

## Offering Memorandum

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. The information disclosed on this page is a summary only. Purchasers should read the entire Offering Memorandum for full details about the Offering. This is a risky investment. See Item 8 Risk Factors.

Date: July 29, 2019

The Issuer: Yesterpay Holdings Inc. (the "Corporation")  
 Address: 121 - 234 5149 Country Hills Boulevard NW  
 Calgary, Alberta, T3A 5K8  
 Phone: (587) 779-7929  
 Email: info@yesterpay.com

Currently listed or quoted? No. These securities do not trade on any exchange or market.  
 Reporting Issuer? No.  
 SEDAR filer? Yes.

### The Offering

Securities Offered	There will be four series of unsecured bonds of the Corporation offered pursuant to the Current Offering (as defined herein), each with separate interest payment terms (referred to herein as the “Series C Bonds”, the “Series D Bonds”, the “Series E Bonds” and the “Series F Bonds” and collectively as the “Offered Bonds” and individually, as an “Offered Bond”). Below is a summary of the basic terms of the Bonds, and this summary is qualified entirely by the description in Item 5.1:			
	Type of Bond	Term	Interest Rate	Interest Payment Provisions
	Series C Bonds	1 Year	6.5%	Payable on the last day of each month
	Series D Bonds	2 Years	7.5%	Payable on the last day of each month
	Series E Bonds	3 Years	8.5%	Payable on the last day of each month
	Series F Bonds	3 Years	8.5%	Compounded monthly and payable on maturity
	See Item 5.1 for details regarding the Offered Bonds and Item 5.2 for the limitations placed on subscription for the Offered Bonds.			
Price Per Security	\$100 per Offered Bond			
Minimum Offering	To date the Corporation has issued an aggregate of 700 Historical Issued Bonds (as defined herein) and 50,662 Total Current Offering Issued Bonds (as defined herein) pursuant to the Initial Offerings (as defined herein), raising in the aggregate \$5,766,200 as of the date hereof. This Offering is not subject to any minimum offering amount. You may be the only purchaser.			
Maximum Offering	\$9,233,800	(92,338 Bonds)		
Minimum Subscription Amount Per Subscriber	\$1,000	(10 Offered Bonds)		
Available Funds	Funds available under this Offering may not be sufficient to accomplish our proposed objectives. In the event that the Corporation does not raise the full amount under the Offering, then the Corporation will reduce the amount of available funds lent to CNI (as defined herein) and as a result, CNI will reduce the number of invoices purchased.			
Payment Terms	Payment in full by certified cheque, bank draft, cheque, wire transfer or other form of payment acceptable to the Corporation, in its full discretion, of the subscription price is to be made with the delivery of a duly executed and completed Subscription Agreement. See Item 5.2 Subscription Procedure.			
Proposed Closing Date(s)	Closings will take place periodically at the Corporation’s discretion.			
Income Tax Consequences	There are important tax consequences to these securities. See Item 6 Income Tax Consequences and Deferred Plan Eligibility.			
Purchasers’ Rights	You have two business days to cancel your Subscription Agreement (as defined herein) to purchase these securities. If there is a misrepresentation in this Offering Memorandum (as defined herein), you have the right to sue either for damages or to cancel the Subscription Agreement. See Item 11 Purchasers’ Rights.			

<b>Resale Restrictions</b>	You will not be able to sell these securities except in very limited circumstances. You may never be able to resell these securities. <b>See Item 10 Resale Restrictions.</b>
<b>Selling Agents</b>	Where allowed by applicable securities legislation, the Corporation intends to offer compensation of up to six percent (6%) of the gross proceeds realized on the sale of Offered Bonds under this Current Offering to any one of, or a combination of, the following parties: registered dealers and exempt market dealing representatives, each of whom are registered in accordance with applicable securities laws. The Corporation may pay up to two percent (2%) of the gross proceeds realized on the sale of Offered Bonds to exempt market dealers that it retains as a dealer listing fee. Capital Now Inc. ("CNI") may pay all such compensation to the above parties on the Corporation's behalf pursuant to the Loan Commitment Fee. <b>See Item 7 Compensation Paid to Sellers and Finders.</b>
<b>YESTERPAY COPY – Please initial below and submit this page with your Subscription Agreement.</b>	
<hr/> <b>Investor Initials</b>	

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## **NOTE REGARDING FORWARD-LOOKING INFORMATION AND STATEMENTS**

This Offering Memorandum contains certain forward-looking information and statements within the meaning of applicable securities laws. The use of any of the words “expect”, “anticipate”, “continue”, “estimate”, “feels”, “may”, “will”, “would”, “believe”, “plans”, “intends”, “possible”, “future” and similar expressions are intended to identify forward-looking information or statements. In particular, but without limiting the foregoing, this Offering Memorandum contains forward-looking information and statements pertaining to, among other things: the use of the proceeds from the issuance of Bonds; estimated fees payable for professional services provided and Target (as defined herein); the minimum and maximum Bonds issued pursuant to the Offering and the proceeds resulting therefrom; expected tax treatment of Deferred Plan Capital (as defined herein); the Corporation’s intentions to pay commissions to certain parties; the estimated costs of the Offering; the types and amounts of Credit Receivables (as defined herein) that will be purchased by CNI; the anticipated rates of recovery for Credit Receivables; the anticipated timelines in respect of raising funds pursuant to the Offering; the amount of the Insurance Policies being sufficient funds to enable a proper leadership transition or alternatively, a wind down the business of CNI in the case of the death of either or both of Gerry Wawzonek or Natalie Wawzonek; the intention of CNI to transition the holders of the CNI Debentures to a new form of debenture over the next 24 months; the Corporation and CNI’s intention to evolve their governance structure; and the Corporation’s intention to not become a reporting issuer in a jurisdiction of Canada. This forward-looking information and the related statements are based upon factors, expectations and assumptions reflected in the forward-looking statements that are reasonable at this time but no assurance can be given that these factors, expectations and assumptions will prove to be correct.

The forward-looking information and statements contained in this Offering Memorandum are based upon several material factors, expectations and assumptions of the Corporation including, without limitation: that the Corporation will continue to conduct its operations in a manner consistent with past operations; the Corporation and CNI may introduce new products and services as the market dictates; the general continuance of current or, where applicable, assumed industry conditions; availability of sources to fund the Corporation’s and CNI’s capital and operating requirements as needed; the ability of the Corporation to attract Subscribers; the availability of quality Credit Receivables for CNI’s business; no changes to the current taxation regime that may impact any Deferred Plan Capital raised by the Corporation; that in all circumstances, the Lender will act in a commercially reasonable manner; and certain other cost assumptions.

The forward-looking information and statements included in this Offering Memorandum are not guarantees of future performance and should not be unduly relied upon. Such information and statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information and statements including, without limitation: general economic, market and business conditions; absence of review by any securities regulatory authority or regulator; absence of deposit insurance; the Corporation’s limited working capital; redemption risk; redemption limitation; tax risk; changes in tax laws; absence of any advanced tax ruling; potential changes of directors, absence of voting rights attached to Offered Bonds; lack of trustee in connection with Offered Bonds; conflicts of interest; changes in portfolio resulting from industry change; terms of the CNI Loan Agreement (defined herein); terms of the Commitment Letter (defined herein); absence of management rights attached to Offered Bonds; debt securities; limited operating history; illiquidity of investment; interest rate risk; changes in fees associated with legal, tax and other advisors or consultants; and other risks described in Item 8 Risk Factors herein. Further, there may be circumstances where, for unforeseen reasons, a reallocation of funds may be necessary as may be determined at the discretion of the Corporation and there can be no assurance as at the date of this Offering Memorandum as to how those funds may be reallocated; should any one of a number of issues arise, the Corporation may find it necessary to alter its current business strategy and/or capital expenditure program; including, without limitation, those risks identified in this document.

The forward-looking information and statements contained in this document speak only as of the date of this document, and the Corporation does not assume any obligation to publicly update or revise them to reflect new events or circumstances, except as may be required pursuant to applicable laws.

## **NOTE REGARDING INDUSTRY INFORMATION**

In certain sections of this Offering Memorandum, including without limitation “Item 2 - Business of the Corporation – Business of Capital Now Inc.”, the Corporation provides certain historical, market and industry data and forecasts that were obtained from third-party sources, industry publications and publicly available information as well as industry data prepared by management on the basis of its knowledge of the factoring transaction industry in which the Corporation operates (including management’s estimates and assumptions relating to the industry based on that knowledge). This third-party source information is derived from publicly available information sources that the Corporation believes are predominantly independent in nature. Historically, market and industry data and forecasts generally state that they have been obtained from sources believed to be reliable, although they

do not guarantee the accuracy or completeness of such information. The Corporation believes that the provision of this third-party source information is relevant to the Corporation's activities, given its Credit Receivables interests and operations (either ongoing or planned) in the areas in question, however, readers are cautioned that there is no certainty that any of the Corporation's activities in these areas will be successful to the extent in which operations in the areas in which the third-party source information is derived from were successful, or at all. Further, estimates of historical growth rates in the markets where we operate are not necessarily indicative of future growth rates in such markets.

## DOCUMENTS INCORPORATED BY REFERENCE

Information has been incorporated by reference in this Offering Memorandum, as required by applicable securities laws pursuant to NI 45-106 (as defined herein). The following documents are specifically incorporated by reference into this Offering Memorandum and after each closing of the Offering will be filed with or delivered to the securities commissions or similar authorities in the applicable provinces and territories of Canada, as required by applicable securities law:

- a) the offering summary dated July 29, 2019; and
- b) the investor presentation related to the Offering Memorandum dated July 29, 2019.

## GLOSSARY OF TERMS

In this Offering Memorandum, unless the context otherwise requires, the following words and terms shall have the indicated meanings and grammatical variations of such words and terms shall have the corresponding meanings:

**"ABCA"** means the *Business Corporations Act* (Alberta).

**"Accredited Investor"** shall have the meaning provided for in sections 1.1 and 2.3 of National Instrument 45-106 - *Prospectus Exemptions* of the Canadian Securities Administrators.

**"Annual Fee"** means the annual fee payable by the Corporation in cash to Target in an amount equal to: (i) \$2,500; plus (ii) one-half of one percent (being 0.5%) of the total Deferred Plan Capital outstanding at the date of the anniversary of the Target Agreement that is in excess of \$500,000; plus (iii) applicable taxes.

**"Board"** or **"Board of Directors"** means the board of directors of the Corporation.

**"Bondholder(s)"** means an Existing Bondholder, or a Subscribing Bondholder, or any of them.

**"Bonds"** means the Existing Bonds or the Offered Bonds, or any of them as the context may require.

**"Capital Raising Fee"** means the fee payable by the Corporation to Target in cash in an amount equal to one-half of one percent (being 0.5%), plus applicable taxes, of the total Deferred Plan Capital raised by the Corporation in excess of \$500,000 since the execution date of the Target Agreement, being November 8, 2012.

**"Class A Shares"** means the Class A Preferred shares of the Corporation.

**"CNI"** means Capital Now Inc., a private Alberta corporation related to the Corporation by common officers, directors and shareholders.

**"CNI Debentures"** shall have the meaning provided for in Item 2.3.1 herein.

**"CNI Loan"** means the loan of all of the funds raised pursuant to this Offering by the Corporation to CNI as more particularly described in Item 2.9.2 herein.

**"CNI Loan Agreement"** means the loan agreement dated October 31, 2014 between the Corporation and CNI, as amended from time to time.

**"Commissions"** shall have the meaning provided for in Item 7 herein.

**"Commitment Letter"** means the letter agreement dated November 28, 2016, as amended from time to time, between the Corporation and CNI, as borrowers, Gerry Wawzonek and Natalie Wawzonek, as guarantors, and the Lender for the establishment of a Revolving Line of Credit in favour of the Corporation and CNI.

**"Converted Bonds"** means collectively the Series C Bonds, Series D Bonds, Series E Bonds and the Series F Bonds issued by the Corporation pursuant to the conversion of Historical Issued Bonds and the Total Current Offering Issued Bonds that have been converted at the option of the holders thereof from time to time.

**“Corporation”** means Yesterpay Holdings Inc.

**“CRA”** means the Canada Revenue Agency.

**“Credit Receivables”** means financial obligations due from a Debtor for goods ordered and accepted as part of a Factoring Transaction as more particularly described in Item 2.3.1 herein.

**“Current Offering”** means the offering of up to 92,338 Offered Bonds pursuant to the terms of this Offering Memorandum.

**“Dealer Listing Fees”** shall have the meaning provided for in Item 7 herein.

**“Debtor”** shall have the meaning provided for in Item 2.3.1 herein.

**“Deferred Plan”** means any one of or collectively, a RRSP, RRIF, RESP and TFSA.

**“Deferred Plan Capital”** means capital of any kind raised by the Corporation from an RRSP, RRIF, RESP or TFSA pursuant to this Offering.

**“Eligible Investor”** shall have the meaning provided for in section 1.1 of National Instrument 45-106 - *Prospectus Exemptions* of the Canadian Securities Administrators.

**“Existing Bonds”** means collectively the Outstanding Current Offering Issued Bonds, the Historical Issued Bonds and the Converted Bonds.

**“Existing Bondholders”** means holders of Existing Bonds.

**“Factoring Transactions”** means those factoring transactions underwritten by CNI in the conduct of its business. **See Item 2.3.1 Business of Capital Now Inc.**

**“Historical Issued Bonds”** means collectively the Series A Bonds and the Series B Bonds issued by the Corporation pursuant to the Initial Offerings.

**“Initial Offerings”** means the offering of bonds by the Corporation, whereby the Corporation issued the 700 Historical Issued Bonds and 50,662 Total Current Offering Issued Bonds, raising in the aggregate \$5,766,200 as of the date hereof.

**“Insurance Policies”** shall have the meaning provided for in Item 2.6 herein.

**“Lender”** means the Canadian Western Bank, the institutional lender granting the Corporation and CNI access to a Revolving Line of Credit pursuant to the Commitment Letter, and its successors and assigns.

**“Loan Commitment Fee”** means a sum, payable by CNI to the Corporation, equal to all reasonable charges, fees, commissions and costs incurred by the Corporation in connection with any offering of securities undertaken by the Corporation to raise funds for the purposes of advancing the CNI Loan to CNI pursuant to the terms and conditions of the CNI Loan Agreement.

**“Management Agreement”** means the management agreement dated effective August 12, 2016, as amended from time to time, among the Manager, the Corporation and CNI as more particularly described in Item 2.3.1 Business of Capital Now Inc.

**“Management Fees”** shall have the meaning provided for in Item 2.3.1 herein.

**“Manager”** means Pangaea Asset Management Inc., an Ontario corporation registered as a Portfolio Manager in accordance with the *Securities Act* (Ontario).

**“Maximum Offering Amount”** means 92,338 Offered Bonds (\$9,233,800).

**“NI 45-106”** means National Instrument 45-106 - *Prospectus Exemptions* of the Canadian Securities Administrators.

**“Offered Bonds”** means collectively the Series C Bonds, the Series D Bonds, the Series E Bonds and the Series F Bonds issued by the Corporation pursuant to this Offering Memorandum.

**“Offering”** means together, the Initial Offerings and the Current Offering.

**“Offering Jurisdictions”** means the offering of the Offered Bonds to residents of all Provinces and Territories in Canada except Quebec.

**“Offering Memorandum”** means this offering memorandum dated July 29, 2019.

**“Offering Memorandum Exemption”** shall have the meaning provided for in Item 5.2 herein.

**“Outstanding Current Offering Issued Bonds”** means collectively Series C Bonds, Series D Bonds, Series E Bonds, Series F Bonds issued by the Corporation pursuant to the Initial Offerings, which have not matured or been redeemed or converted as of the date hereof and are still outstanding debt obligations of the Corporation.

**"Principal Amount"** means the aggregate dollar value of each Subscriber's subscription for Offered Bonds as determined by multiplying the number of Offered Bonds purchased by a Subscriber by \$100.

**"Redeemable Bonds"** shall have the meaning provided for in Item 5.1 herein.

**"Redemption Penalty Amount"** means with respect to the Redeemable Bonds for which the Corporation has received a Redemption Notice (as that term is defined in Item 5.1 herein), as applicable to the specific terms of each Redeemable Bond:

- (a) five percent (5%) of the amount of the Principal Amount of the Redeemable Bonds to be redeemed where the request for redemption occurs within 12 months of the date of the certificate(s) representing such Redeemable Bonds;
- (b) one percent (1%) of the amount of the Principal Amount of the Redeemable Bonds to be redeemed where the request for redemption occurs between 13 months and 24 months of the date of the certificate(s) representing such Redeemable Bonds; and
- (c) with respect to the Series E Bonds and Series F Bonds, one percent (1%) of the amount of the Principal Amount of the Redeemable Bonds to be redeemed where the request for redemption occurs between 25 months and 36 months of the date of the certificate(s) representing such Redeemable Bonds.

**"Regulations"** means the Tax Act regulations.

**"RESP"** means Registered Education Savings Plan as defined under the Tax Act.

**"Revolving Line of Credit"** means the revolving line of credit established by the Lender in favour of the Corporation and CNI as more particularly described in Item 2.9.3 herein.

**"RRIF"** means Registered Retirement Income Fund as defined under the Tax Act.

**"RRSP"** means Registered Retirement Savings Plan as defined under the Tax Act.

**"Selling Commissions"** shall have the meaning provided for in Item 7 herein.

**"Series A Bonds"** means the eight percent (8%) unsecured bonds of the Corporation issued previously by the Corporation.

**"Series B Bonds"** means the eight percent (8%) unsecured bonds of the Corporation issued previously by the Corporation.

**"Series C Bonds"** means the six and a half percent (6.5%) unsecured bonds of the Corporation having the terms and conditions described in Item 5.1 herein.

**"Series D Bonds"** means the seven and a half percent (7.5%) unsecured bonds of the Corporation having the terms and conditions described in Item 5.1 herein.

**"Series E Bonds"** means the eight and a half percent (8.5%) unsecured bonds of the Corporation having the terms and conditions described in Item 5.1 herein.

**"Series F Bonds"** means the eight and a half percent (8.5%) unsecured bonds of the Corporation having the terms and conditions described in Item 5.1 herein.

**"Subscribers"** mean parties who subscribe for Bonds pursuant to this Offering.

**"Subscribing Bondholders"** means holders of Bonds purchased by a Subscriber pursuant to this Offering Memorandum.

**"Subscription Agreement"** means the subscription agreement entered into between a Subscriber and the Corporation with respect to the purchase of Bonds by a Subscriber under this Offering.

**"Target"** means Target Capital Inc., a publicly traded company listed on the TSX Venture Exchange, trading under the symbol "TCI". Target presently holds 60% of the issued and outstanding Class A Shares of the Corporation. In late 2017, Target announced that, in connection with a new corporate strategy, it intended to complete a private placement and appoint a new management team and board of directors. In connection with these changes, Target also announced that it would be asking its shareholders to approve a change of its name to "CBI<sup>2</sup> Capital Corp." References to "Target" throughout this Offering Memorandum should be read as references to the same entity both before and after any name change.

**"Target Agreement"** means the agreement between the Corporation and Target dated November 8, 2012, as amended from time to time, the terms of which are referred to in Item 2.2 and Item 2.9.1 herein.

**"Target Release"** means the release to be executed by each Subscriber to this Offering in favour of Target as more particularly described in Item 2.2.1 herein.

**"Target Shares"** means the 60,000 Class A Shares held by Target as of the date of this Offering Memorandum.

**"Tax Act"** means the *Income Tax Act* (Canada).

**“TFSA”** means a Tax-Free Savings Account as defined by the Tax Act.

**“Total Current Offering Issued Bonds”** means collectively Series C Bonds, Series D Bonds, Series E Bonds, Series F Bonds issued by the Corporation pursuant to the Initial Offerings.

**“Vendor”** shall have the meaning provided for in Item 2.3.1 herein.

In this Offering Memorandum, references to “dollars” and \$ are to the lawful currency of Canada, unless otherwise indicated.



## ITEM 1 - USE OF AVAILABLE FUNDS

### 1.1 Available Funds

The following table discloses the available funds of this Offering:

		Assuming Minimum Offering	Assuming Maximum Offering <sup>(7)</sup>
A	Amount to be raised by issuance of this Offering	\$5,766,200 <sup>(1)</sup>	\$9,233,800
B	Selling Commissions and fees <sup>(2)</sup>	\$417,781	\$864,741
C	Estimated Offering costs <sup>(3)</sup>	\$616,752	\$117,750
D	Annual Fee and Capital Raising Fee <sup>(4) (5)</sup>	\$104,461	\$227,667
E	Available funds: E = A – (B + C + D)	\$4,627,206	\$8,023,642
F	Additional sources of funding required	Nil	Nil
G	Working capital deficiency <sup>(6)</sup>	Nil	Nil
H	Total: H = (E + F) – G	\$4,627,206	\$8,023,642

(1) This reflects the amount raised pursuant to the Initial Offerings.

(2) This amount reflects the total sum of: (a) all Commissions payable with respect to the sale of Offered Bonds pursuant to this Offering, estimated to be \$554,028 with respect to the Maximum Offering Amount; (b) all Dealer Listing Fees payable with respect to the sale of Offered Bonds pursuant to this Offering, estimated to be \$184,676 with respect to the Maximum Offering Amount; (c) all Management Fees payable over three years with respect to the oversight of this Offering pursuant to the terms of the Management Agreement, estimated to be \$120,787 with respect to the Maximum Offering Amount, on the basis that \$5,521,900 was the total amount raised by the end of March 2019, \$5 million is raised in the second year, and the remaining \$4,478,100 is raised in the third year, and (d) all review fees payable to Target for review of the Offering Memorandum, estimated to be \$5,250 with respect to the Maximum Offering Amount. The sum of (a), (b), (c) and (d) is to be reimbursed by CNI pursuant to the Loan Commitment Fee. **See Item 2.3.1 Business of Capital Now Inc., Item 2.9.1 Agreement with Target Capital Inc., and Item 7 Compensation Paid to Sellers and Finders.**

(3) This amount reflects the total sum of: (a) all legal fees payable, estimated to be \$462,896 with respect to the minimum offering amount, and an additional \$75,000 with respect to the Maximum Offering Amount; (b) all audit fees, estimated to be \$102,418 with respect to the minimum offering amount and an additional \$30,000 with respect to the Maximum Offering Amount; and (c) all accounting fees, estimated to be \$51,438 with respect to the minimum offering amount, and an additional \$12,750 with respect to the Maximum Offering Amount. The sum of (a), (b) and (c) is to be reimbursed by CNI pursuant to the Loan Commitment Fee.

(4) Pursuant to the terms of the Target Agreement, the Corporation is obligated to pay Target the Annual Fee and the Capital Raising Fee, which is to be reimbursed by CNI pursuant to the Loan Commitment Fee. **See Item 2.9.1 Agreement with Target Capital Inc.**

(5) Target Annual Fees and Capital Raising Fees are incurred by the Corporation each year with respect to this Offering, which will be reimbursed by CNI pursuant to the Loan Commitment Fee. These fees are estimated to be \$176,498 and \$51,169, respectively, for a total sum of \$227,667 with respect to the Maximum Offering Amount, on the basis that \$5,521,900 was the total amount raised by the end of March 2019, \$5 million is raised in the second year, and the remaining \$4,478,100 is raised in the third year. **See Item 2.9.1 Agreement with Target Capital Inc.**

(6) The Corporation does not have a working capital deficiency.

(7) Reflects amounts in addition to minimum offering amounts disclosed.

### 1.2 Use of Available Funds

The following table provides a detailed breakdown of how the Corporation will use the available funds of this Offering in the 36 months ensuing from the date of this Offering Memorandum:

Description of intended use of available funds listed in order of priority <sup>(3)</sup>	Assuming Minimum Offering <sup>(1)</sup>	Assuming Maximum Offering
The available funds of this Offering shall be loaned by the Corporation to CNI and used by CNI to:		
1. pay for all costs, and Selling Commissions associated with this Current Offering <sup>(2)</sup> pursuant to the Loan Commitment Fee; and	\$1,138,994	\$1,210,158
2. as working capital for the purchase of discounted Credit Receivables and to grow the business of CNI through acquisitions of businesses or technology.	\$4,627,206	\$8,023,642
<b>Total</b>	<b>\$5,766,200</b>	<b>\$9,233,800</b>

(1) All funds raised pursuant to the Initial Offerings have been loaned by the Corporation to CNI.

(2) See notes (2)-(5) in Item 1.1 above.

- (3) As disclosed in the Corporation's prior disclosure and discussed below, with respect to the net proceeds raised from the Offering to date, the Corporation has loaned such proceeds to CNI and the funds have been used by CNI to pay all Selling Commissions associated with the Current Offering pursuant to the Loan Commitment Fee and as working capital for the purchase of discounted Credit Receivables. **See Item 2.3 Our Business.**

### 1.3 Reallocation

The Corporation intends to use the available funds of this Offering as stated above. The Corporation will reallocate the available funds of this Offering only for sound business reasons.

### 1.4 Future Cash Calls

An investor in these securities will not be required to make any additional funds available to the Corporation in addition to their subscription amount.

## ITEM 2 - BUSINESS OF THE CORPORATION

### 2.1 Structure

The Corporation is a corporation incorporated under the ABCA pursuant to articles of incorporation dated November 7, 2012. The Corporation's head office is located at 121 - 234 5149 Country Hills Boulevard NW, Calgary, Alberta, T3A 5K8 and its registered office is located at Suite 900 - 517 10 Avenue SW, Calgary, Alberta. The Corporation is controlled by Target. Please see [www.sedar.com](http://www.sedar.com) for further information with respect to Target.

### 2.2 Voting Control – Target Capital Inc.

Voting control of the Corporation by Target is to ensure that the Offered Bonds issued pursuant to this Offering are a qualified Deferred Plan investment. **See Item 6 Income Tax Consequences and Deferred Plan Eligibility.**

Target's control and interest in the Corporation is to earn Annual Fees and Capital Raising Fees and not to participate in the profits of the Corporation. **See Item 2.9.1 Agreement with Target Capital Inc.**

Specifically:

- (a) Target's shares in the Corporation are non-participating as they are not entitled to dividends;
- (b) the Target Agreement states that Target cannot acquire any additional shares in the Corporation without the approval of the majority of the minority of shareholders of the Corporation;
- (c) Target cannot increase the Annual Fees and Capital Raising Fees pursuant to the Target Agreement without the approval of the "majority of the minority shareholders" (as defined in the Target Agreement) of the Corporation;
- (d) Target will not sell its shares of the Corporation while the Target Agreement is in force and will, at the termination of the Target Agreement, return all of its shares to the treasury of the Corporation in return for six hundred dollars; and
- (e) Target will not benefit from its position as shareholder except as described in the Target Agreement and, should it receive any benefit in addition to the Annual Fees and Capital Raising Fees, that benefit will be returned to the Corporation in return for the sum of ten dollars paid by the Corporation to Target.

**Subscribers in these securities should understand that Target's assets and management are not in any way committed to the activities of the Corporation other than voting its shares at shareholder meetings of the Corporation. Target does not encourage or discourage an investment in the Corporation.**

**The Subscription Agreement to be signed by Subscribers contains a specific acknowledgement by Subscribers acknowledging that Target owes no fiduciary duty of care or any other duty to Subscribers in connection with the Offered Bonds issued under this Offering. Further, in signing the Subscription Agreement, Subscribers are agreeing therein that Target shall not be liable to Subscribers for any liabilities, losses or damages suffered or incurred by Subscribers in connection with this investment, including any default by the Corporation in the payment of interest and/or repayment of the principal of the Bonds issued pursuant to this Offering.**

#### 2.2.1 Release of Target Capital Inc.

As a term of this Offering, Subscribers are required to grant Target a specific release in the form attached as Schedule E to the Subscription Agreement (the "**Target Release**"). Pursuant to the terms of the Target Release, the Subscriber will acknowledge that:

- (a) Target's assets and management are not in any way committed to the activities of the Corporation. Further, the Subscriber acknowledges that Target has not performed any due diligence on the Corporation, its assets or its management and does not encourage or discourage an investment in the Corporation;
- (b) Target owes no fiduciary duty of care or any other duty to Subscribers in connection with the Offered Bonds issued under this Offering;
- (c) Target shall not be liable to Subscribers for any costs, expenses, liabilities, losses or damages suffered or incurred by Subscribers in connection with this investment, including any default by the Corporation in the payment of interest and/or repayment of the principal of the Bonds issued pursuant to this Offering; and
- (d) the Subscriber will release and forever discharge Target, together with its officers, directors, servants, employees, agents and other representatives from any and all actions, causes of action, claims, demands, or other liability of any nature or kind howsoever arising, including, without limitation, any and all claims, past or present, and which may arise in the future, in any way related to the Subscriber's investment in the Offered Bonds of the Corporation or the acquisition of the Offered Bonds from the Corporation.

All Subscribers are encouraged to seek independent legal advice before executing and delivering the Target Release.

## **2.3 Our Business**

The Corporation has been operating since 2012 and has been successful in raising funds for the purpose of lending the funds to CNI as explained herein.

The Corporation is raising funds for the purpose of loaning the available funds from this Offering to CNI. CNI will use the funds to: (a) pay for all costs, fees and commissions associated with this Offering pursuant to the Loan Commitment Fee; and (b) as working capital to primarily purchase discounted Credit Receivables. **See Item 2.3.1 Business of Capital Now Inc. and Item 2.9.2 Loan Agreement with Capital Now Inc.**

As of the date of this Offering Memorandum, the Corporation has raised the sum of \$5,766,200 through the issuance of: 273 Series A Bonds; 427 Series B Bonds; 9,241 Series C Bonds; 3,536 Series D Bonds; 29,722 Series E Bonds; and 8,163 Series F Bonds under the Initial Offerings and has advanced this sum to CNI pursuant to the CNI Loan. As part of these Total Current Offering Issued Bonds, the Corporation also currently has 6,845 Converted Bonds outstanding, which were issued to holders of Total Current Offering Issued Bonds and Historical Issued Bonds, as applicable, at the option of the holders of such Bonds when they chose to convert their Bonds that were nearing maturity, into their choice of Series C Bonds, Series D Bonds, Series E Bonds and Series F Bonds of the Corporation. As of March 31, 2019, \$4,655,189 was the amount that was owed by CNI to the Corporation pursuant to the CNI Loan.

CNI has used the proceeds of this advance, after payment and costs associated with the Initial Offerings to acquire Credit Receivables in the conduct of its business.

### **2.3.1 Business of Capital Now Inc.**

CNI was founded in 2007 as an asset-based lender in Calgary, Alberta and is a member of the International Factoring Association.

The directors, officers and shareholders of CNI are also the directors, officers and shareholders of the Corporation.

CNI carries on a business in Factoring Transactions in western Canada. CNI's business is focused in the manufacturing, oilfield service, specialty trucking and welding and fabrication sectors.

Attached as Schedule A hereto are the audited 2018 Financial Statements of CNI.

From inception to March 31, 2019, CNI has handled over \$207 million worth of Factoring Transactions. In its history, CNI has had relatively few Factoring Transactions in which a Debtor (hereinafter defined) has defaulted on its payment obligations with respect to a Credit Receivable and which were deemed un-collectible by CNI. At the end of Fiscal 2018, the cumulative claims total was approximately \$984,155, on \$196.7 million worth of factoring transactions, representing approximately 0.50% of CNI's total dollar volume of Factoring Transactions that it has facilitated. At present, CNI continues to pursue, where appropriate, the recovery of these funds.

Since September 2011, CNI has raised capital through a private debenture offering that is fully subscribed (the "**CNI Debentures**"). Funds from this CNI offering have been used by CNI to acquire Credit Receivables in the conduct of its business and as working capital. The amount of CNI Debentures outstanding as of March 31, 2019 is \$3,192,060.

Factoring in Canada has existed as an industry for over 100 years and currently represents a growing annual market of approximately \$4 billion dollars. Factoring involves a process where a manufacturer, distributor or service provider (the "**Vendor**")

sells goods or services to a customer (the “**Debtor**”), with payment (“**Credit Receivables**”) due in 30 to 90 days. To realize cash on the sale more quickly, the Vendor sells the rights to the Credit Receivables, at a discount, to a company such as CNI (the “**Factor**”).

The Factor underwrites the Credit Receivables purchase by performing legal and business due diligence on the Vendor to ensure that the Vendor can legally assign the Credit Receivables, and on the Debtor to ensure that they have received and accepted the goods and are willing and able to make payment on normal terms (30 to 90 days). Of the two parties, the Debtor receives the most underwriting attention because it is the source of the future Credit Receivables payment.

CNI has standard underwriting procedures employed for each Factoring Transaction it considers. Some of the risk management policies followed by CNI in these procedures include:

- CNI will advance funds based on the face value of the Credit Receivable to cover costs like raw material, labor etc. to the Vendor. CNI holds back a large portion of the Credit Receivable face value to ensure timely attention to the Debtors outstanding invoice requirements. Once CNI receives payment from the Debtor, CNI releases the holdback less its fees.
- Credit Receivables are collected by CNI on an average of 56 days.
- If a Credit Receivable is unpaid after 30 days, additional fees are charged.
- Internal risk management procedures ensure no single Credit Receivable should exceed 20% of CNI’s total Credit Receivable portfolio for an extended period of time.
- Due diligence includes some or all of the following: the underwriting process; invoice verification; public record searches; private industry databases; credit reporting agencies; and other sources.
- The Debtor’s credit rating is determined with some of the following: a credit bureau; industry inquiries; private industry databases; and other sources.
- Transactions that relate to restaurants, logging, retail and real estate commissions will not be underwritten by CNI.
- Additional security from the Vendor such as equipment or inventory may be obtained by CNI as security for payment of a Credit Receivable.
- In the event that a Credit Receivable remains unpaid after 90 days of the purchase date, CNI has the option to assign the Credit Receivable back to a Vendor and accept a different Credit Receivable from the Vendor as payment for the balance on the outstanding Credit Receivable.

CNI’s competitive advantage lies in its ability to react quickly to small and medium sized businesses and provide fast and flexible service.

### **The Manager**

Pangaea Asset Management Inc. is the Manager. Pursuant to the terms and conditions of the Management Agreement, the Manager will provide certain services to CNI and the Corporation, which shall include reviewing for accuracy and providing assistance with the National Instrument 45-106F16 regulatory disclosure.

CNI, on its own behalf and as agent for the Corporation, will pay a management fee to the Manager equal to 0.35% of the value of the CNI Loan, payable on the value of the CNI Loan on a per diem basis (the “**Management Fees**”). The Management Fees are payable to the Manager on a quarterly basis. The Management Agreement can be terminated with 30 days’ notice. All amounts payable to the Manager under the Management Agreement shall be paid by CNI on the Corporation’s behalf. **See Item 3.3 The Manager.**

As market conditions and the business of the Corporation and CNI are continuously evolving, the Corporation and CNI will continue to monitor the management structure of the business and will make any changes necessary in order to ensure that the business needs of the Corporation and CNI are being met in an optimal fashion.

### **Revolving Line of Credit**

On November 28, 2016, the Corporation and CNI, as borrowers, and Gerry Wawzonek and Natalie Wawzonek, as guarantors (the “**Guarantors**”), entered into the Commitment Letter with the Lender pursuant to which, the Corporation and CNI may access a Revolving Line of Credit of up to \$1,500,000 (the “**Loan Amount**”) to be used by the Corporation and CNI to finance CNI’s Factoring Transactions. Advances under the Revolving Line of Credit are to be available following satisfaction of certain standard lending covenants and conditions in addition to maintaining the margin conditions, the total cash flow coverage ratio and the current ratio.

Interest on the Revolving Line of Credit is to be paid at the greater of 4.20% or a rate of 1.0 percentage point above the Lender’s prime lending rate. All interest shall be payable without demand on the dates specified by the Lender and shall be calculated daily, compounded monthly. Overdue interest shall bear interest at the same rate. The Corporation and CNI may not at any time exceed

the lesser of the Loan Amount and the maximum available under the margin conditions. The Revolving Line of Credit shall be payable in full on demand by the Lender.

Pursuant to the terms and conditions of the Commitment Letter, the Corporation and CNI have provided the Lender with the following security for the Revolving Line of Credit:

- a first priority security interest in all of their present and after-acquired property;
- a revolving credit agreement with a credit limit of up to \$1,500,000;
- full liability guarantees from the Guarantors in favour of the Lender guaranteeing all indebtedness of the Corporation and CNI to the Lender;
- an assignment and postponement of the Corporation's interest in the CNI Loan to the Lender;
- a subordination agreement between the Corporation and the Lender providing the Lender with a first priority security interest in all present and after acquired personal property of CNI; and
- such additional securities as the Lender may deem necessary or advisable for the purpose of obtaining and perfecting the foregoing security.

Attached as Schedule B hereto, is a copy of two letters from the Lender, whereby the Lender has approved the continuation of the Revolving Line of Credit for an additional year from the date of that letter and further that the Lender has agreed to increase the amount on the line of credit to \$1,500,000, as per the amendment letter dated December 7, 2017. For further details, see **Item 2.9.3 Revolving Line of Credit**.

### 2.3.2 Offering Structure

The purpose of this Offering is to allow Subscribers to participate, indirectly through acquiring Offered Bonds in the Corporation, in the financing of CNI's factoring business.

Funds from Deferred Plans may be used to purchase Offered Bonds pursuant to this Offering subject to the general comments of Sihota Taylor Professional Corporation. **See Item 6 Income Tax Consequences and Deferred Plan Eligibility.**

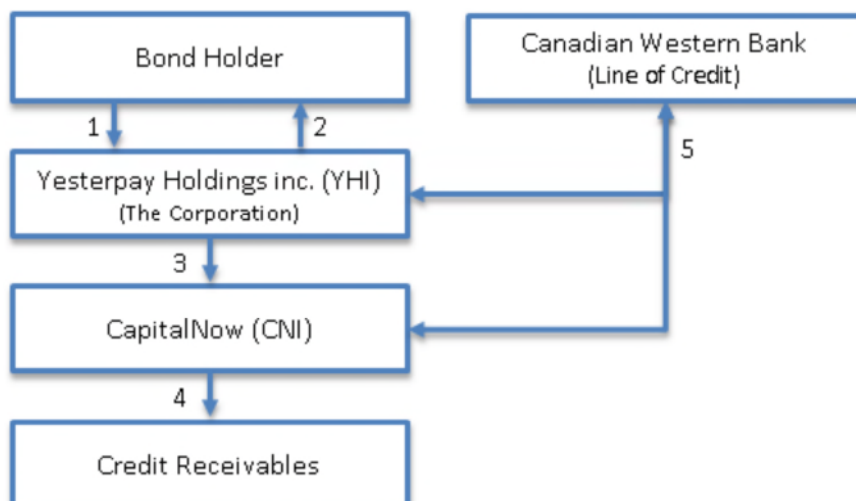
No advance income tax ruling has been applied for or received with respect to the income tax consequences described in this Offering Memorandum. **See Item 8 Risk Factors.**

No assurance can be given that changes in the Tax Act or future court decisions or the implementation of new taxes will not adversely affect the Corporation or fundamentally alter the income tax consequences to holders of the Bonds with respect to acquiring, holding or disposing of the Bonds of the Corporation.

**Subscribers are strongly encouraged to consult their tax advisors as to the tax consequences of acquiring, holding and disposing of the Offered Bonds purchased pursuant to this Offering.**

### 2.3.3 Investment Flow Chart

The following represents the proposed use of the available funds of this Offering after the payment of the costs associated with this Offering. **See Item 1.1 Available Funds.**



1. Subscribers purchase Bonds in the Corporation with funds from Deferred Plans or cash.
2. The Corporation issues Bonds to the Subscribers.
3. The Corporation loans the available funds of this Offering to CNI.
4. CNI will use the available funds of this Offering to pay all costs, fees and commissions associated with this Offering pursuant to the Loan Commitment Fee and as working to capital to acquire discounted Credit Receivables.
5. The Revolving Line of Credit from Canadian Western Bank is used by the Corporation and CNI to finance CNI's Factoring Transactions.

**See Item 2.3.1 Business of Capital Now Inc. and Item 2.9.2 Loan Agreement with Capital Now Inc.**

The debt ranking is as follows:

CNI acquires Credit Receivables from its clients. These purchased Credit Receivables are the principle assets of CNI. The Corporation has a perfected security interest over all of CNI's assets pursuant to a General Security Agreement (GSA). This security interest has been postponed and subordinated to Canadian Western Bank. Canadian Western Bank holds a secure position/seniority over the assets of both the Corporation and CNI.

Therefore, the debt rankings of the Corporation and CNI are as follows:

**The Corporation**<sup>(1)</sup>

Canadian Western Bank  
Bonds of the Corporation

**CNI**<sup>(1)</sup>

Canadian Western Bank  
The Corporation  
CNI Debentures

<sup>(1)</sup>The Corporation and CNI are both "borrowers" under the Revolving Line of Credit. **See Item 2.9.3 Revolving Line of Credit.**

## **2.4 Development of Business**

The major developments in the business of the Corporation since its inception are as follows:

- I. entering into the Target Agreement;
- II. entering into the agreement in respect of the CNI Loan;
- III. entering into the Management Agreement;
- IV. raising funds under the Initial Offerings;
- V. advancing funds received from the Initial Offerings to CNI pursuant to the CNI Loan; and
- VI. entering into the Commitment Letter with the Lender.

Except as described herein, there have been no material events that have adversely affected the Corporation's business since its inception. On July 24, 2019, Mr. Cleve Pohl, one of the directors of the Corporation, tendered his resignation for personal reasons. On July 24, 2019, the Board of Directors passed a resolution filling the vacancy resulting from Mr. Pohl's resignation by appointing Mr. Wayne Anderson to the Board pursuant to the provisions of the ABCA in respect thereof.

There have been no material events that have adversely affected CNI's business since its inception.

## **2.5 Long-Term Objectives**

The Corporation's long-term goals are to raise up to \$15 million in the aggregate under the Offering and loan the funds from the Offering to CNI to be used by CNI for the purposes set out in Item 1.2 herein. Assuming the Maximum Offering Amount and no other material changes in risks, the Corporation anticipates completion of this goal within 24 to 36 months, depending on the amount of Bonds purchased by Subscribing Bondholders. The Corporation may continue to sell Bonds as required to replace Bonds that mature or have been redeemed.

The anticipated costs to be incurred by the Corporation with respect to the completion of its long-term objectives are the same as the Maximum Offering Amount as set out in Item 1.2 herein.

## 2.6 Business Continuity

From a business continuity perspective, the Corporation faces two principal risks that could occur independently or together. The first risk is key person risk, as it applies to each of Gerry Wawzonek and Natalie Wawzonek. The second risk is a dramatic and sustained down turn in business or the economy that leaves CNI or the Corporation with a large surplus of capital.

CNI has acquired insurance policies on Gerry Wawzonek and Natalie Wawzonek that would provide \$1,000,000 in coverage upon the occurrence of either one of their deaths and \$2,000,000 in coverage upon the occurrence of both of their deaths (together, the “**Insurance Policies**”). The beneficiary of the Insurance Policies is CNI. Management believes the amount of the Insurance Policies is sufficient funds to enable a proper leadership transition or alternatively, a wind down the business of CNI, in which case the capital would be returned to the Corporation’s investors.

In the capital structure for both the Corporation and CNI, management has built in the following capabilities to reduce the total capital burden in the case of a dramatic and sustained business down turn:

- with respect to the Series C Bonds, Series D Bonds, Series E Bonds and Series F Bonds, the Corporation has the right to redeem the Bonds at any time by providing such Bondholder with 21 days written notice; and
- with respect to CNI Debentures, over the course of the next 18 months, CNI expects that all of the holders of the CNI Debentures will be moved to a new form of debenture and, under the new form of debenture, CNI will have the right to redeem the debenture, in whole, by providing the holder with not less than 30 days’ written notice.

These capabilities will enable the management of the Corporation and CNI to protect both the Corporation and CNI if such a business continuity issue were to occur.

## 2.7 Short-Term Objectives and How the Corporation Intends to Achieve Them

The Corporation's goal for the next 12 months, is to raise an additional \$5,000,000 towards the long-term objective of this offering. **See Item 2.5 Long Term Objectives.** The following outlines the Corporation’s short-term objective and the method and cost associated with the achievement thereof.

What we must do and how we will do it	Target number of months to complete	Our cost to complete <sup>(1)</sup>
To raise \$5,000,000 through the Offering over the next 12 months and loan the available funds to CNI pursuant to the CNI Loan Agreement. <b>See Item 2.3 Our Business and Item 2.9.2 Loan Agreement with Capital Now Inc.</b>	12 months from date of this Offering Memorandum	\$596,440

(1) This amount represents all estimated costs, fees and commissions associated with raising \$5,000,000 during the 12 months following the issuance of the Offering Memorandum. CNI will pay the Corporation, pursuant to the Loan Commitment Fee, all fees, costs and commissions associated with this Offering. See notes (1)-(5) in **Item 1.1 Available Funds**.

## 2.8 Insufficient Funds

The available funds raised from the Offering will be committed to the business objectives of the Corporation. The Corporation does not intend to hold any significant cash reserves, as all administration and operating expenses incurred by the Corporation in the conduct of its business will likely be covered by the Loan Commitment Fee. In the event that the Corporation does not raise the full amount under the Offering, then the Corporation will reduce the amount of available funds lent to CNI and as a result, CNI will reduce the number of invoices purchased.

The Corporation and CNI entered into a Revolving Line of Credit up to a maximum of \$1,500,000 by the Lender, an arm’s length commercial bank, pursuant to the terms and conditions of the Commitment Letter, under which varying amounts may be outstanding from time to time. **See Item 2.9.3 Revolving Line of Credit.**

The Corporation does not anticipate requiring additional funds to pursue its objectives.

## 2.9 Material Agreements

The following are the key terms of all material agreements that the Corporation has entered into and which can reasonably be regarded as presently being material to the Corporation or a prospective purchaser of Offered Bonds being offered pursuant to this Offering.



## 2.9.1 Agreement with Target Capital Inc.

For the purposes of this Item, the capitalized terms below shall have the following meanings:

**“Material Breach”** means one or more of the following events:

- (a) the Corporation failing to pay the Annual Fee, the Capital Raising Fee or any amounts payable under the indemnity set out herein within sixty (60) days of such amounts being owed to Target;
- (b) the Corporation failing to deliver signed copies of the Target Release for each subscriber of the Corporation’s securities;
- (c) the Corporation failing to include in this Offering Memorandum or any future Offering Documents (as defined below) disclosure on such terms required by the Target Agreement (the **“Required Disclosure”**);
- (d) the Corporation failing to deliver a signed copy of the “Consent to Release Information” form as required by the Target Agreement concurrent with the execution and delivery of the Target Agreement; and
- (e) the Corporation failing to provide Target access to its books and records within thirty (30) days of receiving written request from Target to review such documentation.

**“Offering Documents”** means any offering memorandum, prospectus or term sheet, and applicable subscription agreement prepared by the Corporation in connection with a distribution of its securities.

The Corporation entered into the Target Agreement on November 8, 2012, whereby Target agrees to hold the Target Shares pursuant to **Item 2.2 Voting Control – Target Agreement Inc.** on the following terms:

- (a) The Corporation shall pay to Target:
  - (i) the Annual Fee on each anniversary date of the Target Agreement; plus
  - (ii) the Capital Raising Fee on the date which the Corporation raises Deferred Plan Capital.Any amounts owing by the Corporation to Target that have been outstanding for more than 60 days will be subject to interest penalties at a rate of two percent (2%) per month.
- (b) **Access to Records.** If requested, the Corporation shall promptly provide Target with copies of all corporate records.
- (c) **Target Release/Required Disclosure.** The Corporation shall attach the Target Release to all Offering Documents used by the Corporation in the distribution of its securities and shall include the Required Disclosure in all such Offering Documents. The Corporation shall not sell any of its securities to any party unless such subscriber has executed and delivered a signed copy of the Target Release to the Corporation. The Corporation shall promptly provide Target with the signed copies of all such signed Target Releases.
- (d) **Offering Document Review.** Target’s approval is required prior to the release of any Offering Documents. Target may charge a review fee of \$2,500 for each Offering Document submitted for review subsequent to the original Offering Documents, including updated or revised Offering Memoranda.
- (e) **Indemnity.** The Corporation has agreed to indemnify and save harmless Target and its directors, officers and employees from and against all claims, demands, losses, actions, causes of action, costs, charges, expenses, damages and liabilities whatsoever arising out of or in connection with the Target Agreement or Target’s shareholdings in the Corporation. The indemnity shall survive the expiry or termination of the Target Agreement.
- (f) **Term.** The Target Agreement shall be in effect from the date of that Agreement to the date on which Target ceases to be the majority shareholder of the Corporation. Notwithstanding the above, if the Target Agreement shall be terminated prior to the date that is two years from the date of the Target Agreement, the Corporation covenants and agrees to pay Target the Annual Fee and the Capital Raising Fee that would have otherwise been payable had Target remained the majority shareholder of the Corporation for two years.
- (g) **Termination by the Corporation.** Subject to the two year minimum payment obligations set out in sub-paragraph (f) above and the survival of the indemnity set out in sub-paragraph (e) above, the Corporation may terminate the Target Agreement by providing Target with 90 days written notice.
- (h) **Termination by Target.** In the event of a Material Breach of the Target Agreement by the Corporation, Target shall be entitled to immediately terminate the Target Agreement by providing written notice of such termination to the Corporation. Upon termination of the Target Agreement by Target, the Target Shares shall be deemed transferred to the Corporation in exchange for \$1.00.

**See Item 2.2 Voting Control – Target Capital Inc. for additional terms of the Target Agreement.**

The Corporation expects the Target Agreement to continue for the term of the Offered Bonds offered pursuant to this Offering.

CNI will pay to Target the Annual Fee and the Capital Raising Fee during the term of the Target Agreement on the Corporation’s behalf, pursuant to the Loan Commitment Fee. **See Item 2.9.2 Loan Agreement with Capital Now Inc.**

## 2.9.2 Loan Agreement with Capital Now Inc.

The Corporation has also entered into the CNI Loan Agreement with CNI, the material terms of which are summarized below:



- (a) **Loan Amount:** The Corporation agrees to provide loans to CNI up to a maximum amount of \$15,000,000. The loans advanced shall be raised through the issuance of Bonds.
- (b) **Interest Rate:** The interest rate for the CNI Loan is as follows:
  - (i) eight percent (8%) per annum with respect to funds advanced to CNI through the issue of Series A Bonds by the Corporation;
  - (ii) eight percent (8%) per annum, compounded monthly, with respect to funds advanced to CNI through the issue of Series B Bonds by the Corporation;
  - (iii) six and a half percent (6.5%) per annum with respect to funds advanced to CNI through the issue of Series C Bonds by the Corporation;
  - (iv) seven and a half percent (7.5%) per annum with respect to funds advanced to CNI through the issue of Series D Bonds by the Corporation;
  - (v) eight and a half percent (8.5%) per annum with respect to funds advanced to CNI through the issue of Series E Bonds by the Corporation; and
  - (vi) eight and a half percent (8.5%) per annum, compounded monthly, with respect to funds advanced to CNI through the issue of Series F Bonds by the Corporation.
- (c) **Loan Maturity:** Pursuant to the terms of the CNI Loan Agreement, in respect of each of the Series A Bonds, Series B Bonds, Series C Bonds, Series D Bonds, Series E Bonds, Series F Bonds and any other bonds issued by the Corporation from time to time for that class of bonds, the maturity date shall be determined by the Corporation in the CNI Loan Agreement and incorporated therein from time to time and provided to CNI (the “**Maturity Date**”).
- (d) **Payments:** All principal and unpaid interest shall be due and payable on the Maturity Date. CNI shall make interest payments to the Corporation, or as directed by the Corporation, on the last day of each month during the term of the CNI Loan with respect to funds advanced to CNI through the issuance of Series A Bonds, Series C Bonds, Series D Bonds and Series E Bonds by the Corporation. Interest with respect to funds advanced by CNI through the issue of Series B Bonds and Series F Bonds by the Corporation will be paid in a lump sum on the dates referred to in section (c) above.
- (e) **Security:** The CNI Loan is secured by way of a general security agreement securing all present and after-acquired personal property of CNI in favour of the Corporation.
- (f) **Direction:** The CNI Loan Agreement provides that, the Corporation and CNI agree that the Corporation may from time to time direct CNI to pay the Bondholders directly on the Corporation’s behalf payments of principal, interest or any other payments due and owing by the Corporation to the Bondholder or for any other payments to third parties referenced in the CNI Loan Agreement.
- (g) **Additional Terms:** All charges, fees, commissions and costs incurred by the Corporation with respect to the Offering and the CNI Loan Agreement shall form a Loan Commitment Fee and shall be paid by CNI to the Corporation on or before the Maturity Date.
- (h) **Prepayment:** The CNI Loan may be repaid by CNI in part or in full at any time without penalty or bonus.
- (i) **Event of Default:** The CNI Loan Agreement contains commercially standard events of default including without limitation those related to non-payment when due of any principal or interest, the failure to comply with or observe any obligation under the CNI Loan Agreement, or any security, a representation, warranty or statement made which is untrue or misleading, and matters related to the bankruptcy, insolvency or making of an assignment in bankruptcy of CNI, among other commercially standard events of default.
- (j) **Assignment, Postponement and Subordination:** The Corporation is assigning, postponing, and subordinating its rights under the CNI Loan to the Lender. **See 2.9.3 Revolving Line of Credit.**

### **2.9.3 Revolving Line of Credit**

The Corporation and CNI have entered into the Commitment Letter with the Lender, the material terms of which are summarized below:

- (a) **Loan Amount:** Up to \$1,500,000.
- (b) **Purpose:** To finance CNI’s Factoring Transactions.
- (c) **Interest Rate:** Interest to be paid at the greater of: (i) 4.2%; or (ii) 1.0 percentage point above the Lender’s prime lending rate. All interest is payable without demand on the dates specified by the Lender and shall be calculated daily, compounded monthly.
- (d) **Advances:** Available to the Corporation and CNI by way of the Revolving Line of Credit.
- (e) **Repayment:** On demand.
- (f) **Fees:** The Corporation and CNI have paid an application fee of \$3,125 and shall pay (i) an annual fee of \$1,500 each year in conjunction with the annual review to renew the Revolving Line Of Credit; (ii) a monthly revolving loan fee of \$200; (iii) a late reporting fee of \$125 for each monthly report, in addition, a fee of \$125 per month, or portion thereof, for late provision of annual financial statements/reporting after expiry of a 120 day period; and (iv) all costs, including, but not

limited to, legal counsel expenses, appraisal fees, cost consultant fees, and reasonable out-of-pocket expenses incurred by the Lender.

(g) **Related Agreements:**

- (i) a revolving credit agreement between the Corporation, CNI, and the Lender;
- (ii) general security agreements securing all present and after-acquired personal property of the Corporation and CNI in favour of the Lender;
- (iii) full liability guarantees from Gerry Wawzonek and Natalie Wawzonek (the “**Guarantors**”) to the Lender which guarantee all indebtedness of the Corporation and CNI under the Revolving Line of Credit;
- (iv) an assignment and postponement of the Corporation’s rights under the CNI Loan Agreement to the Lender; and
- (v) a subordination agreement between the Corporation and the Lender providing the Lender with a first priority security interest in all present and after acquired personal property of CNI.

(h) **Key Covenants/Conditions:** In addition to certain standard lending covenants and conditions, the Corporation and CNI are obligated to maintain:

- (i) a total cash flow coverage ratio for CNI of not less than 1.25:1 at all times;
- (ii) a current ratio not less than 1.50:1; and
- (iii) the margin condition, which requires that the total outstanding operating loan plus source deductions outstanding will not at any time exceed \$1,500,000 and:
  - a. 50% of purchased factored receivables which are likely to be collected within 90 days, do not exceed the aggregate amount of \$600,000, and where the Lender is satisfied that the Corporation and CNI have obtained sufficient financial information to be able to perform reasonable estimates of their ability to collect the receivables (the “**Eligible Factored Receivables**”) due from well-known public companies with available financial information and favourable credit ratings; and
  - b. 35% of Eligible Factored Receivables due from private companies with satisfactory credit reports; LESS: note receivables, other secured loans, intercompany/employee advances, holdbacks, contra accounts, doubtful accounts and source deductions.

(i) **Reporting Requirements:** The Corporation and CNI shall provide the Lender with monthly reporting of aged listings of factored accounts receivable, internal financial statements, delinquency reports; annual audited financial statements; and biennial updated personal net worth statements of the Guarantors.

(j) **Events of Default:** The Commitment Letter contains commercially standard events of default including without limitation those related to: non-payment when due of any interest, principal, fees, or other amounts payable to the Lender; breaches not corrected within 15 days of notice; any bankruptcy/insolvency or analogous proceedings (including the appointment of a receiver); and any adverse change in the financial conditions of the Corporation, CNI or the Guarantors.

### ITEM 3 - DIRECTORS, MANAGEMENT, PROMOTERS AND PRINCIPAL HOLDERS

#### 3.1 Compensation and Securities Held

The following table provides specified information about each director, officer and promoter of the Corporation and each person who directly or indirectly beneficially owns or controls 10% or more of any class of voting securities of the Corporation:

Name and municipality of principal residence	Position held and date of obtaining that position	Compensation paid by the Corporation in the most recently completed financial year and the compensation anticipated to be paid in current financial year	Number, type and percentage of securities of the Corporation held after completion of the Minimum Offering	Number, type and percentage of securities of the Corporation held after completion of the Maximum Offering
Target Capital Inc. Calgary, Alberta	Shareholder since November 8, 2012	\$20,518 <sup>(1)</sup> \$66,000 <sup>(2)(3)</sup>	60,000 Class A Shares (60%)	60,000 Class A Shares (60%)
C. Gerry Wawzonek <sup>(4)</sup> Calgary, Alberta	President, Director and Shareholder since Nov. 7, 2012	Nil	20,000 Class A Shares (20%)	20,000 Class A Shares (20%)
Natalie K. Wawzonek <sup>(5)</sup> Calgary, Alberta	Secretary, Treasurer, Director and Shareholder since Nov. 7, 2012	Nil	20,000 Class A Shares (20%)	20,000 Class A Shares (20%)

Wayne Anderson Calgary, Alberta	Director since July 24, 2019	Nil	Nil	Nil
Arthur Smith <sup>(6)</sup> Calgary, Alberta	Vice-President – Corporate Strategy and Business Development since February 1, 2016	\$60,480 \$60,480 <sup>(7)</sup>	Nil	Nil

- (1) Represents fee paid or payable to Target to date pursuant to the Target Agreement.
- (2) Represents the fee payable to Target pursuant to the Target Agreement, assuming the Corporation raises \$5,000,000 in Deferred Plan Capital through the Offering during this period. **See Item 2.9.1 Agreement with Target Capital Inc.**
- (3) CNI will pay to Target the Annual Fee and the Capital Raising Fee during the term of the Target Agreement on the Corporation's behalf, pursuant to the Loan Commitment Fee. **See Item 2.9.2 Loan Agreement with Capital Now Inc.**
- (4) Gerry Wawzonek is also a director, officer and shareholder of CNI.
- (5) Natalie Wawzonek is also a director, officer and shareholder of CNI.
- (6) Arthur Smith is also an officer of CNI.
- (7) All amounts due and owing to Arthur Smith in his capacity as an officer of the Corporation will be paid by CNI on the Corporation's behalf, pursuant to the Loan Commitment Fee. **See Item 2.9.2 Loan Agreement with Capital Now Inc.**

### 3.2 Management Experience

The names and principal occupations of the directors and officers of the Corporation over the past five years are as follows:

Name and position	Principal Occupation and Related Experience
<b>C. Gerry Wawzonek</b> President and Director	Mr. Wawzonek graduated from the University of Guelph with a Bachelor of Arts Degree. He was a registered mortgage broker agent for Axxess Capital Partners, HSBC and CIBC over a 15-year period. In 2007, Mr. Wawzonek founded Capital Now Inc. (formerly PGV Inc.) and has acted in all aspects of the factoring business, including underwriting, funding, administration, collections and investor relations. Mr. Wawzonek's position involved the establishment and revision of all corporate documents, development of best practices, implementation of industry specific software and automating the banking process. Since 2015, Mr. Wawzonek has been certified as a Factoring Account Executive by the International Factoring Association.
<b>Natalie K. Wawzonek</b> Secretary, Treasurer and Director	Ms. Wawzonek is co-founder of Capital Now Inc. She graduated from the University of Alberta with a Bachelor of Arts Degree and has eighteen years of Asset Based Lending experience. Ms. Wawzonek has been involved in all areas of the factoring business including the day-to-day operations of the business such as administrative duties, funding, client retention, investor relations and financial duties. She has been instrumental in the development of best practices, deal flow and customer service. Ms. Wawzonek was previously a sales executive and has won multiple awards for excellence in sales. She is certified as a Factoring Account Executive by the International Factoring Association.
<b>Wayne Anderson</b> Director	Mr. Anderson has over 26 years of experience working in the technology industry, holding positions of executive vice president, director, business development specialist, management and sales roles. He has worked in north America for companies such as IBM, Digital Corporation, Sun Microsystems, Open Text and was instrumental in building local Calgary based oil and gas technology firm, Applied Terravision. Most recently, Mr. Anderson was the elected #884 member of the Legislative Assembly as Member of her Majesty's Official Opposition 29th Legislature; elected as the Member of the Legislative Assembly representing the constituency of Highwood, Alberta. Mr. Anderson attended the University of Winnipeg Bachelor of Science program as well as being a graduate of the University of Winnipeg collegiate program. While attending University, Mr. Anderson was a member of the Board of Regents governing body and the University Senate, treasure and president of his student council. Mr. Anderson's work representing Fortune 100 companies for several decades provided him with the opportunity to learn how to successfully navigate large enterprise and public-sector accounts to bring key stakeholders and decision makers together to reach successful conclusions on complex technology solutions.
<b>Arthur Smith</b> Vice President - Corporate Strategy and Business Development	Mr. Smith has over 15 years of executive leadership experience in Canadian corporations. He has extensive industry experience in utilities, manufacturing, oil and gas and technology working for corporations like TransCanada, Northern Telecom, Cortex Business Solution and others. In his last executive role he grew a small startup into an industry leading publicly traded technology service company in North America. Throughout his career Mr. Smith has been recognized for delivering business results by leading people, sales, delivery, technology, capital market and operations.

### 3.3 The Manager

The name and background information in respect of the Manager is as follows:

Name	Principal Occupation and Related Experience
Pangaea Asset Management Inc.	Pangaea is an independent, privately held investment firm. Founded in December 2005, Pangaea was established to serve individual and institutional investors by providing unique investment opportunities as well as individually managed accounts. Linda Palin is the founder of Pangaea. Ms. Palin's professional experience includes years as an equity analyst, institutional and private client portfolio manager. She has managed both equity and fixed income funds and has significant experience in asset selection across all market capitalizations and industry sectors. Linda received her BA and MBA from York University and is a Chartered Financial Analyst, Certified Management Accountant, and Fellow of the Institute of Canadian Bankers. She is past President of the CFA Society Toronto and served as Chair of its Audit, Private Client, Derivatives, and Governance Committees.

### 3.4 Penalties, Sanctions and Bankruptcy

There are no penalties or sanctions by any securities commission, stock exchange or governmental regulatory agency that have been in effect during the last ten years against an officer, director or control person of the Corporation or against a company of which any of the foregoing was an officer, director or control person. No declaration of bankruptcy, voluntary assignment 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, has been in effect during the last 10 years with regard to those individuals or any companies of which any of those individuals was an officer, director or control person at that time.

### 3.5 Loans

The Corporation has entered into the CNI Loan. **See Item 2.9.2 Loan Agreement with Capital Now Inc.** As at March 31, 2019, the principal amount outstanding on the CNI Loan is \$4,655,189.

The Corporation and CNI have entered into the Commitment Letter. **See Item 2.9.3 Revolving Line of Credit.** As at March 31, 2019, the principal amount outstanding on the Revolving Line of Credit was \$0, which pursuant to the terms and conditions of the Commitment Letter may vary from time to time. Both the Corporation and CNI have provided the Lender with a first priority security interest in all of their present and after-acquired property as security for the Revolving Line of Credit. Natalie Wawzonek and Gerry Wawzonek, both current directors and officers of the Corporation and CNI, have also entered into full liability guarantees in favour of the Lender guaranteeing all indebtedness of the Corporation and CNI to the Lender.

**See Item 2.9.2 Loan Agreement with Capital Now Inc., Item 2.9.3 Revolving Line of Credit and Item 4.2 Long-Term Debt Securities.**

## ITEM 4 - CAPITAL STRUCTURE

### 4.1 Share Capital

The share capital of the Corporation is as follows:

Description of Security	Number authorized to be issued	Price per security	Number outstanding as at July 29, 2019	Number outstanding assuming completion of Minimum Offering	Number outstanding assuming completion of Maximum Offering
Class A Preferred Shares	Unlimited	\$0.01	100,000	100,000	100,000
Class B Common Shares	Unlimited	N/A	Nil	Nil	Nil

#### Class A Preferred Shares and Class B Common Shares

There are special rights and restrictions attached to the Class A Preferred Shares and the Class B Common Shares (the "Class B Shares") of the Corporation. The following is a brief summary of certain of these rights and restrictions:

- (a) The Corporation is authorized to issue an unlimited number of Class A Shares having attached thereto, as a class, the following rights, privileges, restrictions and conditions:

**Voting Rights** - The holders of the Class A Preferred Shares (the “**Class A Shareholders**”) shall be entitled to receive notice of, to attend and to vote at all meetings of the shareholders of the Corporation. Each Class A Share shall confer on the holder thereof the right to one vote in person or by proxy at all meetings of shareholders of the Corporation.

**Dividend Entitlement** - The Class A Shareholders are not entitled to participate in the profits of the Corporation and are not entitled to receive any dividends.

**Entitlement on Dissolution or Winding-Up** - In the event of a reduction of capital or the liquidation, dissolution or winding-up of the Corporation or other distribution of property or assets of the Corporation among its shareholders for the purpose of winding-up its affairs (a “**Winding-Up Event**”):

- (i) prior to the Class A Shareholders receiving any consideration in the occurrence of a Winding-Up Event, any bondholders of the Corporation at the time of such Winding-Up Event shall be entitled to receive from the Corporation an amount equal to the face value of their bond together with any accrued interest thereon up to the date of payment (the “**Redemption Amount**”) in priority to any distribution of any of the Corporation’s assets or property to the Class A Shareholders. If the Corporation does not have sufficient property or assets to pay the aggregate of the Redemption Amount then each bondholder will be entitled to their *pro rata* share of the Corporation’s property or assets in priority to the Class A Shareholders; and
- (ii) the Class A Shareholders shall be entitled to receive an amount equal to the aggregate amount of paid up capital on the Class A Shares held by them respectively after repayment of the aggregate Redemption Amount and in the event that there is not sufficient property or assets to return the entire amount of paid up capital thereon to all shareholders, the amount available for distribution shall be distributed to the shareholders on a *pro rata* basis according to the number of Class A Shares owned by each shareholder.

- (b) The Corporation is authorized to issue an unlimited number of Class B Shares having attached thereto, as a class, the following rights, privileges, restrictions and conditions:

**Voting Rights** - The holders of the Class B Shares shall not be entitled to receive notice of, to attend or vote at any meetings of the shareholders of the Corporation.

**Dividend Entitlement** - The right, subject to any preferential rights attaching to any other class or series of shares of the Corporation, to receive dividends as, when and if declared on the Class B Shares by the Corporation. No dividend may be declared or paid on the Class B Shares if payment of the dividend would cause the realizable value of the Corporation’s assets to be less than the aggregate of its liabilities and the amount required to redeem any bonds issued by the Corporation then outstanding having attached thereto a right of redemption or retraction.

**Entitlement on Dissolution or Winding-Up** - The right, subject to any preferential rights attaching to any bonds issued by the Corporation, to share in the remaining property of the Corporation upon dissolution after all the Class A Shareholders have received payment of the aggregate amount of paid up capital held by each Class A Shareholder.

## 4.2 Long-Term Debt Securities

### Revolving Line of Credit

As of the date of this Offering Memorandum, the Corporation has the following long-term debt arising from the Revolving Line of Credit granted by the Lender under the Commitment Letter:

Description of Long-term Debt	Interest Rate	Repayment Terms	Principal Amount Outstanding as at March 31, 2019
Revolving Line of Credit (secured) <sup>(1)</sup>	Variable <sup>(2)</sup>	On demand	\$0

(1) The Corporation and CNI were granted a Revolving Line of Credit up to a maximum of \$1,500,000 by the Lender, an arm’s length commercial bank, pursuant to the terms and conditions of the Commitment Letter, under which varying amounts may be outstanding from time to time. See Item 2.9.3 Revolving Line of Credit.

(2) The interest rate for the Revolving Line Of Credit is calculated on the daily balance of the amount owing and payable monthly, both before and after demand and judgment, at the greater of: (i) 4.2%; or (ii) 1.0 percentage point above the Lender’s prime lending rate, with interest on overdue interest at the same rate.

### Issued Bonds

As of the date of this Offering Memorandum, the Corporation has the following long-term debt outstanding from the issue of: the

42,205 Outstanding Current Offering Issued Bonds pursuant to the Initial Offerings; and 6,845 Converted Bonds:

Description of Long-term Debt	Interest Rate	Repayment Terms <sup>(3)</sup>	Number Outstanding as at July 29, 2019	Principal Amount Outstanding as at July 29, 2019 <sup>(1) (2)</sup>
Series E Bonds (unsecured) – Issued September 16, 2016	8.5% per annum	Interest in respect of these Series E Bonds is payable on the last day of each month during the term of the Series E Bonds and the principal is repaid on September 16, 2019.	5,604	\$560,400
Series E Bonds (unsecured) – Issued October 28, 2016	8.5% per annum	Interest in respect of these Series E Bonds is payable on the last day of each month during the term of the Series E Bonds and the principal is repaid on October 28, 2019.	1,420	\$142,000
Series E Bonds (unsecured) – Issued November 15, 2016	8.5% per annum	Interest in respect of these Series E Bonds is payable on the last day of each month during the term of the Series E Bonds and the principal is repaid on November 15, 2019.	5,065	\$506,500
Series F Bonds (unsecured) – Issued November 15, 2016	8.5% per annum	Interest in respect of these Series F Bonds is compounded monthly and the principal and interest is repaid on November 15, 2019.	340	\$34,000
Series E Bonds (unsecured) – Issued November 22, 2016	8.5% per annum	Interest in respect of these Series E Bonds is payable on the last day of each month during the term of the Series E Bonds and the principal is repaid on November 22, 2019.	744	\$74,400
Series F Bonds (unsecured) – Issued November 22, 2016	8.5% per annum	Interest in respect of these Series F Bonds is compounded monthly and the principal and interest is repaid on November 22, 2019.	368	\$36,800
Series E Bonds (unsecured) – Issued March 14, 2017	8.5% per annum	Interest in respect of these Series E Bonds is payable on the last day of each month during the term of the Series E Bonds and the principal is repaid on March 14, 2020.	1,927	\$192,700
Series F Bonds (unsecured) – Issued March 14, 2017	8.5% per annum	Interest in respect of these Series F Bonds is compounded monthly and the principal and interest is repaid on March 14, 2020.	1,455	\$145,500
Series E Bonds (unsecured) – Issued April 27, 2017	8.5% per annum	Interest in respect of these Series E Bonds is payable on the last day of each month during the term of the Series E Bonds and the principal is repaid on April 27, 2020.	1,874	\$187,400
Series F Bonds (unsecured) – Issued April 27, 2017	8.5% per annum	Interest in respect of these Series F Bonds is compounded monthly and the principal and interest is repaid on April 27, 2020.	320	\$32,000
Series D Bonds (unsecured) – Issued August 25, 2017	7.5% per annum	Interest in respect of these Series D Bonds is payable on the last day of each month during the term of the Series D Bonds and the principal is repaid on August 25, 2019.	200	\$20,000
Series E Bonds (unsecured) – Issued August 25, 2017	8.5% per annum	Interest in respect of these Series E Bonds is payable on the last day of each month during the term of the Series E Bonds and the principal is repaid on August 25, 2020.	2,455	\$245,500

Series F Bonds (unsecured) – Issued August 25, 2017	8.5% per annum	Interest in respect of these Series F Bonds is compounded monthly and the principal and interest is repaid on August 25, 2020.	975	\$97,500
Series D Bonds (unsecured) – Issued November 3, 2017	7.5% per annum	Interest in respect of these Series D Bonds is payable on the last day of each month during the term of the Series D Bonds and the principal is repaid on November 3, 2019.	448	\$44,800
Series E Bonds (unsecured) – Issued November 3, 2017	8.5% per annum	Interest in respect of these Series E Bonds is payable on the last day of each month during the term of the Series E Bonds and the principal is repaid on November 3, 2020.	373	\$37,300
Series F Bonds (unsecured) – Issued November 3, 2017	8.5% per annum	Interest in respect of these Series F Bonds is compounded monthly and the principal and interest is repaid on November 3, 2020.	302	\$30,200
Series E Bonds (unsecured) – Issued November 11, 2017 pursuant to the Converted Bonds	8.5% per annum	Interest in respect of these Series E Bonds is payable on the last day of each month during the term of the Series E Bonds and the principal is repaid on November 11, 2020.	1,720	\$172,000
Series F Bonds (unsecured) – Issued November 11, 2017 pursuant to the Converted Bonds	8.5% per annum	Interest in respect of these Series F Bonds is compounded monthly and the principal and interest is repaid on November 11, 2020.	1,100	\$110,000
Series D Bonds (unsecured) – Issued November 28, 2017	7.5% per annum	Interest in respect of these Series D Bonds is payable on the last day of each month during the term of the Series D Bonds and the principal is repaid on November 28, 2019.	100	\$10,000
Series E Bonds (unsecured) – Issued November 28, 2017	8.5% per annum	Interest in respect of these Series E Bonds is payable on the last day of each month during the term of the Series E Bonds and the principal is repaid on November 28, 2020.	772	\$77,200
Series F Bonds (unsecured) – Issued November 28, 2017	8.5% per annum	Interest in respect of these Series F Bonds is compounded monthly and the principal and interest is repaid on November 28, 2020.	54	\$5,400
Series D Bonds (unsecured) – Issued February 1, 2018	7.5% per annum	Interest in respect of these Series D Bonds is payable on the last day of each month during the term of the Series D Bonds and the principal is repaid on February 1, 2020.	88	\$8,800
Series E Bonds (unsecured) – Issued February 1, 2018	8.5% per annum	Interest in respect of these Series E Bonds is payable on the last day of each month during the term of the Series E Bonds and the principal is repaid on February 1, 2021.	420	\$42,000
Series D Bonds (unsecured) – Issued March 15, 2018	7.5% per annum	Interest in respect of these Series D Bonds is payable on the last day of each month during the term of the Series D Bonds and the principal is repaid on March 15, 2020.	1,000	\$100,000
Series E Bonds (unsecured) – Issued March 15, 2018	8.5% per annum	Interest in respect of these Series E Bonds is payable on the last day of each month during the term of the Series E Bonds and	1,000	\$100,000

		the principal is repaid on March 15, 2021.		
Series E Bonds (unsecured) – Issued April 26, 2018	8.5% per annum	Interest in respect of these Series E Bonds is payable on the last day of each month during the term of the Series E Bonds and the principal is repaid on April 26, 2021.	305	\$30,500
Series F Bonds (unsecured) – Issued April 26, 2018	8.5% per annum	Interest in respect of these Series F Bonds is compounded monthly and the principal and interest is repaid on April 26, 2021.	145	\$14,500
Series E Bonds (unsecured) – Issued June 28, 2018	8.5% per annum	Interest in respect of these Series E Bonds is payable on the last day of each month during the term of the Series E Bonds and the principal is repaid on June 28, 2021.	2,678	\$267,800
Series F Bonds (unsecured) – Issued June 28, 2018	8.5% per annum	Interest in respect of these Series F Bonds is compounded monthly and the principal and interest is repaid on June 28, 2021.	1,649	\$164,900
Series C Bonds (unsecured) – Issued August 23, 2018	6.5% per annum	Interest in respect of these Series C Bonds is payable on the last day of each month during the term of the Series C Bonds and the principal is repaid on August 23, 2019.	181	\$18,100
Series E Bonds (unsecured) – Issued August 23, 2018	8.5% per annum	Interest in respect of these Series E Bonds is payable on the last day of each month during the term of the Series E Bonds and the principal is repaid on August 23, 2021.	394	\$39,400
Series F Bonds (unsecured) – Issued August 23, 2018	8.5% per annum	Interest in respect of these Series F Bonds is compounded monthly and the principal and interest is repaid on August 23, 2021.	105	\$10,500
Series C Bonds (unsecured) – Issued October 25, 2018	6.5% per annum	Interest in respect of these Series C Bonds is payable on the last day of each month during the term of the Series C Bonds and the principal is repaid on October 25, 2019.	200	\$20,000
Series D Bonds (unsecured) – Issued October 25, 2018	7.5% per annum	Interest in respect of these Series D Bonds is payable on the last day of each month during the term of the Series D Bonds and the principal is repaid on October 25, 2020.	150	\$15,000
Series E Bonds (unsecured) – Issued October 25, 2018	8.5% per annum	Interest in respect of these Series E Bonds is payable on the last day of each month during the term of the Series E Bonds and the principal is repaid on October 25, 2021.	529	\$52,900
Series F Bonds (unsecured) – Issued October 25, 2018	8.5% per annum	Interest in respect of these Series F Bonds is compounded monthly and the principal and interest is repaid on October 25, 2021.	332	\$33,200
Series C Bonds (unsecured) – Issued November 22, 2018	6.5% per annum	Interest in respect of these Series C Bonds is payable on the last day of each month during the term of the Series C Bonds and the principal is repaid on November 22, 2019.	123	\$12,300
Series E Bonds (unsecured) – Issued November 22, 2018	8.5% per annum	Interest in respect of these Series E Bonds is payable on the last day of each month during the term of the Series E Bonds and the principal is repaid on November 22, 2021.	769	\$76,900



Series F Bonds (unsecured) – Issued November 22, 2018	8.5% per annum	Interest in respect of these Series F Bonds is compounded monthly and the principal and interest is repaid on November 22, 2021.	1,379	\$137,900
Series D Bonds (unsecured) – Issued December 3, 2018 pursuant to the Converted Bonds	7.5% per annum	Interest in respect of these Series D Bonds is payable on the last day of each month during the term of the Series D Bonds and the principal is repaid on December 3, 2020.	190	\$19,000
Series E Bonds (unsecured) – Issued December 3, 2018 pursuant to the Converted Bonds	8.5% per annum	Interest in respect of these Series E Bonds is payable on the last day of each month during the term of the Series E Bonds and the principal is repaid on December 3, 2021.	1,000	\$100,000
Series F Bonds (unsecured) – Issued December 3, 2018 pursuant to the Converted Bonds	8.5% per annum	Interest in respect of these Series F Bonds is compounded monthly and the principal and interest is repaid on December 3, 2021.	1,390	\$139,000
Series C Bonds (unsecured) – Issued February 1, 2019	6.5% per annum	Interest in respect of these Series C Bonds is payable on the last day of each month during the term of the Series C Bonds and the principal is repaid on February 1, 2020.	208	\$20,800
Series E Bonds (unsecured) – Issued February 1, 2019	8.5% per annum	Interest in respect of these Series E Bonds is payable on the last day of each month during the term of the Series E Bonds and the principal is repaid on February 1, 2022.	2,100	\$210,000
Series F Bonds (unsecured) – Issued February 1, 2019	8.5% per annum	Interest in respect of these Series F Bonds is compounded monthly and the principal and interest is repaid on February 1, 2022.	620	\$62,000
Series E Bonds (unsecured) – Issued February 11, 2019 pursuant to the Converted Bonds	8.5% per annum	Interest in respect of these Series E Bonds is payable on the last day of each month during the term of the Series E Bonds and the principal is repaid on February 11, 2022.	445	\$44,500
Series F Bonds (unsecured) – Issued February 11, 2019 pursuant to the Converted Bonds	8.5% per annum	Interest in respect of these Series F Bonds is compounded monthly and the principal and interest is repaid on February 11, 2022.	1,000	\$100,000
Series C Bonds (unsecured) – Issued April 1, 2019	6.5% per annum	Interest in respect of these Series C Bonds is payable on the last day of each month during the term of the Series C Bonds and the principal is repaid on April 1, 2020.	1,031	\$103,100
Series E Bonds (unsecured) – Issued April 1, 2019	8.5% per annum	Interest in respect of these Series E Bonds is payable on the last day of each month during the term of the Series E Bonds and the principal is repaid on April 1, 2022.	1,293	\$129,300
Series F Bonds (unsecured) – Issued April 1, 2019	8.5% per annum	Interest in respect of these Series F Bonds is compounded monthly and the principal and interest is repaid on April 1, 2022.	119	\$11,900
<b>Total Debt</b>	-	-	42,205 Outstanding Current Offering Issued Bonds  6,845 Converted Bonds	\$4,905,000

(1) The Historical Issued Bonds were issued at a price of \$1,000 per Historical Issued Bond.

(2) The Total Current Offering Issued Bonds and the Converted Bonds were issued at a price of \$100 per Current Offering Issued Bond.

- (3) Prior to the maturity date of any of the Existing Bonds, each holder thereof will be given the option to either (x) allow such holder's outstanding Existing Bonds to mature, following which the Corporation will repay the principal amount of such Existing Bonds outstanding, plus any accrued but unpaid interest, all in accordance with the terms of the Existing Bonds, or (y) elect to amend the terms of all or a portion of their Existing Bonds (provided that, the stated portion of the Principal Amount shall constitute an integral multiple of \$1,000) to provide that, upon the maturity of such Existing Bonds, the portion or all of the Existing Bonds will be automatically converted into Series C Bonds, Series D Bonds, Series E Bonds or Series F Bonds of the Corporation, as directed by the holder thereof, with such Series C Bonds, Series D Bonds, Series E Bonds or Series F Bonds, as applicable, having the same terms as set out under **Item 5.1 Securities Offered** and a maturity date occurring on the first anniversary, second anniversary or third anniversary, respectively, from the date of conversion.

In the event the Corporation is successful in raising funds pursuant to this Offering, it will have the following unsecured debt obligations to subscribers through the issue of Bonds offered by the Corporation pursuant to this Current Offering, the Outstanding Current Offering Issued Bonds and the Converted Bonds:

**Outstanding Current Offering Issued Bonds**

<b>Description of Security</b>	<b>Interest Rate</b>	<b>Repayment Terms<sup>(2)</sup></b>	<b>Number outstanding as at July 29, 2019</b>	<b>Number outstanding assuming completion of Maximum Offering</b>
Unsecured Series C Bonds	6.5%	<b>See Item 5.1 Terms of Securities</b>	2,334 Series C Bonds  Representing a principal amount of \$233,400 owed to Subscribers  All of the 2,334 Series C Bonds representing a principal amount of \$233,400 are repayable within 12 months of the date of this Offering Memorandum.	Outstanding Current Offering Issued Bonds and not more than an aggregate of 92,338 Offered Bonds <sup>(1)</sup>  Representing a principal amount of \$9,233,800 owed to Subscribers under this Current Offering
Unsecured Series D Bonds	7.5%	<b>See Item 5.1 Terms of Securities</b>	1,986 Series D Bonds  Representing a principal amount of \$198,600 owed to Subscribers  748 Series D Bonds representing a principal amount of \$74,800 are repayable within 12 months of the date of this Offering Memorandum.	
Unsecured Series E Bonds	8.5%	<b>See Item 5.1 Terms of Securities</b>	29,722 Series E Bonds  Representing a principal amount of \$2,972,200 owed to Subscribers  12,833 Series E Bonds representing a principal amount of \$1,283,300 are repayable within 12 months of the date of this Offering Memorandum.	
Unsecured Series F Bonds	8.5%	<b>See Item 5.1 Terms of Securities</b>	8,163 Series F Bonds  Representing a principal amount of \$816,300 owed to Subscribers  708 Series F Bonds representing a principal amount of \$70,800 are repayable within 12 months of the date of this Offering Memorandum.	

(1) Only a maximum aggregate of 92,338 Series C Bonds, Series D Bonds, Series E Bonds and Series F Bonds will be issued pursuant to this Current Offering.

(2) Prior to the maturity date of any of the Existing Bonds, each holder thereof will be given the option to either (x) allow such holder's outstanding Existing Bonds to mature, following which the Corporation will repay the principal amount of such Existing Bonds outstanding, plus any accrued but unpaid interest, all in accordance with the terms of the Existing Bonds, or (y) elect to amend the terms of all or a portion of their Existing Bonds

(provided that, the stated portion of the Principal Amount shall constitute an integral multiple of \$1,000) to provide that, upon the maturity of such Existing Bonds, the portion or all of the Existing Bonds will be automatically converted into Series C Bonds, Series D Bonds, Series E Bonds or Series F Bonds of the Corporation, as directed by the holder thereof, with such Series C Bonds, Series D Bonds, Series E Bonds or Series F Bonds, as applicable, having the same terms as set out under **Item 5.1 Securities Offered** and a maturity date occurring on the first anniversary, second anniversary or third anniversary, respectively, from the date of conversion. Accordingly, the Corporation's ongoing repayment requirements and number of outstanding Series C Bonds, Series D Bonds, Series E Bonds and Series F Bonds may differ from that set out in the table above.

#### Converted Bonds

Description of Security	Interest Rate	Repayment Terms	Number outstanding as at July 29, 2019
Unsecured Series D Bonds	7.5%	See Item 5.1 Terms of Securities	190 Series D Bonds Representing a principal amount of \$19,000 owed to holders of Series D Bonds that are Converted Bonds.
Unsecured Series E Bonds	8.5%	See Item 5.1 Terms of Securities	3,165 Series E Bonds Representing a principal amount of \$316,500 owed to holders of Series E Bonds that are Converted Bonds.
Unsecured Series F Bonds	8.5%	See Item 5.1 Terms of Securities	3,490 Series F Bonds Representing a principal amount of \$349,000 owed to holders of Series F Bonds that are Converted Bonds.

#### 4.3 Prior Sales

The following tables set forth descriptions of the Existing Bonds issued by the Corporation in the last 12 months.

##### Series C Bonds:

Date of issuance	Type of security issued	Number of securities issued	Price per security	Total funds received
August 23, 2018	Series C Bonds	181	\$100	\$18,100
October 25, 2018	Series C Bonds	200	\$100	\$20,000
November 22, 2018	Series C Bonds	123	\$100	\$12,300
February 1, 2019	Series C Bonds	208	\$100	\$20,800
April 1, 2019	Series C Bonds	1,031	\$100	\$103,100

##### Series D Bonds:

Date of issuance	Type of security issued	Number of securities issued	Price per security	Total funds received
October 25, 2018	Series D Bonds	115	\$100	\$15,000
December 3, 2018	Series D Bonds	190	\$100	\$19,000

**Series E Bonds:**

Date of issuance	Type of security issued	Number of securities issued	Price per security	Total funds received
August 23, 2018	Series E Bonds	394	\$100	\$39,400
October 25, 2018	Series E Bonds	529	\$100	\$52,900
November 22, 2018	Series E Bonds	769	\$100	\$76,900
December 3, 2018	Series E Bonds	1,000	\$100	\$100,000
February 1, 2019	Series E Bonds	2,100	\$100	\$210,000
February 11, 2019	Series E Bonds	445	\$100	\$44,500
April 1, 2019	Series E Bonds	1,293	\$100	\$129,300

**Series F Bonds:**

Date of issuance	Type of security issued	Number of securities issued	Price per security	Total funds received
August 23, 2018	Series F Bonds	105	\$100	\$10,500
October 25, 2018	Series F Bonds	332	\$100	\$33,200
November 22, 2018	Series F Bonds	1,379	\$100	\$137,900
December 3, 2018	Series F Bonds	1,390	\$100	\$139,000
February 1, 2019	Series F Bonds	620	\$100	\$62,000
February 11, 2019	Series F Bonds	1,000	\$100	\$100,000
April 1, 2019	Series F Bonds	119	\$100	\$11,900

**ITEM 5 - SECURITIES OFFERED**

**5.1 Terms of Securities**

**Securities:** The securities being offered pursuant to the Current Offering are:

Type of Bond	Term	Interest Rate	Interest Payments
Series C Bonds	1 Year	6.5%	Payable on the last day of each month
Series D Bonds	2 Years	7.5%	Payable on the last day of each month
Series E Bonds	3 Years	8.5%	Payable on the last day of each month
Series F Bonds	3 Years	8.5%	Compounded monthly and payable on maturity

The price of each Offered Bond is \$100. The minimum number of Offered Bonds that must be purchased by a Subscriber is 10 Offered Bonds requiring a minimum investment of \$1,000. There is no maximum number of Bonds allocated to any Subscriber. The Bondholders shall not be entitled to receive notice of, to attend or vote at any meetings of the shareholders of the Corporation.

**Maturity:** Subject to the right of early redemption with respect to the Corporation and the Bondholders and the right of conversion with respect to the Bondholders, each as set out below: a Bondholder's Series C Bonds shall mature on the first anniversary of the date of issue of such bonds; a Bondholder's Series D Bonds shall mature on the second anniversary of the date of issue of such bonds; and a Bondholder's Series E Bonds or Series F Bonds shall mature on the third anniversary of the date of issue of such bonds.

**Corporation's Right of Early Redemption:** The Corporation shall have the right to redeem up to 100% of a Bondholder's Offered Bonds at any time by providing the Bondholder with 21 days written notice of its intention to do so, through the payment of the principal amount of the redeemed Offered Bonds and all accrued and unpaid interest thereon to the date of redemption.

**Early Redemption by the Bondholders:**

The Series C Bonds do not have a right of early redemption by the Bondholder.

In respect of the Series D Bonds, the Series E Bonds and the Series F Bonds (collectively, the "**Redeemable Bonds**" individually, a "**Redeemable Bond**"), beginning on the date that is six (6) months from the issue date of a Redeemable Bond, a Bondholder shall be entitled (the "**Redemption Right**") twice a calendar year to cause the Corporation to redeem up to 10% of the Bondholder's outstanding Redeemable Bonds upon written notice being provided to the Corporation 45 days in advance of each Redemption Period (as defined herein) at its head office (a "**Redemption Notice**"), subject to the limitations referred to herein. Series D Bonds, the Series E Bonds and the Series F Bonds with respect to which a Redemption Notice has been received shall be redeemed by the Corporation on March 31<sup>st</sup> and September 30<sup>th</sup> of each year (each a "**Redemption Period**").

The Redemption Right of each Bondholder is subject to the limit that no more than ten percent (10%) of the issued and outstanding Bonds of the Corporation may be redeemed at each Redemption Period.

The Redemption Right is subject to the following terms and conditions:

- (a) The Redemption Notice must specify the number of Bonds which the Bondholder wishes to redeem and be accompanied by the certificate(s) for those Bonds. A Redemption Notice without the applicable certificate(s) is void and of no effect. A Redemption Notice once delivered to the Corporation is irrevocable;
- (b) The proceeds payable for the redemption of a Bond by the Corporation (the "**Redemption Amount**") will be the amount of the outstanding Principal Amount of each such Bond to be redeemed as of the date of receipt by the Corporation of a Redemption Notice less the applicable Redemption Penalty Amount, if any;
- (c) The Corporation will pay the Redemption Amount by way of a cash payment. Payment made by the Corporation of the Redemption Amount is conclusively deemed to have been made upon the mailing of a cheque in a postage prepaid envelope addressed to the Bondholder unless the cheque is dishonored upon presentment. Upon the payment of the Redemption Amount, the Corporation will be discharged from all liability to the Bondholder in respect of the Bonds so redeemed; and
- (d) Upon receipt by the Corporation of the Redemption Notice, the Bondholder submitting such Notice will thereafter cease to have any rights with respect to the Bonds tendered for redemption (other than to receive the Redemption Amount in respect thereof). Interest will cease to accrue with respect to the Bonds with respect to which a Redemption Notice has been received as of the date of receipt of such a Notice by the Corporation. Bonds will be considered to be tendered for redemption on the date that the Corporation has, to its satisfaction received the Redemption Notice and other required documents or evidence as aforesaid.

**Interest:** Each Offered Bond will entitle the holder thereof to the following rates of interest from the date of issue:

- Series C Bonds: six and a half percent (6.5%) interest per annum, payable on the last day of each month during the term of the Series C Bonds;
- Series D Bonds: seven and a half percent (7.5%) interest per annum, payable on the last day of each month during the term of the Series D Bonds;
- Series E Bonds: eight and a half percent (8.5%) interest per annum, payable on the last day of each month during the term of the Series E Bonds; and
- Series F Bonds: eight and a half percent (8.5%) interest per annum, compounded monthly and payable on maturity.

**Obligations Unsecured:** The Corporation's debt obligations represented by the Offered Bonds are unsecured obligations and will rank *pari passu* amongst themselves and with all other unsecured and unsubordinated obligations of the Corporation except for such preferences as provided for under applicable law.

**Funding of Redemption:** Management of the Corporation shall have sole discretion on how the Corporation will fund or finance the redemption of the Bonds. Management may decide to use its existing cash on hand if any, sell assets, or raise additional capital or equity in the Corporation or use a combination of the above methods to accomplish the redemption of the Bonds. There is no assurance that any of the above methods of funding the redemption of the Bonds will be successful or if accomplished will raise enough funds to redeem all of the Bonds. It is possible that the Corporation may not have the financial ability to redeem all or any Bonds upon maturity. In that event the provisions contained under the title "Entitlement on Dissolution or Winding Up" may apply.

**See Item 4.1 Share Capital.**

**Conversion:** In respect of any Bonds issued after December 2017, the holder of such Bond shall have the right, at the option of such holder, at any time after the issue of their Bond prior the close of business on the maturity date of such Bond, to convert their Bond plus accrued interest or a stated portion thereof of the principal amount of the Bond constituting an integral multiple of

\$1,000 into an aggregate specified amount of bond of either Series C Bonds, Series D Bonds, Series E Bonds or Series F Bonds of the Corporation, by providing the requisite notice to the Corporation.

**Event of Default:** The Bonds contain commercially standard events of default including without limitation those related to breach or default of any obligation, or non-payment of any principal or interest, and matters relating to the bankruptcy, insolvency, or making of an assignment in bankruptcy of the Corporation, among other commercially standard events of default.

**Limited Recourse:** Recourse under the Bonds will be limited to the principal sum of the Bonds and all interest due and owing thereunder. There is no additional recourse by Bondholders for any deficiency in value of the Bonds in the event of non-payment or default by the Corporation of redemption of the Bonds.

**An investor in the securities offered under this Offering Memorandum should understand that Target's assets and management are not in any way committed to the activities of the Corporation. Target does not encourage or discourage an investment in the Corporation.**

## 5.2 Subscription Procedure

### (a) Subscription Documents

Subscribers will be required to enter into a Subscription Agreement with the Corporation which will contain, among other things, representations, warranties and covenants by the Subscriber that it is duly authorized to purchase the Offered Bonds, that it is purchasing the Offered Bonds as principal and for investment and not with a view to resale and as to its corporate or other status to purchase the Offered Bonds and that the Corporation is relying on an exemption from the requirements to provide the Subscriber with a prospectus and if applicable, an exemption to sell securities through a person or company registered to sell securities under applicable securities laws and as a consequence of acquiring the securities pursuant to this exemption, certain protections, rights and remedies, provided by applicable securities laws, including statutory rights of rescission or damages, may not be available to the Subscriber.

In order to subscribe for Offered Bonds, Subscribers must complete, execute and deliver the following documentation to the Corporation at Attn: Yesterypay Holdings Inc., 121 - 234 5149 Country Hills Boulevard NW, Calgary, Alberta T3A 5K8 or by e-mail at subscriptions@yesterypay.com or through such other electronic platform that may be recognized by the Corporation from time to time:

1. one (1) completed and signed copy of the Subscription Agreement (including any required schedules attached thereto);
2. a cheque, certified cheque, bank draft, wire transfer or other form of payment acceptable the Corporation, in its full discretion, in an amount equal to the Aggregate Subscription Amount (as set forth in the Subscription Agreement), payable to "Yesterypay Holdings Inc.";
3. completed and executed copies of the appropriate investor qualification form(s). The appropriate form(s) to be completed depend on your specific circumstances and the amount of your investment:
  - (i) **If the Subscriber is resident in British Columbia or Newfoundland and Labrador and subscribing pursuant to the Offering Memorandum Exemption that is applicable in that Province in which the Subscriber is resident:**
    - i. you must execute and deliver to the Corporation one (1) completed and signed copy of the Risk Acknowledgment Form attached to the Subscription Agreement as Schedule A (one copy must be submitted to the Corporation and one copy shall be retained for your records, or if utilizing an electronic platform recognized by the Corporation, an electronic copy will be available to both parties);
  - (ii) **If the Subscriber is resident in Manitoba, Northwest Territories, Nunavut, Prince Edward Island or Yukon and subscribing pursuant to the Offering Memorandum Exemption that is applicable in that Province or Territory in which the Subscriber is resident:**
    - i. you must execute and deliver to the Corporation one (1) completed and signed copy of the Risk Acknowledgment Form attached to the Subscription Agreement as Schedule A (one copy must be submitted to the Corporation and one copy shall be retained for your records, or if utilizing an electronic platform recognized by the Corporation, an electronic copy will be available to both parties);
    - ii. **AND, IF APPLICABLE, if the Subscriber is subscribing for more than \$10,000 in Bonds**, one (1) copy of the Eligible Investor Certificate in the form attached to the Subscription Agreement as Schedule B;
  - (iii) **If the Subscriber is resident in Alberta, New Brunswick, Nova Scotia, Ontario or Saskatchewan and subscribing pursuant to the Offering Memorandum Exemption that is applicable in that Province in which the Subscriber is resident:**
    - i. you must execute and deliver to the Corporation one (1) completed and signed copy of the Risk Acknowledgment Form attached to the Subscription Agreement as Schedule A, including Exhibit 1 and

Exhibit 2, if applicable and attached thereto (one copy must be submitted to the Corporation and one copy shall be retained for your records, or if utilizing an electronic platform recognized by the Corporation, an electronic copy will be available to both parties);

- ii. **AND, IF APPLICABLE, if the Subscriber is subscribing for more than \$10,000 in Bonds but no more than \$30,000 in Bonds, and including this purchase, has not purchased more than \$30,000 in securities utilizing the Offering Memorandum Exemption in the last 12 months**, one (1) copy of the Eligible Investor Certificate in the form attached to the Subscription Agreement as Schedule B;
- iii. **AND, IF APPLICABLE, if the Subscriber is subscribing for more than \$30,000 in Bonds but no more than \$100,000 in Bonds, and including this purchase, has not purchased more than \$100,000 in securities utilizing the Offering Memorandum Exemption in the last 12 months**:
  - 1. one (1) copy of the Eligible Investor Certificate in the form attached to the Subscription Agreement as Schedule B; and
  - 2. one (1) copy of the Portfolio Manager, Investment Dealer or Exempt Market Dealer Advice Certificate in the form attached to the Subscription Agreement as Schedule C;

(iv) **If the Subscriber is an Individual Accredited Investor and resident in a Province or Territory of Canada other than Quebec:**

- i. you must execute and deliver to the Corporation one (1) completed and signed copy of the Risk Acknowledgment Form attached to the Subscription Agreement as Schedule A, including Exhibit 1 and Exhibit 2, if applicable and attached thereto (one copy must be submitted to the Corporation and one copy shall be retained for your records, or if utilizing an electronic platform recognized by the Corporation, an electronic copy will be available to both parties);
- ii. one (1) copy of the Accredited Investor Risk Acknowledgement attached to the Subscription Agreement as Schedule D (please initial as indicated, provide a copy to the Corporation and retain the original); and
- iii. the Representation Letter in the form attached to the Subscription Agreement as Schedule D-1 (please initial Appendix A as indicated); or

(v) **If the Subscriber is a Non-Individual Accredited Investor and resident in a Province or Territory of Canada other than Quebec:**

- i. you must execute and deliver to the Corporation one (1) completed and signed copy of the Risk Acknowledgment Form attached to the Subscription Agreement as Schedule A, including Exhibit 1 and Exhibit 2, if applicable and attached thereto (one copy must be submitted to the Corporation and one copy shall be retained for your records, or if utilizing an electronic platform recognized by the Corporation, an electronic copy will be available to both parties); and
- ii. the Representation Letter in the form attached to the Subscription Agreement as Schedule D-1 (please initial Appendix A as indicated); or

- 4. all Subscribers must execute the Target Release attached as Schedule E to the Subscription Agreement and provide the Corporation with signed copies of such release.

Subject to applicable securities laws and the purchaser's two-day cancellation right, a subscription for Offered Bonds, evidenced by a duly completed Subscription Agreement delivered to the Corporation shall be irrevocable by the Subscriber. **See Item 11 Purchasers' Rights.**

Subscriptions for Offered Bonds will be received, subject to rejection and allotment, in whole or in part, and subject to the right of the Corporation to close the subscription books at any time, without notice. If a subscription for Offered Bonds is not accepted, all subscription proceeds will be promptly returned to the Subscriber without interest. The subscription funds will be held in trust until midnight of the second business day subsequent to the date that each Subscription Agreement is signed by a Subscriber.

**(b) Distribution**

The Corporation is offering the Offered Bonds to residents of the Offering Jurisdictions. The Offering is being made pursuant to the following exemptions from the registration and prospectus requirements contained in the applicable securities laws, as applicable:

- (a) in British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, New Brunswick, Nova Scotia, Newfoundland and Labrador, Prince Edward Island, Nunavut, Yukon and the Northwest Territories pursuant to the exemptions from the prospectus requirements afforded by Section 2.9(1), 2.9(2) and 2.9(2.1) (the "**Offering Memorandum Exemption**") of NI 45-106; and
- (b) in British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, New Brunswick, Nova Scotia, Newfoundland and Labrador, Prince Edward Island, Nunavut, Yukon and the Northwest Territories pursuant to the exemption from the prospectus requirements afforded by Section 2.3 of NI 45-106 (the "**Accredited Investor Exemption**").

The Offering Memorandum Exemption in Section 2.9(1) of NI 45-106 is available for distributions to Subscribers resident in **British Columbia and Newfoundland or Labrador** purchasing as principals, who receive this Offering Memorandum prior to signing the Subscription Agreement and who sign a Risk Acknowledgment (Form 45-106F4) in the prescribed form, which is attached to the Subscription Agreement as Schedule A.

The Offering Memorandum Exemption in Section 2.9(2) of NI 45-106 is available for distributions to Subscribers who are resident in **Manitoba, Northwest Territories, Nunavut, Prince Edward Island or Yukon** purchasing as principals, and who acknowledge having received and read a copy of this Offering Memorandum prior to signing the Subscription Agreement and who:

- (a) if subscribing for more than \$10,000 in Bonds, is an Eligible Investor, which includes Subscribers who are Accredited Investors, who have signed a copy of the Eligible Investor Certificate in the form attached to the Subscription Agreement as Schedule B; and
- (b) have signed a Risk Acknowledgment (Form 45-106F4) in the prescribed form, which is attached to the Subscription Agreement as Schedule A.

The Offering Memorandum Exemption in Section 2.9(2.1) of NI 45-106 is available for distributions to Subscribers resident in **Alberta, New Brunswick, Nova Scotia, Ontario or Saskatchewan** purchasing as principals and who acknowledge having received and read a copy of this Offering Memorandum prior to signing the Subscription Agreement and who:

- (a) if subscribing for less than \$10,000 in Bonds, has not purchased more than \$10,000 in securities utilizing the Offering Memorandum Exemption in the previous 12 months;
- (b) if subscribing for more than \$10,000 in Bonds but no more than \$30,000 in Bonds, is an Eligible Investor, which includes Subscribers who are Accredited Investors, who have not purchased more than \$30,000 in securities utilizing the Offering Memorandum Exemption in the last 12 months and who have signed a copy of the Eligible Investor Certificate in the form attached to the Subscription Agreement as Schedule B;
- (c) if subscribing for more than \$30,000 in Bonds but not more than \$100,000 in Bonds, who have not purchased more than \$100,000 in securities utilizing the Offering Memorandum Exemption in the last 12 months and who have signed a copy of the Eligible Investor Certificate in the form attached to the Subscription Agreement as Schedule B and a copy of the Portfolio Manager, Investment Dealer or Exempt Market Dealer Advice Certificate in the form attached to the Subscription Agreement as Schedule C; and
- (d) have signed a Risk Acknowledgment (Form 45-106F4) in the prescribed form which is attached to the Subscription Agreement as Schedule A, including Exhibit 1 and Exhibit 2, as applicable and attached thereto.

The Accredited Investor Exemption in Section 2.3 of NI 45-106 is available for distributions to Subscribers **resident in a Province or Territory of Canada other than Quebec** purchasing as principal, or deemed to be purchasing as principal pursuant to applicable securities laws and who are Accredited Investors. Under this exemption, where the Subscriber is an individual, the Corporation is required to obtain:

- (a) a copy of the Risk Acknowledgment Form attached to the Subscription Agreement as Schedule A, including Exhibit 1 and Exhibit 2, if applicable and attached thereto;
- (b) a signed Accredited Investor Risk Acknowledgement Form (Form 45-106F9), which is attached to the Subscription Agreement as Schedule D, from the Subscriber and to retain that risk acknowledgement form for eight years after the distribution; and
- (c) the Representation Letter in the form attached to the Subscription Agreement as Schedule D-1 (please initial Appendix A as indicated).

Under the Accredited Investor Exemption, where the Subscriber is a non-individual, the Corporation is required to obtain:

- (a) a copy of the Risk Acknowledgment Form attached to the Subscription Agreement as Schedule A, including Exhibit 1 and Exhibit 2, if applicable and attached thereto; and
- (b) the Representation Letter in the form attached to the Subscription Agreement as Schedule D-1 (please initial Appendix A as indicated).

**The foregoing exemptions relieve the Corporation from the provisions of the applicable securities laws of each of the Offering Jurisdictions, which otherwise would require the Corporation to file and obtain a receipt for a prospectus. Accordingly, prospective Subscribers will not receive the benefits associated with subscription for securities issued pursuant to a filed prospectus, including the review of material by the applicable securities regulatory authorities. The exemptions from the registration requirements contained in the applicable securities laws allow the Corporation to offer the Offered Bonds for sale directly to Subscribers.**



## ITEM 6 - INCOME TAX CONSEQUENCES AND DEFERRED PLAN ELIGIBILITY

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

### 6.1 Summary of Principal Federal Income Tax Consequences

The Tax Act and the Regulations thereunder provide generally that a bond or similar obligation of a Canadian corporation (as defined in the Tax Act) which is controlled directly or indirectly by one or more corporations whose shares are listed on a designated stock exchange in Canada will constitute a “qualified investment” for a Deferred Plan.

The Corporation is a Canadian corporation. As a result, **the Offered Bonds will constitute a qualified investment for Deferred Plans provided the shares of Target are listed on a stock exchange designated by the Minister of Finance, which they currently are, and as long as Target controls the Corporation.** There is no agreement which restricts the ability of Target to vote its shares of the Corporation or appoint a majority of the board of directors of the Corporation. As such, Target should be considered to control the Corporation.

There are additional requirements for a TFSA, RRSP or RRIF in order for the Offered Bonds not to be a “prohibited investment” which would be subject to a special tax. The Offered Bonds will be a “prohibited investment” if the account holder does not deal at “arm’s length” with the Corporation or the account holder is a “specified shareholder” of the Corporation as defined in the Tax Act, generally a person who has a ten percent (10%) or greater interest in the Corporation together with non-arm’s length persons. Assuming the account holder meets the above requirements, the Offered Bonds will not be a “prohibited investment”.

There can also be additional special taxes for a TFSA, RRSP or RRIF on certain tax “advantages” that unduly exploit the attributes of a TFSA, RRSP or RRIF, including “advantages” on “prohibited investments” and on “non-qualified investments”. The rules in the Tax Act that constitute an “advantage” are quite broad, therefore, Subscribers should seek independent professional advice as to the applicability of these rules to their particular circumstances.

**The income tax information contained in this Item 6.1 was provided by Sihota Taylor Professional Corporation, and it is based on the current provisions of the Tax Act, the Regulations thereunder and published administrative practices of the CRA. The comments offered do not address the possibility of any challenge to the structure by the CRA under the specific and/or general anti-avoidance rules.**

**This summary is of a general nature only and is not intended to be legal, tax or business advice to any particular prospective purchaser of Offered Bonds. Consequently, Subscribers should seek independent professional advice regarding the income tax consequences of investing in the Offered Bonds, based upon their own particular circumstances.**

## ITEM 7 - COMPENSATION PAID TO SELLERS AND FINDERS

Where allowed by applicable securities legislation, the Corporation intends to offer compensation of up to six percent (6%) of the gross proceeds realized on the sale of Offered Bonds under this Current Offering to any one of, or a combination of, the following parties: registered dealers and exempt market dealing representatives, who are registered in accordance with applicable securities laws (the “Commissions”). The Corporation may pay up to two percent (2%) of the gross proceeds realized on the sale of Offered Bonds to exempt market dealers that it retains as a dealer listing fee (the “Dealer Listing Fees”, and together with the Commissions, the “Selling Commissions”). CNI will pay all such compensation to the above parties on the Corporation’s behalf pursuant to the Loan Commitment Fee. See Item 2 Business of Capital Now Inc. and Item 2.9.2 Loan Agreement with Capital Now Inc.

## ITEM 8 - RISK FACTORS

The purchase of Offered Bonds pursuant to this Offering should only be made after consulting with independent and qualified sources of investment and tax advice. Investment in the Offered Bonds at this time is highly speculative. The Corporation’s business involves a high degree of risk, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. Purchasers of Offered Bonds must rely on the ability, expertise, judgment, discretion, integrity and good faith of the management of the Corporation. This Offering is suitable for investors who are willing to rely solely upon the management of the Corporation and who could afford a total loss of their investment.

In addition to factors set forth elsewhere in this Offering Memorandum, Subscribers should carefully consider the following factors, many of which are inherent to the ownership of the Offered Bonds. The following is a summary only of some of the risk factors involved in an investment in the Offered Bonds. Subscribers should review these risks with their legal and financial advisors.

### Investment and Issuer Risk

1. **No review by regulator:** Subscribers under this Offering will not have the benefit of a review of this Offering Memorandum by any securities regulatory authority or regulator.
2. **No deposit insurance:** The Offered Bonds offered pursuant to this Offering Memorandum are not insured against loss through the Canada Deposit Insurance Corporation or any other insurance company or program.
3. **Limited working capital:** The Corporation will have a limited amount of working capital as the available funds of this Offering will be loaned to CNI.
4. **Redemption risk:** There can be no assurance that if additional funding is required by the Corporation to redeem any or all of the Offered Bonds, that such financing will be available on terms satisfactory to the Corporation, or at all. If the Corporation does not have sufficient funds on hand to redeem any or all of the Offered Bonds and cannot secure financing, it will not be able to redeem any or all of the Offered Bonds.
5. **Redemption limitation:** The Offered Bonds are not listed on a securities exchange. There is currently no secondary market through which the Offered Bonds may be sold, there can be no assurance that any such market will develop and the Corporation has no current plans to develop such a market or to list the Offered Bonds on an exchange. Accordingly, it is expected that the sole method of liquidation of an investment in Offered Bonds will be by way of redemption of the Offered Bonds. Cash redemptions are limited to twice a calendar year for up to 10% of certain of the Subscribing Bondholder's outstanding Redeemable Bonds. **See Item 5.1 Terms of Securities - Early Redemption by Bondholders.**
6. **Tax risk:** The tax consequences associated with an investment in Offered Bonds may be subject to changes in federal and provincial tax laws. There can be no assurance that the tax laws will not be changed in a manner that will fundamentally alter the income tax consequences to investors holding or disposing of Offered Bonds. In the event that Target ceases to control the Corporation, ceases to be listed on a stock exchange designated by the Minister of Finance or is deemed not to control the Corporation for the purposes of the Tax Act, there may be adverse tax consequences to a subscriber for Offered Bonds. Upon such an event occurring, the Offered Bonds will cease to constitute qualified investments for Deferred Plan purposes unless the Corporation can arrange to contemporaneously transfer the Class A Shares of the Corporation to another corporation resident in Canada whose shares are listed on a designated Canadian stock exchange or make other suitable investment arrangements to maintain Deferred Plan eligibility for the Offered Bonds. If the Offered Bonds cease to be eligible Deferred Plan investments, an annuitant under a Deferred Plan which acquires or holds Offered Bonds may be required to include in his or her income the fair market value of the Offered Bonds acquired by the Deferred Plan, may incur penalties, and may have the registration of the Deferred Plan revoked. There is also a risk that CRA may reassess the returns of Subscribers relating to their investments in the Offered Bonds. **See Item 6 Income Tax Consequences and Deferred Plan Eligibility.**
7. **Changes to the Tax Act:** No assurance can be given that changes in the Tax Act or future court decisions or the implementation of new taxes will not adversely affect the Corporation or fundamentally alter the income tax consequences to holders of Offered Bonds with respect to acquiring, holding or disposing of Offered Bonds. Investors are strongly encouraged to consult their tax advisors as to the tax consequences of acquiring, holding and disposing of Offered Bonds purchased pursuant to the Offering.
8. **No advance tax ruling:** No advance income tax ruling has been applied for or received with respect to the income tax consequences described in the Offering Memorandum. **See Item 6 Income Tax Consequences and Deferred Plan Eligibility.**
9. **Change of director:** The issued Class A Shares of the Corporation are held collectively by Target, Gerry Wawzonek and Natalie Wawzonek. Except as may otherwise be provided for in the ABCA, the constating documents of the Corporation provide that the holders of the Corporation's Class A Shares have the exclusive right to elect, change and remove the directors of the Corporation. Target has majority voting control of the Corporation and there is no agreement that restricts Target's ability to vote its Class A Shares of the Corporation. Consequently, Target can change the directors of the Corporation and Gerry Wawzonek and Natalie Wawzonek do not have a mechanism to ensure that they and Wayne Anderson will remain the directors of the Corporation. There is no assurance that the directors of the Corporation will remain the same as disclosed in this Offering Memorandum.
10. **No right to vote:** Subscribing Bondholders will have no right to vote on matters relating to the Corporation. Exclusive authority and responsibility for managing the Corporation rests with management of the Corporation and those persons, consultants and advisors retained by management on behalf of the Corporation. Accordingly, Subscribers should appreciate that they will be relying on the good faith, experience, expertise and ability of the directors and officers of the Corporation and other parties for the success of the business of the Corporation.

11. **Lack of trustee:** There is no trustee being used in connection with Offered Bonds issued pursuant to this Offering. Subscribing Bondholders must rely on the Corporation to make all payments to Bondholders pursuant to the terms of the Offered Bonds.
12. **Conflict of interest:** There are potential conflicts of interest to which the directors and officers of the Corporation may be subject in connection with the operations of the Corporation. Situations may arise where the directors and officers will be in direct competition with the Corporation. Conflicts, if any, will be subject to the procedures and remedies under the ABCA.
13. **CNI Loan:** The CNI Loan is primarily secured by a general security agreement against the present and after acquired personal property of CNI. In the event that CNI defaults in its obligations under the CNI Loan, the Corporation will have to enforce its security registered against CNI. There may be intervening encumbrances or other interests of other third parties that may stand in priority to the Corporation's security, including without limitation the Lender. The existence of any intervening encumbrances may prevent the Corporation from realizing on or enforcing some or all of its security against the assets of CNI. There may be principles at law or at equity that may prevent the Corporation from enforcing some or all of its security against CNI and/or its assets. The assets of CNI may not have a sufficient value to satisfy any outstanding debt obligations to the Corporation. If the Corporation's security under the CNI Loan is subordinated and the collateral is realized upon, lenders with security interests in priority to the Corporation's will take priority over the disposition of any of CNI's assets, with the result that there may be insufficient assets to repay the indebtedness under the CNI Loan. **See Item 2.9.2 Loan Agreement with Capital Now Inc.**
14. **Revolving Line of Credit:**
  - (a) The Corporation and CNI granted the Lender a first priority security interest in their present and after acquired property (the "**Collateral**") as security for the Revolving Line of Credit. The Corporation also postponed and subordinated its interests under the CNI Loan to the Lender. In the event that either the Corporation or CNI default in its obligations under the Commitment Letter, the Lender could declare all amounts owing under the Revolving Line of Credit due and payable and, without prejudicing its other rights and remedies at law, enforce against its interests in the Collateral. In such an event, the business and financial positions of the Corporation could be substantially impaired.
  - (b) The Corporation and CNI are required to make payments of principal and interest to the Lender and comply with certain financial covenants, including maintaining the margin conditions, the total cash flow coverage ratio and the current ratio. The Corporation and CNI's ability to comply with these financial covenants will depend on future performance, which is subject to economic, financial, competitive and other factors beyond their control. If, in the future, the Corporation or CNI are unable to generate cash flow from operations which are sufficient to service this debt, they may be required to adopt one or more alternatives, such as selling assets, restructuring debt or obtaining additional equity capital on terms that may be onerous.
  - (c) The variable rates of interest in the Revolving Line of Credit will expose the Corporation and CNI to interest rate risk. Increases in the interest rate could materially adversely impact interest expenses. If interest rates were to increase, the debt service obligations would increase (even though the amount available under the Revolving Line of Credit would remain the same) and net income and cash flows, including cash available for servicing indebtedness, would correspondingly decrease.
  - (d) In the event of a bankruptcy, insolvency, liquidation, dissolution or reorganization, the Lender would be entitled to exercise the remedies available to a secured lender under applicable law (in addition to any remedies that may be available under the Revolving Line of Credit documents). The effect of which is that the proceeds from the sale of assets securing the indebtedness would be available to repay Subscribing Bondholders only after all obligations under Revolving Line of Credit have been paid in full.
  - (e) The Corporation and CNI may not be able to renew the Revolving Line of Credit on acceptable terms or at all.
  - (f) There can be no assurance that the borrowing strategy employed by the Corporation in respect of the Revolving Line of Credit will enhance returns.

**See Item 2.9.3 Revolving Line of Credit.**

15. **No management rights:** Except as disclosed herein, the directors and officers of the Corporation and not Bondholders, will make decisions regarding the management of the Corporation's affairs. Subject to the ABCA, Bondholders will have no rights to attend meetings of shareholders or vote in any manner. Subscribers must carefully evaluate the personal experience and business performance of the directors and officers of the Corporation. In very limited circumstances, such as an insolvency proceeding, Bondholders may have a right to vote on such proceeding, but such vote would be limited in scope and at that time, a return on the investment in Bonds would likely be compromised. Bondholders do not have all

the statutory rights normally associated with ownership of shares of a company including, for example, the right to bring “oppression” or “derivative” actions against the Corporation.

16. **Blind pool:** This Offering is a “blind pool” offering as the Credit Receivables to be acquired by CNI have not yet been identified. Management of CNI will, in its sole discretion, without notice to or approval from any Bondholder of the Corporation, analyze and select the Credit Receivables to be acquired by CNI from time to time.
17. **Debt securities:** The Offered Bonds offered by the Corporation are not a direct investment in the Credit Receivables acquired by CNI but an investment in debt securities of the Corporation.
18. **Independent counsel:** No independent counsel was retained on behalf of the Subscribers with respect to this Offering. There has been no review by independent counsel on behalf of the Subscribers of the Offering Memorandum, or any other documentation in relation to the Offering. No due diligence has been conducted on behalf of Subscribers by counsel.
19. **Limited operating history:** There is limited operating history upon which to base an evaluation of the Corporation and its business and prospects. The Corporation is in the early stage of its business and, therefore, is subject to all risks associated with early stage companies, including: start-up losses, uncertainty of revenues, markets and profitability, the need to raise additional funding, and the evolving and unpredictable nature of the Corporation’s business. There can be no assurance that the Corporation will continue to be successful in doing what it is required to do to overcome these risks. No assurance can be given that the Corporation’s business activities will be successful.
20. **Illiquidity of investment:** An investment in the Offered Bonds of the Corporation is an illiquid investment. **There is currently no market through which the Bonds of the Corporation may be sold.** The Corporation is not a “reporting issuer” in any jurisdiction, and a prospectus has not qualified the issuance of the Offered Bonds. The Offered Bonds are subject to a number of restrictions respecting transferability and resale, including a restriction on trading imposed by applicable securities laws. Until the restriction on trading expires, you will not be able to trade the Offered Bonds unless you comply with an exemption from the prospectus and registration requirements under securities legislation. **See Item 10 Resale Restrictions.**
21. **Interest rate risk:** The interest rate return for each Bond series are fixed for the Bond term and are not subject to increase in the event of a general rise in domestic interest rates for other investments.

#### **CNI’s Operational and Industry Risk**

1. **Business results from changes in industry conditions:** The CNI Loan will be used to allow CNI to underwrite Factoring Transactions. CNI’s portfolio, as described in Item 2 - Business of the Corporation – Business of Capital Now Inc. is affected by general economic conditions globally, nationally and locally, real estate and oil and gas markets, operating expenses and various other factors. Deteriorating market conditions and associated industry changes could affect the diversity of the Factoring Transactions and the returns available. There is no assurance that CNI’s future portfolio will reflect its past portfolio, and such composition may render it less profitable than in the past.
2. **Competitive industry:** The factoring industry in which CNI operates is, and will continue to be, very competitive. There is no assurance that CNI will be able to continue to compete successfully or that the level of competition and that pressure on pricing will not affect its margins.
3. **Management performance:** The success of the Corporation’s business strategy depends to a certain extent, on the efforts and abilities of its management and on external factors such as, among other things, the general political and economic conditions that may prevail from time to time, which factors are out of the control of the Corporation. A return on investment for a purchaser of Offered Bonds depends upon CNI and its ability to meet its payment obligations under the CNI Loan. As a result, there is no guarantee that Subscribing Bondholders will earn a return on their investment in the Offered Bonds.
4. **Required return:** CNI’s investing is based entirely on the acquisition of Credit Receivables. The past performance of CNI’s business, as referred to throughout this Offering Memorandum, may not be indicative of future results and there is no way for either the Corporation or CNI to guarantee the future performance of CNI’s factoring business. A failure by CNI to obtain a return equal to the aggregate of funds raised under this Offering and loaned pursuant to the CNI Loan, together with the applicable interest thereon in accordance with the terms of the CNI Loan Agreement, would have a negative impact on the Corporation’s interests pursuant to the CNI Loan and would adversely affect the Corporation’s ability to meet its payment obligations under the terms of the Bonds.
5. **Ongoing deployment of funds:** Despite a business plan developed by CNI to grow its business, there is no guarantee that CNI will have the capacity to continuously deploy all of the Bond funds.
6. **Financing:** CNI’s ability to access additional capital, including under the Revolving Line of Credit, will depend on its success

in its business and the status of the capital markets at the time such capital is sought. Accordingly, there can be no assurance that capital will be available to CNI from any source or that, if available, it will be at prices or on terms acceptable to CNI in order for CNI to develop its business.

7. **Credit risk:** Whilst CNI manages exposure to any Debtor and completes due diligence to the best of its ability and secures additional security as a precaution to improve collateral receipt for capital issued, there is no absolute guarantee of repayment of invoiced amounts owed in the event of bankruptcy of the Debtor.
8. **Change in portfolio resulting from industry change:** The CNI Loan will be used to allow CNI to underwrite Factoring Transactions. CNI's portfolio, as described in Item 2 - Business of the Corporation – Business of Capital Now Inc. is affected by general economic conditions globally, nationally and locally, real estate and oil and gas markets, operating expenses and various other factors. Deteriorating market conditions and associated industry changes could affect the diversity of the Factoring Transactions and the returns available. There is no assurance that CNI's future portfolio will reflect its past portfolio, and such composition may render it less profitable than in the past.
9. **CNI is highly dependent on certain director and officers and their loss could adversely affect CNI's ability to operate its business:** CNI's operations are dependent upon a relatively small group of individuals and, in particular, CNI's directors and officers. CNI believes that its ongoing success depends on the continued service of CNI's directors and officers. Although CNI is the beneficiary of the Insurance Policies, the unexpected loss of the services of one or more of its directors and officers could have a detrimental effect on CNI and the Corporation and of their respective our operations.
10. **A vendor or debtor's fraud could cause the Corporation to suffer losses:** The failure of a Vendor or Debtor to accurately report its financial position, could result in the loss of some or all of the principal amount of a Credit Receivable including amounts the Corporation may not have advanced had it possessed complete and accurate information.
11. **CNI may not recover the value of amounts of the Credit Receivables it purchases:** Like other commercial finance companies, CNI may experience missed and late payments, failures by Debtors to payment terms below that which was expected when CNI acquired the Credit Receivable. Any of the events described in the preceding sentence may be an indication that CNI's risk of credit loss with respect to a particular Credit Receivable has materially increased.
12. **CNI will acquire Credit Receivables from privately owned small and medium-sized companies that present a greater risk of loss than loans to larger companies:** CNI's Credit Receivable portfolio will include receivables from small and medium sized, privately owned businesses. Compared to larger, publicly owned firms, these companies generally have more limited access to capital and higher funding costs, may be in a weaker financial position and may need more capital to expand or compete. Accordingly, Credit Receivables acquired from these types of Debtors entail higher risks than advances made to companies who are larger and more established in their industry sectors.
13. **CNI may not have all of the material information relating to potential clients at the time that it makes its credit decisions:** There is generally no publicly available information about the privately owned companies from which CNI may acquire Credit Receivables. Therefore, CNI must rely on its clients and the due diligence efforts of its employees and agents to obtain the information that it considers when making its acquisition decisions. To some extent, CNI's employees and agents may depend and rely upon the management of Debtors to provide full and accurate disclosure of material information concerning their business, financial condition and prospects. CNI does not have access to all of the material information about a particular Debtor's business, financial condition and prospects, or if a Debtor's accounting records are poorly maintained or organized. CNI's decision may not be fully informed, and may lead, ultimately, to a failure or inability to recover the value of the Credit Receivable acquired by CNI.
14. **The collateral securing a Credit Receivable may not be sufficient to protect CNI from a partial or complete loss if its security on such collateral is not properly perfected or if the Credit Receivable becomes "non-performing", and CNI is required to enforce its security:** While most of CNI's Credit Receivables will be secured by a lien on a specified collateral to which the receivable relates, there is no assurance that CNI will have obtained or properly perfected its liens, or that the collateral securing any particular Credit Receivable will protect it from suffering a partial or complete loss if the Debtor defaults in payments with respect to the Credit Receivable and CNI must proceed to enforce its security with respect to the collateral to which the Credit Receivable relates. The collateral securing CNI's Credit Receivables is subject to inherent risks that may limit its ability to recover the principal of a Credit Receivable.

## ITEM 9 - REPORTING OBLIGATIONS

### 9.1 Reporting to Bondholders

**We are not required to send you any documents on an annual or ongoing basis.**

The Corporation is not a reporting issuer in any jurisdiction. Except in accordance with applicable securities laws requirements in

certain of the Offering Jurisdictions, the Corporation is not required to disclose material changes which occur in its business and affairs and there is, therefore, no requirement that the Corporation make disclosure of its affairs, including, without limitation, the prompt notification of material changes by way of press releases and formal filings or the preparation of quarterly unaudited financial statements. However, where required pursuant to applicable laws, the Corporation may be required to file with the securities regulatory authorities or deliver to the securities regulatory authorities audited annual financial statements of the Corporation, as well as a notice that accompanies the financial statements which describes how the money raised under the Offering Memorandum has been used and in certain of the Offering Jurisdictions, a notice of specified key events, in accordance with the required form. Further, the Corporation is not required to file its interim financial statements with the securities regulatory authorities. The Corporation will also send each Bondholder the information required to file Canadian income tax returns, in respect of the Bonds held by such Bondholder.

**The Corporation does not intend to send Bondholders any financial statements of the Corporation except as may be required pursuant to applicable laws. The annual financial statements of the Corporation will be made reasonably available to each Bondholder by emailing investor relations at [info@yesterpay.com](mailto:info@yesterpay.com) or on the Corporation's website at [www.yesterpay.com](http://www.yesterpay.com).**

**Financial or other information relating to the Corporation and provided to you in the future may not by itself be sufficient for you to assess the performance of your investment.**

## **ITEM 10 - RESALE RESTRICTIONS**

These securities are subject to a number of resale restrictions under securities legislation, including a restriction on trading. Unless or until the restriction on trading expires, you will not be able to trade the securities unless you are eligible to rely on and comply with an exemption from the prospectus and registration requirements under securities legislation. For information about these resale restrictions, you should consult a lawyer.

### **10.1 General Statement**

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

### **10.2 Restricted Period**

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

The certificates representing the securities of the Corporation issued pursuant to this Offering will have a legend in substantially the following form:

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

The Corporation does not intend to become a reporting issuer in any province or territory of Canada.

### **10.3 Manitoba Resale Restrictions**

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

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

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

## **ITEM 11 - PURCHASERS' RIGHTS**

If you purchase the Offered Bonds pursuant to this Offering Memorandum, you will have certain rights, some of which are described below. For complete information about your rights, you should consult a lawyer.

**(a) Two Day Cancellation Right for a Subscriber**

You can cancel your agreement to purchase the Offered Bonds. To do so, you must send a notice to the Corporation by midnight on the second business day after you sign the Subscription Agreement in respect of the Offered Bonds.

**(b) Rights of Action in the Event of a Misrepresentation**

Applicable securities laws and contractual rights in the Offering Jurisdictions provide you with a remedy to sue the Corporation to cancel your agreement to buy these securities or for damages against the Corporation if this Offering Memorandum, or any amendment thereto, contains a misrepresentation. Unless otherwise noted, in this section, a “**misrepresentation**” means an untrue statement or omission of a “**material fact**” (as defined by applicable securities laws) that is required to be stated or that is necessary in order to make a statement in this Offering Memorandum not misleading in light of the circumstances in which it was made.

These remedies are available to you whether or not you relied on the misrepresentation. However, there are various defences available to the persons or companies that you have a right to sue. In particular, they have a defence if you knew of the misrepresentation when you purchased the securities. In addition, these remedies, or notice with respect thereto, must be exercised or delivered, as the case may be, by you within the strict time limit prescribed in the applicable securities laws. Further, in an action for damages, the amount you recover will not exceed the price that you paid for your securities and will not include any part of the damages that the Corporation proves does not represent the depreciation value of the securities resulting from the misrepresentation. The Corporation has a defence if it proves that you knew of the misrepresentation when you purchased the securities.

The applicable contractual and statutory rights are summarized below. By its execution of the Subscription Agreement, the Corporation will be deemed to have granted these rights to you. Subscribers should refer to the applicable securities laws of their respective Offering Jurisdiction for the particulars of these rights or consult with professional advisors.

**Statutory Rights of Action of Purchasers in British Columbia**

Securities legislation in British Columbia provides that every purchaser of securities pursuant to this Offering Memorandum shall have, in addition to any other rights they may have at law, a right of action for damages against the Corporation, every director of the Corporation at the date of the Offering Memorandum or any person who signed the Offering Memorandum. The purchaser may also elect to exercise a right of rescission against the Corporation in which case the purchaser has no right of action for damages. Purchasers should refer to the applicable provisions of the British Columbia securities legislation for particulars of those rights or consult with a lawyer. This right of action may be summarized as set forth below. If there is a misrepresentation in this Offering Memorandum, purchasers have a statutory right to sue:

- (a) the Corporation to cancel their agreement to buy the Bonds; or
- (b) for damages against the Corporation, directors of the issuer at the date of the Offering Memorandum and any person who signed the Offering Memorandum (collectively defined as the “**Insiders**” for this section).

If this Offering Memorandum or any amendment thereto contains a misrepresentation and it was a misrepresentation on the date of investment, a purchaser to whom such Offering Memorandum was delivered and who purchases securities shall have a right of action for rescission or alternatively for damages against the Insiders. A purchaser who purchases a security offered by the Offering Memorandum during the period of distribution shall be deemed to have relied on the representation, if it was a misrepresentation at the time of purchase, and has a right of action for damages against the Corporation:

- (a) the purchaser may elect to exercise a right of rescission against the Corporation in which case the purchaser does not have a right of action for damages against the Insiders;
- (b) the Insiders are not liable under subsection (a) if the Corporation proves that the purchaser purchased the securities with knowledge of the misrepresentation;
- (c) in an action for damages pursuant to subsection (a), the Insiders are not liable for all or any portion of the damages that the Insiders prove do not represent the depreciation in value of the security as a result of the misrepresentation relied on;
- (d) in no case shall the amount recoverable by the purchaser exceed the price at which the securities were sold to the purchaser; and
- (e) the right of action for damages or rescission will be in addition to any other right or remedy available to the purchaser at law.

In British Columbia, an action to enforce a civil remedy created by the above must not be commenced:

- (a) in the case of an action for rescission, more than 180 days after the Subscriber purchased the Bonds; or
- (b) in the case of an action other than for rescission, more than the earlier of:
  - (i) 180 days after the plaintiff first had knowledge of the facts giving rise to the cause of action; or
  - (ii) 3 years after the Subscriber purchased the Bonds.

The rights discussed above are in addition to, and without derogation from, any other right or remedy which purchasers may have at law and are intended to correspond to the provisions of the *Securities Act* (British Columbia) and are subject to the defences contained therein.

#### **Rights for Subscribers in the Province of Alberta**

A Subscriber of Bonds pursuant to this Offering Memorandum who is a resident in Alberta has, in addition to any other rights the Subscriber may have at law, a right of action for damages or rescission against the Corporation if this Offering Memorandum, together with any amendments hereto, contains a misrepresentation. In Alberta, a Subscriber has additional statutory rights of action for damages against every director of the Corporation at the date of this Offering Memorandum and every person or company who signed this Offering Memorandum.

If this Offering Memorandum contains a misrepresentation, which was a misrepresentation at the time the Bonds were purchased, the Subscriber will be deemed to have relied upon the misrepresentation and will, as provided below, have a right of action against the Corporation for damages or alternatively, while still the owner of any of the Bonds purchased by that Subscriber, for rescission, in which case, if the Subscriber elects to exercise the right of rescission, the Subscriber will have no right of action for damages against the Corporation, provided that:

- (i) no person or company will be liable if it proves that the Subscriber purchased the securities with knowledge of the misrepresentation;
- (ii) in the case of an action for damages, the defendant will not be liable for all or any portion of the damages that it proves do not represent the depreciation in value of the securities as a result of the misrepresentation;
- (iii) in no case will the amount recoverable in any action exceed the price at which the securities were purchased by the Subscriber under this Offering Memorandum; and
- (iv) in the case of a Subscriber resident in Alberta, no Person or company, other than the Corporation, will be liable if such person or company is entitled to rely upon certain statutory provisions set out in subsections 204(3)(a) — (e) of the *Securities Act* (Alberta).

In Alberta, no action may be commenced more than:

- (i) in the case of an action for rescission, 180 days after the date of the transaction that gave rise to the cause of action; or
- (ii) in the case of any other action, other than an action for rescission, the earlier of (i) 180 days after the Subscriber first had knowledge of the facts giving rise to the cause of action; or (ii) three years after the date of the transaction that gave rise to the cause of action.

The rights discussed above are in addition to, and without derogation from, any other right or remedy which purchasers may have at law and are intended to correspond to the provisions of the *Securities Act* (Alberta) and are subject to the defences contained therein.

#### **Statutory Rights of Action for Subscribers in the Province of Saskatchewan**

In the event that this Offering Memorandum and any amendment thereto or advertising or sales literature used in connection therewith delivered to a purchaser of the securities resident in Saskatchewan contains an untrue statement of a fact that significantly affects, or would reasonably be expected to have a significant effect on, the market price or value of the securities (herein called a “**material fact**”) or omits to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made (herein called a “**misrepresentation**”), a purchaser will be deemed to have relied upon that misrepresentation and will have a right of action for damages against the Corporation, the promoters and “directors” (as defined in *The Securities Act, 1988* (Saskatchewan)) of the Corporation, every person or company whose consent has been filed with this Offering Memorandum or amendment thereto but only with respect to reports, opinions or statements that have been made by them, every person who signed this Offering Memorandum or any amendment thereto, and every person who or company that sells the securities on behalf of the Corporation under this Offering Memorandum or amendment thereto.

Alternatively, where the purchaser purchased the securities from the Corporation, the purchaser may elect to exercise a right of rescission against the Corporation.

In addition, where an individual makes a verbal statement to a prospective purchaser that contains a misrepresentation relating to the securities and the verbal statement is made either before or contemporaneously with the purchase of the securities, the purchaser has a right of action for damages against the individual who made the verbal statement.

No persons or company is liable, nor does a right of rescission exist, where the persons or company proves that the purchaser purchased the securities with knowledge of the misrepresentation. In an action for damages, no persons or company will be liable



for all or any portion of the damages that it proves do not represent the depreciation in value of the securities as a result of the misrepresentation relied on.

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

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

These rights are (i) in addition to and do not derogate from any other right the purchaser may have at law; and (ii) subject to certain defences as more particularly described in *The Securities Act, 1988* (Saskatchewan).

#### **Statutory Rights of Action for Subscribers in the Province of Manitoba**

In the event that this Offering Memorandum (including any amendment hereto) delivered to a purchaser of Bonds resident in Manitoba, contains a misrepresentation and it is a misrepresentation at the time of purchase, the purchaser shall be deemed to have relied upon the misrepresentation and shall have, in addition to any other rights they may have at law:

- (a) a right of action for damages against:
  - (i) the Corporation;
  - (ii) every director of the Corporation at the date of this Offering Memorandum (collectively, the “**Directors**”); and
  - (iii) every person or company who signed this Offering Memorandum (collectively, the “**Signatories**”); and
- (b) a right of rescission against the Corporation.

If a misrepresentation is contained in a record incorporated by reference in, or is deemed to be incorporated into this Offering Memorandum, the misrepresentation is deemed to be contained in this Offering Memorandum.

A purchaser may elect to exercise a right of rescission against the Corporation, in which case the purchaser will have no right of action for damages against the Corporation, directors or signatories.

The Corporation, the directors and signatories will not be liable if they prove that the purchaser purchased Bonds with knowledge of the misrepresentation.

All persons or companies referred to above that are found to be liable or accept liability are jointly and severally liable. A person or company who is found liable to pay a sum in damages may recover a contribution, in whole or in part, from a person who is jointly and severally liable to make the same payment in the same cause of action unless, in all the circumstances of the case, the court is satisfied that it would not be just and equitable.

A director or signatory will not be liable:

1. if they prove this Offering Memorandum was sent or delivered to the purchaser without their knowledge or consent and, on becoming aware of its delivery, gave reasonable notice to the Corporation that it was delivered without their knowledge and consent;
2. if they prove that, after becoming aware of a misrepresentation in this Offering Memorandum, they withdrew their consent to this Offering Memorandum and gave reasonable notice to the Corporation of their withdrawal and the reasons therefore;
3. if, with respect to any part of this Offering Memorandum purporting to be made on the authority of an expert or to be a copy of, or an extract from, a report, opinion or statement of an expert (“**Expert Opinion**”), such person proves they did not have any reasonable grounds to believe and did not believe that there was a misrepresentation or that the relevant part of this Offering Memorandum did not fairly represent the Expert Opinion or was not a fair copy of, or an extract from, such Expert Opinion; or
4. with respect to any part of this Offering Memorandum not purporting to be made on an expert’s authority, or not purporting to be a copy of, or an extract from an Expert Opinion, unless the director or signatory:
  - (i) did not conduct an investigation sufficient to provide reasonable grounds for a belief that there had been no misrepresentation; or
  - (ii) believed there had been a misrepresentation.

In an action for damages, the Corporation, the directors and signatories will not be liable for all or any part of the damages that they prove do not represent the depreciation in value of the Bonds as a result of the misrepresentation relied upon. The amount recoverable under the right of action shall not exceed the price at which the Bonds were offered for sale.

A purchaser of Bonds to whom this Offering Memorandum was not delivered prior to such purchase in circumstances where such Offering Memorandum was required to be delivered has a right of rescission or a right of action for damages against the Corporation or any dealer who failed to deliver the Offering Memorandum within the prescribed time.

A purchaser of Bonds to whom the Offering Memorandum is required to be sent may rescind the contract to purchase the Bonds by sending a written notice of rescission to the Corporation not later than midnight on the second day, excluding Saturdays, Sundays and statutory holidays, after the purchaser signs the agreement to purchase the Bonds.

Unless otherwise provided under applicable securities legislation, no action shall be commenced to enforce a right of action unless the right is exercised not later than:

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

The rights discussed above are in addition to, and without derogation from, any other right or remedy which purchasers may have at law and are intended to correspond to the provisions of *The Securities Act* (Manitoba) and are subject to the defences contained therein.

#### **Statutory Rights of Action of Purchasers in Ontario**

Section 5.3 of Ontario Securities Commission Rule 45-501 ("**Rule 45-501**") provides that when an offering memorandum is delivered to a prospective purchaser resident in the Province of Ontario to whom securities are sold in reliance upon the prospectus exemption contained in section 2.3 [*accredited investor*] of National Instrument 45-106, the right of action referred to in Section 130.1 of the *Securities Act* (Ontario) (the "**Act**") shall be described in the offering memorandum.

Section 130.1 of the Act and Rule 45-501 provide that in the event that this Offering Memorandum, together with any amendments hereto, is delivered to a prospective purchaser in the Province of Ontario and contains an untrue statement of a material fact or omits to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made, a purchaser in Ontario who purchases securities offered by this Offering Memorandum (other than a purchaser purchasing under the accredited investor exemption that is a Canadian financial institution or a Schedule III Bank, the Business Development Bank of Canada incorporated under the *Business Development Bank of Canada Act* (Canada) or a subsidiary of any such entity if the such entity owns all of the voting securities of the subsidiary, except the voting securities required by law to be owned by the directors of that subsidiary) will have a right of action against the Corporation for damages or rescission as follows:

- (a) the right of action for rescission or damages will be exercisable by an investor resident in Ontario, only if the investor gives written notice to the Corporation, not later than 180 days after the date on which payment was made for the securities (or after the initial payment was made for the securities, where payments subsequent to the initial payment are made pursuant to a contractual commitment assumed prior to or concurrently with the initial payment), that the investor is exercising this right, or alternatively, in an action for damages, the right of action will be exercisable by an investor only if the investor gives notice to the Corporation not later than the earlier of:
  - (i) 180 days after the investor had knowledge of the facts giving rise to the course of action; or
  - (ii) three years after the date of the transaction giving rise to the cause of action;
- (b) the Corporation will not be liable if it proves that the investor purchased securities with knowledge of the misrepresentation;
- (c) in the case of an action for damages, the Corporation will not be liable for all or any portion of such damages that it proves do not represent the depreciation in value of the securities as a result of the misrepresentation that the investor relied upon;
- (d) in no case will the amount recoverable in any action exceed the price at which the securities were sold to the investor; and
- (e) the rights of action for rescission or damages are in addition to and without derogation from any other right the investor may have at law.

Reference is made to the *Securities Act* (Ontario) for the complete text of the provisions under which these rights are conferred and this summary is subject to the express provisions of the *Securities Act* (Ontario).

#### **Statutory Rights of Action of Purchasers in Newfoundland and Labrador**

In addition to any other right or remedy available to you at law, if there is a misrepresentation in this Offering Memorandum, you have a contractual right to sue:

- (a) to cancel your agreement to buy these Bonds; or
- (b) for damages.

This contractual right to sue is available to you whether or not you relied on the misrepresentation. If you choose to rescind your purchase, you cannot then sue for damages. In addition, in an action for damages, the defendant will not be liable for all or any portion of damages that it proves do not represent the depreciation in value of your Bonds as a result of the misrepresentation. Furthermore, the amount recoverable in an action for damages will not exceed the price at which the Bonds were offered. There

are various defences available to the Corporation should you exercise a right to sue. For example, it has a defence if you knew of the misrepresentation when you purchased the Bonds.

#### **Time limitations**

If you intend to rely on the rights described above, you must do so within strict time limitations.

In Newfoundland and Labrador, you must commence your action to rescind your agreement to purchase Bonds within 180 days after you signed the agreement to purchase the Bonds or commence your action for damages within the earlier of:

1. 180 days after learning of the misrepresentation, or
2. three years after the transaction.

The rights discussed above are in addition to, and without derogation from, any other right or remedy which purchasers may have at law and are intended to correspond to the provisions of the *Securities Act* (Newfoundland and Labrador) and are subject to the defenses contained therein.

#### **Statutory Rights of Action for Subscribers in the Province of New Brunswick**

If this Offering Memorandum or any information relating to the Offering provided to the Subscriber of the securities thereto or any advertising or sales literature used in connection therewith contains a misrepresentation, every Subscriber of Bonds resident in New Brunswick purchasing Bonds pursuant to this Offering Memorandum shall be deemed to have relied on the representation, if it was a misrepresentation at the time of purchase, and will have a right of action, in addition to any other rights they may have at law, for damages against the Corporation. Alternatively, where the Subscriber purchased the Bonds from the Corporation, the Subscriber may elect to exercise a right of rescission against the Corporation, in which case the Subscriber shall have no right of action for damages against the Corporation.

In addition, if advertising or sales literature is relied upon by a Subscriber in connection with a purchase of Bonds, the Subscriber shall also have a right of action for damages or rescission against every promoter of the Corporation.

In addition, where an individual makes a verbal statement to a prospective Subscriber that contains a misrepresentation relating to the Bonds and the verbal statement is made either before or contemporaneously with the purchase of the Bonds, the Subscriber has a right of action for damages against the individual who made the verbal statement.

No such individual will be liable if:

- (a) that individual can establish that he or she cannot reasonably be expected to have known that his or her statement contained a misrepresentation; or
- (b) no individual is liable if, prior to the purchase of the securities by the Subscriber, that individual notified the Subscriber that the individual's statement contained a misrepresentation.

Neither the Corporation nor any promoter, person or company referred to above will be liable, whether for misrepresentations in the Offering Memorandum, any advertising or sales literature or in a verbal statement:

- (a) if the Corporation or such promoter, person or company proves that the Subscriber purchased the Bonds with knowledge of the misrepresentation;
- (b) in an action for damages, for all or any portion of the damages that the Corporation or such promoter, person or company proves do not represent the depreciation in value of the Bonds as a result of the misrepresentation relied on.

No person, other than the Corporation, is liable for misrepresentations in any advertising or sales literature if the person proves:

- (a) that the advertising or sales literature was disseminated without the person's knowledge or consent and that, on becoming aware of its dissemination, the person gave reasonable general notice that it was so disseminated;
- (b) that, after the dissemination of the advertising or sales literature and before the purchase of the securities by the Subscriber, on becoming aware of any misrepresentation in the advertising or sales literature the person withdrew the person's consent to it and gave reasonable general notice of the withdrawal and the reason for the withdrawal; or
- (c) that, with respect to a false statement purporting to be a statement made by an official person or contained in what purports to be a copy of, or an extract from, a public official document, it was a correct and fair representation of the statement or copy of, or extract from, the document, and the person had reasonable grounds to believe and did believe that the statement was true.

No person, other than the Corporation, is liable with respect to any part of the advertising or sales literature not purporting to be made on the authority of an expert and not purporting to be a copy of or, an extract from, a report, opinion or statement of an expert unless the person:

- (a) failed to conduct such reasonable investigation as to provide reasonable grounds for a belief that there had been no misrepresentation; or

- (b) believed there had been a misrepresentation.

Any person who at the time the advertising or sales literature was disseminated, sells securities on behalf of the Corporation with respect to which the advertising or sales literature was disseminated is not liable if that person can establish that the person cannot reasonably be expected to have had knowledge that the advertising or sales literature was disseminated or contained a misrepresentation.

In no case will the amount recoverable by a Subscriber exceed the price at which Bonds were sold to the Subscriber.

In New Brunswick, no action may be commenced to enforce such right of action unless the right is exercised:

- (a) in the case of an action for rescission, 180 days after the date the Subscriber purchased the Bonds; and
- (b) in the case of any action, other than an action for rescission, the earlier of:
  - (i) one year after the Subscriber first had knowledge of the facts giving rise to the cause of action; or
  - (ii) six years after the date the Subscriber purchased the Bonds.

The rights discussed above are in addition to, and without derogation from, any other right or remedy which purchasers may have at law and are intended to correspond to the provisions of the *Securities Act* (New Brunswick) and are subject to the defenses contained therein.

#### **Statutory Rights of Action for Subscribers in the Province of Nova Scotia**

If this Offering Memorandum or any amendment thereto or any advertising or sales literature (as defined in the *Securities Act* (Nova Scotia)) used in connection therewith contains a misrepresentation, every Subscriber resident in Nova Scotia of Bonds in reliance on an exemption under the *Securities Act* (Nova Scotia), the regulations thereunder or a decision of the Nova Scotia Securities Commission pursuant to this Offering Memorandum shall be deemed to have relied on the representation, if it was a misrepresentation at the time of purchase, and has a right of action, in addition to any other rights they may have at law, for damages against the Corporation, every director of the Corporation at the date of the Offering Memorandum, and every person who signed this Offering Memorandum, but may elect (while still the owner of any of the Bonds that they purchased) to exercise a right of rescission against the Corporation, in which case he or she shall have no right of action for damages, provided that:

- (a) neither the Corporation, its directors nor anyone signing this Offering Memorandum will be liable if the Corporation or such person or company proves that the Subscriber purchased the Bonds with knowledge of the misrepresentation;
- (b) no person or company signing this Offering Memorandum will be liable with respect to any part of the Offering Memorandum not purporting to be made on the authority of an expert and not purporting to be a copy of, or an extract from, a report, opinion or statement of an expert, unless such person or company
  - (i) did not conduct an investigation sufficient to provide reasonable grounds for a belief that there had been no misrepresentation, or
  - (ii) believed there had been a misrepresentation;
- (c) in an action for damages, neither the Corporation, its directors nor anyone signing this Offering Memorandum will be liable for all or any portion of the damages that it proves do not represent the depreciation in value of the Bonds as a result of the misrepresentation relied upon;
- (d) in no case shall the amount recoverable under the right of action described herein exceed the price at which the Bonds were sold to the Subscriber.

In Nova Scotia, no action may be commenced more than:

- (a) in the case of an action for rescission, 180 days after the Subscriber purchased the Bonds; or
- (b) in the case of any other action, the earlier of:
  - (i) 180 days after the Subscriber first had knowledge of the facts giving rise to the cause of action; or
  - (ii) three (3) years after the Subscriber purchased the Bonds.

The rights discussed above are in addition to, and without derogation from, any other right or remedy which purchasers may have at law and are intended to correspond to the provisions of the *Securities Act* (Nova Scotia) and are subject to the defenses contained therein.

#### **Statutory Rights of Action for Subscribers in the Province of Prince Edward Island**

If this Offering Memorandum contains a misrepresentation when a Subscriber resident in Prince Edward Island buys Bonds, securities legislation in Prince Edward Island provides that every such Subscriber has, without regard to whether the Subscriber relied on the misrepresentation, a right of action for damages against the Corporation, every director of the Corporation at the date of the Offering Memorandum, and every person or company who signed this Offering Memorandum, but may elect (while still

the owner of any of the Bonds that they purchased) to exercise a right of rescission against the Corporation in which case the Subscriber shall have no right of action for damages, provided that:

- (a) neither the Corporation, its directors nor anyone signing this Offering Memorandum will be liable if the Corporation or such person or company proves that the Subscriber purchased the Bonds with knowledge of the misrepresentation;
- (b) in an action for damages, neither the Corporation, its directors nor anyone signing this Offering Memorandum will be liable for all or any portion of such damages if the Corporation or such person or company proves that they do not represent the depreciation in value of the Bonds as a result of the misrepresentation relied on; and
- (c) the amount recoverable under this right of action must not exceed the price at which the Bonds purchased by the Subscriber were offered.

In Prince Edward Island, no action may be commenced to enforce such right of action described above unless the right is exercised:

- (a) in the case of action for rescission, no later than 180 days from the date the Subscriber purchased the Bonds; or
- (b) in the case of any action, other than an action for rescission, not later than the earlier of:
  - (i) 180 days from the day that the Subscriber first had knowledge of the facts giving rise to the cause of action; or
  - (ii) three years from the day the Subscriber purchased the Bonds.

The rights discussed above are in addition to, and without derogation from, any other right or remedy which purchasers may have at law and are intended to correspond to the provisions of the *Securities Act* (Prince Edward Island) and are subject to the defenses contained therein.

#### **Statutory Rights of Action for Subscribers in the Northwest Territories**

If an Offering Memorandum contains a misrepresentation, a Subscriber who purchases a security offered by the Offering Memorandum during the period of distribution has, without regard to whether the Subscriber relied on the misrepresentation, a right of action for damages against the Corporation, the selling holder of a Bond on whose behalf the distribution is made, every director of the Corporation at the date of the Offering Memorandum, and every person who signed the Offering Memorandum. If an Offering Memorandum contains a misrepresentation, a Subscriber who purchases a security offered by the Offering Memorandum during the period of distribution has a right of action for rescission against the Corporation or the selling security holder on whose behalf the distribution is made. If the Subscriber elects to exercise a right of action for rescission, the Subscriber shall have no right of action for damages.

A defendant is not liable if he or she proves that the Subscriber purchased the securities with knowledge of the misrepresentation. A person, other than the Corporation and selling security holder, is not liable if he or she proves that:

- (a) the Offering Memorandum was sent to the Subscriber without the person's knowledge or consent and that, on becoming aware of its being sent, the person had promptly given reasonable notice to the issuer that it had been sent without the knowledge and consent of the person;
- (b) the person, on becoming aware of the misrepresentation in the Offering Memorandum, had withdrawn their consent to the Offering Memorandum and given reasonable notice to the Corporation of the withdrawal and the reason for it;
- (c) with respect to any part of the Offering Memorandum purporting to be made on the authority of an expert or purporting to be a copy of, or an extract from, a report, statement or opinion of an expert, the person had no reasonable grounds to believe and did not believe that:
  - (i) there had been a misrepresentation; or
  - (ii) the relevant part of the Offering Memorandum:
    - (A) did not fairly represent the report, statement or opinion of the expert, or
    - (B) was not a fair copy of, or an extract from, the report, statement or opinion of the expert.

A person, other than the Corporation and selling holder of a Bond, is not liable with respect to any part of an Offering Memorandum not purporting to be made on the authority of an expert and not purporting to be a copy of, or an extract from, a report, statement or opinion of an expert, unless the person:

- (a) failed to conduct a reasonable investigation to provide reasonable grounds for a belief that there had been no misrepresentation; or
- (b) believed that there had been a misrepresentation.

A defendant is not liable with respect to a misrepresentation in forward-looking information:

- (a) if the Offering Memorandum containing the forward-looking information also contains, proximate to the forward-looking information,
  - (i) reasonable cautionary language identifying the forward-looking information as such forecast or projection in the forward-looking information;

- (ii) a statement of the material factors or assumptions that were applied in drawing a conclusion or making a forecast or projection set out in the forward-looking information, and
- (b) the person had a reasonable basis for drawing the conclusions or making the forecasts or projections set out in the forward-looking information.

In an action for damages, the defendant is not liable for any damages that the defendant proves do not represent the depreciation in value of the Bonds resulting from the misrepresentation. The amount recoverable by a plaintiff must not exceed the price at which the Bonds purchased by the plaintiff were offered. The right of action for rescission or damages is in addition to and without derogation from any other right the Subscriber may have at law. If a misrepresentation is contained in a record incorporated by reference in, or deemed to be incorporated into, an Offering Memorandum, the misrepresentation is deemed to be contained in the Offering Memorandum.

In the Northwest Territories, no action may be commenced to enforce such right of action described above unless the right is exercised within:

- (a) in the case of an action for rescission, 180 days after the Subscriber purchased the Bonds; or
- (b) in the case of any action other than an action for rescission,
  - (i) 180 days after the plaintiff first had knowledge of the facts giving rise to the cause of action, or
  - (ii) three years after the date the Subscriber purchased the Bonds,whichever period expires first.

The rights discussed above are in addition to, and without derogation from, any other right or remedy which purchasers may have at law and are intended to correspond to the provisions of the *Securities Act* (Northwest Territories) and are subject to the defences contained therein.

#### **Statutory Rights of Action for Subscribers in the Yukon Territory**

In addition to any other right or remedy available to you at law, if there is a misrepresentation in this Offering Memorandum, then you have a statutory right to sue in Yukon:

- (a) for the Corporation to cancel your agreement to buy these securities; or
- (b) for damages against the Corporation, every person who was a director of the Corporation at the date of this Offering Memorandum and any other person who signed this Offering Memorandum.

This statutory right to sue is available to you whether or not you relied on the misrepresentation. If you choose to rescind your purchase, you cannot then sue for damages. In addition, in an action for damages, the defendant will not be liable for all or any portion of damages that it proves do not represent the depreciation in value of your securities as a result of the misrepresentation. Furthermore, the amount recoverable in an action for damages will not exceed the price at which the securities were offered. There are various defenses available to the persons or companies that you have a right to sue. For example, they have a defence if you knew of the misrepresentation when you purchased the securities.

The defendant will not be liable for a misrepresentation in forward-looking information if the Corporation proves that:

- (a) this Offering Memorandum contains reasonable cautionary language identifying the forward-looking information as such, and identifying material factors that could cause actual results to differ materially from a conclusion, forecast or projection in the forward-looking information, and a statement of material factors or assumptions that were applied in drawing a conclusion or making a forecast or projection set out in the forward-looking information; and
- (b) the Corporation has a reasonable basis for drawing the conclusion or making the forecasts and projections set out in the forward-looking information.

However, in Yukon, the above defense does not relieve a person of liability respecting forward-looking information in a financial statement required to be filed under Yukon securities laws.

If you intend to rely on the statutory right to sue described above, you must do so within strict time limitations.

In Yukon, you must commence your action to cancel the agreement within 180 days after the transaction or commence your action for damages within the earlier of:

- (i) 180 days after learning of the misrepresentation, or
- (ii) three years after the transaction.

The rights discussed above are in addition to, and without derogation from, any other right or remedy which purchasers may have at law and are intended to correspond to the provisions of the *Securities Act* (Yukon) and are subject to the defences contained therein.

### **Statutory Rights for Failure to Deliver the Offering Memorandum in Yukon**

If you reside in Yukon and you did not receive a copy of this Offering Memorandum before you signed your Subscription Agreement, you have a right to sue for damages, or if you still own your securities, you can choose to cancel your agreement instead of suing for damages.

The rights discussed above are in addition to, and without derogation from, any other right or remedy which purchasers may have at law and are intended to correspond to the provisions of the *Securities Act* (Yukon) and are subject to the defences contained therein.

### **Statutory Rights of Action for Subscribers in Nunavut**

If an Offering Memorandum contains a misrepresentation, a Subscriber who purchases a security offered by the Offering Memorandum during the period of distribution has, without regard to whether the Subscriber relied on the misrepresentation, a right of action for damages against the Corporation, the selling holder of a Bond on whose behalf the distribution is made, every director of the Corporation at the date of the Offering Memorandum, and every person who signed the Offering Memorandum. If an Offering Memorandum contains a misrepresentation, a Subscriber who purchases a security offered by the Offering Memorandum during the period of distribution has a right of action for rescission against the Corporation or the selling security holder on whose behalf the distribution is made. If the Subscriber elects to exercise a right of action for rescission, the Subscriber shall have no right of action for damages.

A defendant is not liable if he or she proves that the Subscriber purchased the securities with knowledge of the misrepresentation. A person, other than the Corporation and selling security holder, is not liable if he or she proves that:

- (a) the Offering Memorandum was sent to the Subscriber without the person's knowledge or consent and that, on becoming aware of its being sent, the person had promptly given reasonable notice to the issuer that it had been sent without the knowledge and consent of the person;
- (b) the person, on becoming aware of the misrepresentation in the Offering Memorandum, had withdrawn their consent to the Offering Memorandum and given reasonable notice to the Corporation of the withdrawal and the reason for it;
- (c) with respect to any part of the Offering Memorandum purporting to be made on the authority of an expert or purporting to be a copy of, or an extract from, a report, statement or opinion of an expert, the person had no reasonable grounds to believe and did not believe that:
  - (i) there had been a misrepresentation; or
  - (ii) the relevant part of the Offering Memorandum:
    - (A) did not fairly represent the report, statement or opinion of the expert, or
    - (B) was not a fair copy of, or an extract from, the report, statement or opinion of the expert.

A person, other than the Corporation and selling holder of a Bond, is not liable with respect to any part of an Offering Memorandum not purporting to be made on the authority of an expert and not purporting to be a copy of, or an extract from, a report, statement or opinion of an expert, unless the person:

- (a) failed to conduct a reasonable investigation to provide reasonable grounds for a belief that there had been no misrepresentation; or
- (b) believed that there had been a misrepresentation.

A defendant is not liable with respect to a misrepresentation in forward-looking information:

- (a) if the Offering Memorandum containing the forward-looking information also contains, proximate to the forward-looking information,
  - (i) reasonable cautionary language identifying the forward-looking information as such forecast or projection in the forward-looking information;
  - (ii) a statement of the material factors or assumptions that were applied in drawing a conclusion or making a forecast or projection set out in the forward-looking information, and
- (b) the person had a reasonable basis for drawing the conclusions or making the forecasts or projections set out in the forward-looking information.

In an action for damages, the defendant is not liable for any damages that the defendant proves do not represent the depreciation in value of the Bonds resulting from the misrepresentation. The amount recoverable by a plaintiff must not exceed the price at which the Bonds purchased by the plaintiff were offered. The right of action for rescission or damages is in addition to and without derogation from any other right the Subscriber may have at law. If a misrepresentation is contained in a record incorporated by reference in, or deemed to be incorporated into, an Offering Memorandum, the misrepresentation is deemed to be contained in the Offering Memorandum.

In Nunavut, no action may be commenced to enforce such right of action described above unless the right is exercised within:

- (a) in the case of an action for rescission, 180 days after the Subscriber purchased the Bonds; or
- (b) in the case of any action other than an action for rescission,

- (i) 180 days after the plaintiff first had knowledge of the facts giving rise to the cause of action, or
  - (ii) three years after the date the Subscriber purchased the Bonds,
- whichever period expires first.

The rights discussed above are in addition to, and without derogation from, any other right or remedy which purchasers may have at law and are intended to correspond to the provisions of the *Securities Act* (Nunavut) and are subject to the defences contained therein.

The securities laws of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Nova Scotia, New Brunswick, Prince Edward Island, Newfoundland and Labrador, Yukon, Nunavut and Northwest Territories are complex. Reference should be made to the full text of the provisions summarized above relating to rights of action.

Subscribers should consult their own legal advisors with respect to their rights and the remedies available to them.

THE FOREGOING IS A SUMMARY ONLY AND SUBJECT TO INTERPRETATION. REFERENCE SHOULD BE MADE TO THE APPLICABLE SECURITIES LEGISLATION, THE REGULATIONS AND THE RULES THEREUNDER FOR THE COMPLETE TEXT OF THE PROVISIONS UNDER WHICH THE FOREGOING RIGHTS ARE CONFERRED. THE FOREGOING SUMMARY IS SUBJECT TO THE EXPRESS PROVISIONS THEREOF.



## **ITEM 12 - FINANCIAL STATEMENTS**

### **12.1 Financial Statements of the Corporation**

July 29, 2019

Yesterpay Holdings Inc.  
#121, 234 – 5149 Country Hills Blvd. NW  
Calgary, AB, T3A 5K8

Dear Sir/Madame

We refer to the offering memorandum of Yesterpay Holdings Inc. (the “**Corporation**”) dated July 29, 2019 (the “**Offering Memorandum**”) relating to the offering of four series of unsecured bonds by the Corporation.

We consent to being named and to the use in the above-mentioned Offering Memorandum, of our report dated April 29, 2019, to the shareholders of the Corporation on the following financial statements of the Corporation:

- a. Statement of financial position as at December 31, 2018; and,
- b. Statements of comprehensive income, changes in shareholders’ equity and cash flows and the notes to the financial statements for the year ended December 31, 2018.

We consent to being named and to the use in the above-mentioned Offering Memorandum, of our report dated April 29, 2019, to the shareholders of Capital Now Inc. (“**CNI**”) on the following financial statements of CNI:

- a. Statement of financial position as at December 31, 2018; and,
- b. Statements of profit and loss and deficit and cash flows and the notes to the financial statements for the year ended December 31, 2018.

We report that we have read the Offering Memorandum and all information therein and have no reason to believe that there are any misrepresentations in the information contained therein that are derived from the financial statements upon which we have reported or that are within our knowledge as a result of our audit of such financial statements. We have complied with Canadian generally accepted standards for an auditor’s consent to the use of a report of the auditor included in an offering document as described in the CPA Canada Handbook – Assurance.

*Sihota Taylor*

Sihota Taylor Chartered Professional Accountants

**YESTERPAY HOLDINGS INC.**  
**Financial Statements**  
**Year Ended December 31, 2018**

## **Management's Responsibility for Financial Reporting**

To the Shareholders of Yesterpay Holdings Inc.:

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with International Financial Reporting Standards. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board is responsible for overseeing management in the performance of its financial reporting responsibilities. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Board is also responsible for recommending the appointment of the Company's external auditors.

Sihota Taylor Chartered Professional Accountants is appointed by the shareholders to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Board and management to discuss their audit findings.

"C. Gerry Wawzonek"

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Director

"Natalie K. Wawzonek"

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Director

April 29, 2019

## INDEPENDENT AUDITOR'S REPORT

### To the Shareholders of Yesterpay Holdings Inc.

#### Opinion

We have audited the financial statements of Yesterpay Holdings Inc. (the "Company"), which comprise the statement of financial position as at December 31, 2018, and the statements of income and comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

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

#### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

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

#### Auditor's Responsibilities for the Audit of the Financial Statements

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

April 29, 2019  
Calgary, Canada

*Sihota Taylor*

Chartered Professional Accountants

**YESTERPAY HOLDINGS INC.**  
**Statement of Financial Position**  
**December 31, 2018**

	2018	2017
<b>ASSETS</b>		
CURRENT		
Cash	\$ 495,945	\$ 54,968
DUE FROM RELATED PARTY (Note 4)	<u>4,527,066</u>	<u>3,732,353</u>
	<u><b>\$ 5,023,011</b></u>	<u><b>\$ 3,787,321</b></u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
CURRENT		
Accounts payable and accrued liabilities	\$ 36,349	\$ 109,150
Current portion of Bonds (Note 6)	<u>2,232,088</u>	<u>599,157</u>
	<u>2,268,437</u>	<u>708,307</u>
BONDS (Note 6)	<u>2,753,574</u>	<u>3,078,014</u>
	<u><b>5,022,011</b></u>	<u><b>3,786,321</b></u>
SHAREHOLDERS' EQUITY		
Share capital (Note 7)	1,000	1,000
Retained earnings	<u>-</u>	<u>-</u>
	<u><b>\$ 5,023,011</b></u>	<u><b>\$ 3,787,321</b></u>
COMMITMENTS (Note 8)		
SUBSEQUENT EVENT (Note 12)		

**Approved on behalf of the Board of Directors by:**

\_\_\_\_\_  
 "C. Gerry Wawzonek" Director

\_\_\_\_\_  
 "Natalie K. Wawzonek" Director

See notes to financial statements

**YESTERPAY HOLDINGS INC.**  
**Statement of Income and Comprehensive Income**  
**Year Ended December 31, 2018**

	2018	2017
<b>REVENUE</b>		
Interest income <i>(Note 4)</i>	\$ 358,926	\$ 248,306
Loan commitment fee <i>(Note 4)</i>	<u>460,193</u>	<u>531,160</u>
	<u>819,119</u>	<u>779,466</u>
<b>EXPENSES</b>		
Advertising and promotion	24,386	9,578
Interest and bank charges	15,138	42,336
Broker commissions	144,513	142,742
Finance fees	23,981	18,860
Insurance	8,331	-
Interest on Bonds	358,926	248,306
Investor relations	10,220	11,256
Office	5,427	-
Professional fees	72,403	215,504
Sub-contracts	128,848	82,251
Travel	<u>26,946</u>	<u>8,633</u>
	<u>819,119</u>	<u>779,466</u>
<b>NET INCOME AND COMPREHENSIVE INCOME FOR THE YEAR</b>	<u>\$ -</u>	<u>\$ -</u>

See notes to financial statements



**YESTERPAY HOLDINGS INC.**  
**Statement of Changes in Shareholders' Equity**  
**Year Ended December 31, 2018**

	Share capital	Retained earnings	Total Shareholders' equity
Balance, December 31, 2016	\$ 1,000	\$ -	\$ 1,000
Balance, December 31, 2017	1,000	-	1,000
<b>Balance, December 31, 2018</b>	<b>\$ 1,000</b>	<b>\$ -</b>	<b>\$ 1,000</b>

**YESTERPAY HOLDINGS INC.**  
**Statement of Cash Flows**  
**Year Ended December 31, 2018**

	2018	2017
<b>OPERATING ACTIVITIES</b>		
Net income	\$ -	\$ -
Changes in non-cash working capital:		
Accounts payable and accrued liabilities	(72,801)	15,489
Investor advances in processing	-	(35,000)
Cash flow used by operating activities	(72,801)	(19,511)
<b>INVESTING ACTIVITY</b>		
Funds due from related party	(794,713)	(1,484,713)
<b>FINANCING ACTIVITY</b>		
Proceeds from issuance of Bonds, net of redemptions, plus capitalized interest	1,308,491	1,552,569
<b>INCREASE IN CASH FLOW</b>	440,977	48,345
Cash - beginning of year	54,968	6,623
<b>CASH - END OF YEAR</b>	\$ 495,945	\$ 54,968

See notes to financial statements

**YESTERPAY HOLDINGS INC.**  
**Notes to Financial Statements**  
**Year Ended December 31, 2018**

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**1. DESCRIPTION OF BUSINESS**

Yesterpays Holdings Inc. (the "Company") was incorporated pursuant to the provisions of the Business Corporations Act (Alberta) on November 7, 2012. The Company was formed to raise funds pursuant to an offering memorandum, which has been amended and updated from time to time as required (the "Offering" - Note 6) for the purposes of loaning the available funds to Capital Now Inc. ("CNI"), an entity related to the Company by common officers, directors and shareholders. The proceeds of the Offering will be loaned to CNI as working capital for the purchase of factored accounts receivables.

The proposed business of the Company relies on the success of the Offering which involves a high degree of risk and there is no assurance that it will be able to raise the funds necessary to finance its activities.

The address of the registered office of the Company is 900, 517 10th Ave SW, Calgary, Alberta.

**2. BASIS OF PRESENTATION**

*a) Statement of compliance:*

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

The financial statements were approved by the Board of Directors on April 29, 2019.

Certain comparative figures have been reclassified to conform to the current year's presentation.

*b) Basis of measurement:*

The financial statements have been prepared on the historical cost basis.

*c) Functional and presentation currency:*

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

*d) Use of estimates and judgments:*

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Estimates and judgments are evaluated and are based on managements' experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual results could differ from these estimates. By their very nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of future periods could be material. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Significant estimates and judgments made by management in the preparation of the financial statements are as follows:

*i) Fair value of financial instruments*

The estimated fair value of financial assets and liabilities, by their very nature, are subject to measurement uncertainty.

*(continues)*

**YESTERPAY HOLDINGS INC.**  
**Notes to Financial Statements**  
**Year Ended December 31, 2018**

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2. BASIS OF PRESENTATION *(continued)*

*ii) Taxes*

Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Further, tax interpretations, regulations and legislation are subject to change. As such, income taxes are subject to measurement uncertainty.

3. SIGNIFICANT ACCOUNTING POLICIES

a) Financial Instruments

On January 1, 2018, the Company adopted IFRS 9, *Financial Instruments*, which supercedes IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 includes revised guidance on the classification and measurement of financial assets and liabilities, new guidance for measuring impairment of financial assets, and new hedge accounting guidance. The Company applied IFRS 9 on a retrospective basis and was not required to restate prior periods as the adoption of IFRS 9 did not impact the carrying value of any financial asset or financial liability on the transition date.

Under IFRS 9, on initial recognition, financial assets are recognized at fair value and are subsequently classified and measured at amortized cost, fair value through other comprehensive income ("FVOCI"), or fair value through profit or loss ("FVTPL"). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. A financial asset is measured at fair value net of transaction costs that are directly attributable to its acquisition except for financial assets at FVTPL where transaction costs are expensed. All financial assets not classified and measured at amortized cost or FVOCI are measured at FVTPL.

Under IFRS 9, on initial recognition, financial liabilities are recognized at fair value and are subsequently designated as either fair value through profit or loss, or other financial liabilities. All financial liabilities are classified and subsequently measured at amortized cost except for financial liabilities at FVTPL. The classification determines the method by which the financial liabilities are carried on the statement of financial position subsequent to inception and how changes in value are recorded. Other financial liabilities are carried on the statement of financial position at amortized cost.

Transaction costs associated with financial assets and financial liabilities are generally included in the initial carrying amount of the asset or liability; however, as indicated in Note 4, the Company does not have transaction costs that are not reimbursed by a related party.

The Company completed an assessment of its financial instruments as at January 1, 2018. The following table shows the new classification under IFRS 9 and the original classification under IAS 39:

*(continues)*

**YESTERPAY HOLDINGS INC.**  
**Notes to Financial Statements**  
**Year Ended December 31, 2018**

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3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

	<u><b>New (IFRS 9)</b></u>	<u><b>Original (IAS 39)</b></u>
<b>Financial assets:</b>		
Cash	Amortized cost	Loans and receivables (Amortized cost)
Due from related party	Amortized cost	Loans and receivables (Amortized cost)
<b>Financial liabilities:</b>		
Accounts payable and accrued liabilities	Amortized cost	Other financial liability (Amortized cost)
Bonds	Amortized cost	Other financial liability (Amortized cost)

Impairment of financial assets:

IFRS 9 replaces the incurred loss model in IAS 39 with an expected credit loss (ECL) model. This applies to financial assets classified at amortized cost. Under IFRS 9, credit losses are recognized earlier than under IAS 39. This change did not have an impact on the Company's financial statements.

b) Cash

Cash consists of bank balances.

c) Share capital

Class A preferred shares are classified as equity. Incremental costs directly attributable to the issue of Class A preferred shares are recognized as a deduction from equity, net of any tax effects.

d) Revenue recognition

Interest income and loan commitment fee income are recognized pursuant to a loan agreement with CNI as described in Note 4.

e) Income tax

Income tax expense comprises current and deferred tax. Current and deferred taxes are recognized in profit or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to the tax payable in respect of previous years.

Deferred tax is recognized on the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

*(continues)*

**YESTERPAY HOLDINGS INC.**  
**Notes to Financial Statements**  
**Year Ended December 31, 2018**

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3. SIGNIFICANT ACCOUNTING POLICIES (*continued*)

f) Provisions and contingent liabilities

Provisions are recognized when there is a present legal or constructive obligation arising as a result of a past event for which it is probable that an outflow of economic benefits will be required to settle the obligation and where a reliable estimate can be made of the amount of the obligation. Timing or exact amount of the outflow may still be uncertain. Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available, including the risks and uncertainties associated with the present obligation. Provisions are discounted to their present values, where the time value of money is material.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the possibility of outflow of resources is remote.

g) Future accounting policies, standards and interpretations

IFRIC 23 *Uncertainty over Income Tax Treatments* provides guidance on the recognition and measurement of uncertain income tax treatments. The effective date for IFRIC 23 is January 1, 2019. The Company is in the process of evaluating the impact of this interpretation.

4. RELATED PARTY TRANSACTIONS

The Company is related to CNI by common officers, directors and shareholders.

Pursuant to a loan agreement (the "CNI Agreement") entered into between the Company and CNI on October 31, 2014 and amended thereafter, the Company has agreed to lend up to \$15,000,000 to CNI. Funds raised pursuant to the Offering will be loaned to CNI on the following terms:

- a) the interest charged on the loan is equal to the amount that the Company pays in interest on Bonds issued and outstanding in a year;
- b) the CNI Agreement states that CNI is required to pay the Company, as a loan commitment fee, a sum equal to all reasonable charges, fees, commissions and costs incurred by the Company in connection with any offering of securities undertaken by the Company to raise funds for the purposes of loaning money to CNI. Amounts owing from CNI that relate to the loan commitment fee are non-interest bearing;
- c) the loans are secured by way of a general security agreement securing all present and after-acquired personal property of CNI in favour of the Company.

The loan has no set terms of repayment. Advances to CNI, net of amounts repaid by CNI for Bonds that have matured in the year, amounted to \$794,713 (2017 - \$1,484,713) for the year ended December 31, 2018 with a balance due at December 31, 2018 of \$4,527,066 (2017 - \$3,732,353).

The Company recognized \$460,193 (2017 - \$531,160) as loan commitment fee revenue and \$358,926 (2017 - \$248,306) in interest income from CNI.

The related party transactions are in the normal course of operations and have been valued at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

**YESTERPAY HOLDINGS INC.**  
**Notes to Financial Statements**  
**Year Ended December 31, 2018**

**5. CREDIT FACILITY**

The credit facility available to the Company consists of a \$1,500,000 demand revolving operating line of credit bearing interest at the bank's prime rate plus 1.5% per annum or 4.2%, whichever rate is greater. The credit facility is shared with CNL and is secured by a general security agreement over the assets of the Company and those of CNL and by a personal guarantee provided by the shareholders of CNL.

At December 31, 2018 \$Nil (2017 - \$Nil) of the operating line of credit was utilized by the Company.

The credit facility is subject to a covenant whereby a total cash flow coverage ratio of 1.25:1 for CNL is to be maintained. The credit facility is subject to a second covenant whereby a current ratio of 1.50:1 for CNL is to be maintained. CNL was not in violation of either covenant at December 31, 2018 or December 31, 2017.

**6. BONDS**

	<u>2018</u>	<u>2017</u>
Series A Bonds, mature three years from date of issuance, simple interest at a rate of 8% per annum, payable on the last day of each month during the term.	<b>\$ 128,000</b>	\$ 243,000
Series B Bonds, mature three years from date of issuance, interest at a rate of 8% per annum, compounded monthly and payable on maturity.	<b>16,970</b>	186,257
Series C Bonds, mature one year from date of issuance, simple interest at a rate of 6.5% per annum, payable on the last day of each month during the term.	<b>494,300</b>	305,900
Series D Bonds, mature two years from date of issuance, simple interest at a rate of 7.5% per annum, payable on the last day of each month during the term.	<b>367,600</b>	229,800
Series E Bonds, mature three years from date of issuance, simple interest at a rate of 8.5% per annum, payable on the last day of each month during the term.	<b>2,904,900</b>	2,195,729
Series F Bonds, mature three years from date of issuance, interest at a rate of 8.5% per annum, compounded monthly and payable on maturity.	<b>1,073,892</b>	516,485
	<b>4,985,662</b>	3,677,171
Amounts payable within one year	<b>(2,232,088)</b>	(599,157)
	<b>\$ 2,753,574</b>	\$ 3,078,014

*(continues)*

**YESTERPAY HOLDINGS INC.**  
**Notes to Financial Statements**  
**Year Ended December 31, 2018**

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6. BONDS *(continued)*

Principal repayment terms are approximately:

2019	\$ 2,232,088
2020	1,532,828
2021	<u>1,220,746</u>
	<u>\$ 4,985,662</u>

Pursuant to the Offering the Company is offering unsecured Bonds (the "Bonds"), to an aggregate maximum of \$15,000,000. The Company may, in the future, amend or otherwise update the Offering in order to offer one or more additional series of Bonds. The proceeds of the Offering will be loaned to CNL as working capital for the purchase of factored accounts receivables.

During the year ended December 31, 2018 the Company issued \$1,846,600 (2017 - \$1,864,172) in Bonds and \$597,049 (2017 - \$372,081) in Bonds matured. Interest compounded and capitalized on Series B and F Bonds during the year ended December 31, 2018 was \$58,940 (2017 - \$60,478).

The Company has the right to redeem up to 100% of a bondholder's Bonds at any time by providing the bondholder with 21 days written notice of its intention to do so, through the payment of the principal amount of the redeemed Bonds and all accrued and unpaid interest thereon to the date of redemption.

Beginning on the date that is 6 months from the date of a Bond, a bondholder shall be entitled twice in a calendar year, to cause the Company to redeem up to 10% of the bondholder's outstanding Bonds upon 45 days written notice. Series A and Series B Bonds for which the written notice has been received will be redeemed on February 28 and August 31 of each year. Series D, Series E and Series F Bonds for which the written notice has been received will be redeemed on March 31 and September 30 of each year. The redemption amount of the Bond will be equal to the outstanding principal amount of the Bond less a redemption penalty calculated as 5% of the principal amount redeemed within 12 months of the date of the Bond certificate and 1% of the principal amount redeemed after 12 months from the date of the Bond certificate.

Series C Bonds do not have a right of early redemption by the bondholder.

A shareholder of the Company had subscribed for 20 Series B Bonds for a total principal amount of \$20,000, subject to the standard terms and conditions applicable to the Series B Bonds. The Bond matured in the year and was repaid in full.

7. SHARE CAPITAL

Authorized:

Unlimited number of Class A, non-participating, voting, preferred shares  
Unlimited number of Class B, non-voting common shares

	<u>2018</u>	<u>2017</u>
Issued and outstanding:		
100,000 Class A preferred shares	<u>\$ 1,000</u>	<u>\$ 1,000</u>

No shares were issued or redeemed in 2018 or 2017.



**YESTERPAY HOLDINGS INC.**  
**Notes to Financial Statements**  
**Year Ended December 31, 2018**

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**8. COMMITMENTS**

The Company entered into an agreement (the "Agreement") with Target Capital Inc. ("Target"), the controlling shareholder, on November 8, 2012. Pursuant to the terms of the Agreement, the Company is required to pay to Target an annual fee of \$2,500 plus 0.5% of the total funds outstanding that have been raised under the Offering that is in excess of \$500,000 at the date of the anniversary of the Agreement. The annual fee is payable on each anniversary date of the Agreement.

The Agreement also requires the Company to pay a capital raising fee of 0.5% on funds raised in a year in excess of \$500,000. The capital raising fee is payable within 60 days from the date that the \$500,000 threshold is exceeded in the year.

With the exception of the annual fee and capital raising fee, Target will not otherwise benefit from its position as the controlling shareholder.

The Company has agreed to fully indemnify Target and its directors, officers and employees in connection with the Agreement, the Offering and Target's shareholdings in the Company.

The Agreement will remain in effect until the earliest of three dates: i) termination of the Agreement by the Company, requiring 90 days written notice to Target; ii) the date on which Target ceases to be the majority shareholder; and, iii) 10 years from the date of the Agreement.

**9. CAPITAL MANAGEMENT**

The Company's capital management policy is to maintain a strong capital base that optimises the Company's ability to grow, maintain creditor confidence and to provide a platform to create value for its shareholders. The Company intends to maintain a flexible capital structure to sustain future development of the business.

The Company will manage its capital structure and make changes to it in the light of changes in economic conditions and the risk characteristics of the nature of the business. The Company considers its capital structure to be equity. In order to maintain or adjust the capital structure, the Company may from time to time issue shares, seek debt financing and adjust its capital spending to manage its current and projected capital structure.

The Company monitors capital based on projected cash flow from operations and anticipated capital expenditures.

The Company is not subject to externally imposed capital requirements.

**YESTERPAY HOLDINGS INC.**  
**Notes to Financial Statements**  
**Year Ended December 31, 2018**

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**10. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT**

The fair values of cash, due from related party and accounts payable and accrued liabilities approximates their carrying values due to the short term to maturity. The fair value of Bonds approximates its carrying value as the market rate is equal to the interest rate paid on the Bonds.

**a) Risk management framework**

The Company employs risk management strategies and policies to ensure that any exposure to risk is in compliance with the Company's business objectives and risk tolerance levels. While the directors have overall responsibility for the establishment and oversight of the Company's risk management framework, management has the responsibility to administer and monitor these risks.

**b) Credit risk**

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's maximum exposure to credit risk at December 31, 2018 is the total of cash and due from related party of \$4,527,066 (2017 - \$3,732,353). The Company manages the credit exposure related to cash by selecting financial institutions with high credit ratings and due from related party by reviewing the financial stability of the related party. Given these credit ratings, management does not expect any counterparty to fail to meet its obligations.

**c) Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they are due. The Company's approach to managing liquidity risk is to ensure it will have sufficient liquidity to meet its liabilities when due. The Company's ongoing liquidity will be impacted by various external events and conditions, in particular, the collectibility of the related party advances to repay any future Bond redemptions.

**d) Market risk**

Market risk is the risk that changes in market prices, such as interest rates or foreign exchange rates, will affect the Company's net income or the value of financial instruments. The objective of the Company is to manage and mitigate market risk exposures within acceptable limits, while maximizing returns. The Company has assessed that it is not exposed to significant interest or currency risk.

**11. TAXES**

The Company has no deferred tax asset to recognize and does not have any loss carryforwards for the years ended December 31, 2018 and 2017.

**12. SUBSEQUENT EVENT**

Subsequent to year-end the Company raised \$555,600 from the issuance of new Bonds pursuant to the Offering and renewed \$144,500 in Bonds that matured.

**YESTERPAY HOLDINGS INC.**  
**Interim Financial Statements (UNAUDITED)**  
**Three Month Period Ended March 31, 2019**

**YESTERPAY HOLDINGS INC.**  
**Interim Statement of Income and Comprehensive Income (UNAUDITED)**  
**Three Month Period Ended March 31, 2019**

	2019	2018
<b>ASSETS</b>		
CURRENT		
Cash	\$ 408,651	42,634
DUE FROM RELATED PARTY (Note 4)	4,655,189	4,287,738
	<b>\$ 5,063,840</b>	<b>4,330,372</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
CURRENT		
Accounts payable and accrued liabilities	\$ 30,772	72,370
Current portion of Bonds (Note 5)	2,288,487	1,037,747
	<b>2,319,259</b>	<b>1,110,117</b>
BONDS (Note 5)	2,743,581	3,219,255
	<b>5,062,840</b>	<b>4,329,372</b>
SHAREHOLDERS' EQUITY		
Share capital (Note 6)	1,000	1,000
Retained earnings	-	-
	<b>\$ 5,063,840</b>	<b>4,330,372</b>

**Approved on behalf of the Board of Directors by:**

\_\_\_\_\_  
 "C. Gerry Wawzonek" Director

\_\_\_\_\_  
 "Natalie K. Wawzonek" Director

See notes to financial statements

**YESTERPAY HOLDINGS INC.**  
**Interim Statement of Income and Comprehensive Income (UNAUDITED)**  
**Three Month Period Ended March 31, 2019**

	2019	2018
<b>REVENUE</b>		
Interest income <i>(Note 4)</i>	\$ 106,009	\$ 77,546
Loan commitment fee <i>(Note 4)</i>	58,571	124,139
	<b>\$ 164,580</b>	<b>\$ 201,685</b>
<b>EXPENSES</b>		
Advertising and promotion	3,780	2,461
Bank charges	1,172	6,476
Broker commissions	22,480	41,229
D&O Insurance	0	8,331
Finance fees	487	2,325
Interest on bonds	106,009	77,546
Investor relations	1,505	643
Management fees	15,120	15,120
Office	0	850
Professional fees	14,027	42,056
Travel	0	4,648
	<b>164,580</b>	<b>201,685</b>
<b>NET INCOME AND COMPREHENSIVE INCOME</b>	<b>\$ -</b>	<b>\$ -</b>

See notes to financial statements

**YESTERPAY HOLDINGS INC.**  
**Interim Statement of Changes in Shareholders' Equity (UNAUDITED)**  
**Three Month Period Ended March 31, 2019**

	Share capital	Retained earnings	Total Shareholders' equity
Balance, December 31, 2015	\$ 1,000	\$ -	\$ 1,000
Balance, December 31, 2016	1,000	-	1,000
Balance, December 31, 2017	1,000	-	1,000
Balance, December 31, 2018	1,000	-	1,000
<b>Balance, March 31, 2019</b>	<b>\$ 1,000</b>	<b>\$ -</b>	<b>\$ 1,000</b>

**YESTERPAY HOLDINGS INC.**  
**Interim Statement of Cash Flows (UNAUDITED)**  
**Three Month Period Ended March 31, 2019**

	Mar 2019	Mar 2018
<b>OPERATING ACTIVITIES</b>		
Net income	\$ -	\$ -
Change in non-cash working capital:		
Accounts payable and accrued liabilities	(41,598)	14,035
Cash flow from operating activities	(41,598)	14,035
<b>INVESTING ACTIVITY</b>		
Funds due from related party	(367,451)	(1,798,620)
<b>FINANCING ACTIVITY</b>		
Proceeds from issuance of bonds	775,066	1,782,395
<b>(DECREASE) INCREASE IN CASH FLOW</b>	366,017	(2,190)
Cash - beginning of period	42,634	44,824
<b>CASH - END OF PERIOD</b>	\$ 408,651	42,634

**YESTERPAY HOLDINGS INC.**  
**Notes to Interim Financial Statements (UNAUDITED)**  
**Three Month Period Ended March 31, 2019**

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**1. DESCRIPTION OF BUSINESS**

Yesterpay Holdings Inc. (the "Company") was incorporated pursuant to the provisions of the Business Corporations Act (Alberta) on November 7, 2012. The Company was formed to raise funds pursuant to an offering memorandum, which has been amended and updated from time to time as required (the "Offering" - Note 5) for the purposes of loaning the available funds to Capital Now Inc. ("CNI"), an entity related to the Company by common officers, directors and shareholders. The proceeds of the Offering will be loaned to CNI as working capital for the purchase of factored accounts receivables.

The proposed business of the Company relies on the success of the Offering which involves a high degree of risk and there is no assurance that it will be able to raise the funds necessary to finance its activities.

The address of the registered office of the Company is 900, 517 10th Ave SW, Calgary, Alberta.

**2. BASIS OF PRESENTATION**

*a) Statement of compliance:*

These unaudited interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") as adopted in Canada. These interim financial statements do not include all of the information required for financial statements and should be read in conjunction with the Company's annual financial statements for the year ended December 31, 2018. No update is provided and in certain circumstances disclosure has been omitted where an item is not material or there has been no material change from the discussion in the annual financial statements.

These interim financial statements were approved by the Board of Directors on May 31, 2019.

*b) Basis of measurement:*

The financial statements have been prepared on the historical cost basis.

*c) Functional and presentation currency:*

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

*d) Use of estimates and judgments:*

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Estimates and judgments are evaluated and are based on managements' experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual results could differ from these estimates. By their very nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of future periods could be material. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Significant estimates and judgments made by management in the preparation of the financial statements are as follows:

*(continues)*



**YESTERPAY HOLDINGS INC.**  
**Notes to Interim Financial Statements (UNAUDITED)**  
**Three Month Period Ended March 31, 2019**

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2. BASIS OF PRESENTATION *(continued)*

*i) Fair value of financial instruments*

The estimated fair value of financial assets and liabilities, by their very nature, are subject to measurement uncertainty.

*ii) Taxes*

Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Further, tax interpretations, regulations and legislation are subject to change. As such, income taxes are subject to measurement uncertainty.

3. SIGNIFICANT ACCOUNTING POLICIES

The policies applied in these interim financial statements are based on IFRS issued, outstanding, and effective as at March 31, 2019. These interim financial statements are based on the accounting policies consistent with those disclosed in Note 3 to the 2018 annual financial statements.

a) Future accounting policies

There were no new or amended standards issued during the three months ended March 31, 2019 that are applicable to the Company in future periods. A description of standards and interpretations that will be adopted by the Company in future periods can be found in the notes to the annual financial statements for the year ended December 31, 2018.

4. RELATED PARTY TRANSACTIONS

The Company is related to CNI by common officers, directors and shareholders.

Pursuant to a loan agreement (the "CNI Agreement") entered into between the Company and CNI on October 31, 2014, the Company has agreed to lend up to \$15,000,000 to CNI.

\$128,123 was advanced by the Company to CNI in the three month period ending March 31, 2019 (2018 - \$579,831).

For the three month period ending March 31, 2019, the Company recognized \$58,571 (2018 - \$124,139) as loan commitment fee revenue and \$106,009 (2018 - \$77,546) in interest income from CNI.

The related party transactions are in the normal course of operations and have been valued at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

**YESTERPAY HOLDINGS INC.**  
**Notes to Interim Financial Statements (UNAUDITED)**  
**Three Month Period Ended March 31, 2019**

5. BONDS

	2019	2018
Bonds	\$ 5,032,068	\$ 4,257,002
Maturing within one year	(2,288,487)	(1,037,747)
	\$ 2,743,581	\$ 3,219,255

Pursuant to the Offering the Company is offering unsecured Bonds (the "Bonds"), to an aggregate maximum of \$15,000,000. The Company may, in the future, amend or otherwise update the Offering in order to offer one or more additional series of Bonds. The proceeds of the Offering will be loaned to CNI as working capital for the purchase of factored accounts receivables. For the three month period ending March 31, 2019 the Company issued \$437,300 in Bonds (2018 -\$579,831).

Each Bond will entitle the holder to the following payments:

Series A: simple interest at a rate of 8% per annum, payable on the last day of each month during the term.

Series B: simple interest at a rate of 8% per annum, compounded monthly and payable on maturity.

Series C: simple interest at a rate of 6.5% per annum, payable on the last day of each month during the term.

Series D: simple interest at a rate of 7.5% per annum, payable on the last day of each month during the term.

Series E: simple interest at a rate of 8.5% per annum, payable on the last day of each month during the term.

Series F: simple interest at a rate of 8.5% per annum, compounded monthly and payable on maturity.

6. SHARE CAPITAL

Authorized:

Unlimited number of Class A, non-participating, voting, preferred shares  
Unlimited number of Class B, non-voting common shares

	2019	2018
Issued and outstanding:		
100,000 Class A preferred shares	\$ 1,000	\$ 1,000

No shares were issued or redeemed for the three month period ending March 31, 2019.

7. CREDIT FACILITY

During the three month period ending March 31, 2019, the Company obtained a joint demand revolving operating line of credit with CNI from Canadian Western Bank in the amount of \$1,500,000. The Company has drawn \$0.00 on the line of credit as at March 31, 2019.

**YESTERPAY HOLDINGS INC.**  
**Notes to Interim Financial Statements (UNAUDITED)**  
**Three Month Period Ended March 31, 2019**

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**8. CAPITAL MANAGEMENT**

The Company's capital management policy is to maintain a strong capital base that optimizes the Company's ability to grow, maintain creditor confidence and to provide a platform to create value for its shareholders. The Company intends to maintain a flexible capital structure to sustain future development of the business.

The Company will manage its capital structure and make changes to it in the light of changes in economic conditions and the risk characteristics of the nature of the business. The Company considers its capital structure to be equity. In order to maintain or adjust the capital structure, the Company may from time to time issue shares, seek debt financing and adjust its capital spending to manage its current and projected capital structure.

The Company monitors capital based on projected cash flow from operations and anticipated capital expenditures.

The Company is not subject to externally imposed capital requirements.

**9. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT**

The fair values of cash, due from related party and accounts payable and accrued liabilities approximates their carrying values due to the short term to maturity. The fair value of Bonds approximates its carrying value as the market rate is equal to the interest rate paid on the Bonds.

**a) Risk management framework**

The Company employs risk management strategies and policies to ensure that any exposure to risk is in compliance with the Company's business objectives and risk tolerance levels. While the directors have overall responsibility for the establishment and oversight of the Company's risk management framework, management has the responsibility to administer and monitor these risks.

**b) Credit risk**

Credit risk is the risk of financial loss to the Company if a customer or counter-party to a financial instrument fails to meet its contractual obligations. The Company's maximum exposure to credit risk at March 31, 2019 is the total of cash and due from related party of \$4,655,189. The Company manages the credit exposure related to cash by selecting financial institutions with high credit ratings and due from related party by reviewing the financial stability of the related party. Given these credit ratings, management does not expect any counter-party to fail to meet its obligations.

**c) Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they are due. The Company's approach to managing liquidity risk is to ensure it will have sufficient liquidity to meet its liabilities when due. The Company's ongoing liquidity will be impacted by various external events and conditions, in particular, the collectability of the related party advances to repay any future Bond redemptions.

**d) Market risk**

Market risk is the risk that changes in market prices, such as interest rates or foreign exchange rates, will affect the Company's net income or the value of financial instruments. The objective of the Company is to manage and mitigate market risk exposures within acceptable limits, while maximizing returns. The Company has assessed that it is not exposed to significant interest or currency risk.

**YESTERPAY HOLDINGS INC.**  
**Notes to Interim Financial Statements (UNAUDITED)**  
**Three Month Period Ended March 31, 2019**

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10. TAXES

The Company has no deferred tax asset to recognize and does not have any loss carry-forwards for the three month period ending March 31, 2019.

11. SUBSEQUENT EVENT

Subsequent to the three month period ending March 31, 2019, the Company raised \$244,300 from the issuance of Bonds pursuant to the Offering.

**ITEM 13 - DATE AND CERTIFICATE**

**Dated: July 29, 2019**

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

**ON BEHALF OF THE DIRECTORS, OFFICERS AND PROMOTERS OF YESTERPAY HOLDINGS INC.**

*"C. Gerry Wawzonek"*

C. Gerry Wawzonek

*"Natalie K. Wawzonek"*

Natalie K. Wawzonek

*"Wayne Anderson"*

Wayne Anderson

**SCHEDULE A TO THE OFFERING MEMORANDUM OF YESTERPAY HOLDINGS INC.**

**2018 FINANCIAL STATEMENTS OF CAPITAL NOW INC.**

**CAPITAL NOW INC.**  
**Financial Statements**  
**Year Ended December 31, 2018**

## **Management's Responsibility for Financial Reporting**

To the Shareholders of Capital Now Inc.:

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian accounting standards for private enterprises. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board is responsible for overseeing management in the performance of its financial reporting responsibilities. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Board is also responsible for recommending the appointment of the Company's external auditors.

Sihota Taylor Chartered Professional Accountants is appointed by the shareholders to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Board and management to discuss their audit findings.

"C. Gerry Wawzonek"

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Director

"Natalie K. Wawzonek"

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Director

April 29, 2019



## INDEPENDENT AUDITOR'S REPORT

### To the Shareholders of Capital Now Inc.

#### Opinion

We have audited the financial statements of Capital Now Inc. (the "Company"), which comprise the statement of financial position as at December 31, 2018, and the statements of profit and loss, deficit and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with Accounting Standards for Private Enterprises ("ASPE").

#### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

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

#### Auditor's Responsibilities for the Audit of the Financial Statements

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

April 29, 2019  
Calgary, Canada

*Sihota Taylor*

Chartered Professional Accountants

**CAPITAL NOW INC.**  
**Statement of Financial Position**  
**As at December 31, 2018**

	2018	2017
<b>ASSETS</b>		
CURRENT		
Cash	\$ 1,239,597	\$ 895,779
Prepaid expenses	38,912	103,026
Notes receivable (Note 3)	271,548	-
Factored accounts receivable (Note 4)	7,394,910	6,821,135
Assets held for resale (Note 5)	80,000	150,000
	<b>9,024,967</b>	7,969,940
EQUIPMENT (Note 6)	53,308	62,565
	<b>\$ 9,078,275</b>	<b>\$ 8,032,505</b>
<b>LIABILITIES</b>		
CURRENT		
Line of credit (Note 7)	\$ 682	\$ 279,847
Accounts payable and accrued liabilities	60,574	66,950
Income taxes payable	182,190	71,150
Client funds held in reserve (Note 8)	1,442,726	1,349,181
Client funds held in escrow (Note 9)	283,157	342,171
Current portion of investor loans payable (Note 11)	1,725,681	1,316,697
Due to shareholder (Note 10)	689	4,406
	<b>3,695,699</b>	3,430,402
INVESTOR LOANS PAYABLE (Note 11)	1,360,662	1,648,110
DUE TO RELATED PARTY (Note 12)	4,527,066	3,732,353
	<b>9,583,427</b>	8,810,865
<b>SHAREHOLDERS' DEFICIENCY</b>		
SHARE CAPITAL (Note 13)	100	100
DEFICIT	(505,252)	(778,460)
	<b>(505,152)</b>	<b>(778,360)</b>
	<b>\$ 9,078,275</b>	<b>\$ 8,032,505</b>

**Approved on behalf of the Board of Directors by:**

\_\_\_\_\_  
"C. Gerry Wawzonek" *Director*

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"Natalie K. Wawzonek" *Director*

See notes to financial statements

**CAPITAL NOW INC.**  
**Statement of Deficit**  
**Year Ended December 31, 2018**

	2018	2017
<b>DEFICIT - BEGINNING OF YEAR</b>	<b>\$ (778,460)</b>	<b>\$ (899,337)</b>
NET EARNINGS FOR THE YEAR	<b>690,208</b>	520,877
	<b>(88,252)</b>	(378,460)
DIVIDENDS DECLARED	<b>(417,000)</b>	(400,000)
<b>DEFICIT - END OF YEAR</b>	<b>\$ (505,252)</b>	<b>\$ (778,460)</b>

See notes to financial statements

**CAPITAL NOW INC.**  
**Statement of Profit and Loss**  
**Year Ended December 31, 2018**

	2018	2017
<b>REVENUE</b>		
Factoring discount revenue	\$ 3,396,245	\$ 2,820,852
Interest on notes receivable (Note 3)	88,265	-
Other revenue (Note 14)	65,767	-
Recovery of bad debts	9,730	2,250
	<u>3,560,007</u>	<u>2,823,102</u>
<b>COST OF CAPITAL</b>		
Commission expense	31,502	29,896
Interest on client funds held in escrow (Note 9)	25,194	25,884
Interest on investor loans payable	388,237	303,209
Interest on related party loan (Note 12)	358,926	248,306
Loan commitment fee (Note 12)	460,193	531,160
	<u>1,264,052</u>	<u>1,138,455</u>
<b>GROSS MARGIN</b>	<u>2,295,955</u>	<u>1,684,647</u>
<b>EXPENSES</b>		
Advertising and promotion	63,607	44,934
Amortization	19,434	13,659
Automotive	16,904	12,145
Bad debt	217,516	113,394
Bank charges and interest	30,382	22,351
Health plan	14,812	18,810
Insurance	14,930	4,086
Meals and entertainment	16,007	16,257
Office	61,072	30,871
Participation fee	-	5,555
Postage	2,109	2,296
Professional fees	77,909	135,597
Recovery of assets	5,875	35,023
Referral fees	84,392	68,633
Registry and credit bureau	15,526	11,967
Rent	23,083	18,000
Software and computer related	144,959	73,091
Sub-contracts	375,172	307,954
Telephone and internet	19,122	15,954
Training and education	72,267	59,657
Travel	67,699	49,229
	<u>1,342,777</u>	<u>1,059,463</u>
<b>EARNINGS FROM OPERATIONS</b>	<u>953,178</u>	<u>625,184</u>
<b>OTHER EXPENSES</b>		
Impairment loss (Note 5)	70,000	-
Foreign exchange loss	10,780	7,415
	<u>80,780</u>	<u>7,415</u>
<b>EARNINGS BEFORE INCOME TAXES</b>	<u>872,398</u>	<u>617,769</u>

(continues)

**CAPITAL NOW INC.**  
**Statement of Profit and Loss (continued)**  
**Year Ended December 31, 2018**

	<b>2018</b>	2017
INCOME TAXES <i>(Note 15)</i>	<u><b>182,190</b></u>	<u>96,892</u>
<b>NET EARNINGS</b>	<u><b>\$ 690,208</b></u>	<u>\$ 520,877</u>

**CAPITAL NOW INC.**  
**Statement of Cash Flows**  
**Year Ended December 31, 2018**

	2018	2017
<b>OPERATING ACTIVITIES</b>		
Net earnings	\$ 690,208	\$ 520,877
Item not affecting cash:		
Amortization	19,434	13,659
	<u>709,642</u>	<u>534,536</u>
Changes in non-cash working capital:		
Prepaid expenses	64,114	(66,815)
Assets held for resale	70,000	-
Factored accounts receivable	(573,775)	(2,505,764)
Notes receivable	(271,548)	-
Accounts payable and accrued liabilities	(6,374)	(15,106)
Income taxes payable	111,040	183,340
Client funds held in reserve	93,545	410,815
Client funds held in escrow	(59,014)	172,753
	<u>(572,012)</u>	<u>(1,820,777)</u>
Cash flow from (used by) operating activities	<u>137,630</u>	<u>(1,286,241)</u>
<b>INVESTING ACTIVITY</b>		
Purchase of equipment	<u>(10,179)</u>	<u>(61,163)</u>
<b>FINANCING ACTIVITIES</b>		
Dividends paid	(417,000)	(400,000)
Advances from related party	794,713	1,484,713
Advances (to) from shareholders	(3,717)	237
Advances on investor loans payable	121,536	856,308
Repayments of participation obligations owing	-	(463,876)
(Repayments) advances on line of credit	(279,165)	279,847
Cash flow from financing activities	<u>216,367</u>	<u>1,757,229</u>
<b>INCREASE IN CASH</b>	<b>343,818</b>	<b>409,825</b>
Cash - beginning of year	<u>895,779</u>	<u>485,954</u>
<b>CASH - END OF YEAR</b>	<u><b>\$ 1,239,597</b></u>	<u><b>\$ 895,779</b></u>

**CAPITAL NOW INC.**  
**Notes to Financial Statements**  
**Year Ended December 31, 2018**

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1. DESCRIPTION OF BUSINESS

Capital Now Inc. (the "Company") was incorporated under the Business Corporations Act of Alberta on December 28, 2000. The Company is a provider of accounts receivable factoring services.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statements have been prepared in accordance with Canadian accounting standards for private enterprises set out in Part II of the CPA Canada Handbook - Accounting, as issued by the Accounting Standards Board in Canada and include the following significant accounting policies:

Cash

Cash consists of balances with banks.

Revenue recognition

Factoring discount revenue is calculated by reference to the contractual discount rate stipulated in the purchase agreement of the factored accounts receivable and recognized as income upon collection of the factored accounts receivable.

At year-end, discount revenue is accrued on outstanding factored accounts receivables and recognized in income to the extent that management believes that collection of the factored accounts receivable is likely.

Factoring discount revenue ceases to be accrued when management first becomes aware of conditions indicating that the factored accounts receivable will not be collected through normal collection procedures.

Other revenue, including interest revenue, is accounted for when there is persuasive evidence that an arrangement exists, services have been rendered or funds advanced, the price or interest rate is fixed or determinable, and collection is reasonably assured.

Financial instruments

Financial instruments are recorded at fair value when acquired or issued, except for certain related party transactions that are measured at the carrying amount or exchange amount, as appropriate. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred.

*(continues)*



**CAPITAL NOW INC.**  
**Notes to Financial Statements**  
**Year Ended December 31, 2018**

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2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Factored accounts receivable

Factored accounts receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Factored accounts receivables are initially measured at the face value of the purchased accounts receivable. The Company holds as a reserve 25% of the face value of the factored accounts receivable and from this amount deducts discount revenue earned in accordance with the Company's revenue recognition policy, with the balance payable to the client upon collection of the receivable.

Factored accounts receivables are purchased with recourse, in which the Company may force the client to repurchase any receivable that is not paid within 90 days of issue. When factored accounts receivables are repurchased (Note 4 - factored accounts receivables in collection) they are measured and reported in the statement of financial position at the amount advanced on the purchase of the accounts receivable plus discount fees accrued in accordance with the Company's revenue recognition policy.

Assets held for resale

Assets held for resale are valued at the lower of cost and net realizable value. These assets have been acquired as a result of clients forfeiting security taken in various factoring transactions. Cost is determined based on the original cost of the factored accounts receivable for which the asset was security, plus the cost to obtain title to the asset and prepare it for sale. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling costs.

Financial asset impairment

The Company assesses impairment of all its financial assets measured at cost or amortized cost. The Company groups similar assets together for impairment testing when available information is not sufficient to permit identification of each individually impaired financial asset in the group; there are numerous assets affected by the same factors; or no asset is individually significant.

Management considers whether the issuer is having significant financial difficulty; or whether there has been a breach in contract, such as a default or delinquency in interest or principal payments in determining whether objective evidence of impairment exists. When there is an indication of impairment, the Company determines whether it has resulted in a significant adverse change in the expected timing or amount of future cash flows. If so, the Company reduces the carrying amount of any impaired financial assets, directly or by use of an allowance, to the highest of: the present value of cash flows expected to be generated by holding the assets; the amount that could be realized by selling the assets; and, the amount expected to be realized by exercising any rights to collateral held against those assets. Any impairment, which is not considered temporary, is included in current year earnings.

The Company reverses impairment losses on financial assets when there is a decrease in impairment and the decrease can be objectively related to an event occurring after the impairment loss was recognized. The amount of the reversal is recognized in the statement of profit and loss in the year the reversal occurs.

*(continues)*

**CAPITAL NOW INC.**  
**Notes to Financial Statements**  
**Year Ended December 31, 2018**

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2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Equipment

Equipment is stated at cost less accumulated amortization. Equipment is amortized over its estimated useful life on a declining balance basis at the following rates and methods:

Motor vehicle	30%	declining balance method
Computer equipment	55%	declining balance method
Office equipment	20%	declining balance method

The Company regularly reviews its equipment to eliminate obsolete items and to recognize impairment losses, if any.

In the year of acquisition, amortization is taken at one-half of the above rates.

Income taxes

The Company uses the income taxes payable method of accounting for income taxes. Under this method, the Company reports as an expense (income) of the period only the cost (benefit) of current income taxes determined in accordance with the rules established by the taxation authorities.

Foreign currency translation

The Company uses the temporal method to translate its foreign currency transactions. Monetary assets and liabilities are translated at the exchange rate in effect at the balance sheet date. Non-monetary items are translated at the exchange rate in effect at the transaction date. Items appearing in the current year statement of operations are translated at average year exchange rates. Exchange gains and losses are included in the statement of profit and loss.

Measurement uncertainty

The preparation of financial statements in conformity with Canadian accounting standards for private enterprises requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates. Accounts specifically affected by estimates in these financial statements include notes receivable, factored accounts receivables and assets held for resale.

3. NOTES RECEIVABLE

The Company advances funds to certain clients with the advances secured by short term promissory notes. The promissory notes are secured by a general security agreement over all the assets of the client. The interest rate on the promissory notes is 36% per annum.

Notes receivable at December 31, 2018 was \$271,548 (2017 - \$Nil). Interest revenue on the promissory notes for the year ending December 31, 2018 was \$88,265 (2017 - \$Nil).

**CAPITAL NOW INC.**  
**Notes to Financial Statements**  
**Year Ended December 31, 2018**

4. FACTORED ACCOUNTS RECEIVABLE

Factored accounts receivable consists of:

	<b>2018</b>	2017
Factored accounts receivables in good standing	<b>\$ 7,369,910</b>	\$ 6,724,927
Factored accounts receivables in collection	<b>228,411</b>	119,874
Allowance for doubtful accounts	<b>(203,411)</b>	(23,666)
	<b>\$ 7,394,910</b>	\$ 6,821,135

Management is taking all necessary action to recover the amounts in collection.

5. ASSETS HELD FOR RESALE

The Company obtained title to equipment securing a defaulted loan in 2011. The carrying amount of the equipment is the best estimate of the expected net realizable value on sale. The equipment is currently being marketed for sale and will be sold as market conditions permit.

During the year ended December 31, 2018, the equipment was rented with \$22,410 [Note 14] in rental income earned (2017 - \$Nil). No amortization was taken for accounting or tax purposes on the equipment.

Due to a change in market conditions and taking into consideration the use and age of the equipment, as well as comparable selling prices of similar equipment, management has written down the carrying amount of the equipment to \$80,000 and in doing so recognized an impairment loss of \$70,000 (2017 - \$Nil).

6. EQUIPMENT

	Cost	Accumulated amortization	<b>2018 Net book value</b>	2017 Net book value
Computer equipment	\$ 28,335	\$ 22,675	<b>\$ 5,660</b>	\$ 6,331
Motor vehicle	35,700	14,459	<b>21,241</b>	30,345
Office equipment	46,842	20,435	<b>26,407</b>	25,889
	<b>\$ 110,877</b>	<b>\$ 57,569</b>	<b>\$ 53,308</b>	\$ 62,565

**CAPITAL NOW INC.**  
**Notes to Financial Statements**  
**Year Ended December 31, 2018**

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**7. LINE OF CREDIT**

The credit facility available to the Company consists of a \$1,500,000 demand revolving operating line of credit bearing interest at the bank's prime rate plus 1.5% per annum or 4.2%, whichever rate is greater. The credit facility is shared with YHI (Note 12) and is secured by a general security agreement over the assets of the Company and those of YHI and by a personal guarantee provided by the shareholders of the Company.

At December 31, 2018, \$682 (2017 - \$279,847) of the operating line of credit was utilized by the Company.

The credit facility is subject to a covenant whereby a total cash flow coverage ratio of 1.25:1 is to be maintained. The credit facility is subject to a second covenant whereby a current ratio of 1.50:1 is to be maintained. The Company was not in violation of either covenant at December 31, 2018 or December 31, 2017.

**8. CLIENT FUNDS HELD IN RESERVE**

The Company holds as a reserve 25% of the face value of accounts receivables purchased. Factoring discount revenue earned is deducted from the reserve balance payable to the client. The reserve balance is non-interest bearing and is paid upon collection of the factored accounts receivable.

**9. CLIENT FUNDS HELD IN ESCROW**

The Company holds 1% of all accounts receivables purchased from a client, up to 10% of the client's credit limit, in escrow. The intent of these funds is to assist the client with funding future costs of any kind.

The Company recognized \$25,194 (2017 - \$25,884) in interest expense related to client funds held in escrow.

The escrow balance is repaid to clients at the sole discretion of the Company or at the end of the client relationship.

Included in client funds held in escrow at December 31, 2018 was \$40,088 (2017 - \$Nil) owing to subcontractors of the Company which are treated as subcontractor savings. Interest on the subcontractor savings for the year ended December 31, 2018 was \$928 (2017 - \$Nil).

**10. DUE TO SHAREHOLDER**

Amounts owing to shareholders are unsecured, non-interest bearing, and have no fixed terms of repayment.

**CAPITAL NOW INC.**  
**Notes to Financial Statements**  
**Year Ended December 31, 2018**

11. INVESTOR LOANS PAYABLE

	<u>2018</u>	<u>2017</u>
Investor loans bearing interest between 10% - 15% per annum for periods ranging from 12 to 36 months in length, of which \$1,195,917 (2017 - \$1,025,991) may be demanded with 90 days notice. Interest is paid monthly unless interest payments have been specifically deferred at the request of the investor.	<b>\$ 3,086,343</b>	\$ 2,964,807
Amounts payable within one year	<u>(1,725,681)</u>	(1,316,697)
	<b><u>\$ 1,360,662</u></b>	<b><u>\$ 1,648,110</u></b>

Principal repayment terms are approximately:

2019	\$ 1,725,681
2020	842,079
2021	<u>518,583</u>
	<b><u>\$ 3,086,343</u></b>

The loans are secured by promissory notes and an entitlement to register a general security agreement against all the assets of the Company.

Included in investor loans payable is \$306,830 (2017 - \$309,594) to be repaid in US dollars with a Canadian equivalent of \$418,577 (2017 - \$389,922) at December 31, 2018.

**CAPITAL NOW INC.**  
**Notes to Financial Statements**  
**Year Ended December 31, 2018**

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**12. RELATED PARTY TRANSACTIONS**

The Company is related to Yesterpay Holdings Inc. ("YHI") by common officers, directors and shareholders.

Pursuant to a loan agreement (the "Agreement") entered into between the Company and YHI on October 31, 2014, YHI has agreed to lend up to \$15,000,000 to the Company. Interest is charged on the loan at an amount equal to the interest expense in YHI for bonds issued in that company. The interest rate on the YHI bonds ranges from 6.5% to 8.5% per annum, paid monthly or compounded monthly, depending on the terms of the bond. Furthermore, the Agreement states that the Company is required to pay YHI, as a loan commitment fee, a sum equal to all reasonable charges, fees, commissions and costs incurred by YHI in connection with any offering of securities undertaken by YHI to raise funds for the purposes of loaning money to the Company. Amounts owing to YHI that relate to the loan commitment fee are non-interest bearing.

The loan is secured by way of a general security agreement securing all present and after-acquired personal property of the Company in favour of YHI.

The loan has no set terms of repayment. Advances on the loan, net of amounts repaid by the Company to YHI for bonds that have matured in the year, amounted to \$794,713 (2017 - \$1,484,713) for the year ended December 31, 2018 with a balance due at December 31, 2018 of \$4,527,066 (2017 - \$3,732,353).

The Company recognized \$460,193 (2017 - \$531,160) as a loan commitment fee expense and \$358,926 (2017 - \$248,306) in interest expense with respect to the Agreement.

The related party transactions are in the normal course of operations and have been valued at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

**13. SHARE CAPITAL**

Authorized:

Unlimited	Class A common voting shares
Unlimited	Class B common voting shares
Unlimited	Class C common non-voting shares
Unlimited	Class D common non-voting shares
Unlimited	Class E common non-voting shares
Unlimited	Class F common non-voting shares
Unlimited	Class G preferred non-voting shares

Issued:

100 Class A common voting shares

	<u>2018</u>		<u>2017</u>
	<u>\$ 100</u>	\$	<u>100</u>

**CAPITAL NOW INC.**  
**Notes to Financial Statements**  
**Year Ended December 31, 2018**

**14. OTHER REVENUE**

Other revenue consists of:

	<b>2018</b>	<b>2017</b>
Processing fees, client cost recoveries and referral income	<b>\$ 43,357</b>	<b>\$ -</b>
Equipment rental income (Note 5)	<b>22,410</b>	<b>-</b>
	<b><u>\$ 65,767</u></b>	<b><u>\$ -</u></b>

**15. INCOME TAXES**

The income tax provision recorded differs from the income tax obtained by applying the statutory income tax rate of 12.00% (2017 - 12.50%) to the income for the year and is reconciled as follows:

	<b>2018</b>	<b>2017</b>
Earnings before income taxes	<b>\$ 872,398</b>	<b>\$ 617,769</b>
Income tax expense at the combined basic federal and provincial tax rate:	<b>\$ 104,688</b>	<b>\$ 77,221</b>
Increase (decrease) resulting from:		
Amortization claimed in excess of capital cost allowance	<b>197</b>	<b>116</b>
Non-deductible expenses	<b>1,021</b>	<b>1,085</b>
Taxable income in excess of small business deduction	<b>67,884</b>	<b>18,470</b>
Impairment loss not deductible for tax	<b>8,400</b>	<b>-</b>
Effective tax expense	<b><u>\$ 182,190</u></b>	<b><u>\$ 96,892</u></b>

**CAPITAL NOW INC.**  
**Notes to Financial Statements**  
**Year Ended December 31, 2018**

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**16. FINANCIAL INSTRUMENTS RISKS**

The Company is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. It is management's opinion that the Company is not exposed to significant credit, interest, currency, liquidity or other price risks arising from its financial instruments except as otherwise disclosed. The following analysis provides information about the Company's risk exposure and concentration of risk as of December 31, 2018.

Credit risk and concentration of credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation. The Company's credit risk relates to factored accounts receivables and notes receivable acquired in the normal course of business.

The Company assesses the financial strength of its clients on an ongoing basis using a system of credit approval processes and policies that it believes is sufficient to reduce its credit risk to an appropriate level for its business model. For the year ending December 31, 2018 and as of that date, the largest client of the Company accounted for 51% of factored accounts receivable (2017 - 31%), 28% of discount revenue earned (2017 - 18%), 100% of notes receivable (2017 - \$Nil) and 100% of interest income earned on notes receivable (2017 - \$Nil).

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the Company manages exposure through its normal operating, investing and financing activities. The Company is exposed to interest rate risk primarily through its related party and investor loans.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company enters into investor loans for which repayment is required at various maturity dates, but that may be demanded upon 90 days notice. Furthermore, the Company has entered into a loan agreement with a related party. The Company's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when they fall due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company is exposed to currency risk primarily on its investor loans that are repayable in US dollars [Note 11].

**17. COMPARATIVE FIGURES**

Certain comparative figures have been reclassified to conform with current year presentation.



**SCHEDULE B TO THE OFFERING MEMORANDUM OF YESTERPAY HOLDINGS INC.**

**LENDER LETTERS**



September 12, 2018

Capital Now Inc. and Yesterpay Holdings Inc.  
130, 4029 – 8 Street SE  
Calgary, AB T2G 3A5

Attention: Gerry Wawzonek and Art Smith

**Re: Credit Facilities**

We hereby confirm the continuation of the credit facilities outlined in our Commitment Letter dated November 28<sup>th</sup>, 2016.

In the event that any Accounting Change (as defined below) shall occur and such change results in a change in the method of calculation of financial covenants, standards or terms in the Commitment Letter, then the Borrower and the Bank agree to enter into negotiations in order to amend such provisions of the Commitment Letter so as to reflect equitably such Accounting Changes with the desired result that the criteria for evaluating the Borrower's financial condition shall be substantially the same after such Accounting Changes as if such Accounting Changes had not been made. Until such time as an amendment shall have been executed and delivered by the Borrower to the Bank all financial covenants, standards and terms in this Agreement shall continue to be calculated or construed as if such Accounting Changes had not occurred.

Accounting Changes refers to changes in accounting principles required by the promulgation of any rule, regulation, pronouncement or opinion by the Canadian Institute of Chartered Accountants, and all events including changes resulting from implementation of the International Financial Reporting Standards to the extent required by the Canadian Accounting Standards Board.

This confirmation does not amend any terms and conditions contained in the Commitment Letter and the credit facilities outlined therein continue to be governed by the provisions of the Commitment Letter.

The annual review fee of \$1,500 will be collected in conjunction with the annual review.

Yours truly,

**CANADIAN WESTERN BANK**

"Jeff Owel"

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Jeff Owel  
Senior Manager, Commercial Banking

"Dean Proctor"

\_\_\_\_\_  
Dean Proctor  
VP & Branch Manager

Suite 200, 606 – 4th Street S.W., Calgary, AB T2P 1T1  
t. 403.750.3599 | f. 403.264.1619  
[cwbank.com](http://cwbank.com)

December 14<sup>th</sup>, 2017

Capital Now Inc. and Yesterpay Holdings Inc.  
121 - 234 5149 Country Hills Blvd. NW  
Calgary, Alberta T3A 5K8

Re: First Amendment to the Commitment Letter ("Original Agreement") dated November 28<sup>th</sup> 2016 from Canadian Western Bank (the "Bank") to Capital Now Inc. and Yesterpay Holdings Inc. (the "Borrower")

Please be advised that the increased amount of the Line of Credit (\$1,500,000), as per the amendment letter dated December 7<sup>th</sup>, 2017, is now funded and available to be drawn upon, subject to satisfactory margning.

Thanks you for allowing Canadian Western Bank to be your preferred banking partner, and we look forward to continuing our relationship.

Yours truly,  
**CANADIAN WESTERN BANK**

"Jeff Owel"  
Jeff Owel  
Senior Manager, Commercial Banking

**PLEASE MAKE SURE THAT YOUR SUBSCRIPTION INCLUDES:**

1. A signed copy of the Subscription Agreement;
2. an initialed copy of the initial page of the Offering Memorandum;
3. a cheque, certified cheque, bank draft, wire transfer or other form of payment acceptable to the Corporation, in its full discretion, in an amount equal to the Aggregate Subscription Amount (as set forth in the Subscription Agreement), payable to "Yesterpay Holdings Inc.";
4. a properly completed and duly executed copy of the appropriate investor qualification form(s):
  - a. **If the Subscriber is resident in British Columbia or Newfoundland and Labrador and subscribing pursuant to the Offering Memorandum Exemption (as defined in the attached Offering Memorandum) that is applicable in that Province in which the Subscriber is resident:**
    - i. you must execute and deliver to the Corporation one (1) completed and signed copy of the Risk Acknowledgment Form attached to the Subscription Agreement as Schedule A (one copy must be submitted to the Corporation and one copy shall be retained for your records, or if utilizing an electronic platform recognized by the Corporation, an electronic copy will be available to both parties);
  - b. **If the Subscriber is resident in Manitoba, Northwest Territories, Nunavut, Prince Edward Island or Yukon and subscribing pursuant to the Offering Memorandum Exemption (as defined in the attached Offering Memorandum) that is applicable in that Province or Territory in which the Subscriber is resident:**
    - i. you must execute and deliver to the Corporation one (1) completed and signed copy of the Risk Acknowledgment Form attached to the Subscription Agreement as Schedule A (one copy must be submitted to the Corporation and one copy shall be retained for your records, or if utilizing an electronic platform recognized by the Corporation, an electronic copy will be available to both parties);
    - ii. **AND, IF APPLICABLE**, if the Subscriber is subscribing for more than \$10,000 in Bonds, one (1) copy of the Eligible Investor Certificate in the form attached to the Subscription Agreement as Schedule B;
  - c. **If the Subscriber is resident in Alberta, New Brunswick, Nova Scotia, Ontario or Saskatchewan and subscribing pursuant to the Offering Memorandum Exemption (as defined in the attached Offering Memorandum) that is applicable in that Province in which the Subscriber is resident:**
    - i. you must execute and deliver to the Corporation one (1) completed and signed copy of the Risk Acknowledgment Form attached to the Subscription Agreement as Schedule A, including Exhibit 1 and Exhibit 2, if applicable and attached thereto (one copy must be submitted to the Corporation and one copy shall be retained for your records, or if utilizing an electronic platform recognized by the Corporation, an electronic copy will be available to both parties);
    - ii. **AND, IF APPLICABLE**, if the Subscriber is subscribing for more than \$10,000 in Bonds but no more than \$30,000 in Bonds and including this purchase, has not purchased more than \$30,000 in securities utilizing the Offering Memorandum Exemption in the last 12 months, one (1) copy of the Eligible Investor Certificate in the form attached to the Subscription Agreement as Schedule B;
    - iii. **AND, IF APPLICABLE**, if the Subscriber is subscribing for more than \$30,000 in Bonds but no more than \$100,000 in Bonds and including this purchase, has not purchased more than \$100,000 in securities utilizing the Offering Memorandum Exemption in the last 12 months:
      1. one (1) copy of the Eligible Investor Certificate in the form attached to the Subscription Agreement as Schedule B; and
      2. one (1) copy of the Portfolio Manager, Investment Dealer or Exempt Market Dealer Advice Certificate in the form attached to the Subscription Agreement as Schedule C;
  - d. **If the Subscriber is resident in a Province or Territory of Canada other than Quebec and is an Individual Accredited Investor:**
    - i. you must execute and deliver to the Corporation one (1) completed and signed copy of the Risk Acknowledgment Form attached to the Subscription Agreement as Schedule B, including Exhibit 1 and Exhibit 2, if applicable and attached thereto (one copy must be submitted to the Corporation and one copy shall be retained for your records, or if utilizing an electronic platform recognized by the Corporation, an electronic copy will be available to both parties);
    - ii. one (1) copy of the Accredited Investor Risk Acknowledgment attached to the Subscription Agreement as Schedule D (please initial as indicated, provide a copy to the Corporation and retain the original, or if utilizing an electronic platform recognized by the Corporation, an electronic copy will be available to both parties); and
    - iii. the Representation Letter in the form attached to the Subscription Agreement as Schedule D-1 (please initial Appendix A as indicated); or

- e. **If the Subscriber is resident in a Province or Territory of Canada other than Quebec and is a Non-Individual Accredited Investor:**
- i. you must execute and deliver to the Corporation one (1) completed and signed copy of the Risk Acknowledgment Form attached to the Subscription Agreement as Schedule A, including Exhibit 1 and Exhibit 2, if applicable and attached thereto (one copy must be submitted to the Corporation and one copy shall be retained for your records, or if utilizing an electronic platform recognized by the Corporation, an electronic copy will be available to both parties); and
  - ii. the Representation Letter in the form attached to the Subscription Agreement as Schedule D-1 (please initial Appendix A as indicated); and
5. all Subscribers must execute the Target Release attached as Schedule E to the Subscription Agreement and provide the Corporation with an executed version of such release.

**PLEASE DELIVER YOUR SUBSCRIPTION TO:**

**Yestertpay Holdings Inc.  
121 - 234 5149 Country Hills Boulevard NW  
Calgary, Alberta T3A 5K8  
(587) 779-7929**

**subscriptions@yestertpay.com**

**- or -**

or through such other electronic platform that may be recognized by the Corporation from time to time