Annual Information Form

February 20, 2018

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CAUTIONARY INFORMATION REGARDING FORWARD-LOOKING STATEMENTS

This Annual Information Form contains forward-looking statements about goeasy Ltd. and its subsidiaries ("goeasy" or the "Company", except as otherwise indicated or context would so require) including, but not limited to, its business operations, strategy and expected financial performance and condition. Forward-looking statements include, but are not limited to, those with respect to the estimated number of new locations to be opened, targets for growth of the consumer loans receivable portfolio, annual revenue growth targets, strategic initiatives, new product offerings and new delivery channels, anticipated cost savings, planned capital expenditures, anticipated capital requirements and the Company's ability to secure sufficient capital, liquidity of goeasy, plans and references to future operations and results, critical accounting estimates, expected lower charge-off rates on loans with real estate collateral and the benefits resulting from such lower rates, the size and characteristics of the Canadian non-prime lending market, the continued development of the type and size of competitors in the market and the anticipated impacts of the implementation of IFRS 9. In certain cases, forward-looking statements that are predictive in nature, depend upon or refer to future events or conditions, and/or can be identified by the use of words such as "expect", "continue", "anticipate", "intend", "aim", "plan", "believe", "budget", "estimate", "forecast", "foresee", "target" or negative versions thereof and similar expressions, and/or state that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved.

Forward-looking statements are based on certain factors and assumptions, including expected growth, results of operations and business prospects and are inherently subject to, among other things, risks, uncertainties and assumptions about goeasy's operations, economic factors and the industry generally. There can be no assurance that forward-looking statements will prove to be accurate as actual results and future events could differ materially from those expressed or implied by forward-looking statements made by goeasy. Some important factors that could cause actual results to differ materially from those expressed in the forward-looking statements include, but are not limited to, goeasy's ability to enter into new lease and/or financing agreements, collect on existing lease and/or financing agreements, open new locations on favorable terms, secure new franchised locations, offer products which appeal to customers at a competitive rate, respond to changes in legislation, react to uncertainties related to regulatory action, raise capital under favorable terms, compete, manage the impact of litigation (including shareholder litigation), control costs at all levels of the organization and maintain and enhance the system of internal controls.

goeasy cautions that the foregoing list is not exhaustive. These and other factors could cause actual results to differ materially from our expectations expressed in the forward-looking statements included in this Annual Information Form, and further details and descriptions of these and other factors are disclosed in this Annual Information Form, including under the section "Risk Factors".

The reader is cautioned to consider these and other factors carefully and not place undue reliance on forward-looking statements, which may not be appropriate for other purposes. The Company is under no obligation (and expressly disclaim any such obligation) to update or alter the forward-looking statements whether as a result of new information, future events or otherwise, unless required by law.

Additional information is contained in the Company's filings with Canadian securities regulators, including the Company's Annual Report. These filings are available on SEDAR at www.sedar.com and on the Company's website at www.goeasy.com.

OVERVIEW OF GOEASY

General Overview

goeasy Ltd. is a leading full-service provider of goods and alternative financial services that provides everyday Canadians with a chance for a better tomorrow, today. Effective in September 2015, the Company changed its name from easyhome Ltd. to goeasy Ltd.

goeasy funds its business through a combination of equity and debt instruments. goeasy's common shares are listed for trading on the TSX under the trading symbol "GSY" and goeasy's convertible debentures are traded on the TSX under the trading symbol "GSY-DB". goeasy is rated BB- with a stable trend from S&P and Ba3 with a stable trend from Moody's.

goeasy serves its customers through our two operating divisions: easyfinancial and easyhome.

easyfinancial is the Company's financial services arm that provides fully-amortizing consumer installment loans to non-prime customers who have limited or no access to traditional bank financing products. easyfinancial is supported by a strong central credit adjudication process and industry leading risk analytics. easyfinancial also operates an indirect lending channel, offering loan products to consumers at the point-of-sale of third-party merchants.

easyhome is Canada's largest lease-to-own company, offering brand-name household furniture, appliances and electronics to consumers under weekly or monthly leasing agreements through both corporate and franchise stores.

goeasy offers a high level of customer service and enables customers to transact through a national store and branch network and through its online and mobile e-commerce enabled platforms. At the core of the business is a community-based network of easyfinancial and easyhome branches. The Company believes that direct, personal relationships with its customers are best achieved through a physical location. For this reason, the extensive store and branch network continues to be a core element of the Company's business and product delivery strategy.

All loan and pricing decisions are made centrally using proprietary credit risk and underwriting models developed over the past decade by analyzing historical customer performance data. Additionally, the easyfinancial and easyhome businesses offer different products to a common customer segment and share many operational practices such as customer relationship management, collections and contract administration. Through the Company's multiple delivery channels and utilizing an extensive analysis of the historic performance of its consumer lending portfolio, the Company has created a business model that aims to provide an optimal balance between growth and prudent risk management.

goeasy uses online advertising, coupled with mobile responsive transactional websites, to create a cost-effective way to attract new customers and optimize the application process. The Company also believes that its national footprint of retail branch locations promotes its brand and allows customers to apply in-person if that is their preferred means of interaction. goeasy's recent customer surveys indicate that a large portion of its easyfinancial customers became aware of easyfinancial through its physical retail presence.

While digital properties and the Company's indirect lending arrangements are important application channels, goeasy believes that servicing its customers through a coast-to-coast network of branches optimizes their lifetime value. While the Company uses a multi-channel origination process, a large majority of its consumer loans are funded and managed in its branches. The customer loyalty developed through direct personal relationships increases the penetration of ancillary products, extends the length of the customer relationships and encourages the repayment of loans, which ultimately leads to lower charge-offs. goeasy has been a stable and positive community presence using its industry leading technology platform, proprietary underwriting process and data analytics to originate, price, manage and monitor risk effectively.

Prominent Player in an Underserved Market Represents a Unique Growth Opportunity	• A leading player in Canada's C$165B non-prime consumer lending sector • Well-positioned to capitalize on attractive industry fundamentals
Diversified Sources of Revenue and Funding	• Diversified and successful at growing lending operations while maintaining focus on stable leasing operations • Actively pursuing strategic growth opportunities in non-prime consumer credit spectrum
Strong Culture of Risk Management	• Robust risk management framework with centralization of all lending decisions • Stable charge-offs of ~14% to 16% of average receivables since 2011, trending lower in recent quarters
Predictable Losses and Stable Growth	• Stable cash flow and growth since inception of easyfinancial business in 2006 • 16 consecutive years of positive net income (CAGR of 29.4% from 2001 – 2017; 25.0% since 2011) and increasing book value
Balance Sheet Management	• Conservative approach to leverage – target debt to total capital of 70%
Experienced Leadership Team with Alignment of Interests	• Average of 25 years experience for senior management • Board and management own ~29% of the company (Chairman of the Board owns 22.9%)
Stable Regulatory Environment in Canada with Few Competitors	• Canada has a well established regulatory environment • Industry has become less competitive following the exit of several large banks

Overview of easyfinancial

easyfinancial is the Company's financial services arm that primarily provides fully-amortizing consumer installment loans to non-prime customers who may have diminished access to traditional bank financing products. easyfinancial is supported by a strong central credit adjudication process and industry leading risk analytics. easyfinancial also operates an indirect lending channel, offering loan products to consumers at the point-of-sale of third party merchants.

easyfinancial's product offering consists of unsecured and real estate secured installment loans available to Canadian consumers plus a suite of complementary ancillary products. These installment loans range in size from $500 to $25,000 at interest rates starting at 19.99% with repayment periods from nine to 60 months for unsecured loans and terms of up to 10 years for secured loans. The required regular installment payments on these loans from customers include both principal and interest and result in the entire principal balance being repaid over the stated amortization period, provided all contractual payments are made as scheduled.

Traditional financial institutions are generally unwilling to effectively offer credit solutions to consumers that are deemed to be a higher credit risk due to the consumer's financial situation or less-than-perfect credit history. Historically, approximately 60% of easyfinancial's customers have been denied credit by traditional financial institutions. These same consumers prefer to avoid the high fees and onerous repayment terms set by payday lenders (which could have loan that carry an annualized interest rate in excess of 500% and may be repayable within two weeks of borrowing). easyfinancial's products appeal to these consumers who are looking for better alternatives.

Historically, the consumer demand for loans such as these was satisfied by the consumer-lending arms of several large, international financial institutions. Since 2009, many of the largest branch-based participants in this market (including Wells Fargo, HSBC Finance and CitiFinancial) have either closed their operations or dramatically reduced their size due to changes in banking regulations related to risk adjusted capital requirements, leaving easyfinancial as one of a small number of coast-to-coast non-prime lenders with stated growth aspirations.

The Company believes that there is significant demand for non-prime lending in the Canadian marketplace and estimates that the size of the Canadian market for non-prime consumer lending, excluding mortgages, is in excess of $165 billion. This demand is currently being met by a wide variety of industry participants who offer diverse products including auto lending, credit cards, installment loans, retail finance programs, small business lending and real estate secured lending. Generally, industry participants have tended to focus on a single product rather than providing consumers with a broad integrated suite of financial products and services. As a result, the suppliers to the marketplace are quite diverse.

The Company has made significant investments in its processes, systems and infrastructure to position its easyfinancial business for long-term sustainable growth, including making the following key enhancements:

- The Company has developed an internal competence in evaluating and managing credit risk. Using leading-edge, data-driven modeling and analytical techniques, underwriting and credit adjudication policies have been continuously enhanced in response to changing market conditions with the goal of optimizing returns while balancing throughput and charge-offs.
- An industry-standard banking platform was implemented in 2012 to ensure that the loans receivable portfolio could be appropriately managed and information could be securely maintained on a scalable infrastructure.
- In 2014, the Company implemented a proprietary loan application management system to process applications originated in its retail and on-line channels. This system was supported by a credit decision engine, built in partnership with a global leader in risk management technology solutions, and is fully integrated with the Company's customer relationship management platform enabling it to meet the changing needs of its growing customer base.

- The easyfinancial management team was enhanced through the recruitment of senior managers with broad experience in financial services.
- Through a combination of equity offerings, debt offerings and renegotiation of existing lending relationships, the Company has been able to secure the necessary capital to fund its expected growth over the near-term. The continued successful growth of the easyfinancial portfolio and the strengthened balance sheet should provide access to further levels of capital in the future at reduced costs.

To this point, easyfinancial has focussed on providing consumer installment loans. Unlike payday loans, consumer installment loans are amortizing, equal payment loans that require borrowers to pay down balances over time rather than in a "bullet" maturity at the end of a short timeframe. Consumer installment loans are underwritten in such a way that the ability of the borrower to repay the loan is a key factor.

The easyfinancial business model has continued to evolve in response to changing consumer expectations and technological developments.

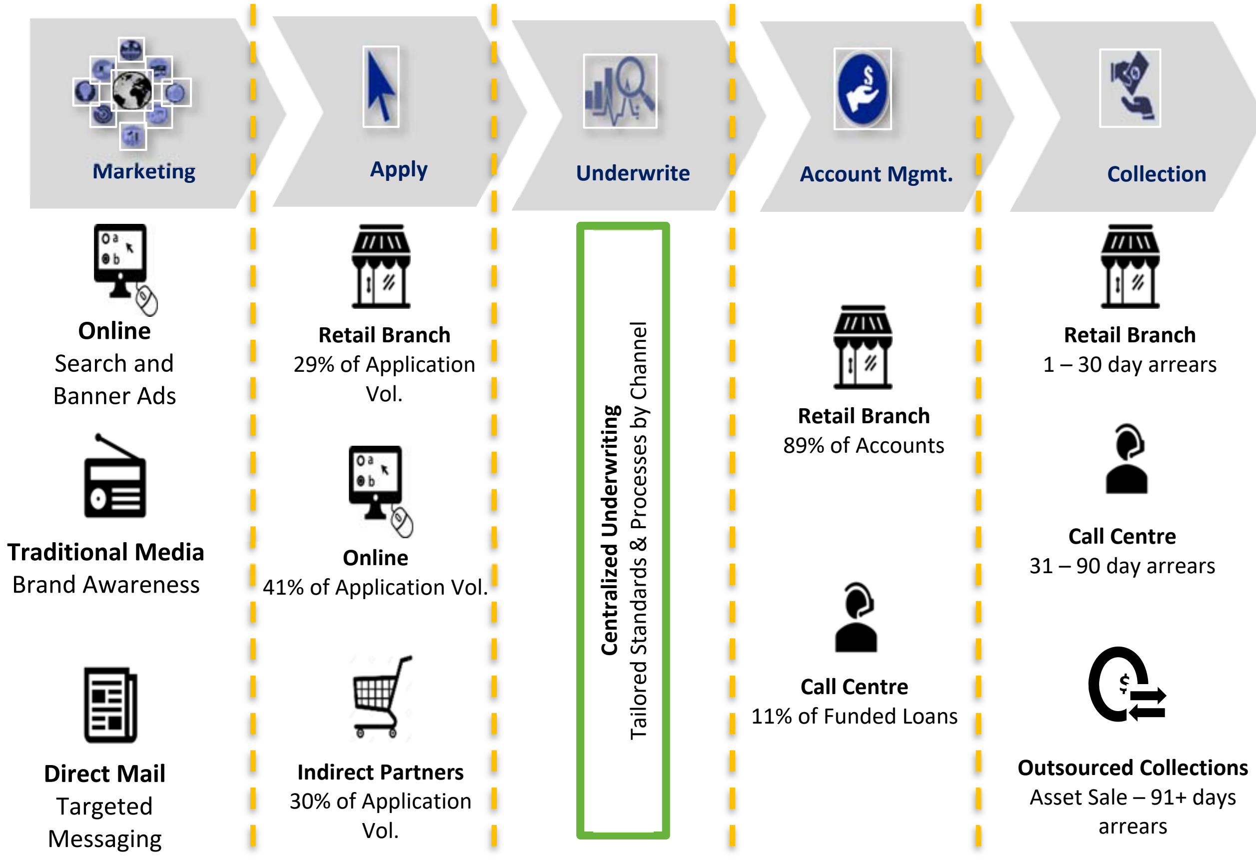
- The offering of consumer installment loans was initially piloted in 2006 using a kiosk that was physically located within an existing easyhome location.
- In 2011, to better meet customer demand for its products, the Company determined that the easyfinancial business would scale more successfully by operating out of stand-alone locations that were physically separated from the easyhome stores. The first easyfinancial stand-alone location was opened in July 2011. These larger and higher capacity stand-alone locations also exhibited a more rapid growth trajectory.
- Once the business model was finalized and prior to its large-scale expansion, easyfinancial launched a centralized loan decision platform in 2011 and deployed a highly scalable core banking platform in 2012.
- In 2013, a transactional website was launched by easyfinancial for securing consumer installment loans. This new delivery channel allowed the Company to reach consumers who may not have had access to a physical location or who preferred to interact through the privacy and convenience of their home or on their mobile device.
- In 2014, the Company launched an internally developed and proprietary loan application management system that was fully integrated with its customer relationship management and collections activities.
- In 2015, easyfinancial launched its indirect lending platform, significantly expanding the number of distribution points. Indirect lending involves creating partnerships with merchants to provide financing for their customers who do not qualify for the traditional credit products offered by these merchants. Under such a delivery channel, these customers are given the opportunity to apply for a loan through easyfinancial at the point of purchase, thereby allowing them to purchase the desired products or services from the merchant partner.
- The Company is committed to helping Canadians improve their financial literacy. In 2015, the Company developed a free on-line financial education platform that included articles, videos and other educational content.
- In 2016, the Company further enhanced its indirect lending platform by launching the industry's first single source point-of-sale application system to provide financing for customers across the entire credit spectrum. Depending on the customer credit profile, the retail partner or easyfinancial can extend credit for such purchases with easyfinancial providing the application platform and back-end support needed.
- In 2016, the Company introduced risk-adjusted interest rates where consumers that are determined to be lower credit risk are offered a lower cost of borrowing. The consumer benefits with a lower-cost loan and the Company benefits by retaining its best customers as they work to rebuild their credit profile.
- In 2017, the Company complemented its unsecured installment loans with loans that are secured by residential real estate. These secured installment loans offer larger loan values and a reduced rate of interest in recognition of the expected lower charge-off rates stemming from the real estate collateral pledged by customers. While the yields are lower on such loans, the Company benefits from lower rates of charge off, longer customer tenure and lower relative acquisition and administration costs, which are expected to ultimately increase overall customer profitability.

easyfinancial's national scale distribution and servicing remains a key differentiator in its non-prime lending practice. In the non-prime lending sector, it is the Company's experience that multi-channel platforms supported by a national branch presence generally outperform online-only loan origination and account management, as the personal vetting of the loan applicant and the management of the customer relationship throughout a loan's repayment period leads to improved collections activity and ultimately lower loan losses.

Through its multiple delivery channels and utilizing an extensive analysis of the historic performance of its consumer lending portfolio, easyfinancial has created a business model that is somewhat unique within its industry.

- On-line advertising, coupled with the Company's mobile responsive transactional website, create a cost-effective way to attract new customers and optimize the application process.
- The Company believes that originating loans through a combination of online activities along with a coast-to-coast network of branches provides an optimal balance between growth and credit risk management. Bricks-and-mortar branches remain an integral part of the Company's customer acquisition and servicing strategy.
- Indirect lending significantly expands the Company's distribution points without significant incremental costs by leveraging an industry leading, proprietary mobile solution.
- By analyzing all of its loan transactions originated since 2006, the Company has developed underwriting practices and credit scoring models that are able to predict the performance of its customers with a far greater degree of accuracy than the traditional generic scoring models utilized by credit rating agencies and other lenders.
- While digital properties and the Company's indirect lending arrangements are important application channels, the Company believes that servicing its customers through a coast-to-coast network of branches optimizes their lifetime value. The customer loyalty developed through direct personal relationships increases the penetration of ancillary products, extends the length of the customer relationships and encourages the repayment of loans which ultimately leads to lower charge-offs.
- Subsequent to a successful loan application, the responsibility for loan closing and funding and ongoing customer relationship management, including early stage collections, is assigned to a retail branch that is conveniently located near the customer.
- Since ongoing customer relationship management is performed at the local branch level, the Company is able to establish stronger relationships with its customers that enable it to more effectively address and resolve various unplanned financial challenges that may occur. In this way, the Company believes bad debts are able to be reduced more effectively, particularly when compared to a non-prime consumer loan originated through an online-only lender.

The following chart depicts the easyfinancial lending life-cycle.



The Company recognizes that the loan products it offers to consumers carry a higher risk of default than the loan products offered by traditional banks and, as such, the Company incurs a higher level of delinquencies and charge offs, but that is offset by the higher yield generated on its installment loans. To assist with the management of this risk, the Company has developed proprietary underwriting practices and credit scoring models using the historical performance of its consumer loan portfolio.

easyfinancial's credit adjudication models and underwriting process optimize the balance between loan origination volume and loss rates. Having underwritten over $2 billion in loans over the past decade, the Company has developed proprietary credit scoring models based on its own historical data that better assess customer risk profiles than those employed by credit reporting agencies. The Company utilizes these proprietary models in its credit underwriting and collection activities.

The following summary provides certain information about the Company's credit approval process and credit risk management expertise.

- Application
    - Customer application includes a mix between personal identification and financial details
    - No additional credit granted to customers in arrears
- Credit Adjudication
    - Application information is combined with underlying data from a customer's credit report
    - Proprietary custom risk models based on demographic and behavioural attributes unique to easyfinancial's consumer population
    - Champion/challenger strategy in refining models
    - Determines customer acceptability, lending limit and interest rate
- Affordability
    - Detailed debt to income calculation
    - Establishes a maximum loan amount based on ability to repay
- Verification
    - Supporting documentation validation including identity, customer consent, residency, credit report, banking history, income, expenses
    - Performed independent of operations
- Fulfillment
    - Loan document generation/signatures
    - Centralized funding control
- Loan Payments
    - All loan payments made via electronic pre-authorized payment from the customer's bank account
    - Loan repayment schedule coincides with customer's payroll deposit

Overview of easyhome

easyhome is Canada's largest lease-to-own company, offering brand-name household furniture, appliances and electronics to consumers under weekly or monthly leasing agreements through both corporate and franchise stores.

easyhome's programs appeal to a wide variety of consumers who are looking for alternatives to traditional retailers and who are attracted to a leasing transaction that does not involve a credit check, does not require an initial down payment, includes delivery and set up and offers them the flexibility to terminate the lease at any time. These consumers may not be able to purchase merchandise due to a lack of credit or insufficient cash resources, may have a short-term or otherwise temporary need for the merchandise, or may simply want to use the merchandise, with no long-term obligation, before making a purchase decision.

Customers who wish to lease merchandise with an option to purchase from easyhome are required to enter into easyhome's standard form merchandise leasing agreement. This lease agreement provides that the customer will lease merchandise for a set term and make payments on a weekly or monthly basis. Generally, customers are required to make an initial up-front lease payment and thereafter the periodic payments are collected in advance for each payment period. If the customer makes all of the periodic payments throughout the lease term, he or she will obtain ownership of the merchandise at the end of the term. In addition, at specified times during the term of the lease, customers can exercise an option to purchase the leased merchandise at a predetermined price. easyhome maintains ownership of its merchandise until this purchase option is exercised. Ultimately, easyhome's customers have the flexibility to return the merchandise at any time without any further obligations.

easyhome operates through both corporately owned stores located across Canada and through a network of franchised locations. Additionally, since 2013, the Company operates an e-commerce platform that allows customers to enter into merchandise leasing transactions through on-line channels.

Incorporation and Address

The Company was incorporated as RTO Enterprises Inc. ("RTO) under the laws of Alberta by Certificate and Articles of Incorporation dated December 14, 1990, and was continued as an Ontario corporation pursuant to Articles of Continuance dated July 22, 1993. Effective August 1, 1993, RTO acquired Aumo Explorations Inc. ("Aumo"), a reporting issuer in the Province of Ontario. Aumo was incorporated under the laws of Ontario by Articles of Incorporation dated December 15, 1980. Pursuant to Articles of Amalgamation dated July 31, 1993, and the terms of an Amalgamation Agreement dated June 24, 1993, Aumo and RTO were amalgamated. At the date of amalgamation, Aumo had no significant assets or liabilities. The purpose of the amalgamation was to acquire a public company such that shareholders of RTO would have greater liquidity and marketability in respect of their Common Shares.

On July 30, 2002, the articles of the Company were amended to consolidate the Company's issued and outstanding common shares in the capital of the Company ("Common Shares") on a one for ten basis.

On December 2, 2002, the articles of the Company were amended to create a class of Preference Shares. On October 30, 2003, the articles of the Company were further amended to remove a limitation on the redemption of Preference Shares.

At the Company's annual and special meeting held on May 1, 2003, shareholders approved the change of the Company's name from RTO Enterprises Inc. to easyhome Ltd. ("easyhome") and that change became effective on July 2, 2003.

On May 11, 2005, the articles of the Company were amended to split the Company's issued and outstanding shares on a one and a half for one basis.

On January 2, 2007, easyhome incorporated a U.S. subsidiary, EH US Holdings Inc. under the laws of Delaware. On December 31, 2007, its name was changed to easyhome U.S. Ltd. ("easyhome U.S.").

On January 1, 2008, three of easyhome's Canadian subsidiaries, RTO (Rentown) Inc., RTO (Rentown) 2000 and RTO Asset Management Inc., amalgamated pursuant to the laws of Alberta under the name RTO Asset Management Inc.

On September 25, 2008 easyhome acquired 89% of the outstanding shares of Insta-rent Inc. ("Insta-rent"), an Edmonton based merchandise leasing company which was listed on the TSX Venture Exchange. The Company subsequently acquired the remaining 11% of Insta-rent's outstanding shares and delisted that company.

On December 23, 2010, all of the assets and liabilities of Insta-rent Inc. were transferred to its parent company, easyhome Ltd., including 100% of the common shares of Insta-rent Ltd. As a result, Insta-rent Ltd. became a direct wholly owned subsidiary of easyhome Ltd. Additionally, on January 1, 2011, RTO Distribution Inc. and RTO Asset

Management Inc. amalgamated pursuant to the laws of Alberta under the name RTO Asset Management Inc. RTO Asset Management Inc. remains a wholly owned subsidiary of easyhome Ltd. After this reorganization, Insta-rent Ltd. held 100% of the preferred shares of RTO Asset Management Inc.

On November 29, 2013, easyhome incorporated easyfinancial mortgages Inc. (o/a easymortgages) which acts as a registered mortgage broker in numerous provinces.

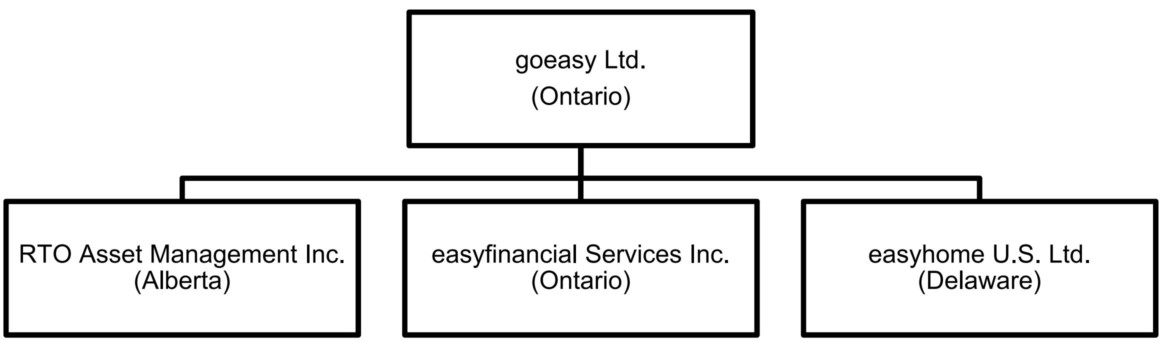
On December 31, 2014, all of the assets and liabilities of Insta-rent Ltd. were transferred to its parent company, easyhome Ltd., and subsequently dissolved on May 6, 2015.

On July 29, 2015, the Company held a special meeting of shareholders, where shareholders approved the change of the Company's name from easyhome Ltd. to goeasy Ltd. and that change became effective on September 14, 2015.

The registered office, head office and executive office of goeasy is located at 33 City Centre Drive, Suite 510, Mississauga, Ontario, L5B 2N5.

Intercorporate Relationships

goeasy is the holder of all of the common shares in the capital of its principal subsidiaries, RTO Asset Management Inc., easyfinancial Services Inc. and easyhome U.S. Ltd. goeasy Ltd. holds 100% of the preferred shares of RTO Asset Management Inc. goeasy's principal subsidiaries are as set forth in the following chart:



RTO Asset Management Inc. operates the Company's Canadian merchandise leasing business, including acquiring the assets for lease and holding the facility leases for the Company's Canadian stores while easyfinancial Services Inc. operates the Company's consumer lending operations. The Company has taken steps to wind down its operations in the U.S. easyhome U.S. Ltd. previously operated the Company's U.S. merchandise leasing business including franchise operations prior to the sale of its corporately owned U.S. stores on December 31, 2012 and the sale of most of its U.S. franchise and royalty rights on December 31, 2014. easyhome U.S. Ltd. continued to hold a reduced number of franchise rights and certain financial and lease obligations in accordance with contractual relationships.

Store Locations Summary

	Locations as at Dec. 31, 2016	Locations opened during 2017	Locations closed during 2017	Conversions	Locations as at Dec.31, 2017
easyfinancial					
Kiosks (in store)	46	3	-	(7)	**42**
Stand-alone locations	161	19	(2)	7	**185**
National loan office	1	-	-	-	**1**
Total easyfinancial locations	208	22	(2)	-	**228**
easyhome					
Corporately owned stores	146	-	(3)	(3)	**140**
Consolidated franchise locations	2	-	(1)	-	**1**
Total consolidated stores	148	-	(4)	(3)	**141**
Total franchise stores	28	-	(1)	3	**30**
Total easyhome stores	176	-	(5)	-	**171**

As at December 31, 2017, easyfinancial had 42 kiosks located within an easyhome store, 185 stand-alone locations and one National loan office. The easyfinancial locations were all located in Canada with a province-by-province breakdown as follows: British Columbia 30; Alberta 25; Saskatchewan 8; Manitoba 9; Ontario 101; Quebec 11; New Brunswick 12; Nova Scotia 16; Prince Edward Island 4; and Newfoundland and Labrador 12.

At the end of 2017, easyhome had 171 leasing stores (including 30 franchises and 1 consolidated franchise location). All of the corporately owned stores were located in Canada with a province-by-province breakdown as follows: British Columbia 15; Alberta 18; Saskatchewan 5; Manitoba 4; Ontario 51; Quebec 9; New Brunswick 11; Nova Scotia 13; Prince Edward Island 2; and Newfoundland and Labrador 12. The remaining consolidated easyhome store (which is a consolidated franchise location) was located in the U.S. state of Vermont.

At the end of 2017, easyhome had 30 franchise stores in Canada in the provinces of Ontario, Alberta and Manitoba.

GENERAL DEVELOPMENT OF THE BUSINESS

goeasy is a leading full-service provider of goods and alternative financial services that provides everyday Canadians with a chance for a better tomorrow, today. Although the initial operations consisted of operating a network of merchandise leasing locations, the Company has continuously evolved to provide a greater level of goods and services to its consumers, take advantage of market opportunities and improve its capital and operating structure.

In addition to the development and expansion of the easyfinancial business described in the "Overview of easyfinancial" and "Corporate Strategy" sections, the Company has completed many other significant initiatives over the past several years as it executed against its stated strategy.

Reorganization of the Leasing Business

During the second quarter of 2012, the Company completed a restructuring of its leasing business. 13 locations with unsatisfactory performance were closed and a large portion of their active lease portfolios and assets were transferred to nearby locations. Changes were made to the leadership of the leasing business and a number of senior positions were eliminated. Finally, operating procedures were adjusted to return the focus of field staff from administration processes to leasing, collecting and customer relationships.

On December 31, 2012, the Company completed an exchange of stores with a large U.S. based rent-to-own company. The exchange consisted of the concurrent sale of the assets and operations of 15 leasing stores owned by easyhome in the U.S. and the purchase of the assets and operations of 15 leasing stores in Canada. In early 2013, most of these acquired stores were closed and their consumer lease portfolios were merged with pre-existing easyhome stores.

On July 13, 2015, the Company acquired 14 Canadian merchandise leasing stores from this same large U.S. based rent-to-own company, effectively removing the U.S. based competitor from the Canadian market.

Capital Raised to Support the Growth of easyfinancial

The Company has been able to raise the capital required to support the growth of easyfinancial when needed and at a progressively lower cost of borrowing with greater levels of capital flexibility.

On October 4, 2012, the Company entered into a $20.0 million term loan facility with a pair of U.S. based debt providers to support the growth of easyfinancial. On June 18, 2013, the Company amended this term loan facility which increased the total maximum credit limit available under the term loan facility to $50.0 million. All previous borrowings under the term loan facility were rolled into the amended $50.0 million facility.

On November 12, 2013, the Company and a syndicate of underwriters completed a common share equity offering of 1,346,900 common shares of the Company at a price of $14.85 per common share. The Company received gross proceeds of $20.0 million and net proceeds of $19.0 million.

On July 28, 2014, the Company entered into a $200.0 million credit facility, which replaced the Company's then existing bank revolving credit facility and term loan facility. The credit facility was comprised of a $180.0 million term loan and a $20.0 million revolving operating facility.

On July 31, 2015, the Company amended its existing credit facilities and increased its total credit available by $100.0 million from $200.0 million to $300.0 million. The Company's amended credit facilities consisted of a $280.0 million term loan and a $20.0 million revolving operating facility. This amended facility supported the growth of easyfinancial through mid 2017.

On June 2, 2017, the Company completed an offering of convertible unsecured subordinated debentures due July 31, 2022 (the "Debentures") at a price of $1,000 per Debenture for aggregate gross proceeds of $53 million. This offering was a positive first step towards achieving the Company's objective of diversifying its funding sources and optimizing its capital structure at attractive levels.

On November 1, 2017, the Company completed an offering of USD $325 million senior unsecured notes, due November 1, 2022 with a US dollar coupon rate of 7.875% ("the Notes"). Concurrent with this offering, the Company entered into a currency swap agreement to fix the foreign currency exchange rate for the proceeds from the offering and for all required payments of principal and interest under the Notes, effectively hedging the obligation under the Notes to $418.9 million at a Canadian dollar interest rate of 7.84%. Additionally, on November 1, 2017, the Company entered into new senior secured $110 million revolving credit facility maturing in 2020 with a syndicate of banks ("New Credit Facility"). The Company used the net proceeds from the sale of the Notes to refinance the existing term loan and to pay fees and expenses of the offering. The Company further intends to use the remainder of the proceeds from the offering and the funds available under the senior secured revolving credit facility to expand its consumer loan portfolio and for general corporate purposes.

Launch and Enhancement of E-Commerce Websites

While both of goeasy's business units have had an on-line presence for many years, they have been purely informational. In 2013, transactional websites were launched by easyhome for the leasing of new furniture, appliances and electronics, and easyfinancial for originating consumer installment loans. These new delivery channels allow the Company to reach consumers who may not have access to a physical location or those who prefer to interact through the privacy and convenience of the internet. Further optimization of these channels will be achieved through ongoing analysis of transactional performance data and the enhancement of the transactional websites.

In 2015, all of goeasy's web properties, including the transactional sites of both easyhome and easyfinancial, were completely redesigned to improve the customer experience, better highlight the value of the Company's products to the customer, streamline the application process and ultimately enhance the conversion of on-line traffic to loans or leases.

Opening of Shared Service Centre

In the fourth quarter of 2013, the Company opened a new Shared Services Centre to provide operational support for both business units in areas such as collections, customer retention and customer care and to support the delivery channels that did not operate with a dedicated local presence. The Company believes that this hybrid structure will allow local operators to continue to provide a strong level of service directly to their customers, and will enable many administrative and support functions to be performed at a reduced cost, employing best practices.

Renaming easyhome Ltd. to goeasy Ltd.

On September 14, 2015, the Company changed its name from easyhome Ltd. to goeasy Ltd. to provide a corporate umbrella that unites and supports its sub-brands of easyfinancal and easyhome. The change reflected both the evolution and growth in the business as it moved from a name that was aligned with the legacy leasing business to a corporate name that encompassed all of the Company's business units and its ambition to add new goeasy brands as it executed against its strategic goals. With easyfinancial generating a greater portion of the Company's revenue and earnings, and as the Company has become more recognized for our financial services, the distinction from its legacy business was important.

Wind Down of U.S. Operations

In 2014, the Company decided to wind down its operations in the U.S. and focus on the Canadian market. This followed the sale in 2012 of the Company's corporately owned merchandise leasing stores in the U.S. On December 31, 2014, the Company sold most of its remaining rights to receive future royalty payments from its U.S. franchisees including the sale of a number of its remaining consolidated franchise locations. The Company's remaining U.S. operations consists of one consolidated franchise location and various other financial or lease obligations.

Acquisition of Cash Store Locations

On February 10, 2015, the Company acquired the lease rights and obligations as well as certain related assets of 45 retail locations across Canada. During the first quarter of 2015, these acquired locations were opened as easyfinancial branches. This acquisition accelerated the real estate build out for the easyfinancial branch network.

Launch of Indirect Lending Channel

On July 28, 2015, the Company launched its indirect lending channel with a national retail furniture partner to provide customers of the retail furniture partner that did not qualify for traditional prime credit with a new point-of-sale financing alternative through easyfinancial. Through the use of a new, point-of-sale mobile tablet solution, customers were offered an easyfinancial loan to finance their purchase.

On November 2, 2016, the Company further enhanced its indirect lending platform by launching the industry's first single source application system for point-of-sale financing for consumers across the entire credit spectrum. Depending on a customer's credit profile, either the retail partner or easyfinancial extends credit for such purchases with easyfinancial's point-of-sale financing platform providing the back-end support system and loan servicing needed.

Launch of Risk Adjusted Pricing

From its initial launch in 2006 until the end of 2015, easyfinancial's core offering consisted of installment loans that had variable principal amounts and amortization terms but only one interest rate. Beginning in 2016, the Company introduced risk adjusted pricing that provided lower interest rate loans to customers that were considered to be a lower credit risk. The introduction of risk adjusted pricing allowed the Company to provide lower cost alternatives to its lower risk customers and attract a new set of customers that were choosing to transact with competitors of the Company that offered lower rate products and retain existing customers who have demonstrated improved credit worthiness.

Launch of Real Estate Secured Lending

In 2017, the Company complemented its unsecured installment loans with loans that are secured by residential real estate. These secured installment loans offer larger loan values and a reduced rate of interest in recognition of the expected lower charge-off rates stemming from the real estate collateral pledged by customers. While the yields are lower on such loans, the Company benefits from lower rates of charge off, longer customer tenure and lower relative acquisition and administration costs, which are expected to ultimately increase overall customer profitability.

CORPORATE STRATEGY

The Company is committed to being a leading full-service provider of goods and alternative financial services that provides everyday Canadians with a chance for a better tomorrow, today. To maintain this position, the Company must continuously improve to meet the needs of its chosen customer segment. Additionally, the Company must focus on maintaining its competitive advantage by capitalizing on the key aspects of each business unit, including brand awareness, superior customer service and its cross-country retail network. Cost efficiencies through economies of scale and shared services will enable the Company to meet future competitive challenges, including new entrants into the marketplace. Ultimately, the Company will continue to be successful if it delivers a best-in-class customer experience.

Throughout 2016, the Company completed an in-depth strategic review, including gaining a greater understanding of the non-prime market for consumer lending in Canada. Through this process, the Company gained valuable insights into the opportunities available for non-prime lending within the Canadian marketplace. These insights confirmed that the Company's corporate strategy continues to be appropriate and will guide the tactics employed by the Company to achieve its goals in the future. These key insights include:

- Although the market for non-prime lending in Canada is in excess of $165 billion, the supply is fragmented by both product and credit segments. It is satisfied by a large number of diverse lenders with each focusing on a relatively narrow range of products. Opportunities for growth exist for those lenders who are able to effectively offer multiple products spanning the non-prime consumer credit spectrum across various distribution channels.
- Competition within the non-prime consumer lending market is in a state of transition. While many large participants have exited the market in recent years, new competition from non-traditional sources such as payday lenders, on-line lenders and marketplace lenders has emerged.

- The activities of the Company over the past several years to both build out its retail footprint and develop a scalable platform provide it with a strong base to expand and diversify its product offering to ultimately meet consumer demand and competitive challenges.
- Within the non-prime market, the Company has traditionally focused on a relatively higher risk consumer and offered a product with higher interest rates that was commensurate with that risk. Greater opportunities exist for lower rate products where the reduced yield is offset by lower credit losses and relative costs to administer.
- The opportunity for installment lending secured by real estate or other assets is large, with significant unsatisfied demand. This demand is likely to increase in the future as Canadian mortgage rules continue to change. The reduced yield for this type of product is offset by lower credit losses and relative costs to administer.
- There continues to be an opportunity to provide retail point-of-sale financing alternatives to traditional retail organizations, many of which do not have financing options for customers in the non-prime credit segment. While the opportunity for non-prime retail financing is large with few suppliers of scale, even more significant prospects exist for companies that can provide retail financing across the entire credit spectrum (from prime to non-prime) that minimizes or eliminates the level of credit friction in the customer application process.
- Securing adequate financing for a non-prime consumer lending business can be difficult. Reasonable capital (both rate and leverage ratios) is available to those companies that can demonstrate strong underwriting, risk management and collection capabilities, sufficient scale, predictable credit loss rates and a history of performance.

Customer Need

Our customers have a strong need for credit and immediate financial relief, but more importantly, they are looking for a long term plan that helps them improve their current financial situation and puts them on a path towards a better financial future.

- Half of Canadians have $200 or less in savings
- 48% of Canadians are concerned with their levels of debt
- Over 3 million Canadians have a monthly income that fluctuates at least 25%

Market Opportunity

Lack of financial institutions focused on helping non-prime customers progress from their current situation to a better financial future based on their ability to improve their credit score and access to credit at lower rates.

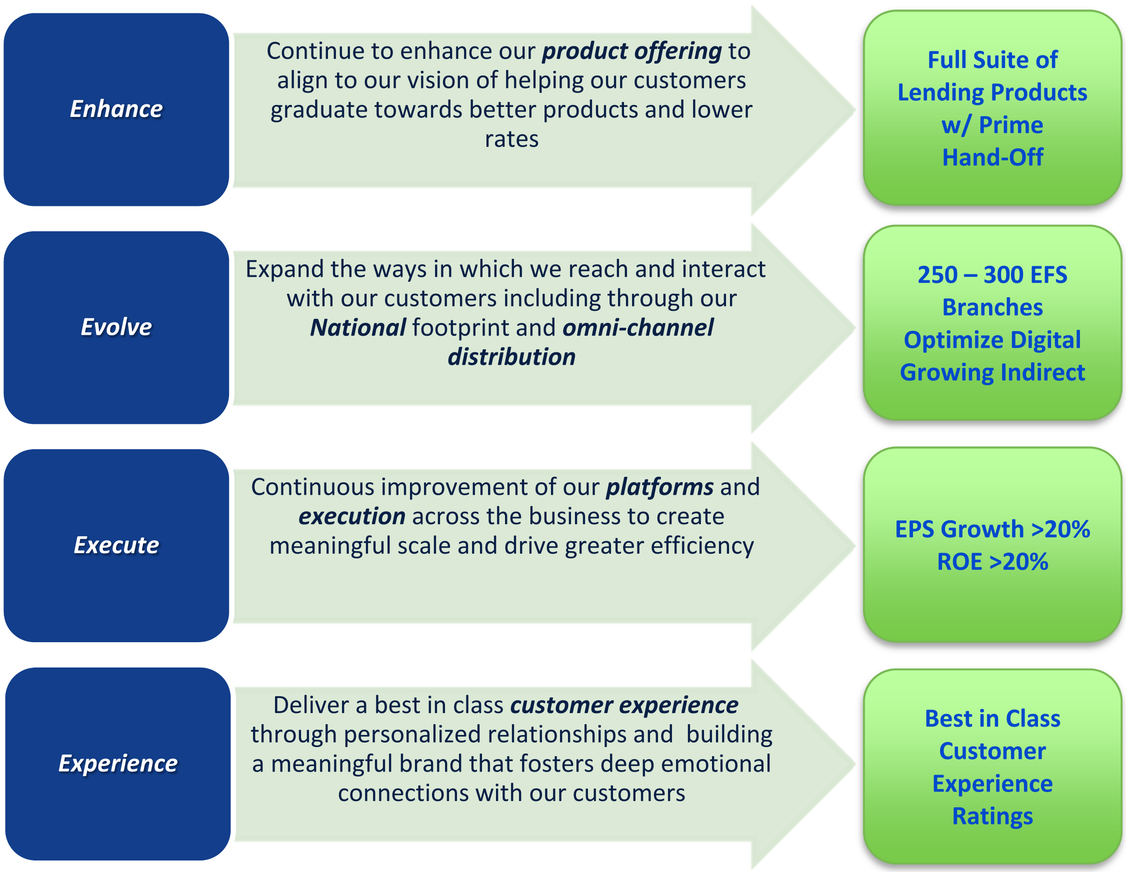
Competitive Positioning

"Provide our customers the opportunity to achieve better financial outcomes"

goeasy will be the lender of choice by offering a personalized journey through our products, authentic customer relationships and simplified technology. We will motivate, reward and empower our customers to achieve better financial outcomes such as lower interest rates and ultimately help them graduate back to traditional prime credit.

To achieve its long-term goals, the Company has four key business imperatives:

- Enhance the product offering
- Evolve the delivery channels
- Execute with efficiency and effectiveness
- Deliver a best-in-class customer experience



Enhance the Product Offering

The continued growth of easyfinancial will be aided by the enhancement of its product offering. These enhancements will include the introduction of new lending products as well as additional ancillary products that provide value to customers.

It is the Company's mission to help customers improve their credit risk profile and "graduate" the customer back to lower cost prime lending. In cases where the Company has the expertise and resources to offer these products directly, it will do so. In other cases, it will look to partner with primary providers of these products and offer such products to the Company's customers under a commission or fee-type arrangement. As an example, in 2015 the Company began offering a credit monitoring service to its customers, allowing them to take better control of their financial situation by monitoring their credit score and borrowing activity on an ongoing basis. We partnered with Transunion to use their product and price it to our customers identical to what they would pay if they purchased it directly.

The extent of the Company's risk adjusted pricing offering will continue to be increased as the Company responds to evolving market conditions and analyzes the overall impact of these activities on the behaviour of its customers and its business model. Increasing the ratio of lower rate products within the Company's consumer loans receivable portfolio provides its customers with many benefits including i) lower borrowing costs; ii) access to larger dollar sized loans; and iii) incentives to improve their overall credit score which should ultimately assist them in returning to lower cost prime financing alternatives. In addition to generating incremental growth; the Company benefits from increasing the relative size of its consumer loans receivable portfolio that has lower interest rates by i) reducing the overall risk of its consumer loans receivable portfolio; ii) offsetting the inherent decline in yields with reduced per loan acquisition and administrative costs and lower charge offs; iii) attracting a greater number of new customers; and iv) increasing its ability to retain customers that have improved their credit standing.

In 2017, the Company complemented its unsecured installment loan product with a secured installment loan product that is secured by residential real estate. These secured installment loans offer larger loan values and a reduced rate of interest in recognition of the expected lower charge-off rates stemming from the real estate collateral pledged by customers. While the yields are lower on such loans, the Company benefits from lower rates of charge off, longer customer tenure and lower relative acquisition and administration costs, which are expected to ultimately increase overall customer profitability.

In the future, the Company will look to introduce additional loan products that satisfy the needs of consumers and help them graduate towards lower cost lending solutions. Any new product launches will only be undertaken after i) a thorough review of the market dynamics and competition, ii) rigorous development of credit underwriting standards, iii) configuration of required systems and operating procedures and iv) product trials and testing. Ultimately, successful new products will be determined based on satisfactory consumer acceptance and the achievement of the Company's internal targets for return.

Evolve the Delivery Channels

Over the last several years, the Company has developed multiple delivery channels in response to changing customer needs, technological advancements and market opportunities. Up until 2013, all of goeasy's interactions with its customers occurred at a physical retail location.

The Company continues to believe that direct, personal relationships with its customers are best achieved through a physical location where its customers live and work. For this reason, the Company's extensive branch network continues to be a core element of its business and product delivery strategy. The establishment of direct personal relationships provides the following significant benefits to both the Company and its customers:

- A greater ability to explain the product offering provides the customer with clarity on their obligations and alternatives and results in greater penetration of ancillary products that provide value to the customer.
- A continuing dialogue with the customer allows both the customer and the Company to more effectively deal with financial challenges that may arise for the customer. This approach leads to greater customer satisfaction and lower charge off rates.
- Establishing easyfinancial as a financial partner to the customer aids in the ongoing retention of the customer relationship and allows easyfinancial to assist the customer in managing their financial needs as their circumstances change and ultimately returning to lower rate prime financing options.

The Company estimates that its retail footprint for easyfinancial could expand to between 250 and 300 locations across Canada. Total easyfinancial branch count at the end of 2017 was 228. Over the next few years, the Company will continue to add incremental locations in select markets as it works towards this target. In particular, the retail branch expansion will be focused on the expansion into Quebec which represents a large market opportunity.

In 2013, transactional websites were launched by easyfinancial and easyhome, allowing consumers to initiate their transactions on-line. These delivery channels allowed the Company to reach consumers who may not have had access to a physical location or who preferred to interact through the privacy and convenience of their home or on their mobile device. These transactional websites require continued evolution to stay abreast of changing technologies and to offer improved levels of service. Further optimization of the digital channels will be ongoing utilizing analysis of website utilization and performance data with the goals of further streamlining the application process, increasing traffic and improving the conversion rate of qualifying lease or loan applications to completed transactions. Ultimately, the transactional websites will be personalized to the unique needs of each user.

In 2015, the Company launched its mobile indirect lending platform to provide financing solutions to the customers of merchant partners who did not qualify for the traditional credit products offered by these merchants. Under such a delivery channel, these customers are given the opportunity to apply for a loan through easyfinancial at the point of purchase, thereby allowing them to purchase the desired products or services from the merchant partner.

In 2016, the Company further enhanced its mobile indirect lending platform by launching the industry's first single source application system for point-of-sale financing across the entire credit spectrum. Depending on a customer's credit profile, either the retail partner or easyfinancial will extend credit for such purchases with easyfinancial's point-of-sale financing platform providing the back-end support system and loan servicing needed.

The initial launch of the indirect lending platform was the first step in a broader strategy of developing the indirect lending channel, where the Company will offer its lending products at the point-of-sale in the home furnishing, health care and automotive industries. The internally developed mobile tablet solution allows merchant partners to process credit applications right in their store and receive an instant credit decision. By leveraging automated authentication tools, custom credit models, personal identification scanning technology and digital documents, the Company is able to process loans in a fully paperless manner in minutes. As the indirect lending channel expands, the Company will need to enhance the mobile tablet solution, taking advantage of developments in technology to further streamline and expedite the in-store loan application process.

Execute with Efficiency and Effectiveness

The Company believes that the products and services presented to its customers are clearly differentiated from its competitors. easyfinancial provides consumers with a financing alternative that is less costly than payday loans and quicker and more convenient than traditional banks, all in a welcoming and respectful retail or electronic environment. easyhome has established itself as the Canadian market leader having created a more inviting retail experience than its competitors, providing consumers with the guaranteed lowest weekly payment rates, and by employing more engaged and better trained retail associates.

To meet the demands of its customers and to maximize the profitability of the overall business, the Company will continue to focus on improving its level of execution across all areas of the business.

Increase Store Level Efficiency

The Company must continue to responsibly manage all discretionary spending. Supplier relationships and economies of scale are leveraged to reduce overall cost ratios. Idle inventory levels are maintained at optimum levels, balancing the need to provide customers with the choice and selection they require with the capital committed and management effort required to maintain this inventory. Other costs, particularly labour, are tightly controlled centrally through established thresholds, allowing spending to occur only when it will result in improved revenues. In addition, the Company does remediate and, if necessary, close underperforming stores, merging their portfolios with other nearby locations.

Utilize Data Analytics as a Competitive Advantage

The Company has a tremendous volume of customer data that it has gained from years of operating its merchandise leasing and consumer lending businesses. The Company has made significant investments in information technology to safeguard the privacy of this data and also to allow the business to analyze this data to make better business decisions. The intelligent use of this data allows easyfinancial to continually enhance its underwriting practices and credit scoring models to make better lending decisions. It allows easyhome to better understand the retention patterns of its customers and develop marketing and customer relationship programs that are tailored to each customer's needs while maximizing profitability to the Company.

Continue to Invest in New Technologies

As indicated previously, the Company has made significant investments in technology over the past several years to provide easyfinancial with a scalable platform on which to support significant future growth and to allow new delivery channels to be developed. As an example, in 2014 the Company implemented a proprietary loan application management system on the Salesforce platform to process applications originated in its retail and on-line channels. This investment in new technologies will continue in the future as the Company evolves its delivery channels and expands the size and scope of easyfinancial. Investments in new technology will also be made to provide operators and support staff with additional tools so that they can better service their customers and obtain greater levels of efficiency as well as enhanced systems, management and processes to ensure the Company's proprietary data is protected against cyber and other security threats.

Optimize the Capital Structure

Over the past several years, the Company has improved its return on equity by delivering increasing net income and improving its capital structure. At the end of 2006, the Company was almost entirely funded by equity. Since then, the growth of easyfinancial has been funded by the retention of earnings in the business and the acquisition of third-party debt financing, at ever improving interest rates and flexibility of terms. At the end of 2017, net external debt (adjusting for surplus cash on hand) represented almost 60% of the Company's funding requirements, approaching the Company's stated goal of funding its balance sheet on the basis of 70% debt and 30% equity.

The Company is confident that it will continue to have access to additional debt capital to fund the growth of its business into the future. The Company has established relationships with many alternative providers of such debt capital and continues to explore funding alternatives that represent an optimal balance between interest rates, term, flexibility and security.

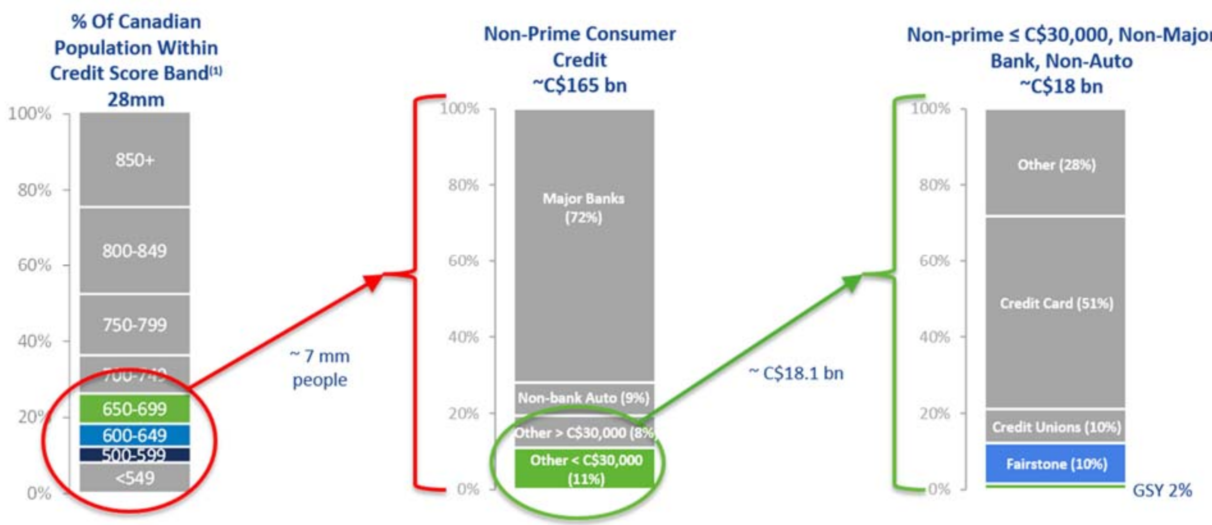
Deliver a Best-in-class Customer Experience

Customer retention is of paramount importance. Frequent and positive customer interactions encourage repeat business and provide high levels of service and satisfaction. As part of its effort to provide superior customer service, the Company offers quick delivery of its merchandise and rapid loan decisioning and funding. The Company believes that competent, knowledgeable and motivated personnel are necessary in order to achieve high levels of customer service and satisfaction. Accordingly, the Company has developed intensive employee training programs, as well as performance measurement programs, incentive-driven compensation plans and other tools to drive a positive customer experience and ensure customer retention. Also, by offering a lower cost lending product, the Company allows its customers to graduate to lower interest rates thereby enhancing customer satisfaction and retention.

NARRATIVE DESCRIPTION OF THE BUSINESS

Competition

The Company estimates that size of the Canadian market for non-prime consumer lending, excluding mortgages, is in excess of $165 billion. This demand is currently being met by a wide variety of industry participants that offer diverse products including auto lending, credit cards, installment loans, retail finance programs, small business lending and real estate secured lending. Generally, industry participants have tended to focus on a single product offering rather than providing consumers with multiple alternatives. As a result, the suppliers to the marketplace are quite diverse.



Traditionally, the non-prime consumer lending market resided between traditional financial institutions and short-term payday lenders. As such, easyfinancial competes both with non-prime lenders and with companies from each of these sectors. Since the Company's products are more affordable than payday loans while being more accessible and flexible than banks, the Company offers alternatives to customers that are not adequately served by the incumbent participants in either of these markets.

Competition in the non-prime consumer lending market is based primarily on access, flexibility and cost (interest rates). Consumers are generally able to transition between the different types of lending products that are available in the marketplace to satisfy their need for these different characteristics.

Historically, the Company has focussed on providing only one product to the consumer, an unsecured installment loan. The Company believes that there is significant demand for the products offered by easyfinancial as, in the past, the consumer demand for loans of this type was satisfied by the consumer lending arms of several large, international financial institutions. Since 2009, many of the largest financial institutions in this market have either closed their operations or dramatically reduced their size due to changes in banking regulations related to risk adjusted capital requirements.

More recently, a number of on-line lenders with similar products targeting comparable customers have appeared. Although these lenders lack the comparable branch network, customer database and brand presence of easyfinancial, they have been successful in attracting customers to their products. However, the potential marketplace is sufficiently large that such introductions will not adversely affect the Company's operational results. Additionally, while these on-line lenders have been able to attract customers, they have not been able to do so at reasonable rates of return which calls into question their long-term viability as operators in the market.

The Company expects that competition for non-prime consumer lending in Canada will continue to shift for the foreseeable future. While traditional financial institutions are likely to decrease their risk tolerance and move farther away from non-prime lending, regional financial institutions such as credit unions, payday lenders, marketplace lenders and on-line lenders are expected to continue their expansion into the non-prime market.

Over the past ten years, the Company has underwritten more than $2.0 billion in loans, compiling a large and comprehensive database that is relied upon to inform and optimize underwriting, credit risk and operational decisions. Lack of access to such data represents a meaningful barrier to entry for potential competitors.

easyhome faces competition for both customers and employees from U.S. based merchandise leasing companies and other smaller competitors within the Canadian market. Although the merchandise leasing industry in Canada is mature, competition could have a material adverse effect on the Company's operational results should the Company not be able to adequately respond to it.

easyhome also faces competition from on-line retailers of both new and used furniture, appliances and electronics. The Company has made significant investments over the past three years to develop its easyhome transactional websites in response to changing consumer expectations and market competition.

The Company also competes with discount stores and other retail outlets that offer an installment sales program or offer comparable products and prices with various financing options and with financial institutions and payday lenders that offer consumer loans. Furthermore, additional competitors, both domestic and international, may emerge since barriers to entry are relatively low.

Finally, easyhome now faces competition from consumer finance companies that are offering retail financing products at the point-of-sale of traditional retail stores, including those offered by easyfinancial. This competition is likely to increase in the upcoming years as additional companies enter the marketplace and achieve scale. The Company is ideally suited to meet this new competitive threat by coordinating the activities of both easyfinancial and easyhome.

The goeasy Customer

goeasy's customers represent a segment of the middle-income market that is underserved by traditional banking institutions and can particularly benefit from the Company's relationship-driven approach. goeasy's customers typically come to the Company with a specific borrowing need, whether originated online or in one of the Company's physical branches. the Company believes that its customers prefer and benefit from the face-to-face discussion of their household budgets and cash flow needs with a local branch employee. The Company's customers value access to funds or merchandise, speed, convenience and service as high priorities. The Company's customers across both of its divisions have an average annual income of $35,000 — $45,000 (and an average annual household income of $60,000 — $70,000) with greater than 80% living in rental properties.

Age	35 - 45 years
Marital Status	<50% married
Dependents	between 1 & 2 dependents
Occupation/Industry	bias towards service industry
Employment Income	$35,000 - $45,000 per year
Household Income	$60,000 - $70,000 per year
Rent vs. Own	> 80% in rental property
Education	80% high school or college

Business Cycles

The Company's financial services and merchandise leasing businesses are both portfolio businesses and therefore, are less susceptible to seasonal variations in revenue when compared to other retail businesses which generate a significant portion of their sales and profits in the Christmas season. For example, quarterly revenue generally does not vary seasonally by more than 10%, when normalized for portfolio growth, store openings and acquisitions. There is some seasonality, however, in the relative growth of the portfolios, as there is greater demand for the Company's products during certain times of the year, particularly the fourth quarter which includes the Christmas season.

Systems and Processes

The Company maintains an extensive information technology system to monitor and control all aspects of its operations and to facilitate its store expansion program.

The Company maintains a central information technology system to manage the easyfinancial consumer loans receivable portfolio, customer information and lending transactions. In 2012, the Company replaced and upgraded its core loan administration software system which improved the monitoring of key performance indicators, established stronger authentication controls and provided a platform that is scalable as the size of the business increases in the future. The core loan administration software system provides extensive management and exception reporting which enables management to continuously monitor the business for performance, compliance and risk. In 2014, the Company implemented a proprietary loan application management system to process applications originated in its retail and on-line channels. This system is supported by a new credit decision engine built in partnership with a global leader in risk management technology solutions and is fully integrated with the Company's customer relationship management platform enabling it to more efficiently meet the needs of its growing customer base.

The Company has also developed an internal competence in evaluating and managing credit risk. The Company has developed new, proprietary custom risk models based on demographic and behavioural attributes unique to the Company's customer population and market segment. The Company constantly challenges and re-evaluates its underwriting models. These models, which leverage a broad array of data, provide the Company with the ability to manage volume and profitability in response to real-time changes in growth objectives, risk appetites and market conditions with the ultimate goal of optimizing returns while balancing loan originations and charge offs.

Within easyhome, each store has an on-site customized computer system on which all inventory data, customer information and leasing transactions are recorded. Transaction records and reports from each store are electronically transmitted periodically to goeasy's data centre. In addition, the Company receives daily status reports from the Company's bankers confirming deposits made by each store location. This extensive reporting system enables management to consistently monitor compliance. The leasing system was installed by a leading provider of point-of-sales software.

Over the past several years, the Company has made significant investments to enhance its technology systems, particularly in the areas of Customer Relationship Management and e-commerce capabilities:

- In 2013, transactional websites were launched by both business units for securing on-line customers. These new delivery channels allowed the Company to reach consumers who may not have had access to a physical location or those who preferred to interact through the privacy and convenience of their home. Today, approximately 45% of easyfinancial's new loan applications originate on-line.
- In 2014, the Company launched an internally developed and proprietary loan application management system that was fully integrated with its Customer Relationship Management and collections activities.
- In 2015, easyfinancial launched its indirect lending platform. Indirect lending involves creating partnerships with merchants to provide financing for their customers who do not qualify for the traditional credit products offered by these merchants. Under such a delivery channel, these customers are given the opportunity to apply for a loan through easyfinancial at the point-of-sale, thereby allowing them to purchase the desired products or services from the merchant partner.
- In 2016, the Company further enhanced its indirect lending platform by launching the industry's first single source application system for point-of-sale financing for customers across the entire credit spectrum.

easyfinancial Product Offering

Through easyfinancial, the Company offers consumer loans and related financial services such as loan protection plans, home and auto benefit plans and credit monitoring services. In 2017, interest income earned by easyfinancial represented 43.4% of consolidated revenue while commissions earned by easyfinancial on the sale of related financial services represented 22.7% of consolidated revenue (2016 – 39.9% and 18.8%, respectively).

Since its launch in 2006, easyfinancial has provided consumers with an unsecured installment loan. The unsecured consumer loans are available in amounts from $500 to $15,000 over repayment terms generally ranging from 9 to 60 months.

Beginning in 2016, the Company introduced risk adjusted pricing that provided lower interest rate loans to customers that were determined to be a lower credit risk. The introduction of risk adjusted pricing allowed the Company to provide lower cost alternatives to lower risk customers and attract a new set of customers that were choosing to transact with competitors of the Company that offered lower rate products.

easyfinancial also offers its lending products through various merchant partners, allowing the merchant partners to convert customers that did not otherwise qualify for their own financing programs into incremental sales. The loan application is completed in-store on a proprietary tablet based application which provides a decision to the customer within minutes. Consumer loans made by easyfinancial to consumers through this indirect lending channel for the purchase of product categories that are similar to those offered by easyhome are secured by the underlying purchased merchandise.

On November 2, 2016, the Company further enhanced its indirect lending platform by launching the industry's first single source application system for point-of-sale financing for customers across the entire credit spectrum. Depending on a customer's credit profile, either the retail partner or easyfinancial will extend credit for such purchases with easyfinancial's point-of-sale financing platform providing the back-end support system and loan servicing needed.

Beginning in 2017, the Company complemented its unsecured installment loans with loans that are secured by residential real estate. The real estate secured consumer loans are available in amounts from $15,000 to $25,000 over repayment terms of up to 120 months. These secured installment loans offer large loan values and a reduced rate of interest in recognition of the expected lower charge-off rates stemming from the real estate collateral pledged by customers. While the yields are lower on such loans, the Company benefits from lower rates of charge off, longer customer tenure and lower relative acquisition and administration costs, which are expected to ultimately increase overall customer profitability.

Customer Protection Programs

The Company offers customers of both its easyfinancial and easyhome businesses an optional customer protection program that provides creditor insurance. In the event a customer who has elected to participate in one of the customer protection programs is unable to make scheduled payments due to involuntary loss of employment, accident and illness, critical illness or death, the creditor insurance provides payments on the customer's behalf for a period of time.

easyhome Products

easyhome offers brand name household furnishing, appliances and home electronic products. In 2017, lease income earned by easyhome represented 32.2% of consolidated revenue (2016 – 40.0%).

easyhome purchases products directly from manufacturers or distributors. All merchandise is delivered directly to the stores, and accordingly, warehouse facilities are generally not required. Product mix is determined by senior management based on historical lease patterns and the expected demand for new products.

Each easyhome store is required to carry a pre-determined number of the Company's core selection of products, but store management is able to select the remainder of inventory based on local customer preferences. The Company maintains good relationships with its suppliers. Given the variety of suppliers able to meet the Company's inventory requirements for any particular product line, the Company does not believe that it is necessary to limit itself to one supplier, and does not enter into long-term supply contracts with its suppliers. However, because of the volume of products purchased, the Company is able to negotiate favourable terms with its suppliers.

The following chart indicates the percentage of the Company's total lease revenue by the product categories for the periods indicated. The Company realizes greater margins on furniture and accessories than other product categories.

	Year ended December 31					
	2017	2016	2015	2014	2013	2012
Home Electronics	32%	33%	34%	34%	32%	33%
Appliances	12%	12%	12%	12%	12%	13%
Furniture and Accessories	44%	42%	40%	38%	38%	38%
Computers and Video Game Consoles	12%	13%	14%	16%	18%	16%

Liability Damage Waiver Policy

easyhome's Liability Damage Waiver Policy is an optional loss/damage waiver program made available to customers when entering into a Merchandise Lease Agreement. The plan provides protection to a customer from the obligation to make any additional payments under a Merchandise Lease Agreement in the event that merchandise is damaged, destroyed or lost through fire, flood, lightning, smoke, wind, storm or theft in exchange for payment of a pre-determined amount over the term of the Merchandise Lease Agreement. Subject to manufacturers' warranties, a customer that does not purchase the optional Liability Damage Waiver Policy is fully liable for damage in excess of normal wear and tear. Currently, the majority of all new customers who enter into Merchandise Lease Agreements elect to participate in easyhome's Liability Damage Waiver Policy.

Advertising

Historically, the Company's primary advertising media was direct mail, flyers and in-store marketing programs. In an effort to continue to expand its brand awareness, the Company also invested in TV media including a national English language television campaign for easyfinancial focused on promoting its ability to provide access to credit when traditional lending institutions were not an option.

In recent years, the Company has also directed an ever-increasing share of its advertising spend towards digital media. Through ongoing digital optimization and an enhanced mobile experience, the Company has been able to continue to drive significant volume to its web properties to promote its brands and to increase the transaction flow from its E-Commerce websites. Advertising expense as a percentage of total revenue for the year ended December 31, 2017 was 4.9% (2016: 3.9%).

Employees

As at December 31, 2017, goeasy had 1,729 full-time employees, of which 172 were employed at the corporate office, 689 were employed in easyfinancial, 697 were employed in easyhome and 171 were employed at the Shared Service Centre. The Company also employs a number of part-time employees. None of goeasy's employees are unionized. goeasy considers its relations with its employees to be positive.

Typically, each easyfinancial stand-alone location requires a staff of two to five employees, each easyfinancial kiosk requires a staff of two to three employees and each easyhome store requires a staff of four to seven employees. In-store staffing will vary depending on the size of the loan or lease portfolio. Promotions generally come from within the ranks of branch or store employees. The Company has in place an employee training program which outlines a 90-day training and certification process which all employees must complete, as well as comprehensive management training and certification programs.

Each easyfinancial manager reports to a regional manager, who supervises the management of all the kiosks and stand-alone locations within a particular region, with each region having an average of 10 to 15 kiosks and stand-alone locations. Each regional manager reports to one of three divisional vice presidents. Managers, regional managers and divisional vice presidents receive a significant portion of their compensation in the form of cash bonuses determined under a profit incentive arrangement. This arrangement is designed to promote growth, optimize revenues and maximize store profitability. Periodic bonuses are paid for achievement of growth and cash collection targets.

Each easyhome store manager reports to a regional manager, who supervises the management of all stores within a particular region, with each region having an average of 8 to 10 stores. Each regional manager reports to one of two divisional vice presidents. Store managers, regional managers and divisional vice presidents receive a significant portion of their compensation in the form of cash bonuses determined under a profit incentive arrangement and stock based compensation determined by the overall financial results of the Company. This arrangement is designed to promote growth, optimize revenues and maximize store profitability. Periodic bonuses are paid for achievement of growth and cash collection targets.

Facilities

The Company leases all of its branch or store locations, which are generally located in strip shopping centres, plazas, or stand-alone buildings in moderate to low income neighbourhoods. All easyfinancial kiosks are located within existing easyhome stores.

The terms of the Company's leases are generally five to seven years and contain renewal options at fair market value rates. goeasy is generally required to pay a proportional share of real estate taxes, as well as insurance and utilities.

goeasy believes that its policy of leasing all of its premises gives it the flexibility to respond to shifting consumer patterns and changing space requirements. goeasy has not experienced substantial difficulty in renewing leases or acquiring substitute facilities for its stores and stand-alone locations, although Canadian lease rates have been trending upwards in recent years.

The Company's corporate office in Mississauga consists of 34,864 square feet of leased premises with a lease term that expires on May 31, 2028 and an optional 5-year renewal term at market rates.

The Company's shared service center in Hamilton consists of 14,286 square feet of leased premises with a 10-year lease term expiring on April 14, 2020 and an optional 5-year renewal term at market rates.

As of December 31, 2017, goeasy Ltd. operated 228 easyfinancial locations (including 42 kiosks within easyhome stores) and 171 easyhome stores (including 30 franchises and 1 consolidated franchise location).

Insurance

The Company believes that it has sufficient property insurance to cover the maximum replacement costs of any one leasing store, subject to a $5,000 deductible. The Company carries commercial general liability insurance in the amount of $2.0 million for bodily injury and property damage, subject to a $10,000 deductible. The Company's automobile insurance includes coverage of $2.0 million bodily and property damage per occurrence, subject to a $5,000 deductible. The Company's umbrella policy provides additional liability coverage up to $18.0 million. The Company has Directors' and Officers' liability insurance with a limit amount of $30.0 million for each policy period, subject to a $100,000 deductible or a $150,000 deductible for securities claims, the annual premiums of which are paid by the Company. The Company has a $5.0 million crime policy with a $25,000 deductible. The Company has a $10.0 million network security and privacy liability policy with a $150,000 deductible. The Company has a $2.0 million employment practices liability policy with a $100,000 deductible. Lastly the Company carries a $5.0 million errors and omissions policy with a $100,000 deductible.

Regulatory Matters

The activities of both easyfinancial and easyhome are governed by federal laws which set a maximum rate of interest and by the various consumer disclosure acts that exist in each province. goeasy Ltd. is not subject to payday loan legislation and is not regulated by the Office of the Superintendent of Financial Institutions.

Section 347 of the Criminal Code, R.S.C. 1985, c. C-46 (the "Criminal Code"), prohibits the charging of an effective annual rate of interest that exceeds sixty percent for an agreement or arrangement for credit advanced. For the purposes of section 347, "interest" is broadly defined to include the aggregate of all charges and expenses, whether in the form of a fee, fine, penalty, commission or other similar charge or expense or in any other form, paid or payable for the advancing of credit under the agreement or arrangement. The Company believes that easyfinancial is subject to section 347 of the Criminal Code.

There is no federal legislation in Canada that specifically regulates the Company's merchandise leasing transactions. While Senior Management of the Company is of the view that its merchandise leasing business does not involve the provision of credit, it could be determined that aspects of easyhome's merchandise leasing business are subject to the Criminal Code. The Company has implemented measures to ensure that the aggregate of all charges and expenses under the Merchandise Lease Agreement do not exceed the maximum interest rate allowed by law. Where aspects of easyhome's business are subject to the Criminal Code, and the Company has not complied with the requirements thereof, the Company could be subject to either or both (1) civil actions for nullification of contracts, rebate of some or all payments made by customers, and damages and (2) criminal prosecution for violation of the Criminal Code, any of which outcomes could have a material adverse effect on the Company.

Consumer Protection Legislation in the provinces in which the Company operates specify that if the Company's business involves future performance agreements, leases with terms of a specified length, the sale of goods or the provision of credit, as defined in certain of such legislation, the Company may be required to comply with various disclosure requirements, including in some instances disclosure requirements concerning the costs of purchase and credit.

Senior Management of the Company has reviewed and revised its business model to ensure it is in compliance with the applicable provincial legislation. However, the application of certain provincial legislation to the Company's business model remains uncertain. There is a risk that regulatory bodies or consumers could assert that certain provincial legislation is applicable where the Company had determined that it is not and that the Company is not in compliance with such applicable statutory requirements. If it should be determined that the Company has not complied with the requirements of applicable provincial legislation, the Company could be subject to either or both (1) civil actions for nullification of contracts, rebate of some or all payments made by customers, and damages and (2) prosecution for violation of the legislation, any of which outcomes could have a material adverse effect on the Company.

Legal Proceedings

The Company is involved in various legal matters arising in the ordinary course of business. The resolution of these matters is not expected to have a material adverse effect on the Company's financial position, financial performance or cash flows.

The Company has agreed to indemnify its Directors and Officers and particular employees in accordance with the Company's policies. The Company maintains insurance policies that may provide coverage against certain claims.

Risk Factors

Overview

The Company's activities are exposed to a variety of commercial, operational, financial and regulatory risks. The Company's overall risk management program focuses on the unpredictability of financial and economic markets and seeks to minimize potential adverse effects on the Company's financial performance. The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Audit Committee of the Board of Directors reviews the Company's risk management policies on an annual basis.

Commercial Risks

Dependence on Key Personnel

One of the significant limiting factors in the Company's performance and expansion plans will be the hiring and retention of the best people for the job. Over the past few years, the Company has strengthened its hiring competencies and training programs.

In particular, the Company is dependent upon the abilities, experiences and efforts of its Senior Management team and other key employees. The loss of these individuals without adequate replacement could have a material adverse impact on its business and operations.

As a consequence of its growth strategy and relatively high employee turnover at the store and branch level, the Company requires a growing number of qualified managers and other store or branch personnel to successfully operate its expanding branch and store network. There is competition for such personnel and there can be no assurances that the Company will be successful in attracting and retaining the personnel it may require. If the Company is unable to attract and retain qualified personnel or its costs to do so increase dramatically, its operations would be materially adversely affected.

Competition

The Company estimates the size of the Canadian market for non-prime consumer lending, excluding mortgages, is approximately $165 billion. This demand is currently being met by a wide variety of industry participants that offer diverse products including auto lending, credit cards, installment loans, retail finance programs, small business lending and real estate secured lending. Generally, industry participants have tended to focus on a single product offering rather than providing consumers with multiple alternatives. As a result, the suppliers to the marketplace are quite diverse.

Competition in the non-prime consumer lending market is based primarily on access, flexibility and cost (interest rates). Consumers are generally able to transition between the different types of lending products that are available in the marketplace to satisfy their need for these different characteristics. The Company expects the competition for non-prime consumer lending in Canada will continue to shift for the foreseeable future. While traditional financial institutions are likely to decrease their risk tolerance and move farther away from non-prime lending, regional financial institutions such as credit unions, payday lenders, marketplace lenders and online lenders are expected to continue their expansion into the non-prime market.

The Company also faces direct competition in the Canadian market from other merchandise leasing companies. Other factors that may adversely affect the performance of the leasing business are increased sales of used furniture and electronics at online and at retail stores that offer a non-prime point-of-sale purchase financing option. Additional competitors, both domestic and international, may emerge since barriers to entry are relatively low.

The Company may be unable to compete effectively with new and existing competitors, which could adversely affect its revenues and results of operations. In addition, investments required to adjust to changing market conditions may adversely affect the Company's business.

Macroeconomic Conditions

Certain changes in macroeconomic conditions, many of which are beyond the Company's control, can have a negative impact on its customers and its performance. The Company's primary customer segment is the cash and credit constrained individual. These customers are affected by adverse macroeconomic conditions such as higher unemployment rates or costs of living, which can lower collection rates and result in higher charge-off rates and adversely affect the Company's performance, financial condition and liquidity. The Company can neither predict the impact current economic conditions will have on its future results, nor predict when the economic environment will change.

There can be no assurance that economic conditions will remain favorable for the Company's business or that demand for loans or default rates by customers will remain at current levels. Reduced demand for loans would negatively impact the Company's growth and revenues, while increased default rates by customers may inhibit the Company's access to capital, hinder the growth of the loan portfolio attributable to its products and negatively impact its profitability. Either such result could have a material adverse effect on the Company's business, prospects, results of operations, financial condition or cash flows.

Reputation

The Company's reputation is very important to attracting new customers to its platform as well as securing repeat lending to existing customers. While the Company believes that it has a good reputation and that it provides customers with a superior experience, there can be no assurance that the Company will continue to maintain a good relationship with customers or avoid negative publicity.

In recent years, consumer advocacy groups and some media reports have advocated governmental action to prohibit or place severe restrictions on non-bank consumer loans. Such consumer advocacy groups and media reports generally focus on the annual percentage rate for this type of consumer loan, which is compared unfavorably to the interest typically charged by banks to consumers with top-tier credit histories. The finance charges the Company assesses can attract media publicity about the industry and be perceived as controversial. Customer's acceptance of the interest rates the Company charges on its consumer loans receivable could impact the future rate of the growth. Additionally, if the negative characterization of these types of loans is accepted by legislators and regulators, the Company could become subject to more restrictive laws and regulations applicable to consumer loan products that could have a material adverse effect on the Company's business, prospects, results of operations, financial condition or cash flows.

The Company's ability to attract and retain customers is highly dependent upon the external perceptions of its level of service, trustworthiness, business practices, financial condition and other subjective qualities. Negative perceptions or publicity regarding these matters — even if related to seemingly isolated incidents, or even if related to practices not specific to short-term loans, such as debt collection — could erode trust and confidence and damage the Company's reputation among existing and potential customers, which would make it difficult to attract new customers and retain existing customers, significantly decrease the demand for the Company's products, result in increased regulatory scrutiny, and have a material adverse effect on the Company's business, prospects, results of operations, financial condition or cash flows.

The Company's former U.S. franchisees and certain other persons operate a lease-to-own business within the U.S. Although the Company does not own these businesses, their use of the easyhome name could adversely affect the Company if these third parties receive negative publicity or if external perceptions of these third parties' levels of service, trustworthiness or business practices are negative.

Litigation

From time to time and in the normal course of business, the Company may be involved in material litigation or may be subject to regulatory actions. There can be no assurance that any litigation or regulatory action in which the Company may become involved in the future will not have a material adverse effect on the Company's business, financial condition or results of operations. Lawsuits or regulatory actions could cause the Company to incur substantial expenditures, generate adverse publicity and could significantly impair the Company's business, force it to cease doing business in one or more jurisdictions or cause it to cease offering one or more products.

The Company is also likely to be subject to further litigation and communications with regulators in the future. An adverse ruling or a settlement of any current or future litigation or regulatory actions against the Company or another lender could cause the Company to have to refund fees and/or interest collected, forego collections of the principal amount of loans, pay treble or other multiple damages, pay monetary penalties and/or modify or terminate its operations in particular jurisdictions. Defense of any lawsuit or regulatory action, even if successful, could require substantial time and attention of the Company's management and could require the expenditure of significant amounts for legal fees and other related costs.

Operational Risks

Operational risk, which is inherent in all business activities, is the potential for loss as a result of external events, human behaviour (including error and fraud, non-compliance with mandated policies and procedures or other inappropriate behaviour) or inadequacy, or the failure of processes, procedures or controls. The impact may include financial loss, loss of reputation, loss of competitive position or regulatory and civil penalties. While operational risk cannot be eliminated, the Company takes reasonable steps to mitigate this risk by putting in place a system of oversight, policies, procedures and internal controls.

Strategic Risk

Strategic risk is the risk from changes in the business environment, fundamental changes in demand for the Company's products or services, improper implementation of decisions, execution of the Company's strategy or inadequate responsiveness to changes in the business environment, including changes in the competitive or regulatory landscape.

The Company's growth strategy is focused on easyfinancial. The Company's ability to increase its customer and revenue base is contingent, in part, on its ability to secure additional locations for easyfinancial, to grow its consumer loans receivable portfolio, to access customers through new delivery channels, to successfully develop and launch new products to meet evolving customer demands, to maintain profitability levels within the mature easyhome business and to execute with efficiency and effectiveness.

The impact of poor execution by management or an inadequate response to changes in the business environment could have a material adverse effect on the Company's financial condition, liquidity and results of operations.

Credit Risk

Credit risk is the risk of loss that arises when a customer or third party fails to pay an amount owing to the Company.

The maximum exposure to credit risk is represented by the carrying amount of the amounts receivable, consumer loans receivable and lease assets with customers under merchandise lease agreements. The Company leases products and makes consumer loans to thousands of customers pursuant to policies and procedures that are intended to ensure that there is no concentration of credit risk with any particular individual, company or other entity, although the Company is subject to a higher level of credit risk due to the credit constrained nature of many of its customers and in circumstances where its policies and procedures are not complied with.

The credit risk on the Company's consumer loans receivable made in accordance with policies and procedures is impacted by both the Company's credit policies and the lending practices which are overseen by the Company's Credit Committee comprised of members of Senior Management. Credit quality of the customer is assessed using proprietary credit scorecards and individual credit limits are defined in accordance with this assessment. The consumer loans receivable are unsecured. The Company evaluates the concentration of risk with respect to customer loans receivable as low, as its customers are located in several jurisdictions and operate independently. The Company develops underwriting models based on the historical performance of groups of customer loans which guide its lending decisions. To the extent that such historical data used to develop its underwriting models is not representative or predictive of current loan book performance, the Company could suffer increased loan losses.

The Company maintains an allowance for loan losses (that provides for a portion of the future charge-offs that have not yet occurred within its portfolio of consumer loans receivable that exists at the end of a fiscal period). The process for establishing an allowance for loan losses is critical to the Company's results of operations and financial conditions. The Company determines it using a standard calculation that considers: (i) the relative maturity of the loans within the portfolio; (ii) the long-term expected charge-off rates based on actual historical performance; and (iii) the long-term expected charge-off pattern (timing) for a vintage of loans over their life based on actual historical performance. To the extent that such historical data used to develop its allowance for loans losses is not representative or predictive of current loan book performance, the Company could suffer increased loan losses above and beyond those provided for on its financial statements.

The Company cannot guarantee that delinquency and loss levels will correspond with the historical levels experienced and there is a risk that delinquency and loss rates could increase significantly and have a material adverse effect on the financial results of the Company.

The credit risk related to assets on lease with customers results from the possibility of customer default with respect to agreed upon payments or in their not returning the leased asset. For amounts receivable from third parties the risk relates to the possibility of default on amounts owing to the Company. The Company deals with credible companies, performs ongoing credit evaluations of debtors and creates an allowance on its financial statements for uncollectible amounts where determined to be appropriate.

The Company has established a Credit Committee and created processes and procedures to identify, measure, monitor and mitigate significant credit risks. However, to the extent that such risks go unidentified or are not adequately or expeditiously addressed by senior management, the Company could be adversely affected.

Outsource Risk

The Company outsources certain business functions to third-party service providers, which increases its operational complexity and decreases its control. The Company relies on these service providers to provide a high level of service and support, which subjects it to risks associated with inadequate or untimely service. In addition, if these outsourcing arrangements were not renewed or were terminated or the services provided to the Company were otherwise disrupted, the Company would have to obtain these services from an alternative provider. The Company may be unable to replace, or be delayed in replacing, these sources and there is a risk that it would be unable to enter into a similar agreement with an alternate provider on terms that it considers favorable or in a timely manner. In the future, the Company may outsource additional business functions. If any of these or other risks relating to outsourcing were realized, the Company's financial position, liquidity and results of operations could be adversely affected.

Fraud

Employee error and employee and customer misconduct could subject the Company to financial losses or regulatory sanctions and seriously harm the Company's reputation. Misconduct by its employees could include hiding unauthorized activities, improper or unauthorized activities on behalf of customers or improper use of confidential information. It is not always possible to prevent employee error and misconduct, and the precautions the Company takes to prevent and detect this activity may not be effective in all cases. Employee error could also subject the Company to financial claims for negligence.

If the Company's internal controls fail to prevent or detect an occurrence, or if any resulting loss is not insured, exceeds applicable insurance limits or if insurance coverage is denied or not available, it could have a material adverse effect on the Company's business, financial condition and results of operations.

Technology Risk

The Company is dependent upon the successful and uninterrupted functioning of its computer, internet and data processing systems. The failure of these systems could interrupt operations or materially impact the Company's ability to enter into new lease or lending transactions and service or collect customer accounts. Although the Company has extensive information technology security and disaster recovery plans, such a failure, if sustained, could have a material adverse effect on the Company's financial condition, liquidity and results of operations.

Breach of Information Security

The Company's operations rely heavily on the secure processing, storage and transmission of confidential and sensitive customer and other information through its information technology network. Other risks include the Company's use of third-party vendors with access to its network that may increase the risk of a cyber security breach. Third-party breaches or inadequate levels of cyber security expertise and safeguards may expose the Company, directly or indirectly, to security breaches.

A breach, unauthorized access, computer virus, or other form of malicious attack on the Company's information security may result in the compromise of confidential and/or sensitive customer or employee information, destruction or corruption of data, reputational harm affecting customer and investor confidence, and a disruption in the management of customer relationships or the inability to originate, process and service the Company's leasing or lending portfolios which could have a material adverse effect on the Company's financial condition, liquidity and results of operations.

The Company is subject to various privacy, information security and data protection laws and takes reasonable measures to ensure compliance with all requirements. Legislators and regulators are increasingly adopting new privacy information security and data protection laws which may increase the Company's cost of compliance. A breach in the Company's information security may adversely affect its reputation and also result in fines or penalties from governmental bodies or regulators.

To mitigate the risk of an information security breach, the Company regularly assesses such risks, has a disaster recovery plan in place and has implemented reasonable controls over unauthorized access. The store network and corporate administrative offices, including centralized operations, takes reasonable measures to protect the security of its information systems (including against cyber-attacks). The Chief Information Officer of the Company oversees information security. However, such a cyber-attack or data breach could have a material adverse effect on the Company and its financial condition, liquidity and results of operations.

Privacy, Information Security, and Data Protection Regulations

The Company is subject to various privacy, information security and data protection laws and takes reasonable measures to ensure compliance with all requirements. Legislators and regulators are increasingly adopting new privacy information security and data protection laws which may increase the Company's cost of compliance. While the Company has taken reasonable steps to protect its data and that of its customers, a breach in the Company's information security may adversely affect the Company's reputation and also result in fines or penalties from governmental bodies or regulators.

Internal Controls over Financial Reporting

The effective design of internal controls over financial reporting is essential for the Company to prevent and detect fraud or material errors that may have occurred. The Company is also obligated to comply with the Form 52-109F2 Certification of interim filings of the Ontario Securities Commission, which requires the Company's CEO and CFO to submit a quarterly certificate of compliance. The Company and its management have taken reasonable steps to ensure that adequate internal controls over financial reporting are in place. However, there is a risk that a fraud or material error may go undetected and that such material fraud or error could adversely affect the Company.

Risk Management Processes and Procedures

The Company has established a Risk Oversight Committee and created processes and procedures to identify, measure, monitor and mitigate significant risks to the organization. However, to the extent such risks go unidentified or are not adequately or expeditiously addressed by management, the Company could be adversely affected.

Financial Risks

Liquidity Risk

The Company has historically been funded through various sources such as private placement debt and public market equity offerings. The availability of additional financing will depend on a variety of factors including the availability of credit to the financial services industry and the Company's financial performance and credit ratings.

The Company has publicly stated that it intends to significantly expand its consumer lending business. To achieve this goal, the Company may require additional funds which can be obtained through various sources including debt or equity financing. There can be no assurance, however, that additional funding will be available when needed or will be available on terms favorable to the Company. The inability to access adequate sources of financing, or to do so on favorable terms, may adversely affect the Company's capital structure and ability to fund operational requirements and satisfy financial obligations. If additional funds are raised by issuing equity securities, shareholders may incur dilution.

Liquidity risk is the risk that the Company's financial condition is adversely affected by an inability to meet funding obligations and support the Company's business growth. The Company manages its capital to maintain its ability to continue as a going concern and to provide adequate returns to shareholders by way of share appreciation and dividends. The Company's capital structure consists of external debt and shareholders' equity, which comprises issued capital, contributed surplus and retained earnings.

All of the Company's debt facilities must be renewed on a periodic basis. These facilities contain restrictions on the Company's ability to, among other things, pay dividends, sell or transfer assets, incur additional debt, repay other debt, make certain investments or acquisitions, repurchase or redeem shares and engage in alternate business activities. The facilities also contain a number of covenants that require the Company to maintain certain specified financial ratios. Failure to meet any of these covenants could result in an event of default under these facilities which could, in turn, allow the lenders to declare all amounts outstanding to be immediately due and payable. In such a case, the financial condition, liquidity and results of the Company's operations could materially suffer.

The Company has been successful in renewing and expanding its credit facilities in the past to meet the needs of its growing easyfinancial business. If the Company is unable to renew these facilities on acceptable terms when they become due, there could be a material adverse effect on the Company's financial condition, liquidity and results of operations.

Debt Service

The Company's ability to make scheduled payments on, or refinance its debt obligations, depends on its financial condition and operating performance, which are subject to a number of factors beyond its control. The Company may be unable to maintain a level of cash flows from operating activities sufficient to permit it to pay the principal, premium, if any, and interest on its indebtedness.

If the Company's cash flows and capital resources are insufficient to fund its debt service obligations, it could face substantial liquidity problems and could be forced to reduce or delay investments and capital expenditures or to dispose of material assets or operations, reduce its growth plans, seek additional debt or equity capital or restructure or refinance its indebtedness. The Company may not be able to effect any such alternative measures on commercially reasonable terms or at all and, even if successful, those alternative actions may not allow it to meet its scheduled debt service obligations. The Company's credit agreements restrict its ability to dispose of assets and use the proceeds from those dispositions and may also restrict its ability to raise debt or equity capital to be used to repay other indebtedness when it becomes due. The Company may not be able to consummate any such dispositions or to obtain proceeds in an amount sufficient to meet any debt service obligations then due.

The Company's inability to generate sufficient cash flows to satisfy its debt obligations, or to refinance its indebtedness on commercially reasonable terms or at all, would materially and adversely affect its business, results of operations and financial condition.

Contractual Obligations

The terms of the Company's debt govern how it conducts its business. If the Company defaults on its obligations under the instruments governing its indebtedness, it may not be able to make required debt payments.

The Company's failure to comply with its contractual obligations (including restrictive, financial and other covenants), to pay its indebtedness and fixed costs or to post collateral (including under hedging arrangements) could result in a variety of material adverse consequences, including a default under its indebtedness and the exercise of remedies by its creditors, lessors and other contracting parties, and such defaults could trigger additional defaults under other indebtedness or agreements.

In the event of such default, the holders of such indebtedness could elect to declare all of the funds borrowed thereunder to be immediately due and payable, together with accrued and unpaid interest, and the Company could, among other remedies that may be available, be forced into bankruptcy, insolvency or liquidation. If the Company's operating performance declines, it may need to seek waivers from the holders of such indebtedness to avoid being in default under the instruments governing such indebtedness. If the Company breaches its covenants under its indebtedness, it may not be able to obtain a waiver from the holders of such indebtedness on terms acceptable to the Company, or at all. If this occurs, the Company would be in default under such indebtedness, and the holders of such indebtedness could exercise their rights as described above, and the Company could, among other remedies that may be available, be forced into bankruptcy, insolvency or liquidation. A default under the agreements governing certain of our existing or future indebtedness and the remedies sought by the holders of such indebtedness could make the Company unable to pay principal or interest on the debt.

Debt Covenants

The agreements governing the Company's credit facilities contain restrictive covenants that may limit its discretion with respect to certain business matters. These covenants may place significant restrictions on, among other things, the Company's ability to create liens or other encumbrances, to pay distributions or make certain other payments, investments, loans and guarantees, and to sell or otherwise dispose of assets. In addition, the agreements governing the Company's credit facilities may contain financial covenants that require it to meet certain financial ratios and financial condition tests.

If the Company fails to maintain the requisite financial ratios under the agreement governing its credit facilities, it will be unable to draw any amounts under the revolving credit facility until such default is waived or cured as required. In addition, such a failure could constitute an event of default under the Company's lending agreements entitling the lenders to accelerate the outstanding indebtedness thereunder unless such event of default is cured as required by the agreement. The Company's ability to comply with these covenants in future periods will depend on its ongoing financial and operating performance, which in turn will be subject to economic conditions and to financial, market and competitive factors, many of which are beyond its control.

The restrictions in the agreements governing the Company's credit facilities may prevent the Company from taking actions that it believes would be in the best interest of its business and may make it difficult for it to execute its business strategy successfully or effectively compete with companies that are not similarly restricted. The Company may also incur future debt obligations that might subject it to additional restrictive covenants that could affect its financial and operational flexibility.

The Company's ability to comply with the covenants and restrictions contained in the agreement governing the Company's credit facilities may be affected by economic, financial and industry conditions beyond its control. The breach of any of these covenants or restrictions could result in a default under the agreements that would permit the applicable lenders to declare all amounts outstanding thereunder to be due and payable (including terminating any outstanding hedging arrangements), together with accrued and unpaid interest, or cause cross-defaults under the Company's other debts. If the Company is unable to repay its secured debt, lenders could proceed against the collateral securing the debt. This could have serious consequences to the Company's financial condition and results of operations and could cause it to become bankrupt or insolvent.

Interest Rate Risk

The Company's future success depends in part on its ability to access capital markets and obtain financing on reasonable terms. Its ability to access financial markets and obtain financing on commercially reasonable terms in the future is dependent on a number of factors, many of which it cannot control, including interest rates. Amounts due under the Company's credit facilities may bear interest at a variable rate. The Company may not hedge its interest rate risks and future changes in interest rates may affect the amount of interest expense the Company pays. Any increases in interest rates, or in the Company's inability to access the debt or equity markets on reasonable terms, could have an adverse impact on its financial condition, results of operations and growth prospects.

Foreign Currency Risk

The Company issued US$ denominated Notes Payable. Concurrent with this offering, the Company entered into a currency swap agreement to fix the foreign exchange rate for the obligation under this offering and for all required payments of principal and interest.

The Company sources some of its merchandise out of the U.S. and, as such, its Canadian operations have some U.S. denominated cash and payable balances. As a result, the Company has both foreign exchange transaction and translation risk. Although the Company has U.S. dollar denominated purchases, it has historically been able to price its lease transactions to compensate for the impact of foreign currency fluctuations on its purchases. However, in periods of rapid change in the Canadian to U.S. dollar exchange rate, the Company may not be able to pass on such changes in the cost of purchased products to its customers which may negatively impact its financial performance.

Possible Volatility of Stock Price

The market price of the Company's Common Shares, similar to that of many other Canadian (and indeed worldwide) companies, has been subject to significant fluctuation in response to numerous factors, including significant shifts in the availability of global credit, swings in macro-economic performance due to volatile shifts in oil prices and unexpected natural disasters, the 2008 - 2009 credit crisis and related recession, economic shocks such as the 2015 decline in oil prices and the related impact on the Canadian economy, as well as variations in the annual or quarterly financial results of the Company, timing of announcements of acquisitions or material transactions by the Company or its competitors, other conditions in the economy in general or in the industry in particular, changes in applicable laws and regulations and other factors. Moreover, from time to time, the stock markets experience significant price and volume volatility that may affect the market price of the Common Shares for reasons unrelated to the Company's performance. No prediction can be made as to the effect, if any, that future sales of Common Shares or the availability of shares for future sale (including shares issuable upon the exercise of stock options) will have on the market price of the Common Shares prevailing from time to time. Sales of substantial numbers of such shares or the perception that such sales could occur may adversely affect the prevailing price of the Common Shares. Significant changes in the stock price could jeopardize the Company's ability to raise growth capital through an equity offering without significant dilution to existing shareholders.

Credit Ratings

The Company received credit ratings in connection with the issuance of Notes. Any credit ratings applied to the Notes are an assessment of the Company's ability to pay its obligations. The Company is under no obligation to maintain any credit rating with credit rating agencies and there is no assurance that any credit rating assigned to the Notes will remain in effect for any given period of time or that any rating will not be lowered or withdrawn entirely by the relevant rating agency. A lowering, withdrawal or failure to maintain any credit ratings applied to the Notes may have an adverse effect on the market price or value and the liquidity of the Notes and, in addition, any such action could make it more difficult or more expensive for the Company to obtain additional debt financing.

Regulatory Risks

Government Regulation and Compliance

The Company takes reasonable measures to ensure compliance with governing statutes, regulations and regulatory policies. A failure to comply with such statutes, regulations or regulatory policies could result in sanctions, fines or other settlements that could adversely affect both its earnings and reputation. Changes to laws, statutes, regulations or regulatory policies could also change the economics of the Company's merchandise leasing and consumer lending businesses including the salability or pricing of certain ancillary products which could have a material adverse effect on the Company.

Numerous consumer protection laws and related regulations impose substantial requirements upon lenders involved in consumer finance, including leasing and lending. Also, federal and provincial laws impose restrictions on consumer transactions and require contract disclosures relating to the cost of borrowing and other matters. These requirements impose specific statutory liabilities upon creditors who fail to comply with their provisions.

The application of certain provincial legislation to the Company's business model remains uncertain. There is a risk that regulatory bodies or consumers could assert that certain provincial legislation is applicable where the Company had determined that it is not and that the Company is not in compliance with such applicable statutory requirements. If it should be determined that the Company has not complied with the requirements of applicable provincial legislation, it could be subject to either or both (1) civil actions for nullification of contracts, rebate of some or all payments made by customers and damages, and (2) prosecution for violation of the legislation, any of which outcomes could have a material adverse effect on the Company.

easyfinancial is subject to minimal regulatory capital requirements in connection with its operations in Saskatchewan. Otherwise, the Company operates in an unregulated environment with regard to capital requirements.

The Criminal Code imposes a restriction on the cost of borrowing in any lending transaction in excess of 60% per year. The application of additional capital requirements or a reduction in the maximum cost of borrowing could have a material adverse effect on the Company's financial condition, liquidity and results of operations.

Accounting Standards

From time to time the Company may be subject to changes in accounting standards issued by accounting standard-setting bodies, which may affect the Company's financial statements and reduce its reported profitability.

GENERAL DESCRIPTION OF CAPITAL STRUCTURE

The authorized share capital of the Company consists of an unlimited number of Common Shares and an unlimited number of Preference Shares, issuable in series, with the attributes of each series to be determined by the Board of Directors. The issued and outstanding capital of the Company as at December 31, 2017, consists of 13,476,287 Common Shares.

In December 2002, the articles of the Company were amended to create the first series of Preference Shares. In 2003, these Preference Shares were redeemed and at this time there are no Preference Shares outstanding.

Common Shares

The following is a summary of the principal attributes of the Common Shares.

Voting Rights

Holders of the Common Shares are entitled to receive notice of, and to attend all meetings of the shareholders of the Company. At any such meeting, other than a meeting at which only the holders of another specified class or series of shares of the Company are entitled to vote separately as a class or series, each Common Share confers one vote.

Dividends

The holders of Common Shares are entitled to receive on a pro-rata basis such dividends as may be declared by the Board of Directors of the Company, out of funds legally available therefore, subject to the preferential rights of any shares ranking prior to the Common Shares with respect to the payment of dividends.

Rights on Dissolution

In the event of the liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, or any other distribution of assets of the Company among its shareholders for the purpose of winding up its affairs, the holders of the Common Shares will be entitled to receive on a pro-rata basis all the assets of the Company remaining after payment of all the Company's liabilities, subject to the preferential rights of any shares ranking prior to the Common Shares with respect to the distribution of assets upon liquidation, dissolution or winding-up of the Company.

Pre-emptive and Conversion Rights

No pre-emptive or conversion rights attach to the Common Shares and the Common Shares, when fully paid, are not liable to further call or assessment. No other class of voting shares may be created without the approval of the holders of the Common Shares voting separately as a class.

Preference Shares

The following is a summary of the principal attributes of the authorized Preference Shares, none of which are outstanding.

Issuance in One or More Series

The Board of Directors of the Company may authorize the issuance of Preference Shares at any time and from time to time in one or more series. Before any shares of a particular series are issued, the Board of Directors of the Company shall fix the number of shares and such series and determine, subject to the limitations set out in the articles, the designation, rights, privileges, restrictions and conditions to be attached to the shares of such series.

Ranking

No rights, privileges, restrictions or conditions attaching to a series of Preference Shares shall confer upon the shares of the series a priority in respect of dividends or in respect of return of capital in the event of the liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, over the shares of any other series of Preference Shares.

Preference Shares are entitled to priority over the Common Shares and over any other shares of any other class of the Company ranking junior to the Preference Shares with respect to the payment of dividends and/or the return of capital in the distribution of assets in the event of liquidation or dissolution or winding-up of the Company whether voluntary or involuntary, or any other distribution of the assets of the Company among its shareholders for the purpose of winding up its affairs as the Directors of the Company shall determine at the time of determining the number and designation of, and the rights, privileges, restrictions and conditions attaching to, the series of Preference Shares.

If any amount of cumulative dividends, whether or not declared, or declared non-cumulative dividends or amounts payable on a return of capital in the event of the liquidation, dissolution or winding-up of the Company in respect of a series of Preference Shares is not paid in full, the Preference Shares of all series shall participate rateably in respect of all accumulated cumulative dividends, whether or not declared, and all declared non-cumulative dividends, and in respect of amounts payable on return of capital in the event of liquidation, dissolution or winding-up of the Company; provided, however, that in the event of there being insufficient assets to satisfy in full all such claims as aforesaid, the claims of the holders of the Preference Shares with respect to amounts payable on return of capital shall first be paid and satisfied and any assets remaining thereafter shall be applied towards the payment and satisfaction of claims in respect of dividends.

Voting Rights

The holders of Preference Shares are not entitled as such to receive notice of, to attend or to vote at any meetings of the shareholders of the Company. The holders of Preference Shares are entitled to receive notice of meetings of shareholders of the Company called for the purpose of authorizing the dissolution of the Company or the sale, lease or exchange of all or substantially all the property of the Company other than in the ordinary course of business.

Modifications

The rights, privileges, restrictions and conditions attaching to Preference Shares, as a class, may not be amended, modified or varied in whole or in part except with prior approval of not less than two-thirds of the holders of Preference Shares present (in person or by proxy) at a meeting of the holders of Preference Shares duly called for such purposes in addition to any other approval required by law.

Debentures

The Debentures were issued pursuant to an indenture (the "Debenture Indenture") dated as of June 2, 2017 between the Company and TSX Trust Company, as trustee (the "Debenture Trustee"). The following is a description of the terms of the Debenture Indenture, a copy of which has been filed with the Canadian securities regulatory authorities. Capitalized terms used in this "Debentures" section and not otherwise defined have the meanings set forth in the Debenture Indenture. The following summary of certain provisions of the Debenture Indenture is subject to, and is qualified in its entirety by reference to, all the provisions of the Debenture Indenture.

The Debentures are subordinated, unsecured obligations of the Company and bear interest at a rate of 5.75% per annum, payable semi-annually in arrears on July 31 and January 31 of each year, which payments commenced on January 31, 2018. The Company may elect (provided there is no current event of default under the Debenture Indenture) to satisfy its obligation to pay interest on the Debentures by delivering a sufficient number of its Common Shares to the Debenture Trustee to satisfy all or any part of the interest obligation in accordance with the terms of the Debenture Indenture, or a combination of cash and common shares. The Debenture Indenture provides that the Debenture Trustee shall sell any such common shares and use the proceeds thereof to pay interest on the Debentures. The Debentures will mature on July 31, 2022.

The Debentures are convertible into Common Shares at the option of the holders thereof at any time prior to the close of business on the earliest of (i) the business day immediately preceding the maturity date; (ii) if called for redemption, on the business day immediately preceding the date specified for redemption; or (iii) if the Company is required to offer to purchase the Debentures pursuant to a change of control, on the business day immediately preceding the payment date, in each case, at an initial conversion price of approximately $44.00 per Common Share, representing a conversion rate of 22.7273 Common Shares per $1,000 principal amount of Debentures, subject to adjustment in certain circumstances as described in the Debenture Indenture.

The payment of the principal and premium, if any, of, and interest on, the Debentures will be subordinated in right of payment to the prior payment in full of all Senior Indebtedness of the Company. "Senior Indebtedness" includes: (a) indebtedness of goeasy and its subsidiaries for borrowed money; (b) obligations of goeasy and its subsidiaries evidenced by bonds, debentures, notes or other similar instruments; (c) obligations of goeasy and its subsidiaries arising pursuant to or in relation to bankers' acceptances, letters of credit and letters of guarantee (including payment and reimbursement obligations in respect thereof) or indemnities issued in connection therewith; (d) obligations of goeasy or its subsidiaries under any swap, hedging or other similar contracts or arrangements; (e) obligations of goeasy and its subsidiaries under guarantees, indemnities, assurances, legally binding comfort letters or other contingent obligations relating to Senior Indebtedness or other obligations of any other person which would otherwise constitute Senior Indebtedness within the meaning of this definition; (f) all indebtedness of goeasy and its subsidiaries representing deferred purchase price of any property including, without limitation, purchase money mortgages; (g) all capital and operating lease obligations; (h) accounts payable to trade creditors; (i) all renewals, extensions and refinancing of any of the foregoing; (j) all accrued and unpaid interest, fees and other amounts in respect of any of the foregoing; and (k) all costs and expenses incurred by or on behalf of the holder of any Senior Indebtedness in enforcing payment or collection of any such Senior Indebtedness, including enforcing any security interest securing the same; provided that "Senior Indebtedness" will not include any indebtedness that would otherwise be Senior Indebtedness if it is expressly stated to be subordinate and to rank pari passu with the Debentures.

The Debenture Indenture provides that in the event of any insolvency or bankruptcy proceedings, or any receivership, liquidation, reorganization or other similar proceedings relative to goeasy, or to its property or assets, or in the event of any proceedings for voluntary liquidation, dissolution or voluntary winding-up of goeasy, whether or not involving insolvency or bankruptcy, or any marshalling of the assets and liabilities of goeasy, then holders of Senior Indebtedness will receive payment in full before the holders of Debentures will be entitled to receive any payment or distribution of any kind or character, whether in cash, property or securities, which may be payable or deliverable in any such event in respect of any of the Debentures or any unpaid interest accrued thereon. The Debenture Indenture also provides that goeasy will not make any payment, and the holders of the Debentures will not be entitled to demand, institute proceedings for the collection of, or receive any payment or benefit (including, without any limitation, by set-off, combination of accounts or otherwise in any manner whatsoever) on account of indebtedness represented by the Debentures (a) in a manner inconsistent with the terms (as they exist on the date of issue) of the Debentures or (b) at any time when a default or an event of default has occurred under the Senior Indebtedness and is continuing or upon the acceleration of certain Senior Indebtedness and the notice of such default, event of default or acceleration has been given by or on behalf of holders of Senior Indebtedness to goeasy, unless the Senior Indebtedness has been repaid in full.

The Debentures will not be redeemable prior to July 31, 2020, subject to certain exceptions. On and after July 31, 2020 and prior to July 31, 2021, the Company may redeem the Debentures, in whole or in part from time to time, on not more than 60 days' and not less than 30 days' prior notice at a redemption price equal to 100% of their principal amount plus accrued and unpaid interest, if any, up to but excluding the date set for redemption, provided that the volume weighted average trading price of the Common Shares on the TSX for the 20 consecutive trading days ending five trading days prior to the date on which notice of redemption is provided is at least 125% of the conversion price. On or after July 31, 2021 and prior to the maturity date, goeasy may, at its option, on not more than 60 days' and not less than 30 days' prior notice, redeem the Debentures, in whole or in part, from time to time at a redemption price equal to their principal amount plus accrued and unpaid interest.

In the event of a change of control of goeasy, goeasy shall be required to offer to purchase all of the outstanding Debentures at a purchase price equal to 100% of the principal amount of the Debentures plus any accrued and unpaid interest, to, but not including, the purchase date. In addition, in certain circumstances holders of Debentures may be entitled to receive a make whole premium payable in additional Common Shares upon conversion following a change of control.

Notes

The Notes were issued pursuant to an indenture (the "Note Indenture") dated as of November 1, 2017 between the Company and Deutsche Bank Trust Company, as trustee (the "Note Trustee"). The following is a description of the terms of the Note Indenture, a copy of which has been filed on the Company's SEDAR profile at www.sedar.com. Capitalized terms used in this "Notes" section and not otherwise defined herein have the meanings set forth in the Notes Indenture. The following summary of certain provisions of the Note Indenture is subject to, and is qualified in its entirety by reference to, all the provisions of the Note Indenture.

The Notes bear interest at 7.875% per annum, payable semi-annually every May 1 and November 1, commencing on May 1, 2018, and mature on November 1, 2022.

At any time before November 1, 2019, goeasy may redeem up to 35% of the aggregate principal amount of the Notes at a redemption price of 107.875% of the principal amount of the Notes redeemed, plus accrued and unpaid interest, if any, to but excluding the redemption date, with the net cash proceeds of one or more equity offerings on the terms more fully described in the Note Indenture.

At any time prior to November 1, 2019, goeasy may redeem all or a part of the Notes, at a redemption price equal to 100% of the principal amount of the Notes redeemed, plus the Applicable Premium as of, and accrued and unpaid interest, if any, to but excluding the redemption date.

On and after November 1, 2019 goeasy may redeem the Notes, in whole or in part, at the following redemption prices (expressed as percentages of principal amount), plus accrued and unpaid interest, if any, to but excluding the redemption date, if redeemed during the twelve-month period beginning on November 1 of each of the following years: 2019 – 103.938%; 2020 – 101.969%; and 2021 and thereafter – 100.000%.

If the Company undergoes certain kinds of changes of control, goeasy is required to offer to repurchase the Notes from holders at a purchase price equal to 101% of the principal amount of the Notes, plus accrued and unpaid interest, if any, to but excluding the date of purchase.

The Notes are senior unsecured obligations of the Company and will or rank (i) equal in right of payment with all of the Company's existing and future unsubordinated indebtedness; (ii) senior in right of payment to all of the Company's existing and future subordinated indebtedness (including the Debentures); (iii) effectively subordinated to the Company's existing and future secured indebtedness to the extent of the value of the assets securing such indebtedness, including the Company's indebtedness under the New Credit Facility; and (iv) effectively subordinated to all existing and future indebtedness and other liabilities, including trade payables, of the Company's subsidiaries that do not guarantee the Notes.

The Company's obligations under the Notes and the Note Indenture are fully and unconditionally guaranteed, jointly and severally, on a senior unsecured basis by each of the Restricted Subsidiaries that guarantees The Company's obligations under the New Credit Facility, subject to certain exceptions. The Guarantees will be senior unsecured obligations of each of the Guarantors and will rank equally in right of payment with all existing and future unsubordinated indebtedness of each Guarantor and senior in right of payment to all future subordinated indebtedness of the Guarantors. The Guarantees will be effectively subordinated to all future secured indebtedness of the applicable Guarantor to the extent of the value of the assets securing such other indebtedness, including such Guarantor's guarantee of the New Credit Facility.

Credit Ratings

The Company has received credit ratings from both Moody's Investor Service, Inc. ("Moody's") and Standard & Poor's Rating Services, a division of the McGraw-Hill Companies, Inc. ("S&P") with respect to the Notes. Credit ratings reflect the general credit worthiness of an issuer or a particular debt issue. Credit ratings do not constitute a recommendation to purchase, sell or hold a particular security.

The Notes were assigned a rating of Ba3 (stable) by Moody's. Moody's credit ratings are on a rating scale that ranges from Aaa to C, which represents the range from the highest to lowest quality of such securities. In some instances, Moody's applies numerical modifiers (1, 2 and 3) in each rating classification from Aa to Caa. The modifier 1 indicates that the security ranks in the higher end of its rating category, the modifier 2 indicates a mid-range ranking and the modifier 3 indicates that the security ranks in the lower end of its respective rating category. In addition, Moody's may add a rating outlook of "positive", "negative", "stable" or "developing" which assesses the potential direction of a company's credit rating over the medium term.

The Notes were assigned a rating of BB- (stable) by S&P. S&P's credit ratings are on a rating scale that ranges from AAA to D, which represents the highest to lowest quality of such securities rated. The ratings from AA to CCC may be modified by the addition of a plus (+) or minus (-) to denote relative status within each respective rating category. An S&P rating outlook assesses the potential direction of a long-term credit rating over the intermediate term. In addition, S&P may add a rating outlook of “positive”, “negative” or “stable” which assesses the potential direction of a long-term credit rating over the intermediate term (typically six months to two years).

For more information on each agency’s rating methodology and specific ratings visit www.moodys.com and www.standardandpoors.com.

In 2017, each of the rating agencies listed above charged the company the usual customary fees for their ratings services which include annual surveillance fees and issuance fees for newly issued securities. Access to the rating agencies’ websites are also typically included as part of their customary service.

Dividends

Prior to May 10, 2004, the Company had not declared or paid a dividend on the Common Shares. The Company declared its first dividend on May 10, 2004 in the amount of $0.04 per Common Share, payable on July 2, 2004 with a record date of May 31, 2004. In total, dividends of $485,000 were paid to holders of Common Shares in 2004, $1,410,000 in 2005, $2,222,000 in 2006, $2,772,000 in 2007, $3,406,000 in 2008, $3,561,000 in 2009, $3,562,000 in 2010, $3,913,000 in 2011, $4,038,000 in 2012, $4,060,000 in 2013, $4,527,000 in 2014, $5,164,000 in 2015, $6,374,000 in 2016 and $8,900,000 in 2017.

On each of April 13, 2017, July 14, 2017, October 13, 2017 and January 12, 2018 the Company paid a dividend of $0.18 per Common Share. On February 20, 2018, the Board of Directors declared a quarterly dividend of $0.225 per Common Share payable on April 13, 2018 to shareholders of record on March 29, 2018.

The historic dividend policy of the Company is to declare and pay quarterly cash dividends at the discretion of the Board of Directors, as circumstances permit. The Company’s dividend policy and practice will be reviewed from time to time in the context of the Company’s earnings, financial condition, the need to retain earnings to fund future growth of the business of the Company and other relevant factors. The declaration of a dividend will always be at the discretion of the Board of Directors.

Dividend Reinvestment Plan

On March 5, 2012, the Board of Directors approved a Dividend Reinvestment Plan (“DRIP”) effective beginning with dividends in respect of Shareholders of record on April 5, 2012. The DRIP enables registered holders of Common Shares of the Company who are eligible for the DRIP to reinvest their cash dividends paid on the Common Shares to purchase additional Common Shares. No commissions, service charges or brokerage fees are payable by participants under the DRIP. The Common Shares acquired under the DRIP will, at the discretion of the Company, either be purchased on the Canadian open market including through the facilities of the Toronto Stock Exchange or issued by the Company from treasury.

Normal Course Issuer Bid

On June 22, 2016, the Company announced the acceptance by the Toronto Stock Exchange (the "TSX") of the Company's Notice of Intention to Make a Normal Course Issuer Bid (“NCIB”). This NCIB terminated on June 26, 2017. As of June 30, 2017, the Company had purchased and cancelled 179,888 of its common shares on the open market under this NCIB at an average price of $24.40 per share for a total cost of $4.4 million.

On June 22, 2017, the Company announced the acceptance by the TSX of the Company's Notice of Intention to Make a Normal Course Issuer Bid to commence June 27, 2017, (the “Notice of Intention”). Pursuant to this NCIB, the Company proposed to purchase, from time to time, if it is considered advisable, up to an aggregate of 300,000 common shares which represented approximately 4% of the 13,363,158 common shares issued and outstanding as at June 10, 2016. The Company had an average daily trading volume for the six months prior to May 31, 2017 of 29,980 shares. Under the June 22, 2017 NCIB, daily purchases will be limited to 7,495 common shares, other than block purchase exemptions. The purchases may commence on June 27, 2017 and will terminate on June 26, 2018 or on such earlier date as goeasy may complete its purchases pursuant to the Notice of Intention. The purchases made by goeasy will be effected through the facilities of the TSX, as well as alternative trading systems, and in accordance with the rules of the TSX. The price that the Company will pay for any common shares will be the market price of such shares at the time of acquisition. The Company will not purchase any common shares other than by open-market purchases. As of December 31, 2017, the Company had not cancelled any of its common shares pursuant to this June 22, 2017 NCIB.

During the year ended December 31, 2017, the Company repurchased and cancelled 85,388 (2016 – 435,800) of its common shares on the open market at an average price of $31.55 (2016 - $18.21) per share pursuant to its normal course issuer bids for a total cost of $2.7 million (2016 - $7.9 million).

Market for Securities

The Company's Common Shares are listed on The Toronto Stock Exchange under the symbol "GSY" ("EH" prior to September 17, 2015). The volume and price range for the Common Shares for each month in 2017 was as follows:

2017		**Price Range**	
	Volume of shares traded	**Low $**	**High $**
December	322,268	33.84	37.48
November	818,877	30.77	35.71
October	535,172	27.22	32.35
September	409,511	26.95	31.72
August	767,217	25.52	29.69
July	451,297	26.84	29.87
June	618,733	27.36	31.80
May	967,773	29.70	35.18
April	953,298	30.60	36.78
March	372,620	28.19	31.00
February	534,899	28.25	31.33
January	532,371	24.05	29.75

DIRECTORS AND OFFICERS

Under the by-laws of the Company, Directors of the Company are elected annually. Each Director holds office until the next annual meeting or until the successor of such Director is duly elected or appointed, unless such office is earlier vacated in accordance with the by-laws.

Name, Address, Occupation and Security Holdings

The names, provinces or states of residence, positions, principal occupations and shareholdings of the Directors and executive Officers of goeasy as at December 31, 2017 were as follows:

Name and Place of Residence	Principal Occupation(s) (for the past 5 years or more)	Became a Director or Officer	Common Shares Beneficially Owned Directly or Indirectly or Over Which Control or Direction is Exercised
Donald K. Johnson O.C. Ontario, Canada	Member, Advisory Board, BMO Capital Markets since November 2009. Prior to that, Mr. Johnson was Senior Advisor, BMO Capital Markets from November 2004 to November 2009, and prior to that he was Vice-Chairman of BMO Nesbitt Burns Inc. Mr. Johnson also serves as the Chairman Emeritus and a Director of Business for the Arts, a Director of the Toronto General & Western Hospital Foundation, a member of the Advisory Board of the Ivey Business School at Western University, a member of the 2017 Major Individual Giving Cabinet of the United Way of Greater Toronto and a Director of Murichison Minerals Inc.	June 1999	3,002,609
David Ingram Ontario, Canada	President and Chief Executive Officer of goeasy Ltd. since May 24, 2001. Prior to that, Mr. Ingram was Executive Vice President and Chief Operating Officer of goeasy Ltd. since December 2000. Prior to that Mr. Ingram was an executive with Kingfisher plc (a retail conglomerate) in the United Kingdom. He is also Vice Chair and a Trustee of the Boys & Girls Club of Canada Foundation and a Member of the Board of Directors.	December 2000	446,209
David Appel(1)(2)(3) Ontario, Canada	Corporate Director. Mr. Appel has had a career in law, business, and government service, and is a Director of a number of charitable organizations. Mr. Appel is a retired member of the Quebec Bar. Mr. Appel serves on the Board of Directors of Hirshhorn Museum.	August 2010	96,855
Sean Morrison(1)(2) British Columbia, Canada	Corporate Director. Mr. Morrison is the Co-Founder and a Managing Partner of Maxam Capital Corporation and the Chief Executive Officer of Diversified Royalty Corp. Prior to forming Maxam, Mr. Morrison was a partner at Capital West Partners, a Vancouver-based investment banking firm. Mr. Morrison is a Chartered Accountant.	January 2012	45,944
David Thomson(1)(2)(3) Ontario, Canada	Corporate Director. Mr. Thomson is a former President of Great West Life Properties. Prior to joining Great West, he was Executive Vice President of Oxford Development Group. He is Chairman of the Toronto Dominion Bank Private Giving Foundation.	January 2012	5,000

Karen Basian(1)(2)(3) Ontario, Canada	Corporate Director. Ms. Basian is member of the Board of Directors of BookJane and is also the Managing Director of Newtopia and a Principal at KB Capital Management Inc., a strategy consulting and financial advisory firm. Ms. Basian serves on the Board of Directors of Kognitiv Corporation. Ms. Basian is a Chartered Accountant and has an M.B.A. from IMD in Lausanne, Switzerland.	November 2014	18,000
Susan Doniz(1)(2)(3) Ontario, Canada	Corporate Director. Ms. Doniz is the Chief Information Officer of Qantas Airways. Prior to joining Qantas she was Global Chief Information Officer for Aimia. Ms. Doniz sits on numerous Boards of Directors including Bayshore HealthCare.	May 2016	-
Steven Goertz Ontario, Canada	Executive Vice President and Chief Financial Officer of goeasy Ltd. Mr. Goertz was Vice President, Finance, for Sobeys Ontario from 2003 to 2009. Prior to that, Mr. Goertz was Vice President, Finance for Maple Leaf Foods Inc. from 1999 to 2003. Mr. Goertz is a Chartered Accountant and holds an Honours degree, Bachelor of Mathematics from the University of Waterloo.	August 2009	109,610
Jason Mullins Ontario, Canada	Mr. Mullins is the Executive Vice President and Chief Operating Officer having joined goeasy Ltd. in 2010. Previously Mr. Mullins was the Senior Vice President Operations for the company's easyfinancial business. Mr. Mullins has an extensive career in financial services coming to the Company in 2010 from Mogo Finance Technology where he was Vice President of Sales and Operations. He has held previous operations management roles at CIBC and Allied International Credit, and has an MBA from the Ivey School of Business at the University of Western Ontario.	April 2011	55,149
Andrea Fiederer Ontario, Canada	Executive Vice President and Chief Marketing Officer of goeasy Ltd. Ms. Fiederer joined goeasy in January of 2015. Prior to joining goeasy, Ms. Fiederer held senior marketing roles at Mobilicity and XM Satellite Radio. Ms. Fiederer has also held roles at TELUS and BearingPoint where she worked as a Management Consultant. She has a Master in Business Administration degree from the Schulich School of Business and a Bachelor of Commerce degree from McGill University.	January 2015	5,188
Jason Appel Ontario, Canada	Senior Vice President, Risk & Analytics and Chief Risk Officer of goeasy Ltd. Mr. Appel was previously Vice President, Risk and Analytics of goeasy Ltd. having joined the Company in December 2012. Mr. Appel was previously Senior Vice President, Decision Management, with Citigroup from 2006 to 2012, and prior to that held senior positions in the mortgages and lending division of CIBC. Mr. Appel holds a Master of Business Administration from the Schulich School of Business and a Bachelor's Degree from the University of Toronto.	January 2015	10,263
Shadi Khatib Ontario, Canada	Senior Vice President, Information Technology and Chief Information Officer of goeasy Ltd. Mr. Khatib joined goeasy in 2016. Prior to joining goeasy, Mr. Khatib held multiple leadership roles in financial services, pharmaceutical, logistics and technology organizations ranging from startup to fortune 500. He has a Bachelor of Commerce degree from Ryerson University.	May 2016	786

Shane Pennell Ontario, Canada	Senior Vice President, easyfinancial Operations for goeasy Ltd. Mr. Pennell was previously Vice President of Operations and Shared Services for goeasy Ltd. He brings over 15 years of financial services experience to goeasy. Mr. Pennell came to the Company in 2013 from HSBC Financial where he was Vice President of Consumer Lending and Marketing and held previous management roles at CitiFinancial.	January 2015	7,572
David Yeilding Ontario, Canada	Senior Vice President, Finance of goeasy Ltd. and was previously Vice President Finance with goeasy Ltd. having joined the Company in 2010. Prior to joining goeasy, David was Vice President Finance with Fidelity Investments and a Director in PricewaterhouseCoopers Transaction Services practice where he advised clients on investments, financing, mergers and acquisitions. David is a Chartered Accountant and holds a Masters in Business Administration degree from the DeGroote School of Business at McMaster University and a Bachelors Degree in Economics from Queens University.	January 2015	14,962

Notes:
(1) Member of the Audit Committee.
(2) Member of the Compensation Committee.
(3) Member of the Corporate Governance Committee.

As of December 31, 2017, the Directors and executive Officers of the Company beneficially own directly or indirectly or exercised control or direction over 3,811,147 Common Shares or approximately 28.3% of the issued and outstanding Common Shares.

AUDIT COMMITTEE INFORMATION

The Company's Audit Committee Mandate sets out its responsibilities and duties, membership qualifications and procedures for reporting to the Board of directors. A copy of the mandate is attached hereto as Schedule "A". As at December 31, 2017, the Audit Committee was comprised of five Directors, all of whom are independent Directors: David Thomson (chair), David Appel, Sean Morrison, Karen Basian and Susan Doniz. Each member of the Audit Committee is considered by the Board of Directors to be financially literate within the meaning of applicable securities laws by way of their business experience and educational background. The following is a brief summary of the education and experience that is relevant to the performance of their responsibilities as Committee members.

<u>David Thomson (Chair)</u>
Mr. Thomson is a former President of Great West Life Properties. Prior to joining Great West, he was Executive Vice President of Oxford Development Group. He is Chairman of the Toronto Dominion Bank Private Giving Foundation.

<u>David Appel</u>
Mr. Appel has had a career in law, business, and government service, and is a Director of a number of charitable organizations. Mr. Appel is a retired member of the Quebec Bar. Mr. Appel serves on the Board of Directors of Hirshhorn Museum.

<u>Sean Morrison</u>
Mr. Morrison is the Co-Founder and a Managing Partner of Maxam Capital Corporation and the Chief Executive Officer of Diversified Royalty Corp. Prior to forming Maxam, Mr. Morrison was a partner at Capital West Partners, a Vancouver-based investment banking firm. Mr. Morrison is a Chartered Accountant.

Karen Basian
Ms. Basian is member of the Board of Directors of BookJane and is also the Managing Director of Newtopia and a Principal at KB Capital Management Inc., a strategy consulting and financial advisory firm. Ms. Basian serves on the Board of Directors of Kognitiv Corporation. Ms. Basian is a Chartered Accountant and has an M.B.A. from IMD in Lausanne, Switzerland.

Susan Doniz
Ms. Doniz is the Chief Information Officer of Qantas Airways. Prior to joining Qantas she was Global Chief Information Officer for Aimia. Ms. Doniz sits on numerous Boards of Directors including Bayshore HealthCare.

External Auditor Service Fees

During the two most recently completed fiscal years, the Company paid the following fees to Ernst & Young LLP, the Company's external auditor, for audit, audit-related and tax services:

Audit Fees

Ernst & Young LLP has performed audit services for the Company during the last two fiscal years, which included the audit of the Company's consolidated financial statements for the fiscal years ended December 31, 2016 and December 31, 2017. Aggregate fees for audit services for the Company were $624,500 in 2016 and $908,000 in 2017.

Audit-Related Fees

Ernst & Young LLP has provided due diligence assistance to the Company during the last two fiscal years. Aggregate fees for due diligence services were $1,300,000 in 2016 and nil in 2017.

Tax Fees

Ernst & Young LLP has provided tax advice to the Company during the last two fiscal years, which included corporate income tax return compliance and tax structuring. Aggregate fees for tax related services were $157,069 in 2016 and $76,000 in 2017.

All Other Fees

No other services were performed by Ernst & Young LLP in 2016 and 2017.

Interest of Experts

Ernst & Young LLP, the Company's external auditor, has provided an audit report on the Company's consolidated financial statements for the year ended December 31, 2016. Ernst & Young was independent of the Company in accordance with the rules of professional conduct in Ontario.

TRANSFER AGENT AND REGISTRAR

The Company's transfer agent for all classes of stock is TSX Trust Company located in Toronto, Ontario. The register of transfers is located at the offices of the Company's transfer agent.

ADDITIONAL INFORMATION

Additional information including Directors' and Officers' remuneration and indebtedness, principal holders of the Company's securities, options to purchase securities and interests of insiders in material transactions, if applicable, is contained in the Company's management information circular for the Company's annual meeting to be held on May 2, 2018. Additional financial information is provided in the Company's audited consolidated financial statements for the year ended December 31, 2017 and the accompanying management's discussion and analysis of financial condition and results of operations dated February 20, 2018.

Additional information relating to the Company may be found on SEDAR at www.sedar.com and on the Company's website at www.goeasy.com.

SCHEDULE "A"
goeasy Ltd.
AUDIT COMMITTEE MANDATE
(revised January 11th, 2011)

Purpose

The Audit Committee ("A/C") shall assist the Board in its oversight role with respect to:

- The quality and integrity of financial information.
- The effectiveness of goeasy's risk management, internal controls and regulatory compliance practices.
- The external auditor's performance, qualifications and independence.
- Reviewing and approving applicable financial information and documents prior to public disclosure.

Composition

The A/C shall serve as a standing committee of the Board of Directors (the "Board").

The A/C shall consist of three or more Directors of goeasy appointed by the Board of Directors. None shall be officers or employees of goeasy or any of its affiliates. Each of the members shall satisfy the applicable independence requirements of the laws governing the Corporation, including National Instrument 52-110 Audit Committees.

Each member of the A/C shall be financially literate as defined by the applicable legislation. Financially literate shall mean he or she has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation's financial statements. An A/C member who is not financially literate may be appointed to the A/C provided that the member becomes financially literate within a reasonable period of time following his or her appointment.

Members of the Committee are appointed or reappointed annually by the Board of Directors. The Board of Directors shall designate one member to chair the A/C.

Meetings

The A/C shall meet as often as it determines but not less frequently than quarterly to ensure review by the A/C of the company's quarterly results and proposed filings. A secretary shall be appointed for every meeting of the A/C who shall be responsible for the production and distribution of meeting minutes. The Chairman of the A/C shall report to the Board of Directors on its activities after each of its meetings or upon request of the Board of Directors.

An affirmative vote of a majority of the members of the Committee participating in any meeting is required for the adoption of a resolution. A quorum shall be not less than two members. If only two members form the quorum, one of those members must be the Chairman of the Committee. In the event of deadlock, the Chairman shall cast the deciding vote.

The A/C will have the opportunity for an in-camera session at the end of every meeting.

Authority

The A/C has the authority to:

- Conduct or authorize an independent investigation and retain outside consultants for any matters that come under its scope of responsibilities, with the cost to be borne by the Corporation.
- Communicate and meet with the external auditor or outside counsel, without the presence of Management.
- Call a meeting of the Board of Directors to consider any matter of concern to the A/C.

Administration

The A/C shall review its charter and assess annually the adequacy of this mandate, the effectiveness of its performance and, when necessary, will recommend changes to the Corporate Governance and Nominating Committee.

Functions and Responsibilities

The A/C has the following functions and responsibilities:

External Auditor

- Annually approve and recommend for appointment the external auditor to the Board. The external auditor shall report and be directly accountable to the A/C.
- Review and approve the external auditor's proposed annual audit scope, plan and staffing, including the annual audit fees and terms of the engagement.
- Review and pre-approve all engagements for non-audit services, unless in the aggregate, they are not in excess of 5 percent of the total amount of fees paid by the Corporation to the external auditor during the fiscal year in which the services are provided.
- Oversee the work of the external auditor including the resolution of disagreements between management and the external auditor regarding financial reporting, accounting policies and internal controls.
- Review the external auditor's management comment letter and management's responses thereto, and enquire as to any disagreements between management and external auditors or restrictions imposed by management on external auditors.
- Evaluate the qualifications, expertise and performance of the external auditors (at least annually). If necessary, initiate the termination of the external auditors, subject to the Board and shareholder approval as required by applicable law.
- Review the relationships or services that may impact the objectivity and independence of the external auditor, including annual review of the auditor's written statement of all relationships between the auditor and the Corporation.
- Review and approve the Corporation's hiring policies regarding partners, employees and former partners and employees of the Corporation's present and former external auditor.
- Provide an open avenue of communication between management, the external auditors and the Board.

Financial Reporting

- Review and recommend to the Board of Directors approval of the Corporation's annual and interim financial statements, MD&A and press releases prior to the public disclosure of this information.
- Review and recommend to the Board of Directors approval of the financially related information and disclosures contained in the Corporation's Annual Report, the Annual Information Form and the Information Circular prior to public disclosure.
- Review and discuss with management and the external auditor at least annually significant financial reporting issues and judgments made in connection with the preparation and presentation of the financial

statements, including any significant changes in the Corporation's selection and application of accounting principles, any major issues as to the Corporation's internal controls and any special steps adopted in light of material control deficiencies.

- Review any change in the Corporation's accounting policies including alternative treatments and their impacts.
- Review with legal counsel any legal matters having a significant impact on the financial reports.

Internal Controls

- Annually review Management's process for assessing the Corporation's system of internal controls over financial reporting, including any significant or material deficiencies.
- Review the Corporation's disclosure controls and procedures and periodically assess the adequacy of those disclosure controls and procedures.
- Review the minutes of the quarterly Disclosure Committee meetings.
- Review and approve the Corporation's policy on external communication and disclosure of material information, including the form and generic content of any quarterly earnings guidance and of any financial disclosure provided to investment analysts and rating agencies.
- Establish and review procedures for the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, or auditing matters.
- Establish and review procedures for the confidential, anonymous submission by the Corporation's employees of concerns regarding questionable accounting or auditing matters.
- Review management's practices in effect over officers' expenses and perquisites.

Risk Management and Fraud

- Review the Corporation's Risk Management practices on an annual basis and make recommendations to the Board regarding any proposed changes.
- Review on a periodic basis, significant risks inherent in the Corporation's business and ensure appropriate risk management techniques are in place.
- Review the effectiveness of the Corporation's procedures in relation to the prevention, detection, reporting and investigation of fraud.
- Annually review the adequacy and quality of insurance coverage maintained by the Corporation.
- Oversee the investigation into occurrences of material fraud
- Review, as required, the Corporation's regulatory compliance with provincial & federal legislation.
- Review major changes to the Corporation's IT systems.
- Communicate and meet with the Corporation's VP of Internal Audit, without the presence of Management, to obtain updates and feedback on the Corporation's Risk Management practices.
- Review and approve the variable compensation program for the VP of Internal Audit.

Other

- Review recommended appointees to the office of Chief Financial Officer.
- Review and/or approve other financial matters delegated specifically to it by the Board of Directors.

APPENDIX "A"
MULTILATERAL INSTRUMENT 52-110 – AUDIT COMMITTEES
MEANING OF INDEPENDENCE

Meaning of Independence

(1) An audit committee member is independent if he or she has no direct or indirect material relationship with the issuer.

(2) For the purposes of subsection (1), a "material relationship" is a relationship, which could, in the view of the issuer's board of directors, is reasonably expected to interfere with the exercise of a member's independent judgment.

(3) Despite subsection (2), the following individuals are considered to have a material relationship with an issuer:

(a) an individual who is, or has been within the last three years, an employee or executive officer of the issuer;

(b) an individual whose immediate family member is, or has been within the last three years, an executive officer of the issuer;

(c) an individual who:

(i) is a partner of a firm that is the issuer's internal or external auditor,

(ii) is an employee of that firm, or

(iii) was within the last three years a partner or employee of that firm and personally worked on the issuer's audit within that time;

(d) an individual whose spouse, minor child or stepchild, or child or stepchild who shares a home with the individual:

(i) is a partner of a firm that is the issuer's internal or external auditor,

(ii) is an employee of that firm and participates in its audit, assurance or tax compliance (but not tax planning) practice, or

(iii) was within the last three years a partner or employee of that firm and personally worked on the issuer's audit within that time;

(e) an individual who, or whose immediate family member, is or has been within the last three years, an executive officer of an entity if any of the issuer's current executive officers serves or served at that same time on the entity's compensation committee; and

(f) an individual who received, or whose immediate family member who is employed as an executive officer of the issuer received, more than $75,000 in direct compensation from the issuer during any 12-month period within the last three years.

(4) Despite subsection (3), an individual will not be considered to have a material relationship with the issuer solely because (a) he or she had a relationship identified in subsection (3) if that relationship ended before March 30, 2006 or (b) he or she had a relationship identified in subsection (3) by virtue of subsection (8) if that relationship ended before June 30, 2007.

(5) For the purposes of clauses (3)(c) and (3)(d), a partner does not include a fixed income partner whose interest in the firm that is the internal or external auditor is limited to the receipt of fixed amounts of compensation (including deferred compensation) for prior service with that firm if the compensation is not contingent in any way on continued service.

(6) For the purposes of clause (3)(f), direct compensation does not include:

(a) remuneration for acting as a member of the board of directors or of any board committee of the issuer, and

(b) the receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with the issuer if the compensation is not contingent in any way on continued service.

(7) Despite subsection (3), an individual will not be considered to have a material relationship with the issuer solely because the individual or his or her immediate family member

(a) has previously acted as an interim chief executive officer of the issuer, or

(b) acts, or has previously acted, as a chair or vice-chair of the board of directors or of any board committee of the issuer on a part-time basis.

(8) For the purpose of this section, an issuer includes a subsidiary entity of the issuer and a parent of the issuer.

Additional Independence Requirements

(1) Despite any determination made pursuant to the meaning of independence set forth above, an individual who

(a) accepts, directly or indirectly, any consulting, advisory or other compensatory fee from the issuer or any subsidiary entity of the issuer, other than as remuneration for acting in his or her capacity as a member of the board of directors or any board committee, or as a part-time chair or vice-chair of the board or any board committee; or

(b) is an affiliated entity of the issuer or any of its subsidiary entities is considered to have a material relationship with the issuer.

(2) For the purposes of subsection (1), the indirect acceptance by an individual of any consulting, advisory or other compensatory fee includes acceptance of a fee by

(a) An individual's spouse, minor child or stepchild, or a child or stepchild who shares the individual's home; or

(b) an entity in which such individual is a partner, member, an officer such as a managing director occupying a comparable position or executive officer, or occupies a similar position (except limited partners, non-managing members and those occupying similar positions who, in each case, have no active role in providing services to the entity) and which provides accounting, consulting, legal, investment banking or financial advisory services to the issuer or any subsidiary entity of the issuer.

(3) For the purposes of subsection (1), compensatory fees do not include the receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with the issuer if the compensation is not contingent in any way on continued service.