

# A Guide to Lending



# Welcome to Lending Loop

## A Smarter Way to Lend

This guide contains all the information you will need to start lending with Lending Loop. We've designed our process with you in mind and we hope you find lending with us to be an incredibly simple and enjoyable experience.

Lending Loop has created a structure that allows people across Canada to join together in partnership with a common interest - lending to small businesses. For the very first time in Canada, we are giving every Canadian access to small business investments that offer attractive returns. You get sophistication and quality in simple and straightforward form.

### Need Help? Contact Us



[contact@lendingloop.ca](mailto:contact@lendingloop.ca)



1-888-223-LOOP

Monday - Friday 9am - 5pm

If you aren't sure about lending, you should seek financial advice before you get started. Even though your loan may be guaranteed or secured, the nature of business lending means your investment can always go down as well as up.

# TABLE OF CONTENTS

## SECTION ONE: SIGNING UP

Creating An Account.....4

## SECTION TWO: LENDING TO BUSINESSES

The Marketplace.....5

Our Businesses.....6

## SECTION THREE: YOUR ACCOUNT

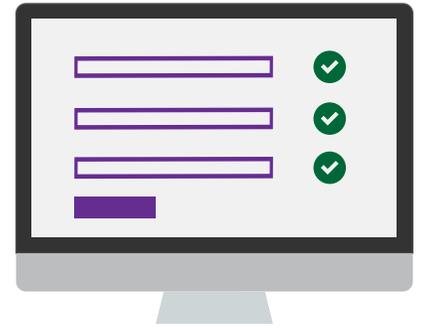
Account Summary.....7

Interest & Taxes.....8

Deposits & Withdrawals.....9



# Creating An Account



The first step to becoming a lender with Lending Loop is to create an online account. All you need to do is complete the 3 simple steps below and you'll be ready to start lending.

1

## Sign Up

To create your account, simply visit [www.lendingloop.ca](http://www.lendingloop.ca) and sign up to start lending. After confirming your email address, you will be asked to fill out some basic information about yourself so that we can verify your identity.

2

## Complete Account Set-Up

Once you have signed up, you will be asked to sign your account operating agreement and confirm that you hold an account with a Canadian Financial Institution. The fastest way to confirm your deposit account is to upload a recent bank statement. Alternatively, you can also send us a cheque from the account that is held in your name.

3

## Deposit Funds

The final step to creating an account is to deposit funds into your account so that you are ready to start lending. Please note that you must deposit funds before your account can be made fully active. There are various ways to fund your account including online banking, cheque, wire and more. Further information can be found in your Lending Loop account

# The Marketplace

Once your account is set up, you can start viewing the Lending Loop Marketplace. The Marketplace allows you to browse through all of the businesses that are currently approved to seek financing through Lending Loop.



## Pledging

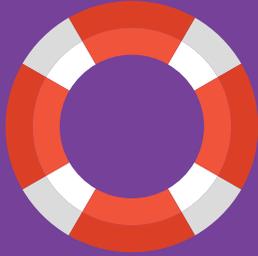
When you find a business that you want to lend to, simply click pledge and enter the amount you want to lend (pledges must be in increments of \$50). You will be required to sign an acknowledgment form agreeing to the terms of the loan, joining all lenders in a lending partnership. Remember that the loan will only come into effect if the borrower receives the full amount of their loan request in pledges. If the business doesn't receive the amount they are seeking, your pledged funds will be returned to you when the listing expires.

### What is a Lending Partnership?

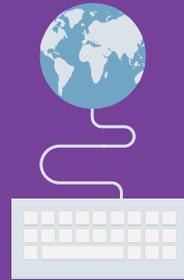
When pledging funds on Lending Loop, lenders agree to join a Lending Partnership and become and remain Lending Partners until the loan is repaid in full or the loan request is terminated. A Lending Partnership means a group of lenders joining together in a spirit of cooperation by contributing funds for the sole purpose of helping a specific borrower expand or operate its business. Lending partners share among themselves the resulting profits in proportion to each lender's contribution to the partnership (the amount of the pledged funds).

# The Businesses

## EVALUATION STEPS



Eligibility Check



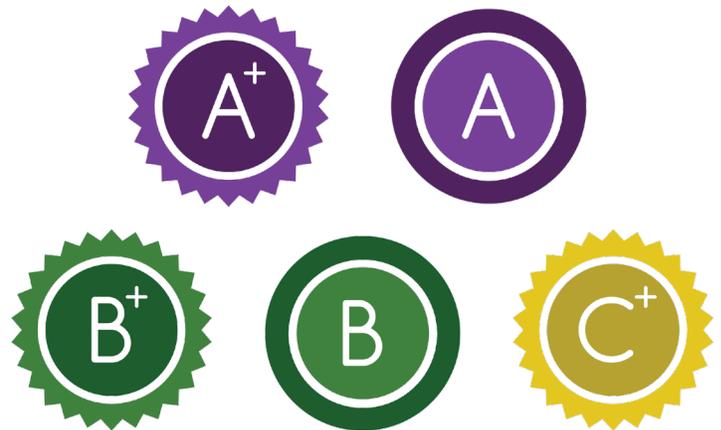
Automated Data Pull



Manual Review

## Risk Bands

Every business on the marketplace is given a risk band by our credit assessment team that reflects the loan's risk. Risk bands are intended to be informative only and do not in any way constitute a recommendation, a guarantee or investment advice.

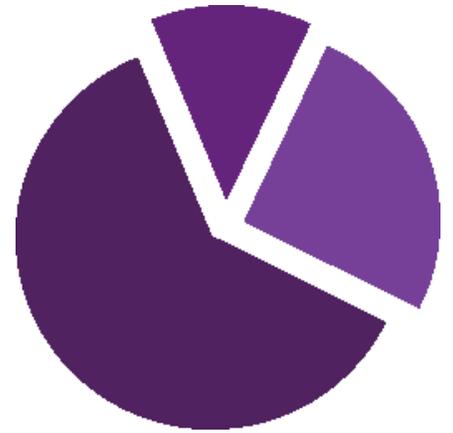


## Diversification

Lending Loop enables you to lend to hundreds of different businesses across Canada, which means you're not only helping hundreds of small business owners, you are spreading your risk amongst them. The more businesses you lend to, the more likely you will earn a positive net return. The idea of diversification in practice is that if you have \$10,000 to lend, you lend \$50 to 200 different businesses. This allows you to spread your risk and minimize your exposure if any particular business runs into trouble.

# Account Summary

When you first log into Lending Loop, you will be taken to your account dashboard which provides a summary of all your activity. Keep an eye on the cash you have available, the amount you have pledged and how much you have currently lent out so that you are maximizing your earnings.



## Glossary

Below is an explanation of some of the terms you will see in your account.

Term	Description
Current Gross Yield	Current Gross Yield is the weighted average interest rate you are currently earning on the funds you have lent out. This is calculated on an annualized basis - before fees and tax are deducted.
Lifetime Earnings	The sum of all interest and fees received from borrowers
Maximum Exposure	This percentage represents the maximum amount that you have lent to any single loan. The lower this number, the less impact a delinquency will have on your portfolio.
Pledge	Money you have committed to a loan that has not been funded and closed yet.

# Fees & Taxes



## Fees

Lending Loop charges a 1.5% annual servicing fee that is collected when a business makes a repayment. You are only charged this when you receive a repayment and there are no other fees or hidden costs for using Lending Loop.

## Taxes

After the end of each calendar year, Lending Loop will provide you with a summary of all of your income (and losses) earned through the platform for you to include on your tax return. It is your responsibility to report this information to CRA.

While you are lending with partners, you are taxed on your share of the profits of the loan as an individual. As an individual, interest income is taxed at your marginal rate. Should one of your loans default, any lost principal would be considered a capital loss for tax purposes.

We recommend that you consult with your personal accountant if you are unsure about how to file and to find out how lending will impact your personal tax situation.

# Deposits & Withdrawals

Depositing and Withdrawing funds with Lending Loop is simple.

## Depositing Funds

You can deposit funds into your Lending Loop account at any time by a variety of different methods. Click the transactions tab on the left of your account and then choose deposit funds and all of the options will be made available to you.

## Withdrawing Funds

You can withdraw any of your available cash at any time to the bank account that we have on file for you. To Withdraw funds, click the transactions tab on the left of your dashboard, then choose withdraw funds and enter the amount that you wish to withdraw.

Please Note: If you want to withdraw funds to a different bank account, we will have to verify that the account is held in your name.