

BONDHOLDER INSTRUCTION LETTER

IN THE MATTER OF CREDITLOANS CANADA FINANCING INC. and CREDITLOANS CANADA CAPITAL INC. (together, the “Petitioners”)

BONDHOLDER INSTRUCTION LETTER

ALL CAPITALIZED TERMS NOT OTHERWISE DEFINED HEREIN HAVE THE MEANINGS GIVEN TO THEM IN APPENDIX “A” HERETO

The Petitioners have identified you as a Bondholder with a Bondholder Claim against Creditloans Canada Capital Inc. (“**Capital Inc.**”). This Bondholder Instruction Letter provides instruction regarding how to participate in the Claims Process solely in relation to your status as a Bondholder. If you have a Claim against either or both of the Petitioners arising separately from your status as a Bondholder, please refer to the Claims Process Instruction Letter available on the Monitor’s Website at: <https://www.bdo.ca/en-ca/extranets/creditloans/> (the “**Monitor’s Website**”).

1. **Overview of the Claims Process**

On November 6, 2020, on application by the Petitioners, the Supreme Court of British Columbia (the “**Court**”) granted an order (the “**Claims Process Order**”) in the proceedings commenced by the Petitioners under the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36 (Canada) (the “**CCAA**”) authorizing the Petitioners to initiate a process (the “**Claims Process**”) whereby Persons can prove their Claims against the members of the Petitioners and their Directors and Officers.

A copy of the Claims Process Order is posted on the Monitor’s Website.

Participation in the Claims Process is intended for: (i) any Person asserting a Claim (other than an Unaffected Claim) of any kind or nature whatsoever against either or both of the Petitioners, or any of the Directors or Officers, which arose before the Filing Date, and (ii) any Person asserting a Restructuring Claim against either or both of the Petitioners, or any of the Directors or Officers, arising as a result of a disclaimer, rescission or termination, on or after the Filing Date, by either or both of the Petitioners of any contract, agreement or arrangement of any nature whatsoever.

All enquires or questions regarding the Claims Process should be address to the Court-appointed Monitor by email or fax at:

BDO Canada Limited
Court-appointed Monitor of Creditloans Canada Financing Inc. and Creditloans
Canada Capital Inc.
Attention: Ilya Margulis
Fax: 1-888-387-0427
Email: imargulis@bdo.ca

2. **Notice of Bondholder Claim**

Enclosed herewith is a Notice of Bondholder Claim that sets out the number or face value of each Bond held by you or on your behalf, as evidenced by the books and records of Capital Inc. If you do not intend to dispute the Bondholder Claim set forth in the enclosed Notice of Bondholder Claim, you are not required to file a proof of claim in the Claims Process.

3. **For Bondholders Disputing the Notice of Bondholder Claim**

If you intend to dispute the Bondholder Claim set forth in the enclosed Notice of Bondholder Claim, you are required to file a proof of claim, in the form enclosed herewith, and ensure that it is received by the Monitor by 5:00 p.m. (Vancouver time) on November 26, 2020 (the "Claims Bar Date").

Additional proof of claim forms can be found on the Monitor's Website or obtained by contacting the Monitor by email or fax as indicated above and providing your name, address, facsimile number and e-mail address. Once the Monitor has this information, you will receive, as soon as practicable, additional proof of claim forms.

If you are submitting your proof of claim electronically, please submit your proof of claim form, and any accompanying documentation, in one PDF file.

4. **Claims Process Order**

This Bondholder Instruction Letter is provided to assist you in participating in the Claims Process solely in relation to your status as a Bondholder. If anything in this Bondholder Instruction Letter differs from the terms of the Claims Process Order, the terms of the Claims Process Order will govern.

IN ACCORDANCE WITH THE TERMS OF THE CLAIMS PROCESS ORDER, IF YOU DO NOT FILE A PROOF OF CLAIM TO DISPUTE YOUR BONDHOLDER CLAIM WITH THE MONITOR BY THE CLAIMS BAR DATE THEN YOUR BONDHOLDER CLAIM AS SET OUT IN THE NOTICE OF BONDHOLDER CLAIM SHALL BE A PROVEN CLAIM FOR VOTING AND DISTRIBUTION PURPOSES IN THE CCAA PROCEEDINGS.

APPENDIX "A"

DEFINED TERMS

- **"Bonds"** means any of the outstanding bonds issued by Capital Inc. pursuant to the following agreements: (a) a Junior Bondholders Agreement dated June 26, 2014; (b) a Senior Bondholders Agreement dated June 26, 2014; and (c) a Junior Bondholders Agreement dated April 30, 2017;
- **"Bondholder"** means any holder of one or more of the Bonds;
- **"Bondholder Claim"** means any Claim of a Bondholder arising solely in relation to its status as a Bondholder;
- **"CCAA Charges"** means, collectively, the Administration Charge, the Interim Lender's Charge and the D&O Charge (as such terms are defined in the ARIO) and any other charge over the Petitioners' assets created by any other Order of the Court in the CCAA Proceedings.
- **"CCAA Proceedings"** means the proceedings commenced by the Petitioners under the CCAA on the Filing Date in Supreme Court of British Columbia Action No. No. 209798, Vancouver Registry.
- **"Claim"** means: (i) any Pre-Filing Claim, (ii) any Restructuring Claim; or (iii) any Director/Officer Claim, but does not include an Unaffected Claim.
- **"Creditor"** means any Person having a Claim and includes, without limitation, the transferee or assignee of a transferred Claim that is recognized by the Petitioners and the Monitor as a Creditor, or a trustee, liquidator, receiver, manager, or other Person acting on behalf of such Person.
- **"Director"** means any Person who is or was, or may be deemed to be or have been, whether by statute, operation of law or otherwise, a director of either of the Petitioners.
- **"Director/Officer Claim"** means any right or claim of any Person against one or more of the Directors or Officers that relates to a Pre-Filing Claim or a Restructuring Claim, howsoever arising, for which any of the Directors or Officers are by statute or otherwise by law liable to pay.
- **"Filing Date"** means September 30, 2019.
- **"Loan Funders"** means, collectively, ACF Financial Limited Partnership, CHP Master I Limited Partnership, CHP ALT Credit Limited Partnership, Merchant Opportunities Funds Limited Partnership, and Health Smart Financial Services Inc., doing business as "Paybright".
- **"Monitor"** means BDO Canada Limited in its capacity as Court-appointed Monitor of the Petitioners.
- **"Officer"** means any Person who is or was, or may be deemed to be or have been, whether by statute, operation of law or otherwise, an officer of either of the Petitioners.
- **"Person"** means any individual, firm, partnership, joint venture, venture capital fund, association, trust, trustee, executor, administrator, legal personal representative, estate, group, body corporate (including a limited liability company and an unlimited liability company), corporation, unincorporated association or organization, governmental authority, syndicate or other entity, whether or not having legal status.
- **"Pre-Filing Claim"** means any right or claim of any Person that may be asserted or made in whole or in part against either of the Petitioners or a Director of Officer whether or not asserted or made, in connection with any indebtedness, liability or obligation of any kind whatsoever, and any interest accrued thereon or costs payable in respect thereof, in existence on, or which is based on an event, fact, act or omission which occurred in whole or in part prior to the Filing Date, at law or in equity, including by reason of the commission of a tort (intentional or unintentional), any breach of contract

or other agreement (oral or written), any breach of duty (including, without limitation, any legal, statutory, equitable or fiduciary duty), any right of ownership of or title to property or assets or right to a trust or deemed trust (statutory, express, implied, resulting, constructive or otherwise) or for any reason whatsoever against any of the Petitioners or their property or assets, or a Director of Officer, and whether or not any indebtedness, liability or obligation is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, unsecured, present, future, known or unknown, by guarantee, surety or otherwise, and whether or not any right or claim is executory or anticipatory in nature including any right or ability of any Person to advance a claim for contribution or indemnity or otherwise with respect to any matter, action, cause or chose in action whether existing at present or commenced in the future, together with any other rights or claims not referred to above that are or would be claims provable in bankruptcy had the Petitioners become bankrupt on the Filing Date, and for greater certainty, includes Tax Claims; provided, however, that "Pre-Filing Claim" shall not include an Unaffected Claim.

- **"Proven Claim"** means the amount, status and validity of the Claim of a Creditor finally determined in accordance with the Claims Process which shall be final for all purposes, including for voting and distribution purposes under any Plan.
- **"Post-Filing Claim"** means any indebtedness, liability or obligation of either of the Petitioners of any kind that arises after the Filing Date, provided that Post-Filing Claims shall not include any Restructuring Claims
- **"Restructuring Claim"** means any right or claim of any Person against either of the Petitioners in connection with any indebtedness, liability or obligation of any kind whatsoever arising out of the disclaimer or resiliation by the Petitioners of any agreement to which such Person is a party in accordance with Section 32(1) of the CCAA; provided, however, that "Restructuring Claim" shall not include an Unaffected Claim.
- **"Tax Claim"** means any Claim against either of the Petitioners for any Taxes in respect of any taxation year or period ending on or prior to the Filing Date, and in any case where a taxation year or period commences on or prior to the Filing Date, for any Taxes in respect of or attributable to the portion of the taxation period commencing prior to the Filing Date and up to and including the Filing Date. For greater certainty, a Tax Claim shall include, without limitation, any and all Claims of any Taxing Authority in respect of transfer pricing adjustments and any Canadian or non-resident Tax related thereto.
- **"Taxing Authorities"** means Her Majesty the Queen in right of Canada, Her Majesty the Queen in right of any province or territory of Canada, Canada Revenue Agency and any similar revenue or taxing authority of any state, province, territory or other political subdivision in any other jurisdiction outside of Canada.
- **"Unaffected Claim"** means, collectively:
 - any claim of an employee of the Petitioners for wages, including accrued vacation liabilities, but excluding severance or termination pay;
 - any claim secured by any of the CCAA Charges;
 - any claim that cannot be compromised due to the provisions of sections 5.1(2) and 19(2) of the CCAA;
 - any claim in respect of any payments referred to in sections 6(3), 6(5) and 6(6) of the CCAA;
 - all claims by Creditors holding valid and enforceable security interests in any of the assets of the Petitioners;
 - any claims of the Loan Funders; and
 - any Post-Filing Claims.