



COURT FILE NUMBER 1703-12765

COURT COURT OF QUEEN'S BENCH OF ALBERTA

JUDICIAL CENTRE EDMONTON

APPLICANTS SERVUS CREDIT UNION

RESPONDENTS CRELOGIX ACCEPTANCE CORPORATION, CRELOGIX
PORTFOLIO SERVICES CORP., CRELOGIX CREDIT GROUP
INC., KARL SIGERIST, NICHOLAS CARTER, MIKE MCKAY
AND MICHAEL MILLS

AND IN THE MATTER OF THE RECEIVERSHIP OF
CRELOGIX ACCEPTANCE CORPORATION, CRELOGIX
PORTFOLIO SERVICES CORP. AND CRELOGIX CREDIT
GROUP INC.

DOCUMENT **FIRST REPORT OF THE RECEIVER**

AUGUST 10, 2017

ADDRESS FOR SERVICE AND
CONTACT INFORMATION OF
PARTY FILING THIS
DOCUMENT

RECEIVER
ALVAREZ & MARSAL CANADA INC.
Bow Valley Square IV
Suite 1110, 250 – 6th Avenue SW
Calgary, Alberta T2P 3H7
Attention: Jill Strueby/Tim Reid
Telephone: (403) 538-7529 / (403) 538-4756
Email: jstrueby@alvarezandmarsal.com
treid@alvarezandmarsal.com

COUNSEL
Parlee McLaws LLP
1700 Enbridge Centre
10175-101 Street NW
Edmonton, Alberta T5J 0H3
Attention: Jeremy Hockin, QC
Telephone: (780) 423-8532
Fax: (780) 423-2870
Email: jhockin@parlee.com
File: 73150-2

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INTRODUCTION

1. Effective July 6, 2017 (the “Receivership Date”), pursuant to an order of the Court of Queen’s Bench of Alberta (the “Court”) granted in Action No. 1703-12765 (the “Consent Receivership Order”), Alvarez & Marsal Canada Inc. was appointed receiver and manager (the “Receiver”), without security, of all of the current and future assets, undertakings and properties of every nature and kind whatsoever, including but not limited to trust property and wherever situate including all proceeds thereof (the “Property”) of Crelogix Acceptance Corporation (“CAC”), Crelogix Portfolio Services Corp. (“CPS”) and Crelogix Credit Group Inc. (“CCG”) (together, the “Company” or “Crelogix”) pursuant to section 243(1) of the *Bankruptcy and Insolvency Act*, RSC 1985, c. B-3, as amended (the “BIA”) and sections 13(2) of the *Judicature Act*, RSA 2000, c. J-2, 99(a) of the *Business Corporations Act*, RSA 2000, c. B-9 and 65(7) of the *Personal Property Security Act*, RSA 2000, c. P-7 in the within action (the “Receivership Proceedings”).
2. The Receivership Order empowers and authorizes, but does not obligate, the Receiver to, among other things, manage, operate and carry on the business of the Company and to take possession and control of its Property and of any and all proceeds, receipts and disbursements arising out of or from the Property, and to sell, convey, transfer, lease or assign the Property or any part or parts thereof out of the ordinary course of business subject to Court approval as necessary.
3. The purpose of this first report of the Receiver (the “First Report” or “this Report”) is to provide this Honourable Court with information in respect of the following:
 - a) an overview and an operational update of the Company since the Receivership Date;
 - b) the activities, generally, of the Receiver since the Receivership Date;

- c) the opinion prepared by the Receiver's counsel with respect to the trust/security interests of the Funders;
 - d) the sales process initiated by the Company prior to the Receivership Date to sell the Company and/or its Property and the Receiver's intentions with respect to the disposition of the Company's Property;
 - e) the actual cash flow results for the period from July 6, 2017 to August 4, 2017 (the "Reporting Period");
 - f) the proposed distribution of Trust Funds (the "Proposed Interim Distribution");
 - g) the Receiver's request to amend paragraph 16 of the Receivership Order; and
 - h) the Receiver's recommendations.
4. Capitalized words or terms not defined or ascribed a meaning in the First Report are as defined or ascribed a meaning in the Receivership Order.
5. All references to dollars are in Canadian currency unless otherwise noted.

TERMS OF REFERENCE

6. Prior to the Receivership Date, Alvarez & Marsal Canada ULC ("A&M") was engaged as a financial advisor to Servus Credit Union ("Servus") and this engagement was consented to by the Respondents, except Nicholas Carter. The engagement commenced on September 2, 2016 and terminated immediately prior to the Receivership Date. In that role, A&M from time to time reviewed, assessed and reported to Servus on the operations and ongoing viability of the Company, including the strategic review process undertaken by the Company with the assistance of Raymond James ("RJ"), (the "Strategic Review Process").

7. In preparing this First Report, the Receiver has relied primarily upon information obtained prior to the Receivership Proceedings in its role as financial advisor, the representations of certain management and employees of the Company and financial and other information contained in the Company's books and records. The Receiver has not performed an audit, review or other verification of such information.

BACKGROUND AND OVERVIEW

8. CAC and its sister company CPS are the main operating entities. A corporate organization chart is attached as Appendix A.
9. The Company is a non-bank consumer financial services corporation. It provides a range of credit, insurance, and product protection solutions through customer programs it has established with a diverse group of retailers, wholesalers, manufacturers and franchisors (collectively referred to as the "Merchants"). It has active contracts with approximately 1000 Merchants and acquires from the Merchants consumer debt obligations ("Loan Agreements"), and then resells these Loan Agreements to third party financial institutions ("Funders"). Crelogix earns a portion of the interest revenue and that is paid to Crelogix by the Funders at the time of the securitization. There are five principal Funders who have purchased and securitized Loan Agreements.
10. Crelogix through CPS also administers the collection of the indebtedness due on the Loan Agreements on behalf of the Funders in consideration of a monthly administration fee.
11. The Company's head office is in Burnaby, British Columbia. It also has a sales office in Montreal, Quebec and maintained sales staff in Ontario and Alberta. The Receiver has retained the office leases in Burnaby and Montreal to allow it to complete the sale of the assets and continue administrative matters including the

collection and servicing of the approximate 25,000 Loan Agreements with an aggregate receivable value of approximately \$195 million.

12. Commencing in 2016 and continuing into 2017, the Company undertook the Strategic Review Process, including a sales and investment solicitation process ("SISP") conducted by RJ. The SISP generated two offers to purchase at different times throughout the process, however the Company was unable to close either of the offers.
13. Further background to the Company and its financial circumstances is contained in the materials filed in support of and relating to the Receivership Order. These documents and other relevant information have been posted by the Receiver on its website at: www.alvarezandmarsal.com/crelogix (the "Receiver's Website").

Assets and Liabilities

14. The Company holds and administers approximately 25,000 Loan Agreements on behalf of the Funders. As at June 30, 2017 the aggregate receivable from the Loan Agreements was approximately \$192 million and the amount owing by Crelogix to the Funders was approximately \$234 million. The Company remains obligated to repay the entire amount paid by the Funders for the purchase of the Loan Agreements. The amount due to the Funders includes a prepayment of interest on the Loan Agreements, whereas, the amount owing to Crelogix from its customers is principal only and does not include interest payable over the life of the loan.
15. At the Receivership Date, Crelogix held approximately \$16.1 million in its five trust accounts, including a main trust account and four other trust accounts maintained in accordance with provincial legislation that requires Crelogix to maintain a trust account in a province in which it conducts business. Trust accounts were not segregated on a Funder basis.
16. As at the Receivership Date, in addition to the trust assets and liabilities, Crelogix:

- a) had interests in Loan Agreements that were not owned by any Funder, the value of which is still being ascertained by the Receiver including but not limited to approximately \$1.6 million of loans that were made in the three weeks preceding the Receivership and not sold.
 - b) owed secured creditors approximately \$4.5 million, Merchants from the unsecuritized Loan Agreements approximately \$1.6 million and unsecured trade and other creditors approximately \$1.0 million.
17. The expected realization from the Property will not be sufficient to repay in full trust creditors or secured creditors and it is expected that no distributions will be made to unsecured creditors or Merchant creditors although no determination of priority for Merchant creditors has been made.

Employees

18. As at the Receivership Date, Crelogix had 55 employees across Canada, with the majority in Burnaby, followed by Montreal. All of the Company's employment arrangements were terminated by the Receiver as at the Receivership Date. The Receiver entered into new short-term agreements (the "Employment Agreements") with 17 former employees to assist with the accounting, operational, Loan Agreement administration and certain other duties required of the Receiver in the overall administration of the Receivership Proceedings. The Employment Agreements are on substantially the same terms as the previous employment agreements except for the payment of certain retention payments. The Employment Agreements allow for termination at any time without notice. One person was retained in Montreal to assist with operations in Quebec and insure compliance with regulatory requirements. The remainder of the employees retained are in Burnaby and are engaged in the collection and accounting processes.

19. At the date of the Receivership employees were owed one week of salary, unpaid vacation pay and incentive payments for June, 2017. The Receiver paid the one week of salary arrears to all employees to insure those employees required would remain and to reduce the WEPPA priority claim.

INITIAL ACTIVITIES OF THE RECEIVER

20. Since the Receivership Date, the Receiver's activities have included the following, but are not limited to:
- a) attending the Burnaby and Montreal office locations and taking possession and control of the Property, which included obtaining the electronic card passes to the premises, restricting computer access and codes as appropriate, terminating or retaining staff as necessary and generally securing and safeguarding the Property;
 - b) reviewing the results of the SISP process and contacting the two parties that had submitted offers to determine if there was any continued interest;
 - c) following up on unsolicited calls from parties expressing interest in acquiring the Property of Crelogix;
 - d) redirecting mail to the office of the Receiver;
 - e) confirming all known corporate bank accounts including trust accounts and providing the respective bank representatives with notices to freeze all accounts (for deposit only);
 - f) arranging the continued use of the existing trust accounts to ensure continuity of the approximate 25,000 preauthorized payments deposited to the trust accounts on a monthly basis;
 - g) completing a filing index and organizing the various files of the Company located at its head office;

- h) notifying the Company's insurance brokers of the Receivership Order and making arrangements for continuation of the Corporate Insurance Policy (as defined below) and adding the Receiver as a named insured and loss payee, as discussed further below;
- i) assessing eligibility of employee claims under the *Wage Earner Protection Program Act* ("WEPPA") and has commenced preparation of those claims;
- j) arranging and attending at initial meetings with former employees and certain critical suppliers to explain the powers and duties of the Receiver, its role as an Officer of the Court, and to discuss proposed terms of retention to assist the Receiver during the Receivership Proceedings, as necessary for the administration of the receivership and the Receiver's possible further course of action;
- k) engaging the services of employees to ensure that the assets of the Company are preserved, protected and the existing portfolio of Loan Agreements (the "Legacy Portfolio") was operating appropriately;
- l) attending various calls with the Funders to determine if any wished to continue to securitize Loan Agreements in the Receivership to allow the Receiver to continue the Origination Business of Crelogix;
- m) attending various calls with the Funders and secured creditors concerning operational and financial updates of the Company and other matters involving the Receivership Proceedings, generally;
- n) attending daily at the Burnaby office to supervise staff and operations and address various matters that arose as a result of the Receivership, particularly to address the administration of the Legacy Portfolio;

- o) retaining and providing instructions to the Receiver's independent legal counsel, Parlee McLaws LLP ("Parlee"), in respect of the Receivership Proceedings, generally;
- p) reviewing 440 unfunded Loan Agreements ("Unfunded Loan Agreements") made just prior to the Receivership to determine whether Crelogix had any right to continue to collect payments from Unfunded Loan Agreements;
- q) completing a compilation and analysis of trust account sub-ledgers and reconciliation of amounts due to each Funder;
- r) undertaking day to day management of operations of the Company, including contractor supervision and monitoring cash flow to ensure timely payment of trade creditors for services rendered and approved by the Receiver; and
- s) attending numerous and on-going meetings and discussions with various creditors (or their representatives), legal counsel to the Receiver, interested parties, and other stakeholders regarding the Receivership Proceedings, generally.

Statutory Mailing By Receiver

- 21. The Receiver mailed the notices required by sections 245 and 246 of the BIA to the Crelogix creditors and the Office of the Superintendent of Bankruptcy on July 17, 2017 (the "Receiver's Notice"). A copy of the Receiver's Notice can be found on the Receiver's Website.

Canada Revenue Agency (Priority Claims)

- 22. The Receiver understands that as at May 31, 2017, there is no outstanding "pre-receivership" GST owing to the Canada Revenue Agency ("CRA"). It is unknown at this time if any amounts are owing to CRA with respect to the June 2017 GST return; however the Receiver expects the amount to be nil given that Crelogix is

GST exempt. The Receiver believes there are no amounts owing with respect to source deductions. The Receiver will be requesting that the CRA conduct an audit on the Company's source deduction and GST accounts.

OPERATIONAL UPDATE

New Loan Originations

23. In order to originate new loans a funding source is required. Consequently, upon its appointment as Receiver, the Receiver contacted the existing major Funders to determine if they would be prepared to continue funding. The Funders were not interested in continuing to purchase Bulk Assignments during the receivership and consequently the Receiver immediately suspended booking any new loan applications.
24. As discussed below there were approximately \$4.1 million in loans initiated prior to the Receivership, but not funded. The Funders were also not interested in providing funding for those loans.

Administration and Servicing the Legacy Portfolio

25. Upon its appointment as Receiver, the Receiver undertook the following duties to administer and service the Legacy Portfolio:
 - a) retained 17 employees in the accounting, operations, Loan Agreement administration, and collections departments to assist in the administration and servicing;
 - b) sent notice to vendors, including the providers of the loan portfolio software for continuation of services to ensure there were no disruptions in service;
 - c) continued the operation of existing trust accounts to collect payments for the approximate 25,000 funded loan agreements;

- d) suspended PAPs for the approximate 440 unsecuritized loan agreements until contracts were reviewed by the Receiver and its counsel to determine the rights of the consumer, Merchant, and Crelogix;
- e) reinstated the PAPs and collected payments for amounts determined to be collectible under the terms of the Loan Agreement; and
- f) suspended the access of 3rd parties to the loan administration and portfolio maintenance software to maintain integrity and security of the information.

Corporate Insurance coverage

- 26. Crelogix has a comprehensive corporate insurance policy (“Corporate Insurance Policy”) in place with HUB International Underwriters that expires on March 1, 2018, which consists of blanket property coverage, commercial general liability and property, boiler, machinery and business interruption insurance. The total premium is \$15,117 and was in arrears. The total amount was paid on an annual basis by the Receiver.
- 27. The Receiver is now the beneficiary and the loss-payee of the Corporate Insurance Policy.
- 28. There was no Directors and Officers insurance in place as it had terminated some time prior to the Receivership.

Regulatory Requirements

- 29. In order to operate as a consumer finance business, Crelogix is required to be licenced in the various provinces. Crelogix utilized CPS, as the licensed and registered entity to perform collection services.

30. CPS was not in compliance with all of the regulatory requirements particularly relating to providing periodic financial information. The Receiver continues to review the licensing to the extent possible maintain proper regulatory approvals.

FUNDING AGREEMENTS AND FUNDS IN TRUST

Overview of Funding and Securitization Process

31. Crelogix had agreements with five (5) separate credit unions to purchase Loan Agreements ("Funding Agreements") that Crelogix would originate with consumers across Canada. The amounts outstanding to the Funders and the related amount receivable from the Loan Agreements at June 30 assuming the contractual payments for May and June were made are as follows:

Crelogix Acceptance Corp. Loan Balances as at June 30, 2017		
	Amount owing from Consumers	Amount owing to Funders
Beaumont Credit Union	2,105,526	2,472,700
Bow Valley Credit Union	5,022,384	6,025,563
Connect First/Chinook Credit Union	30,865,323	37,921,077
Prospera Credit Union	143,125,455	174,238,146
Servus/Community Credit Union	11,257,305	13,102,619
	<u>\$ 192,375,994</u>	<u>\$ 233,760,106</u>

32. The Funding Agreements set out the relationship and responsibility of the parties, were all in a similar form and provided amongst other things that:
- a) the Funders agreed to purchase the Loan Agreements ("Contracts" as defined in the Funding Agreements) approved by CAC, provided they meet the credit underwriting standards and transaction structuring standards agreed to in the Funding Agreements;
 - b) CAC would acquire the Contracts on a bulk basis and assign them to the Funders by way of Bulk Assignment;
 - c) the Funders would acquire the Contracts on a present value basis, and the assignment value for each Contract would be the

present value of the Contract Payments discounted at a rate that would give each Funder a yield called the Buy Rate (as defined in the Funding Agreement);

- d) CAC agrees, in consideration of a monthly fee, to service the Contracts, including contract origination, customers service, billing, collecting and any other function normally associated with servicing a consumer lending portfolio; and
 - e) all Contract Payments collected by CAC for remittance to a Funder, are to be received by CAC in trust and as agent for the Funder.
33. On at least a weekly basis Crelogix would package up Loan Agreements and prepare a Bulk Assignment to one of the Funders, who would then review and either except the Bulk Assignment or modify it as necessary to meet credit standards.
34. Once the Funder provided the payment to Crelogix, Crelogix would in the normal course remit payment to the Merchant and commence collecting loan payments from the customer via preauthorized payments which had been provided to Crelogix.
35. The customer payments received were deposited to a trust account maintained by CPS, which was the collection entity of Crelogix and licensed in the various provinces to perform collection activity.

Amounts in trust for Funders for May and June, 2017 Collections

36. At the time of the Receivership the Company had not made the monthly remittances to the Funders for May and June 2017 Loan Agreement Collections which were to be remitted on June 10 and July 10 respectively. The collections received continue to be held in the trust accounts by the Receiver.

Reconciliation of May and June Loan Agreement Receipts

37. The Receiver has been reconciling the amounts collected on behalf of each lender. This has been a significant task as there are:

- a) not separate trust accounts for each Funder;
- b) approximately 25,000 loan accounts;
- c) a number of adjustments to the trust accounts each month;
- d) some funds that are not owned by the Funders;
- e) early loan payouts and other payments made regularly by customers;
and
- f) the amount payable by Crelogix to the Funder is not the same as amount collected each month and there is generally a shortfall in receipts. Historically Crelogix has simply made up the shortfall from operating receipts and has not reconciled the trust accounts to the Funder payment in detail.

38. The Receiver has substantially completed the reconciliation, and the amount collected and payable to each Funder versus the contractual payment for May and June 2017 is as follows:

Crelogix Acceptance Corp. Funder Payable Reconciliation for the Month ending May 31, 2017				
	Consumer amount collected	Less \$5 Administration Fee per Loan	Trust Funds Available per Funder	Contractual Amount Payable per Funder
Beaumont Credit Union	63,822	1,965	61,857	64,088
Bow Valley Credit Union	226,872	3,345	223,527	275,004
Connect First/Chinnok Credit Union	1,290,248	16,645	1,273,603	1,374,661
Prospera Credit Union	5,448,344	84,225	5,364,119	6,010,298
Servus/Community Credit Union	509,051	11,515	497,536	538,030
	\$ 7,538,337	\$ 117,695	\$ 7,420,642	\$ 8,262,081
Other amounts in trust	152,110			
Total in Trust on May 31, 2017	\$ 7,690,448			

**Crelogix Acceptance Corp.
Funder Payable Reconciliation
for the Month ending June 30, 2017**

	Consumer amount collected	Less \$5 Administration Fee per Loan	Trust Funds Available per Funder	Contractual Amount Payable per Funder
Beaumont Credit Union	83,599	1,885	81,714	95,009
Bow Valley Credit Union	225,058	3,260	221,798	259,936
Connect First/Chinnok Credit Union	1,206,458	16,525	1,189,933	1,450,720
Prospera Credit Union	5,067,190	85,055	4,982,135	5,600,872
Servus/Community Credit Union	494,901	11,120	483,781	482,946
	\$ 7,077,206	\$ 117,845	\$ 6,959,361	\$ 7,889,483
Amounts in trust at May 31, 2017	7,690,448			
Other amounts in trust	199,396			
Total in Trust on June 30, 2017	\$ 14,967,050			

UNFUNDED PRERECEIVERSHIP LOAN ORIGINATIONS

39. From the middle of June, 2017 to the date of the Receivership the Company had made approximately 440 loans to consumers aggregating approximately \$4.1 million. These loans had not been funded by the Funders and no amounts had been remitted to the Merchant.
40. The Receiver with the assistance of its counsel reviewed each of the Loan Agreement and Merchant contracts to determine the rights of the consumer, the Merchant and Crelogix.
41. In summary, there are two basic Merchant contracts (in both English and French for Quebec Merchants), which together with the Loan Agreements govern the rights of the parties.
42. One of the Merchant Contracts does not appear to require the Merchant to be paid in order for Crelogix to acquire rights under the Loan Agreement assigned to it ("Contract 1"). The second Merchant Contract specifically required the Merchant to be paid for the assignment of the Loan Agreement prior to Crelogix acquiring rights in the Loan Agreement ("Contract 2"). Examples of the English versions of the contracts are attached as Appendices C and D.

43. The Receiver categorized each Loan Agreement as a Contract 1 or Contract 2. Of the total unfunded Loan Agreements 166 were Contract 1 aggregating \$1.6 million and the balance were either Contract 2 or other non template agreements that were not valid unless funded.
44. Contract 2 Merchants have been advised that the loan will not be funded and accordingly they should deal with their customers accordingly but not otherwise interfere with the Receivership process. Some payments on these loans were taken by Crelogix after the date of the Receivership and these will be dealt with in due course through either refund to the affected customer or payment to the Merchant, depending on the circumstances.
45. Contract 1 Merchants have been advised that Crelogix acquired rights in the Loan Agreement and therefore will expect the consumer to honor the Loan Agreement and make the required monthly payments to Crelogix. Crelogix had begun to take monthly payments using the PAP provided. The Merchant has also been advised that due to the intervening Receivership they are an unsecured creditor in the proceedings and they should not interfere with the Loan Agreement. A number of Merchants have contested that position. Accordingly the collections will be held in trust until a determination is made on the entitlement to these collections.

SECURITY OPINION

46. The Receiver anticipates receiving shortly, and in any event prior to appearing before the Court on the application related to the First Report, a written opinion from Parlee, confirming the validity and enforceability of the trust/security interests held by the Funders, over the monies in the trust accounts now in the possession of the Receiver. The Receiver is verbally advised by its legal counsel that that the trust property/security review is substantially complete and, subject to the usual qualifications, the reconciled trust account balances held by Crelogix representing the payments received by it in trust for the various Funders for loan installment payments in May and June, 2017 may be released to the Funders entitled thereto, subject to a holdback for allocation of Receivership expenses, and

to a “clawback” in the event that the Funders’ entitlement is successfully challenged.

MARKETING AND SALE OF CRELOGIX AND ITS PROPERTY

The Pre-Receivership Marketing Process

47. Commencing in early 2016, RJ conducted a broad based sales and marketing process to effectively and thoroughly canvass the market. During the process, RJ contacted 183 companies across Canada, the United States and Internationally.
48. A comprehensive confidential information memorandum (“CIM”) was prepared and other relevant information was assembled and made available in a virtual data room (“VDR”).
49. Proposal submission guidelines were distributed to all interested parties in Early July 2016 advising of relevant terms and that all bids should be submitted by mid July, 2016 (“Initial Bid Deadline”). The following developments resulted, in the months leading up to the Initial Bid Deadline:
 - a) Forty-one (41) confidentiality agreements were signed and received and the parties provided the CIM; and
 - b) Five (5) written proposals were received by the Initial Bid Deadline.
50. There were follow up discussions with each of the five parties, however Crelogix was unable to reach a definitive agreement with any of the parties.
51. Subsequently, in February 2017 another party approached Crelogix and submitted a written proposal and a deposit. After substantial negotiation and considerable time, no definitive agreement was reached and that party withdrew from the process.
52. In May 2017 one of the original offerors resurfaced and submitted a proposal at a substantially reduced price. The proposal also required significant amendments to

the Funding Agreements and accordingly the Funders consent would have been required. Negotiations with that party were ongoing just prior to the Receivership, but it was unlikely a definitive agreement would be reached.

The Receivership Marketing Efforts

53. Given the extensive and broad solicitation process undertaken prior to the Receivership Date, the Receiver's knowledge of the proposals received and because of the critical need to have funders to continue with loan originations and existing Funders agree to substantial amendments to the Funding agreements the Receiver has not undertaken any further solicitation of the Property other than to have discussions with the last two parties submitting proposals prior to the Receivership.
54. One of those parties submitted a proposal to the Receiver and the other has indicated their intention to do so. The proposal received required that the Legacy Portfolio be included in the transaction and that new Funding Agreements be entered into. The Receiver does not have the ability to force the Funders to amend agreements and accordingly has not accepted or proceeded with the proposal.
55. The Receiver has received a number of unsolicited calls inquiring about the sale of the assets and business. Most parties have indicated they require the Legacy Portfolio to be included. A few parties have expressed interest in only the intellectual property and origination business and we continue to dialogue with those parties. However, with the passage of time, the origination business has lost most of its value as Merchants and customers find alternative sources of financing.
56. The Receiver is working closely with the major funders to ensure continuity of the Legacy Portfolio and a means to sell or transition that to a third party to administer the Legacy Portfolio. The Funders have also expressed interest in

taking over the administration on their own and the Receiver is assisting with that analysis and possibility.

RECEIPTS AND DISBURSMENTS – JULY 6, 2017 TO AUGUST 4, 2017

57. The following is a statement of the Receiver's consolidated receipts and disbursements of the Company from the Receiver's operating trust account:

Crelogix Acceptance Corp. Statement of Receipts and Disbursements For The Period from July 6, 2017 to August 4, 2017	
	Total
Receipts	
Receiver's borrowings	\$ 1,000,000
Other receipts	239
Total Receipts	<u>1,000,239</u>
Disbursements	
Lease for offices	30,523
Utilities and services	2,177
Insurance	15,117
Pre Receivership Employee Arrears	93,954
Salaries and wages	93,301
Pre Receivership professional fees and costs	18,743
Total Disbursements	<u>\$ 253,815</u>
Net Cash Flow	<u>\$ 746,424</u>
Cash Position	
Opening Cash Position	-
Closing Cash Position	<u>\$ 746,424</u>

58. There was no opening cash available as at the Receivership Date. The Receiver froze Crelogix' operating bank accounts on the Receivership Date and opened a new Receiver's trust bank account for Crelogix' operations.
59. The Receiver is authorized to borrow \$2.0 million pursuant to the Receivership Order and has initially borrowed \$1.0 million. Approximately \$254,000 has been disbursed to date:

- a) Approximately \$234,000 to operate the Company's business. Of this, approximately:
 - i. \$30,000 relates to office rent paid; and
 - ii. \$17,000 relates to general and administration expenses (including bank charges, production accounting services, internet, telephone, telecommunications, computer services, corporate insurance payments and stationary costs);
 - b) Pre-Receivership employee salary arrears of approximately \$94,000 were paid;
 - c) Approximately \$93,000 in operating employee salaries and costs were paid relating to collections, financial and operations administrator services;
 - d) Pre-Receivership professional fees and costs of approximately \$19,000 were paid to A&M (as advisor to Servus) for services rendered prior to the Receivership Date, and as is allowed for pursuant to paragraph 17 of the Receivership Order; and
 - e) There have been no professional fees and costs paid of the Receiver and its counsel as of the date of this First Report, but are expected to be paid and will be reported in its next report to this Honourable Court.
60. Total cash on hand held by the Receiver as at August 4, 2017 is approximately \$746,000.
61. Total cash held in trust by the Receiver as at August 4, 2017 is approximately \$22.5 million.

RECEIVER'S BORROWINGS AND ALLOCATION OF COSTS

62. Pursuant to paragraph 20 of the Receivership Order, the Receiver has been empowered to borrow up to a cumulative amount of \$2,000,000 (or such greater amount as this Court may further Order).
63. The same paragraph of the Receivership Order provides that Crelogix' Property shall be and is hereby charged by way of a fixed and specific charge (the "Crelogix Borrowings Charge") as security for the payment of the monies borrowed, together with interest and charges, in priority to all security interests, trusts, liens, charges and encumbrances, statutory or otherwise, but subordinate in priority to the Receiver's Charge (as defined in the Receivership Order).
64. Paragraph 21 of the Receivership Order provides that neither the Crelogix Borrowings Charge nor any other security granted by the Receiver in connection with its borrowings under the Receivership Order shall be enforced without leave of the Court.
65. On July 6, 2017 the Receiver issued a Receiver's Certificate in the amount of \$1,000,000 to Servus. A copy of the Receiver's Certificate is attached as Appendix B to this Report.
66. The terms of the Receiver's Certificate include a per annum interest rate of 3% above the prime commercial lending rate of Servus from time to time, which, in the Receiver's view, is commercially reasonable in the circumstances. Pursuant to paragraph 20 of the Receivership order, the Receiver's Certificate No. 1 has a charge over the whole of Crelogix Property by way of a fixed and specific charge as security, as discussed above.
67. Other than the trust funds, there is not likely to be significant realizations to the estate. The Receiver has had discussion with the Funders and with Servus as the senior lender about allocation of the costs to each of the Funders. No agreement has been reached on this point, however, we do want to bring to the Court's attention that the Receiver's Charge includes a charge on the trust property and

that a significant part of the costs of the administration will have to be recovered from the trust property.

PROPOSED INTERIM DISTRIBUTION

68. Pursuant to paragraph 12 of the Receivership Order, the monies collected during the Receivership Proceedings, shall be held by the Receiver to be paid or distributed in accordance with the terms of the Receivership Order or any order of this Court.
69. As previously discussed, the Receiver is advised by its counsel that the Funders' trust claim is valid and enforceable against the trust funds held by the Receiver and ranks in priority to subsequently perfected interests and all unperfected interests of all other creditors other than the Receiver's charge as discussed above.
70. The Receiver has substantial funds held in trust for the benefit of the Funders and does not require all of the funds for the ongoing administration of the estate. Accordingly the Receiver recommends that it be allowed to distribute to the Funders the collections received for May and June 2017 as estimated above, less the \$5.00 a loan administration fee per loan per month ("Service Fee") and an amount, to be determined at the Receiver's sole discretion, to be retained to cover the Receiver's Borrowings, potential claims and future costs of the administration of the estate. The Monthly Service fee will be distributed to the Receiver's general trust account for ongoing administration costs.
71. The Receiver also recommends the Court grant it discretion to distribute to Crelogix, by its Receiver, Merchants and other parties any amounts due on Loan Agreements Crelogix has been servicing on their behalf and accumulating in the trust accounts.
72. The Receiver seeks approval to make further interim distributions to Funders for collections received in July and future months less the \$5.00 a loan administration fee per loan per month ("Service Fee") and an amount, to be determined at the

Receiver's sole discretion, to be retained to cover the Receiver's Borrowings, potential claims and future costs of the administration of the estate.

73. Lastly, any Interim Distributions to be made by the Receiver can, at the Receiver's discretion be made on the basis that the funds may be clawed back in the event of an error or omission in the Interim Distribution made.

AMENDMENT TO RECEIVERSHIP ORDER

74. The Receiver respectfully requests the Court for an Order amending paragraph 16 of the Receivership Order by adding the words:

“[...] in the Receiver's possession or control at the time a claim is made”

at the conclusion of the first sentence thereof in order to further clarify that the limit of the Receiver's liability will be reduced as Property of the Company is realized upon and distributions are made to the creditors or Funders.

RECOMMENDATIONS

75. The Receiver respectfully recommends that this Court approve and grant:
- a) an amendment to paragraph 16 of the Receivership Order; and
 - b) the Proposed Interim Distributions set out in paragraphs 70, 71, 72, and 73.

All of which is respectfully submitted this 10th day of August, 2017

**ALVAREZ & MARSAL CANADA INC.,
in its capacity as Receiver of Crelogix and not in
its personal or corporate capacity**



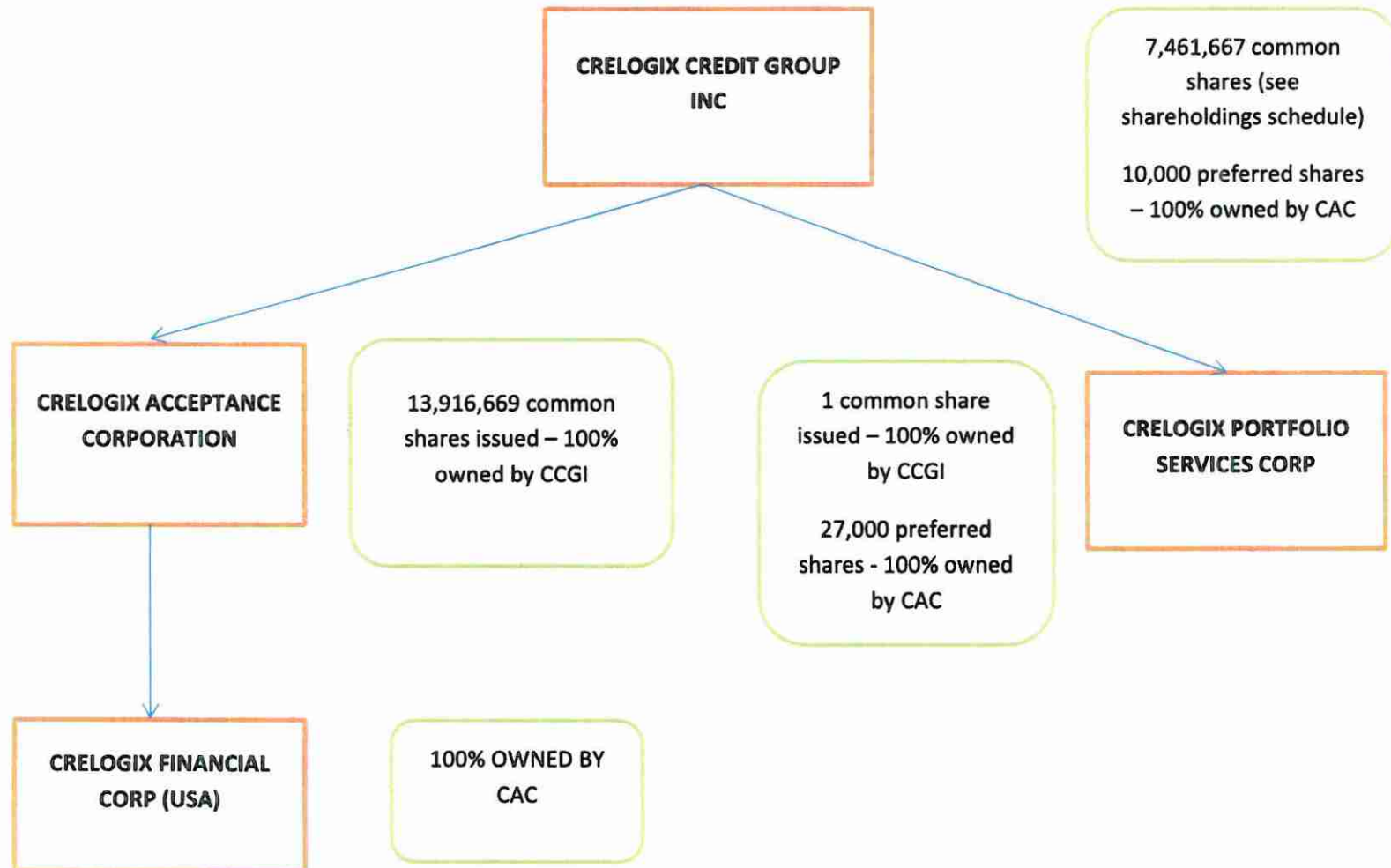
Tim Reid, CPA, CA, CIRP, LIT
Senior Vice President

APPENDIX A

Corporate Organizational Chart

**CRELOGIX CREDIT GROUP
CORPORATE STRUCTURE
AS AT 29 FEBRUARY, 2016**

Appendix A



APPENDIX B

Receiver's Certificate

RECEIVER CERTIFICATE

CERTIFICATE NO. 1

AMOUNT \$1,000,000.00

1. THIS IS TO CERTIFY that Alvarez & Marsal Canada Inc., the receiver (the "Receiver") of all of the assets, undertakings and properties of CRELOGIX ACCEPTANCE CORPORATION, CRELOGIX CREDIT GROUP INC. and CRELOGIX PORTFOLIO SERVICES CORPORATION appointed by Order of the Court of Queen's Bench of Alberta (the "Court") dated the 6th day of July, 2017 (the "Order") made in action number 1703-12765, has received as such Receiver from Servus Credit Union, the holder of this certificate (the "Lender") the principal sum of \$1,000,000.00, being part of the total principal sum of \$2,000,000.00 which the Receiver is authorized to borrow under and pursuant to the Order.
2. The principal sum evidenced by this certificate is payable on demand by the Lender with interest thereon calculated and compounded monthly not in advance on the 1st day of each month after the date hereof at a notional rate per annum equal to the rate of three (3) per cent above the prime commercial lending rate of Servus Credit Union (the "Credit Union") from time to time.
3. Such principal sum with interest thereon is, by the terms of the Order, together with the principal sums and interest thereon of all other certificates issued by the Receiver pursuant to the Order or to any further order of the Court, a charge upon the whole of the Property (as defined in the Order), in priority to the security interests of any other person, but subject to the priority of the charges set out in the Order, and the right of the Receiver to indemnify itself out of such Property in respect of its remuneration and expenses.
4. All sums payable in respect of principal and interest under this certificate are payable at the main office of the Lender at:

Servus Credit Union
C/o Jay Hamblin
151 Karl Clark Road, Edmonton, Alberta
T6N 1H5
5. Until all liability in respect of this certificate has been terminated, no certificates creating charges ranking or purporting to rank in priority to this certificate shall be issued by the Receiver to any person other than the holder of this certificate without the prior written consent of the holder of this certificate.
6. The charge securing this certificate shall operate so as to permit the Receiver to deal with the Property) as authorized by the Order and as authorized by any further or other order of the Court.

7. The Receiver does not undertake, and it is not under any personal liability, to pay any sum in respect of which it may issue certificates under the terms of the Order.

DATED the 6th day of July, 2017.

ALVAREZ & MARSAL CANADA INC.,
solely in its capacity as Receiver of the
Property (as defined in the Order), and not in
its personal capacity



Per: _____
Name: Tim Reid
Title: Senior Vice President

APPENDIX C

Example of Contract 1

Contract 1

Crelogix

Crelogix Merchant Application

BUSINESS INFORMATION:

LEGAL NAME OF MERCHANT: _____
TRADE NAME (DBA): ☐ Different than legal name. IF DIFFERENT: _____
ADDRESS: _____ CITY: _____ POSTAL CODE: _____ PROVINCE: AB
PHONE#: _____ EXT: _____ E-MAIL: _____ WEBSITE: _____
TYPE OF ORGANIZATION: ☐ Corporation ☐ Proprietorship ☐ Partnership ☐ Limited Partnership
ANNUAL SALES: _____ PERCENTAGE OF FINANCED SALES: 0-10%
TYPE OF PRODUCT(S) SOLD: _____ SPONSOR CODE: _____

HOW DO YOU SELL YOUR PRODUCTS? (Check all boxes that apply below):

SALES ARE CONDUCTED AT: ☐ a retail location ☐ a home-based business ☐ at the consumer's home ☐ other: _____
SALES ARE SOLICITED BY: ☐ the owner or an employee of the business either in person, by internet or by phone
☐ The consumer either in person, by internet or phone

PROPRIETOR OR OWNER/PARTNER 1:

FIRST NAME: _____ LAST NAME: _____
TITLE: _____ DATE OF BIRTH: (DD/MM/YY) _____
S.I.N.: _____ PERCENTAGE OF OWNERSHIP: _____ %
ADDRESS: _____ CITY: _____ POSTAL CODE: _____ PROVINCE: AB
PHONE#: _____ EXT: _____ EMAIL: _____

This business has a second owner: ☐ Yes ☐ No

PROPRIETOR OR OWNER/PARTNER 2:

FIRST NAME: _____ LAST NAME: _____
TITLE: _____ DATE OF BIRTH: (DD/MM/YY) _____
S.I.N.: _____ PERCENTAGE OF OWNERSHIP: _____ %
ADDRESS: _____ CITY: _____ POSTAL CODE: _____ PROVINCE: AB
PHONE#: _____ EXT: _____ EMAIL: _____

PORTAL USERS:

NAME USER 1: _____ EMAIL USER 1: _____
NAME USER 2: _____ EMAIL USER 2: _____
NAME USER 3: _____ EMAIL USER 3: _____

Application:

The Merchant and each owner, partner and/or limited partner of the Merchant, authorizes us to use their personal information to respond to any application for our services and to provide our services as well as:

- To determine that person's financial situation by collecting credit and related financial information from our affiliates, strategic partners, credit agencies, other financial institutions and from references provided by that person,
- To facilitate the provision of our services by sharing that person's information with our third party service providers, credit agencies and similar parties connected with our services,
- To investigate potentially fraudulent or questionable activities regarding the use of our services,
- To use the information collected to determine the financial situation of the Merchant and the buyers of goods and/or services from The Merchant,
- To provide the financial services requested herein and offer additional products and services of Crelogix which may be of benefit to The Merchant or the buyers,
- To share the information with assignees, bankers or funding partners of Crelogix and
- To share the information collected and any information on the Merchant's or the buyers' commercial dealings with Crelogix with credit agencies or other financial institutions.

Each person signing below certifies that:

- He or she does so on his or her own behalf and, if the Merchant is a corporation, partnership or limited partnership, on behalf of the Merchant and is authorized by the Merchant to legally bind the Merchant,
- the information given herein is complete and accurate,
- He or she has read the terms and conditions of the Merchant Agreement carefully and he or she hereby applies to be an authorized Merchant of Crelogix.

Signature Owner 1: _____ Signature Owner 2: _____
Printed Name: _____ Printed Name: _____

Crelogix Merchant Agreement Summary:

The Merchant Agreement is made and entered into as of the ____ day of ____ 20____, by and between Crelogix Acceptance Corporation ("Crelogix") and the Merchant identified below ("the merchant").

Legal Name of Merchant:

Trade or Business Name (if any):

Address (Main Corporate Office):

Fax Number:

Contact Name, Title:

The merchant has submitted an Application to Crelogix applying to become a Crelogix Merchant and have Crelogix Service or purchase Contracts between the undersigned and Buyers. Crelogix has accepted the undersigned as a Merchant and the parties wish to deal with the Servicing and purchase of Contracts on the terms and conditions set out in the entire merchant agreement. IN CONSIDERATION of the promises and agreements contained in this Agreement, the parties each agree as follows:

1. Purchase and Service of Contracts: The Merchant may from time to time invite Crelogix to Service or purchase Contracts. Crelogix agrees to review Contracts and Credit Applications submitted to it and to rate the Contracts as Plan A, Plan B, Plan C or Plan D. Contracts rated Plan A or Plan B, will be processed as a Purchase Contract, Contracts rated Plan C or Plan D, will be processed as a Service. After Crelogix has rated a Contract, Crelogix may offer to purchase or Service the Contract. The Offer is conditional and subject to revocation. Crelogix may offer to purchase a Contract rated as Plan C when it makes an Offer or at any time thereafter. Contracts designated as Plan D by Crelogix are not eligible for purchase. An Offer will be open for acceptance by the Merchant, for a period of 30 days.

2. Funding: If the Merchant accepts an Offer to purchase a Contract, the Merchant will assign and Crelogix will purchase for the Purchase Price all right, title and interest of the Merchant in the payments due under and other benefits due from each Purchase Contract and the goods, if any, being sold under the Contract, using such forms of documents as Crelogix may from time to time require. The Merchant will retain and perform all obligations of the Merchant under the Contract. Crelogix will pay the Merchant for each Purchase Contract the Purchase Price along with all applicable taxes within five business days of receiving all the documentation required for a Purchase Contract. If the Merchant has made a misrepresentation regarding a Contract or if the Buyer does not make any payment due in the first 30 days when due, the Merchant will repurchase the Contract for the Purchase Price paid by Crelogix less any amounts actually received by Crelogix, plus an administration fee as set out in the Merchant Rate List. The Merchant will not accept, solicit nor collect monies in respect of a Purchase Contract. If the Merchant accepts an Offer to Service a Contract, Crelogix will provide the following services with respect to the Service Contract: the collection of Accounts Receivable and Delinquent Accounts Receivable; the servicing of Accounts Receivable and Delinquent Accounts Receivable; and the repossession and remarketing of goods and assets seized for non-payment of Delinquent Accounts Receivable. Crelogix may deduct all amounts due to Crelogix as set out in the Merchant Rate List from amounts owing to the Merchant.

3. Representations and warranties: With regard to each Contract sold to Crelogix, the Merchant thereby represents warrants and agrees that: the Merchant has obtained all necessary authorizations from its board of directors, shareholders, partners, members or managers for the making of this Agreement. the Merchant agrees that he has obtained and will maintain throughout the term of this Agreement, any and all licenses and permits required to enter into Contracts and complete the transactions contemplated by this Agreement; the Merchant represents that has provided Crelogix all credit information related to the Contracts and the Buyers, and all such information is true, complete and accurate; each Contract represents an original bona fide sale to the Buyers named therein; is now and will remain free from any liens, encumbrances, claims, defences, right to setoff or counterclaim of any nature. Merchant warrants that each Contract is enforceable against the Buyers and third parties in accordance with its terms; there exists no fact that would impair the Contract's validity or enforceability. Merchant also represents that the goods and/or services and all services agreed by the Merchant and the Buyers to be delivered have been delivered to and accepted by the Buyers and the Merchant has otherwise met all of its obligations to the Buyers;

4. Merchant acts and omissions – Not an agent: The Merchant will have sole responsibility for the underlying sale transaction and for the nature, quality and performance of all goods and services purchased from the Merchant and financed under the Contracts and will indemnify and hold Crelogix harmless from any damage, cost or liability it may suffer with respect to such. Such responsibility includes any liability for any actions or omissions in connection with the sale of goods and services, for failure to deliver goods or perform services, for failure to properly handle, sell or dispose of as agreed any down payment or trade-in or the proceeds thereof, and for any and all representations and warranties, express or implied, made in connection with such goods and services, whether by the Merchant, the manufacturer or provider of the goods and services, or any third party. Nothing contained in this Agreement or in any other communications between the parties will make the Merchant Crelogix' agent or representative for any purpose. The Merchant is not granted any express or implied right to bind Crelogix in any manner.

5. Termination: Either party hereto will have the right at any time upon written notice to the other to terminate this Agreement, but such termination will not affect the obligations of the Merchant or rights of Crelogix as to the Contracts purchased prior to the effective date of termination. Any liability of a party under the terms of this Agreement will survive the termination of this Agreement.

6. Confidential information: The Merchant will treat all information about Crelogix System and Crelogix as Confidential Information and not disclose this information to any other party without the express written consent of Crelogix. The Merchant acknowledges and agrees that the Merchant has access to Confidential Information involving the Crelogix System and damages may not be an adequate remedy for a breach of this Agreement. In the event of a breach involving the disclosure of Confidential Information, Crelogix may, in addition to any other rights and remedies, be entitled to injunctive or other equitable relief.

This signing page constitutes a summary, not the entirety, of the actual Merchant Agreement, for simplicity and clarity to the reader. Crelogix recommends that the signer(s) read the entirety of the Merchant agreement (attached here) prior to signing. In the event of a discrepancy between this summary and the Merchant Agreement, the Merchant Agreement shall be deemed to be correct. Signature of this page constitutes agreement to the terms of the Merchant Agreement in its entirety.

CRELOGIX ACCEPTANCE CORPORATION:

MERCHANT:

Signature: _____

Signature: _____

Name:

Name:

Title:

Title:

Signature: _____

Signature: _____

Name:

Name:

Title:

Title:

MERCHANT AGREEMENT

THIS MERCHANT AGREEMENT is made by and between Crelogix Acceptance Corporation and the undersigned

PRELIMINARY STATEMENTS

The undersigned has submitted a Crelogix Merchant Application to Crelogix applying to become a Crelogix Merchant and have Crelogix Service or purchase Contracts between the undersigned and Buyers.

Crelogix has accepted the undersigned as a Merchant and the parties wish to deal with the Servicing and purchase of Contracts on the terms and conditions set out herein.

IN CONSIDERATION of the promises and agreements contained in this Agreement, the parties each agree as follows:

TERMS AND CONDITIONS

1 INTERPRETATION

1.1 DEFINITIONS

The following terms will have the meanings set forth below.

"Account Receivable" means monies owing to the Merchant in respect of the sale of its goods and/or services.

"Authorized User" means an employee or principal of the Merchant authorized by the Merchant to use the Crelogix system.

"Buyer" means a person who has purchased or will purchase goods and/or services from the Merchant, and includes any guarantor of the Buyer.

"Confidential Information" means all knowledge and information relating to Crelogix, including without limitation, all information regarding Crelogix, all credit criteria, software programs, data, statistical information, business processes and procedures, marketing techniques, pricing and cost information, and any other information which a reasonable person would consider confidential.

"Contract" means a retail installment sale and/or conditional sales contract between the Merchant and a Buyer submitted to Crelogix for purchase or Service.

"Crelogix System" means Crelogix' proprietary online communication and approval system for the consideration and management of Contracts.

"Credit Application" means an application for credit completed by a Buyer and submitted to the Merchant, which sets out complete credit information and transaction details in a form satisfactory to Crelogix, as amended from time to time.

"Delinquent Accounts Receivable" means monies owing to the Merchant in respect of the sale of its goods or services where a payment has been missed.

"Merchant" means the undersigned corporation, partnership or person who submitted a signed Crelogix Merchant Application to Crelogix.

"Merchant Application" means the application whereby the undersigned applied to Crelogix to be a Merchant.

"Merchant Rate List" means the current list of rates, fees and charges as published from time to time by Crelogix.

"Offer" means a conditional offer to Service or purchase Contracts made by Crelogix to the Merchant.

"Purchase Contract" means a Contract that Crelogix has agreed to purchase.

"Purchase Price" means the purchase price for a Purchase Contract as set out in the Offer for that Contract.

"Service", "Serviced" or "Servicing" means the administration of Contracts and collecting monthly payments of the Contracts on behalf of the Merchant.

"Service Contract" means a Contract that Crelogix has agreed to Service.

"Crelogix" means Crelogix Acceptance Corporation.

1.2 SEVERENCE

1.2.1 In the event a part of this Agreement is rendered unenforceable, the remainder of this Agreement will not be thereby rendered unenforceable. The paragraph headings and captions contained in this Agreement are for reference purposes only and will not form a part of this Agreement.

1.3 PRIOR AGREEMENTS

1.3.1 This Agreement supersedes all previous agreements between the Merchant and Crelogix with respect to the purchase and Servicing of Contracts.

2 OVERVIEW OF APPROVAL SYSTEM

2.1 USE OF CRELOGIX SYSTEM

2.1.1 Immediately after entering into this Agreement, the Merchant will provide Crelogix with a list of Authorized Users and from time to time, as such list changes, the Merchant will provide Crelogix with an amended list of Authorized Users.

2.1.2 Crelogix will from time to time issue individual logon identities and passwords for each Authorized User and cancel logon identities and passwords for individual who are no longer Authorized Users. Crelogix will have a reasonable length of time to issue and cancel individual logon identities and passwords and will notify the Merchant when such has been done.

2.1.3 All Authorized Users will use their own logon identity and password. Sharing of logons and passwords between the Authorized Users is a breach of this Agreement.

2.1.4 The Merchant will be bound by the acts and omissions of any Authorized User and indemnifies and holds Crelogix harmless for the acts and omissions of each Authorized User until Crelogix has notified the Merchant that such individual is no longer an Authorized User.

2.1.5 The Merchant acknowledges and agrees that Crelogix has no duty to inquire as to the authority of the person signing on behalf of the Merchant.

2.1.6 The Merchant will treat all information about Crelogix System and Crelogix as Confidential Information and not disclose this information to any other party without the express written consent of Crelogix. The Merchant acknowledges and agrees that the Merchant has access to Confidential Information involving the Crelogix System and damages may not be an adequate remedy for a breach of this Agreement. In the event of a breach involving the disclosure of Confidential Information, Crelogix may, in addition to any other rights and remedies, be entitled to injunctive or other equitable relief.

2.1.7 In the event of a system outage for more than one hour, Credit Applications and Contracts may be faxed to Crelogix. If Credit Applications and Contracts are faxed to Crelogix while Crelogix is operational the Merchant agrees to pay the processing fee for Fax applications as published in the Merchant Rate List.

2.2 OFFERS FOR PURCHASE CONTRACTS AND SERVICE CONTRACTS

2.2.1 The Merchant may from time to time invite Crelogix to Service or purchase Contracts on the terms and condition set out in this Agreement.

2.2.2 The Merchant will invite Crelogix to Service or purchase Contracts by submitting Contracts and Credit Applications to Crelogix using Crelogix.

2.2.3 Crelogix agrees to review Contracts and Credit Applications submitted to it and to rate the Contracts as Plan A, Plan B, Plan C or Plan D.

2.2.4 A Contract rated Plan A or Plan B, will be processed as a Purchase Contract, subject to the terms and conditions contained herein.

2.2.5 A Contract rated Plan C or Plan D, will be processed as a Service Contract, subject to the terms and conditions contained herein.

2.2.6 After Crelogix has rated a Contract, Crelogix may, through Crelogix, Offer to purchase or Service the Contract. The Offer is conditional and subject to revocation. The following is a non-exhaustive list of circumstances where Crelogix may revoke an Offer to purchase:

2.2.6.1 if the application information provided by the Buyers or the Merchant can not be verified by Crelogix;

2.2.6.2 if the physical condition of the goods or services being provided to the Buyer under the Contract is not as the Merchant represented;

2.2.6.3 if the Buyer or Merchant suffers a material adverse change in financial condition; or

2.2.6.4 if Crelogix has not received the following within 30 days:

2.2.6.4.1 the originally signed Contract and an original of any related documents (e.g., Buyers purchase order, notice to guarantor, in correct and complete form properly executed by the Buyers and all other parties, 2.2.6.4.2 all documents required pursuant to section 2.2.10,

2.2.6.4.3 if required, verbal or written verification satisfactory to Crelogix from the insurance agent or carrier of insurance coverage on the goods complying with the terms of the Contract;

2.2.6.4.4 if required, a copy of the application for title,

2.2.6.4.5 if required, copy of any insurance policy or binder, naming Crelogix as beneficiary or additional insured and

2.2.6.4.6 all other documents, in a form acceptable to Crelogix, which Crelogix may require in its sole discretion in connection with the transaction.

2.2.7 Crelogix may offer to purchase a Contract rated as Plan C when it makes an Offer or at anytime thereafter. Contracts designated as Plan D by Crelogix are not eligible for purchase.

2.2.8 An Offer will be open for acceptance by the Merchant, through Crelogix, for a period of 30 days.

2.2.9 If Crelogix offers to purchase a Contract, the Merchant may elect, through Crelogix, to have Crelogix Service the Contract on behalf of the Merchant.

2.2.10 After the Merchant accepts an Offer, the Merchant will execute and deliver to Crelogix instruments and documents, required by Crelogix in connection with the purchase or servicing of the Contract.

3 PURCHASE AND SERVICE OF CONTRACTS

3.1 PURCHASE CONTRACTS

3.1.1 If the Merchant accepts an Offer to purchase a Contract, the Merchant will assign and Crelogix will purchase for the Purchase Price all right, title and interest of the Merchant in the payments due under and other benefits due from each Purchase Contract and the goods, if any, being sold under the Contract, using such forms of documents as Crelogix may from time to time require. The Merchant will retain and perform all obligations of the Merchant under the Contract.

3.1.2 Crelogix will pay the Merchant for each Purchase Contract the Purchase Price along with all applicable taxes within five business days of receiving all the documentation required for a Purchase Contract under section 2.2.10.

3.1.3 If the Merchant has made a misrepresentation regarding a Contract or if the Buyer does not make any payment due in the first 30 days when due, the Merchant will repurchase the Contract for the Purchase Price paid by Crelogix less any amounts actually received by Crelogix, plus an administration fee as set out in the Merchant Rate List.

3.1.4 Crelogix' title to the Contracts and the goods described therein will at all times be superior to any right, title, lien or interest of the Merchant, if any, should the Merchant come into actual or constructive possession of any goods, aside from maintenance on an occasional basis or pursuant to a service contract, the Merchant will immediately notify Crelogix that it has possession of the goods and, if requested by Crelogix, return possession of the goods to Crelogix.

3.1.5 The Merchant will not accept, solicit nor collect monies in respect of a Purchase Contract.

3.2 SERVICE CONTRACTS

3.2.1 If the Merchant accepts an Offer to Service a Contract, the Merchant will, with respect to each Service Contract:

3.2.1.1 submit to Crelogix in a timely manner the Contract (or a true copy thereof), supporting documentation (including chattel and lien registration documents if applicable), current balance, date of next payment, and any cheques and post-dated cheques held for payments of the Accounts Receivable and Delinquent Accounts Receivable;

3.2.1.2 maintain records of Accounts Receivable submitted to Crelogix for collection in accordance with generally accepted accounting principles.

3.2.1.3 if the Merchant receives payment of an Account Receivable the Merchant will immediately remit the same to Crelogix without set off or abatement;

3.2.1.4 all expenses arising from the repossession and subsequent remarketing of any goods as a result of non-payment of the Delinquent Accounts Receivable are for the account of the Merchant, and

3.2.1.5 the Merchant will not accept, solicit nor collect any monies in respect of a Service Contract.

3.2.2 If the Merchant accepts an Offer to Service a Contract, Crelogix will provide the following services with respect to the Service Contract:

3.2.2.1 the collection of Accounts Receivable and Delinquent Accounts Receivable,

3.2.2.2 the servicing of Accounts Receivable and Delinquent Accounts Receivable, and

3.2.2.3 the repossession and remarketing of goods and assets seized for non-payment of Delinquent Accounts Receivable.

3.2.3 During the term of this Agreement, Crelogix will:

3.2.3.1 use its own funds, tools, supplies and equipment in the performance of its services hereunder;

3.2.3.2 post and deposit all payments received in respect of the Service Contract in accordance with generally accepted accounting principles;

3.2.3.3 deposit all monies collected from each Service Contract in a pooled trust account;

3.2.3.4 will remit all amounts due to the Merchant from each Service Contract within 15 days after the end of the month in which the amount was collected by Crelogix;

3.2.3.5 in the event an Account Receivable becomes a Delinquent Account Receivable, mail written delinquent notices and/or use reasonable commercial efforts to contact the Buyers until payment is made or the account is deemed uncollectable, and

3.2.3.6 provide a monthly report on all Service Contracts indicating the amounts collected, Accounts Receivables that have become Delinquent Accounts Receivable, where reasonable collection efforts have been exhausted and the Delinquent Account Receivable deemed uncollectable, where the Buyer has become insolvent.

3.2.4 Crelogix may deduct all amounts due to Crelogix as set out in the Merchant Rate List from amounts owing to the Merchant.

4 REPRESENTATIONS AND WARRANTIES

4.1 MERCHANT REPRESENTATIONS AND WARRANTIES

4.1.1 Each of the representations, warranties, agreements and covenants contained herein are material to Crelogix' purchase or Service of any Contract. With regard to each Contract sold to Crelogix, the Merchant thereby represents, warrants and agrees that:

4.1.1.1 the Merchant has obtained all necessary authorizations from its board of directors, shareholders, partners, members or managers for the making of this Agreement, the completion of the transactions contemplated herein, the Contracts and each related agreement to which the Merchant is a party, and each such document constitutes a valid and binding obligation of the Merchant enforceable against the Merchant in accordance with its terms except as enforcement may be affected by bankruptcy and similar laws affecting creditors' rights generally.

4.1.1.2 the Merchant has obtained and will maintain throughout the term of this Agreement any and all licenses and permits required to enter into Contracts and complete the transactions contemplated by this Agreement;

4.1.1.3 the Merchant has provided Crelogix all credit information related to the Contracts and the Buyers, and all such information is true, complete and accurate;

4.1.1.4 each Contract represents an original bona fide sale to the Buyers named therein, is now and will remain free from any liens, encumbrances, claims, defences, right to setoff or counterclaim of any nature; each Contract is enforceable against the Buyers and third parties in accordance with its terms, there exists no fact that would impair the Contract's validity or enforceability, all statements, facts, numbers and other information in the Contract, the Credit Application and related documents are true, accurate and complete, the Contract, the Credit Application and related documents comply with all federal, provincial, municipal laws, ordinances rules and regulations and have not been altered or modified subsequent to their execution, except for such alterations or modifications as have been acknowledged and initialed by the Merchant and the other parties thereto; the Contract and any guarantee thereof are valid, genuine and correctly and fully state the terms of the transaction between the Merchant and the Buyers.

4.1.1.5 the amounts stated in the Contract to be due will in fact be due and payable at the time or times provided therein free of any claims, defences, setoffs or counterclaims;

4.1.1.6 all disclosures required by law to be made prior to the Buyers signing the Contract or any guarantor signing a guarantee were complete, accurate, timely and properly made, and on the date of the Contract, the Merchant delivered to each Buyer a completed copy of the Contract and any other document required by applicable law to be delivered to the Buyers;

4.1.1.7 each of the signatures on the Contract is valid and genuine; the Buyers are the individuals they represent themselves to be, the Buyers have legal capacity to enter into the Contract, and the Buyers are not minors or incompetent;

4.1.1.8 the Merchant has written authorization from the Buyers to obtain and provide to Crelogix all information regarding the Buyers or prospective Buyers, including, but not limited to, credit reports and any other non-public information; if Crelogix provides the Merchant with any information about the Buyers or prospective purchasers, the Merchant will not disclose such information or use it for any purpose other than to finance the purchase of goods from the Merchant or otherwise to carry out the purposes of this Agreement;

4.1.1.9 the Merchant has made no representations, warranties, statements, claims or comments regarding the finance charge, including obtaining the lowest interest rate available for the Buyers, except those explicitly made in the Contract;

4.1.1.10 the purchase price of the goods and/or services as stated on the Contract represents the fair retail market value of such goods and/or services and has not been overstated or inflated in any way;

4.1.1.11 the Merchant has not and will not charge the Buyers for filing fees or other costs paid by the Merchant to public officials to perfect Crelogix' security interest in the goods and/or services, except where and in the amounts provided for and permitted by law; and the Merchant has remitted all license fees, filing fees, taxes, registration and other related charges to the applicable governmental authorities;

4.1.1.12 the Merchant has remitted any credit insurance, GAP protection, service contract or other fees or premiums to the entities from which they are being purchased such that said policies or contracts are in full force and effect at the time Buyers purchase the goods; and the Merchant has or will deliver any certificates or policies of insurance or notices of proposed insurance in the required period of time (when applicable);

4.1.1.13 the cash sale price and any document preparation fee or similar fees and non-credit-related ancillary products (e.g. service contract, GAP protection) set forth in the Contract are permitted fees and products under all laws and are disclosed as required by law;

4.1.1.14 the goods and/or services and all services agreed by the Merchant and the Buyers to be delivered have been delivered to and accepted by the Buyers and the Merchant has otherwise met all of its obligations to the Buyers;

4.1.1.15 the down payment (exclusive of the trade equity and any manufacturer's rebate) noted in the Contract was made in cash or certified funds, and no part was loaned and or otherwise provided directly or indirectly by the Merchant or anyone connected with the Merchant;

4.1.1.16 the Merchant has not increased the purchase price or cost of financing the goods and/or services financed under any Contract, or taken any other adverse action against an applicant or the Buyers because the applicant or the Buyers are a member of a protected class, as defined by applicable law, nor because the goods and/or services are being sold in a credit transaction, nor has the Merchant engaged in any practice that has an impermissible negative impact on members of any such protected class; the Merchant has complied with all applicable federal, provincial and municipal lending laws and regulations applicable to the Contract and all aspects of the transaction represented by the Contract;

4.1.1.17 the Merchant will comply fully with any adverse action and other notice requirements under federal, provincial and municipal law with respect to applications submitted to Crelogix;

4.1.1.18 the Merchant had good title to the goods and/or services and the right to sell the goods and/or services to the Buyers, and did so, free of all liens, claims and encumbrances, subject only to the Contract;

4.1.1.19 the Merchant has no knowledge of any illegal use of the goods and/or services described in the Contract;

4.1.1.20 the Merchant is not aware of any fact or event, which suggests the prospective uncollectability of the Contract;

4.1.1.21 if required, the Merchant has verified and will provide written evidence, satisfactory to Crelogix, in its sole discretion, that the goods and/or services is covered by legitimate insurance protecting Crelogix' interest in the goods and/or services, such coverage will be in effect for at least 90 days from delivery and names Crelogix as loss payee;

4.1.1.22 the goods and/or services described in the Contract do not have a "salvage" or "branded" title or have not been subject to an insurance company write off;

4.1.1.23 the Merchant, if required by lender, will complete the necessary forms and documents and deliver them, together with the appropriate fees, to those public officials responsible for registration and deliver to Crelogix, within 10 days of the sale of the goods and/or services, documents evidencing the Merchant's and/or Crelogix' security interest and which are sufficient to allow it to exercise its rights against the Buyers, and/or the goods and/or services without further steps on Crelogix' part;

4.1.1.24 the Merchant shall, upon request, cooperate through the provision of information, documents, signing of required forms and otherwise, in connection with the registration and titling of the goods and/or services, and the perfection of Crelogix' first priority perfected security interest; and

4.1.1.25 each Contract is a legitimate contract between arm's length parties.

5 GENERAL

5.1 WAIVER AND MODIFICATION OF CONTRACTS

5.1.1 The Merchant agrees and authorizes Crelogix to, without notice to the Merchant, extend the due dates of payments due or to become due under any Contract, amend any Contract by agreement with the Buyers or otherwise deal with the Buyers or any party obligated to Crelogix in connection with the transaction in whatever manner Crelogix deems reasonable and appropriate, which may affect the Merchant's or Crelogix' obligations under this Agreement. The failure of Crelogix to exercise any right hereunder will not operate as a waiver of said right, but any rights and remedies contained herein will be cumulative and not alternative or exclusive. No waiver, modification or change of this Agreement will be valid unless accepted by Crelogix in writing. The Merchant waives notice of nonpayment, non-performance, notice of acceptance of this Agreement, notice of repossession and all other notices to which it might otherwise be entitled by law.

5.2 REFUNDS / REBATES

5.2.1 The Merchant agrees promptly to refund or rebate any unearned premium or fee upon the early termination of any credit insurance, GAP protection or service contract financed in any Contract purchased by Crelogix hereunder. If requested by Crelogix, such refund or rebate will be paid to Crelogix.

5.3 POWER OF ATTORNEY

5.3.1 The Merchant irrevocably appoints Crelogix and each of its officers as the Merchant's attorney-in-fact and with full power of substitution, to sign the Merchant's name on any document necessary to perfect the security interest of Crelogix in the goods and/or services, to obtain registration and/or title on behalf of the Crelogix or Buyers, and to endorse the Merchant's name on any and all notes, cheques, drafts and other instruments which are made payable to the Merchant with respect to Contracts purchased or Serviced by Crelogix. These grants are coupled with an interest.

5.4 MERCHANT ACTS AND OMISSIONS - NOT AN AGENT

5.4.1 The Merchant will have sole responsibility for the underlying sale transaction and for the nature, quality and performance of all goods and services purchased from the Merchant and financed under the Contracts and will indemnify and hold Crelogix harmless from any damage, cost or liability it may suffer with respect to such. Such responsibility includes any liability for any actions or omissions in connection with the sale of goods and services, for failure to deliver goods or perform services, for failure to properly handle, sell or dispose of as agreed any down payment or trade-in or the proceeds thereof, and for any and all representations and warranties, express or implied, made in connection with such goods and services, whether by the Merchant, the manufacturer or provider of the goods and services, or any third party. Nothing contained in this Agreement or in any other communications between the parties will make the Merchant Crelogix' agent or representative for any purpose. The Merchant is not granted any express or implied right to bind Crelogix in any manner.

5.5 ADVERTISING

5.5.1 The Merchant agrees not to identify Crelogix in any advertising without Crelogix' prior written consent

5.6 SALES TAX CREDIT WHERE DEFAULT

5.6.1 The Merchant acknowledges that the laws of certain provinces permit a credit or refund for sales tax financed by installment sale contracts that go into default. The Merchant agrees that all of its right, title and interest in any refunds related to Contracts purchased by Crelogix hereunder are hereby assigned, transferred and relinquished to Crelogix. Unless prohibited by law, the Merchant agrees that it has not and will not claim a credit or refund with respect to any such Contracts and relinquishes to Crelogix all right to claim such credit or refund. The Merchant agrees that any such credit or refund mistakenly received by the Merchant will be remitted to Crelogix to be applied against the Buyers' obligations under the relevant Contract. The Merchant agrees to furnish any and all documentation or information that Crelogix may reasonably request to support any claim for such refund or credit filed by Crelogix.

5.7 PERSONAL INFORMATION

5.7.1 The Merchant agrees that it will comply with all provincial and federal privacy and data protection laws that may apply from time to time. Without limiting the generality of the foregoing, the Merchant will not disclose to any third party, or use for any purpose other than as required for performance of the Merchant's obligations hereunder, any non-public personal information concerning an applicant or the Buyers disclosed by Crelogix hereunder.

5.8 SET-OFF

5.8.1 Crelogix may hold and apply any money or Contracts of the Merchant coming into Crelogix' possession against any amounts owing by the Merchant hereunder or owing under any assignment of any Contract.

5.9 SECURITY INTEREST

5.9.1 The Merchant hereby grants Crelogix a security interest and, for the purposes of the laws of the Province of Quebec, a hypothec to the extent of the sum \$1 million, in any reserve, any holdbacks and funds owing to the Merchant.

5.10 STATEMENTS

5.10.1 If Crelogix provides the Merchant with a monthly statement via mail, email, fax or if the information is available through Crelogix (the "Statement"), the Merchant agrees to review all of the transactions listed and to notify Crelogix in writing within 30 days of the Merchant's receipt of the Statement, or within 30 days of the transaction date if the information is available through Crelogix, about any concerns including suspected errors, omissions, incorrect debits, inaccurate transactions and/or inaccurate convenience fee service revenue. The Merchant will notify Crelogix if the Merchant does not receive a statement or if the Merchant is unable to view the transaction through Crelogix. Otherwise the Merchant agrees that:

5.10.1.1 all transactions, charges and payments listed are correct;

5.10.1.2 the Merchant releases Crelogix from any claims relating to any listed item and any item suspected to be missing; and

5.10.1.3 the Merchant will accept the records provided by Crelogix as proof that the statements and the transactions listed in them are correct and authentic.

5.11 ELECTRONIC FUNDS TRANSFER

5.11.1 The Merchant authorizes Crelogix to transfer funds electronically to and from any bank account stated in its Merchant Application.

5.12 MERCHANT INFORMATION

5.12.1 The Merchant will provide Crelogix with financial statements or any other documents that Crelogix may reasonably require.

5.12.2 If Crelogix is of the view that there has been a material change in the Merchant's financial position, the Merchant will provide Crelogix with any information that Crelogix reasonably requests in an acceptable form and will provide Crelogix with collateral or establish a reserve to secure the performance of the Merchant's obligations under this Agreement.

5.12.3 The Merchant will co-operate with and assist Crelogix in any suspected fraud related transactions. Co-operation and assistance may include, but is not limited to, examination of the Merchant's books and records upon reasonable notice by Crelogix.

5.13 ENUREMENT

5.13.1 This Agreement will inure to the benefit of and bind the heirs, successors, personal representatives and assigns of the parties hereto and any entity Crelogix may later assign this Agreement or the Contracts purchased pursuant hereto.

5.14 NOTICES

5.14.1 All notices provided for hereunder will be in writing and may be given by fax, e-mailed, delivered, mailed or made through Crelogix. Notices to the Merchant will be sent to the address in the Merchant Application. Notices to Crelogix will be sent to:

Crelogix Acceptance Corporation
Suite 500
4180 Lougheed Highway
Burnaby, British Columbia
V5C 6A7
Fax: (604) 473 3816
E-Mail: support@Crelogix.com

Attention: Merchant Services

Either party may change its address for notice by notice to the other.

5.15 TERMINATION

5.15.1 Either party hereto will have the right at any time upon written notice to the other to terminate this Agreement, but such termination will not affect the obligations of the Merchant or rights of Crelogix as to the Contracts purchased prior to the effective date of termination.

5.15.2 Any liability of a party under the terms of this Agreement will survive the termination of this Agreement.

5.16 AMENDMENT TO THIS AGREEMENT

5.16.1 Crelogix may amend this Agreement at any time by notice to the Merchant specifying the amendment. If specified in the amendment, the amendment, when accepted, will apply to all previous Contracts assigned to Crelogix. The acceptance of such amendment by the Merchant will be manifested by and effective upon the date of the first assignment to Crelogix of a Contract for Service or purchase following the date of receipt by the Merchant of such notice of amendment. Any other amendment must be in writing signed by the party to be charged or must comply with the other provisions of this Agreement.

5.17 ASSIGNMENT OF MERCHANT'S OBLIGATIONS

5.17.1 The Merchant may not assign any right, obligation or other interest contained in or arising from this Agreement without the express written consent of Crelogix.

5.18 GOVERNING LAW

5.18.1 This Agreement will be governed by and construed in accordance with the laws of the Province of British Columbia and the laws of Canada in force in the Province of British Columbia. The parties attorn to the non-exclusive jurisdiction of the courts of the Province of British Columbia.

5.19 LIMITATION OF LIABILITY

5.19.1 Crelogix will not be liable for any special indirect or consequential damages even if Crelogix has been advised of the possibility thereof. Such damages include, but are not limited to, lost profits, lost business revenue, failure to realize expected savings, or any other commercial or economic loss of any kind.

5.19.2 The Merchant will indemnify and hold Crelogix harmless against any and all claims, expense, suit and actions including vicarious liability arising from third parties relating to the services provided under this Agreement.

APPENDIX D

Example of Contract 2

Contract 2

Crelogix

Crelogix Merchant Application

BUSINESS INFORMATION:

LEGAL NAME OF MERCHANT: _____
 TRADE NAME (DBA): ☐ Different than legal name. IF DIFFERENT: _____
 ADDRESS: _____ CITY: _____ POSTAL CODE: _____ PROVINCE: ^{AB} _____
 PHONE#: _____ EXT: _____ E-MAIL: _____ WEBSITE: _____
 TYPE OF ORGANIZATION: ☐ Corporation ☐ Proprietorship ☐ Partnership ☐ Limited Partnership
 ANNUAL SALES: _____ PERCENTAGE OF FINANCED SALES: 0-10%
 TYPE OF PRODUCT(S) SOLD: _____ SPONSOR CODE: _____

HOW DO YOU SELL YOUR PRODUCTS? (Check all boxes that apply below):

SALES ARE CONDUCTED AT: ☐ a retail location ☐ a home-based business ☐ at the consumer's home ☐ other: _____
 SALES ARE SOLICITED BY: ☐ the owner or an employee of the business either in person, by internet or by phone
☐ The consumer either in person, by internet or phone

PROPRIETOR OR OWNER/PARTNER 1:

FIRST NAME: _____ LAST NAME: _____
 TITLE: _____ DATE OF BIRTH:(DD/MM/YY) _____
 S.I.N.: _____ PERCENTAGE OF OWNERSHIP: _____ %
 ADDRESS: _____ CITY: _____ POSTAL CODE: _____ PROVINCE: ^{AB} _____
 PHONE#: _____ EXT: _____ EMAIL: _____

This business has a second owner: ☐ Yes ☐ No

PROPRIETOR OR OWNER/PARTNER 2:

FIRST NAME: _____ LAST NAME: _____
 TITLE: _____ DATE OF BIRTH:(DD/MM/YY) _____
 S.I.N.: _____ PERCENTAGE OF OWNERSHIP: _____ %
 ADDRESS: _____ CITY: _____ POSTAL CODE: _____ PROVINCE: ^{AB} _____
 PHONE#: _____ EXT: _____ EMAIL: _____

PORTAL USERS :

NAME USER 1: _____ EMAIL USER 1: _____
 NAME USER 2: _____ EMAIL USER 2: _____
 NAME USER 3: _____ EMAIL USER 3: _____

Application :

The Merchant and each owner, partner and/or limited partner of the Merchant, authorizes us to use their personal information to respond to any application for our services and to provide our services as well as :

- To determine that person's financial situation by collecting credit and related financial information from our affiliates, strategic partners, credit agencies, other financial institutions and from references provided by that person,
- To facilitate the provision of our services by sharing that person's information with our third party service providers, credit agencies and similar parties connected with our services,
- To investigate potentially fraudulent or questionable activities regarding the use of our services,
- To use the information collected to determine the financial situation of the Merchant and the buyers of goods and/or services from the Merchant,
- To provide the financial services requested herein and offer additional products and services of Crelogix which may be of benefit to the Merchant or the buyers,
- To share the information with assignees, bankers or funding partners of Crelogix and
- To share the information collected and any information on the Merchant's or the buyers' commercial dealings with Crelogix with credit agencies or other financial institutions.

Each person signing below certifies that:

- He or she does so on his or her own behalf and, if the Merchant is a corporation, partnership or limited partnership, on behalf of the Merchant and is authorized by the Merchant to legally bind the Merchant,
- the information given herein is complete and accurate,
- He or she has read the terms and conditions of the Merchant Agreement carefully and he or she hereby applies to be an authorized Merchant of Crelogix.

Signature Owner 1: _____ Signature Owner 2: _____
 Printed Name: _____ Printed Name: _____

Crelogix Merchant Agreement Summary:

The Merchant Agreement is made and entered into as of the ____ day of ____ 20____, by and between Crelogix Acceptance Corporation ("Crelogix") and the Merchant identified below ("the merchant").

Legal Name of Merchant:

Trade or Business Name (if any):

Address (Main Corporate Office):

Fax Number:

Contact Name, Title:

Whereas the Merchant engages in the distribution and sale of certain goods, other property and/or services and whereas Crelogix provides financing to consumers purchasing goods, other property and/or services. Merchant desires to make financing available to consumers purchasing goods, other property and/or services from Merchant and Crelogix has agreed to provide such financing to qualified consumers, in each case, in accordance with the terms and conditions set forth in this Agreement. The parties agree as follows:

1. **Loan agreement:** All completed Applications submitted to Crelogix will be processed and approved or declined in accordance with the credit criteria and procedures established from time to time by Crelogix, which criteria and procedures are in place for its credit programs generally. Crelogix shall, in its sole discretion, reject or accept such Applications in accordance with such criteria and standards. If an Application is approved, the Designated Representative shall complete the Loan Agreement in accordance with the Loan Procedures, arrange for the Loan Agreement to be executed by the Borrower(s), complete all other items outlined by the Loan Procedures and submit to Crelogix an electronic or facsimile copy of the Loan Agreement and all other required Loan Documents, along with a bill of sale and a delivery/installation receipt or such other documents evidencing the sale. By submitting a Loan Agreement and the other required documents to Crelogix, Merchant represents warrants and covenants to Crelogix that Merchant has performed or will perform all of the acts and other obligations required of it in accordance with the Merchant Agreement.
2. **Funding:** After its receipt of (a) the originally executed Loan Documents relating to an approved Loan, or in the event that Crelogix has agreed with the Merchant in writing that Loan Document delivery and funding shall be through electronic means, copies of the Loan Documents, and (b) the Sale/Delivery Documents, Crelogix shall pay to Merchant an amount equal to the Principal Amount of the approved Loan, plus any fees or other amounts owing hereunder by Crelogix to Merchant in respect of such Loan, minus any fees or other amounts owing hereunder by Merchant to Crelogix in respect of such Loan.
3. **Representations and warranties:** Merchant represents, warrants and covenants to Crelogix, as of the Effective Date and throughout the Term that That each sale of Property by Merchant is bona fide and is in the ordinary course of Merchant's business and free and clear of all liens, claims, taxes, charges, security interests and encumbrances of every nature and kind whatsoever and the applicable Borrower has obtained good and valid title to such Property, subject only to the security interests granted by such Borrower to Crelogix in such Property.
4. **Indemnification:** Merchant shall be liable to and shall indemnify, defend and hold harmless Crelogix and their respective directors, officers and employees and permitted assigns from and against any losses, damages, costs, expenses, including legal fees and disbursements on a solicitor-client basis, judgments, demands, actions, claims or complaints arising out of any act or practice or failure to act by Merchant in the performance of its obligations under the terms of the Merchant Agreement. Crelogix shall be liable to and shall indemnify, defend and hold harmless Merchant and its respective directors, officers and employees and permitted assigns from and against any Claims arising out of any act or practice or failure to act by Crelogix in the performance of its obligations under the terms of the Merchant Agreement.
5. **Termination:** The Merchant Agreement shall be effective as of the Effective Date and shall remain in effect until terminated in accordance with the Merchant agreement attached.
6. **Confidential Information:** All Confidential Information received by a Party shall be received on a confidential basis, and is and shall remain the property of the Disclosing Party. The Party receiving Confidential Information shall use the Confidential Information of the Disclosing Party only for the purposes of the Merchant Agreement and, without limiting the generality of the foregoing, shall not directly or indirectly deal with, use, exploit or disclose such Confidential Information or any part thereof to any Person or for any purpose whatsoever or in any manner which would benefit any competitor of the Disclosing Party, except as expressly permitted hereunder or unless and until expressly authorized in writing to do so by the Disclosing Party.
7. **Other Agreements:** The Merchant Agreement attached which includes all exhibits, schedules attached hereto, and other documents referenced herein, contains the entire agreement between the Parties with respect to the matters provided for in this Agreement and supersedes all prior agreements, written and oral, relating to the subject matter hereof. Any representations, warranties, promises or conditions not expressly incorporated herein shall not be binding on Crelogix. By signing this document you accept the terms and conditions of the Merchant agreement and acknowledge you have received and read a copy of the merchant agreement attached with this document.

This signing page constitutes a summary, not the entirety, of the actual Merchant Agreement, for simplicity and clarity to the reader. Crelogix recommends that the signer(s) read the entirety of the Merchant agreement (attached here) prior to signing. In the event of a discrepancy between this summary and the Merchant Agreement, the Merchant Agreement shall be deemed to be correct. Signature of this page constitutes agreement to the terms of the Merchant Agreement in its entirety.

CRELOGIX ACCEPTANCE CORPORATION:

Signature: _____

Name:

Title:

Signature: _____

Name:

Title:

MERCHANT:

Signature: _____

Name:

Title:

Signature: _____

Name:

Title:

MERCHANT AGREEMENT

WHEREAS

- a Merchant engages in the distribution and sale of certain goods, other property and/or services
- b Merchant desires to make financing available to consumers purchasing goods, other property and/or services from Merchant and Crelogix has agreed to provide such financing to qualified consumers, in each case, in accordance with the terms and conditions set forth in this Agreement

NOW THEREFORE in consideration of the mutual promises, covenants and agreements set forth below and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

ARTICLE 1 - DEFINITIONS

1.1 Definitions
In addition to the words and phrases defined above the following words and phrases shall have the following meanings:

"Account" has the meaning set out in Section 6.2.

"Applicable Law" means, with respect to any Person, Loan, property, transaction, event or other matter (i) any foreign or domestic constitution, treaty, law, statute, regulation, code, ordinance, principle of common law or equity, rule, municipal by-law, (ii) any order, directive, judgment, decree, injunction, decision, ruling, award or writ of any Regulatory Authority or other requirement having the force of law, (iii) any policy, practice, protocol, standard or guideline of any governmental authority which, although not necessarily having the force of law, is regarded by such Regulatory Authority as requiring compliance as if it had the force of law (collectively, the "Law") relating or applicable to such Person, Loan, property, transaction, event or other matter and also includes, where appropriate, any interpretation of the Law (or any part thereof) by any Regulatory Authority having jurisdiction over it (or over the Loans), or charged with its administration or interpretation.

"Applicable Privacy Laws" means the *Personal Information Protection and Electronic Documents Act* (Canada), as amended or supplemented from time to time, and any other Canadian federal, provincial or territorial legislation now in force or that may in the future come into force governing the collection, use, disclosure and protection of personal information in the private sector applicable to either Party, any Borrower or to the Loans.

"Application" means an application for a Loan, in the form provided by Crelogix to Merchant, as such form may be amended, revised, replaced or updated from time to time.

"Authorization" has the meaning set out in Section 6.2

"Borrower" means each customer of Merchant, who has been approved by Crelogix and who has entered into a Loan Agreement with Crelogix, and includes any co-borrower

"Business Day" means any day except Saturday or Sunday or a day on which banks are closed in the Province of British Columbia

"Claims" has the meaning set out in Section 9.1

"Confidential Information" means any and all data or information that is of value to a Party, and is not generally known in the industry or to competitors of a Party, and includes, but is not limited to, business information, specifications, research, software, trade secrets, documents, ideas, know-how, designs, drawings, flowcharts, data, computer programs, marketing plans, customers' names, budget figures, and other technical, financial and business information concerning a Party, or such information of clients, customers, parents, affiliates, subsidiaries or agents of a Party which is disclosed by such Party, whether directly in oral or material form to the other Party or indirectly, by permitting the Receiving Party to observe the conduct of the Disclosing Party's various operations or processes but shall not include any data or information which

- (a) is or becomes publicly available through no fault of the Receiving Party,
- (b) is already in the rightful possession of the Receiving Party prior to its receipt from the Disclosing Party,
- (c) is independently developed by the Receiving Party,
- (d) is rightfully obtained by the Receiving Party from a third party,
- (e) is disclosed with the written consent of the Party whose information it is, and
- (f) is disclosed pursuant to court order or other legal compulsion

"Designated Representative" means an individual designated by Merchant to prepare, complete, process and review Applications and Loan Documents on behalf of Merchant

"Disclosing Party" means the Party disclosing Confidential Information to the other Party (the Receiving Party)

"Loan" means a fixed-term loan established by Crelogix in the name of the applicant(s) to be used to finance the purchase of Property from Merchant pursuant to the terms of the applicable Loan Agreement

"Loan Agreement" means the loan agreement and related disclosures governing the Loan, in the form provided by Crelogix, as it may be amended, updated, replaced or revised from time to time

"Loan Documents" means the Application, the Loan Agreement and all other documents required under the Loan Procedures in connection with a Loan

"Loan Procedures" means the instruction guides and other materials provided by Crelogix to Merchant from time to time, which explain the operation of the Program and set out the acts, documents and other matters that are required to be completed by Merchant or a Designated Representative in relation to the Loan Documents for a Loan, as they may be amended, revised, replaced or updated from time to time by Crelogix

"Parties" means Crelogix and Merchant, and "Party" means either one of them

"Person" is to be interpreted broadly and includes an individual, partnership, corporation (including a business trust), joint stock company, trust, unincorporated association, joint venture, and any other entity

"Personal Information" means information about an identifiable individual, and includes any information that is "personal information" within the meaning of one or more Applicable Privacy Laws

"Principal Amount" in respect of an approved Loan means the cash purchase price of the Property payable by the Borrower, less any down payment made by the Borrower

"Privacy Regulator" has the meaning set out in Section 11.1(c)

"Program" means the financing program established by Crelogix pursuant to which Crelogix will offer to make loans to Merchant's customers who are approved by Crelogix and who wish to finance their purchase of Property from Merchant

"Property" means (i) the goods, other property and/or services sold by Merchant in the ordinary course of its business, (ii) any other goods, property and/or services which Merchant and Crelogix have agreed from time to time in writing are eligible for financing under the Program, in each case, together with all warranties (including extended warranties) applicable thereto and any service contracts, installation, delivery and other services offered by Merchant which are related to any of the foregoing

"Rate Card" has the meaning set out in Section 3.1

"Receiving Party" means the Party receiving Confidential Information from the other Party (the Disclosing Party)

"Regulatory Authority" means, as the context requires, any federal, provincial, territorial or local regulatory agency, court, department, board and officials, now or hereafter in effect from time to time, exercising jurisdiction over a Party

"Return of Funding" has the meaning set out in Section 2.7

"Sale/Delivery Documents" has the meaning set out in Section 2.5

"Scheduled Debt Date" has the meaning set out in Section 6.2

"Term" has the meaning set out in Section 10.1

ARTICLE 2 - LOAN PROGRAM

2.1 Program

Merchant agrees to market and offer the Program to its customers in connection with the purchase of Property subject to the terms and conditions of this Agreement

2.2 Forms

Merchant shall use only the Loan Documents in the form supplied by or approved (in writing) by Crelogix. Merchant shall not use any Loan Documents other than in connection with the Loans offered by Crelogix hereunder. When provided by Crelogix with a new edition of forms with the instruction to replace the previous editions with the new editions by a certain date, Merchant shall do so in accordance with such instructions. Crelogix shall provide any new edition of forms to Merchant at least

five (5) Business Days before the new forms are to be used. The terms and conditions pertaining to the Loans as set forth on the Loan Documents shall be determined by Crelogix and are subject to change by Crelogix from time to time

2.3 Preparation of Applications

If a Merchant customer requests a Loan, the Designated Representative shall, except as otherwise authorized by Crelogix:

- (i) obtain from the applicant all information required to complete an Application, either online or using a paper Application, and ensure that the Application is completed in full, with no blank spaces
- (ii) obtain the signature on the Application of each applicant and co-applicant, and
- (iii) submit the completed Application, whether originally completed online or on paper, through Crelogix's online application system

2.4 Credit Review

- (a) All completed Applications submitted to Crelogix will be processed and approved or declined in accordance with the credit criteria and procedures established from time to time by Crelogix, which criteria and procedures are in place for its credit programs generally. Crelogix shall, in its sole discretion, reject or accept such Applications in accordance with such criteria and standards. Crelogix will only accept Applications for financing Property by applicants who are individuals and who are purchasing the related Property primarily for personal, family or household use. Crelogix shall not be obligated to accept Applications for or approve any Loan for any customer, including any customer who does not have their principal residence and billing address in Canada
- (u) After the Application has been correctly completed and submitted, Crelogix shall advise the Designated Representative whether the Application has been approved or declined. If an Application is declined, the Designated Representative shall communicate such decline to the applicant in the form and manner specified in the Loan Procedures. If an Application is approved by Crelogix, the approval will be binding upon Crelogix until the date specified as the date on which the approval will terminate

2.5 Loan Agreement

If an Application is approved, the Designated Representative shall (i) complete the Loan Agreement (without making any amendments or modifications, except as instructed or permitted by Crelogix) in accordance with the Loan Procedures, (ii) arrange for the Loan Agreement to be executed by the Borrower(s) and (iii) complete all other items outlined by the Loan Procedures and submit to Crelogix an electronic or facsimile copy of the Loan Agreement and all other required Loan Documents, along with a bill of sale and a delivery/installation receipt or such other documents evidencing the sale, delivery and, if applicable, installation of the Property from Merchant to Borrower as may be required by Crelogix (collectively, the "Sale/Delivery Documents"). By submitting a Loan Agreement and the other required documents to Crelogix, Merchant represents, warrants and covenants to Crelogix that Merchant or its Designated Representative has performed all of the acts and other obligations required of it in the preparation, completion and execution of the Loan Documents relating to the Loan as set out in herein and in accordance with the Loan Procedures, including all conditions precedent to the obligation of the applicable Borrower to make payments under such Loan Documents. Merchant shall deliver a complete set of the originally executed Loan Documents to Crelogix as soon as possible and in any event within five (5) Business Days from the date the electronic or facsimile copies of the Loan Documents and the Sale/Delivery Documents were submitted under subsection 2.5(u) above

2.6 Funding

After receipt of (a) the originally executed Loan Documents relating to an approved Loan, or in the event that Crelogix has agreed with the Merchant in writing that Loan Document delivery and funding shall be through electronic means, copies of the Loan Documents, and (b) the Sale/Delivery Documents, Crelogix shall pay to Merchant an amount equal to the Principal Amount of the approved Loan, plus any fees or other amounts owing hereunder by Crelogix to Merchant in respect of such Loan, minus any fees or other amounts owing hereunder by Merchant to Crelogix in respect of such Loan. Upon making such payment, Crelogix shall have entered into and accepted the applicable Loan Agreement

2.7 Return of Funding

Upon the occurrence of any of the following Crelogix shall have the right to claim a return of funding (a "Return of Funding"):

- (a) the Property are returned by the Borrower to Merchant and accepted by Merchant or if applicable, the Property are not delivered to the Borrower by Merchant.
- (b) Merchant failed to comply with Applicable Law in connection with the underlying sale, delivery or, if applicable, installation of the Property and, as a result of such failure, Crelogix is required under Applicable Law to forgive the Borrower for the amount borrowed under the Loan Agreement.
- (c) a Loan was obtained or induced by fraud or misrepresentation on the part of Merchant or the Borrower, or is otherwise a fraud by Merchant or the Borrower or an attempt by Merchant to defraud Crelogix.
- (d) Merchant has breached (i) any of its obligations, representations, warranties or covenants under Section 2.5 or Section 3.2 or (ii) any other of its obligations under this Agreement in a manner that would reasonably be expected to have affected Crelogix's decision to approve the Loan.
- (e) the credit information furnished by a Borrower was reported inaccurately in a material respect by Merchant to Crelogix.
- (f) Merchant has been paid more than once for the same approved Loan;
- (g) the signature appearing on any Loan Document is forged and Merchant was aware of such forgery.
- (h) Merchant has or has attempted to reduce or disguise the amount of a Loan by the use of multiple Loans;
- (i) Crelogix does not receive the originally executed Loan Documents in accordance with Section 2.5, or
- (j) the Loan Agreement is cancelled during any applicable cooling-off period required under Applicable Law in connection with the underlying sale of the Property

2.8 Resolution and Payment

Crelogix shall provide written notice to Merchant detailing any circumstance that Crelogix alleges gives it the right to a Return of Funding in accordance with Section 2.7 and the dollar amount Crelogix proposes for the Return of Funding. Upon receipt of such written notice, Merchant shall have fifteen (15) Business Days to do one of the following: (1) correct such circumstance, (2) respond to Crelogix detailing its reasons why in its view Crelogix does not have the right to a Return of Funding or that it disagrees with the amount of the Return of Funding claimed by Crelogix, or (3) respond to Crelogix indicating that it agrees that Crelogix has the right to a Return of Funding as claimed. In the event that the amount claimed by Crelogix for the Return of Funding is correct, in the event that Merchant and Crelogix do not agree as to whether Crelogix has the right to a Return of Funding or do not agree with respect to the Return of Funding amount, the Parties shall, acting reasonably, work together to arrive at an acceptable resolution, failing which, the position of Crelogix shall govern; however, this provision shall not limit Merchant's right to challenge Crelogix's position in a legal proceeding

In the event that Crelogix exercises its right to a Return of Funding in accordance with Section 2.7 and provides written notice to that effect to Merchant pursuant to Section 2.8(a), Crelogix may require Merchant to repay an amount equal to (i) the Principal Amount of the relevant Loan (i) plus any fees payable by Crelogix to Borrower in connection with such Loan in accordance with Exhibit A, (ii) minus any amounts withheld by Crelogix in connection with such Loan in accordance with Exhibit A, (iii) minus any amounts paid by the Borrower to Crelogix in respect of the Loan, and Merchant shall repay such amount to Crelogix. Upon receipt by Crelogix of payment in full of such amount, Crelogix shall not and assign its rights as a lender under the Loan Agreement to Merchant and Crelogix shall co-operate with Merchant to enable Merchant to recover the amount of the Return of Funding from the Borrower. Any sale and assignment made by Crelogix shall be made without recourse and on an "as is, where is" basis, without representation warranty or condition of any kind whatsoever (whether express, implied statutory or otherwise) by Crelogix, except that such sale and assignment shall be free and clear of all security interests created by Crelogix.

2.9 Ownership of Loans

Crelogix shall own the Loans, as well as the Personal Information associated with the Loans, and shall exclusively bear the credit risk for such Loans, except as set forth in Sections 2.7 and 2.8. Crelogix shall not be obligated to take any action under a Loan.

ARTICLE 3 - FEES

3.1 Fees

The rates and fees payable in relation to the Program hereunder and in effect as of the Effective Date are set out on Crelogix's rate card(s) ("Rate Card") attached as Exhibit A hereto. Such rates and fees shall be payable in accordance with the terms set out in the Rate Card and shall be exclusive of any applicable sales, goods and services, harmonized or similar taxes thereon. Crelogix may deliver a revised, updated, replacement or amended Rate Card to Merchant from time to time, which shall be attached to this Agreement and made a part hereof without any further action required on the part of either Party.

3.2 Merchant Fees

If Merchant charges an administrative, documentation or other similar fee in connection with the purchase and sale of the Property, Merchant shall ensure that such fee is charged to all customers, including customers paying for the Property in cash. In no event shall Merchant charge such a fee only to customers obtaining Loans.

ARTICLE 4 - ADDITIONAL RESPONSIBILITIES

4.1 Promotion

Merchant shall market and promote the Program to its customers, which promotion shall include displaying such advertisements in such places as Crelogix shall advise Merchant from time to time in writing. Merchant shall pay the fees associated with the marketing and promotion of the Program and the development of Program marketing materials to Crelogix in accordance with the marketing fee schedule provided by Crelogix to Merchant in writing from time to time. The marketing fee schedule in effect as of the Effective Date is set out in the attached Exhibit B and shall be exclusive of any applicable sales, goods and services, harmonized or similar taxes thereon. Crelogix may deliver a revised, updated, replacement or amended Exhibit B to Merchant from time to time, which shall be attached to this Agreement and made a part hereof without any further action required on the part of either Party. Merchant may not display or use any Program marketing materials unless such Program marketing materials have been approved by Crelogix.

4.2 Compliance with Laws

Merchant shall comply with all Applicable Law, including all consumer protection laws, in connection with the sale of Property, and any solicitation, written material or advertising related to the Loans. However, Crelogix shall be responsible to ensure that all Loan Documents, the Loan Procedures, all marketing and/or promotional material that it provides in connection with the Loans, and any other instructions or processes used in connection with the Loans are compliant with Applicable Law.

4.3 Complaints and Merchant Co-Operation

(a) Merchant shall within three (3) Business Days of receipt provide Crelogix with a copy of any written enquiry or complaint from any Borrower concerning a Loan.
(b) Merchant shall co-operate with Crelogix and provide to Crelogix any evidence available to Merchant and reasonably requested by Crelogix to respond to enquiries, complaints, lawsuits, counterclaims or claims concerning a Loan or requests from Borrowers, or to enforce any rights Crelogix may have against a Borrower, including litigation by or against Crelogix, collection efforts and bankruptcy proceedings, or for any other reason.

4.4 Loan Procedures

Merchant shall satisfy all requirements designated in the Loan Procedures. Crelogix shall provide Merchant five (5) Business Days' prior written notice if there are any changes in the Loan Procedures. In the event there is any inconsistency between any Loan Procedures and this Agreement, this Agreement shall govern unless otherwise expressly indicated by Crelogix in the Loan Procedures.

4.5 Facsimile and E-Mail Communication

Merchant agrees to accept announcements, changes in Loan Procedures, and any other type of written material from Crelogix at any time during the Term via facsimile or e-mail transmission. Any notices affecting the terms of this Agreement must be sent in accordance with Section 13.6 below.

4.6 Merchant Business Practices

If the Property includes any services or the sale of the Property includes any services (such as delivery, installation or testing), Merchant agrees to provide such Property and services in accordance with standard industry and trade practices and any applicable manufacturer's warranties, and to provide repairs, servicing and replacements and take such other corrective action as may be required by Applicable Law or any applicable warranty.

4.7 Customer Payments

Except as provided in this Section, Merchant agrees that Crelogix has the sole right to receive payments under all Loans. In the event that Crelogix has declined to advance funding or Merchant has paid in full the amount in respect of a Loan as required by Section 2.8, Merchant shall be permitted to receive all payments from the Borrower in connection with such Loan. Unless specifically authorized in writing by Crelogix, or as contemplated in this Section, Merchant agrees not to make any collections on any Loans and Merchant shall not receive payments on any Loan at any of its locations. In the event a payment is inadvertently received by Merchant, Merchant agrees to hold such payment, in trust, for Crelogix and to deliver such payment to Crelogix together with the name of the Borrower, the Loan number, and any correspondence accompanying the payment within five (5) days of receipt by Merchant. Merchant shall be deemed to have endorsed to Crelogix in favour of any payments made by cheque, money order, or other instrument made payable to Merchant, other than payments that Merchant is permitted to receive under this Section, and Merchant hereby irrevocably appoints Crelogix its true and lawful attorney, coupled with interest and with full power of substitution to supply any necessary endorsements thereon on behalf of Merchant.

4.8 Training

Merchant shall provide sufficient training to the Designated Representatives and all other appropriate employees of Merchant in order to ensure the proper administration of the Program and the fulfillment of its obligations hereunder.

ARTICLE 5 - RECORDS

5.1 Records

(a) Promptly upon termination of this Agreement or upon the request of Crelogix, Merchant will provide Crelogix with all original and electronically reproducible copies of documents required to be retained under this Agreement.
(b) Merchant shall comply with the requirements related to the retention and handling of the Loan Documents as set out in the Loan Procedures.

ARTICLE 6 - FUNDING

6.1 Acceptance, Offset and Funding

(a) Crelogix shall be entitled to deduct from any payment required to be made by Crelogix pursuant to Section 2.6 in respect of a Loan (i) the amount of any amounts then owing by Merchant to Crelogix under this Agreement, including any amounts owing in accordance with the Rate Card, and (ii) any amount payable by Merchant to a broker in connection with such Loan, which amount Merchant irrevocably authorizes and directs Crelogix to pay to such broker. Crelogix shall also have the right, with notice to Merchant, to deduct, withdraw or set-off from any amounts payable to Merchant by Crelogix under this Agreement any amounts then owing by Merchant to Crelogix hereunder.
(b) Any amounts owing by Merchant to Crelogix which cannot be paid by the aforesaid means shall be due and payable by Merchant within five (5) Business Days. If Merchant fails or refuses to pay any amounts owing to Crelogix under this Agreement, Crelogix may, without notice, (i) cease authorizations for and the funding of Loans, (ii) delay or hold any funds, and (iii) cease processing Applications.
(c) Any payment made by Crelogix to Merchant shall not be final but shall be subject to subsequent review and verification by Crelogix.

(d) In the event that Merchant breaches this Agreement in a material respect, Merchant shall be liable for costs reasonably incurred by Crelogix as a result of such breach, including reasonable legal fees and disbursements actually incurred by Crelogix on a solicitor-client basis.

6.2 Authorization

Merchant authorizes Crelogix (this "Authorization") to debit Merchant's account maintain at Merchant's financial institution as specified by Merchant (the "Account") for: (i) the amount of each payment due to Crelogix as set forth on the Rate Card, in each case on or shortly after its payment due date (each a "Scheduled Debit Date"); and (ii) any other charges, including NSF charges, fees, and other amounts that may become due in connection with this Agreement from time to time on the next Scheduled Debit Date. Merchant will provide Crelogix with a cancelled cheque for the purposes of this Authorization upon execution of this Agreement. In respect of this Authorization, Merchant confirms, acknowledges and agrees that:

- (a) Merchant's financial institution's treatment of each debit shall be the same as if Merchant had issued a cheque authorizing it to pay as indicated and to debit the amount specified to the Account;
- (b) Merchant's financial institution is not required to verify that a pre-authorized debit has been issued in accordance with Merchant's instructions or that some pre-condition to payment has been met or satisfied;
- (c) If any payment is dishonoured by Merchant's financial institution, for any reason, Crelogix shall issue another debit in substitution for the dishonoured debit until such debit is honoured;
- (d) this Authorization is provided for Crelogix's benefit and Merchant's financial institution and is provided in consideration of Merchant's financial institution agreeing to process debits against the Account in accordance with the rules of the Canadian Payments Association. Merchant will be charged a fee for each credit and debit, which cannot be processed (NSF fees);
- (e) Merchant waives the right to receive any notice, written or otherwise, from Crelogix of the amount to be debited and the date(s) on which such debits are to be processed, as well as notice of any and all future changes to the amounts or payment dates for regular recurring debits, if any. However, for debits other than regular recurring debits and/or one-time payments owing in connection with this Agreement, Crelogix will obtain Merchant's authorization prior to initiating any such debit;
- (f) Merchant may cancel this authorization at any time by providing written notice to Crelogix, which shall be effective five Business Days after receipt. However, Merchant remains obligated to pay to Crelogix all amounts due and owing under this Agreement. To obtain a sample cancellation form, or for more information on the right to cancel this Authorization, Merchant may contact its financial institution or visit www.cdnpay.ca; the debits authorized hereunder are for business purposes;
- (g) Merchant can contact Crelogix in accordance with Section 13.6 to make inquiries, obtain information or seek any recourse rights. Merchant understands that it has recourse rights if any debit does not comply with this Authorization. For example, Merchant has the right to receive reimbursement for any debit that is not authorized or is not consistent with this Authorization. To obtain more information on Merchant's recourse rights, Merchant may contact its financial institution or visit www.cdnpay.ca; and
- (h) Merchant consents to the disclosure of any relevant information for purposes of this Authorization.

ARTICLE 7 - CRELOGIX REPRESENTATIONS AND WARRANTIES

General Representations and Warranties

Crelogix represents and warrants to Merchant, as of the Effective Date and throughout the Term, the following:

- (a) It has full corporate or other power and authority to enter into this Agreement; that all corporate or other action required under any organization documents to make this Agreement binding and valid upon Crelogix according to its terms has been taken, and that this Agreement is binding, valid and enforceable upon Crelogix according to its terms;
- (b) Neither (i) the execution, delivery and performance of this Agreement, nor (ii) the consummation of the transactions contemplated hereby will constitute a violation of Applicable Law or a violation or default by Crelogix under its articles of incorporation, bylaws or any organization documents, or any material agreement or contract, and no authorization of any Regulatory Authority is required in connection with the performance by Crelogix of its obligations hereunder;
- (c) Crelogix is and will continue to be throughout the Term a legally existing business entity, qualified to do business in each province and territory in which it is doing business;
- (d) All Loan Documents, the Loan Procedures, all marketing and/or promotional materials that Crelogix provides to Merchant or instructs Merchant to use in connection with the Loans, and any other instructions or processes used in connection with the Loans are and will continue to be compliant, in all material respects, with Applicable Law throughout the Term.

ARTICLE 8 - MERCHANT REPRESENTATIONS AND WARRANTIES

General Representations and Warranties

Merchant represents and warrants to Crelogix, as of the Effective Date and throughout the Term, the following:

- (a) It has full corporate or other power and authority to enter into this Agreement; that all corporate or other action required under any organization documents to make this Agreement binding and valid upon Merchant according to its terms has been taken, and that this Agreement is binding, valid and enforceable upon Merchant according to its terms;
- (b) Neither (i) the execution, delivery and performance of this Agreement, nor (ii) the consummation of the transactions contemplated hereby will constitute a violation of Applicable Law or a violation or default by Merchant under its articles of incorporation, bylaws or any organization documents, or any material agreement or contract, and no authorization of any Regulatory Authority is required in connection with the performance by Merchant of its obligations hereunder;
- (c) Merchant is and will continue to be throughout the Term a legally existing business entity, authorized to do business in each province and territory in which it is doing business;
- (d) Merchant and its employees are and will continue to be licensed to conduct business in each location in which it is conducting business; and to perform its obligations under this Agreement.

8.2 Representations, Warranties and Covenants regarding Property

Merchant represents, warrants and covenants to Crelogix, as of the Effective Date and throughout the Term, the following:

- (a) That each sale of Property by Merchant is bona fide and is in the ordinary course of Merchant's business and free and clear of all liens, claims, taxes, charges, security interests and encumbrances of every nature and kind whatsoever and the applicable Borrower has obtained good and valid title to such Property, subject only to the security interests granted by such Borrower to Crelogix in such Property;
- (b) In relation to each sale of Property, there are no agreements, commitments or understandings between Merchant, its employees, servants or agents and any Borrower which would modify, amend or waive any terms or conditions of the applicable Loan Agreement;
- (c) If tangible Property are to be delivered to a Borrower, such Property will be delivered to the Borrower in good working order, condition and repair and will conform to the standard specifications of Merchant or any different specifications agreed to by Merchant and such Borrower.

- (d) Merchant will make the Program available to the public in a manner that does not discriminate against any applicant for a Loan, or discourage an applicant from applying for credit.
- (e) No obligations with respect to a sale of Property shall have been obtained or induced by fraud, false or misleading representations, unfair or deceptive trade practices or other unlawful conduct by Merchant.
- (f) If applicable, all warranties relating to the Property are manufacturer sponsored warranties or such other warranties that have been expressly authorized or approved by Crelogix in writing. Merchant will guarantee all performance for extended warranties authorized to be offered under this Agreement including any service or similar agreements made or offered by Merchant or by any manufacturer.
- (g) Merchant may offer ancillary loan products as approved by Crelogix in accordance with the Loan Procedures and as permitted under Applicable Law, provided, however, that nothing contained herein shall be construed as requiring any applicant to purchase credit insurance to obtain credit.

ARTICLE 9 - INDEMNIFICATION

9.1 Indemnification by Merchant
Without prejudice to any other rights of Crelogix hereunder or under Applicable Law, Merchant shall be liable to and shall indemnify, defend and hold harmless Crelogix and their respective directors, officers and employees and permitted assigns from and against any losses, damages, costs, expenses (including legal fees and disbursements on a solicitor-client basis), judgments, demands, actions, claims or complaints (collectively, "Claims") arising out of: (i) any act or practice or failure to act by Merchant in the performance of its obligations under this Agreement, except in respect of any act, practice, or failure to act that was in accordance with Merchant's obligations under this Agreement or in accordance with instructions provided by Crelogix; (ii) failure by Merchant to comply with this Agreement or any of the Loan Procedures; (iii) inaccuracy or breach of a representation or warranty made by Merchant here; (iv) infringement of any third party's trademark or other legally recognizable intellectual property right in connection with this Agreement or any Loan; (v) the non-delivery or operational failure of any Property; (vi) product liability, whether based on strict liability, negligence, breach of warranty or other legal theory, associated with the Property; or (vii) the negligence, fraud or willful misconduct of Merchant, its employees or representatives. If applicable, Crelogix shall also be subrogated to any causes of action or other rights that Merchant may have against the manufacturer or other Person to the extent necessary to insure that Crelogix is fully indemnified. Repossession, termination or other realization of any Property, or any security therein, by Crelogix, whether with or without notice to Merchant, shall not impair or avoid Merchant's obligations hereunder, except that Crelogix shall not be entitled to recover more than the costs actually incurred by it with respect to any given claim. Crelogix may deduct any amounts incurred by Crelogix under this Section from amounts owing by Crelogix to Merchant under this Agreement.

9.2 Indemnification by Crelogix
Crelogix shall be liable to and shall indemnify, defend and hold harmless Merchant and its respective directors, officers and employees and permitted assigns from and against any Claims arising out of: (i) any act or practice or failure to act by Crelogix in the performance of its obligations under this Agreement; (ii) Crelogix's failure to comply with this Agreement; (iii) inaccuracy or breach of a representation or warranty made by Crelogix here; or (iv) the negligence, fraud or willful misconduct of Crelogix or its respective employees or representatives.

9.3 Notice of Claim
In the event that Crelogix or Merchant shall receive any Claim or be subject to Claim, the indemnifying Party shall give prompt written notice thereof to the indemnifying Party and the indemnifying Party will be entitled to participate in the settlement or defense thereof with counsel satisfactory to the indemnifying Party at the indemnifying Party's expense. In any case, the indemnifying Party and the indemnified Party shall cooperate (at no cost to the indemnified Party) in the settlement or defense of any such claim, demand, suit, or proceeding.

ARTICLE 10 - TERM AND TERMINATION

10.1 Term
This Agreement shall be effective as of the Effective Date and shall remain in effect until terminated in accordance with its terms ("Term").

10.2 Termination of Agreement
This Agreement may be terminated:

- (a) by either Party at any time, without cause, upon not less than one hundred and eighty (180) days' prior written notice to the other Party;
- (b) automatically, without further notice, if Crelogix receives notice that Merchant is no longer a distributor of the Property;
- (c) by Crelogix, immediately without notice, in the event that Merchant: (i) elects to wind up or dissolve its operation or is wound up and dissolved; (ii) becomes insolvent or repeatedly fails to pay its debts as they become due; (iii) makes an assignment for the benefit of creditors; (iv) files a voluntary petition in bankruptcy, or for reorganization or is adjudicated as bankrupt or insolvent; or (v) has a liquidator, receiver or trustee appointed over its affairs; and
- (d) by either Party, upon written notice to the other party, in the event that the other Party breaches its obligations or any representation or warranty under this Agreement or any Loan Procedures, and does not correct such breach within thirty (30) days from the date of such written notice;
- (e) by Crelogix, upon written notice to Merchant, in the following circumstances:
 - (i) if Crelogix has reasonable cause to believe that Merchant will not be able to perform its obligations under this Agreement;
 - (ii) if Crelogix has reasonable cause to believe that Merchant, its employees or agents have engaged in any fraudulent activity in connection with any of the transactions contemplated by this Agreement;
 - (iii) Crelogix receives a number that is significantly higher than Crelogix would reasonably expect of disputes or complaints that relate to matters that are under the control or responsibility of Merchant under this Agreement;
 - (iv) in Crelogix's judgment, any Applicable Law requires that this Agreement or other Party's rights or obligations hereunder be amended, modified, waived or suspended in any material respect;
 - (v) if there occurs any change in ownership or control of Merchant of which Merchant did not previously notify Crelogix; or
 - (vi) Merchant suffers a material adverse change in its financial condition as reasonably determined by Crelogix in its sole discretion. Merchant suspends or goes out of business or substantially reduces its business operations or sends a notice of a proposed bulk sale of all or part of its business;
- (f) by Merchant, upon thirty (30) days' prior written notice to Crelogix, in the event that Crelogix has, without the agreement of Merchant, amended this Agreement or the Loan Procedures and Merchant does not agree to such amendments.

10.3 Duties and Rights Upon Termination
(a) Merchant shall promptly return all computer hardware and software, remote data entry terminals and peripherals and other equipment provided by Crelogix in good working order and Merchant shall de-install from its operating system any program files provided by Crelogix to Merchant, except that Merchant shall retain any such equipment for as long as required to complete the performance of its obligations under this Agreement.
(b) Crelogix is not liable to Merchant for any direct or consequential damages that Merchant may suffer as a result of Crelogix's termination of this Agreement or the exercise by Crelogix of any of its rights hereunder, including self-off, withdrawal, suspension of processing or funding, or holding of funds.

10.4 Survival
The termination of this Agreement shall not affect the rights and obligations of the Parties with respect to transactions and occurrences that take place prior to the effective date of termination, except as 12634573.10

otherwise provided herein. Each provision of this Agreement shall survive the expiration or termination of this Agreement to the extent required for its full observance and performance.

ARTICLE 11 - PRIVACY AND CONFIDENTIALITY

11.1 Personal Information

To the extent that Crelogix provides access or transfers to Merchant any Personal Information in connection with this Agreement or any Loan, or to the extent that Merchant otherwise collects, uses, discloses, stores, processes or otherwise handles Personal Information on behalf of Crelogix in connection with providing the Services, Merchant shall:

- (i) not use such Personal Information for any purpose other than as necessary for the performance of its obligations hereunder;
- (ii) not disclose such Personal Information or otherwise permit access to or make such Personal Information available to any Person except:
 - (A) as expressly permitted or instructed by Crelogix; or
 - (B) as required to comply with Applicable Law or a valid court order, provided that in any such case: (i) Crelogix is immediately notified in writing of any such requirement (and in any event prior to disclosure of the Personal Information); and (ii) Merchant provides all reasonable assistance to Crelogix in any attempt by Crelogix to limit or prevent the disclosure of the Personal Information;
- (iii) so long as Merchant remains in possession, custody or control of such Personal Information, use reasonable physical, organizational and technological security measures that are appropriate having regard to the sensitivity of the information to protect such Personal Information against loss, theft and unauthorized access, disclosure, copying, use, modification or disposal, and, without limiting the foregoing, Merchant shall:

- (A) restrict logical and physical access to Personal Information to only those authorized employees that require access to such information to fulfill their job requirements;
- (B) not print, save, copy or store any Personal Information, whether on removable, mobile or other media, in printed, electronic or optical form or otherwise except temporarily within a secure location within Merchant's facilities and only to the extent necessary in connection with providing the Services, and immediately and securely destroy or delete any such temporary copies or saved or stored versions upon conclusion of the activity giving rise to the necessity of saving, copying or storing such Personal Information;
- (C) not move, remove, relocate or transmit any Personal Information from Merchant's facilities without the express consent of Crelogix and without using appropriately secure encryption technology to protect such information while in transit;
- (D) not store, process, communicate, transfer, access or permit or enable access to any Personal Information outside of Canada, and promptly after delivery of the originally executed Loan Documents to Crelogix in accordance with Section 2.5, dispose of, destroy, or render permanently anonymous all Personal Information relating to such Loan Documents, including appropriate physical, organizational and technological security measures to protect such Personal Information against loss, theft and unauthorized access, disclosure, copying, use, or modification consistent with the safeguards and standards set out in this Section 11.1(i);
- (E) upon termination of this Agreement or upon request of Crelogix, whichever comes first, immediately cease all use of and return to Crelogix or, at the direction of Crelogix, dispose of, destroy, or render permanently anonymous all Personal Information not already so disposed of, destroyed or anonymized in accordance with Section 11.1(i)(E). In each case using appropriate physical, organizational and technological security measures to protect such Personal Information against loss, theft and unauthorized access, disclosure, copying, use, or modification consistent with the safeguards and standards set out in this Section 11.1(i);

(iv) upon termination of this Agreement or upon request of Crelogix, whichever comes first, immediately cease all use of and return to Crelogix or, at the direction of Crelogix, dispose of, destroy, or render permanently anonymous all Personal Information not already so disposed of, destroyed or anonymized in accordance with Section 11.1(i)(E). In each case using appropriate physical, organizational and technological security measures to protect such Personal Information against loss, theft and unauthorized access, disclosure, copying, use, or modification consistent with the safeguards and standards set out in this Section 11.1(i);

- (v) immediately inform Crelogix of any actual or suspected loss, theft or accidental or unauthorized access, disclosure, copying, use, or modification of Personal Information or other breach of Merchant's obligations in this Section 11.1;
- (vi) ensure that Crelogix at all times has unfettered and unrestricted electronic access to Personal Information stored, processed or handled by Merchant in connection with the Services; and
- (vii) ensure at all times that Personal Information and all data, databases or other records containing Personal Information that are stored, handled or processed for Crelogix are kept logically isolated and separate from any information, data, databases or other records stored, handled or processed by Merchant for itself or for third parties.

(b) Merchant shall: (i) immediately refer to Crelogix any individual who contacts Merchant requesting access or correction to or with any inquiries or complaints about his or her Personal Information in connection with a Loan or otherwise relating to this Agreement; (ii) immediately notify Crelogix regarding any such request, inquiry or complaint; and (iii) provide, in a timely manner, all reasonable co-operation, assistance, information and access to Personal Information in its possession, custody or control as is necessary for Crelogix to promptly (and, in any event, within any timeframe required by Applicable Privacy Laws) respond to such request, inquiry or complaint.

(c) Merchant shall provide, in a timely manner, all necessary and reasonable information and co-operation to Crelogix and to any regulatory or other governmental bodies or authorities with jurisdiction over Applicable Privacy Laws (each a "Privacy Regulator") in connection with any investigations, audits or inquiries made by any such Privacy Regulator under such legislation. Merchant acknowledges that Crelogix may be required to disclose confidential information of Merchant (including this Agreement and any agreement or other documentation relating to the Services) without Merchant's consent, to such Privacy Regulators in connection with any investigation, audit or inquiry that pertains to or involves the Services.

- (d) Merchant shall designate and identify in Crelogix an individual to handle all aspects of the Loans and its obligations hereunder that relate to the handling of Personal Information.
- (e) Merchant shall promptly and properly respond to all reasonable inquiries from Crelogix with respect to Merchant's handling of Personal Information in connection with the Loans or Merchant's compliance with this Agreement.
- (f) In all cases and without limiting the foregoing, Merchant shall comply at all times with Applicable Privacy Laws in fulfilling its obligations under this Agreement.
- (g) To the extent of any conflict or inconsistency between this Section 11.1 and the balance of this Section 11, this Section 11.1 shall prevail.

11.2

Confidential Information

- All Confidential Information received by a Party shall be received on a confidential basis, and is and shall remain the property of the Disclosing Party. The Party receiving Confidential Information shall use the Confidential Information of the Disclosing Party only for the purposes of this Agreement and, without limiting the generality of the foregoing, shall not directly or indirectly deal with, use, exploit or disclose such Confidential Information or any part thereof to any Person or for any purpose whatsoever (or in any manner which would benefit any competitor of the Disclosing Party) except as expressly permitted hereunder or unless and until expressly authorized in writing to do so by the Disclosing Party.
- (a) use reasonable efforts to treat and to cause all its officers, agents, servants, employees, professional advisors and contractors (and prospective contractors) to treat as strictly confidential all Confidential Information. In no event shall such efforts be less than the degree of care and discretion as the Receiving Party exercises in protecting its own valuable confidential information. Any contractors or prospective contractors engaged by the Receiving Party in connection with this Agreement shall be required in writing to assume obligations of secrecy equal to or greater than the obligations which the Receiving Party has assumed in this Agreement with respect to the Confidential Information.
- (b) not, without the prior written consent of the Disclosing Party, disclose or otherwise make available the Disclosing Party's Confidential Information or any part thereof to any Person other than those of the Receiving Party's officers, agents, servants, employees, professional advisors or contractors (or prospective contractors) who need to know the Confidential Information for the purposes set forth herein;
- (c) not copy or reproduce in any manner whatsoever the Confidential Information of the Disclosing Party or any part thereof without the prior written consent of the Disclosing Party or as expressly provided for herein, except where required for its own internal use in accordance with this Agreement;
- (d) immediately upon the request of the Disclosing Party or in any event upon expiration or termination of this Agreement, return and confirm in writing the return of all originals, copies, reproductions and summaries of Confidential Information or, at the option of the Disclosing Party, destroy and confirm in writing within five (5) Business Days of such request, expiration or termination, as the case may be, the destruction of the Confidential Information.

11.3

Survival of Obligations

Notwithstanding anything to the contrary contained in this Agreement, the Parties shall be subject to the obligations of confidentiality set out in this Agreement with respect to the Confidential Information of the other for a period of five (5) years from the date of disclosure of such Confidential Information.

11.4

Obligations of the Parties

- (a) Nothing herein contained shall restrict in any manner the ability of either Party to use or disclose Confidential Information owned by it in any manner whatsoever, and the obligations of confidence herein shall apply to each Party only to the extent that the Confidential Information or portion thereof is not owned by that particular Party.
- (b) The Party receiving Confidential Information acknowledges that the improper disclosure or use of the Confidential Information may give rise to irreparable injury to the Disclosing Party, inadequately compensable in damages and that, accordingly, the Disclosing Party may seek and obtain, in addition to any legal remedies that may be available, injunctive relief against the breach or threatened breach by the Receiving Party of any of the provisions of this Section 11.
- (c) Each of the Parties agrees to treat the confidential information of third parties disclosed by the Disclosing Party to the Receiving Party (and which will only be disclosed on a need to know basis) on the same terms and conditions of confidentiality as set out herein with respect to the Confidential Information, except as otherwise prescribed or agreed by the owner of such confidential information.
- (d) In the event that the Receiving Party receives a demand by legal process, or is or may become subject to any Law or any requirement or directive of any authority having jurisdiction to disclose any of the Confidential Information or the fact that the Confidential Information has been made available to the Receiving Party, the Receiving Party shall provide the Disclosing Party with prompt written notice of the demand so that the Disclosing Party may apply for an appropriate court or board order to preserve confidentiality, or alternatively, if the Disclosing Party chooses not to seek such an order, it will be deemed to have waived compliance with the provisions of this Agreement in respect of the specific Confidential Information.
- (e) In the event Crelogix sells or assigns, or grants a security interest in, all or any of the Loans, Crelogix may disclose any Confidential Information reasonably necessary or required to effectuate such sale or assignment or such grant of security interest.

ARTICLE 12 - REPORTS, EXAMINATION RIGHTS

12.1

Record Keeping requirements, Audit

- (a) Merchant shall keep an accurate record of all transactions that occur under this Agreement. Crelogix or its agent may (i) examine and inspect all books and records of Merchant that are relevant to this Agreement, including any Personal Information in the custody or possession of Merchant in connection with its obligations under this Agreement and (ii) audit Merchant's compliance with its obligations described in this Agreement including the security measures used to protect Personal Information and Confidential Information. Any such examination, inspection or audit will be conducted during normal business hours upon prior written notice to Merchant. Merchant will cooperate fully with Crelogix and/or its agent and allow inspection of its relevant books and records in order to review and assess Merchant's performance of and compliance with the terms of this Agreement. In evaluating the sufficiency of Merchant's information security policies and procedures, Crelogix shall be provided access to reports of audits, tests and/or other evaluations of Merchant's information security policies and procedures conducted by Merchant in the ordinary course of its business.
- (b) Notwithstanding the foregoing, Crelogix or its agent may at any time without notice visit Merchant's retail store or other site locations as applicable, in order to evaluate the performance by Merchant of its obligations hereunder, including evaluation of the delivery of customer service and sales skills and compliance with the terms of this Agreement and the Loan Procedures.

12.2

Regulatory Audit

Merchant acknowledges that Crelogix may be subject to audit and examination by Regulatory Authorities. Merchant agrees to provide access to the books and records that pertain to Crelogix's relationship with Merchant to any Regulatory Authority, upon the request of such Regulatory Authority or of Crelogix for that purpose.

ARTICLE 13 - MISCELLANEOUS

13.1

Limited License

- (a) Merchant hereby grants a limited license to Crelogix and its agents and service providers to use Merchant's name, logo, trademarks and service marks (collectively "Marks") on the Applications, periodic statements, billing statements, collection letters or documents, promotional or advertising materials and otherwise in connection with the Loans.

- (b) Crelogix hereby grants a limited license to Merchant and its agents and service providers to use Crelogix's Marks on the website, advertising and marketing materials and such other materials, in each case as may be approved by Crelogix in writing from time to time.
- (c) Each Party acknowledges that this Agreement does not grant such Party any interest in the other Party's Marks except the right to use such Marks in accordance with the terms of this Agreement.

13.2 Change in Ownership

Merchant agrees to send Crelogix at least thirty (30) days' prior written notice of any change in Merchant's name or location or any change in ownership of Merchant's business.

13.3 Nonwaiver

Merchant's liability under this Agreement shall not be affected by any settlement, extension, forbearance, or variation in terms that Crelogix may grant in connection with any Loan or by the discharge or release of the obligations of the Borrower(s) or any other Person by operation of Law or otherwise. Each Party hereby waives any failure or delay on the part of the other Party in asserting or enforcing any right that the Party may have at any time under this Agreement or under any Loan.

13.4 Force Majeure

Neither Party to this Agreement shall be liable to the other by reason of any failure in performance of this Agreement in accordance with its terms if such failure arises out of a cause beyond the control and without the fault or negligence of such Party. Such causes may include but are not limited to acts of God, of the public enemy or of civil or military authority, unavailability of energy resources, system or communication failure, delay in transportation, fires, strikes, riots or war. In the event of any force majeure occurrence, the non-performing Party shall use commercially reasonable efforts to meet its obligations as set forth in this Agreement.

13.5 Additional Products and Services

Crelogix may at any time whether during or after the term of this Agreement, solicit applicants and Borrowers for any other services or products offered by Crelogix provided that Crelogix shall be responsible for ensuring that any such solicitation complies with Applicable Law.

13.6 Notices

All notices and any other communication required or permitted by this Agreement shall be in writing and shall be sent to Merchant at the address set out on page 1 of this Agreement and to Crelogix as follows: Crelogix Acceptance Corporation, 4445 Lougheed Highway, Suite 1900, Burnaby, BC V5C 0E4.

Fax: (800) 360-9128
Attn: [Title]

or such other address as each Party may designate to the other by notice hereunder. Said notices shall be deemed to be received when sent to the above addresses (i) upon three (3) Business Days after deposit in first class mail with postage prepaid, (ii) upon personal delivery, or (iii) upon receipt if sent by facsimile or courier.

13.7 Amendments and Supplementary Documents

Crelogix may amend this Agreement at any time by providing Merchant with a copy of such amendment in writing. Merchant agrees that such amendments may be provided electronically or in such other form as Crelogix may determine from time to time. Upon receipt of such amendment, Merchant may terminate this Agreement in accordance with Section 10.2(f). Merchant shall be deemed to have accepted and agreed to any such amendment in the event that Merchant submits an Application to Crelogix after the effective date of such amendment.

13.8 Assignment, Subcontracting

This Agreement is binding upon the Parties and their successors and permitted assigns. Merchant shall not assign this Agreement or any of its rights or obligations hereunder without the prior written consent of Crelogix. Crelogix may without Merchant's consent assign this Agreement or any of the rights or obligations hereunder at any time. Merchant shall not subcontract, assign or delegate to any third party any of its obligations hereunder, including its obligations under Section 11.1.

13.9 Nonwaiver and Extensions

Neither Party shall not by any act, delay, omission, or otherwise be deemed to have waived any rights or remedies hereunder. Each Party agrees that the other Party's failure to enforce any of its rights under this Agreement shall not affect any other right of the Party or the same right in any other instance.

13.10 Interpretation

A reference to a "Section" is to a section of this Agreement, and the word "Section" followed by a number or some combination of numbers and letters refers to the section, paragraph, subparagraph, clause or sub-clause of this Agreement so designated. The headings of Sections or parts hereof are for convenience only and are not intended as a guide to interpretation of this Agreement or any part of it. The word "including", when following a general statement or term, is not to be construed as limiting the general statement or term to any specific item or matter set forth or to similar items or matters, but rather as permitting the general statement or term to refer also to all other items or matters that could reasonably fall within its broadest possible scope. A word importing the masculine gender includes the feminine and neutral, and a word in the singular includes the plural, and vice versa.

13.11 Entire Agreement

This Agreement, which includes all exhibits, schedules attached hereto, the Loan Procedures and other documents referenced herein, contains the entire agreement between the Parties with respect to the matters provided for in this Agreement and supersedes all prior agreements, written and oral, relating to the subject matter hereof. Any representations, warranties, promises or conditions not expressly incorporated herein shall not be binding on Crelogix.

13.12 Governing Law

This Agreement shall be governed by and construed in accordance with the laws of the Province of British Columbia and the federal laws of Canada applicable therein.

13.13 Severability

If any provision of this Agreement is contrary to Applicable Law, such provision shall be deemed ineffective without invalidating the remaining provisions hereof.

13.14 No Agency

The Parties expressly agree that nothing in this Agreement or any Loan Document shall constitute any Party as the agent, representative, partner or joint venturer of the other or grant any Party the right to make representations on behalf of or bind the other Party in any manner.

13.15 Execution of this Agreement

This Agreement may be executed in counterparts, each of which shall be deemed an original, and all of which together shall constitute one and the same instrument. Executed copies of this Agreement may be delivered by facsimile transmission or other comparable means.

13.16 Language

The Parties have expressly requested and agreed that this Agreement and all related documents be drawn up in English. Les Parties ont requis d'écrits que le présent contrat et les documents qui y rattachent soient écrits en anglais.

Merchant hereby waives all pre-notification requirements in respect of any debts to be drawn under Section 6.2 - Authorization. Merchant acknowledges having read this Agreement and agrees to be bound by its terms and conditions.

APPENDIX E

**Template Contract 1
Merchant Letter**



Alvarez & Marsal Canada Inc.
Licensed Insolvency Trustees
Bow Valley Square 4
Suite 1110
250 – 6th Avenue SW
Calgary, Alberta T2P 3H7
Phone: +1 403 538 7555
Fax: +1 403 538 7551

STRICTLY PRIVATE & CONFIDENTIAL

July 27, 2017

Dear Sir/Madam:

**Crelogix Acceptance Corporation – In Receivership (“Crelogix” or the “Company”)
Contract 1 – Purchased Contracts Unfunded**

We are the Court appointed Receiver and Manager of Crelogix Acceptance Corporation (“Crelogix”). A Consent Receivership Order was granted by the Court of Queen’s Bench of Alberta (the “Court”) on July 6, 2017 (the “Receivership Order”), a filed copy of which can be viewed on our webpage at www.alvarezandmarsal.com/crelogix.

As you are aware, Crelogix and [Merchant] entered into a Merchant Agreement (the “Agreement”), the terms of which permit you to invite Crelogix to purchase customer Contracts, as that term is defined in the Agreement. In the course of its ongoing efforts to manage, operate and carry out the business of Crelogix, as authorized by paragraph 3(c) of the Receivership Order, it has come to our attention that you have requested that Crelogix purchase certain Contracts, which purchase offer has been accepted by Crelogix but unfunded to date. We write to formally advise that Crelogix, by its Receiver, will not be funding these Contracts at this time.

We write to further advise of our position that the Agreement provides for the perfection of the transfer and assignment of your rights under the Contracts upon their delivery to Crelogix. As they have been delivered to Crelogix, we are of the position that it has superior title to the Contracts in addition to the goods described therein such that Crelogix, by its Receiver, is entitled to collect payments from customers under those Contracts despite the fact that you have not been funded. Therefore, we will continue to collect payments made by customers under these Contracts in accordance with our ability to 1) carry on Crelogix’ business pursuant to paragraph 3(c) of the Receivership Order, and 2) receive and collect all monies and accounts owed to it pursuant to paragraph 3(f) of the Receivership Order. All payments collected will be held by us in a trust account to be paid only in accordance with the Court’s future directions in that regard.

We conclude by drawing your attention to paragraphs 3, 7, 9 and 10 of the Receivership Order, which prohibit interference with the exercise of the powers provided to us therein; prevent any person from commencing proceedings against the Receiver, Crelogix or its Property; and further prevent any person from failing to perform any contract or agreement in favour of or held by Crelogix. Accordingly, the rights and obligations of the parties to the Agreement continue in full force such that we expect that you will continue to perform your obligations under the Agreement; take no steps to interfere with the efforts of Crelogix, by its Receiver, to collect payments under the Contracts; or attempt to exercise any remedies as against either the customer or the goods described therein.

We thank you for your attention to this matter. Should you have any questions, please do not hesitate to direct them to us at receiver.crelogix@alvarezandmarsal.com or at 1-866-669-4639.



APPENDIX F

**Template Contract 2
Merchant Letter**



Alvarez & Marsal Canada Inc.
Licensed Insolvency Trustees
Bow Valley Square 4
Suite 1110
250 – 6th Avenue SW
Calgary, Alberta T2P 3H7
Phone: +1 403 538 7555
Fax: +1 403 538 7551

STRICTLY PRIVATE & CONFIDENTIAL

July 27, 2017

Dear Sir/Madam:

**Crelogix Acceptance Corporation – In Receivership (“Crelogix” or the “Company”)
Contract 2
RE Contracts:**

We are the Court appointed Receiver and Manager of Crelogix Acceptance Corporation (“Crelogix”). A Consent Receivership Order was granted by the Court of Queen’s Bench of Alberta (the “Court”) on July 6, 2017 (the “Receivership Order”), a filed copy of which can be viewed on our webpage at www.alvarezandmarsal.com/crelogix.

As you are aware, Crelogix and [Merchant] entered into a Merchant Agreement (the “Agreement”). As you are further aware, the terms of the Agreement permit you to invite Crelogix to approve Loans, as that term is defined in the Agreement, arranged with customers on its behalf for the purchase and financing of consumer goods. Upon approval of a Loan, a Loan Agreement is completed by the customer. Merchant then delivers the same, as well as all other such documentation evidencing the sale, delivery and installation of the goods in question to Crelogix. Upon this occurring, the Agreement provides that Crelogix shall pay to you the amount required to fund the Loan, at which point it shall have accepted and entered into the Loan Agreement.

In the course of its ongoing efforts to manage, operate and carry of the business of Crelogix, as authorized by paragraph 3(c) of the Receivership Order, it has come to our attention that certain Loans as described above arranged by you and approved by Crelogix’ prior to our appointment remain unfunded. We write to formally advise that Crelogix, by its Receiver, is not in a position to fund these Loans at this time. Accordingly, any and all Loan Agreements executed by customers in connection with those Loans will not be accepted by Crelogix.

In conclusion, we wish to draw your attention to paragraph 10 of the Receivership Order. For ease of reference, that paragraph prevents parties from interfering with any contract or agreement in favour of or held by Crelogix without our written consent or leave of the Court. Given that Crelogix has not accepted the Loan Agreements, we are of the view that the Receivership Order does not prevent Merchant from exercising its right to collect direct payment from the customer under these Loans or otherwise dealing with its customer.

We wish to make clear, however, that the foregoing does not end your obligations to Crelogix under the Agreement. Rather, we expect that you will continue to perform those obligations as required by the Receivership Order until such time as we inform you otherwise.

We thank you for your attention to this matter. Should you have any questions, please do not hesitate to direct them to us at receiver.crelogix@alvarezandmarsal.com or at 1-866-669-4639.

