progressa

Offering Memorandum

Secured Fixed Income Non-Retractable Bonds

April 30, 2016

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Offering Memorandum

Creditloans Canada Capital Inc.

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.

Offering Memorandum

Date:		April 30, 2016
The Issuer:		
Name:		Creditloans Canada Capital Inc. (the "**Corporation**")
Head office:	Address:	2000 – 1500 W. Georgia Street, Vancouver, BC V6G 2Z6
	Phone #:	1-855-723-5626 (LOAN)
	E-mail address:	investors@progressa.com
	Fax #:	1-855-477-1110
Currently listed or quoted?		**No. These securities do not trade on any exchange or market.**
Reporting issuer?		No.
SEDAR filer?		No.

The Offering

Securities Offered:	8.0% 1 year term secured* fixed income non-retractable Series A Bonds 10.0% 3 year term secured* fixed income non-retractable Series B Bonds 12.0% 5 year term secured* fixed income non-retractable Series C Bonds *The Bonds are secured by a general security interest granted by CLC Financing on all of its personal property (including its book of consumer finance loans) via the General Security Agreement. However, the underlying consumer loans granted by CLC Financing are unsecured loans and are subject to the risks inherent in unsecured lending. For further details, see **Item 8: Risk Factors.**
Price per security:	$500 per Bond
Minimum offering:	**There is no minimum. You may be the only purchaser.**
Maximum offering:	There is no maximum. The Bonds will be offered on a continuous basis. **Funds available under the offering may not be sufficient to accomplish our proposed objectives.**
Minimum subscription amount:	$25,000 (50 Bonds). The Corporation retains the discretion to accept subscriptions below this minimum.
Payment terms:	Payment in full of the subscription price is to be made by solicitor's trust cheque, RRSP or RRIF Trustee cheque, TFSA Trustee cheque, certified cheque, bank draft, money order or wire transfer payable to the Corporation, with the delivery of a duly executed and completed Subscription Agreement. See **Item 5.2: Subscription Procedure**.
Proposed closing date(s):	The Bonds will be offered on a continuous basis. 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.**
Selling agent?	The Corporation reserves the right, as allowed by applicable securities legislation, to retain agents to help affect the sales of the Bonds. If an agent is retained, the agent will be paid aggregate fees and commissions of up to 8% of the gross proceeds realized on the Bonds sold by such agent. See **Item 7: Compensation Paid to Sellers and Finders.**
Resale restrictions:	You will be restricted from selling your securities for an indefinite period. See **Item 10: Resale Restrictions.**
Purchasers' Rights:	You have 2 business days to cancel your agreement to purchase these securities. If there is a misrepresentation in this Offering Memorandum, you have the right to sue either for damages or to cancel the agreement. See **Item 11: Purchasers' Rights.**

The Offering is being conducted in the Offering Jurisdictions pursuant to certain exemptions contained in NI 45-106.

This Offering Memorandum constitutes an offering of securities only in the Offering Jurisdictions where, and to those persons to whom, they may be lawfully offered for sale. This Offering Memorandum is not, and under no circumstances is to be construed as, a prospectus or advertisement or a public offering of these securities in any jurisdiction.

This Offering Memorandum is for the sole use of only those persons to whom it is transmitted in connection with this Offering for the purpose of evaluating the securities offered hereby. By their acceptance of this Offering Memorandum, recipients agree that they will not transmit, reproduce or make available to anyone, other than their professional advisors, this Offering Memorandum or any information contained herein. No person has been authorized to give any information or to make any representation not contained in this Offering Memorandum. Any such information or representation which is given or received must not be relied upon.

DOCUMENTS INCORPORATED BY REFERENCE

Information has been incorporated by reference into this Offering Memorandum from documents which have been or will be filed, concurrent with this Offering Memorandum, with securities regulatory authorities in each of the provinces of Alberta, New Brunswick, Nova Scotia, Ontario, Quebec, and Saskatchewan. Copies of documents incorporated herein by reference may be obtained upon request without charge from the Corporation. These documents include the following:

- the progressa™ investor presentation dated April 2016;
- the progressa™ executive summary dated April 2016; and
- the term sheet dated April 30, 2016 describing the Offering.

The foregoing documents are not incorporated by reference or deemed to be incorporated by reference to the extent that their contents are modified or superseded by a statement contained in this Offering Memorandum or in any other subsequently filed document that is incorporated by reference or deemed to be incorporated by reference in this Offering Memorandum. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement when made constituted a misrepresentation or untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to prevent a statement that is made from being false or misleading in the circumstances that they were made. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute part of this Offering Memorandum.

Any documents of the type required under National Instrument 45-106 *Prospectus Exemptions* to be incorporated by reference in an offering memorandum filed by the Corporation with the securities commissions or similar regulatory authorities in Canada subsequent to the date of this Offering Memorandum and prior to the termination of the Offering are deemed to be incorporated by reference in this Offering Memorandum.

NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Offering Memorandum contains forward-looking statements. These statements relate to future events or the Corporation's future performance. All statements other than statements of historical fact are forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "may", "will", "should", "expect", "plan", "anticipate", "believe", "estimate", "predict", "potential", "targeting", "intend", "could", "might", "continue", or the negative of these terms or other comparable terminology. These statements are only predictions. In addition, this Offering Memorandum may contain forward-looking statements attributed to third party industry sources. Undue reliance should not be placed on these forward-looking statements as there can be no assurance that the plans, intentions or expectations upon which they are based will occur. By its nature, forward-looking information involves numerous assumptions, known and unknown risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and other forward-looking statements will not occur and may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The forward-looking statements contained in this Offering Memorandum are expressly qualified by this cautionary statement. The Corporation is not under any duty to update any of the forward-looking statements after the date of this Offering Memorandum to conform such statements to actual results or to changes in the Corporation's expectations except as otherwise required by applicable legislation.

NOTE REGARDING FINANCIAL INFORMATION CONTAINED WITHIN OM

Financial information presented in the Offering Memorandum through December 31, 2015 has been audited by Claassen Chartered Professional Accountants. Readers should be cautioned that information subsequent to December 31, 2015 is unaudited.

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 corresponding meanings:

"**Asset Coverage Ratio**" has the meaning given to it under "Asset Coverage Ratio" in **Item 5.1: Terms of Securities**.

"**Administrative Services Agreement**" means the Administrative Services Agreement dated as of May 1, 2014, between the Corporation and Knightswood.

"**BCA**" means the *Business Corporations Act* (British Columbia).

"**Bonds**" means, collectively, the Series A Bonds, the Series B Bonds and the Series C Bonds.

"**Bondholder**" means a holder of Bonds.

"**Bondholders Agreement**" means the Junior Bondholders Agreement dated effective the Effective Date, between the Corporation, the Collateral Agent and the Bondholders in respect of the Bonds.

"**CLC Financing**" means Creditloans Canada Financing Inc. (dba Progressa), a company incorporated under the laws of the Province of British Columbia.

"**Collateral Agent**" means Creditloans Bond Security Agent Inc., a corporation incorporated under the laws of the Province of British Columbia, in its capacity as Collateral Agent for the Bondholders under the Bondholders Agreement.

"Common Shares" means both CLC Financing's common shares and Class A Preferred Shares, except in section 4.1 of the Offering Memorandum.

"**Corporation**" means Creditloans Canada Capital Inc., a corporation incorporated under the laws of the Province of British Columbia, the issuer of the Bonds under the Offering.

"**CRA**" means the Canada Revenue Agency.

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

"**Effective Date**" means June 26, 2014.

"**Existing Bonds**" means the Bonds issued by the Corporation prior to the date of this Offering Memorandum.

"**Extraordinary Resolution**" means, in respect of the Bondholders Agreement, a resolution passed at a duly convened meeting of the Bondholders under such agreement, at which the holders of at least 50% in principal amount of the Bonds then outstanding thereunder are present in person or by proxy and passed by the favourable votes of the holders of not less than 2/3 of the principal amount of such Bonds, represented at the meeting and voted on a poll upon such resolution. An "Extraordinary Resolution" in respect of the Bondholders Agreement also includes an instrument in writing signed in one or more counterparts by the holders of at least 2/3 of the principal amount of all the Bonds outstanding under that agreement.

"**General Security Agreement**" means the General Security Agreement (Junior Loan), dated as of the Effective Date, by CLC Financing, as debtor, in favour of the Corporation, as secured party, as security for the Loan Agreement.

"**Gens Capital**" means Gens Capital Ltd., a corporation incorporated under the BCA.

"**Knightswood**" means Knightswood Financial Corp., a company incorporated under the laws of the Province of British Columbia and whose common shares are listed for trading on the TSX Venture Exchange.

"**Loan Agreement**" means the Junior Loan Agreement dated as of the Effective Date, between the Corporation, as lender, and CLC Financing, as borrower.

"**Marketing Service Provider**" means 1498437 Alberta Ltd., a corporation existing under the laws of Alberta.

"**NI 45-106**" means National Instrument 45-106 "Prospectus and Registration Exemptions" of the Canadian Securities Administrators.

"**Offering**" means the offering of Bonds pursuant to this Offering Memorandum.

"**Offering Jurisdictions**" means Alberta, British Columbia, Manitoba, New Brunswick, Newfoundland and Labrador, Northwest Territories, Nova Scotia, Nunavut, Ontario, Prince Edward Island, Saskatchewan and Yukon.

"**Offering Memorandum**" means this offering memorandum, as amended or supplemented from time to time.

"**Option Agreement**" means the option agreement dated May 1, 2014, between the Corporation, Knightswood and Gens Capital.

"**Performing Loans**" has the meaning given to it under "Asset Coverage Ratio" in **Item 5.1: Terms of Securities**.

"**Purchasers**" mean persons who subscribe for Bonds pursuant to this Offering.

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

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

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

"**Senior Bondholders Agreement**" the Senior Bondholders Agreement dated effective the Effective Date, between the Corporation and the Collateral Agent in respect of the Senior Bonds.

"**Senior Bonds**" means the bonds of the Corporation that were to be issued under the Senior Bondholders Agreement.

"**Senior Credit Facility Agreements**" means the credit agreements and security agreements dated January 28, 2015 between CLC Financing, as borrower, and each of the Senior Lenders.

"**Senior GSA**" means the General Security Agreement (Senior Loan), dated as of the Effective Date, by CLC Financing, as debtor, in favour of the Corporation, as secured party, as security for the Senior Loan Agreement.

"**Senior Lenders**" means Conconi FT Holdings Ltd. and Lysander Properties Ltd. prior to November 30, 2015 and also includes Cypress Hills Origination I Limited Partnership after November 30, 2015.

"**Senior Loan Agreement**" means the Senior Loan Agreement dated as of the Effective Date, between the Corporation, as lender, and CLC Financing, as borrower.

"**Senior Secured Total Indebtedness**" has the meaning given to it under "Asset Coverage Ratio" in **Item 5.1: Terms of Securities**.

"**Series A Bonds**" means the secured fixed income non-retractable bonds of the Corporation designated as the "Junior Series A Bonds", having the terms and conditions described in **Item 5.1** herein.

"**Series B Bonds**" means the secured fixed income non-retractable bonds of the Corporation designated as the "Junior Series B Bonds", having the terms and conditions described in **Item 5.1** herein.

"**Series C Bonds**" means the secured fixed income non-retractable bonds of the Corporation designated as the "Junior Series C Bonds", having the terms and conditions described in **Item 5.1** herein.

"**Subscription Agreement**" means a Subscription Agreement entered into between a Purchaser and the Corporation with respect the purchase of Bonds by the Purchaser under this Offering, in the form accompanying this Offering Memorandum.

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

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

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 ***Funds***

CLC Financing has agreed to pay all selling commissions and fees and offering costs in connection with the Offering. As a result, all of the funds raised by this Offering will be available funds and will be loaned by the Corporation to CLC Financing. See **Item 1.2: Use of Available Funds.**

The following table discloses the selling commissions and fees and offering costs connected to the Offering and that are to be paid by CLC Financing. Given that the Bonds will be offered on a continuous basis and there is no minimum or maximum offering, selling commissions and fees and offering costs are presented assuming an Offering of Bonds for $10,000,000 and that only Series C Bonds are sold. Actual funds raised by the Offering may be more or less than the assumed amounts, and Bonds other than Series C Bonds may be sold.

		Assuming Minimum Offering	**Assuming Offering of Bonds for $10,000,000**
A.	Amount to be raised by this Offering	$ 0	$ 10,000,000
B.	Selling commissions and fees (1)	$ 0	$ 800,000
C.	Estimated offering costs (2)	$ 45,000	$ 45,000
D.	Available funds: D = A - (B+C)	$ 0 (3)	$ 10,000,000 (3)
E.	Additional sources of funding required	Nil	Nil
F.	Working capital deficiency	Nil	Nil
G.	Total: G = (D+E) – F	$ 0 (3)	$ 10,000,000 (3)

(1) Assuming that 8% of the gross proceeds of this Offering are paid as selling commissions based upon the assumed offering amounts and sales of only Series C Bonds. These costs are paid by CLC Financing, and not the Corporation. See **Item 7 - Compensation Paid to Sellers and Finders**.

(2) Legal, accounting, auditing, marketing and due diligence expenses. These costs are paid by CLC Financing, and not the Corporation.

(3) As selling commissions and fees and offering costs connected to the Offering are paid by CLC Financing, and not the Corporation, these items do not reduce available funds to the Corporation.

1.2 ***Use of Available Funds***

The following table discloses how the Corporation will use the available funds. Given that the Bonds will be offered on a continuous basis and there is no minimum or maximum offering, the information is presented assuming an Offering of Bonds for $10,000,000 and that only Series C Bonds are sold. Actual funds raised by the Offering may be more or less than the assumed amounts, and Bonds other than Series C Bonds may be sold.

Description of intended use of available funds listed in order of priority	**Assuming Minimum Offering**	**Assuming Offering of Bonds for $10,000,000**
All available funds of the Offering will be loaned by the Corporation to CLC Financing pursuant to the Loan Agreement.[1] For a description of the material terms of this agreement, see **Item 2.7: Material Agreements**.	$ 0	$ 10,000,000
Total: Equal to G in the Funds table above	$ 0	$ 10,000,000

(1) Bonds will be offered on a continuous basis and funds will be raised in order to meet CLC Financing's need for capital to make loans to its customers. More specifically, as and when CLC Financing determines that funds are required in order to meet customer demand for loans, it will request that the Corporation issue Bonds in order to raise the funds and loan the available funds from the sale of the Bonds to CLC Financing pursuant to the Loan Agreement.

The following table discloses how CLC Financing will use the available funds advanced to it pursuant to the Loan Agreement.

Description of intended use of available funds listed in order of priority	**Assuming Minimum Offering**	**Assuming Offering of Bonds for $10,000,000**
CLC Financing will use the funds borrowed under the Loan Agreement for purposes of financing its consumer lending business, including for funding loans to its customers and for working capital and other general corporate purposes, including to repay its operating credit facility.[1] [2] See **Item 2: Business of the Corporation and of CLC Financing**.	$ 0	$ 10,000,000

(1) CLC Financing has an operating credit facility with each of the Senior Lenders, who are shareholders of CLC Financing, pursuant to the Senior Credit Facility Agreements. As at the date of this Offering Memorandum, the total amount owing under the credit facility was $nil. For a description of the material terms of these agreements, see **Item 2.7: Material Agreements**.

(2) As of the date of this Offering Memorandum, CLC Financing has a positive working capital balance of $4,985,711.

1.3 *Reallocation*

The Corporation intends to spend the available funds as stated. The Corporation will reallocate funds only for sound business reasons.

Item 2: Business of the Corporation and of CLC Financing

2.1 *Structure*

(1) Description of Structure and of Knightswood's Role

The Corporation is a corporation incorporated under the BCA pursuant to a certificate of incorporation dated April 24, 2014. The Corporation's head office is located at 2000 – 1500 Georgia Street W., Vancouver, BC V6G 2Z6. The Corporation is a subsidiary of Knightswood, a public company which is at arm's length to CLC Financing.

Knightswood's shareholding in the Corporation is to ensure that the Bonds issued pursuant to this Offering are qualified investments for Deferred Plans. See **Item 6: Income Tax Consequences and RRSP/ TFSA Eligibility**.

Knightswood's interest in the Corporation is to earn fees and not to participate in the management, operations and profits of the Corporation. See **Administrative Services Agreement under Item 2.7: Material Agreements**.

Purchasers of the Bonds of the Corporation should understand that Knightswood's assets and management are not in any way committed to the activities of the Corporation, and Knightswood will not be involved in the business or affairs of the Corporation other than voting its shares at shareholder meetings of the Corporation. Knightswood does not encourage or discourage an investment in the Corporation.

Release of Knightswood Financial Corp.

As term of this Offering, Purchasers acknowledge that:

(a) Knightswood'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. Further, Purchasers acknowledge that Knightswood has not performed any due diligence on the Corporation, CLC Financing, their respective assets or management and does not encourage or discourage an investment in the Corporation;

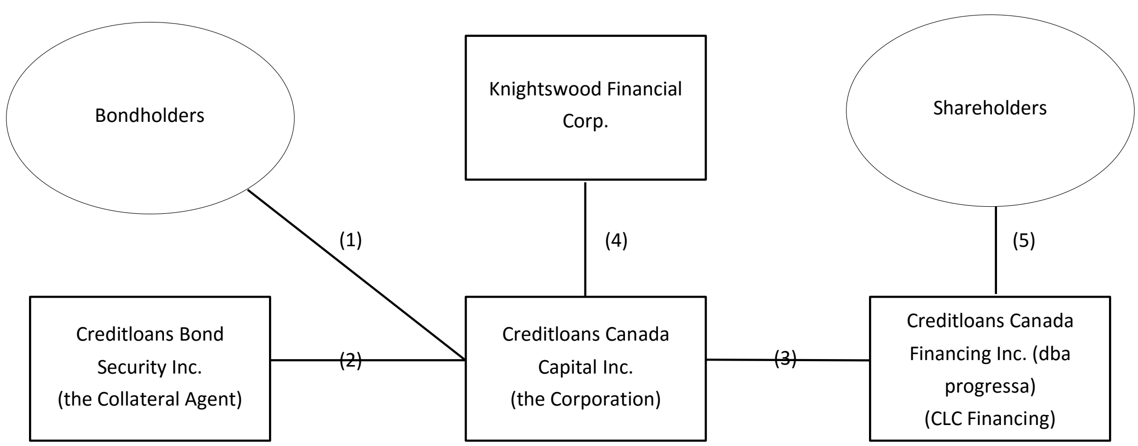
(b) Knightswood owes no fiduciary duty of care or any other duty to Purchasers in connection with the Bonds issued under this Offering;

(c) Knightswood shall not be liable to Purchasers for any liabilities, losses or damages suffered or incurred by Purchasers 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 Purchaser will release and forever discharge Knightswood, 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 Purchaser's investment in the Bonds of the Corporation.

(2) Structure Diagram

The following diagram illustrate the structure of the Offering:



(1) The Bonds are issued by the Corporation to the Bondholders.
(2) The Corporation grants security to the Collateral Agent for the benefit of the Bondholders, on its rights under the Loan Agreement and General Security Agreement.
(3) The Corporation loans the proceeds of the Bonds to CLC Financing under the Loan Agreement. CLC Financing grants security to the Corporation over all of its assets pursuant to the General Security Agreement.
(4) Knightswood holds all issued and outstanding shares of the Corporation.
(5) For information regarding the shareholders of CLC Financing, see **Item 3: Interests of Directors, Management, Promoters and Principal Holders.**

2.2 ***Our Business***

(1) Business of the Corporation

The Corporation was established for the purposes of carrying out the Offering and funding the growth of CLC Financing's book of consumer finance loans. The Corporation was established as separate company from CLC Financing in order to allow the Bonds issued pursuant to this Offering to qualify as a Deferred Plan investment, as a result of voting control of the Corporation being held by Knightswood. See **Item 6: Income Tax Consequences and RRSP/ TFSA Eligibility.**

The Corporation will loan an amount equal to the gross proceeds of the Offering to CLC Financing pursuant to the Loan Agreement. As security for the repayment of the Loan Agreement, CLC Financing has granted a security interest on all of its personal property (including its book of consumer finance loans) to the Corporation pursuant to the General Security Agreement. For a description of the material terms of these agreements, see **Item 2.7: Material Agreements.**

The Corporation does not carry on any business other than selling Bonds under the Offering, loaning funds to CLC Financing, entering into the material agreements described in **Item 2.7** and activities related to the foregoing. All consumer financing activities are carried out by CLC Financing.

(2) Business of CLC Financing

Overview

CLC Financing is a Canadian consumer finance lender incorporated in January 2013 under the BCA. CLC Financing's head office is located at 2000 – 1500 Georgia W., Vancouver, BC V6G 2Z6. CLC Financing currently offers unsecured consumer loans to sub-prime and near-prime borrowers across Canada under the brand names urLoan™ at www.urloan.com and progressa™ at www.progressa.com. In the future, CLC Financing may begin offering other consumer finance products such as car loans, mortgages, credit cards, lines of credit and other related products.

URLOAN™ progressa

To date, CLC Financing has primarily originated its loans online through www.progressa.com and www.urloan.com as well as through origination partners that provide deal flow. The primary requirements for a borrower to qualify for a loan from CLC Financing are a certain minimum length of time with their current employer (the period of time may vary, but can be as low as 6 months—it is often confirmed through a reference check), review of credit history, review of bank statements, as well as certain financial ratios, among other requirements. The features of CLC Financing's core installment loan product are as follows:

- Unsecured consumer term loan of 6 to 60 months (blended principal and interest installments on a weekly, bi-weekly, semi-monthly, or monthly basis)
- Size of $500 to $15,000 per loan
- APR interest rates of 19.00% – 46.95%
- Optional loan protection insurance program

In December of 2013, CLC Financing introduced a loan protection insurance program which covers its customers in the event of involuntary job loss, critical illness, death or disability. Under the insurance, 100% of the outstanding loan balance (and accrued interest) will be paid out in the event of death, disability or critical illness. In the event of job loss, the insurance covers interest and principal payments for generally less than one year while the borrower finds another job. Although the loan protection insurance program is considered an optional program to the customer, it is strongly encouraged by CLC Financing's underwriters due to the nature of the benefits provided to the customer. The majority of CLC Financing's customers do choose to take loan protection insurance.

CLC Financing sells the loan protection insurance plan through its insurance partner, Western Life Assurance Company (for a description of the agreement with Western Life Assurance Company, see **Item 2.7: Material Agreements**). The borrower is also free to obtain loan protection insurance from alternative insurance providers. However, in the majority of cases where insurance is taken, the borrower will purchase insurance through CLC Financing. The loan protection plan provides some protection for the borrowers, and thus CLC Financing.

From the start of CLC Financing's business to the date of this Offering Memorandum, CLC Financing has originated 3,230 loans of which 89% were insured at the time of origination. The following table presents a breakdown of CLC Financing's loans made to borrowers as at the date of this Offering Memorandum, grouped by the borrower's province of residence and setting out certain information for each group:

As at April 30, 2016 *(Unaudited)*					
Province	**Number of Loans (# and as % of Total)**	**Gross Principal Originated (in $ and as a % of Total)**	**Gross Principal Outstanding (in $ and as a % of Total)**	**Cumulative Weighted Avg. Loan Term Originated (Months)**	**Cumulative Weighted Avg. Interest Rate Originated**
British Columbia	639 (20%)	$ 1,967,133 (20%)	$ 920,479 (17%)	-	-
Alberta	716 (22%)	$ 2,254,478 (23%)	$ 1,262,374 (22%)	-	-
Saskatchewan	171 (5%)	$ 460,824 (5%)	$ 247,203 (4%)	-	-
Ontario	1,373 (43%)	$ 4,121,647 (42%)	$ 2,551,279 (45%)	-	-
Other	194 (6%)	$ 592,390 (6%)	$ 401,569 (7%)	-	-
Manitoba	137 (4%)	$ 395,329 (4%)	$ 248,217 (5%)	-	-
Total:	3,230 (100%)	$9,792,102 (100%)	$5,631,121 (100%)	24.65	43.79%

The Market

The market for unsecured consumer term loans in Canada serving the non-prime borrower profile was once dominated by three international banks and their subsidiaries – Wells Fargo, HSBC Finance, and CitiFinancial. As a result of BASEL III banking regulations that resulted in more robust capital requirements, HSBC Finance and Wells Fargo exited the Canadian market and CitiFinancial slowed its pace of origination growth. Since then, several regional players have emerged and one new national player. The only major direct competitors operating nationally are GoEasy (TSE: GSY), and CitiFinancial, a subsidiary of Citigroup Inc. (NYSE: C). In addition, several licensed payday lenders have recently begun to indirectly compete with CLC Financing. For example, companies such as Mogo (TSE: GO), Money Mart and Cash Canada have begun to offer small unsecured consumer loans and lines of credit. However, at this time, to the Corporation does not have segmented financial information for these entities to determine how large a portion of their respective businesses this is.

According to CLC Financing's own sources and investigations, CLC Financing estimates that the total consumer finance market (excluding mortgages) in Canada is at $10 – 15 billion (in principal outstanding) with unsecured consumer term loans (CLC Financing's core product) accounting for $2.0 – 3.0 billion of that. The segment consists of over 3 million Canadians spanning a wide variety of ages and financing requirements. Thus, the current addressable market for the company's services is large with very little national competition. CLC Financing's strategy is to establish a toehold in the Canadian consumer finance market and aggressively grow its book of consumer finance loans.

Regulatory Environment

CLC Financing's unsecured consumer loan business is affected by a wide variety of federal and provincial laws and regulations, including consumer protection laws which require contract disclosures relating to the cost of borrowing and other matters, and the *Criminal Code* (Canada), which prohibits lenders from charging interest at a rate exceeding 60% per annum (subject to limited exceptions in the case of licensed payday lenders). In addition, in some provinces, CLC Financing is required to be licensed in connection with its lending activities under applicable legislation governing loan corporations or cost of credit disclosure. Furthermore, in regard to loan protection insurance, CLC Financing is required to be licensed in certain provinces under applicable legislation governing the sale of insurance. That being said, the consumer loan industry is not subject to the same level of regulation as the banking industry. In particular, consumer lenders are not, as such, subject to minimum capital, corporate governance, financial reporting and public disclosure requirements. Accordingly, an investment in Bonds carries more risk than would an investment in debt issued by a bank or other regulated financial institution. See **Item 8: Risk Factors**.

2.3 *Development of the Business*

(1) Development of the Business of the Corporation

The Corporation was incorporated in 2014, established for the purposes of carrying out the Offering. Since the launch of the Offering on June 26, 2014 to the date of this Offering Memorandum, the Corporation has issued the Existing Bonds for aggregate gross proceeds of $4,045,500. See **Item 4.3: Prior Sales**.

(2) Development of the Business of CLC Financing

Growth of the Business

CLC Financing began actively originating consumer finance loans in July 2013. Since then, and as at the date of this Offering Memorandum, CLC Financing has lent approximately $9.80 million in principal to over 3,200 borrowers.

CLC Financing has invested heavily in its websites, its customer relationship management ("CRM") system, as well as its core banking and accounting systems and continues to make further investments. These core systems are now operational, making the company's operation scalable and ready to handle a substantial increase in loan origination.

As at the date of this Offering Memorandum, CLC Financing's gross loan receivable was $5,631,121. CLC Financing's gross loan receivable grew to $3,306,476 at December 31, 2015, from $1,736,587 at December 31, 2014, an increase of $1569,889 or 90%. CLC Financing achieved this growth by originating 1,507 loans in 2015 compared to 705 in 2014, an increase of 802 loans or 114% year over year. To December 31, 2015, cumulatively, CLC Financing has originated $6.8 million dollars in loans, of which over $3.16 million of principal has been repaid and over $1,800,000 of total revenue has been earned. Total revenue grew to

$1,355,880 for the year-ended December 31, 2015 from $746,095 for the year-ended December 31, 2014, an increase of $609,785 or 82%.

As a measure of performance of its loan book, CLC Financing keeps track of a bad debt provision, which is an annualized figure calculated for a given time period and expressed as a percentage of average gross loans receivable. CLC Financing's forecasted bad debt provision for the year ended December 31, 2015 was between 12.0-14.0%. The actual annualized bad debt provision for the year ended December 31, 2015 was 10.5%, far below its budget forecast. This provision shrunk meaningfully from the year ended December 31, 2014 (where it was 14.3%) as CLC Financing's underwriting strategies and servicing capabilities have improved year over year with more experience.

For the first three months of 2016, CLC Financing experienced an annualized bad debt percentage of 7.0%. CLC Financing estimates that its bad debt provision will stabilize in the 12.0-14.0% range for 2016 and that it will continue to be within this range through 2019.

Under accounting policies that apply to CLC Financing, loans are classified as impaired when, in the opinion of management, there is reasonable doubt as to the collectability; either in whole or in part, of principal or interest or when principal or interest is past due 30 days. Furthermore, once the loan's principal or interest past due exceeds 120 days, it is written off against the allowance for loan losses, reducing the gross receivable and allowance account. Management evaluates impairment monthly on a loan by loan basis. As at the date of the Offering Memorandum there were 288 loans that were classified as impaired under this policy, for a total dollar value of principal, interest, and fees outstanding of $465,490. Furthermore, during 2015, management charged off $389,962 of principal, interest, and fees over 120 days against its gross receivable and allowance account.

A large part of CLC Financing's operating expenses related to computer systems and software as well as salaries and benefits for its personnel. As of the date of the Offering Memorandum, CLC Financing has an equivalent full-time head count of 51 employees, with 30 primarily focused on customer service and loan underwriting. CLC Financing relies heavily on its software systems and data science in order to manage its underwriting efficiency and loan portfolio management in a cost effective manner. During the financial year ended December 31, 2015, CLC Financing spent $376,620 on computer systems and software development and $808,524 on salaries and benefits for personnel versus spending $279,494 on computer systems and software and $405,178 on salaries and benefits for personnel in 2014, an increase of 35% and 100% respectively year over year.

Financing the Business

The following are the major sources of funding (other than capital contributions by shareholders) that CLC Financing has obtained since commencing its business, in order to finance its day-to-day operations.

(a) In July, 2013, CLC Financing was granted a demand loan revolving operating facility of up to $1,000,000 (which amount was subsequently increased to $3,000,000) by IG Media Inc., a shareholder of the CLC Financing and a company controlled by Igor Gens. The facility was secured by a security interest on all present and future acquired personal property of CLC Financing. As at the date of this Offering Memorandum, all amounts under the facility had been repaid and the facility and security was terminated. The facility was repaid in May of 2014, using a combination of loans from the facility with Ewa and Arkady Gens (see below) and funds raised from shareholders of CLC Financing, through shareholder loans.

(b) In April, 2014, CLC Financing entered into a credit facility agreement with Arkady and Ewa Gens (who are respectively the father and mother of David Gens, President and a Director of the Corporation.) Pursuant to this agreement, the lenders made available to CLC Financing a demand revolving operating facility in the principal amount of up to $1,125,000. The facility was secured by a security interest on all present and future acquired personal property of the Corporation. As at the date of this Offering Memorandum all amounts under the facility had been repaid and the facility and security was terminated. The facility was repaid using a combination of funds from the Senior Lenders and capital contributions by shareholders.

(c) In 2013 and 2014, certain shareholders of CLC Financing granted unsecured term loans to it for a total of $955,000. On March 3, 2015, all shareholder loans were converted to common equity in CLC Financing. As at the date of this Offering Memorandum, no shareholder loans remain outstanding.

(d) In June 2014, CLC Financing entered into the Loan Agreement with the Corporation, pursuant to which the proceeds of the Offering were to be loaned to CLC Financing on continuous basis. For a description of the material terms of this Agreement, see **Item 2.7: Material Agreements**.

(e) In January 2015, CLC Financing entered into the Senior Credit Facility Agreements. For a description of the material terms of these agreements, see **Item 2.7: Material Agreements.**

(f) In November 2015, CLC Financing amended its Senior Credit Facility Agreements. For details of these amendments and the material terms of these agreements, see **Item 2.7: Material Agreements.**

As at the date of this Offering Memorandum, the only outstanding financing arrangements of CLC Financing were (a) the Senior Credit Facility Agreements, and (b) the Loan Agreement with the Corporation. For amounts outstanding as at the date of this Offering Memorandum, see **Item 4.2: Long Term Debt Securities.**

As our business and lending portfolio continues to grow, we expect to expand our funding sources to include the securitization of consumer loans generated by our brands, including via marketplace lending. This process will allow institutional level investors to directly participate in loans receivable from us. We expect to be expanding into securitization of consumer loans and/or marketplace lending in Q2 of 2016 and any such expansion will be subject to compliance with regulatory obligations, including conducting such activities through a registered dealer as required.

Senior Bondholders Agreement and Related Agreements

In June 2014, the Corporation entered into the following agreements:

(a) the Senior Bondholders Agreement, with the Collateral Agent, on terms and conditions substantially similar to those of the Bondholders Agreement;

(b) the Senior Loan Agreement, with CLC Financing, on terms and conditions substantially similar to those of the Loan Agreement; and

(c) the Senior GSA, with CLC Financing on terms and conditions substantially similar to those of the General Security Agreement, pursuant to which CLC Financing granted security for its obligations under the Senior Loan Agreement.

Pursuant to the Offering and prior to the date of this Offering Memorandum, the Corporation offered for sale Senior Bonds which were to take priority over the Bonds and be entitled to prior payment before the Bonds. The proceeds of the Senior Bonds were to be advanced to CLC Financing under the Senior Loan Agreement, which was secured by the Senior GSA. The Senior Loan Agreement and the Senior GSA were to take priority over the Loan Agreement and General Security Agreement.

As at the date of this Offering Memorandum:

(a) no Senior Bonds have been issued pursuant to the Senior Bondholders Agreement;

(b) no loans have been advanced pursuant to the Senior Loan Agreement;

(c) the Senior Bondholders Agreement, the Senior Loan Agreement and the Senior GSA have been terminated and are no longer in effect.

2.4 *Long Term Objectives*

(1) Long Term Objectives of the Corporation

It is anticipated that the Corporation's sole business activities will be to carry out the Offering, receive payments of principal and interest under the Loan Agreement and make payments of principal and interest on the Bonds.

(2) Long Term Objectives of CLC Financing

CLC Financing intends to become a dominant national player in the Canadian consumer finance market. Part of this strategy may involve new product offerings by CLC Financing such as car loans, mortgages, credit cards, lines of credit or other consumer finance services. In order to achieve this, CLC Financing will have to further invest significant capital in technology improvements, overhead and marketing. Additionally, CLC Financing will need to increase the size of its employee base to handle a larger volume of customer inquiries and maintain an effective collections department. In terms of capitalization, in addition to the loans from the Corporation under the Loan Agreement, CLC Financing will likely need to enter into loan sales with institutional investors and raise further equity to fund its aggressive origination strategy while maintaining an appropriate debt-to-capitalization ratio. The exact timing, requirement and costs of such equity capital raises are uncertain as of this date and depend on a number of factors that are beyond CLC Financing's control.

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

(1) Short Term Objectives of the Corporation

It is anticipated that the Corporation's sole business activities will be to carry out the Offering, receive payments of principal and interest under the Loan Agreement and make payments of principal and interest on the Bonds.

(2) Short Term Objectives of CLC Financing

The following table discloses CLC Financing's objectives for the next 12 months and how CLC Financing intends to meet those objectives.

What we must do and how we will do it	Target completion date or, if not known, number of months to complete	Our cost to complete
CLC Financing intends to grow its consumer finance loan book. In order to do this, it will use the funds obtained from the Corporation under the Loan Agreement in order to make loans to its customers.	The rate of growth of CLC Financing's consumer finance loan book will depend primarily on consumer demand for CLC Financing's loan products, as well as on the availability of resources in the form of financial capital, human capital and technology that are required in order to originate, underwrite and service the growing loan book.	Funds required will depend primarily on consumer demand for CLC Financing's loan products as well as on the need for resources in the form of financial capital, human capital and technology that are required in order to originate, underwrite and service the growing loan book.

2.6 *Insufficient Funds*

The funds available as a result of the Offering may not be sufficient to accomplish all of the proposed objectives of CLC Financing and there is no assurance that alternative financing will be available.

2.7 *Material Agreements*

The following are the key terms of all material agreements to which the Corporation or CLC Financing is a party. Purchasers may obtain a copy of the agreements described in items (1)—(6), below, by contacting the Corporation at the address set out on the first page of this Offering Memorandum. The other material agreements described in this section contain certain terms which are confidential to the parties thereto and may not be reviewed by Purchasers.

(1) Bondholders Agreement

The Bonds are issued pursuant to the Bondholders Agreement. For a description of the terms of the Bondholders Agreement, see **Item 5.1: Terms of Securities.**

(2) Loan Agreement

The Corporation and CLC Financing have entered into the Loan Agreement, pursuant to which the Corporation makes loans to CLC Financing using the proceeds of the Offering. The following are the key terms of this agreement:

Title, Date and Parties: Loan Agreement, dated as of the Effective Date, between the Corporation, as lender, and CLC Financing, as borrower.

Object of Agreement: The Corporation loans the available funds of the Offering to CLC Financing pursuant to the Loan Agreement. More specifically, the gross proceeds from the sale of each Bond are advanced to CLC Financing as borrowing under the Loan Agreement. As at the date of this Offering Memorandum, a principal amount of $4,045,500 has been advanced to CLC Financing under the Loan Agreement.

CLC Financing may use the funds borrowed under the Loan Agreement solely for purposes of financing its consumer lending business, including for funding loans to its customers and for working capital and other general corporate purposes not in contravention of any requirement of law, including to repay its operating credit facility.

Interest: Each borrowing advanced under the Loan Agreement using the proceeds of a Bond bears interest at the same rate as such Bond.

Except if a Bondholder elects to have interest compounded in respect of its Bond, the proceeds of which are advanced to CLC Financing under the Loan Agreement, interest on each borrowing is paid monthly in arrears on or before the 10th business day of each month in respect of the immediately preceding month, during the term of the Loan Agreement. If a Bondholder elects to have interest in respect of its Bond compounded instead of paid prior to maturity, interest in respect of the borrowing which was advanced using the proceeds of the Bond will accrue and be compounded and paid at the same time and in the same manner as interest in respect of the Bond (see "Interest" under **Item 5.1: Terms of Securities**).

Term and Maturity: Each borrowing advanced under the Loan Agreement using the proceeds of a Bond will mature on the same maturity date as such Bond.

The maturity date of the borrowing under the Loan Agreement is subject to extension in the same manner as the Bonds. For more details, see "Term of Bonds and Maturity" under **Item 5.1: Terms of Securities**.

Early Repayment: Provided that there is no event of default, CLC Financing may repay the borrowings under the Loan Agreement either in whole at any time or in part from time to time by paying (i) the principal amount of the borrowings being repaid or portion thereof, (ii) all accrued and unpaid interest on such portion to the date of payment, and (iii) in respect of each borrowing being repaid, an indemnity equal to (A) the number of days remaining before the expiry of the Protected Period (as hereinafter defined) in respect of such borrowing, divided by 365, multiplied by (B) the applicable interest rate in respect of such borrowing, multiplied by (C) the principal amount prepaid. For greater certainty, after the expiry of the Protected Period, there will be no indemnity payable under the foregoing item (iii). For purposes hereof, "**Protected Period**" means, in respect of a borrowing, the period starting on the first day after the day on which the borrowing was made and ending 270 days thereafter.

Security: The Loan Agreement is secured by a general security interest granted by CLC Financing on all of its personal property (including its book of consumer finance loans) pursuant to the General Security Agreement.

Subordination of security to bona fide lenders: The security interests constituted in favour of the Corporation by the General Security Agreement will, at CLC Financing's request and provided that there is no event of default, be postponed and subordinated to the security constituted in favour of other lenders of CLC Financing that enter into *bona fide* financing transactions with it. As at the date of this Offering Memorandum, the security interest constituted in favour of the Corporation by the General Security Agreement is subordinated to the Senior Credit Facility Agreements. For a description of the material terms of these agreements, see **Item 2.7: Material Agreements**. For amounts outstanding under this credit facility as at the date of this Offering Memorandum, see **Item 4.2: Long Term Debt Securities**.

Negative Covenants:

CLC Financing covenants that it will not, without the prior approval of the Corporation:

(i) sell, assign or otherwise dispose of any of its assets if such sale, assignment or disposal would cause it to breach the Asset Coverage Ratio, or there is an event of default; it being understood, for greater certainty, that if there is no breach or default, CLC Financing may freely sell, assign or otherwise dispose of any of its property;

(ii) create, incur, assume or permit to exist any liens, security interests or other encumbrances on or with respect to any of its property, undertaking or assets now owned or hereafter acquired, other than liens to secure indebtedness where permitted under paragraph (iii), below, and certain liens arising by operation of the law and other similar permitted liens;

(iii) create, incur or suffer to exist any indebtedness if such indebtedness would cause it to breach the Asset Coverage Ratio, or there is an event of default; it being understood, for greater certainty, that if there is no breach or default, CLC Financing may freely incur other indebtedness and grant security for such indebtedness;

(iv) make any loans, or investments in, or provide guarantees or indemnities or otherwise give financial assistance to, any person, other than in the ordinary course of its business;

(v) become a party to any transaction whereby all or substantially all of its undertaking and property would become the property of any other person; or

(vi) materially change the nature of its business or operations.

Asset Coverage Ratio:

CLC Financing covenants that, so long as any borrowings under the Loan Agreement remain outstanding, its Asset Coverage Ratio shall at all times be greater than or equal to 1.05 to 1.00.

CLC Financing will be deemed in default under this covenant if it continues unremedied for a period of 60 days, unless the Corporation agrees to a longer period.

Expenses:

CLC Financing agrees to pay to the Corporation (or on the Corporation's behalf as it may direct):

(a) all costs and expenses payable by the Corporation to Knightswood Financial Corp. pursuant to the Administrative Services Agreement, including the administration fee;

(b) all of the Corporation's costs and expenses incurred in connection with the Offering, including legal and audit fees, as well as selling commissions and fees;

(c) all of the Corporation's costs and expenses (including legal fees) incurred in connection with the preparation of the Loan Agreement and related documentations and filings; and

(d) all costs of enforcement of the Loan Agreement and related security.

Events of Default: The occurrence of certain events constitutes an event of default under the Loan Agreement. These events of default include:

(a) if CLC Financing fails to pay amounts when due;
(b) if CLC Financing breaches its Asset Coverage Ratio and the breach continues unremedied for 60 days;
(c) if CLC Financing breaches another provision of the Loan Agreement and the breach continues unremedied for 30 days;
(d) if any representation or warranty made by CLC Financing is incorrect or misleading in a material respect;
(e) if certain winding-up, liquidation, execution, insolvency, bankruptcy or other similar events occur in respect of CLC Financing; and
(f) if there is an event of default under the Bondholders Agreement.

Upon the occurrence of an event of default, subject to certain terms and conditions set out in the Loan Agreement, the Corporation may declare all indebtedness of CLC Financing under the Loan Agreement to be immediately payable and demand immediate payment of the whole or part of such indebtedness.

(3) General Security Agreement

The Corporation and CLC Financing have entered into the General Security Agreement. The following are the key terms of this agreement:

Title, Date and Parties: General Security Agreement dated as of the Effective Date, by CLC Financing, as debtor, in favour of the Corporation, as secured party.

Object of Agreement: Pursuant to the General Security Agreement, CLC Financing has granted a security interest in all of its present and after-acquired personal property to the Corporation as security for its obligations under the Loan Agreement.

Other Material Terms: The General Security Agreement contains customary provisions for agreements of this nature, including customary covenants in regard to the collateral and enforcement provisions.

The rights of the Corporation under the General Security Agreement have been assigned as security in favour of the Bondholders pursuant to the Bondholder Agreement.

See "Security and Rank" under **Item 5.1: Terms of Securities.**

(4) Administrative Services Agreement

The Corporation and Knightswood have entered into the Administrative Services Agreement dated as of May 1, 2014. Knightswood, as the parent company of the Corporation, has consented to the sale of the Bonds, subject to the terms and conditions of the Administrative Services Agreement. The Administrative Services Agreement sets out the administration fee payable to compensate Knightswood for holding the voting shares of the Corporation. The Corporation agrees to pay to Knightswood a quarterly administration fee equal to:

(i) $2,500 per calendar quarter ($10,000 per annum) if the aggregate principal amount value of the Bonds issued and outstanding at the end of any calendar quarter is less than $3,000,000; or

(ii) $5,000 per calendar quarter ($20,000 per annum) if the aggregate principal amount value of the Bonds issued and outstanding at the end of any calendar quarter is greater than $2,999,999 and less than $5,000,000; or

(iii) $6,250 per calendar quarter ($25,000 per annum) if the aggregate principal amount of the Bonds issued and outstanding at the end of any calendar quarter is equal to or greater than $5,000,000.

The administration fee payable is payable within 30 days following the end of each calendar quarterly period.

The Corporation also agrees to pay additional audit-related costs incurred by Knightswood as a result of extra work required to be performed by its auditors, if any, in compiling the audited annual financial statements of Knightswood as it relates to accounting and related matters pertaining to the Corporation.

The Administrative Services Agreement provides that Knightswood commits neither management nor resources to the Corporation. Knightswood, other than having voting control of the Corporation and the right to receive the administration fee in consideration for holding the Corporation's voting shares, holds no responsibilities or liabilities for the activities of the Corporation or to the Purchasers in connection with the securities issued under this Offering.

The Administrative Services Agreement shall continue in effect until such time as the Corporation no longer has any Bonds outstanding, unless sooner terminated by a party by reason of the default of the other party or for other stated reasons.

(5) Option Agreement

All of the issued and outstanding shares of the Corporation are held by Knightswood. Knightswood, Gens Capital and the Corporation have entered into the Option Agreement dated as of May 1, 2014, pursuant to which Knightswood has granted an irrevocable option to Gens Capital to purchase all of the shares of the Corporation held by Knightswood at a price of $1.00 per share. The option is exercisable by Gens Capital at any time after the happening of certain events, including but not limited to any order to cease or suspend trading in the securities of Knightswood, Knightswood ceasing to be a Canadian resident company whose shares are listed on a prescribed stock exchange as contemplated in the Tax Act, Knightswood passing any resolution or any orders made for its winding up or dissolution, or a receiver or receiver manager being appointed for Knightswood. The option may also be exercised where Gens Capital, acting reasonably, has determined that it is no longer necessary or desirable to maintain the Bonds as a qualified investment for Deferred Plan purposes or that it may otherwise qualify the Bonds as a qualified investment for Deferred Plan purposes.

Pursuant to the Option Agreement, Gens Capital has irrevocably granted to Knightswood the right to require Gens Capital to purchase Knightswood's shares of the Corporation on 60 days written notice at $1.00 per share.

The Option Agreement provides that until the option by Gens Capital to purchase the shares of the Corporation or by Knightswood to require Gens Capital to purchase the shares of the Corporation is exercised, Knightswood will: (a) maintain the Corporation as a wholly-owned subsidiary, (b) maintain its status as a Canadian resident company whose shares are listed on a prescribed stock exchange as contemplated in the Tax Act, and (c) ensure that the board of directors of the Corporation consists of three duly qualified individuals that are Canadian residents (or such greater number as Knightswood and Gens Capital may agree), with Gens Capital retaining the right to appoint one of the directors. Knightswood has also agreed not to alter the share capital of the Corporation, issue any further shares of the Corporation or sell, transfer, assign or otherwise dispose of the shares of the Corporation to any person.

Gens Capital is a corporation incorporated under the BCA. It is wholly-owned and controlled by David Gens, who is President and a Director of the Corporation and Chairman of CLC Financing.

(6) Marketing Services Agreement

The Corporation and the Marketing Service Provider have entered into the Marketing Services Agreement. The following are the key terms of this agreement:

Title, Date and Parties:	Marketing Services Agreement dated as of the Effective Date, between the Corporation and the Marketing Service Provider. The Marketing Service Provider is wholly-owned and controlled by Christopher Biasutti. Mr. Biasutti is also the sole shareholder and director of the Collateral Agent.
Object of Agreement:	The Marketing Service Provider will provide marketing services in connection with the Offering, which will include promoting the Offering to dealers in Canada and liaising with dealers, self-administered plan providers and other intermediaries in order to facilitate the Corporation's dealings with them and to help Corporation comply with their requirements.

Consideration: The Corporation will pay to the Marketing Service Provider a fee in the amount of 2% of all Eligible Proceeds. For purposes hereof, "**Eligible Proceeds**" means gross proceeds received by the Corporation on account of the subscription price for Bonds issued in connection with the Offering pursuant to subscriptions: (a) that have been accepted and confirmed by the Corporation and have closed, (b) that have been solicited by: (i) the Marketing Service Provider or its affiliates, (ii) dealers who were introduced to the Corporation by the Marketing Service Provider, or (iii) any other person, if the Corporation has requested that the Marketing Service Provider manage the closing process in respect of the subscription, and (c) in respect of which the payment of a fee does not contravene applicable securities legislation.

Fees are payable on a monthly basis. The Marketing Services Provider is also entitled to reimbursement of reasonable out-of-pocket expenses, for which the Corporation's prior approval is required above certain stated amounts.

Term and Termination: The Marketing Services Agreement is for a period commencing on the Effective Date and will continue for an indefinite term.

Either party may terminate the Marketing Services Agreement at any time by giving notice to the other party and the agreement will terminate 30 days after giving such notice. The Corporation may also terminate the Marketing Services Agreement if there is just cause, which includes, dishonesty, or other gross misconduct or other material adverse events. In such an event, the Corporation's obligation to pay fees will end. Where the Marketing Services Agreement is terminated without just cause, the Corporation will continue to pay to the Marketing Service Provider the fees in respect of Eligible Proceeds for subscriptions that are closed pursuant to the Offering under the Offering Memorandum.

(7) Senior Credit Facility Agreements

CLC Financing is a party to the Senior Credit Facility Agreements with the Senior Lenders. The following are the key terms of these agreements:

Title, Date and Parties: (a) Credit Agreement dated January 28, 2015 and as amended on November 30, 2015, between CLC Financing, as borrower, and Conconi FT Holdings Ltd., as lender, and (b) Credit Agreement dated January 28, 2015 and as amended on November 30, 2015, between CLC Financing and Lysander Properties Ltd. and (c) Credit Agreement dated November 30, 2015, between CLC Financing and Cypress Hills Origination I Limited Partnership. Also see "Security Agreements", below. The terms of these agreements are identical in all material respects.

The Senior Lenders are also shareholders of CLC Financing, with Conconi FT Holdings Ltd. and Lysander Properties Ltd. each holding 226,556 Common shares of CLC Financing (or 8.0% of the outstanding Common shares as at the date of this Offering Memorandum) and Cypress Hills Origination I Limited Partnership holding 371,517 Common shares of CLC Financing (or 13.25% of the outstanding Common shares as at the date of this Offering Memorandum).

Object of Agreement:	Each of Conconi FT Holdings Ltd. and Lysander Properties Ltd. has each made available to CLC Financing a revolving operating credit facility in the principal amount of up to $2,000,000 (per facility) and Cypress Hills Origination I Limited Partnership has made available a revolving operating credit facility in the principal amount of up to $3,000,000. Requests for advances must be made concurrently and for equivalent amounts under each credit facility. As of the date of this Offering Memorandum, an amount of $nil was outstanding under each facility.
Interest:	Interest shall accrue on each advance at a fixed rate of 12% per annum, compounded monthly and calculated daily. Interest is payable on a monthly basis.
Repayment:	CLC Financing shall make minimum monthly payments equal to 2% of the outstanding balance of principal and accrued and unpaid interest under each credit facility. CLC Financing may pay, without penalty, in whole or in part, the outstanding balance of principal and accrued and unpaid interest under each credit facility at any time, provided that an equivalent payment is made under both credit facilities. Upon providing written notice (the "**Amortization Notice**") to CLC Financing, and subject to the limitation described below, each Senior Lender may, in its sole discretion, amortize the credit facility on the date (the "**Amortization Date**") that is 6 months from the date that the Amortization Notice was delivered. If an Amortization Notice is in delivered to CLC Financing, the outstanding principal amount of credit facility will be converted on the Amortization Date to a 12-month amortizing term loan with an interest rate of 15% per annum compounded monthly. The first such amortization payment shall be due on the date which is the 15th day of the 6^{th} month from the date the Amortization Notice is delivered. The outstanding balance of principal and accrued and unpaid interest under each credit facility shall be immediately due and payable at the date which is 12 months from the Amortization Date. A Senior Lender shall not deliver an Amortization Notice for the first 18 months from the date of the credit agreement.
Events of Default:	Upon the failure of CLC Financing to pay to any Senior Lender any amount of principal or interest for a period of two days after such principal or interest is due and other customary events of default, each Senior Lender may by notice in writing, require immediate payment of the outstanding balance of principal and accrued and unpaid interest under the applicable credit agreement. Upon the occurrence of such an event of default, CLC Financing shall be entitled to cure the default within 60 days of the event of default or notice thereof.
Minimum Advance Rate:	CLC Financing shall not, with the prior written consent of each Senior Lender, permit the Advance Rate (as hereinafter defined) to exceed 65%. For purposes of the credit agreements:

	(a) "**Advance Rate**" means (the principal amount of both credit facilities outstanding less the amount of cash and cash equivalents of CLC Financing) divided by the aggregate of accounts receivable of CLC Financing (subject to certain eligibility conditions) x 100%. (b) "**Advanceable Portion**" means the maximum amount of both credit facilities that are advanceable to CLC Financing without causing the Advance Rate to exceed 65%.
Fees:	CLC Financing shall pay to each Senior Lender: (a) an annual commitment fee equal 0.75% of the Advanceable Portion; (b) an advance fee equal to 0.10% of each advance; (c) a wiring fee of $80 per advance if an advance is deposited in a non-CIBC account on the date that an advance is made; and (d) a late payment fee equal to 1.00% of the outstanding balance of principal and accrued and unpaid interest under each credit facility if CLC Financing fails to make the minimum monthly payment described above (see "Repayment", above).
Guarantors:	The obligations of CLC Financing under each credit agreement are guaranteed by David Gens and Ali Pourdad, who are officers and directors of the Corporation and CLC Financing (see **Item 0: Management Experience**). Each guarantee is limited to $100,000 per guarantor for each agreement.
Security Agreements:	As security for the obligations of CLC Financing under each credit agreement, CLC Financing has granted a security interest in all of its personal property in favour of each Senior Lender pursuant to the following agreements: (a) General Security Agreement dated January 28, 2015, by CLC Financing, as borrower, and Conconi FT Holdings Ltd., as secured party. (b) General Security Agreement dated January 28, 2015, by CLC Financing, as borrower, and Lysander Properties Ltd., as secured party. (c) General Security Agreement dated November 30, 2015, by CLC Financing, as borrower, and Cypress Hills Origination I Limited Partnership., as secured party. The rights of the Senior Lenders under the credit agreements and security rank in priority to the rights of the Corporation under the Loan Agreement and the General Security Agreement. See **Item 2.7(8) : Priority Agreement**, below.
Other Material Outstanding Obligations:	CLC Financing shall not, without the prior written consent of each Senior Lender: (a) amalgamate, merge or consolidate with or into, or sell all or substantially all of its assets to, (whether in a single transaction or a series of transactions) any person; (b) during the continuance of an event of default, pay the indebtedness of CLC Financing due to the Corporation; (c) make any investment of any cash balances other than in (i) certificates of deposit, deposit receipts and evidences of demand deposits in registered form in the name of CLC Financing, (ii) bonds or other evidences of indebtedness of or fully guaranteed by

the government of Canada or any province thereof payable in Canadian dollars and rated A (or the then equivalent grade) by a recognized bond rating agency (other than of an issuer that is an affiliate of CLC Financing), in all cases, having a payment or maturity date not later than one year from date of investment; and

(d) permit the principal outstanding under the credit facilities and any other secured debt of CLC Financing (including debt due to the Corporation) less cash and cash equivalents to exceed 80% of the sum of eligible receivables.

During the continuance of an event of default that has occurred, CLC Financing shall not pay any dividends or make any payment to purchase, redeem, retire or acquire shares of CLC Financing or rights to acquire any such shares or commit to any other form of distribution of its profits, or pay any management fees or make any loans to or investments in any person.

CLC Financing shall not assign, transfer or otherwise dispose of any of its assets without the prior written consent of each Senior Lender otherwise than in the ordinary course of business.

CLC Financing shall not issue, assume or incur any indebtedness except for (i) the credit facilities with the Senior Lenders, (ii) additional subordinated debt to the Corporation and (iii) other unsecured indebtedness provided such does not exceed at any time $75,000, without the prior written consent of each Senior Lender.

CLC Financing shall provide each Senior Lender with the right to designate one representative as a board observer, having the right to receive notice of and to attend board meetings of CLC Financing.

Warrants: CLC Financing has granted 93,516 warrants to each of Conconi FT Holdings Ltd. and Lysander Properties Ltd. in connection with the credit facilities and 50,000 warrants to Cypress Hills Investment I Limited Partnership. Each warrant entitles the holder to subscribe for one common share of CLC Financing, during the term of the credit facilities and for a period of 18 months after repayment or termination. The warrants are granted pursuant to Warrant Certificates and are subject to customary terms and conditions for agreements of this nature, including as to exercise price and adjusting provisions.

(8) Priority Agreement

The Corporation, CLC Financing and the Senior Lenders have entered into a priority agreement. The following are the key terms of this agreement:

Title, Date and Parties: Amended and Restated Priority Agreement dated November 30, 2015, among the Corporation, as subordinate lender, the Senior Lenders, and CLC Financing, as borrower.

Object of Agreement: The Corporation agrees that all security that it holds on CLC Financing's property (including the General Security Agreement) shall for all purposes be, and at all times remain, inferior, junior, postponed and subordinated to the security held by the Senior Lenders (including the security granted for the credit facilities described above—see "Senior Credit Facility Agreements."

The Corporation agrees that it will not, prior to the payment in full of the amounts due to the Senior Lenders, accelerate any amounts due to it or take any other enforcement action.

(9) Employment Agreements for Senior Officers

CLC Financing has entered into an employment agreement with each of Ali Pourdad, Michael Jover, Tony Vardy, and Mary Lynn Tardelli, who are respectively the CEO, CRO, COO, and CFO of CLC Financing. The following are the key terms of these agreements:

Title, Date and Parties:	Employment Agreement between CLC Financing and Ali Pourdad, dated April 1, 2013. Employment Agreement between CLC Financing and Michael Jover, dated June 25, 2013. Employment Agreement between CLC Financing and Tony Vardy, dated March 1, 2016. Employment Agreement between CLC Financing and Mary Lynn Tardelli, dated March 1, 2016.
Object of Agreement:	The officers are employed by CLC Financing in the following positions: - Ali Pourdad: President and Chief Executive Officer - Michael Jover: Vice President and Chief Revenue Officer - Tony Vardy: Chief Operating Officer - Mary Lynn Tardelli: Chief Financial Officer
Consideration:	The officers are entitled to: (a) a base salary plus a discretionary annual bonus, (b) participate in any equity-based incentive compensation plan adopted by CLC Financing, (c) reimbursement of reasonable expenses, and (d) vacation, health, dental and other customary employment benefits.
Term and Termination:	The agreement with Ali Pourdad is for an initial term ending December 31, 2014. This agreement will automatically renew for successive one year periods, unless either party gives a notice of termination at least 90 days prior to the anniversary date. The agreements with Michael Jover, Tony Vardy, and Mary Lynn Tardelli are for an indefinite term. Each agreement is subject to termination in the event of death, total disability or retirement. If an officer's employment is terminated without cause, or if an officer terminates his employment for good reason (for e.g. where there is a reduction of his responsibilities or compensation following a change of control), the officer is entitled to certain severance benefits. The benefits will range depending on each of the officer's individual employment agreements and will range from as low as three (3) months of the officer's then current

monthly salary to as high as an amount equal to the officer's then current annual salary, which would be payable in equal monthly instalments over a period of 36 months. The severance benefits are not payable where the officer's employment is terminated in other circumstances, such as where there is cause for termination.

(10) CLC Financing Shareholders Agreement

CLC Financing has entered into a shareholders agreement with its shareholders. The following are the key terms of this agreement:

Title, Date and Parties: Creditloans Canada Financing Inc. Fourth Amended and Restated Shareholder Agreement dated March 3, 2015 among CLC Financing and its shareholders.

For more information regarding the principal shareholders of CLC Financing, see **Item 3.1: Compensation and Securities Held.**

Object of Agreement: To record the parties' agreement as to the manner in which CLC Financing's affairs are to be conducted and to grant certain rights and obligations with respect to the ownership of the shares of CLC Financing.

Board of Directors: CLC Financing will have a board comprised of up to five directors. The board shall consist of:

(i) one nominee of the founders (being David Gens, Michael Jover, Igor Gens, and Ali Pourdad);
(ii) the Chief Executive Officer (currently, Ali Pourdad);
(iii) two nominees of the shareholders holding greater than 50% of the outstanding shares; provided that if the Chief Executive Officer is not a founder, one of the nominees must be a founder;
(iv) one independent director, nominated annually by the other directors with approval of shareholders holding at least 66-2/3% of the common shares.

Approval of Matters: Certain matters require the approval of shareholders holding at least 66-2/3% of the common shares, including without limitation, changes to the share capital of CLC Financing, redeeming or repurchasing common shares (with certain exceptions), making a declaration or payment of dividends, amalgamations, the sale of CLC Financing or the sale of all or substantially all of its assets, changing the size of the board, or issuing any debt in an amount greater than $100,000, other than in accordance with the Offering or the annual operating budget approved by the board.

The approval of the shareholders of CLC Financing was sought and obtained prior to the Effective Date (under the terms of the prior shareholders' agreement of CLC Financing), in connection with the Loan Agreement, General Security Agreement and other transactions contemplated by this Offering.

Dealing with Shares: The agreement contains customary provisions regarding the restrictions on the transfer of shares of CLC Financing by its shareholders and permitted transfers.

	The agreement also includes other customary provisions for agreements of this nature in relation to the transfer of shares, including: (a) rights of first offer, "piggy-back" rights and "drag-along" rights, and (b) an option for the benefit of CLC Financing and the other shareholders to purchase the shares of a shareholder upon the happening of certain triggering events, including death, bankruptcy, certain defaults and certain matrimonial law transfers. The agreement provides the shareholders with pre-emptive rights in respect of the issue of additional securities by CLC Financing.
Other Provisions:	The agreement contains other customary provisions for agreements of this nature, including but not limited to (a) life insurance and key-man insurance requirements, and (b) information rights and confidentiality and non-competition obligations binding on the shareholders.

(11) Western Life Marketing Agreement

CLC Financing has entered into a marketing agreement with Western Life Assurance Company ("Western Life"). Western Life is arm's length to CLC Financing and the Corporation. The following are the key terms of this agreement:

Title, Date and Parties:	Marketing Agreement Group Creditor Insurance Plan, made effective as of the 1st day of July, 2013, between CLC Financing and Western Life.
Object of Agreement:	Western Life has issued to CLC Financing group creditor insurance policies in order to cover the rights and obligations of debtors who chose to enroll for coverage in the event of disability, death, critical illness or involuntary unemployment. The purpose of this agreement is to set out the terms and conditions pursuant to which CLC Financing shall perform certain activities in connection with these policies. More specifically, CLC Financing is given authority to market the group creditor insurance plan in accordance with certain specified requirements as set out in the agreement. The agreement applies in all the Provinces and Territories of Canada excluding Quebec.
Term:	The initial term of the agreement is five years. Thereafter, the agreement will automatically renew for successive one year periods unless one party gives notice of termination.
Consideration:	In consideration of the premiums paid by insured parties, Western Life shall insure the benefits against the risks as set out under the Group Policy. In consideration of the services to be performed and the expenses to be incurred pursuant to this agreement by CLC Financing, Western Life shall pay to CLC Financing an expense allowance, calculated as a percentage of the premiums payable.
Termination:	The agreement may be terminated by any of the parties at any time and for any reason by giving the other party at least 180 days prior written notice of termination; or, in the event that Western Life's reinsurance partners, if any, have given CLC Financing at least 85 days prior

written notice of termination. The parties may also terminate upon shorter notice in the event of a default.

(12) Lease Agreement

CLC Financing has entered into an offer to joint tenancy lease with Bosa Properties (1500 Holdco) Inc.. (as landlord) ("Landlord") and Merchant Advance Capital Limited Partnership ("MAC"), as co-subtenant. The following are the key terms of this agreement:

Title, Date and Parties:	Offer to sublease dated January 1, 2016, between the Landlord, on the one hand, and MAC and CLC Financing (collectively, the "tenants") on the other. David Gens, President and a Director of the Corporation and Executive Chairman of CLC Financing, is also Director and the President of Merchant Advance Capital Ltd., the general partner of MAC.
Object of Agreement:	Under the lease, the tenants agree to lease the premises located in suite 2000 on the 20^{th} floor of the Building situated at 1500 West Georgia Street, of approximately 6,042 square feet.
Term:	The term of the Sublease commences on January 1, 2016 and expires on Dec 31, 2025, with an option for the tenants to terminate the lease after 60 months from the commencement of the lease.
Consideration:	The future minimum lease payments (basic rent and additional rent for operating costs) through to Dec 31, 2020 are $322,000 per year. CLC Financing and MAC have a cost sharing arrangement whereby CLC Financing currently contributes 50% of the lease cost. Each tenant is jointly and severally liable for the rent and operating costs.

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

3.1 *Compensation and Securities Held*

The following table provides the specified information in respect of each of the Corporation and CLC Financing, about each director, officer and promoter of such company and each person who, directly or indirectly, beneficially owns or controls 10% or more of voting securities of such company (a "principal holder"). Where the principal holder is not an individual, the following table provides the name of any person that, directly or indirectly, beneficially owns or controls more than 50% of the voting rights of the principal holder. The Corporation has paid no compensation since inception. Compensation includes any form of remuneration including cash, shares and options.

It is anticipated that certain directors, officers, promoters or principal holders of the Corporation or CLC Financing will purchase Bonds under the Offering.

As at April 30, 2016 (Unaudited)			
Name and municipality of principal residence	**Positions held (e.g., director, officer, promoter and/or principal holder) and the date of obtaining that position**	**Compensation paid by Corporation or CLC Financing or a related party in the most recently completed financial year and the compensation anticipated to be paid in the current financial year**	**Number, type and percentage of securities of the Corporation or CLC Financing held as at the date of this Offering Memorandum***
Knightswood Financial Corp., Vancouver, B.C.[(1)]	Shareholder of the Corporation	A $5,000 fee has been paid by CLC Financing in connection with the Offering Annual fees are payable depending on outstanding amount of Bonds issued (ranging from $10,000/year to $25,000/year). For further details, see **Administrative Services Agreement** under **Item 2.7: Material Agreements**.	100 Class A Common Voting Shares of the Corporation (representing 100% of the outstanding shares)
David Gens, Vancouver, B.C.	Director and President of the Corporation Director and Executive Chairman of CLC Financing	- No compensation paid or anticipated to be paid by the Corporation. - Gens Capital Ltd., a corporation controlled by David Gens, received compensation from CLC Financing. See below.	Nil [(2)]
Ali Pourdad, West Vancouver, B.C.	Director and CEO of the Corporation Director, President & CEO of CLC Financing	- No compensation paid or anticipated to be paid by the Corporation. - $138,000 paid by CLC Financing on account of salary in 2014 ($123,000 in 2014). -$138,000 anticipated to be paid by CLC Financing on account of salary in 2016. - CLC Financing also provides vacation, health, dental and other customary employment benefits.	Options to purchase 77,470 Common shares of CLC Financing, of which none have vested as of the date of this Offering Memorandum.

As at April 30, 2016 (Unaudited)			
Name and municipality of principal residence	**Positions held (e.g., director, officer, promoter and/or principal holder) and the date of obtaining that position**	**Compensation paid by Corporation or CLC Financing or a related party in the most recently completed financial year and the compensation anticipated to be paid in the current financial year**	**Number, type and percentage of securities of the Corporation or CLC Financing held as at the date of this Offering Memorandum***
Michael Jover, Vancouver, B.C.	Director of the Corporation Chief Revenue Officer of CLC Financing	- No compensation paid or anticipated to be paid by the Corporation. - $80,000 paid by CLC Financing on account of salary in 2015 ($67,500 in 2014). -$80,000 anticipated to be paid by CLC Financing on account of salary in 2016. - CLC Financing also provides vacation, health, dental and other customary employment benefits. - Management options granted by CLC Financing (see next column).	143,220 (4.0%) Common shares of CLC Financing 2,275 (0.1%) Preferred A shares of CLC Financing Options to purchase 62,500 Common shares of CLC Financing, of which none have vested as of the date of this Offering Memorandum.
Tony Vardy, Toronto, ON	Chief Operating Officer of CLC Financing	- No compensation paid in 2015 - $125,000 anticipated to be paid by CLC Financing on account of salary in 2016	30,960 (1.1%) Common Shares of CLC Financing Option to purchase 43,500 Common Shares of CLC Financing, of which none have vested as of the date of this Offering Memorandum.
Mary Lynn Tardelli, Vancouver, BC	Chief Financial Officer of CLC Financing and the Corporation	- No compensation paid in 2015 - $120,833 anticipated to be paid by CLC Financing on account of salary in 2016	Shares – Nil Option to purchase 30,000 Common Shares of CLC Financing, of which none have vested as of the date of this Offering Memorandum.
Aaron Gladders, Vancouver, B.C.	Chief Technology Officer of CLC Financing	- No compensation paid or anticipated to be paid by the Corporation. - $126,340 paid to a company controlled by Mr. Gladders, by CLC Financing, on account of consulting fees in 2015.	Nil

As at April 30, 2016 (Unaudited)			
Name and municipality of principal residence	**Positions held (e.g., director, officer, promoter and/or principal holder) and the date of obtaining that position**	**Compensation paid by Corporation or CLC Financing or a related party in the most recently completed financial year and the compensation anticipated to be paid in the current financial year**	**Number, type and percentage of securities of the Corporation or CLC Financing held as at the date of this Offering Memorandum***
		- $150,000 anticipated to be paid to a company controlled by Mr. Gladders, by CLC Financing, on account of consulting fees in 2016.	
Nathan Slee, Vancouver, B.C.	Chief Credit Officer of CLC Financing	- No compensation paid or anticipated to be paid by the Corporation. - $49,913 paid to Mr. Slee, by CLC Financing, on account of consulting fees in 2015 ($52,500 paid in 2014) - $50,000 anticipated to be paid by CLC Financing on account of consulting in 2016	Shares - Nil[9] Options to purchase 17,800 Common shares of CLC Financing, of which none have vested as of the date of this Offering Memorandum.
Hashem Aboulhosn, Vancouver, B.C.	Independent Director of CLC Financing	Nil	Nil
Dillon Cameron, Vancouver, B.C.	Independent Director of CLC Financing	Nil	Options to purchase 35,750 Common shares of CLC Financing, of which none have vested as of the date of this Offering Memorandum.
Mike Veldhuis Vancouver, B.C.	Independent Director of CLC Financing	Nil	203,125 (7.25%) Common Shares of CLC Financing
David Gens Family Trust, Vancouver, B.C.[4]	N/A	Nil	245,956 (8.77%) Common shares of CLC Financing
Ali Pourdad Family Trust, West Vancouver, B.C. [5]	N/A	Nil	240,074 (8.6%) Common shares of CLC Financing
IG Media Inc., Vancouver, B.C. [6]	N/A	Nil	323,070 (11.53%) Common shares of CLC Financing

As at April 30, 2016 (Unaudited)			
Name and municipality of principal residence	**Positions held (e.g., director, officer, promoter and/or principal holder) and the date of obtaining that position**	**Compensation paid by Corporation or CLC Financing or a related party in the most recently completed financial year and the compensation anticipated to be paid in the current financial year**	**Number, type and percentage of securities of the Corporation or CLC Financing held as at the date of this Offering Memorandum***
Pourdad Capital Corp. (8)	N/A	Nil	13,246 (0.47%) Common shares of CLC Financing 6,192 (0.22%) Preferred A shares of CLC Financing
Gens Capital Ltd. (7)	N/A	- 21,735 stock options granted by CLC Financing on account of consulting fees in 2015 - $11,208.75 paid by CLC Financing on account of consulting fees in 2015 ($35,124.25 in 2014). - $30,000 anticipated to be paid by CLC Financing on account of consulting fees in 2016.	25,762(0.92%) Common shares of CLC Financing 7,880 (0.28%) Preferred A shares of CLC Financing(3) Options to purchase 21,735 Common shares of CLC Financing, of which none have vested as of the date of this Offering Memorandum.
Cypress Hills Investment LP	N/A	Nil	371,517 (13.25%) Preferred A shares of CLC Financing 50,000 Warrants to purchase Common Shares of CLC Financing at $3.23/per share.

*The information is presented as at the date of this Offering Memorandum and without giving effect to the Offering, as the Offering will have no impact on the number of securities indicated in this table.

(1) Knightswood Financial Corp. is a company incorporated under the laws of the Province of British Columbia and whose common shares are listed for trading on the TSX Venture Exchange.
(2) David Gens indirectly controls shares of CLC Financing as trustee of the David Gens Family Trust and through his corporation, Gens Capital Ltd.
(3) In addition to these shares held personally, Ali Pourdad also indirectly controls shares of CLC Financing as trustee of the Ali Pourdad Family Trust and Ali Pourdad Holding Trust.
(4) The David Gens Family Trust is a trust controlled by its trustee, David Gens.
(5) The Ali Pourdad Family Trust is a trust controlled by its trustee, Ali Pourdad.
(6) Igor Gens owns and controls more than 50% of the voting rights of IG Media Inc.
(7) David Gens owns and controls more than 50% of the voting rights of Gens Capital Ltd.
(8) Ali Pourdad owns and controls more than 50% of the voting rights of Pourdad Capital Corp.
(9) Nathan Slee indirectly controls 143,383 (5.11%) of Common shares of CLC Financing as trustee of the Slee Family Trust.

Management Experience

(1) Composition of Board of Directors

The following table discloses the composition of the Board of Directors of each of the Corporation and CLC Financing as of the date of this Offering Memorandum:

Board of Directors of the Corporation	Board of Directors of CLC Financing
• David Mathew Victor Gens • Ali Reza Pourdad • Michael Adam Jover	• David Mathew Victor Gens • Ali Reza Pourdad • Mike Veldhuis • Hashem Aboulhosn • Dillon Cameron

(2) Management Experience

The following table discloses the principal occupations of the directors and executive officers of the Corporation and CLC Financing over the past five years, as well as any relevant experience in a business similar to that of the Corporation or CLC Financing.

Name	Principal occupation and related experience
David Mathew Victor Gens Vancouver, B.C. President and Director of the Corporation Executive Chairman and Director of CLC Financing	Mr. Gens has been Chairman of the Board for CLC Financing since co-founding the company in 2013. Mr. Gens is also the founder of Merchant Advance Capital Ltd., an alternative small business financing company that provides funding on credit card cash flow. Merchant Advance Capital has provided over C$55.0 million to Canadian businesses to date. Mr. Gens is responsible to over 40 investors who have invested over C$15.0 million to date and have earned returns of over 10.0% per annum compounded since the company's inception 6 years ago. Mr. Gens was previously a partner with GBA Equity Partners, a private equity firm focused on small to medium sized business acquisitions in the Greater Vancouver Regional District. His background includes working as an investment analyst with CAI Capital Management Co., a New York-based private equity firm focused on mid-market transactions in Canada and the US. Mr. Gens holds a BComm (Finance) degree from UBC where he graduated with honours as a Leslie Wong Fellow. He was born and raised in Vancouver, BC. Mr. Gens was named to the prestigious Business in Vancouver “40 under 40 List” in 2014 and in 2015 was named to the BC Business “30 under 30 List”.
Ali Reza Pourdad, CPA, CA West Vancouver, B.C. CEO and Director of the Corporation President & CEO and Director of CLC Financing	Mr. Pourdad has been Chief Executive Officer of CLC Financing since co-founding the company in 2013. Born and raised in Vancouver, BC, Mr. Pourdad holds a Canadian Chartered Accountant degree and a BBA in Finance from Simon Fraser University. Mr. Pourdad has decisively positioned CLC Financing for its next generation of growth by recently executing on several initiatives including securing an $11.4 million Series A financing. Under Mr. Pourdad's leadership, progressa has successfully raised over $19.0 million of investor capital, invested over $1,000,000 in its proprietary lending technologies, and grown from 0 to 51 employees.

Name	Principal occupation and related experience
	Prior to being appointed CEO, Mr. Pourdad was a corporate insolvency and restructuring manager at a boutique advisory firm, where he operated, restructured, and sold a number of public and private companies under court appointment. Mr. Pourdad was a lead auditor with PricewaterhouseCoopers LLP where he managed top-tier engagements of financial firms including JP Morgan Asset Management Fund and Phillips, Hager & North. Mr. Pourdad began his professional career at a young age, co-founding a leading IT services firm in Edmonton, AB and Vancouver, BC, in 1998, which grew to 30 employees. Mr. Pourdad exited the venture in 2005.
Tony Vardy Scarborough, ON COO of CLC Financing	Mr. Vardy joined CLC Financing as Chief Operating Officer in 2016 after 17 years of operational experience within the Financial Services Industry. His prior management experience includes BPO, Credit Card operations, managing prime and non prime portfolios, and change management with stops at Home Trust, CIBC, GoEasy, Mogo Finance Technology Inc., and FinanceIT. Mr. Vardy brings hands-on experience with building and managing lending operations from loan origination through to collections & recoveries within the near & non prime lending space in organizations during early start -up years and experiencing rapid growth. Leveraging both his educational background in Computer Science and experience working with technology, his passion stems around increased automation and managing lean operational environments.
Mary Lynn Tardelli, CPA, CA North Vancouver, B.C. CFO of CLC Financing	Mrs. Tardelli joins progressa after 17 years of finance and operational experience in the retail restaurant industry. As Chief Financial Officer, Mrs. Tardelli has overall responsibility for all aspects of the finance function, legal and regulatory reporting. Her prior experience includes working in private and public environments, raising capital, M&A activity, public accounting, internal audit, franchising and construction & design with stops at Red Robin Restaurants of Canada, Boston Pizza International, VanCity and TD Canada Trust. Ms. Tardelli brings a dynamic, results-driven history of managing growth in both start-up and established companies and proven expertise in building motivated & engaged teams. She is known for conceptualizing and implementing strategic financial initiatives that improve productivity and profitability. Mr. Tardelli holds a bachelor of business management from Ryerson University in Toronto and has been a member of the Institute of Chartered Accountants (now CPA) since 1993.
Michael Adam Jover Vancouver, B.C. Director of the Corporation	Mr. Jover has been with CLC Financing since co-founding the company in 2013, originally as Chief Operating Officer and moving to the Chief Revenue Officer role in March 2016 upon Mr. Vardy's arrival. Prior to co-founding CLC Financing, Mr. Jover founded Right Credit Solution ("RCS"), a debt management company that specializes in helping reduce, pay off, and manage existing or arrears debt. In his role with RCS, Mr. Jover assisted over

Name	Principal occupation and related experience
Chief Revenue Officer of CLC Financing	700 clients in restructuring over $8 million of personal and commercial debt. Mr. Jover sold his position in RCS in June of 2013. Prior to this, Mr. Jover had over a decade of experience in the credit/collections industry, with Metropolitan Credit Adjusters, CBV and Sonepar Canada. At CBV Michael managed a staff of twenty employees and maintained monthly recovery targets of $600,000.
Aaron Gladders, Vancouver, B.C. Chief Technology Officer of CLC Financing	Mr. Gladders joined CLC Financing in Q1-2015 and comes with over 20 years of technology and leadership experience creating software for data discovery, analysis and visualization with a strong emphasis on user experience and agile software development. In addition to managing CLC Financing's core operating technologies, Mr. Gladders is focused on the automation of CLC Financing's credit decisions utilizing big data techniques and predictive analytical models. Mr. Gladders founded 2Paths Solutions Ltd., a Vancouver-based software development company, in 2002, and continues to serve as its CEO for the last 13 years. He received his Masters of Science from UBC, incorporating leading-edge technologies, statistical and spatial modelling techniques to push the envelope of his research. His work has spanned many industries including finance, global health and international aid.
Nathan Slee Vancouver, B.C Chief Credit Officer of CLC Financing	Mr. Slee joined CLC Financing in Q2-2014 and was introduced as Chief Credit Officer in Q2-2015. Prior to joining CLC Financing, Mr. Slee founded Credilogic, Canada's first online payday lender which operated under the brand 310-LOAN. Mr. Slee grew the company to a 25 employee operation and led a successful sale of the company to US-based QC Holdings Inc. for $12 million. Mr. Slee wrote the initial versions of 310-LOAN's software systems and played a lead role in the design and project management of large software development projects with budgets of over $2 million. In 2011, Mr. Slee was named to the prestigious Business in Vancouver 40 under 40 list.
Mike Veldhuis Vancouver, B.C. Independent Director of CLC Financing	Mr. Veldhuis has spent the last ten years assisting start-up companies in obtaining the capital necessary to grow their business. Mr. Veldhuis is a co-founder of Aroway Energy Corp., a junior oil and gas exploration company listed on the TSX Venture Exchange. Mr. Veldhuis is currently a director of Upton Capital Corp., a privately held Mortgage Investment Corporation that specializes in residential mortgages in Western Canada. Mr. Veldhuis previously worked for GE Capital Solutions, a division of GE Capital, where he specialized in providing structured asset based lending facilities to companies operating in the mining, forestry and construction industries. Mr. Veldhuis holds a Bachelor of Arts (Economics) from Simon Fraser University and a Masters of Arts (Economics) from McGill University.
Hashem Aboulhosn Vancouver, B.C. Independent Director of CLC Financing	Mr. Aboulhosn is Vice President at Conconi Investment Partners (CIP), a family investment office based in Vancouver, BC. He specializes in providing growth capital for tech startups and other growing businesses. He joined CIP from GBA Equity Partners, a search fund he co-founded to acquire and operate a small to medium sized business in British Columbia in which CIP was one of the major investors.

Name	Principal occupation and related experience
	Prior to founding GBA, Mr. Aboulhosn worked with Vanedge Capital, a $140 million technology venture capital fund. As part of the investment team, he helped invest and allocate over $50 million in innovative growth companies and the entrepreneurs that drive them. In conjunction with these investments, he was actively involved in their growth and execution at the board level, in strategic planning, business development and occasionally, interim-operating positions. In addition to investing, he had been instrumental in fund raising, sourcing new investments and overall strategy. Mr. Aboulhosn holds a Bachelor of Commerce (with Honours) from University of British Columbia, where he was part of the renowned Portfolio Management Foundation. He is a Chartered Financial Analyst (CFA).
Dillon Cameron Vancouver, B.C.	Mr. Cameron is a partner of the firm Deans Knight Capital Management Ltd. and responsible for managing the Income Strategy with a focus on high yield debt securities. He joined Deans Knight in September 2000. Prior to joining Deans Knight, Dillon worked on the trading floor at Scotia Capital Inc. in Toronto. Dillon graduated from Bishop's University with a Bachelor of Business Administration degree majoring in Finance, and received his Chartered Financial Analyst designation in 2002. Dillon currently serves on the Board of the Lymphoma & Leukemia Society of Canada, actively serving the organization for over 6 years. Dillon volunteers as a mentor in the UBC PMF program, guiding students who are pursuing similar careers, and a youth soccer coach with Vancouver United Football Club.

(3) Advisors of CLC Financing

CLC Financing benefits from the experience of two advisors to the Board, as set out in the following table:

Name	Principal occupation and related experience
Kevin Jardine Victoria, B.C. Advisor to CLC Financing [(1)]	Mr. Kevin Jardine is presently founder and President of Jardine Capital Corp., a diversified investment and Brand Development Company that specializes in consumer branded and strategic businesses. Prior to founding Jardine Capital Corp., Mr. Jardine was Founder and President of Sport Mart Inc., Canada's largest independent sporting goods retailer with 70 superstores at the time of his departure. The company gained critical acclaim for its leading-edge marketing, merchandising, and distribution strategies. In 2001 Mr. Jardine sold the Sport Mart chain to the Forzani Group, a publicly traded company on the Toronto Stock Exchange. He has served as a Director and Board Member for British Columbia Lottery Corporation, the Forzani Group and he was Chairman of Coast Wholesale Appliance Trust. Mr. Jardine has received many awards, including the Canadian Retailer of the Year and the Queen's Diamond Jubilee Medal, an award given to Canadians in recognition of their significant contributions and achievements.

Name	Principal occupation and related experience
Pirooz Pourdad Vancouver, B.C. Advisor to CLC Financing (2)	Pirooz Pourdad is a vice president with PricewaterhouseCoopers Corporate Finance Inc., based in the Vancouver office. With over 30 years' experience in M&A and corporate finance, Pirooz has assisted numerous owners in the sale of their businesses across a broad range of sectors, including manufacturing, distribution, retail, transportation, hospitality and professional services. He has also assisted clients in arranging and structuring financing and executing management buyouts. Pirooz has been an active investor in numerous businesses and real estate projects, including experience as an owner and operator of a leading Western Canada-based distribution company.
Kalle Radage Vancouver, B.C. Advisor to CLC Financing	Kalle Radage is currently President of Payfirma, who is responsible for a range of functions including product development, finance, marketing, strategy, and performance tracking. Kalle has also held senior roles at Oracle, Nokia, and a startup, Sabela Media, which was successfully acquired by 24/7 Real Media for $70M. Kalle held roles as a Venture Capitalist at both Nokia Ventures and BDC Venture Capital, investing in disruptive software companies. Kalle earned an MBA from IESE Business School in Spain and a computer science degree from UBC in Canada. Kalle is also an active member of the technology community as an advisor, investor, and board member.
Cypress Hills Partners Vancouver, B.C. Advisor to CLC Financing	Cypress Hills Partners is a boutique alternative merchant banking firm based out of Vancouver. The company specializes in the origination of private equity, specialty private debt, and other uniquely structured products. The firm was founded by Kelly Klatik and Dean Linden in 2015 and is currently dedicated to the fast growing specialty lending and origination marketplace on a global basis. Cypress Hills is adept in leveraging technology and financial structuring experience to accelerate the growth of specialty lending platforms and service providers creating a differentiated market advantage.

(1) Kevin Jardine is an indirect shareholder of CLC Financing, as controlling shareholder of Jardine Capital Corporation. This corporation owns less than 10% of the outstanding voting securities of CLC Financing.

(2) Pirooz Pourdad is the father of Ali Pourdad, the CEO of the Corporation and the President & CEO of CLC Financing. He is indirectly interested in shares of CLC Financing, as beneficiary of the Pourdad Family Trust. This entity owns less than 10% of the outstanding voting securities of CLC Financing.

(3) Cypress Hills Partners is related to Cypress Hills Investment LP, with holdings in excess of 10% of the outstanding voting securities of CLC Financing as of the date of the Offering.

3.2 *Penalties, Sanctions and Bankruptcy*

There are no penalties or sanctions that have been in effect during the last 10 years, or any cease trade order that has been in effect for a period of more than 30 consecutive days during the past 10 years against, (i) a director, executive officer or control person of the Corporation or CLC Financing, or (ii) an issuer of which a person referred to in (i) above was a director, executive officer or control person at the time. There is 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, that has been in effect during the last 10 years with regard to any (i) director, executive officer or control person of the Corporation or CLC Financing, or (ii) issuer of which a person referred to in (i) above was a director, executive officer or control person at that time.

3.3 *Loans*

There is no debenture or loan due to or from the directors, management, promoters and principal holders of the Corporation.

Item 4: Capital Structure

4.1 *Share Capital*

The following table provides the specified information about outstanding securities of the Corporation and CLC Financing.

As at April 30, 2016 *(Unaudited)*			
Description of security	**Number authorized to be issued**	**Price per security**	**Number outstanding as at the date of this Offering Memorandum (1)**
The Corporation			
Class A Common Voting Shares (2)	Unlimited	$0.10	100
CLC Financing			
Common Shares (3)	Unlimited	-(5)	2,214,275
Class A Preferred Shares	Unlimited	-(5)	588,916
Legacy Management Options	N/A	-(5)	62,500(4)
Share Options (6)	483,582	-(5)	292,433
Warrants(7)	N/A	-(5)	237,032

(1) As no securities of the Corporation or CLC Financing are being issued in connection with the Offering (other than the Bonds), the number of securities outstanding will not be affected by the Offering.

(2) All outstanding Class A Common Shares are held by Knightswood. **See Item 2.1: Structure.**

(3) On March 3, 2015, CLC Financing's Class A and B Common Shareholder's unanimously approved the following shareholder proposals:
- Collapsed the dual Common Share structure with CLC Financing redeeming all Class B nonparticipating common shares at their cost of $0.00001 per share;
- Re-issued Class A Common Shares to the existing shareholders with new voting privileges;
- Converted existing shareholder loans with an aggregate face value of $955,000 of principal, to new Class A Common Shares;
- Amended CLC Financing's Shareholders' Agreement (for a description of this agreement see **Item 2.7(10)** , and
- Approved a 10% Class A Common Share Stock Option Plan (see Note 5 to this table, below).

On March 10, 2015, CLC Financing closed a "Friends & Family" Class A Common Share equity round and issued $630,000 Class A Common Shares. Of this, $100,000 was a debt conversion from an existing service provider of the Company. On this date, supplemented by the proceeds of the equity round, CLC Financing paid off its existing loan facilities with Radik & Ewa Gens in full and discharged their security.

On November 30, 2015, CLC Financing closed its "Series A" Financing round and issued $1,900,000 Class A Preferred Shares. Immediately prior to the close of this equity round the Class A Common Shares were renamed Common Shares. Proceeds of the equity round immediately paid off the existing facilities with Conconi, Lysander, and Cypress Hills. As of the date of the Offering Memorandum, CLC Financing has not drawn on its $7 million revolving facility. CLC Financing's Preferred A Shares carry the same economics, voting rights, and privileges as the Common Shares with the exception of a liquidation preference feature.

(4) CLC Financing has granted options to purchase Common Shares to Michael Jover. For details, **see Item 3.1: Compensation and Securities Held**. The options are granted pursuant to Management Stock Option Agreements and are subject to customary terms and conditions for agreements of this nature, including as to exercise price and vesting criteria.

(5) As no securities of CLC Financing are being issued in connection with the Offering, the price at which the shares or other securities of CLC Financing have been issued is not material to investors and, as such, CLC Financing has chosen not to disclose this information in this table.

(6) CLC Financing has established a share option plan, providing for the issuance of Common Shares to eligible employees, directors, officers, and consultants of CLC Financing or its related entities. The number of shares reserved for issuance under the plan is equal to 10% of the outstanding

Common shares as at any particular date (being 211,128 immediately prior to the November 30, 2015 equity round referenced above). As at the date of this Offering Memorandum, 163,528 options have been issued under this plan. The plan provides for customary terms and conditions for plans of this nature, including as to administration, eligibility, exercise price and vesting criteria.

CLC Financing established a second share option plan on November 30, 2015 for the issuance of Common Shares to eligible employees, directors, officers, and consultants of CLC Financing or its related entities. The number of shares reserved for issuance under the plan is equal to 274,069. As at the date of this Offering Memorandum, 128,905 options have been issued under this plan. The plan provides for customary terms and conditions for plans of this nature, including as to administration, eligibility, exercise price and vesting criteria.

(7) CLC Financing has granted 93,516 warrants to each of the Conconi and Lysander as well as 50,000 warrants to Cypress Hills in connection with the credit facilities granted by them—see **Item 2.7(7) : Senior Credit Facility Agreements**. Each warrant entitles the holder to subscribe for one Common Share of CLC Financing, during the term of the credit facilities and for a period of 18 months after repayment or termination. The warrants are granted pursuant to Warrant Certificates and are subject to customary terms and conditions for agreements of this nature, including as to exercise price and adjusting provisions.

4.2 *Long Term Debt Securities*

The following table describes the outstanding long term debt of the Corporation and CLC Financing, as of the date of this Offering Memorandum.

As at April 30, 2016 *(unaudited)*			
Description of long term debt (including whether secured)	**Interest rate**	**Repayment terms**	**Amount outstanding at the date of this Offering Memorandum (unless otherwise indicated)**
The Existing Bonds (secured)	See "Interest on Existing Bonds" under **Item 5.1: Terms of Securities.**	See "Term of Bonds and Maturity" under **Item 5.1: Terms of Securities.**	$4,130,288 (Principal of $4,039,500 and accrued interest of $90,788.) As this is a continuous Offering and there is no minimum or maximum offering amount, the amount of this debt will fluctuate based on the amounts raised through the issue of Bonds pursuant to this Offering from time to time.
The loan due to the Corporation under the Loan Agreement, secured by the General Security Agreement	See "(2) Loan Agreement" under **Item 2.7: Material Agreements.**	See "Term and Maturity" under **Item 2.7(2) : Loan Agreement.**	$4,130,288 (Principal of $4,039,500 and accrued interest of $90,788.) The amount of this loan will fluctuate based on the amounts raised through the issue of Bonds pursuant to this Offering from time to time.

As at April 30, 2016 *(unaudited)*			
Description of long term debt (including whether secured)	**Interest rate**	**Repayment terms**	**Amount outstanding at the date of this Offering Memorandum (unless otherwise indicated)**
The Senior Credit Facility Agreements	12% per annum	See "Repayment" under **Item 2.7(7) : Senior Credit Facility Agreements**.	$nil

4.3 ***Prior Sales***

The following table provides the information specified in respect of the Existing Bonds issued by the Corporation in the 12 months preceding the date of this Offering Memorandum.

As at April 30, 2016 *(unaudited)*				
Date of issuance	**Type of security issued**	**Number of securities issued**	**Price per security**	**Total funds received**
May 20, 2015	Junior Series A Bonds	200	$500	$100,000
May 29, 2015	Junior Series A Bonds	49	$500	$24,500
Sept 18, 2015	Junior Series C Bonds	100	$500	$50,000
Sept 21, 2015	Junior Series C Bonds	46	$500	$23,000
Nov 9, 2015	Junior Series A Bonds	80	$500	$40,000
Nov 30, 2015	Junior Series B Bonds	5000	$500	$2,500,000
Dec 7, 2015	Junior Series C Bonds	50	$500	$25,000
Dec 11, 2015	Junior Series A Bonds	100	$500	$50,000
Dec 11, 2015	Junior Series B Bonds	50	$500	$25,000
Dec 11, 2015	Junior Series C Bonds	42	$500	$21,000
Dec 18, 2015	Junior Series C Bonds	100	$500	$50,000
Dec 30, 2015	Junior Series C Bonds	20	$500	$100,000
Feb 5, 2016	Junior Series C Bonds	78	$500	$39,000
Feb 23, 2016	Junior Series C Bonds	154	$500	$77,000
Feb 23, 2016	Junior Series A Bonds	50	$500	$25,000
Feb 26, 2016	Junior Series A Bonds	20	$500	$10,000
Mar 17, 2016	Junior Series C Bonds	640	$500	$320,000
Mar 17, 2016	Junior Series A Bonds	36	$500	$18,000
Mar 18, 2016	Junior Series C Bonds	25	$500	$12,500
Mar 18, 2016	Junior Series A Bonds	25	$500	$12,500
Mar 24, 2016	Junior Series C Bonds	50	$500	$25,000
Apr 6, 2016	Junior Series C Bonds	50	$500	$25,000
Apr 8, 2016	Junior Series A Bonds	40	$500	$20,000
Apr 8, 2016	Junior Series C Bonds	60	$500	$30,000
Apr 13, 2016	Junior Series C Bonds	20	$500	$10,000
Apr 19, 2016	Junior Series A Bonds	10	$500	$5,000
Apr 20, 2016	Junior Series C Bonds	20	$500	$10,000
Apr 28, 2016	Junior Series C Bonds	200	$500	$100,000

Item 5: Securities Offered

The Corporation is offering Bonds on a continuous basis. There is no minimum or maximum offering. The minimum number of Bonds that must be purchased by a Purchaser is fifty (50) Bonds, requiring a minimum investment of $25,000. The Corporation retains the discretion to accept subscriptions below this minimum. There is no maximum number of Bonds that may be purchased by any one Purchaser.

The terms and conditions which govern the Bonds are set out in the Bondholders Agreement, which should be carefully reviewed by each Purchaser.

5.1 *Terms of Securities*

The following is a description of the material terms of the Bonds.

Interest

Bonds issued after the date of this Offering Memorandum will bear interest at a fixed, simple rate of:

- 8% per annum, in the case of the Series A Bonds (1 year term);
- 10% per annum, in the case of the Series B Bonds (3 year term); and
- 12% per annum, in the case of the Series C Bonds (5 year term).

Except if a Bondholder elects to have interest in respect of its Bond compounded, interest will be paid monthly in arrears on or before the 10^{th} business day of each month in respect of the immediately preceding month, during the term of the Bond (including any extensions of the term). A Bondholder may elect to have interest in respect of its Bond compounded instead of paid prior to maturity, by completing an Interest Reinvestment Election in the required form and giving the same to the Corporation. In such an event, interest will not be due or payable prior to maturity, but will accrue and be compounded monthly in arrears and added to the principal of the Bond as at the last day of each calendar month, and will be paid as part of the principal amount of the Bond that is due and payable on the maturity date of the Bond. The Bondholder may cancel its Interest Reinvestment Election by giving a written notice to that effect to the Corporation, in which case the interest compounding provisions will cease to have effect with respect to the Bond, and the simple interest provisions will apply, from and including the first day of the calendar month that follows the month in which the Interest Reinvestment Election is cancelled.

In respect of certain Bond sales, the Corporation may not be required to pay a commission at the rates set out in **Item 7: Compensation Paid to Sellers or Finders**. For instance, Bonds may be sold by an officer of the Corporation in circumstances where the officer chooses to waive his right to receive a commission in connection with such sale. In these situations, the Corporation retains the discretion to issue Bonds at a higher interest rate than those indicated above in order to reflect these cost savings.

Agreement as to Interest Rate

The Bondholders Agreement specifies that the interest rate in respect of the Bonds is as follows:

(a) in the case of a Series A Bond, 12% per annum,

(b) in the case of a Series B Bond, 13% per annum, and

(c) in the case of a Series C Bond, 14% per annum,

or such other rate of interest as may be agreed in writing by the Corporation and a Bondholder at the time of the issuance of a Bond.

The Corporation has decided to reduce the rate of interest on the Series A Bonds, Series B Bonds, and Series C Bonds to be offered and issued after the date of this Offering Memorandum, to 8% per annum, 10% per annum, and 12% per annum respectively (see "Interest", above). This reduced rate of interest will be agreed in writing by the Corporation and each Bondholder at the time of issuance of each Bond, as permitted by the Bondholders Agreement.

Interest on Existing Bonds

In connection with the Offering as carried out prior to the date of this Offering Memorandum, the Corporation has issued the Existing Bonds at the rates as specifically set out in the Bondholders Agreement, being:

(a) in the case of a Series A Bond, 12% per annum,

(b) in the case of a Series B Bond, 13% per annum, and

(c) in the case of a Series C Bond, 14% per annum.

or such other rate of interest agreed in writing by the Corporation and its Bondholders prior to the date of this Offering Memorandum.

The interest rates on the Existing Bonds will not be changed and remain in effect as stated.

Term of Bonds and Maturity

The Bonds have a term of:

- one (1) year in the case of the Series A Bonds, maturing on the first anniversary of their issuance date;
- three (3) years in the case of the Series B Bonds, maturing on the third anniversary of their issuance date; and
- five (5) years in the case of the Series C Bonds, maturing on the fifth anniversary of their issuance date.

The maturity date of the Bonds will be subject to extension, as follows:

(a) **In order for a Bondholder to seek that the Corporation repay the principal amount and all accrued interest due under a Bond, the Bondholder must send a request for payment in the form attached to the Bondholders Agreement to the Corporation no later than 90 days prior to the maturity date of such Bond.**

(b) If a Bondholder gives a request for payment to the Corporation no later than the deadline set out in paragraph (a), above, in respect of a Bond, the maturity date for such Bond will not be extended and the Corporation will repay the principal amount and all accrued interest due under the Bond on its maturity date.

(c) If a Bondholder does not complete a request for payment and give the same to the Corporation no later than the deadline set out in paragraph (a), above, in respect of a Bond, the maturity date for such Bond will be automatically extended to the date that is 90 days after such maturity date. The maturity date for each Bond will continue to be automatically extended in such a manner for successive 90 day periods, until such time as the holder of the Bond gives a request for payment as provided above.

Redemption by Corporation	Provided that there is no event of default, the Corporation may redeem the Bonds either in whole at any time or in part from time to time by paying: (i) the principal amount of the Bonds being repaid or portion thereof, (ii) all accrued and unpaid interest on such Bonds or portion thereof to the date of payment, and (iii) in respect of each Bond or portion being repaid, an indemnity equal to (A) the number of days remaining before the expiry of the Protected Period (as hereinafter defined) in respect of such Bond, divided by 365, multiplied by (B) the applicable interest rate in respect of such Bond, multiplied by (C) the principal amount prepaid. For greater certainty, after the expiry of the Protected Period, there will be no indemnity payable under the foregoing item (iii). For purposes hereof, "**Protected Period**" means, in respect of a Bond, the period starting on the first day after the day on which the Bond was issued and ending 270 days thereafter.
Retraction by Bondholders	Bondholders do not have a right to request that the Corporation retract their Bonds prior to the applicable maturity date.
Funding of Redemptions	Management of the Corporation shall have sole discretion on how the Corporation will fund or finance the redemption of the Bonds. It is anticipated that the Corporation will repay the principal amount of the Bonds plus interest out of the proceeds received by the Corporation from the payment by CLC Financing of interest and principal under the Loan Agreement.
Collateral Agent	The Collateral Agent has agreed to act as Collateral Agent on behalf of the Bondholders, and in its capacity as Collateral Agent to be named as secured party for the benefit of the Bondholders on the filings or registrations that are made from time to time in order to secure or to perfect the security interests created by the Bondholders Agreement. Each Bondholder appoints the Collateral Agent as its agent and attorney under and for purposes of the Bondholders Agreement. The Bondholders Agreement contains detailed provisions limiting the duties, responsibilities and liability of the Collateral Agent, providing for the removal and replacement of the Collateral Agent upon certain conditions, setting out the compensation of the Collateral Agent and providing for the indemnification of the Collateral Agent by the Corporation in certain circumstances. The Collateral Agent is a corporation wholly-owned and controlled by Christopher Biasutti. Mr. Biasutti is also the sole shareholder and director of the Marketing Service Provider.
Security and Rank	As security for the payment and performance of the obligations of the Corporation under the Bonds, the Corporation grants and assigns to the Collateral Agent for the benefit of the Bondholders a security interest in all of the Corporation's right, title and interest in and to the Loan Agreement and the General Security Agreement. The Corporation's (and therefore the Bondholders') security interests may be subordinated to third parties in certain circumstances. See "Loans to CLC Financing" below. The Bonds rank *pari passu* amongst themselves.

Loans to CLC Financing	The Corporation will loan the available funds of the Offering to CLC Financing pursuant to the Loan Agreement. More specifically, the gross proceeds from the sale of the Bonds will be advanced to CLC Financing under the Loan Agreement. If and to the extent that the borrowings under the Loan Agreement are repaid by CLC Financing in whole or in part, the Corporation must repay (in whole or in part, as applicable) the principal amount outstanding under the Bonds and accrued interest. The loan will be secured by a general security interest granted by CLC Financing on all of its personal property (including its book of consumer finance loans) pursuant to the General Security Agreement. For a description of the material terms of these agreements, see **Item 2.7: Material Agreements**. Under the Loan Agreement, the security interests constituted in favour of the Corporation by the General Security Agreement will, at CLC Financing's request and provided that there is no event of default, be postponed and subordinated to the security constituted in favour of other lenders of CLC Financing that enter into *bona fide* financing transactions with it.
Negative Covenants	The Corporation covenants with the Bondholders that it will not, without the prior approval of the Bondholders given by Extraordinary Resolution: (i) sell, assign or otherwise dispose of any of the collateral given in security to the Bondholders; (ii) create, incur, assume or permit to exist any liens, security interests or other encumbrances on or with respect to any of the collateral given in security to the Bondholders, other than certain liens arising by operation of the law and other similar permitted liens; (iii) become a party to any transaction whereby all or substantially all of its undertaking and property would become the property of any other person; or (iv) materially change the nature of its business or operations. The Corporation is not restricted from incurring any additional indebtedness other than the Bonds. However, it is restricted from granting any security for such indebtedness on the same collateral that is given as security for the Bonds. Moreover, the extent to which any additional funds may be loaned to CLC Financing is limited by the Asset Coverage Ratio covenant (below).
Asset Coverage Ratio	The Corporation covenants with the Bondholders that, so long as any Bonds remain outstanding, the Asset Coverage Ratio (defined below) for CLC Financing shall at all times be greater than or equal to 1.05 to 1.00. The Corporation will be deemed in default under this covenant if it continues unremedied for a period of 60 days, unless the Bondholders, by Extraordinary Resolution, agree to a longer period. For the foregoing purposes: "**Asset Coverage Ratio**" means, at any time, the ratio of: (i) the aggregate outstanding principal balance of the Performing Loans then owned by CLC Financing, to (ii) the difference of (A) the

outstanding principal amount of Senior Secured Total Indebtedness for which CLC Financing is obligated, less (B) cash and cash equivalents of CLC Financing.

"**Performing Loan**" means a loan made by CLC Financing in the course of its consumer lending business with respect to which no payment of principal or interest is 31 days or more past due, or a loan that management determines, acting reasonably, to maintain in or return to performing status where the borrower is not in default on payment of interest or fees and where payment in full of principal is expected.

"**Senior Secured Total Indebtedness**" means all secured indebtedness of CLC Financing ranking *pari passu* or in priority to the indebtedness arising under the Loan Agreement.

Events of Default

The occurrence of certain events constitutes an event of default under the Bondholders Agreement. These events of default include:

(a) if the Corporation fails to pay amounts when due;
(b) if the Corporation breaches its Asset Coverage Ratio and the breach continues unremedied for 60 days (unless extended by Extraordinary Resolution);
(c) if the Corporation breaches another provision of the Bondholders Agreement and the breach continues unremedied for 30 days (unless extended by Extraordinary Resolution);
(d) if any representation or warranty made by the Corporation is incorrect or misleading in a material respect;
(e) if certain winding-up, liquidation, execution, insolvency, bankruptcy or other similar events occur in respect of the Corporation; and
(f) if there is an event of default under the Loan Agreement.

Upon the occurrence of an event of default, subject to certain terms and conditions set out in the Bondholders Agreement, the Bondholders may, by Extraordinary Resolution, demand payment of all monies evidenced by the Bonds issued thereunder.

Bondholders Agreement

The interest, rights and obligations of Bondholders are set out in the Bondholders Agreement.

Meetings

The Corporation may at any time and from time to time, and shall on receipt of a written request signed by the holders of not less than 50% in principal amount of the Bonds then outstanding, convene a meeting of Bondholders. Meetings will be held in Vancouver, British Columbia, or at such other place as may be determined by the Corporation or the holders of a majority in principal amount of the Bonds then outstanding, as the case may be.

A meeting of the Bondholders has a number of powers exercisable from time to time by Extraordinary Resolution, including the power to agree to certain modifications to the Bondholders Agreement, to give directions to the Collateral Agent, to waive defaults or to agree to certain compromises or arrangements.

No Recourse for Deficiency in Value	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 under the Bonds.

The foregoing is a summary only of certain of the material provisions of the Bondholders Agreement. For a complete understanding of all of the provisions of the Bondholders Agreement, reference should be made to the instrument itself, a copy of which is available from the Corporation.

An investor in the securities offered under this Offering Memorandum should understand that Knightswood'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. Knightswood does not guarantee the obligations of the Corporation under the Bonds or encourage or discourage an investment in the Corporation.

5.2 ***Subscription Procedure***

(1) Subscription Documents

In order to subscribe for the Bonds, Purchasers must complete and sign a Subscription Agreement, together with the appropriate investor qualification form(s) attached as schedules thereto, according to the instructions set out therein. The required form of Subscription Agreement is accompanying this Offering Memorandum.

Payment of the aggregate subscription price for the Bonds subscribed for must accompany the Subscription Agreement and shall be paid by solicitor's trust cheque, RRSP or RRIF Trustee cheque, TFSA Trustee cheque, certified cheque, bank draft, cashier's cheque or wire transfer drawn on a chartered bank made payable in immediately available funds to the Corporation.

Purchasers must return one copy of the completed and signed documents together with the payment of the subscription price to:

CREDITLOANS CANADA CAPITAL INC.
2000 – 1500 W. GEORGIA STREET
VANCOUVER, BC V6G 2Z6
ATTENTION : MARY LYNN TARDELLI, CFO

By executing a Subscription Agreement, each Purchaser (a) acknowledges and agrees to the terms of the Subscription Agreement, including Schedule A – Terms and Conditions thereto; (b) agrees to be bound as a "Bondholder" by the terms of the Bondholders Agreement under which its Bonds are being issued, as from time to time amended and in effect, as if it were an original party thereto; and (c) appoints the Collateral Agent as its agent and attorney under and for the purposes of the Bondholders Agreement.

The Corporation's obligation to sell the Bonds to each Purchaser is subject to, among other things, the conditions that:

(a) the Purchaser duly completes, executes and returns to the Corporation a Subscription Agreement, together with all documents required by applicable securities legislation for delivery on behalf of the Purchaser, including duly completed and executed certificates or acknowledgements, as the case may be;

(b) payment has been made by the Purchaser of the subscription price for the Bonds;

(c) the Corporation has accepted, in whole or in part, the Purchaser's subscription; and

(d) the sale of the Bonds is exempt from the requirement to file a prospectus or registration statement under any applicable securities legislation.

Except as described below, each subscription is irrevocable and requires acceptance by the Corporation and will not become an agreement between the Purchaser and the Corporation until accepted by the Corporation. The Corporation reserves the right to accept or reject subscriptions in whole or in part at the Corporation's discretion and to close the subscription books at any time without notice.

Given that the Bonds will be offered on a continuous basis and there is no minimum or maximum offering, closings of subscriptions will occur from time to time as determined by the Corporation in its discretion. The Corporation will determine when, in its view, a sufficient number of subscriptions has been received to warrant a closing.

Closing of an individual subscription and delivery of the Bonds shall be completed at 11:00 a.m. (Vancouver time) at the Corporation's offices, or at such other time or place, on a day to be determined by the Corporation, which day will be no later than 30 days after the delivery of the Subscription Agreement by the Purchaser. In the event that the closing does not occur for whatever reason 30 days after the delivery of the Subscription Agreement by the Purchaser, the Subscription Agreement and the subscription price shall be returned (without interest) to the Purchaser.

In circumstances where the Purchaser has the right to cancel the Subscription Agreement as described under **Item 11.1: Two Day Cancellation Right**, the Corporation will hold in trust the subscription price until midnight on the 2nd business day after the date on which the Purchaser signs the Subscription Agreement, and (b) if the Purchaser exercises its right to cancel the Subscription Agreement, as so described, the Corporation will promptly return the subscription price to the Purchaser. Except as aforesaid, the subscription price will not be held in trust pending closing and may be used by the Corporation in its sole discretion and, until the Bonds are issued and delivered, will constitute an interest free loan to the Corporation.

The net cash proceeds of each subscription will be advanced to CLC Financing as soon as reasonably practicable after its closing in the manner contemplated under **Item 1.2 Use of Available Funds**. Until the funds are so loaned to CLC Financing, they will be pooled together and retained in a Canadian financial institution deposit account.

(2) Distribution

The Offering is being conducted: in Alberta, British Columbia, Manitoba, New Brunswick, Newfoundland and Labrador, Northwest Territories, Nova Scotia, Nunavut, Ontario, Prince Edward Island, Saskatchewan and Yukon pursuant to the exemption from the prospectus requirement afforded by Section 2.9 of NI 45-106.

The exemption afforded by Section 2.9 of NI 45-106 is available for distributions to investors purchasing as principals, who receive this Offering Memorandum prior to signing the Subscription Agreement and who sign a Risk Acknowledgment (and, if applicable, the schedules attached thereto) in the required form attached to the Subscription Agreement.

In addition, Alberta, Manitoba, Northwest Territories, Nunavut, Prince Edward Island, Saskatchewan and Yukon investors relying on the exemption afforded by Section 2.9 of NI 45-106 must also sign the Certificate of Eligible Investor in the form attached to the Subscription Agreement, if the subscription price payable for their Bonds exceeds $10,000.

Ontario investors relying on the exemption afforded by Section 2.9 of NI 45-106 must also sign the Certificate of Eligible Investor and the two schedules attached to the Risk Acknowledgement Form if the subscription price payable for their Bonds exceeds $10,000. In the event that the acquisition cost of all securities acquired by an Ontario investor in reliance on the exemption afforded by Section 2.9 of NI 45-106 in the 12 month period preceding its subscription under this Offering exceeds $30,000, it will not be allowed to participate in this Offering unless the Ontario investor obtains advice from portfolio manager, investment dealer, or exempt market dealer that its investment is suitable, or unless the Ontario investor can rely on another prospectus exemption. In no event will an Ontario investor relying on the exemption afforded by Section 2.9 of NI 45-106 be allowed to participate in this Offering for a subscription price in excess of $100,000, unless the Ontario investor can rely upon another prospectus exemption (such as the exemption afforded by Section 2.3 of NI 45-106 is available for distributions to investors purchasing as principal and who are "accredited investors" as defined in NI 45-106 and who sign the Accredited Investor Certificate and Risk Acknowledgement (as applicable) in the form attached to the Subscription Agreement).

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 investors for Bonds will not receive the benefits associated with a subscription for securities issued pursuant to a filed prospectus, including the review of material by securities regulatory authorities.

Item 6: Income Tax Consequences and RRSP Eligibility

The income tax disclosure in this **Item 6: Income Tax Consequences and RRSP Eligibility** was provided by Borden Ladner Gervais LLP.

6.1 *Consultation by Purchasers Recommended*

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

6.2 *Summary of Federal Income Tax Consequences*

The following is a summary of the principal Canadian federal income tax considerations generally applicable as of the date hereof to the acquisition, holding and disposition of Bonds acquired pursuant to this Offering.

This summary is applicable to investors who acquire Bonds pursuant to this Offering and each of whom, at all relevant times for the purposes of the Tax Act,

- is or is deemed to be resident in Canada,
- deals at arm's length and is not affiliated with the Corporation,
- holds the Bonds as capital property, and
- does not enter into a "derivative forward agreement" in respect of the Bonds,

and is not

- exempt from tax under Part I of the Tax Act,
- a "financial institution" for the purposes of the "mark to market property" rules as defined in the Tax Act,
- a person or partnership an interest in which is a "tax shelter investment", or
- a taxpayer who has made a "functional currency" election pursuant to section 261 of the Tax Act,

(each such investor, a "**Holder**").

Generally, the Bonds will be considered to be capital property of a Holder provided that the Holder does not hold the Bonds in the course of carrying on a business of trading or dealing in securities and did not acquire them in a transaction considered to be an adventure in the nature of trade. Certain Holders whose Bonds might not otherwise be capital property may in certain circumstances be entitled to make an irrevocable election under subsection 39(4) of the Tax Act to have such securities, and every other "Canadian security" (as defined in the Tax Act) owned by the Holder in the taxation year in which the election is made and in all subsequent taxation years, deemed to be capital property.

This summary is based on the current provisions of the Tax Act and the regulations thereunder, all specific proposals to amend the Tax Act or regulations thereunder announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the "**Proposed Amendments**"), and counsels' understanding of the current published administrative practices and assessing policies of the CRA. It is assumed that the Proposed Amendments will be enacted in the form currently proposed although no assurance can be given in this regard. Except for the Proposed Amendments, this summary does not take into account or anticipate any change in law, whether by legislative, governmental, regulatory, or judicial action or decision, or in the administrative practices or assessing policies of the CRA, and does not take into account any provincial, territorial or foreign income tax considerations, which may differ from the Canadian federal income tax considerations discussed below.

This summary is of a general nature only and is not exhaustive of all possible Canadian federal income tax considerations. This summary is not, and is not to be construed as, legal or tax advice to any particular Holder and no representation with respect to the tax consequences to any particular Holder is made. Accordingly each Holder should consult the Holder's own tax advisers regarding the Canadian federal income tax consequences applicable to the Holder's particular circumstances.

Taxation of Holders

Interest on Bonds

A Holder that is a corporation, partnership, unit trust or trust of which a corporation or partnership is a beneficiary will be required to include in computing its income for a taxation year any interest on the Bond (including any interest that is reinvested in the Bond pursuant to an Interest Reinvestment Election and any amount that is considered to be interest for the purpose of the Tax Act) that accrued (or was deemed to accrue) to the Holder to the end of the year or became receivable or was received by it before the end of the year, to the extent that the interest (or amount considered to be interest) was not included in computing the Holder's income for a preceding taxation year.

A Holder (other than a Holder referred to in the previous paragraph) will be required to include in computing the Holder's income for a taxation year any interest on the Bond (or amount that is considered to be interest for the purpose of the Tax Act) that was received or receivable (depending upon the method regularly followed by the Holder in computing income) in the Holder's taxation year, to the extent that such interest was not included in computing the Holder's income for a preceding taxation year. Interest that is reinvested by such a Holder in a Bond pursuant to an Interest Reinvestment Election will not be considered to be received or receivable by the Holder in the year. However, such a Holder will be required to include in computing the Holder's income for a taxation year such reinvested interest that accrued (or was deemed to accrue) to the Holder to the end of any anniversary of the issuance of the Bond, or date of the Holder's disposition of the Bond if applicable, occurring in the Holder's taxation year, to the extent that such interest was not included in computing the Holder's income for a preceding taxation year.

A Holder will be entitled to increase its adjusted cost base of the Bond to the extent of any interest that is reinvested in the Bond pursuant to an Interest Reinvestment Election and that is included in the Holder's income as interest as described above.

Dispositions

On a disposition or deemed disposition of a Bond, including a redemption by the Corporation on maturity, a Holder will generally be required to include in computing its income for the taxation year in which the disposition or deemed disposition occurred the amount that has accrued (or has been deemed to accrue) as interest on the Bond to the date of disposition or deemed disposition to the extent that such amount has not otherwise been included in computing the Holder's income for the year in which the disposition or deemed disposition occurred or a preceding taxation year.

In general, on a disposition or deemed disposition of a Bond, a Holder will realize a capital gain (or a capital loss) equal to the amount, if any, by which the proceeds of disposition, net of any amount included in the Holder's income as interest and any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of the Bond to the Holder immediately before the disposition or deemed disposition. Generally, a Holder is required to include in computing its income for a taxation year one-half of the amount of any capital gain (a "taxable capital gain") realized by the Holder in the year. Subject to and in accordance with the provisions of the Tax Act, a Holder is required to deduct one half of the amount of any capital loss (an "allowable capital loss") realized in a taxation year from taxable capital gains realized by the Holder in the year and allowable capital losses in the taxation year in excess of taxable capital gains in the taxation year may be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any subsequent taxation year against net taxable capital gains realized in such years. Capital gains realized by an individual may give rise to a liability for alternative minimum tax.

Additional Refundable Tax

A Holder that is a Canadian-controlled private corporation (as defined in the Tax Act) may be liable to pay an additional refundable tax of 10 2/3% on certain investment income including amounts in respect of income from property and taxable capital gains.

6.2 *RRSP Eligibility of Bonds*

The Bonds will be qualified investments under the Tax Act for a trust governed by a RRSP, RRIF, DPSP (other than a DPSP to which payments are made by the Corporation or an employer with which the Corporation does not deal at arm's length), RESP, RDSP or TFSA at any particular time provided that, at that time, Knightswood is listed on a designated stock exchange as defined in the Tax Act (which currently includes the TSX Venture Exchange), and Knightswood controls the Corporation.

Notwithstanding the foregoing, a Bond may be a "prohibited investment" for a TFSA, RRSP or RRIF (in this paragraph, a "**Registered Plan**") if the holder or annuitant of the Registered Plan does not deal at arm's length with the Corporation for the purposes of the Tax Act or the holder or annuitant has a "significant interest" (within the meaning of the Tax Act) in the Corporation or a corporation, partnership or trust with which the Corporation does not deal at arm's length for the purposes of the Tax Act. The holder or annuitant of the Registered Plan will in this case be subject to penalty taxes as set out in the Tax Act. The prohibited investment rules will not apply to a Bond that is an "excluded property" (as defined in the Tax Act) for the purposes of those rules. Prospective investors who intend to hold Bonds in a Registered Plan should consult their own advisers regarding the potential application of the prohibited investment rules to their particular circumstances.

Item 7: Compensation Paid to Sellers and Finders

The Corporation reserves the right, as allowed by applicable securities legislation, to retain qualified agents to help effect sales of the Bonds. If agents are retained, each agent who effects a sale of Bonds will be paid a commission calculated as a percentage of the gross proceeds realized from such sale, following the successful closing of the sale. The applicable rate of commission in respect of the sale of a Bond after the date of this Offering Memorandum will be based on the term of the Bond as follows: Series A Bonds (1 year term) – 2.50% of gross proceeds; Series B Bonds (3 year term) – 5.00% of gross proceeds; and Series C Bonds (5 year term) – 8.00% of gross proceeds. If the maturity date of a Bond is extended (see **Item 5.1: Terms of Securities**), the agent who sold the Bond will also be entitled to receive a trailer commission during the extended term of the Bond equal to 0.4% of the face value of the Bond for each full 90-day period that the Bond remains outstanding, payable on the first day of each calendar quarter until such time as the Bond is repaid.

To the extent permitted under applicable securities legislation, the Corporation may compensate its employees, consultants, officers or director at the applicable commission rate set forth above on the sale of the Bonds for soliciting subscriptions for the Bonds with respect to Bonds not sold by an agent.

The Marketing Service Provider is entitled to receive certain fees in connection with the Offering. For further details, see **Item 2.7(6) : Marketing Services Agreement.**

All selling commissions and fees connected to the Offering will be paid by CLC Financing on behalf of the Corporation.

Item 8: Risk Factors

This is a speculative offering. The purchase of Bonds involves a number of significant risk factors and is suitable only for Purchasers who have no immediate need for liquidity and who could afford a total loss of their investment and is not suitable for investors who may need to redeem the Bonds prior to bond maturity. Prospective Purchasers should consider the following risks in connection with purchasing Bonds in addition to the factors set forth elsewhere in this Offering Memorandum. Risk factors generally fall into three categories: investment risk; issuer risk; and industry risk. If any of the mentioned risks occur, or any others occur, the Corporation's business, operating results and financial condition could be seriously harmed and Purchasers may lose all of their investment. The Corporation advises that prospective Purchasers should consult with their own legal, tax and financial advisors with respect to these matters. Our solicitors and accountants act for the Corporation and do not act for Purchasers in this transaction.

8.1 *Investment Risk*

(1) No Market for Bonds

There is no market through which the Bonds may be sold and the Corporation does not expect that any market will develop. Accordingly, an investment in Bonds should only be considered by investors who do not require liquidity. The Bonds are also subject to resale restrictions under applicable securities legislation. See **Item 10: Resale Restrictions.**

(2) Liquidity and Bond Redemption

An investment in the Bonds is unsuitable for those who require repayment prior to the stated maturity date of the Bonds. There is no obligation on the Corporation to redeem any of the Bonds prior to maturity. Should the Corporation exercise the right to redeem some or all of the Bonds prior to maturity, no bonus or penalty will apply after the expiry of the "Protected Period" (see **Item 5.1: Terms of the Securities**), and Bondholders will have no right to retain their Bonds following the early-redemption date. Each Purchaser is advised to seek independent legal advice prior to completing a subscription.

(3) No Review by Regulatory Authorities

This Offering Memorandum constitutes a private offering of the Bonds by the Corporation only in the Offering Jurisdictions where, and to those persons whom, they may be lawfully offered for sale under exemptions in applicable securities legislation. This Offering Memorandum is not, and under no circumstances is to be construed as, a prospectus, advertisement or a public offering of these Bonds. Purchasers to this Offering Memorandum will not have the benefit of a review of the material by any regulatory authority.

(4) No Deposit Insurance

The Bonds are not insured against loss through the Canadian Deposit Insurance Corporation or any other insurance company or program.

(5) Tax Risk

The tax consequences associated with an investment in 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 Bonds. In the event that Knightswood 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 Bonds. If the Bonds cease to be eligible Deferred Plan investments, an annuitant under a Deferred Plan which acquires or holds Bonds may be required to include in his or her income the fair market value of the 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 Purchasers relating to their investments in the Bonds. **See Item 6 - Income Tax Consequences and Deferred Plan Eligibility.**

(6) Changes to the Tax Act

No assurances 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 Bonds with respect to acquiring, holding or disposing of Bonds. Investors are strongly encouraged to consult their tax advisors as to the tax consequences of acquiring, holding and disposing of Bonds purchased pursuant to the Offering.

(7) 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.**

(8) Exercise of Option

There is a risk that Knightswood will exercise its option under the Option Agreement to require Gens Capital to purchase the common shares of the Corporation. There is a similar risk that Gens Capital will exercise its option requiring Knightswood to sell the common shares of the Corporation to Gens Capital. Upon any such sale, the Bonds will cease to constitute qualified investments for RRSP, RRIF or TFSA purposes unless Gens Capital can arrange to contemporaneously transfer the common shares of the Corporation to another corporation resident in Canada whose shares are listed on a prescribed Canadian stock exchange, or make other suitable investment arrangements to maintain RRSP, RRIF or TFSA eligibility for the Bonds. If the Bonds cease to be eligible RRSP, RRIF or TFSA investments, there may be adverse tax consequences to the Purchaser - see under **Item 6: Income Tax Consequences** contained in this Offering Memorandum.

(9) High Risk Nature of Investment

An investment in Bonds is high risk in nature. The Bonds are primarily suitable for investors who are prepared to accept the risks inherent in the business of the Corporation and are able to bear the loss of their entire investment. There is no guarantee of a return on a Purchaser's investment in Bonds.

(10) Limitations on Bondholders' Rights in the event of Default and Enforcement

If the Corporation fails to pay amounts due to the Bondholders under the Bonds or if there is another event of default, the approval of the Bondholders by Extraordinary Resolution is required in order to take any enforcement action under the Bondholders Agreement. No individual Bondholder has any right to institute enforcement proceedings in respect of its own Bonds.

If there is an event of default on the part of CLC Financial under the Loan Agreement, the Corporation has the right to waive such event of default and the Bondholders will not have the right to take any enforcement action unless there is also an event of default under the Bondholders Agreement.

(11) Collateral Agent not Trustee

The Collateral Agent's only duty is to hold the collateral given as security for the benefit of the Bondholders and to act in accordance with the Bondholders' instructions given by Extraordinary Resolution in accordance with the Bondholders Agreement. The Collateral Agent is not a trustee or fiduciary for any Bondholder.

(12) Subordination to Third Party Lenders

The Corporation's (and therefore the Bondholders') security interests on the property of CLC Financing may be subordinated to third parties in certain circumstances. Under the Loan Agreement, the security interest constituted in favour of the Corporation by the General Security Agreement will, at CLC Financing's request and provided that there is no event of default, be postponed and subordinated to the security constituted in favour of other lenders of CLC Financing that enter into bona fide financing transactions with it. As at the date of this Offering Memorandum, the security interest constituted in favour of the Corporation by the General Security Agreement is subordinated to the Senior Credit Facility Agreements. For a description of the material terms of these agreements, see **Item 2.7: Material Agreements**. For amounts outstanding under this credit facility as at the date of this Offering Memorandum, see **Item 4.2: Long Term Debt Securities**.

(13) Reliance on Management

As a Bondholder, Purchasers will have no part in the management or control of the business of the Corporation. Subject to the BCA, Bondholders will have no rights to attend meetings of shareholders or vote in any manner. Accordingly, in assessing the risks and rewards of an investment in Bonds, potential Purchasers should appreciate that they are relying on the good faith, judgment and ability of the directors, officers and employees of the Corporation to make appropriate decisions with respect to the management of the business of the Corporation and will be bound by the decisions of such directors, officers and employees. It would be inappropriate for Purchasers unwilling to rely on the directors, officers and employees of the Corporation to the extent set forth above to purchase Bonds.

(14) 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.

(15) Independent Counsel

No independent counsel was retained on behalf of the Purchasers with respect to this Offering. There has been no review by independent counsel on behalf of the Purchasers of the Offering Memorandum, or any other documentation in relation to the Offering. No due diligence has been conducted on behalf of Purchasers by counsel.

8.2 *Issuer Risk*

(1) Dependence on Business of CLC Financing

The Corporation will loan all funds available from the Offering to CLC Financing pursuant to the Loan Agreement. The Corporation will have no other assets or activities other than receiving payments of principal and interest under the Loan Agreement from CLC Financing and making payments of principal and interest on the Bonds. The Corporation's ability to make payments of principal and interest on the Bonds is entirely dependent on the success of CLC Financing's business and its ability to make payments of principal and interest under the Loan Agreement. Accordingly, the Bonds are directly affected by risks specific to the business of CLC Financing.

(2) Under-deployment of Funds

CLC Financing's ability to pay interest under the Loan Agreement is dependent upon CLC Financing fully utilizing the net proceeds thereof to fund loans to customers, and to loan them to customers at higher interest rates. In the event that funds are not fully loaned in any period there is a risk that CLC Financing's assets may be insufficient to satisfy interest and/or principal payment obligations to the Corporation under the Loan Agreement. This would correspondingly affect the Corporation's ability to satisfy interest and/or principal payment obligations to the Bondholders in respect of the Bonds.

If CLC Financing's operations are not profitable, CLC Financing may be required to use the proceeds of the Loan Agreement to pay operating expenses and, as a result, the borrowings under the Loan Agreement may not be fully deployed to fund loans to customers. This may adversely affect the value of the Corporation's (and therefore the Bondholders') security in respect of the assets of CLC Financing. If this results in a breach of the minimum Asset Coverage Ratio covenant, Bondholders have the right, by Extraordinary Resolution, to enforce their security in accordance with the terms of the Bondholders Agreement.

(3) Conflicts of Interest

The Corporation was established as a separate company from CLC Financing in order to allow the Bonds issued pursuant to this Offering to qualify as a Deferred Plan investment, as a result of voting control of the Corporation being held by Knightswood. See **Item 6: Income Tax Consequences and RRSP/ TFSA Eligibility.**

As a result of the Offering structure, two of three members of the Board of Directors of the Corporation are also members of the Board of Directors of CLC Financing. This means that the directors of the Corporation will have a disclosable conflict of interest in respect of contracts or transactions entered into with CLC Financing, including the Loan Agreement and the General Security Agreement.

Where a conflict of interest arises in respect of a contract or transaction, the directors of the Corporation are required under the BCA to disclose the nature and extent of their interest and ensure that the contract or transaction is approved by the non-interested directors or by special resolution of the shareholders. The directors of the Corporation are also required to act honestly and in good faith with a view to the best interests of the Corporation.

(4) Possibility of Fraud

Although CLC Financing will be using thorough due diligence practices, CLC Financing is still exposed to the possibility of fraud with respect to its customers' loan applications. Fraud may cause CLC Financing to incur financial losses, which would adversely affect the returns of CLC Financing.

(5) Limited Operating History

CLC Financing was incorporated in January of 2013 and, as such, has a limited operating history. Accordingly, CLC Financing faces all of the risks inherent in a new business and those risks specifically in the development and operation of a new business. The likelihood of CLC Financing's success must be considered in light of the problems, expense, difficulties and delays frequently encountered in connection with a new business.

(6) Credit Risk

"Credit risk" is the risk that a customer who receives a consumer loan from CLC Financing will fail to discharge the obligation to repay such advances to the CLC Financing. CLC Financing provides unsecured loans to consumers who may not meet financing criteria for conventional lines of credit from banks. As a result, these investments are generally more risky and carry a higher credit risk than those made by banks. To compensate for this risk, CLC Financing charges higher interest rates to its customers than banks do when extending conventional lines of credit. Nonetheless, this higher credit risk means that CLC Financing may incur financial losses which would adversely affect the returns of CLC Financing.

In the event that CLC Financing or a collection agency on behalf of CLC Financing must take legal action against a customer to recover funds in the event of default, CLC Financing may be unable to recover any of these funds. This may adversely affect the returns of CLC Financing.

(7) Liquidity Risk

The business of CLC Financing depends on the availability of capital to make advances to consumers. CLC Financing's main sources of liquidity are capital raised from investors, loans collected from consumers and profits generated by the business. The collection of loans and the generation of profits are highly dependent on economic conditions and may be negatively impacted by customer default. A high rate of customer default may result in CLC Financing lacking sufficient liquidity to meet customer demand. This may adversely affect the returns of CLC Financing.

(8) Reliance on External Service Providers

The operations of CLC Financing are highly dependent upon its external service providers in order to, among other things, process all customer's transactions, perform underwriting and fraud checks, track and update financial history, perform day-to-day banking transactions and update financial records. Although CLC Financing has put in place procedures in order to monitor their performance, CLC Financing does not control these external service providers and cannot be assured of such performance or of the quality of their work. In the event that an external service provider fails to perform its services adequately or in a timely manner, this may materially affect the ability of CLC Financing to operate its business.

(9) No Assurance of Profitability of Operations

Notwithstanding the business plan and internal projections developed by CLC Financing, there can be no assurance that CLC Financing will be able to operate successfully and in fact, it may ultimately fail. Even if its commercial operations are successful, there is no assurance that any specific level of profitability will be achieved by CLC Financing.

(10) Key Personnel

The execution of CLC Financing's business plan is highly dependent on CLC Financing's key management personnel. If key members of the management team were to leave the business, this may materially affect the ability of CLC Financing to operate its business.

(11) Termination of Employment of Senior Officers

The termination of the employment with CLC Financing of Ali Pourdad (Chief Executive Officer), Tony Vardy (Chief Operating Officer), Mary Lynn Tardelli, (Chief Financial Officer), or Michael Jover (Chief Revenue Officer) could, in certain cases, result in CLC Financing being required to pay certain severance benefits under their employment agreements. This may adversely affect the returns of CLC Financing. For further details on these agreements, see **Item 2.7: Material Agreements**.

(12) Ability to Find Clients

CLC Financing's investment returns are sensitive to CLC Financing's ability to find clients that require its services. Although CLC Financing believes that there is a large demand and opportunity for its services in Canada, it is possible that CLC Financing may have difficulty finding a low risk client base that is large enough to require substantially all of the capital that is raised in the Offering. Capital that is not invested will not earn a return and this may cause the investment returns of CLC Financing to differ significantly from expected returns.

(13) Future Operations and Financing

In the event that the Corporation is unable to raise sufficient funds pursuant to the Offering to loan to CLC Financing pursuant to the Loan Agreement, CLC Financing may be unable to carry out its objective of growing its book of consumer finance loans. Although the Corporation does not believe that this would impact its ability to maintain its business operations, lack of financing would impair the Corporation's ability to achieve further growth.

(14) Reliance on Group Creditor Insurance

CLC Financing's business relies on its agreement with Western Life to help mitigate credit default risk. Western Life issues to CLC Financing group creditor insurance policies in order to cover the rights and obligations of debtors who chose to enroll for coverage in the event of disability, death, critical illness or involuntary unemployment. For further details regarding this agreement, see **Item 2.7: Material Agreements**. Should this agreement be terminated, there may be a period of time during which insurance is unavailable until a replacement insurer is found. This could create additional risk exposure in respect of newly originated loans that would be uninsured, thereby potentially resulting in financial loss and adversely affecting CLC Financing's returns. In respect of any existing loans where the insurance was originally placed, Western Life is contractually obligated to provide coverage until the loans are paid out or off of CLC Financing's books.

8.3 *Industry Risk*

(1) Dependence on Industry of CLC Financing

The Corporation will loan all funds available from the Offering to CLC Financing pursuant to the Loan Agreement. The Corporation will have no other assets or activities other than receiving payments of principal and interest under the Loan Agreement from CLC Financing and making payments of principal and interest on the Bonds. The Corporation's ability to make payments of principal and interest on the Bonds is entirely dependent on the success of CLC Financing's business and its ability to make payments of principal and interest under the Loan Agreement. Accordingly, the Bonds are affected by risks specific to the industry in which CLC Financing operates.

(2) Economic Conditions

The returns of CLC Financing are sensitive to the condition of the overall North American economy. Significant, extended negative changes in North American economic conditions that impact the strength of consumer incomes may increase CLC Financing's portfolio's loss rates and have an adverse effect on the returns, financial condition or liquidity of CLC Financing. These conditions include increases in the rate of unemployment, short and long term interest rates, inflation, money market and capital market fluctuations, government expenditures, the stability of various financial markets, the strength of the economy, terrorist threats, civil disturbances and the impact of public health emergencies. These factors affect consumer spending and saving habits and the propensity of consumers to borrow and repay their loans and could have an adverse impact on demand for CLC Financing's loan products.

(3) Government Regulation of the Consumer Loan Industry

The consumer loan industry is affected by a wide variety of federal and provincial laws and regulations, including consumer protection laws which require contract disclosures relating to the cost of borrowing and other matters, and the *Criminal Code* (Canada), which prohibits lenders from charging interest at a rate exceeding 60% per annum (subject to limited exceptions in the case of licensed payday lenders). In addition, in some provinces, CLC Financing is required to be licensed in connection with its lending activities under applicable legislation governing loan corporations or cost of credit disclosure. Furthermore, in regard to loan protection insurance, CLC Financing is required to be licensed in certain provinces under applicable legislation governing the sale of insurance. That being said, the consumer loan industry is not subject to the same level of regulation as the banking industry. In particular, consumer lenders are not, as such, subject to minimum capital, corporate governance, financial reporting and disclosure requirements. Accordingly, an investment in Bonds carries more risk than would an investment in debt issued by a bank or other regulated financial institution.

Conversely, the Canadian securities, tax, financial and banking industries continue to grow and evolve and there is a risk that CLC Financing may be subject to further governmental regulation, including new laws and different interpretations or applications of existing laws and as such may hinder the Corporation's ability to issue Bonds and/or make loans to consumers and collect principal and interest payments thereon. Increased regulation could introduce added compliance costs that would increase the overall cost of doing business. Increased costs may have an adverse effect on the returns, financial condition or liquidity of CLC Financing.

(4) Competition

The market for CLC Financing's products is competitive, subject to rapid change and significantly affected by new product introductions, government regulations and other market activities of industry participants. The market for funding of consumer loans is growing and as such CLC Financing faces competition primarily from new entrants. There can be no assurance that CLC Financing will be able to compete successfully against these competitors.

Competitors vary in size, scope and breadth of the products and services offered (see **Item 2.2: Our Business**). Some of these competitors have longer operating histories, significantly greater financial, technical, product development, marketing and other resources, greater name recognition or a larger base of customers than CLC Financing. As a result, these competitors may be able to respond more quickly to consumer loan opportunities, new or emerging technologies, to changes in customer requirements or are able to devote greater resources to the development, promotion and sale of their products than can CLC Financing.

Apart from access to capital and adequate software, information technology and banking infrastructure, the consumer lending industry has limited barriers to entry, and because of this and other factors, competitive conditions in the future are likely to intensify.

Item 9: Reporting Obligations

The Corporation is not a reporting issuer in any jurisdiction. It is therefore not required to disclose material changes which occur in its business and affairs, except in limited circumstances. The Corporation will file its audited annual financial statements, accompanied by a notice of use of the proceeds raised under this Offering in the form prescribed by NI 45-106F16, with applicable securities regulators within 120 days of the end of each of its financial years, and will make them reasonably available to each investor.

Under the Bondholders Agreement, the Corporation has the following reporting obligations:

(a) On or before the 15th day of each month, the Corporation will procure CLC Financing to prepare a report setting out the aggregate outstanding principal balance of the Performing Loans then owned by CLC Financing and certifying as to CLC Financing's compliance with the Asset Coverage Ratio as at the end of the immediately preceding month. This report will not be sent to Bondholders but will be made available to Bondholders upon request.

(b) Within 90 days of each financial year end, upon request, provide Bondholders with: (i) audited annual financial statements of the Corporation, (ii) audited financial statements of CLC Financing, and (iii) a compliance certificate certifying as to CLC Financing's compliance with the Asset Coverage Ratio.

The Corporation's financial year ends on December 31 of each year.

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

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.

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

Manitoba Resale Restrictions

Unless permitted under securities legislation, you must not trade the Bonds 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 these securities you will have certain rights, some of which are described below.

You may have other rights in addition to those described below. For information about your rights, you should consult a lawyer.

11.1 Two Day Cancellation Right

If you purchase these securities in reliance on the exemption from the prospectus requirement afforded by Section 2.9 of NI 45-106, you can cancel your agreement to purchase these securities. To do so, you must send a notice to us by midnight on the 2nd business day after you sign the agreement to buy the securities.

11.2 Statutory Rights of Action in the Event of a Misrepresentation

Applicable securities legislation in the Offering Jurisdictions provide Purchasers with statutory rights of action for rescission or damages in the event of a misrepresentation in this Offering Memorandum, including any documents incorporated by reference herein. The applicable statutory rights are described below. By its execution of the Subscription Agreement, the Corporation will be deemed to have granted these rights to you.

The following is a summary only of the applicable provisions of securities legislation which provide for statutory rights of action in the event of a misrepresentation in the Offering Memorandum or any documents incorporated by reference herein, and is subject to interpretation. Purchasers should refer to the applicable provisions of securities legislation for the particulars of these rights. In the event of any conflict or inconsistency between this summary and the applicable provisions of securities legislation, the legislative provisions will prevail.

Purchasers should consult their own legal advisers with respect to their rights and the remedies available to them. The rights discussed below are in addition to and without derogation from any other rights or remedies, which Purchasers may have at law.

(1) Description of Statutory Rights of Action

If there is a misrepresentation in this Offering Memorandum or any document incorporated by reference herein, you have a statutory and a contractual right to sue:

(a) the Corporation to cancel your agreement to buy the Bonds, or

(b) for damages against the Corporation and certain other persons, as indicated below:

Jurisdiction	Persons against whom an action for damages may be brought
New Brunswick and Ontario	The Corporation.
Alberta, British Columbia, Manitoba, Newfoundland and Labrador, Northwest Territories, Nova Scotia, Nunavut, Prince Edward Island, and Yukon	The Corporation, every director of the Corporation at the date of the offering memorandum and every person who signed the Offering Memorandum.
Saskatchewan	(i) The Corporation; (ii) every promoter and director of the Corporation at the time the Offering Memorandum or any amendment to the Offering Memorandum was sent or delivered; (iii) every person or company whose consent has been filed respecting the Offering, but only with respect to reports, opinions or statements that have been made by them; (iv) every person who or company that, in addition to the persons or companies mentioned in clauses (i) to (iii), signed the Offering Memorandum or any amendment to the Offering Memorandum; and (v) every person who or company that sells Bonds on behalf of the Corporation under the Offering Memorandum or amendment to the Offering Memorandum.

This right to sue is available to you whether or not you relied on the misrepresentation. However, there are various defences available to the persons or companies that you have a right to sue. In particular, they have a defence if you knew of the misrepresentation when you purchased the Bonds. In addition, in an action for damages, the amount you may recover will not exceed the price that you paid for your securities and will not include any part of the damages that the Corporation proves does not represent the depreciation in value of the securities resulting from the misrepresentation.

If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations. You must commence your action to cancel the agreement within 180 days after you signed the agreement to purchase the Bonds. You must commence your action for damages within the time limits indicated below.

Jurisdiction	Time limits for bringing an action

Alberta, British Columbia, Newfoundland and Labrador, Northwest Territories, Nova Scotia*, Nunavut, Ontario, Prince Edward Island, and Yukon	Within 180 days after learning of the misrepresentation and three years after you signed the agreement to purchase the Bonds.
Saskatchewan and New Brunswick	Within one year after learning of the misrepresentation and six years after you signed the agreement to purchase the Bonds.
Manitoba	Within 180 days after learning of the misrepresentation and two years after you signed the agreement to purchase the Bonds.

* Notwithstanding the foregoing, in Nova Scotia, no action shall be commenced to enforce the statutory rights for damages or rescission more than one hundred and twenty days after the date on which payment was made for the Bonds.

In Ontario, the above rights do not apply, however, if you are (a) a Canadian financial institution or a Schedule III bank, (b) the Business Development Bank of Canada incorporated under the Business Development Bank of Canada Act (Canada), or (c) a subsidiary of any person referred to in paragraphs (a) and (b), if the person owns all of the voting securities of the subsidiary, except the voting securities required by law to be owned by directors of that subsidiary.

The above-described statutory rights are conferred to Purchasers pursuant to the following provisions of securities legislation:

Alberta:	Section 204 of the *Securities Act* (Alberta)
British Columbia:	Section 132.1 of the *Securities Act* (British Columbia)
Manitoba:	Section 141.1 of the *Securities Act* (Manitoba)
New Brunswick:	Section 150 of the *Securities Act* (New Brunswick)
Newfoundland and Labrador:	Section 130.1 of the *Securities Act* (Newfoundland and Labrador)
Northwest Territories:	Section 112 of the *Securities Act* (Northwest Territories)
Nova Scotia:	Section 138 of the *Securities Act* (Nova Scotia)
Nunavut:	Section 112 of the *Securities Act* (Nunavut)
Ontario:	Section 130.1 of the *Securities Act* (Ontario)
Prince Edward Island:	Section 112 of the *Securities Act* (Prince Edward Island)
Saskatchewan:	Section 138 of the *Securities Act* (Saskatchewan)
Yukon:	Section 112 of the *Securities Act* (Yukon)

(2) Disclosure required by Section 80.2 of the *Securities Act, 1988* (Saskatchewan)

Like Purchasers in the other Offering Jurisdictions, a Purchaser in Saskatchewan is given certain statutory rights of action in respect of this Offering Memorandum under the *Securities Act* (Saskatchewan). Those rights are:

(a) Subsections 80.1 (4) of the *Securities Act* (Saskatchewan) - the right to withdraw from an agreement of purchase and sale which has not yet been completed, by delivering a notice to the Corporation or the agent from whom the Bonds are being purchased indicating the Purchaser's intention not to be bound by the purchase agreement, within two business days after receipt of any amendment to this Offering Memorandum that discloses (i) a material change in the affairs of the Corporation, (ii) a change in the terms or conditions of the Offering as described in this Offering Memorandum, or (iii) securities that are to be distributed that are in addition to the Bonds, that occurred or arose before the investor entered into the agreement for the purchase of Bonds;

(b) Subsection 138(1) of the *Securities Act* (Saskatchewan) - a right of action for rescission or for damages where this Offering Memorandum and any amendment to this Offering Memorandum contains a misrepresentation, which right is more particularly described above;

(c) Subsection 138.1(3) of the *Securities Act* (Saskatchewan) - a right of action for rescission or for damages where advertising or sales literature used in connection this Offering contains a misrepresentation;

(d) Subsection 138.2(1) of the *Securities Act* (Saskatchewan) - a right of action for rescission or for damages where a verbal statement made in connection with this Offering contains a misrepresentation;

(e) Subsection 141(1) of the *Securities Act* (Saskatchewan) - a right to void the purchase agreement and recover the purchase price if the securities are sold in contravention of the Act, the regulations to the Act or a decision of the Saskatchewan Financial Services Commission; and

(f) Subsection 141(2) of the *Securities Act* (Saskatchewan) - a right of action for rescission or for damages if the offering memorandum is not delivered to the Purchaser before the agreement to purchase, as required by subsection 80.1(1) of the Act.

A Purchaser should refer to the provisions of the *Securities Act* (Saskatchewan) for the particulars of these rights or consult with a lawyer.

These statutory rights given by the *Securities Act* (Saskatchewan) are in addition to and without derogation from any other right or remedy which a Purchaser might have at law.

These rights must be exercised within the periods prescribed in section 147 of the *Securities Act* (Saskatchewan) (see "(1) Description of Statutory Rights of Action", above).

(3) Disclosure Required by Section 65(3) of the *Securities Act* (Nova Scotia)

Like Purchasers in the other Offering Jurisdictions, a Purchaser in Nova Scotia is given certain statutory rights of action in respect of this Offering Memorandum under the *Securities Act* (Nova Scotia). These rights are described above under "(1) Description of Statutory Rights of Action". Note that in Nova Scotia, the rights also extend to a misrepresentation contained in advertising or sales literature as defined by subsection (2) of Section 56 of the *Securities Act* (Nova Scotia).

(4) Disclosure Required by Section 2.2 of Local Rule 45-802 *Implementing National Instrument 45-106 – Prospectus and Registration Exemptions*

Like Purchasers in the other Offering Jurisdictions, a Purchaser in New Brunswick is given certain statutory rights of action in respect of this Offering Memorandum under the *Securities Act* (New Brunswick). These rights are described above under "(1) Description of Statutory Rights of Action".

(5) Disclosure Required by Section 5.2 of Ontario Securities Commission Rule 45-501 *Ontario Prospectus and Registration Exemptions*

Like Purchasers in the other Offering Jurisdictions, a Purchaser in Ontario is given certain statutory rights of action in respect of this Offering Memorandum under the *Securities Act* (Ontario). These rights are described above under "(1) Description of Statutory Rights of Action".

Item 12: Financial Statements

The following are:

(a) audited financial statements of the Corporation, consisting of a statement of comprehensive income, a statement of changes in equity and a statement of cash flows for the Corporation's financial year ended December 31, 2015 and a statement of financial position as at the end of such year, and the auditor's report thereon and the notes thereto; and

(b) audited financial statements of the CLC Financing, consisting of a statement of comprehensive income, a statement of changes in equity and a statement of cash flows for CLC Financing's financial years ended December 31, 2014 and 2015 and a statement of financial position as at the end of each such year, and the auditor's report thereon and the notes thereto.

Item 13: Date and Certificate

Dated April 30, 2016.

This offering memorandum does not contain a misrepresentation.

Signed

David Gens, Director and President

Ali Pourdad, Director and CEO

Michael Jover, Director

CREDITLOANS CANADA CAPITAL INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2015 and 2014

CONTENTS **Page**

INDEPENDENT AUDITOR'S REPORT

To the Directors
Creditloans Canada Capital Inc.

We have audited the accompanying financial statements of Creditloans Canada Capital Inc., which comprise the statement of financial position as at December 31, 2015, and 2014, and the statements of comprehensive income, changes in shareholder's equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

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

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

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

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

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of Creditloans Canada Capital Inc. as at December 31, 2015, and 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Claassen Partners Inc.

Chartered Professional Accountants

Richmond, British Columbia
April 16, 2016

CREDITLOANS CANADA CAPITAL INC.

STATEMENT OF FINANCIAL POSITION

As at December 31	2015	2014
Assets		
Current Assets		
Cash and Cash Equivalents	$ -	$ 150
Interest Receivable - Creditloans Canada Financing Inc. - Note 4(a)	**55,111**	1,219
Prepaid Expenses	-	1,380
Loan due from Creditloans Canada Financing Inc. - Note 4(a)	**368,500**	35,000
	423,611	37,749
Other Assets		
Interest Receivable - Creditloans Canada Financing Inc. - Note 4(a)	**35,848**	2,127
Loan due from Creditloans Canada Financing Inc. - Note 4(a)	**2,993,000**	130,000
Deferred Income Tax Asset - Note 6	**2,301**	2,859
	3,031,149	134,986
	$ 3,454,760	$ 172,735
Liabilities and Shareholder's Equity		
Current Liabilities		
Bank Indebtedness	**$ 9**	-
Accounts Payable and Accrued Liabilities	**65,603**	10,625
Bond Interest Payable - Note 5	**50,263**	1,219
Bonds Payable - Note 5	**329,189**	33,921
	445,064	45,765
Other Liabilities		
Bond Interest Payable - Note 5	**35,848**	2,127
Bonds Payable - Note 5	**2,841,532**	68,960
Due to Creditloans Canada Financing Inc.- Note 4(b)	**130,005**	53,014
Deferred Income Tax Liability- Note 6	**2,301**	2,859
	3,009,686	126,960
	3,454,750	172,725
Shareholder's Equity		
Share Capital - Note 7	**10**	10
Retained Earnings	-	-
	10	10
	$ 3,454,760	$ 172,735

On behalf of the Board of Directors of Creditloans Canada Capital Inc.

(signed) David Gens	**(signed) Ali Pourdad**
David Gens, Director	Ali Pourdad, Director

The accompanying notes on pages 5 to 15 are an integral part of these financial statements.

CREDITLOANS CANADA CAPITAL INC.

STATEMENT OF COMPREHENSIVE INCOME

Year Ended December 31, 2015 and Period from Incorporation on April 24, 2014 to December 31, 2014	Year ended 2015	April 24, 2014 to December 31, 2014
Finance Income (Costs)		
Loan Interest - Note 4(a)	$ **103,299**	$ 3,346
Loan Fee - Note 4(b)	**75,859**	15,296
Bond Interest - Note 5	**(145,121)**	(5,132)
Net Finance Income	**34,037**	13,510
Other Expenses		
Administration Expenses - Note 4(c)(i)	**13,125**	2,625
Office and Miscellaneous	**3,795**	2,885
Professional Fees	**17,117**	8,000
	34,037	13,510
Income Before Income Taxes		
Deferred Income Tax Expense (Recovery) - Note 6	-	-
Net Income and Comprehensive Income	$ -	$ -

The accompanying notes on pages 5 to 15 are an integral part of these financial statements.

CREDITLOANS CANADA CAPITAL INC.

STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

Year Ended December 31, 2015 and
Period from Incorporation on April 24, 2014 to December 31, 2014

	Common Shares Outstanding		Retained	Total Shareholder's
	Shares	Amount	Earnings	Equity
Balance, on incorporation April 24, 2014	100	$ 10	$ -	$ 10
Net Income and Comprehensive Income	-	-	-	-
Balance, December 31**, 2014**	100	10	-	10
Net Income and Comprehensive Income	-	-	-	10
Balance, December 31**, 2015**	100	$ 10	$ -	$ 10

The accompanying notes on pages 5 to 12 are an integral part of these financial statements.

CREDITLOANS CANADA CAPITAL INC.

STATEMENT OF CASH FLOWS

Year Ended December 31, 2015 and Period from Incorporation on April 24, 2014 to December 31, 2014	**2015**	April 24, 2014 to December 31, 2014
Cash Provided By (Used For):		
Operating Activities		
Net Income (Loss) for the Period	$ -	$ -
Adjustments for:		
Deferred Income Tax Expense (Recovery)	-	-
Net Finance Income	**(34,037)**	(13,510)
	(34,037)	(13,510)
Changes in Non-cash Working Capital Items:		
Accounts Payable and Accrued Liabilities	**54,979**	10,625
Prepaid Expenses	**1,380**	(1,380)
Loan Fees Received from Creditloans Canada Financing Inc.	**75,859**	15,296
Interest Received on Loan from CLC Financing	**15,686**	-
Interest Paid on Bonds	**(20,535)**	-
	93,332	11,031
Investment Activities		
Issuance of Loan to Creditloans Canada Financing Inc.	**(3,231,500)**	(165,000)
Loan Repayment from Creditloans Canada Financing Inc.	**35,000**	-
	(3,196,500)	(165,000)
Financing Activities		
Proceeds from Issuance of Bonds	**3,195,500**	165,000
Repayment of Bonds	**(35,000)**	-
Payment of Offering Costs	**(134,482)**	(63,905)
Issuance of Common Shares	-	10
Net Advances from Creditloans Canada Financing Inc.	**76,991**	53,014
	3,103,009	154,119
Change in Cash and Cash Equivalents	**(159)**	150
Cash and Cash Equivalents - beginning of year	**150**	-
Cash (Bank Indebtedness) - end of year	**$ (9)**	$ 150

The accompanying notes on pages 5 to 15 are an integral part of these financial statements.

1. Corporate Profile

Creditloans Canada Capital Inc.(the "Company") was incorporated under the laws of the Province of British Columbia, Canada on April 24, 2014. The Company is a wholly-owned subsidiary of Knightswood Financial Corp.("Knightswood"), a public company listed on the TSX Venture Exchange under the symbol KWF. The Company is domiciled in Canada with it's registered and principal business offices located at 2000 - 1500 W. Georgia Street, Vancouver, British Columbia.

The Company was established for the purpose of offering bonds and loaning the proceeds of these bonds to Creditloans Canada Financing Inc. ("CLC Financing") for the purpose of meeting CLC Financing's need for capital to make loans to its customers.

During the year the Company issued $3,231,500 (2014 - $165,000) in bonds and loaned $3,231,500 (2014 - $165,000) to CLC Financing by means of Junior Loan Agreement.

The Company intends to charge fees described in note 4(b) in amounts that are adequate on an annual basis to fund its expenses.

2. Basis of Preparation

(a) Statement of Compliance

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

Basis of measurement and going concern - The Company's financial statements have been prepared on the historical cost basis.

The accompanying financial statements have been prepared on a going concern basis. The application of the going concern basis of presentation assumes that the Company will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business. The Company, as described in note 9, is economically dependent on CLC Financing. Management believes based the ability of CLC Financing to make loans, that the Company will be able to continue as a going concern for the foreseeable future.

(b) Functional and Presentation Currency

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

(c) Use of Estimates and Judgements

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the amounts reported in the financial statements and accompanying disclosures. Although these estimates are based on management's knowledge of current events and actions the Company may undertake in the future, actual results may differ from these estimates.

2. Basis of Preparation - continued

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.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in the following notes:

- Note 2 Going concern

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

- Note 4 Valuation of receivables and amounts due from CLC Financing
- Note 9 Fair value of financial instruments

3. Significant Accounting Policies

The significant accounting policies set out below have been applied in these financial statements, unless otherwise indicated.

(a) Finance Income and Finance Costs

Finance income comprises loan interest and loan fees that are charged on the loan to CLC Financing. Interest income is recognized as it accrues in profit or loss, using the effective interest method. Annual loan fees are based on amounts agreed to between the Company and CLC Financing. The annual loan fees are recognized over the term of the loan and are equal to the total offering and administrative costs incurred by the Company for its offering of bonds. Finance costs are comprised of interest expense on the bonds payable. The interest expense is recognized in profit or loss using the effective interest method.

(b) Income Taxes

Income tax expense is comprised of current and deferred tax. Current tax and deferred tax are recognized in profit or loss or items recognized directly in equity or in other comprehensive income.

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

Deferred tax is recognized in respect of 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 current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

3. Significant Accounting Policies - continued

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they 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.

(c) Financial Instruments

(i) Non-derivative Financial Assets

The Company initially recognizes loans and receivables and deposits on the date that they are originated.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

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

The Company has the following non-derivative financial assets:

Loans and Receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Loans and receivables are comprised of cash and cash equivalents and amounts receivable from CLC Financing.

Cash and cash equivalents are comprised of cash balances and call deposits with original maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Company’s cash management are included as a component of cash for the purpose of the statement of cash flows.

(ii) Share Capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

3. Significant Accounting Policies - continued

(iii) Non-derivative Financial Liabilities

The Company initially recognizes debt securities issued and subordinated liabilities on the date that they are originated.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

Other Financial Liabilities

Other financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

Other financial liabilities are comprised of accounts payable and accrued liabilities, Bond interest payable, and Bonds payable. Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

(d) Impairment

(i) Financial Assets (including receivables)

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

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, or indications that a debtor or issuer will enter bankruptcy.

The Company considers evidence of impairment for receivables at a specific asset level. All individually significant receivables are assessed for specific impairment.

In assessing collective impairment, the Company uses information available to determine the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management’s judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by information available.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset’s original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

3. Significant Accounting Policies - continued

(e) New standards and interpretations not yet adopted

(i) IFRS 9 - Financial Instruments

The Company will be required to adopt IFRS 9, Financial Instruments, which is the IASB's project to replace IAS 39. IFRS 9 is required to be applied for years beginning on or after January 1, 2018 with early adoption permitted, and will provide new requirements for the classification and measurement of financial assets and liabilities, impairment and hedge accounting. The Company has not yet assessed the impact of this standard.

4. Related Party Transactions

(a) Loan due from Creditloans Canada Financing Inc. (the "Bond Issuer Loan")

The gross proceeds from the sale of each Junior Bond is advanced to Creditloans Canada Financing Inc. as borrowings under the Junior Loan agreement. Each borrowing bears interest at the same rate as such Bond and matures on the same maturity date as such Bond. The Loan consists of the following sub-components:

At December 31		2015		2014
Current Loan Receivable				
Loan from Junior Series A Bonds These Loans bear interest at a rate ranged from 9% to 12% per annum and mature on the first anniversary of the date on which the Loan is issued.	**$**	**332,500**	$	35,000
Loan from Rescinded Bonds These Bonds were rescinded effective December 31, 2015 per Deed of Rescission.		**36,000**		-
		368,500		35,000
Non-Current Loan Receivable				
Loan from Junior Series B Borrowing These Loans bear interest at a rate ranged from 11% to 14% per annum and mature on the third anniversary of the date on which the Loan is issued.		**2,680,000**		70,000
Loan from Junior Series C Borrowing These Loans bear interest at a rate of 14% per annum and mature on the fifth anniversary of the date on which the Loan is issued.		**313,000**		60,000
		2,993,000		130,000
	$	**3,361,500**	$	165,000

The executive management and directors of the CLC Financing are also the executive management and directors of the Company.

The Junior Loan Agreements are secured by a general security interest granted by CLC Financing on all of its personal property including its book of consumer finance loans pursuant to the Junior General Security Agreement.

4. Related Party Transactions - continued

Management has considered the valuation and collectability of this loan in view of the financial position and performance of the CLC Financing and has determined that no impairment loss of the carrying amount has occurred as at December 31, 2015.

During the current year, the Company earned interest income of $103,299 (2014 - $3,346). As of December 31, 2015, the amount receivable is $90,959 (2014 - $3,346).

(b) Loan Fees Received from Creditloans Canada Financing Inc.

Annual loan fees are charged to CLC Financing for all costs and expenses incurred by the Company or paid by CLC Financing on behalf of the Company and consist of two components:

(i) A loan commitment fee equal to 0.5% of the amount of the loan outstanding, payable quarterly in arrears. During the year, the Company earned loan commitment fees of $6,281 (2014 - $206).

(ii) An annual loan fee which will aggregate, over the term of the loan, an amount equal to the following components: costs and expenses incurred in connection with the bond offering, including legal and audit fees, as well as selling commissions and administrative fees. During the year, the Company incurred offering costs of $95,842 (2014 - $54,171) and commission fees of $38,640 (2014 - $9,735). The amortization of offering costs and commission fees are $24,251 (2014 - $5,653) and $17,663 (2014 - $522), respectively. During the year, the Company earned annual loan fees of $75,859 (2014 - $15,090).

The amounts advanced from CLC Financing to the Company to cover its costs are included in Due to CLC Financing Inc. and are without interest or specific terms of repayment.

(c) Transactions with Key Management Personnel

(i) During the year, the Company incurred administration fees of $13,125 (2014 - $2,625), pursuant to an administrative service agreement, paid to Knightswood, the Company's parent company. The entire amount was paid by CLC Financing.

(ii) During the year, the Company incurred consulting fees included in deferred financing costs of $1,523, paid to a corporation with a common director of the Company.

(iii) At December 31, 2015, 100 Junior B(1) Series Bonds totaling $50,000 are held by one of the directors of CLC Financing. The interest rate is payable at 14%, which is 1% higher than the Junior B Series (13%) to offset the commission fees that otherwise be paid.

(iii) At December 31, 2015, 5,000 Junior B Series Bonds totaling $2,500,000 are held by one of the shareholders and credit facility providers of CLC Financing. The interest rate is payable at 14%, which is 1% higher than the Junior B Series (13%) to offset the commission fees that otherwise be paid.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the consideration established and agreed to by the related parties.

5. Bonds Payable

During the year, the Company issued 6,463 (2014 - 330) Bonds which consist of 665 (2014 - 70) Series A, 5,220 (2014 - 40) Series B, 0 (2014 - 100) Series B1, and 578 (2014 - 120) Series C (the "Bonds") for proceeds of $3,231,500 (2014 - $165,000). The interest is payable monthly in arrears on the 10th day after the end of each calendar month except if the bondholder elects to reinvest the interest. Where the election is made, interest will be accrued, compounded and made payable at maturity.

The Company grants, mortgages, charges, pledges, and assigns unto the Collateral Agent for the benefit of the Bondholders a security interest in all of the Company's right, title and interest in and to the Collateral. The Collateral Agent agrees that all of its right, title and interest in and to the Collateral shall be solely for the benefit of the Bondholders.

As at December 31		**2015**		2014
Current Bonds Payable				
Junior Series A Bonds These Bonds bear interest at a rate ranged from 9% to 12% per annum and mature on the first anniversary of the date on which the Bond is issued.	**$**	**332,500**	$	35,000
Less: Unamortized Offering Costs		**(3,311)**		(1,079)
	$	**329,189**	$	33,921
Non-current Bonds Payable				
Junior Series B Bonds These Bonds bear interest at a rate ranged from 11% to 14% per annum and mature on the third anniversary of the date on which the Bond is issued.	**$**	**2,680,000**	$	70,000
Junior Series C Bonds These Bonds bear interest at a rate of 14% per annum and mature on the fifth anniversary of the date on which the Bond is issued.		**313,000**		60,000
		2,993,000		130,000
Less: Unamortized Offering Costs		**(151,468)**		(61,040)
	$	**2,841,532**	$	68,960

The effective interest rate, including the effects of offering costs is approximately 19.3%. The interest expense and amortization of offering costs for the year ended December 31, 2015 were $103,299 (2014 - $3,346) and $41,822 (2014 - $1,786), respectively, which are included in interest expense.

6. Deferred Income Taxes

As at December 31		
Deferred Income Tax Asset		
Non-capital Losses Carried Forward	**$ 2,301**	$ 2,859
Deferred Income Tax Liability:		
Bond Offering Costs	**$ (2,301)**	$ (2,859)

The Company has non-capital losses of approximately $8,350 available for deduction against future taxable income. These losses, if not utilized will expire in 2034 and 2035. It is management's opinion that the benefit of these losses will be realized through future years' taxable income.

7. Share Capital

As at December 31				**2015**
		Number of Shares		
Description		Authorized	Issued	$
Class A	Common voting shares	unlimited	100	**$ 10**
Class B	Common non-voting shares	unlimited	-	-
Class C	Common non-voting shares	unlimited	-	-
Class D	Preferred shares	unlimited	-	-
				$ 10

All the common shares have been issued to the Company's parent entity, Knightswood Financial Corp. ("Knightswood") and have been fully paid.

8. Capital Management

The Company's capital is comprised of share capital and the Bond payables. The Company's capital structure is reviewed and approved by its board of directors periodically and the main objective of the Company's capital management is to ensure that the capital structure complies with investment and debt restrictions pursuant to the Offering Agreements. The Company has no minimum and no maximum offering, the Bonds will be offered on a continuous basis. All proceeds from the Offering are loaned by the Company to CLC Financing to fund its consumer loan portfolio.

The capital structure consisted of the following components:

As at December 31	**2015**	2014
Bonds Payable	**$ 3,170,721**	$ 102,881
Share Capital	**10**	10
	$ 3,170,731	$ 102,891

8. Capital Management - continued

During the year ended December 31, 2015, the carrying value of the Bonds payable changed due to amortization of deferred offering costs relating to the Bonds. There was no change in the face value of the Bonds.

The Company is not subject to any externally imposed capital requirements.

9. Financial Instruments and Financial Risk Management

Fair value of financial instruments

A number of the Company's accounting policies require the measurement of fair values. When measuring the fair value of an asset or a liability, the Company uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly;

Level 3 – inputs for the asset or liability that are not based on observable market data, (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The fair value of the aggregate amounts receivable from CLC Financing and Bonds payable are determined based on their respective interest rates. These rates incorporate the credit risks of CLC Financing and the Company which are unobservable and therefore classified as level 3. The Company does not have any financial assets or liabilities that are carried at fair value.

Risk management framework

The overall responsibility for the establishment and oversight of the Company's risk management policies resides with the board of directors.

The Company's risk management policies are established to identify, analyze and manage the risks faced by the Company and to implement appropriate procedures to monitor risks and adherence to established controls. Risk management policies and systems are reviewed periodically in response to the Company's activities and to ensure applicability.

In the normal course of business, the main risks arising from the Company's financial instruments include credit risk, liquidity risk, and market risk. These risks, and the actions taken to manage them, include:

9. Financial Instruments and Financial Risk Management - continued

Credit risk

Credit risk is the risk of financial loss to the Company arises from cash and cash equivalents held at the bank and the failure of another party to meet its contractual obligations related to a financial instrument.

As at 2014, the Company's credit risk primarily originates from, and is particularly concentrated in, the risk with respect to the Bond Issuer Loan and receivables from CLC Financing. This risk originates with the credit risk of CLC Financing associated with the failure of its customers to meet its contractual obligations related to loan agreements.

Management performs ongoing credit evaluation and in view of the projections of cash flows of the CLC Financing, management has determined there is currently no impairment of the amounts receivable from CLC Financing. The Company's maximum exposure to credit risk at 2014 is $3,452,459 (2014 - $168,346), comprised of amounts receivable from CLC Financing.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its contractual obligations as they fall due. The Company manages liquidity risk by continually monitoring actual and projected cash flows of the Company in conjunction with CLC Financing's (a related party the Company is economically dependent on) actual and projected cash flows to ensure that it will always have sufficient financial resources available to meet its liabilities and the liabilities of CLC Financing as they become due. This includes monitoring of cash and cash equivalents, current receivables and payables, and non-current liabilities as they become current in both entities. The Company has also arranged to have maturity dates of Loans due from CLC Financing concurrent to Bonds. The Company charges loan interest and other fees sufficient to make cash payments of interest and other expenses as they come due. Payments required under, and maturity of, Bonds payable are disclosed in note 5.

Market risk

Market risk is the risk that changes in market prices, such as interest rates, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Interest rate risk

Interest rate risk arises from the possibility that the value of, or cash flows related to, a financial instrument will vary as a result of changes in market interest rates. The Company manages its financial instruments with the objective of mitigating any potential interest rate risks. The interest rates on the loans due from CLC Financing and the Bonds payable are fixed. Therefore, the Company is not exposed to any significant interest rate risk during their term to maturity. The Company faces interest rate risk at the maturity date of the loan and the Bonds payable should refinancing be required.

10. Economic Dependence

The Company is economically dependent on CLC Financing. Substantially all of the Company's assets are comprised of amounts due from CLC Financing and all of the Company's revenue is derived from CLC Financing.

11. Subsequent Events

Subsequent to year end the Company issued $538,500 in Junior Series C bonds and $85,500 in Junior Series A Bonds for total proceeds of $624,000.

CREDITLOANS CANADA FINANCING INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2015 and 2014

CONTENTS **Page**

CLAASSEN
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Creditloans Canada Financing Inc.

We have audited the accompanying financial statements of Creditloans Canada Financing Inc., which comprise the statement of financial position as at December 31, 2015, and 2014, and statements of comprehensive loss, changes in shareholders' deficit and cash flows for the years ended December 31, 2015 and 2014, and a summary of significant accounting policies and other explanatory information.

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

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

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

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

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of Creditloans Canada Financing Inc. as at December 31, 2015, and 2014, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of matter
Without modifying our opinion, we draw attention to note 2 in the financial statements which indicate Creditloans Canada Financing Inc. is a early stage company and has sustained losses in the years ended December 31, 2015, and 2014. As a result Creditloans Canada Financing Inc.'s ability to generate profitable operations in the future is uncertain. These conditions, along with matters set forth in note 2 in the financial statements indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Claassen Partners Inc.

Chartered Professional Accountants

April 22, 2016
Richmond, British Columbia

CREDITLOANS CANADA FINANCING INC.

STATEMENT OF FINANCIAL POSITION

As at December 31	**2015**	2014
Assets		
Cash	**$ 2,114,474**	$ 74,437
Amounts Receivable - Note 5	**36,612**	63,094
Loans Receivable - Note 6	**3,252,913**	1,528,064
Other Assets	**238,722**	27,223
Property and Equipment - Note 7	**55,978**	9,141
Intangible Assets - Note 8	**462,740**	282,462
Due from Creditloans Canada Capital Inc. - Note 4(c)	**75,626**	35,603
	$ 6,237,065	$ 2,020,024
Liabilities and Shareholders' Deficit		
Liabilities		
Revolving Credit Facility - Note 10	**$ -**	$ 1,119,900
Accounts Payable and Accrued Liabilities	**409,102**	195,487
Due to Creditloans Canada Capital Inc. - Note 4(a)	**3,452,459**	168,346
Shareholders' Notes Payable - Note 11	**-**	1,000,374
	3,861,561	2,484,107
Shareholders' Deficit		
Share Capital - Note 12	**2,685,468**	61
Contributed Surplus	**950,596**	-
Deficit	**(1,260,560)**	(464,144)
	2,375,504	(464,083)
	$ 6,237,065	$ 2,020,024

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

Approved on Behalf of the Board

(signed) Ali Pourdad
Ali Pourdad, Director

(signed) David Gens
David Gens, Director

CREDITLOANS CANADA FINANCING INC.

STATEMENT OF COMPREHENSIVE LOSS

Year Ended December 31	2015	2014
Revenue		
Interest Income	$ 1,002,506	$ 594,526
Interest and Financing Expense	(449,477)	(178,159)
Net Interest Income	553,029	416,367
Non-Interest Revenue	353,374	151,569
Net Revenue	906,403	567,936
Loan Losses - Note 6	256,384	176,258
Gross Profit	650,019	391,678
Expenses		
Administration - Note 13	118,671	54,267
Advertising and Promotion	47,196	12,367
Collections	975	6,712
Consulting Fees	53,118	36,026
Occupancy	85,356	38,401
Salaries and Benefits	808,524	405,178
Technology	67,294	47,399
Underwriting	59,055	38,555
	1,240,189	638,905
Depreciation and Amortization		
Depreciation of Property and Equipment	9,904	3,135
Amortization of Intangible Assets	196,342	13,288
Impairment Loss	-	42,155
	206,246	58,578
Net Loss and Comprehensive Loss	$ 796,416	$ 305,805

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

CREDITLOANS CANADA FINANCING INC.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIT)

	Share Capital	Contributed Surplus	Retained Earnings (Deficit)	Total Shareholders' Equity (Deficit)
Balance, December 31, 2014	$ 14	$ -	$ (158,339)	$ (158,325)
Net Loss and Comprehensive Loss	-	-	(305,805)	(305,805)
Common Shares Issued	47	-	-	47
Balance, December 31, 2014	61	-	(464,144)	(464,083)
Net Loss and Comprehensive Loss	-	-	(796,416)	(796,416)
Common Shares Issued	630,000	-	-	630,000
Preferred Shares Issued	1,709,441	-	-	1,709,441
Shareholder Loan Converted to Common Shares	345,973	667,795	-	1,013,768
Class B Common Shares Redeemed	(7)	-	-	(7)
Stock Based Compensation	-	32,913	-	32,913
Warrants Issued	-	249,888	-	249,888
Balance, December 31, 2015	$ 2,685,468	$ 950,596	$ (1,260,560)	$ 2,375,504

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

CREDITLOANS CANADA FINANCING INC.

STATEMENT OF CASH FLOWS

Year Ended December 31	**2015**	**2014**
Cash Provided By (Used For):		
Operating Activities		
Net Income (Loss) for the Period	$ **(796,416)**	$ (305,805)
Adjustments for:		
Depreciation and Amortization	**206,164**	16,423
Amortization of Deferred Finance Costs	**94,495**	-
Impairment, Net	-	42,155
Loan Losses	**256,384**	176,258
Interest Income	**(1,002,506)**	(594,526)
Interest Expense	**349,594**	160,328
Accounts Payable and Accrued Liabilities	**222,234**	157,085
Amounts Receivable	**12,270**	(22,883)
Other Assets	**(39,220)**	(24,370)
Deferred Transaction Costs	**(76,052)**	(28,653)
Repayments of Loans Receivable, Net of Bad Debt	**2,000,985**	987,294
Share-based Payments	**32,913**	-
Loans Receivable Issued	**(3,982,217)**	(1,980,349)
Interest Income Received	**1,016,719**	557,066
Interest and Finance Expense Paid	**(277,504)**	(79,356)
	(1,982,157)	(939,333)
Investment Activities		
Purchase of Property and Equipment	**(56,659)**	(7,683)
Purchase of Intangible Assets	**(376,620)**	(287,242)
	(433,279)	(294,925)
Financing Activities		
Proceeds from Share Issuance	**2,403,988**	47
Proceeds from Notes Payable	-	750,000
Repayment of Revolving Credit Facility	**(1,125,000)**	422,519
Net Advances from Creditloans Canada Capital Inc.	**3,176,485**	114,942
	4,455,473	1,287,508
Increase in Cash	**2,040,037**	53,250
Cash - beginning of year	**74,437**	21,187
Cash - end of year	$ **2,114,474**	$ 74,437

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

1. Corporate Profile

Creditloans Canada Financing Inc. [the "Company"] was incorporated under the laws of the Province of British Columbia, Canada on January 4, 2013. The Company is domiciled in Canada with its registered and principal business offices located at 2000 - 1500 W. Georgia St., Vancouver, British Columbia.

The Company is a consumer finance business, which offers, through two flagship brands, urLoan™ and progressa™, unsecured term loans to customers across Canada, with the exception of Quebec and Nova Scotia.

2. Basis of Preparation

(a) Statement of Compliance

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

The Company presents its statement of financial position on a non-classified basis in order of liquidity.

(ii) Basis of measurement and going concern - the Company's financial statements have been prepared on the historical cost basis.

The accompanying financial statements have been prepared on a going concern basis. The application of the going concern basis of presentation assumes that the Company will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

During the year, the Company has raised over $3 million of equity and secured $7 million revolving in credit facilities. Along with anticipated revenue, management has determined that the Company has adequate resources to continue as a going concern for the foreseeable future.

(b) Functional and Presentation Currency

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

2. Basis of Preparation - continued

(c) Use of Estimates and Judgments

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the amounts reported in the financial statements and accompanying disclosures. Although these estimates are based on management's knowledge of current events and actions the Company may undertake in the future, actual results may differ from these estimates.

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.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in the following notes:

- Note 2 Going Concern

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

- Note 3(d) Impairment
- Note 3(f) Property, Equipment and Depreciation
- Note 3(g) Intangible Assets and Amortization
- Note 3(i) Share-based Compensation Plan
- Note 5 Valuation of amounts due from Creditloans Canada Capital Inc.
- Note 16 Fair value of financial instruments

3. Significant Accounting Policies

(a) New standards and interpretations not yet adopted

(i) IFRS 9 - Financial Instruments

The Company will be required to adopt IFRS 9, *Financial Instruments*, which is the IASB's project to replace IAS 39. IFRS 9 is required to be applied for years beginning on or after January 1, 2018 with early adoption permitted, and will provide new requirements for the classification and measurement of financial assets and liabilities, impairment and hedge accounting. The Company has not yet assessed the impact of this standard.

(ii) IFRS 15 - Financial Instruments

In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers*, which clarifies the principles for recognizing revenue and cash flows arising from contracts with customers. The standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted, and is to be applied retrospectively. The Company has not yet assessed the impact of this standard.

3. Significant Accounting Policies - continued

(b) Revenue Recognition

(i) Interest revenue from consumer loans receivable is recognized when earned using the effective interest rate method, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument, but not future credit losses.

(ii) Non-interest revenue consists primarily of the sale of insurance products and other fees, all of which are recognized when earned.

(c) Financial Instruments

(i) Non-derivative Financial Assets

The Company initially recognizes loans and receivables and deposits on the date that they originate.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

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

Cash and cash equivalents are comprised of cash balances and term deposits with original maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash for the purpose of the statement of cash flows.

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method less any impairment losses, but not future losses.

Loans and receivables are comprised of cash and cash equivalents, interest and other amounts receivable from customers, consumer loans and amounts receivable from Creditloans Canada Capital Inc.

(ii) Share Capital

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

3. Significant Accounting Policies - continued

(iii) Non-derivative Financial Liabilities

The Company initially recognizes debt securities issued and subordinated liabilities on the date that they originate.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expired.

Other financial liabilities are recognized initially at fair value, net of any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

Non-interest bearing financial liabilities, such as accounts payable and accrued liabilities, are carried at the amount owing.

Other financial liabilities are comprised of accounts payable and accrued liabilities, interest payable, loans payable and shareholders' notes payable. Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

(d) Impairment

(i) Financial Assets (including receivables)

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

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, or indications that a debtor or issuer will enter bankruptcy.

The Company considers evidence of impairment for receivables at a specific asset level. All individually significant receivables are assessed for specific impairment.

In assessing collective impairment, the Company uses information available to determine the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management’s judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by information available.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset’s original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

3. Significant Accounting Policies - continued

(ii) Impaired Loans

Loans are classified as impaired when, in the opinion of management, there is reasonable doubt as to the collectibility; either in whole or in part, of principal or interest or when principal or interest is past due 30 days. Management evaluates impairment monthly on a loan by loan basis.

When a loan is identified as impaired, the carrying amount of the loan is reduced, in proportion to the length of time the loan is delinquent. In subsequent periods, recoveries of amounts previously reduced and any increase in the carrying value of the loan are credited to the provision for loan losses included in profit and loss. The allowance for loan losses consists of both specific allowances on impaired loans, and general allowances. General allowances are based on management's assessment of probable, unidentified losses in the portfolio that have not been captured in the determination of specific allowances. At the end of each period, management compares its total actual recording of doubtful loans against its general allowance and book a further provision (recovery) to its statement of income and deficit.

(iii) Change in Accounting Estimate

Accounting estimates are made by management regarding the collectibility of impaired loans. Management's previous practice was to write-off loans against the allowance when the Company has ceased further enforcement activities. During current year, management changed the basis for making this estimate based on its historical experience. As a result of this change, principal or interest past due 120 days are written off against the allowance for loan losses, reducing the gross receivable and allowance account. Continuing enforcement activities resulting in a recovery are recognized in profit and loss when realized.

The effect of this change in accounting estimate is recognised prospectively by adjusting the carrying amount of the loan receivable and the allowance of loan losses. It is impracticable to estimate the effect of this change in future periods.

(iv) Impairment of Non-Financial Assets

The Company assesses, at each reporting date, whether there is indication that an asset or Cash Generating Unit ("CGU") may be impaired. A CGU is defined as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

If an indication of impairment exists or when annual testing for an asset is required, the Company estimates the asset's or CGU's recoverable amount. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset or CGU is considered impaired, an impairment loss is recognized in profit and loss, writing down the asset or CGU to its recoverable amount. In assessing the recoverable amount, management estimates the asset's or CGU's value in use, based on the estimated future cash flows of the asset or CGU discounted to their present value using a discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset.

Previously recognized impairment losses are reversed in profit and loss, only if there has been a change in the assumptions used to determine the asset or CGU's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount does not exceed its recoverable amount or the carrying amount that would have been determined, net of amortization, had no impairment loss been recognized for the asset or CGU in prior years.

3. Significant Accounting Policies - continued

(e) Income Taxes

Income tax expense is comprised of current and deferred tax. Current tax and deferred tax are recognized in profit or loss or items recognized directly in equity or in other comprehensive income (loss).

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

Deferred tax is recognized in respect of 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 current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they 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.

(f) Property, Equipment and Depreciation

Property and equipment acquired are stated at cost, net of accumulated depreciation and accumulated impairment losses. Upon sale or retirement of such assets, the cost and related accumulated depreciation are eliminated from the accounts and the resulting gain or loss is reflected in comprehensive income.

Amortization is recorded using the following rates and methods over the estimated useful lives of the assets: Computer Equipment - two years; Furniture and Equipment - five years.

(g) Intangible Assets and Amortization

Intangible assets are recorded using the cost model. Intangible assets acquired are stated at cost, net of accumulated depreciation and accumulated impairment losses. Upon sale or retirement of such assets, the cost and related accumulated depreciation are eliminated from the accounts and the resulting gain or loss is reflected in comprehensive income.

Intangible assets are classified based on their useful life as follows:

- Indefinite life: no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the Company.
- Finite life: a limited period of benefit to the Company.

Amortization is recorded as follows: Intangible assets with an indefinite life - not depreciated, but tested for impairment annually; Intangible assets with a finite life - straight-line over the useful life of the asset. Software assets have estimated useful lives between one and five years.

3. Significant Accounting Policies - continued

(h) Development Costs

Development costs, including those related to the development of software, are recognized as an intangible asset when the Company can demonstrate the following:

- the technical feasibility of completing the intangible asset so that it will be available for use;
- its intention to complete and its ability to use or sell the asset;
- how the asset will generate future economic benefits;
- the availability of resources to complete the asset; and
- the ability to measure reliably the expenditure during development.

Following initial recognition of the development expenditure as an asset, the cost model is applied, requiring the asset to be carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of the expected future benefit. During the period of development, the asset is tested for impairment annually.

(i) Share-based Payment

Stock Options

The Company measures equity settled stock options based on their fair value at the grant date using the Black-Scholes option pricing model. Measure inputs are based on management's judgments and estimates, which include the Company's share price on the measurement date, the exercise price of the option or warrant, the expected volatility of the Company's shares, the expected life of the options or warrants, expected dividends and the risk-free rate of return. Expected forfeitures are estimated at the date of grant and subsequently adjusted if further information indicates actual forfeitures may vary from the original estimate. The subsequent adjustment is recognized in comprehensive loss.

Compensation expenses are recognized over the vesting period with a corresponding increase in contributed surplus. Consideration received on the exercise of stock options is recorded as share capital and the amount in contributed surplus associated with the exercised option are transferred from contributed surplus to share capital.

Warrants

Warrants are issued as share-based payment in exchange of goods or services received by the Company are accounted for as equity-settled share-based payments transactions. The Company measures warrants using the same method as stock options.

When the goods or services received in a share-based payment transaction do not quality for recognition as assets, they shall be recognised as expenses, and a corresponding increase in contributed surplus. Consideration received on the exercise of warrants is recorded as share capital and the amount in contributed surplus associated with the exercised warrants are transferred from contributed surplus to share capital.

(j) Comparative Figures

2014 figures have been reclassified where necessary to conform to current presentation.

4. Related Party Transactions

(a) Loan due to Creditloans Canada Capital Inc. (the "Bond Issuer Loan")

The gross proceeds from the sale of each Junior Bond sold by Creditloans Canada Capital Inc. ("CLC Capital"), is advanced to the Company as borrowings under the Junior Loan agreement. Each borrowing bears interest at the same rate as such Bond and matures on the same maturity date as such Bond. The Loan consists of the following sub-components:

At December 31	2015	2014
Current Loan Payable		
Loan from Junior Series A Bonds These loans bear interest at a rate ranged from 9% to 12% per annum and mature on the first anniversary of the date on which the Loan is issued.	$ **332,500**	$ 35,000
Rescinded Bonds Payable These Junior C Bonds were rescinded effective December 31, 2015 per a Deed of Rescission agreement. The resulting amount payable was settled subsequent to year end.	**36,000**	-
Current Interest Payable	**55,111**	1,219
	423,611	36,219
Non-Current Loan Payable		
Loan from Junior Series B Bonds These loans bear interest at a rate ranged from 11% to 14% per annum and mature on the third anniversary of the date on which the Loan is issued.	**2,680,000**	70,000
Loan from Junior Series C Bonds These loans bear interest at a rate of 14% per annum and mature on the fifth anniversary of the date on which the Loan is issued.	**313,000**	60,000
Non-Current Interest Payable	**35,848**	2,127
	2,993,000	132,127
	$ **3,452,459**	$ 168,346

The executive management and directors of the CLC Capital are also the executive management and directors of the Company.

The Junior Loan Agreements are secured by a general security interest granted by CLC Financing on all of its personal property including its book of consumer finance loans pursuant to the Junior General Security Agreement.

During the year ended December 31, 2015, the Company incurred interest expense of $103,299 (2014 - $3,346) across all series of loans. At December 31, 2015, there was interest payable of $90,959 (2014 - $3,346).

4. Related Party Transactions - continued

(b) Loan Fees Paid to Creditloans Canada Capital Inc.

Annual loan fees are charged to the Company by CLC Capital and consist of two components:

(i) A loan commitment fee equal to 0.5% of the amount of the loan outstanding, payable quarterly in arrears. During the year, the Company incurred loan commitment fees of $6,281 (2014 - $206).

(ii) An annual loan fee which will aggregate, over the term of the loan, an amount equal to the following components: costs and expenses incurred in connection with the bond offering, including legal and audit fees, as well as selling commissions and administrative fees. During the year ended December 31, 2015 the Company incurred annual loan fees of $50,817 (2014 - $15,090).

(c) Due from Creditloans Canada Capital Inc.

The Company advanced CLC Capital funds to cover its costs related to its bond issuance. As the amounts are without interest and expected not to be collected within one year, the carrying value has been discounted to its present value using a rate of 14% over an expected repayment term of five years.

At December 31	**2015**	2014
Amount Advanced to Creditloans Canada Capital Inc.	**$ 130,005**	$ 53,014
Less: Effective Interest Rate Discount	**(54,379)**	(17,411)
	$ 75,626	$ 35,603

(d) Transactions with Key Management Personnel

	December 31, 2015		December 31, 2014	
Transaction Type	**Transaction Amount, Net**	**Y/E Balance Payable**	Transaction Amount, Net	Y/E Balance Payable
Salaries and Short-term Benefits	**$ 220,688**	**$ -**	$ 198,810	$ -
Consulting Fees	**189,475**	**-**	61,972	8,978
Share-based Payments	**31,875**	**-**	-	-
Loans and Related Interest	**9,345**	**26,681**	66,588	720,650

These transactions involve key management personnel ("KMP") and entities over which they have control.

On March 3, 2015 the Company converted existing shareholder loans, with an aggregate face value of $955,000, plus accrued interest of $81,904, to 230,649 common shares. Of those amounts KMP held Loans and interest of $720,650 and close family members of KMP held loans and interest of $138,953.

Consulting Fees were based on normal market rates for such services and were due and payable under normal payment terms. During 2015, $173,956 of consulting fees were capitalized to intangible assets.

4. Related Party Transactions - continued

(e) Other Related Party Transactions

Transaction Type	**December 31, 2015** Transaction Amount, Net	**December 31, 2015** Y/E Balance Payable	December 31, 2014 Transaction Amount, Net	December 31, 2014 Y/E Balance Payable
Transactions with Significant Influence Entities				
Demand Operating Facility and Interest	$ **101,918**	$ -	$ -	$ -
Share Based Payments	**249,888**	-	-	-
Transactions with Close Family Members of KMP				
Demand Operating Facility and Interest	**18,440**	-	51,507	1,133,620
Shareholder Loans and Related Interest	**1,708**	-	9,715	137,245

During 2015, the Company paid off the existing loan facility (the "Demand Operating Facility-Gens") with Radik and Ewa Gens in full.

During 2015, the Company entered into three credit facilities under an Inter-Creditor Agreement with Conconi FT Holdings Ltd ("Conconi"), Lysander Properties Ltd ("Lysander") and Cypress Hills Origination I Limited Partnership ("Cypress Hills"). See note 10 for further details.

The terms and conditions of these transactions were no more favourable than those available, or which might reasonably be expected to be available, in similar transactions with unrelated companies on an arm's length basis.

Conconi, Lysander and Cypress Hills cumulatively hold 30.5% of the outstanding voting shares of the Company at December 31, 2015 and have representation on the board of directors.

5. Amounts Receivable

As at December 31	**2015**	2014
Loan Interest Receivable	$ **24,676**	$ 38,889
Loan Related Fees Receivable	**6,687**	18,774
Other Receivables	**5,249**	5,431
	$ **36,612**	$ 63,094

Management expects to realize all amounts no more than 12 months from the reporting date.

6. Loans Receivable

As at December 31	2015	2014
Loans Receivable	**$ 3,306,476**	$ 1,736,587
Acquisition Costs	**13,252**	599
	3,319,728	1,737,186
Allowance for Loan Losses	**(66,815)**	(209,122)
	$ 3,252,913	$ 1,528,064
Current	**$ 1,919,219**	$ 901,558
Non Current	**1,333,694**	626,506
	$ 3,252,913	$ 1,528,064

Loans Receivable represent amounts advanced to customers of the Company. Loan terms generally range from 6-48 months.

Changes in the allowance for loan losses are summarized below:

Year Ended December 31	2015	2014
Allowance for Loan Losses - Beginning	**$ 209,122**	$ 15,079
Net Amounts Written Off Against Allowance	**(389,962)**	17,914
Increase in Allowance	**247,655**	211,957
Allowance for Loan Losses - Ending	**$ 66,815**	$ 209,122

During the year, management changed the basis for its estimate of collectibility of impaired loan receivables. This change in estimates affects the net amounts written off against allowance, gross loans receivable and allowance for loan losses on a prospective basis. See note 3(d)(iii) for further details.

7. Property and Equipment

As at December 31	Cost	Accumulated Amortization	2015 Net Book Value	2014 Net Book Value
Furniture and Equipment	$ 21,825	$ 1,923	$ 19,902	$ 3,954
Computer Hardware	47,746	11,670	36,076	5,187
	$ 69,571	$ 13,593	$ 55,978	$ 9,141

Changes in the carrying values of property and equipment are summarized below:

Year Ended December 31	2015	2014
Carrying Value - Beginning	$ 9,141	$ 4,593
Additions	56,659	7,683
Depreciation	(9,822)	(3,135)
Carrying Value - Ending	$ 55,978	$ 9,141

8. Intangible Assets

As at December 31	Cost	Accumulated Amortization	2015 Net Book Value	2014 Net Book Value
Computer Systems and Software	$ 654,205	$ 198,782	$ 455,423	$ 277,054
Intellectual Property	7,317	-	7,317	5,408
	$ 661,522	$ 198,782	$ 462,740	$ 282,462

Changes in the carrying values of intangible assets are summarized below:

Year Ended December 31	2015	2014
Carrying Value - Beginning	$ 282,462	$ 50,663
Additions	376,620	287,242
Amortization	(196,342)	(13,288)
Impairment, net	-	(42,155)
Carrying Value - Ending	$ 462,740	$ 282,462

The Company continued to invest in customized computer systems and software during 2015. The systems have an expected useful life of 2 years.

9. Deferred Income Taxes

Year Ended December 31		**2015**		2014
Statutory tax rate		**13 %**		13 %
Income (Loss) Before Income Taxes	**$**	**(796,416)**	$	(305,805)
Income Tax Expense (Recovery) at Statutory Rate		**(107,516)**		(41,284)
Non-Deductible Expenses		**13,690**		374
Change in Deferred Assets and Liabilities		**93,826**		40,910
Total Income Tax Expense	**$**	**-**	$	-

The Company's deferred tax assets are as follows:

As at December 31		**2015**		2014
Deferred Income Tax Assets				
Non-capital Losses Carried Forward	**$**	**171,030**	$	68,970
Capital and Intangible Assets		**(36,040)**		(16,960)
Allowance for Loan Losses		**900**		2,820
Financing Costs		**5,460**		7,150
SR&ED		**11,080**		-
Other		**3,596**		220
		156,026		62,200
Unrecognized Deferred Tax Assets		**(156,026)**		(62,200)
Deferred Income Tax Assets	**$**	**-**	$	-

The Company has accumulated non-capital losses of approximately $1,273,089 available for deduction against future taxable income. These losses expire as follows:

2033	**$**	**155,776**
2034		**358,880**
2035		**758,433**
	$	**1,273,089**

10. Revolving Credit Facility

As at December 31		2015	2014
Revolving Credit Facility	$	-	1,125,000
Less: Deferred Financing Costs		-	(5,100)
	$	-	$ 1,119,900

During the current year, the Company paid off its demand revolving operating credit facility with Radik and Ewa Gens in full.

On January 28, 2015, the Company entered into a revolving operating line of credit facility with Conconi FT Holdings Ltd. ("Conconi"), of up to $1,500,000 and Lysander Properties Ltd. ("Lysander"), of up to $1,500,000, each at an interest rate of 12% per annum and subject to a inter-creditor agreement.

On November 30, 2015, the Company entered into revolving operating credit facilities with Cypress Hills for up to $3.0 million at an interest rate of 12% per annum. Simultaneously, the Company amended its agreements with Conconi for and Lysander Properties Ltd. increasing each credit facility to $2.0 million. The three facilities are subject to an inter-creditor agreement with pari passu priorities among the lenders. The operating facilities are secured by a general security agreement creating a security interest in all personal property of the Company.

Significant covenants and terms related to the operating facilities are as follows:

- Upon providing written notice to the borrower, the lender may amortize the credit facility, beginning six months after delivery of such notice. The outstanding principal amount of the credit facility would then be converted into a 12 month amortized term loan, carrying an interest rate of 15% per annum.
- Permit the principal outstanding under the Outstanding Balance, the Co-Loans and any other secured debt less cash and cash equivalents to exceed 85% of the sum of eligible receivables.
- Permit the Advance Rate, as defined as the principal amount of the Credit Facility outstanding plus the principal amount of the Co-Loans outstanding less the amount of cash and cash equivalents of the Borrower divided by the Eligible Receivables, to exceed 65%.

11. Shareholders' Notes Payable

As at December 31	**2015**	2014
Series 1 Notes payable with interest calculated annually and payable quarterly, commencing April 1, 2014 at a rate of 9% per annum. The full principal plus accrued interest is payable on demand anytime after March 31, 2023.	$ -	$ 55,000
Series 2 Notes payable with interest calculated annually and payable quarterly, commencing April 1, 2014 at a rate of 9% per annum. The full principal plus accrued interest is payable on demand anytime after July 31, 2023	-	150,000
Series 3 Notes payable with interest calculated annually and payable quarterly, commencing April 1, 2015 at a rate of 9% per annum. The full principal plus accrued interest is payable on demand anytime after March 31, 2024.	-	250,000
Series 4 Notes payable with interest calculated annually and payable quarterly, commencing June 1, 2015 at a rate of 9% per annum. The full principal plus accrued interest is payable on demand anytime after May 31, 2024.	-	500,000
	-	955,000
Accrued Interest Payable	-	68,798
Deferred Finance Charges	-	(23,424)
	$ -	$ 1,000,374

On February 28, 2015, the Company converted existing shareholder loans with an aggregate face value of $955,000 of principle, to common shares.

12. Share Capital

	Number of Shares	Amount
Common Shares		
Balance, December 31, 2014	-	$ -
Converted from Class A Common Shares	1,433,825	54
Converted from Shareholders' Loan	230,649	345,973
Shares Issued on March 10, 2015	446,805	630,000
Shares Issued on Oct 6, 2015	11,920	100,000
Converted to Preferred Shares	(11,920)	(100,000)
Balance, December 31, 2015	2,111,279	$ 976,027
Class A Common Shares		
Balance, December 31, 2013	1,000,000	$ 10
Class A Common Shares Issued	433,825	44
Balance, December 31, 2014	1,433,825	54
Renamed as Common Shares	(1,433,825)	(54)
Balance, December 31, 2015	-	$ -
Class B Common Shares		
Balance, December 31, 2013	400,002	$ 4
Class B Common Shares Issued	33,334	3
Class B Common Shares Redeemed	(3)	-
Balance, December 31, 2014	433,333	7
Class B Common Shares Redeemed	(433,333)	(7)
Balance, December 31, 2015	-	$ -
Preferred Shares		
Balance, December 31, 2014	-	$ -
Preferred Shares Issued	588,916	1,902,195
Share Issue Costs	-	(192,754)
Balance, December 31, 2015	588,916	1,709,441
Total	2,700,195	$ 2,685,468

13. Administrative Expenses

Year Ended December 31	2015	2014
Accounting & Legal	$ 63,634	$ 22,997
Banking Fees	22,893	14,895
Insurance	9,734	7,420
Office Supplies	7,247	1,867
Recruitment Costs	3,584	-
Miscellaneous Expenses	3,414	593
Business Fees & Licenses	3,191	4,345
Moving Expenses	2,221	-
Payroll Service Fees	1,493	1,008
Courier & Postage	1,260	1,142
	$ 118,671	$ 54,267

14. Share-based Compensation Plan

(a) Options

The Company had reserved 314,463 common shares for issuance under Stock Option Agreements with eligible employees, directors, officers and consultants of the Company.

The fair value of the options were estimated using the Black-Scholes option-pricing model.

	Options Outstanding	Weighted Average Grant Date Fair Value $	Weighted Average Exercise Price $	Options Exercisable	Weighted Average Exercise Price $
As at December 31, 2013	125,000	-	0.00001	**125,000**	0.00001
Options Granted	-	-	-	-	-
As at December 31, 2014	125,000	-	0.00001	**125,000**	0.00001
Options Granted	201,463	1.25000	1.41000	-	1.41000
Option Forfeited	(12,000)	-	-	-	-
As at December 31, 2015	314,463	0.75312	0.84952	**125,000**	0.00001

The above noted options have maturity dates ranging from July 2020 to November 2025.

The fair value of each option granted was estimated using the Black-Scholes option pricing model with the following assumptions:

Year Ended December 31	2015	2014
Exercise Price	$0.00001 - 1.41	$0.00001
Grant Date Fair Value	$0 - 1.25	$0
Risk-free Interest Rate	0.50%	0.50%
Expected Life	10 years	7 years
Expected Volatility in Market Price of Shares	100%	100%
Expected Dividend Yield	0%	0%
Expected Forfeiture Rate	0%	0%

14. Share-based Compensation Plan - continued

(b) Warrants

The Company issued 237,032 warrants in connection with the credit facilities and the preferred share capital.

	Warrants Outstanding	Weighted Average Grant Date Fair Value ($)	Weighted Average Exercise Price ($)
As at December 31, 2014	-	-	-
Warrants Granted	237,032	1.05424	3.84547
As at December 31, 2015	237,032	1.05424	3.84547

The fair value of each warrant granted was estimated using the Black-Scholes option pricing model with the following assumptions:

Year Ended December 31	**2015**	2014
Exercise Price	$1.41	0
Grant Date Fair Value	$0.65 - 2.87	$0
Risk-free Interest Rate	0.50%	0.50%
Expected Life	3.5 - 10 years	5 years
Expected Volatility in Market Price of Shares	100%	100%
Expected Dividend Yield	0%	0%
Expected Forfeiture Rate	0%	0%

15. Contingent Liabilities and Commitments

On October 20, 2015 the Company, in conjunction with a related party under common directorship, entered into a 10 year lease agreement for office space at 2000-1500 West Georgia, Vancouver, BC commencing January 1, 2016. The total future minimum lease payments for the next 5 years are $322,000 per annum with an option to cancel the lease after 5 years. The Company contributed 50% of the lease cost as part of its sharing arrangement in 2015.

16. Financial Instruments and Financial Risk Management

Recognition and Measurement of Financial Instruments

The Company classified its financial instruments as follows:

Financial Instruments	Category	Measurement	December 31, 2015	December 31, 2014
Cash	Cash	Fair Value	**2,114,474**	74,437
Amounts Receivable	Loans and Receivables	Amortized Cost	**36,612**	63,094
Loans Receivable	Loans and Receivables	Amortized Cost	**3,252,913**	1,528,064
Due from Creditloans Canada Capital Inc.	Loans and Receivables	Amortized Cost	**75,626**	35,603
Revolving Credit Facility	Financial Liabilities	Amortized Cost	-	1,119,900
Accounts Payable and Accrued Liabilities	Financial Liabilities	Amortized Cost	**409,102**	195,487
Due to Creditloans Canada Capital Inc.	Financial Liabilities	Amortized Cost	**3,452,459**	168,346
Shareholders' Notes Payable	Financial Liabilities	Amortized Cost	-	1,000,374

Fair value of financial instruments

A number of the Company's accounting policies require the measurement of fair values. When measuring the fair value of an asset or a liability, the Company uses market observable data where possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly;

Level 3 – inputs for the asset or liability that are not based on observable market data, (unobservable inputs).

	Carrying Amount				Fair Value
As at December 31, 2015	Level 1	Level 2	Level 3	Total	Total
Cash	2,114,474	-	-	2,114,474	2,114,474
Amounts Receivable	-	-	36,612	36,612	36,612
Loans Receivable	-	-	3,252,913	3,252,913	3,252,913
Due from Creditloans Canada Capital Inc.	-	-	75,626	75,626	75,626
Revolving Credit Facility	-	-	-	-	-
Accounts Payable and Accrued Liabilities	-	-	409,102	409,102	409,102
Due to Creditloans Canada Capital Inc.	-	-	3,452,459	3,452,459	3,452,459

16. Financial Instruments and Financial Risk Management - continued

	Carrying Amount				Fair Value
As at December 31, 2014	Level 1	Level 2	Level 3	Total	Total
Cash	$ 74,437	$ -	$ -	$ 74,437	$ 74,437
Amounts Receivable	-	-	63,094	63,094	63,094
Loans Receivable	-	-	1,528,064	1,528,064	1,528,064
Due from Creditloans Canada Capital Inc.	-	-	35,603	35,603	35,603
Revolving Credit Facility	-	-	1,119,900	1,119,900	1,119,900
Accounts Payable and Accrued Liabilities	-	-	195,487	195,487	195,487
Due to Creditloans Canada Capital Inc.	-	-	168,346	168,346	168,346
Shareholders' Notes Payable	-	-	1,000,374	1,000,374	467,934

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The fair value of the aggregate amounts receivable from CLC Capital and bonds payable are determined based on their respective interest rates. These rates incorporate the credit risks of CLC Financing and the Company which are unobservable and therefore classified as level 3. Other than cash, the Company does not have any financial assets or liabilities that are carried at fair value.

Risk management framework

The overall responsibility for the establishment and oversight of the Company's risk management policies resides with the board of directors.

The Company's risk management policies are established to identify, analyze and manage the risks faced by the Company and to implement appropriate procedures to monitor risks and adherence to established controls. Risk management policies and systems are reviewed periodically in response to the Company's activities and to ensure applicability.

In the normal course of business, the main risks arising from the Company's financial instruments include credit risk, liquidity risk, and market risk. These risks, and the actions taken to manage them, include:

Credit risk

Credit risk is the risk of financial loss to the Company arising from cash and cash equivalents held at the bank and the failure of another party to meet its contractual obligations related to a financial instrument.

16. Financial Instruments and Financial Risk Management - continued

The maximum exposure to credit risk is represented by the carrying amount of the accounts receivable, consumer loans receivable and amounts due from CLC Capital. The Company provides consumer loans to a large number of individual customers pursuant to policies and procedures that are intended to ensure that there is no concentration of credit risk with any particular individual, company or other entity, although the Company is subject to a higher level of credit risk due to the credit constrained nature of many of the Company's customers and in circumstances where its policies and procedures are not complied with.

The credit risk on the Company's consumer loans receivable made in accordance with policies and procedures is impacted by both the Company's credit policies and the lending practices which are overseen by the Company's senior management. Management performs ongoing credit evaluation and projections of cash flows of the Company. Credit quality of the customer is assessed based on proprietary data driven models, and individual credit limits are defined in accordance with this assessment. The consumer loans are generally unsecured. The Company evaluates the concentration risk with respect to consumer loans as low, as its customer base is diversified among both region and employment industry type. As at December 31, 2015 the Company's net loan portfolio was $3,252,913 (2014 - $1,528,064).

The credit risk related to amounts receivable are managed in accordance with policies and procedures resulting from the possibility of default on interest and fees receivable on consumer loans and other amounts receivable. The Company performs ongoing credit evaluations of consumers and creditors and allows for uncollectible amounts where determined appropriate.

The credit risk related to amounts due from CLC Capital originates with the risk with respect to the bond issuer loans to the Company. Credit risk exists to the extent that CLC Capital will be unable charge loan fees to the Company to offset amounts owing. The risk is limited to the extent that the Company has bond issuer loans owing to CLC Capital in excess of amounts receivable from CLC Capital.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its contractual obligations as they fall due. The Company manages liquidity risk by continually monitoring actual and projected cash flows of the Company in conjunction with Creditloans Canada Capital Inc.'s (a related party economically dependent on the Company) actual and projected cash flows to ensure that it will always have sufficient financial resources available to meet its liabilities and the liabilities of the Company as they become due. This includes monitoring of cash and cash equivalents, current receivables and payables, and non-current liabilities as they become current in both entities. Payments required under, and maturity of, are disclosed as follows:

- Loans due to Creditloans Canada Capital Inc. - Note 5

16. Financial Instruments and Financial Risk Management - continued

The Company believes that the cash flow provided by operations and funds available from the credit facility, bond issuer loans and shareholder notes' payable will be sufficient in the near term to meet operational requirements. In order for the Company to achieve the full growth opportunities available, additional sources of financing over and above the currently available credit facility and shareholder notes' payable are required. There is no certainty that these long-term sources of capital will be available or at terms favourable to the Company.

Market risk

Market risk is the risk that changes in market prices, such as interest rates, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Interest rate risk

Interest rate risk arises from the possibility that the value of, or cash flows related to, a financial instrument will vary as a result of changes in market interest rates. The Company manages its financial instruments with the objective of mitigating any potential interest rate risks.

The interest rates on the shareholders' notes payable and loans due to CLC Capital and underlying bonds payable are fixed, therefore, the Company is not exposed to any significant interest rate risk during their term to maturity. The Company faces interest rate risk at the maturity date of the loans and the bonds payable, should refinancing be required.

The Company's current revolving credit facilities bear a fixed interest rate of 12.00% per annum and therefore, for its period ended December 31, 2015, is not subject to interest rate risk from fluctuations from the prime Bank of Canada rate. As the Company diversifies its funding sources in the future, it may become subject to interest rate risk.

Currency risk

The Company handles all transactions in Canadian dollars and is therefore not subject to currency risk.

17. Subsequent Events

On March 1, 2016 the Company introduced a loan marketplace platform designed to sell tranches of loan originations to outside investors. On April 8, 2016, the Company closed its first sale of the March 2016 loan tranche with an outside investor group. As a result, loans with a carrying value of $618,898 were sold for $710,000. The Company will charge ongoing servicing fees of 2% on all future repayments of principal, interest, and insurance repayments collected from this tranche.

On April 2, 2016, KMP excersiced options to purchase 62,500 shares of the Company for gross proceeds of $0.63.