer lending platform Lending Loop (“**Lending Loop**”). By signing electronically below, you agree to (i) be bound by the terms set forth in the Agreement, the terms and conditions for lenders available on Lending Loop’s website at [www.lendingloop.ca/terms](http://www.lendingloop.ca/terms), as such terms and conditions may be amended from time to time, and the privacy policy also available on Lending Loop’s website at [www.lendingloop.ca/privacy](http://www.lendingloop.ca/privacy), (ii) transact business with Lending Loop and Loop Securities, (iii) receive communications relating to Notes electronically, and (iv) have any dispute resolved via binding arbitration.

In consideration of the covenants, agreements, representations and warranties hereinafter set forth, and for other good and valuable consideration, receipt of which is hereby acknowledged, the parties agree as follows:

1. **Purchase of Notes.** Subject to the terms and conditions of this Agreement, Loop Securities will create and maintain a lender’s account for you on Lending Loop and through which you will have the opportunity to:
  - (a) review loan requests (“**Borrower Loan Requests**”) of persons registered as borrowers on Lending Loop (“**Borrowers**”) and which will have been listed on Lending Loop (“**Borrower Loan Request Pages**”); and
  - (b) purchase Notes issued by Loop Funding under exemptions from the prospectus requirement of applicable securities laws, including the offering memorandum prospectus exemption, by submitting commitments to purchase Notes having a minimum denomination of \$25, which Notes will be associated with and will be dependent on a single specific loan extended by Loop Funding to a Borrower (each a “**Borrower Loan**”).

The purchase price of the Notes you will decide to purchase through Loop Securities on Lending Loop will be equal to the principal amount of the Notes. To finalize your commitment to purchase Notes you will need to have sufficient funds in your lender’s account. You understand and agree that you will not have access to those funds after you will have made a purchase commitment unless and until Loop Securities notifies you that the Borrower Loan Request has expired without being fully funded or that the Borrower has elected to cancel its Borrower Loan Request. If a Borrower Loan Request expires and/or otherwise doesn’t close for any reason whatsoever, your funds will immediately be released from your purchase commitment.

2. **Issuance.** Every time you commit to purchase a Note, a Note will be issued immediately following the closing of the Borrower Loan Request that corresponds to your Note’s series. Borrower Loan Requests that have not previously closed will close no later than five (5) days following the expiration of their 30-day posting period unless:
  - (a) the Borrower cancels its Borrower Loan Request prior to it becoming fully funded, in which case Loop Funding will release you from your purchase commitment;

- (b) the Borrower Loan Request fails to attract sufficient purchase commitments to fully fund the prospective Borrower Loan;
- (c) the Borrower Loan Request is canceled by Loop Funding for reasons related to the integrity of Lending Loop; or
- (d) subsequent to a Borrower Loan Request having become fully funded, one or more purchase commitments are withdrawn such that the aggregate of purchase commitments made is insufficient to fully fund the Borrower Loan.

**3. Terms of the Notes.** The Notes issued by Loop Funding shall have the terms and conditions described in:

- (a) the offering memorandum pursuant to which they will be offered on Lending Loop and which will be comprised of:
  - (i) a base offering memorandum prepared by Loop Funding (the “**Base Offering Memorandum**”), which will be the same document for each series of Notes issued on Lending Loop; and
  - (ii) a supplement which will be specific to each Borrower Loan and which will be generated with information provided by the Borrowers themselves (the “**Supplement**” and collectively with the Base Offering Memorandum, the “**Offering Memorandum**”);
- (b) this Agreement; and
- (c) any other agreement related thereto.

The interest rate, maturity date and other terms of the corresponding Borrower Loan will be indicated on the Borrower Loan Request Page on Lending Loop and will reflect the terms under which Loop Funding will have agreed to extend a Borrower Loan.

You understand and acknowledge that Loop Funding may in its sole discretion, at any time and from time to time amend or waive any term of a Borrower Loan and that it may also, in its sole discretion, abandon any Borrower Loan that is more than 120 days delinquent without taking any further recourse against the Borrower. In this regard, Lenders that will have purchased Notes dependent on an abandoned Borrower Loan will not receive any funds.

**4. Limited Repurchase Obligation for Identity Fraud.** If the Borrower Loan in connection to which you have purchased a Note was obtained as a result of identity theft or fraud on the part of the purported Borrower, Loop Funding will notify you as soon as practicably possible and your Note will be repurchased by Loop Funding which will credit your lender’s account with the full principal amount of your Note. Loop Funding may, in its reasonable discretion, require proof of the identity theft, such as a copy of the police report filed by the Borrower whose identity was wrongfully used to obtain the fraudulently-induced Borrower Loan, before your account is credited. You agree that in such circumstances your rights will be limited to being credited the purchase price of your Note to your lender’s account.

5. **Your Covenants and Acknowledgements.** You agree that you have no right to, and undertake not to, make any attempt, directly or through any third party, to collect any amounts from the Borrowers on your Notes or the corresponding Borrower Loans. YOU UNDERSTAND AND ACKNOWLEDGE THAT BORROWERS MAY DEFAULT ON THEIR REPAYMENT OBLIGATIONS UNDER THEIR BORROWER LOANS AND THAT SUCH DEFAULTS WILL REDUCE THE AMOUNTS, IF ANY, YOU MAY RECEIVE UNDER THE TERMS OF ANY NOTES YOU HOLD ASSOCIATED WITH SUCH BORROWER LOANS. REPAYMENTS ON A NOTE, IF ANY, DEPEND ENTIRELY ON THE RECEIPT OF REPAYMENTS BY LOOP FUNDING IN RESPECT OF THE CORRESPONDING BORROWER LOAN. LOOP SECURITIES, LOOP FUNDING OR ANY AFFILIATED ENTITIES THEREOF DO NOT WARRANT OR GUARANTEE IN ANY MANNER THAT YOU WILL RECEIVE ALL OR ANY PORTION OF THE PRINCIPAL OR INTEREST YOU EXPECT TO RECEIVE ON ANY NOTE OR REALIZE ANY PARTICULAR OR EXPECTED RATE OF RETURN. THE AMOUNT YOU RECEIVE ON YOUR NOTE, IF ANY, IS SPECIFICALLY RESTRICTED TO REPAYMENTS MADE EQUAL TO THE REPAYMENTS MADE BY THE BORROWER UNDER A BORROWER LOAN TO WHICH YOU COMMITTED NET OF SERVICING AND COLLECTION FEES CHARGED BY THE ISSUER. LOOP SECURITIES, LOOP FUNDING OR ANY AFFILIATED ENTITIES THEREOF DO NOT MAKE ANY REPRESENTATIONS AS TO A BORROWER'S ABILITY TO REPAY ITS BORROWER LOAN AND DO NOT ACT AS GUARANTORS OF ANY CORRESPONDING BORROWER LOAN REPAYMENT BY ANY BORROWER.

6. **Your Acknowledgements.** You understand and acknowledge that:

- (a) Notes offered on Lending Loop are risky investments and you should not purchase Notes on Lending Loop unless you can afford to lose all of the funds you invest;
- (b) you may not earn any interest or receive any repayments in connection with a Note purchased on Lending Loop;
- (c) the proceeds obtained from the enforcement of any security interest or personal guarantee granted pursuant to a Borrower Loan may not be sufficient to entitle you to full repayment of the Note;
- (d) you will not be provided with any ongoing information about any Borrower;
- (e) if a Borrower Loan closes before the corresponding series of Notes is issued, interest will accrue between the time that the Borrower Loan closes and the time that the series of Notes is issued (the "**Stub Period Interest**"), but Lenders will not be entitled to receive any amount of Stub Period Interest the Company receives from the Borrower;
- (f) no investment opportunity on Lending Loop is reviewed or approved by any securities regulatory authority or regulator;
- (g) the information published on Borrower Loan Request Pages contain unaudited financial information, forward-looking information and other ratios and measures, which may not be

comparable from one Borrower to another and such information and measures are for information purposes only and have limitations as analytical tools;

- (h) you have read the conflicts of interests statement attached hereto as Schedule “A” (the “**Conflicts of Interests Statement**”), which outlines certain potential conflicts of interests between Loop Securities, Loop Funding and any other affiliated entity thereof, and understand that these entities may be considered as “connected parties” and “related parties” (as such terms are defined in the Conflicts of Interests Statement);
- (i) you have read and understand the information regarding benchmarking, attached hereto as Schedule “B”, which provides disclosure related to the use of benchmarking when making investment decisions;
- (j) you have read and understand the risks associated with investing through the purchase of Notes on Lending Loop and which are outlined in Schedule “C” hereto; and
- (k) you have read and understand the information contained in the risk acknowledgment form attached hereto as Schedule “D” (the “**Risk Acknowledgement Form**”) and understand that you will have to electronically consent to this Risk Acknowledgement Form before each commitment to purchase a Note on Lending Loop.

**7. Your Representations and Warranties.** You represent and warrant to Loop Securities, Loop Funding, and any affiliated entities thereof, as of the date of this Agreement and as of any date that you commit to purchase Notes on Lending Loop, that:

- (a) you have the power to enter into and perform your obligations under this Agreement;
- (b) this Agreement has been duly authorized, executed and delivered by you; and
- (c) you were provided with access to a copy the Offering Memorandum and the form of Note (the form of the Note is attached hereto as Schedule “E”).

**8. Registration.** Loop Securities is registered as an exempt market dealer in all of the provinces and the territories of Canada in which it engages in dealing activities. Loop Securities’ principal regulator is the Ontario Securities Commission. Among its obligations as a registrant, Loop Securities is responsible for complying with “know-your-client” requirements and ensuring that Notes purchased on Lending Loop are suitable for lenders before accepting a purchase commitment order from them. Loop Securities will collect information to establish your identity and analyze your investment needs and objectives, your financial circumstances and your risk tolerance before opening a lender’s account for you on Lending Loop. Furthermore, if you attempt to commit to purchase a Note and the Note does not, according to Loop Securities’ internal guidelines and policies, appear to be a suitable investment for you, a warning will appear on your screen to advise you that the Note is not suitable for you. You will then have the choice to either follow Loop Securities’ recommendation not to commit to purchase the Note or to bypass this recommendation and purchase it regardless of Loop Securities’ recommendation.

**9. No Advisory Relationship.** You acknowledge and agree that:



- (a) the purchase of Notes on Lending Loop pursuant to this Agreement is an arm's-length transaction between you and Loop Funding;
- (b) in connection with the purchase of Notes, Loop Securities, Loop Funding and any affiliated entities thereof are not acting as your agent or fiduciary;
- (c) Loop Securities, Loop Funding and any affiliated entities thereof have not provided you with any legal, accounting, regulatory or tax advice with respect to the Notes; and
- (d) you have consulted your own legal, accounting, regulatory and tax advisors to the extent you have deemed appropriate.

Loop Securities, Loop Funding and any affiliated entities thereof assume no advisory or fiduciary responsibility in your favor in connection with the purchase of Notes on Lending Loop.

**10. Dispute Resolution.** Loop Securities will attempt to resolve any client complaint that is submitted in writing. If you are unsatisfied with Loop Securities' resolution or the matter is not resolved within 90 days of you contacting them, you may contact the Ombudsman of Banking Services and Investments (OBSI) at [ombudsman@obsi.ca](mailto:ombudsman@obsi.ca) to request they act as a mediator at no expense to you. Quebec residents may consider the free mediation service offered by the *Autorité des marchés financiers*.

## **11. Fees.**

### **(a) Fees for Lenders:**

Loop Securities does not charge lenders any fee to open and maintain a lender's account on Lending Loop or to deposit and withdraw funds to and from a lender's account.

Loop Funding charges: (a) an annual fee (the "**Annual Fee**"); and (b) a collection fee (the "**Collection Fee**") to lenders, where applicable.

The Annual Fee is equal to 1.5% of the amounts received as repayments under the terms of the Notes purchased on Lending Loop. This fee is deducted from each repayment and remitted to Loop Funding before any amount is credited to your account on the account of Note repayments to which you are entitled to. The amounts of such fees are disclosed in the section titled "Transactions" of your Lending Loop account.

In addition to the risk of receiving a lesser amount than the one they would have been entitled to, had a Borrower kept making its repayments when due and payable until the term of the Borrower Loan, lenders may have to bear a Collection Fee in the event the Borrower Loan in connection to which the Notes they purchased becomes in default pursuant to the terms of the loan agreement entered into between Loop Funding and the Borrower. This Collection Fee may go up to 35% of the amount collected by Loop Funding from the Borrower.

(b) **Fees for Borrowers:**

Loop Securities does not charge Borrowers any fees. All fees paid by Borrowers on Lending Loop are to Loop Funding. Borrowers will be subject to: (a) an origination fee (the “**Origination Fee**”), (b) unsuccessful payment fees of up to \$25.00 per event, where applicable (“**Unsuccessful Payment Fees**”) and (c) late payment fees (“**Late Payment Fees**”), where applicable.

Borrowers pay Loop Funding an Origination Fee upon the successful closing of a Borrower Loan. The Origination Fee is deducted from the proceeds of the issuance of Notes prior to the disbursement of the net amount of the Borrower Loan to the Borrower. The Origination Fee represents the payment to Loop Funding for the services that are provided to the Borrower on Lending Loop.

An Unsuccessful Payment Fee of up to \$25.00 is charged in the event a payment request with respect to a Borrower Loan payment is made by Loop Funding and denied by the Borrower’s financial institution for any reason whatsoever.

Loop Funding charges Borrowers Late Payment Fees in the event a Borrower’s scheduled loan payment or any other amount is not paid when due and payable and remains unpaid for seven days or more. Late Payment Fees are equal to 15% of the total amount that remains due.

**YOU ACKNOWLEDGE AND AGREE THAT YOU ARE NOT ENTITLED TO RECEIVE AND WILL NOT RECEIVE ANY AMOUNT RECEIVED BY LOOP FUNDING ON THE ACCOUNT OF ANY ORIGINATION FEE, UNSUCCESSFUL PAYMENT FEE OR LATE PAYMENT FEE.**

**12. Account Statements.** Loop Securities will provide you with a monthly account statement (“**Account Statement**”) which will be accessible through your Lending Loop account in the section titled “Statements”. Account Statements will include:

- (a) with respect to every transaction involving the purchase of a Note, the date of the transaction, the name of the series of Notes under which you will have purchased a Note and the principal amount of the Note;
- (b) with respect to every deposit and withdrawal of funds to or from your account, the date of the transaction and the type of transaction (deposit or withdrawal);
- (c) with respect to Notes held in your account, the name of each series of Note and the principal amount of each Note; and
- (d) with respect to cash held in your account, the balance of funds committed to purchase Notes in connection to Borrower Loans that have not yet closed and the balance of available funds which may be used to make new commitments to purchase Notes.

- 13. Limitations on Damages.** IN NO EVENT SHALL LOOP SECURITIES, LOOP FUNDING OR ANY AFFILIATED ENTITIES THEREOF BE LIABLE TO YOU FOR ANY LOST PROFITS OR SPECIAL, EXEMPLARY, CONSEQUENTIAL OR PUNITIVE DAMAGES, EVEN IF INFORMED OF THE POSSIBILITY OF SUCH DAMAGES. FOR GREATER CERTAINTY, YOU HEREBY EXPRESSLY ACKNOWLEDGE THAT LOOP SECURITIES, LOOP FUNDING OR ANY AFFILIATED ENTITIES THEREOF WILL ONLY BE LIABLE FOR WILLFUL MISCONDUCT OR GROSS NEGLIGENCE AND WILL HAVE NO LIABILITY AS A CONSEQUENCE OF A FAILURE TO MAKE ANY REPAYMENT OF THE NOTE DUE TO A BORROWER LOAN DEFAULTING OR ANY ACT OR OMISSION TO ACT WHILE ADMINISTERING AND ENFORCING IN GOOD FAITH ANY RIGHTS UNDER A GUARANTEE OR SECURITY GRANTED BY A BORROWER IN DEFAULT OF ITS OBLIGATIONS. FURTHERMORE, LOOP SECURITIES, LOOP FUNDING OR ANY AFFILIATED ENTITIES THEREOF MAKE NO REPRESENTATION OR WARRANTY REGARDING THE EFFECT THAT THIS AGREEMENT MAY HAVE UPON YOUR FEDERAL, PROVINCIAL OR LOCAL TAX LIABILITY.
- 14. Limited Recourse.** IN NO EVENT SHALL LOOP SECURITIES, LOOP FUNDING OR ANY AFFILIATED ENTITIES THEREOF BE LIABLE FOR ANY FALSE OR MISLEADING INFORMATION OR MISREPRESENTATION CONTAINED IN A SUPPLEMENT PART OF AN OFFERING MEMORANDUM. LENDERS ARE REMINDED OF THE LIMITATIONS ON THE RELIABILITY OF THE INFORMATION CONTAINED IN SUPPLEMENTS, AS SUCH INFORMATION IS PROVIDED BY BORROWERS THEMSELVES AND IS NOT VERIFIED NOR WARRANTED BY LOOP FUNDING OR ANY AFFILIATED ENTITIES THEREOF. THE RECOURSE IN THE EVENT ANY INFORMATION CONTAINED IN A SUPPLEMENT IS FALSE IS EXTREMELY LIMITED AND LENDERS MAY LOSE PART OR THE ENTIRE PURCHASE PRICE THEY PAY FOR A NOTE IF THEY RELY ON SUCH INFORMATION.
- 15. Early Repayment.** Loop Funding has the right to repay the outstanding principal associated with a Note in full or in part at any time without penalty and, as a result, you may not receive all the interest you would have been entitled to, had Loop Funding kept making the monthly payments indicated on the repayment schedule prepared in connection with the Note. If Loop Funding repays the outstanding principal associated with a Note in full before the term of the Note, you will only be entitled to the principal of the Note and interest accrued until the date of discharge of the Borrower Loan.
- 16. Further Assurances.** You hereby agree to execute and deliver such further documents and information as may be reasonably required in order to give effect to the transactions contemplated in this Agreement.
- 17. Exclusivity.** Services offered by Loop Securities are non-exclusive and nothing in this Agreement shall prevent Loop Securities or any of its affiliates from providing similar services to other lenders or from engaging in any other activities whatsoever.
- 18. Consent to Electronic Transactions and Disclosures.** As Loop Securities, Loop Funding and any affiliated entities thereof operate only on the Internet, it is necessary for you to consent to transact business with them online and electronically. As part of doing business with them, they also need you to consent to them giving you certain disclosures electronically, either through Lending Loop or to the email address you provide them with. You consent to receive electronically all documents, communications, Notices (as defined below),

contracts, and agreements arising from or relating in any way to your rights, obligations or services under this Agreement and the Offering Memorandum.

- 19. Notices.** By entering into this Agreement, you expressly acknowledge and agree that all notices, requests, demands, required disclosures and other communications from Loop Securities, Loop Funding and any affiliated entities thereof, including all notices arising from or relating in any way from this Agreement, (each a “**Notice**”) will be transmitted electronically only to the e-mail address you will have used to register yourself on Lending Loop or which will be associated with your lender’s account on Lending Loop. All Notices will be deemed to have been duly given and be effective upon transmission or posting. If your registered e-mail address changes, you must notify Loop Securities promptly. You also agree to promptly update your registered address/mailling address on the website within 10 days of a change of address. You shall send all Notices or other communications required to be given hereunder to Loop Securities via email at lenders@lendingloop.ca.
- 20. Electronic Signature.** I hereby represent and warrant that the signature appearing below is a true and correct electronic equivalent of my handwritten signature and that it may be saved for the purpose of facilitating any future signing of documents.
- 21. Term.** This Agreement will remain effective until such time as you will have given written notice to Loop Securities by email of your wish to terminate your account. Notwithstanding the foregoing, you understand that this Agreement will continue with full force and effect until all Notes purchased through your account will have been repaid in full.
- 22. Third Party Beneficiaries.** You acknowledge that there are no third party beneficiaries to this Agreement.
- 23. Assignment.** You may not assign, transfer, sublicense or otherwise delegate (i) your rights or responsibilities under this Agreement, or (ii) the Notes purchased on Lending Loop, without Loop Securities’ prior written consent. Any such unauthorized assignment, transfer, sublicense or delegation in violation of this section will be null and void.
- 24. Waiver.** Any waiver of a breach of any provision of this Agreement will not be a waiver of any subsequent breach. Failure or delay by either you, Loop Securities or Loop Funding to enforce any term or condition of this Agreement will not constitute a waiver of such term or condition.
- 25. Severability.** If at any time subsequent to the date hereof, any of the provisions of this Agreement are held by a court of competent jurisdiction to be illegal, void or unenforceable, such provision shall be of no force and effect, but the illegality and unenforceability of such provision shall have no effect upon and shall not impair the enforceability of any other provisions of this Agreement.
- 26. Heading.** The headings in this Agreement are for reference purposes only and shall not affect the interpretation of this Agreement in any way.
- 27. Arbitration.** Any dispute, controversy or claim arising out of or relating to this contract including any question regarding its existence, interpretation, validity, breach or termination or the business relationship created by it shall be referred to and finally resolved by arbitration under the Canadian Arbitration

Association Arbitration Rules. The arbitration shall be held in Toronto, Ontario. The arbitration shall proceed in accordance with the provisions of the *Arbitration Act* (Ontario). The decision arrived at by the arbitrator(s) shall be final and binding and no appeal shall lie therefrom. Judgement upon the award rendered by the arbitrator may be entered in any court having jurisdiction. The costs of the arbitrator shall be divided equally between the lender on one side and Loop Securities, Loop Funding and/or any affiliates thereof on the other side.

- 28. Governing Law.** This Agreement will be governed by and construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein.

*[Signature Page Follows]*

**IN WITNESS WHEREOF** the parties have duly executed this Agreement this \_\_\_\_ day of \_\_\_\_\_, \_\_\_\_.

**INVESTOR**

Per: \_\_\_\_\_  
Name:

**LOOP FUNDING INC.**

Per: \_\_\_\_\_  
Name:  
Title:

**LOOP SECURITIES INC.**

Per: \_\_\_\_\_  
Name:  
Title:

## **Schedule A**

### **CONFLICTS OF INTERESTS STATEMENT**

The following statement outlines certain potential conflicts of interests which may arise between you, as a lender's account holder, and Loop Securities Inc. ("**Loop Securities**", "**we**" or "**us**"), an exempt market dealer registered in all of the provinces and the territories of Canada in which it engages in dealing activities.

#### **1. GENERAL**

Loop Securities administers the accounts of all registered lenders on the peer-to-peer lending platform Lending Loop ("**Lending Loop**"). It facilitates the distribution of series of notes issued by one of its affiliates, Loop Funding Inc. ("**Loop Funding**").

Since these transactions may create a conflict between our interests and yours, we are required by provincial law to disclose to you certain relevant matters relating to the transactions. This statement contains a general description of the required disclosure.

#### **2. DEFINITIONS**

**"Related Party"**: An issuer is related to us if we are an influential securityholder of theirs, or they are an influential securityholder of ours, or if we have a common influential securityholder.

**"Connected Party"**: An issuer is connected to us where a reasonable prospective purchaser of their securities might question the issuer's independence from us, a party related to us, one of our directors or officers or a director or officer of our Related Party.

**"Associated Party"**: A party is associated with us if we beneficially own, directly or indirectly, securities carrying more than 10% of the voting rights of the party or if such party has a close relationship with us, such as one of our directors or officers.

#### **3. LOOP SECURITIES INC.**

Loop Securities and Loop Funding are both wholly owned subsidiaries of Loop Financial Inc. ("**Loop Financial**"). Consequently, Loop Securities, Loop Financial and Loop Funding may be considered as Related Parties and Connected Parties of each other.

#### **4. DISCLOSURE OF CONFLICTS OF INTERESTS**

##### **(a) Types of conflicts of interests**

The general types of conflicts of interests which can arise are:

- (i) Conflicts of interest between you and us;
- (ii) Conflicts of interest between you and other lenders on Lending Loop; and

- (iii) Conflicts of interest between us and our Related Parties, Connected Parties and Associated Parties.

**a) Management of Conflicts of Interest**

In general, we deal with and manage relevant conflicts as follows:

- (i) Avoidance: This includes avoiding conflicts that are prohibited by law as well as conflicts that cannot effectively be addressed.
- (ii) Control: This means managing acceptable conflicts through the implementation of internal policies and procedures.
- (iii) Disclosure: This means providing you with information about potential conflicts, so that you can properly assess independently their significance.

Our general policy is to address conflicts of interests in a fair, equitable and transparent manner. We will try to avoid conflicts where possible, and in all other cases either disclose the conflicts or manage them through internal controls and review processes. Conflicts deemed too significant to be addressed through controls or disclosures will be avoided. Disclosures will be made in a timely, meaningful and prominent manner.

This statement is intended to assist you in understanding and assessing material potential and actual conflicts of interests, including how we address them. It is, however, only an overview of a complex subject. Canada has comprehensive and extensive securities regulatory rules and regulations, many of which are directed at protecting client and investor interests, including dealing with conflicts of interests. Please refer to the websites and publications of the provincial securities commissions through the Canadian Securities Administrators (CSA) for more information on how Canadian securities regulations address conflicts of interests in order to safeguard the investing public.

**(b) Examples of Conflicts of Interests on Lending Loop**

<b>Conflicts of Interests</b>	<b>Address By</b>	<b>Description</b>
Loop Securities engages in dealing activities on the account of all lenders who open an account on Lending Loop and therefore represents the interests of all lenders.	Control	Loop Securities treats all lenders equally and provides each lender with the same investment opportunities. Notes are offered to all lenders at the same time and may be purchased on a first come first served basis.



<p>Loop Securities earns compensation from Loop Funding by facilitating the distribution of notes issued by Loop Funding to you.</p>	<p>Disclose/Control</p>	<p>Loop Funding provides compensation to Loop Securities equal to its operating costs on an annual basis.</p> <p>We will inform you of all applicable fees, commissions and other compensation in advance while using Lending Loop so that you know exactly what you will be paying for.</p> <p>As of the date hereof, Loop Securities does not charge any fee to open and maintain a lender's account on Lending Loop or to deposit and withdraw funds to and from a lender's account. Please note, however, that Loop Funding charges an annual fee amounting to 1.5% of the amounts received as repayments under the terms of notes purchased on Lending Loop and that such fee is deducted by Loop Securities and remitted to Loop Funding before any amount is credited to your account on the account of note repayments to which you are entitled to. The amounts of such fees are disclosed in the section titled "Transactions" of your Lending Loop account. Furthermore, lenders may have to bear collection costs equal to up to 35% of the amount collected from a borrower in the event a borrower becomes in default of its obligations under its loan agreement.</p> <p>Please also note that we are required by securities regulations to only allow you to make "suitable" investment decisions, in line with your investment objections and risk tolerances. We have policies and procedures put into place to advise you not to purchase a note where we believe that the note would not be a suitable investment for you. In such event, you may elect to follow our advice or purchase it regardless of our advice.</p>
<p>We may be compensated in other ways as a result of the business you may do with us, including interest spreads on</p>	<p>Disclose</p>	<p>Other compensation we may receive will be disclosed to you on the website or in the offering memorandum of Loop Funding.</p>

uninvested cash deposits with us.		
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This Conflicts of Interests Statement will be updated to reflect additional procedures adopted to address potential conflicts and to disclose any other Related Party or Connected Party.

## 5. QUESTIONS

If you have any questions, please contact Loop Securities' Chief Compliance Officer by email at [compliance@lendingloop.ca](mailto:compliance@lendingloop.ca) or by telephone at 1-888-223-5667.

## **Schedule B**

### **BENCHMARKING**

When evaluating the potential performance of any investment opportunity on Lending Loop, it may be useful to compare the promised interest and amount to be paid under the note and the underlying loan against an appropriate benchmark in order to make an informed investment decision.

Generally, broad market and market-segment stock and bond indexes, such as the S&P/TSX Composite index, S&P 500 index, FTSE TMX Canada Universe Bond Index, are used as benchmarks to evaluate investment opportunities. In the case of notes offered on Lending Loop you may want to use benchmarks such as bond yields. It is important to note, however, that benchmarks do not include operating charges, transaction charges or expenses which may affect their performance.

**Schedule C**  
**INVESTMENT RISK DISCLOSURE**

All capitalized terms shall have the meaning ascribed thereto in the Note Purchase Agreement.

**Credit Risk:** Notes issued by Loop Funding are essentially promises to pay interest and repay a specified amount at a later time. The probability that Loop Funding will fail to honour that promise is called credit risk. As all series of Notes issued on Lending Loop by Loop Funding are linked to a specific Borrower Loan, the obligations of Loop Funding to repay the capital and interests are limited, as described in Loop Funding's Offering Memorandum. Accordingly, if Loop Funding does not receive a repayment of capital and interest from the Borrower in connection to which the Note you hold was issued, Loop Funding will not be obliged to make any repayment of capital or interest on the Note and you will not receive any funds.

**Liquidity Risk:** Liquidity refers to the speed and ease with which an asset can be sold and converted into cash. Some securities may be illiquid because of legal restrictions, the nature of the investment, or certain other features such as guarantees or a lack of buyers interested in the particular security or market. Notes issued by Loop Funding on Lending Loop may never become liquid. Neither Loop Funding, nor any of its affiliates is a recognized "marketplace" as such term is defined in National Instrument 21-101 *Marketplace Operation* and there is no guarantee that any of them ever will. Furthermore, Loop Funding is not a reporting issuer whose Notes are listed on an exchange and, except in case of fraud, as provided under Section 4 of the Note Purchase Agreement, Loop Funding has no obligation to repurchase your Note. As such, Notes purchased on Lending Loop may not be sold to other lenders on Lending Loop or on any exchange nor can you request that Loop Funding buys back your Notes and you may accordingly never be able to get an instant return on your investment.

**Borrowing Risk:** The use of leverage may not be suitable for all investors. Using borrowed money to finance the purchase of securities, including Notes on Lending Loop, involves greater risk than using cash resources only. If you borrow money to purchase Notes on Lending Loop, your responsibility to repay your loan and pay interest as required by the terms of said loan will remain the same, even if you do not get any repayment of principal or interest from Loop Funding.

**Schedule D**  
**RISK ACKNOWLEDGEMENT**

**WARNING**

**Risk Acknowledgement**

- I acknowledge that this is a risky investment.
- I am investing entirely at my own risk.
- No securities regulatory authority or regulator has evaluated or endorsed the merits of these securities or the disclosure in the offering memorandum.
- I will not be able to sell these securities except in very limited circumstances. I may never be able to sell these securities.
- I could lose all the money I invest.

**I acknowledge that this is a risky investment and that I could lose all the money I invest.**

\_\_\_\_\_  
Date

\_\_\_\_\_  
Name of Purchaser

**You have 2 business days to cancel your purchase**

To do so, send a notice to Loop Funding Inc. stating that you want to cancel your purchase. You must send the notice before midnight on the 2<sup>nd</sup> business day after you sign the agreement to purchase the securities. You can send the notice by fax or email or deliver it in person to Loop Funding Inc. at its business address. Keep a copy of the notice for your records.

**Issuer Name and Address:** Loop Funding Inc.  
555 Richmond St. West  
Toronto, ON  
M5V 3B1

**Fax:** 1 647-490-4668  
**Email:** lenders@lendingloop.ca

**You are buying Exempt Market Securities**

They are called *exempt market securities* because two parts of securities law do not apply to them. If an issuer wants to sell *exempt market securities* to you:

- the issuer does not have to give you a prospectus (a document that describes the investment in detail and gives you some legal protections), and
- the securities do not have to be sold by an investment dealer registered with a securities regulatory authority or regulator.

There are restrictions on your ability to resell *exempt market securities*. *Exempt market securities* are more risky than other securities.

**You will receive an offering memorandum** Read the offering memorandum carefully because it has important information about the issuer and its securities. Keep the offering memorandum because you have rights based on it. Talk to a lawyer for details about these rights.

For more information on the exempt market, call your local securities regulatory authority or regulator.

**Schedule E  
FORM OF NOTE**

**PAYMENT DEPENDENT NOTE SERIES NO.** \_\_\_\_\_<sup>1</sup>

Loop Funding Inc. (the “**Company**”)

**HOLDER:** \_\_\_\_\_<sup>2</sup>

**CORRESPONDING BORROWER LOAN:** \_\_\_\_\_<sup>3</sup>

**STATED PRINCIPAL AMOUNT OF THIS NOTE:** CAD. \$ \_\_\_\_\_<sup>4</sup>

**AGGREGATE PRINCIPAL AMOUNT OF THIS SERIES OF NOTES:** CAD. \$ \_\_\_\_\_<sup>5</sup>

**INTEREST RATE:** \_\_\_\_\_<sup>6</sup>

**SERVICE CHARGE:** AN AMOUNT EQUAL TO AN ANNUALIZED RATE EQUAL TO 1.5% OF THE OUTSTANDING PRINCIPAL OF THE NOTE WHICH WILL BE DEDUCTED DIRECTLY FROM THE REPAYMENTS ON EACH REPAYMENT DATE.

**ORIGINAL ISSUE DATE:** \_\_\_\_\_<sup>7</sup>

**INITIAL MATURITY DATE:** \_\_\_\_\_<sup>8</sup>

**FINAL MATURITY DATE:** \_\_\_\_\_<sup>9</sup>

**EXTENSION OF MATURITY DATE:** Each note will mature on the Initial Maturity Date, unless the maturity date of the note is extended to the Final Maturity Date, subject to the conditions described below. In no event will the maturity date of the note be extended beyond the Final Maturity Date.

**REPAYMENT DATES:** Following the Original Issue Date, subject to the limitations described below, the Company will make repayments of principal and interest on or before the fourth Business Day (as defined hereinafter) following the receipt by the Company of a repayment from a borrower to which funds were extended to by the Company and in connection to which this note was issued (a “**Borrower Loan Repayment**”) in accordance with the repayment schedule agreed to between the Company and the borrower, which is available on the Holder’s lender’s account page at [www.lendingloop.ca](http://www.lendingloop.ca) in the section titled “Note Payments”, subject to prepayment at any time without penalty.

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<sup>1</sup> Insert loan ID number for the corresponding Borrower Loan.

<sup>2</sup> Insert Holder’s Lending Loop username.

<sup>3</sup> Insert description of the corresponding Borrower Loan.

<sup>4</sup> Insert principal amount of the Holder’s note.

<sup>5</sup> Insert maximum aggregate principal amount of the note series which should be aggregate principal amount of the corresponding Borrower Loan that is being funded by Holder.

<sup>6</sup> Insert interest rate of the corresponding Borrower Loan.

<sup>7</sup> Insert date corresponding to two business days after the closing of the corresponding Borrower Loan.

<sup>8</sup> Insert date corresponding to stated maturity date of the corresponding Borrower Loan.

<sup>9</sup> Insert date that is the same date of the stated maturity of the corresponding Borrower Loan.

Loop Funding Inc., a corporation duly organized and existing under the laws of the Province of Ontario, for value received, hereby promises to pay to the Holder principal and interest on this note in Canadian dollars in an amount equal to the Holder's equal and ratable share of the Borrower Loan Repayment on each repayment date (in accordance with the repayment schedule for this note, which is available on the Holder's account page at [www.lendingloop.ca](http://www.lendingloop.ca) and subject to prepayment of the Borrower Loan by the borrower) until the Initial Maturity Date or, if the maturity date of the note has been extended, until the Final Maturity Date. For the avoidance of doubt, (1) repayments of principal and interest under this note are conditional to the Company receiving a Borrower Loan Repayment and it is agreed and understood that the Company shall not be required to make any repayment to the Holder, which taken together with the amounts of the repayment of the notes of other holders of notes of this series would be in excess of the sum recovered or repaid by a borrower; (2) as Borrower Loans will close before the corresponding series of notes is issued, interest will accrue between the time that a Borrower Loan closes and the time that the corresponding series of notes is issued (the "**Stub Period Interest**") and it is agreed and understood that Lenders will not be entitled to receive any amount of Stub Period Interest the Company receives from a Borrower; and (3) the Holder of the note shall have no recourse against the Company unless, and then only to the extent that, the Company has failed to pay such Holder the amounts it is obliged to pay to the Holder or otherwise breached a covenant in the note purchase agreement entered into between the Holder and the Company at the opening of the Holder's Lending Loop account (the "**Note Purchase Agreement**") and which applies to the series of notes of which this note forms a part. Subject to certain exceptions provided in the Note Purchase Agreement referred to below, the principal and interest payable on any repayment date will be paid to this note at the close of business on that repayment date or maturity date and for administrative convenience, the Company may without penalty remit funds to the Holder up to four Business Days after the Final Maturity Date.

"**Business Day**" means any day other than a Saturday or Sunday or holiday on which Canadian chartered banks are open for business in the Province of Ontario.

If, on the Initial Maturity Date, any repayment of principal or interest in respect of a corresponding Borrower Loan remains due and payable to the Company, the maturity date of this note will be extended to the Final Maturity Date identified above.

If, on the Final Maturity Date, no repayment of principal or interest in respect of the corresponding Borrower Loan remains due and payable to the Company, the note will mature on the Final Maturity Date and no Borrower Loan Repayment that the Company receives in respect of the corresponding Borrower Loan after such Final Maturity Date shall be required to be paid to the Holder of the note.

All repayments of principal and interest on this note due to the Holder hereof shall be made in Canadian dollars, in immediately available funds, to the Holder's designated sub-account in the trust account maintained by the Company at a Canadian Financial Institution or such alternate account of the Holder designated by the Company.

All Canadian dollar amounts used in or resulting from the calculation of amounts due in respect of this note shall be rounded to the nearest cent (with one-half cent being rounded upward).

This note is one of a series of notes issued or to be issued under the offering memorandum dated \_\_\_\_\_, as amended and/or supplemented on \_\_\_\_\_ (the "**Offering Memorandum**"), and is subject to the terms and conditions stated therein.<sup>10</sup> As provided in the Offering Memorandum, the notes may be issued

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<sup>10</sup> Insert date of the Offering Memorandum.



in one or more separate series, which different series may be issued in various aggregate principal amounts, mature at different times, bear interest at different rates, be subject to different covenants and events of default, and otherwise vary as provided or permitted under the Offering Memorandum.

If an event of default described in the Offering Memorandum occurs and is continuing, the unpaid stated principal amount hereof will become and be immediately due and payable in the manner, with the effect and subject to the conditions provided in the Offering Memorandum.

This note is not entitled to any sinking fund. This note is not redeemable at the option of the Holder. The Company shall redeem all of the outstanding notes of the series of which this note forms a part for 100% of the outstanding principal amount of such notes if the corresponding Borrower Loan has been obtained as a result of identity theft on the part of the purported borrower. The Company may, in its reasonable discretion, require proof of the identity theft, such as a copy of the police report filed by the person whose identity was wrongfully used to obtain the corresponding Borrower Loan.

The notes are in registered form without coupons in denominations of \$25 and integral multiples of \$25 in excess thereof. The notes may not be transferred.

The Company and any paying agent may deem and treat the registered Holder hereof as the absolute owner of this note at the Holder's address as it appears on the register books of the Company as kept by the Company or duly authorized agent of the Company (whether or not this note shall be overdue), for the purpose of receiving payment of or on account hereof and for all other purposes, and neither the Company nor any paying agent shall be affected by any notice to the contrary. All repayments made to or upon the order of such registered Holder shall, to the extent of the sum or sums paid, effectively satisfy and discharge liability for moneys payable on this note.

No recourse under or upon any obligation, covenant or agreement contained in the Note Purchase Agreement or in any note, or because of any indebtedness evidenced thereby, shall be had against any incorporator, or against any past, present or future shareholder, officer or director, as such, of the Company, either directly or through the Company, under any rule of law, statute or constitutional provision or by the enforcement of any assessment or penalty or otherwise, all such personal liability of every such incorporator, shareholder, officer and director, as such, being expressly waived and released by the acceptance hereof and as a condition of and as part of the consideration for the issuance of this note.

This note will be governed by and construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein.

This note shall not be valid or become obligatory for any purpose until the certificate of authentication hereon shall have been signed by an authorized officer of the Company or its duly authorized agent.

*[Signature Page Follows]*

**IN WITNESS WHEREOF**, the Company has caused this instrument to be signed by its duly authorized officers.

Dated: \_\_\_\_\_

**CERTIFICATE OF AUTHENTICATION**

**LOOP FUNDING INC.**

By: \_\_\_\_\_  
Name:  
Title: