

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST**

BETWEEN:

**ENLIGHTENED FUNDING CORPORATION**

Applicant

and

**VELOCITY ASSET AND CREDIT CORPORATION and 926749 ONTARIO LTD.  
O/A CLONSILLA AUTO SALES AND LEASING**

Respondents

**APPLICATION UNDER SUBSECTION 243(1) OF THE *BANKRUPTCY AND INSOLVENCY  
ACT*, R.S.C. 1985, c. B-3, AS AMENDED, AND SECTION 101 OF THE *COURTS OF  
JUSTICE ACT*, R.S.O. 1990, c. C.43, AS AMENDED.**

**RESPONDING MOTION RECORD**

October 20, 2023

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Lawyers for the Respondents

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Lawyers for the Applicant

OR  
TO: **SERVICE LIST**

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**RESPONDING AFFIDAVIT**

I, HUGH WADDELL, of the Town of Peterborough, in the Province of Ontario, MAKE OATH AND SAY:

1. I am the principal and a director of the respondent companies Velocity Asset and Credit Corporation ("**Velocity**") and 926749 Ontario Ltd. ("**Clonsilla**", together, the "**Respondents**"), and, as such, have knowledge of the matters contained in this Affidavit.
2. I make this Affidavit in response to Enlightened Funding Corporation's (the "**Applicant**") application to appoint a receiver.
3. Clonsilla has been in operation since 1995. It currently has 15 employees.
4. Since May 2023, when the first issues between the parties arose, I have been working tirelessly on sourcing alternative funding to repay the Applicant so that I can continue to operate

the Respondents' businesses. During the same period, I have unfortunately been attending to my wife, who was diagnosed with terminal kidney disease. I have had to attend various medical appointments with her, including on October 13, during the initial hearing of this matter. I am grateful for the Court's indulgence and the brief adjournment granted at the initial hearing.

5. I don't deny that there have been defaults of the credit agreements with the Applicant, although I do not agree with the extent of the defaults alleged by the Applicant. However, these defaults happened during one of the hardest times in my personal life, which remains difficult as my wife's condition has only gotten more dire.

6. Following the initial hearing, I have continued to work diligently on finding a practical refinancing solution, while still taking care of my wife and family. My goal has been to find a solution that avoids the destruction of my business and life's work, without prejudicing the Applicant's interests or security. I now have a real and tangible way forward that achieves precisely that. As set out below, I have term sheets in hand that will allow the Respondents to:

- (a) Pay any arrears owing for August, September and October;
- (b) Continue to make monthly interest payments in November, December and January; and
- (c) Repay all principal owing to the Applicant in January, 2024.

7. There would be tremendous, irreparable prejudice if the order sought by the Applicant was granted today, while there would be no prejudice to the Applicant if the Respondents were given the opportunity to finalize the replacement financing and repay the Applicant in 90 days.

### **A. Arrears Owing to the Applicant**

8. As set out above, I do not deny that there have been some defaults under the various agreements with the Applicant. However, the Applicant asserts that the Respondents have failed to make monthly interest payments for June, July, August, September and October. This is not true.

9. The Respondents did make monthly payments for June and July, 2023. Attached as **Exhibit "A"** are copies of documents evidencing that the payments were made.

10. I agree that the payments for August, September and October are outstanding. I also acknowledge that the November payment is quickly approaching.

11. I have arranged the following funds to pay the monthly payments for August, September, October and November:

- (a) Approximately \$900,000 to be advanced by a private lender, based on HST credits owing to the Respondents, approximately half of which would be used to pay the Applicant for the foregoing months. A copy of a draft term sheet is attached as **Exhibit "B"**. The HST term sheet is still in draft form but is expected to be finalized and fully executed shortly. The name of the lender has been redacted. An unredacted and executed copy will be provided once the term sheet has been fully signed. The HST owing is technically owed to Clonsilla and the Applicant does not have security over the HST receivable. But the Respondents are willing to use this asset to find a practical solution.
- (b) The Respondents have approximately \$450,000 in newly unfinanced leases. Tranches of those leases would be assigned to the Applicant in the interim such

that payments on the leases would be applied toward any amounts owing to the Applicant. A summary of the available unfinanced leases that would be used for this purpose is attached as **Exhibit “C”**.

#### **B. Payments Until the Replacement Financing Closes**

12. With respect to December, 2023 and January, 2024, these amounts will be paid from operating revenues.

13. Finally, the Respondents have a signed term sheet that will repay the full amount owing to the Applicant within 90 days (the **“Replacement Financing”**). A copy of the fully executed term sheet for is attached as **Exhibit “D”**.

14. The Replacement Financing is being provided by Beacon Trust (**“Beacon”**). Beacon is a company who already is already involved in the Respondents’ business (as set out in the Application Record) and Beacon attended the initial hearing. The financing provided by the Applicant was used to replace financing provided by Beacon.

15. All that to say, Beacon is familiar with the Respondents’ business and is already invested in its success. While the Replacement Financing term sheet is conditional on routine due diligence, all parties involved are confident that this will not present any issue and the Replacement Financing will go ahead.

16. The Replacement Financing is enough to fully repay the Applicant.

17. On October 20, 2023, the Respondents made a proposal to the Applicant as set out above and provided a copy of the fully executed Replacement Financing term sheet. A copy of the email is attached as **Exhibit “E”**.

### **C. No Prejudice to the Applicant**

18. The Respondents have made arrangements to pay any outstanding arrears and continue to pay monthly amounts until the Replacement Financing closes in 90 days.

19. As long as any arrears are paid and monthly amounts continue to be paid, there is no prejudice to the Applicant if the receivership order sought is held in abeyance until the Replacement Financing closes.

20. On the other hand, there is significant prejudice to the Respondents if the order sought is granted. The Respondents' business will effectively be shut down and liquidated. Any changes imposed or actions taken by a receiver would be irreversible. It would also adversely affect the jobs of Clonsilla's 15 employees.

21. The term sheet for the Replacement Financing is fully signed and final. The Respondents and Beacon simply need time to finalize the financing arrangements to fully pay out the Applicant.

22. A receivership is also an expensive process. There is no guarantee that the proposed receiver will be able to realize 100 cents on the dollar if they are permitted to take control of the Respondents' business. Even if the receiver is ultimately able to recoup all funds owing to the Applicant, plus the receiver's own significant fees, it will be a much longer process than the proposed Replacement Financing.



23. Giving the Respondents 90 days to complete the Replacement Financing is in the best interests of all parties.

**SWORN BEFORE ME** by videoconference at the City of Toronto, in the Province of Ontario on this 20<sup>th</sup> day of October, 2023.

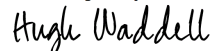


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Commissioner for Taking Affidavits  
(or as may be)

**Calvin Peter Horsten, a  
Commissioner, etc., Province of Ontario,  
while a Student-at-Law.  
Expires June 14, 2025.**

DocuSigned by:



A082522AE080451...

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**HUGH WADDELL**

This is Exhibit "A" referred to in the Affidavit of Hugh Waddell sworn before me at Toronto, Ontario, this 20th day of October, 2023.



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*Commissioner for Taking Affidavits*

**Calvin Peter Horsten, a  
Commissioner, etc., Province of Ontario,  
while a Student-at-Law.  
Expires June 14, 2025.**

### Details ✕

#### Transaction Information Print

Status: Confirmed  
Reference Number: 466372238-230602104203  
From Account: 00021635603 - VELOCITY ASSET AND CREDIT CORPORATION - CAD  
To Account: 00021637967 - Third-party - CAD  
Amount: 230,696.39 CAD

#### Transfer Timeline

Processing Time: 10:42:03 AM EDT Processing Date: 2023-06-02  
Created By: HAUGUSTE on 2023-06-02 10:42:03 AM EDT  
Last Actioned By: HAUGUSTE on 2023-06-02 10:42:03 AM EDT  
Frequency: One Time

#### Additional Information

Comments: VACC May 2023 Collections Interest Payment to EC

### Details ✕

#### Transaction Information Print

Status: Confirmed  
Reference Number: 466044403-230601174742  
From Account: 00021635590 - VELOCITY ASSET AND CREDIT CORPORATION - CAD  
To Account: 00021637967 - Third-party - CAD  
Amount: 423,856.88 CAD

#### Transfer Timeline

Processing Time: 05:47:42 PM EDT Processing Date: 2023-06-01  
Created By: HAUGUSTE on 2023-06-01 05:47:42 PM EDT  
Last Actioned By: HAUGUSTE on 2023-06-01 05:47:42 PM EDT  
Frequency: One Time

#### Additional Information

Comments: Payment of Principal owing to EC for May 2023



Hugh Waddell <hugh@clonsillaautosales.com>

## Tranche 42

Nadia Romero <nadia.romero@enlightenedcapital.net>  
To: Hugh Waddell <hugh@clonsillaautosales.com>

Wed, Jul 12, 2023 at 5:20 PM

Hi Hugh,

This is to confirm that the Principal and Interest balances related to the Velocity loan for June 2023 have been received in full on July 5, 2023. Below is a breakdown of the loan transactions for June 2023 for your records.

### Enlightened Funding Corporation

Transaction Report  
June 1 - July 12, 2023

DATE	NAME	MEMO/DESCRIPTION	AMOUNT	BALANCE
▼ Loan to Velocity				
		Beginning Balance		19,113,322.30
01/06/2023	Velocity Asset and Credit Corp	May Principal Payment	\$ -423,856.68	18,689,465.42
01/06/2023	Velocity Assets & Credit Corp	Tranche 37	\$278,300.34	18,967,765.76
05/06/2023	Velocity Assets & Credit Corp	Tranche 36	\$250,582.79	19,218,348.55
14/06/2023	Velocity Assets & Credit Corp	Tranche 39	\$212,243.24	19,430,591.79
16/06/2023	Velocity Asset and Credit Corp	May 2023 Buyouts	\$ -221,727.33	19,208,864.46
19/06/2023	Velocity Assets & Credit Corp	Tranche 40	\$241,938.50	19,450,702.96
23/06/2023	Velocity Assets & Credit Corp	Tranche 41	\$116,928.18	19,567,631.14
04/07/2023	Velocity Asset and Credit Corp	June 2023 Principal Payment (Part 1) CAS	\$ -197,483.72	19,370,147.42
05/07/2023		June 2023 Principal payment (Part 2) CAS	\$ -215,685.58	19,154,461.84
05/07/2023		June 2023 Principal payment (Part 2)	\$ -171.41	19,154,290.43
05/07/2023		Tranche 42 CREDIT TO CAS PART	\$215,850.99	19,370,147.42
12/07/2023	Velocity Assets & Credit Corp	Tranche 43	\$222,364.22	19,592,511.64

Let us know if you have any questions,

Nadia Romero CPA-CA | Controller

### ENLIGHTENED CAPITAL

T: 416 258 7904

www.enlightenedcapital.net | [nadia.romero@enlightenedcapital.net](mailto:nadia.romero@enlightenedcapital.net)

1100 Burloak Drive, Suite 702 - Burlington ON - L7L 6B2

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This is Exhibit "B" referred to in the Affidavit of Hugh Waddell sworn before me at Toronto, Ontario, this 20th day of October, 2023.



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*Commissioner for Taking Affidavits*

**Calvin Peter Horsten, a  
Commissioner, etc., Province of Ontario,  
while a Student-at-Law.  
Expires June 14, 2025.**

## TERM SHEET

This **[binding]** term sheet (“**Term Sheet**”) dated as of [●], 2023 is made between [REDACTED] and 926749 Ontario Ltd. o/a Clonsilla Auto Sales

	PROVISION	DESCRIPTION
<i>General</i>		
1.	Lender	[REDACTED] (the “ <b>Lender</b> ”)
2.	Borrower	926749 Ontario Ltd. o/a Clonsilla Auto Sales (the “ <b>Borrower</b> ”)
3.	Loan Amount	CDN\$900,000 (the “ <b>Loan</b> ”), which will be advanced in one advance (the “ <b>Advance</b> ”)
4.	Term	Initial term (the “ <b>Initial Term</b> ”) of the earlier of 90 days from the initial Advance and the receipt by the Borrower of the HST tax refunds (the “ <b>Tax Credits</b> ”) from the Canada Revenue Agency (the “ <b>Tax Agency</b> ”). After the Initial Term, if the Tax Credits have not been received, the Loan will be extended on a monthly basis until the Borrower receives the Tax Credits, with the balance of the Loan and all accrued and unpaid interest thereon to be due and payable on the date that is 6 months from the initial Advance (the “ <b>Maturity Date</b> ”).
5.	Use of Proceeds	The Advance under the Loan will be used by the Borrower for working capital. The Loan will not be a revolving facility and any amounts repaid will be cancelled and cannot be reborrowed.
6.	Interest Rate	6% per annum for the Initial Term and subsequently 39.6% per annum.
7.	Upfront Fee	4% of the amount of the Loan
8.	Payments of Interest	Interest will accrue daily on the balance of the Loan that has been advanced and remains outstanding on such day and be payable on the Maturity Date.
9.	Repayment of Loan	The Tax Credits shall be paid to the Lender and applied to repay the Loan. Once the Loan has been repaid in

	PROVISION	DESCRIPTION
		full, any remaining Tax Credits shall be paid to the Borrower.
<b><i>Security Matters</i></b>		
10.	Security for Loan	<p>The obligations of the Borrower under the Capital Loan will be secured by (the “<b>Security</b>”):</p> <p>(i) an assignment of all of the rights of the Borrower in the Tax Credits, including an assignment of the right to receive any payments due to the Borrower pursuant to the Tax Credits, with the proceeds of the Tax Credits to be paid to an account controlled by the Lender; and</p> <p>(ii) a pledge of that number of shares owned by Hugh Waddell in the capital of the Borrower which has a fair market value equal to the amount of the Loan plus 10%, to attach only upon the occurrence of an Event of Default</p>
<b><i>Representations, Warranties and Covenants</i></b>		
11.	Representations and Warranties	The agreement governing the Loan (the “ <b>Loan Agreement</b> ”) will contain representations and warranties by the Borrower that are customary in connection with a financing similar to the Loan.
12.	Covenants	The Loan Agreement will contain covenants by the Borrower that are customary in connection with a financing similar to the Loan.
13.	Senior Lender	The advance of the Loan will be conditional upon the receipt from Enlightened Funding Corporation (the “ <b>Senior Lender</b> ”) of a consent to the Loan and Security described therein, and a release from the Senior Lender which releases any interest that it may have in the Tax Credit in favour of the Lender.
<b><i>Events of Default and Other</i></b>		
14.	Default	The Loan Agreement will contain defaults and events of default that are customary in connection with a financing similar to the Loan, including (i) non-payment on the Maturity Date, (ii) an insolvency event with respect to the Borrower, and (iii) cross-default to



	<b>PROVISION</b>	<b>DESCRIPTION</b>
		any default by the Borrower in respect of any material indebtedness for borrowed money.
15.	Confidentiality	The Agreement will contain customary confidentiality provisions.
16.	Legal Fees	All reasonable legal fees incurred by the Lender's counsel related to this transaction and any enforcement of the Security are the full responsibility and for the account of the Borrower.
17.	Governing Law	Ontario

**IN WITNESS** whereof the Parties have executed this Term Sheet on the day and year first above written.



By: \_\_\_\_\_  
Name:  
Title:

**926749 ONTARIO LTD.**

By: \_\_\_\_\_  
Name:  
Title:

54458376.5

This is Exhibit "C" referred to in the Affidavit of Hugh Waddell sworn before me at Toronto, Ontario, this 20th day of October, 2023.



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*Commissioner for Taking Affidavits*

**Calvin Peter Horsten, a  
Commissioner, etc., Province of Ontario,  
while a Student-at-Law.  
Expires June 14, 2025.**

# CLONSILLA AUTO SALES & LEASING

NEW & USED \* FINANCING \* SALES & LEASING \* AUTO LOCATE

October 20, 2023

Hugh Waddell

926749 Ontario Ltd o/a Clonsilla Auto Sales

Re: Tranche Availability.

As discussed... the available tranches for funding are as follows.

Tranche 45 - \$181,986.46

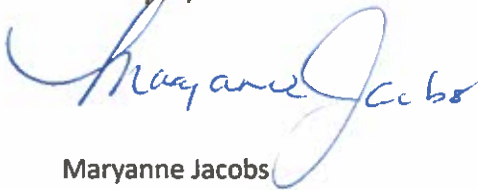
Tranche 46 - \$ 62,491.07

Tranche \*47 - \$283,819.69

**Total - \$528,297.22**

Please confirm assignment of these tranches when completed.

Thank you,



Maryanne Jacobs

[maryanne@clonsillaautosales.com](mailto:maryanne@clonsillaautosales.com)

809 Clonsilla Avenue

Peterborough, ON

K9J 5Y2

(705) 742-6500 office

(705) 749-6407 fax

## SCHEDULE A - TRANCHE

Oct 20, 2023

1204	3365 Funding Request	ERIKA SPENCER	2012 RAM 1500	\$46,610.94	2023-09-12
1179	3340 Funding Request	OXANA NAIMMI	2014 JEEP CHEROKEE	\$28,127.96	2023-08-08
1192	3353 Funding Request	GEORGE DEHART	2012 DODGE JOURNEY	\$21,277.96	2023-08-23
1193	3354 Funding Request	QUINTEN WARD	2017 RAM 1500	\$47,337.96	2023-08-26
1195	3356 Funding Request	ROGER HEELS	2016 HYUNDAI SANTA FE	\$25,984.35	2023-08-31
1196	3357 Funding Request	MICHELLE MAY	2015 HONDA PILOT	\$31,517.96	2023-08-31
1200	3361 Funding Request	FLORENCE SUNDAY	2016 NISSAN SENTRA	\$15,692.00	2023-09-07
1212	3373 Funding Request	DOUGLAS EVERSON	2014 HYUNDAI ELANTRA	\$23,456.86	2023-09-21
1205	3366 Funding Request	ABDULKADER KANBARI	2014 CHEVROLET EXPLORER	\$31,517.96	2023-09-14
1207	3368 Funding Request	ANNE BRANDLY	2014 HYUNDAI ACCENT	\$12,295.74	2023-09-14

**\$283,819.69**

This is Exhibit "D" referred to in the Affidavit of Hugh Waddell sworn before me at Toronto, Ontario, this 20th day of October, 2023.



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*Commissioner for Taking Affidavits*

**Calvin Peter Horsten, a  
Commissioner, etc., Province of Ontario,  
while a Student-at-Law.  
Expires June 14, 2025.**

## TERM SHEET

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<b>Purchaser:</b>	Trafalgar Securities Limited (or its assign), a Bermuda corporation. with ultimate sale to Beacon Trust (including affiliates, collectively "BHL").
<b>Originator(s):</b>	Velocity Asset and Credit Corporation and 926749 Ontario Ltd. d.b.a Clonsilla Auto Sales and Leasing, each an Ontario corporation in the business of originating and servicing automobile leases and the business contemplated along with herein (together, "Company") and additional originators to be pre-approved in writing by BHL.
<b>Funding Facility:</b>	<p>Up to CD\$25,000,000 aggregate receivables purchase facility (the "Funding Facility").</p> <p>BHL to have the exclusive right to increase this facility and/or extend the Term on similar terms and conditions, subject to the Company being able to generate sufficient Eligible Receivables.</p> <p>Company shall enter into one or more Lease Unit Purchase Agreements ("LUPA") with BHL or its assign on agreed terms and conditions. In the event of a conflict of any term or condition of this Term Sheet, the terms and conditions of such LUPA shall govern.</p>
<b>Term of Facility:</b>	24 Months or full utilization, whichever occurs first, unless extended in writing by BHL in its sole discretion.
<b>Use of Proceeds:</b>	The proceeds of the Funding Facility will be used to purchase Eligible Receivables.
<b>Target Yield:</b>	APR of not less than 16.00% or such lower amount agreed in writing between the parties with an associated yield in excess of 18%, such yield calculation including any reasonable residual or buyback amounts.
<b>Funding Cost:</b>	15.0%
<b>Company Subservicing Fee:</b>	2.0% per annum, payable from interest collections.
<b>Administration/ Reporting Fee:</b>	\$75.00 per loan booking/administration fee, payable on each closing in respect of each Eligible Receivable.
<b>Target Loss Rate:</b>	Less than 4.0% per annum gross, resulting in < 1.0% per annum <u>net</u> of recoveries.
<b>Remittance of Collections:</b>	All collections to be received directly by Beacon Portfolio Servicing Inc. ("BPSI"), as Servicer, in a segregated account with viewing access granted to Company ("Segregated BPSI Account").

Any shortfall in monthly collections due to NSF etc. to be remitted by the Company to the Segregated BPSI Account within 5 business days of month end.

**Purchase of Eligible Receivables:**

BHL shall purchase from Company, on a true sale basis, "Eligible Receivables" (as defined in Appendix A) representing consumer loans originated by Company on a monthly basis. BHL shall have the right to assign its rights of purchase of Eligible Receivables to Clear Financial Corporation or any affiliate at any time.

Recourse: To the extent that any receivables are determined to have not been an Eligible Receivable (as defined in Appendix A) and/or the contract was fraudulent in nature, the Seller will be required to repurchase the receivable at full face value of the contract (the then current outstanding principal balance of the loan) plus accrued interest and all associated costs upon 5 days of receiving written notice.

Any contract that defaults within 90 days from the commencement date of the first scheduled payment of the loan shall be charged back to Company at full face value (the then current outstanding principal balance of the loan) plus accrued interest and all associated costs incurred.

The Company shall ensure any current or future debt holders or other purchasers of Company's consumer receivables execute no-interest letters in respect of each tranche of purchased receivables in a form acceptable to BHL or its assign.

**Estimated Monthly Drawdown Schedule:**

- (a) Company will offer to sell a minimum \$200,000 of Eligible Receivables to BHL each month.
- (b) Company and BHL will schedule the drawdowns on the Funding Facility no more frequently than twice per month in respect of Eligible Receivables with a minimum of \$200,000 per drawdown ("Scheduled Drawdowns") as per the following table:
- (c) Drawdowns in excess of Scheduled Drawdowns will follow a simple process whereby Company will make a formal written request of BHL, or its assignee, 5 days in advance of the required monthly funding amount, complete with standard officer certificates, reps and warranties.
- (d) Unless Company has received formal written notice of a material breach of the Subservicing Agreement, BHL will fund the drawdown request.
- (e) If Company has received formal written notice of a material breach of the Subservicing Agreement, BHL may suspend all current and future draws at its option.



**Warehouse Facility:** BHL shall have the right to purchase Eligible Receivable contracts currently existing on the balance sheet of Company, currently estimated at \$18,000,000.00 (the "Warehouse Facility"), on a drawdown schedule of its choosing; subject to the entire Warehouse being drawn down on or before January 31, 2024.

**Subservicing Agreement:**

- (a) Company shall enter into a Subservicing Agreement with BPSI under standard terms and conditions.
- (b) Company will receive 2.0% per annum, payable monthly, in servicing fees in respect of the Eligible Receivables purchased by BHL and serviced by the Company, such payment from interest collections on Eligible Receivables generated by Company.
- (c) Subservicing payments to be made within 15 days of their contractual payment dates, after which Company may offset an equivalent amount from other payments owed.
- (d) All contracts shall be originated and serviced (billing and collecting) on Clear PATH loan management system via pre-authorized payments into the Segregated BPSI Account.

**Conditions to Closing:** The closing of the Funding Facility will be conditional upon:

- (a) BHL being satisfied, in its sole discretion, with its business, legal, and accounting due diligence investigations and review;
- (b) Execution of the Agreements and other related documents to carry out the terms of the transactions contemplated herein;
- (c) Accuracy of all of Company representations and warranties contained in the Agreements;
- (d) Evidence of all required Company Board and shareholder approvals to any and all amendments, agreements or other changes contemplated by this term sheet;
- (e) Approval of transaction by Beacon Trust's Financial Service Administrator, Trustees and, if required, investors;
- (f) Company entering into a refurbishment and remarketing agreement in respect of defaulted loan contracts;
- (g) True Sale legal opinion;
- (h) Interim financial statements September 30, 2023 as attached in Appendix B;
- (i) Company entering into a Lease Unit Purchase Agreement;
- (j) Company entering into a Subservicing Agreement with BPSI;
- (k) Establishment of the Segregated BPSI Account; and
- (l) Execution of a Personal Guarantee and Indemnity ("PGI") of Hugh Waddell in respect of the purchased receivables covering all obligations of the Company.

<b>Post Closing Conditions:</b>	<p>The post-closing obligations of the Company are as follows:</p> <ul style="list-style-type: none"> <li>(a) 2023 audited financial statements delivered on or before March 31, 2024;</li> <li>(b) Review engagement annual financial statements within 120 days of year end; and</li> <li>(c) Personal net worth statements by March 31 of the following year.</li> </ul>
<b>Costs and Expenses:</b>	<p>Company shall bear the fees and expenses incurred in connection with this Term Sheet and the proposed transaction and agreements, including legal, financial and accounting fees.</p> <p>Neither party has engaged a finder or broker in connection with its dealings with the other or in connection with the transactions contemplated by this letter, and each shall hold the other harmless from any claims to the contrary arising out of its actions.</p>
<b>Closing:</b>	<p>The first closing of the Funding Facility, if all conditions are met, is expected to occur within 30 days of the completion of all items as detailed herein.</p>
<b>Rights of First Refusal:</b>	<p style="text-align: center;"><u>Company Issued Securities:</u></p> <ul style="list-style-type: none"> <li>(a) In the event that the Company offers any of its securities (including but not limited to equity and debt securities) for sale, BHL shall have a twenty (20) day right of first refusal to purchase such securities. This right will terminate upon any initial public offering made by the Company.</li> </ul> <p style="text-align: center;"><u>Future Company Financing Programs:</u></p> <ul style="list-style-type: none"> <li>(b) BHL shall have a 30 day right of first refusal on all future Company consumer loan financing programs not contemplated by this Term Sheet.</li> </ul>
<b>Assignment:</b>	<p>BHL shall have the right to assign its rights under this term sheet to any related party or affiliate upon 30 days written notice with consent of Company (such consent not to be unreasonably withheld) provided that any assignee assumes the obligations of this Term Sheet.</p> <p>Company shall not have any right of assignment without the prior written consent of BHL.</p>
<b>Financial Statements:</b>	<p>Company represents the accuracy of the interim financial statements as at September 30, 2023 of the Company as set forth in Appendix B to this Term Sheet and acknowledges that BHL will rely on their accuracy and completeness in respect of this Term Sheet.</p>
<b>Confidentiality:</b>	<p>Other than to its legal and financial advisors, the parties shall not disclose the contents of this Term Sheet without the prior written consent of the other party.</p>

**Negotiating Period**

Recognizing that BHL shall expend considerable time and money in connection with the potential transactions contemplated above, from the date of this Term Sheet until the date six (6) weeks from the date of this Term Sheet, or such other date as the parties may mutually agree in writing, (the "Negotiating Period"), neither Company nor its agents or representatives shall, directly or indirectly (i) solicit, initiate or encourage any inquiries, proposals or offers from any person or entity relating to any acquisition or purchase of all or a material portion of the Debenture, or (ii) with respect to any effort or attempt by any other person to do or seek any of the following: A.) participate in any discussions or negotiations re: Debenture or Equity investment B.) furnish to any other person or entity any confidential information with respect to Company, or C.) otherwise cooperate in any way with, or assist or participate in, or facilitate or encourage any such effort. Company shall promptly notify BHL if any such proposal or offer, or any inquiry or contact with any person or entity with respect thereto, is made.

During the Negotiating Period, Company shall negotiate exclusively with BHL.

**Offer Expiration  
Date:**

5:00pm EDT on Wednesday October 25, 2023.

[Signature page follows]

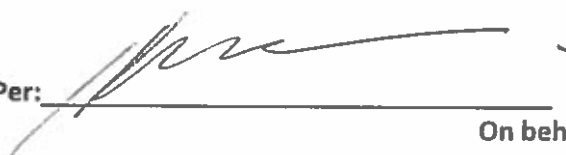
If the foregoing Term Sheet is acceptable to you, please indicate your approval and acceptance of the terms and conditions by signing and returning to us the enclosed copy of this document.

Dated as of the date first noted above.

**TRAFALGAR SECURITIES LIMITED**

Per:   
Edward Furtak, Director

**HUGH WADDELL**

Per:   
On behalf of Company

## APPENDIX A

### Eligible Receivables and Eligible Lease Units

Except to the extent otherwise defined herein, all capitalized terms used in this Appendix A shall have the meaning given to such terms in the Sale and Servicing Agreement.

The following are the criteria applicable to each Lease Unit in order for it to qualify as an **“Eligible Lease Units”**:

- (a) the related Lease Obligor (i) is located in Canada or the United States, (ii) is not an Affiliate of the Seller, any Up-Seller or any Lease Originator, (iii) is not a Governmental Authority, and (iv) is not the subject of bankruptcy or insolvency proceedings;
- (b) the related Lease Obligor is not the Lease Obligor under any Lease Unit that is a “defaulted receivable” as determined in accordance with the Collection Policy of the Lease Servicer;
- (c) with respect to Lease if, as of the date of origination of the Lease, the related Lease Obligor had a Beacon® credit score, such Beacon® credit score to be agreed between the parties;
- (d) the Lease is either (i) denominated in Canadian Dollars and payable in Canada, or (ii) denominated in U.S. Dollars and payable in Canada or the United States; provided that, Leases denominated in U.S. Dollars shall not constitute Eligible Lease Units until the Servicer has opened a USD Collection Account in accordance with the Sale and Servicing Agreement;
- (e) the Lease is payable via pre-authorized payment or, if such Lease is a Fixture Lease, through a third party service provider approved by the Trust which is not an Affiliate of the Seller or the related Note Up-Seller or the related Lease Originator;
- (f) the Lease, other than a Vehicle Lease, was originated in the ordinary course of an Lease Originator’s business in compliance with (i) such Lease Originator’s credit and underwriting policies and procedures, and (ii) Applicable Law, and a Vehicle Lease was originated for the retail lease of a Financed Lease Vehicle in the ordinary course of a Dealer’s business in compliance with (i) such Lease Originator’s credit and underwriting policies and procedures and (ii) Applicable Law;
- (g) with respect to a Lease, any related Lease Units were validly and absolutely assigned to the Note Up-Seller pursuant to a Lease Sale Agreement free and clear of any Lien other than Permitted Liens and the rights of any Lease Obligor under the related Lease;

(h) the Lease (i) is in full force and effect and constitutes a legal, valid and binding obligation of the related Lease Obligor, enforceable against such Lease Obligor in accordance with its terms (subject to applicable law, including bankruptcy, insolvency, reorganization or similar laws affecting the enforcement of creditors' rights generally and to equitable principles of general application), and (ii) is not subject to any asserted or threatened dispute, set-off, counterclaim or defense;

(i) the Lease does not contain terms which limit the right of the owner thereof to (i) sell, transfer or assign such Lease or any interest therein (including any amounts owing or otherwise payable thereunder), or (ii) disclose personal information of the related Lease Obligor to a purchaser of the Lease (or an interest therein) or a servicer of the Lease;

(j) the original term of the Lease (other than a Fixture Lease or a RV Lease) requires that payment in full of the related Amount Financed be made not more than 62 months after the date of origination of such Receivable, provided that the first payment may be deferred for a maximum term of 12 months;

(k) if the Lease is a Fixture Lease or a RV Lease, the original term of such Receivable requires that payment in full of the related Amount Financed be made within 84 months, provided that the first payment may be deferred for a maximum term of 12 months;

(l) the Lease bears interest at the APR set out therein and provides for the Lease Obligor to make substantially equal periodic payments (except for the first and last payments under the related Lease), if timely made, would fully amortize the related Amount Financed;

(m) if the Lease is a Fixture Lease, a notice of security interest has been duly filed on title to the real property at which the related Lease Financed Property is affixed or otherwise located except to the extent the jurisdiction in which such real property is located does not allow for such notice to be filed on title;

(n) if the Lease is a Vehicle Lease and the related Amount Financed exceeds \$5,000 (or U.S.\$5,000), (i) the Note Up-Seller has a perfected, valid, subsisting and enforceable first priority security interest, ownership interest or such other interest as provided in the Note Up-Sale Agreement in the related Financed Lease Vehicle, subject to Permitted Liens and the rights of any Lease Obligor under the related Lease, and (ii) if required under the Collection Policy, such Vehicle Lease requires the related Lease Obligor to obtain physical damage insurance covering such Financed Lease Vehicle;

(o) with respect to any Lease, the Note Up-Seller has good and marketable title to the related Lease Unit which secure the Note Receivable issued by such Note Up-Seller free and clear of any Lien other than Permitted Liens and the rights of any Lease Obligor under the related Lease;

(p) the Lease Unit is not a Lease Unit in respect of which any required payment remains unpaid for (i) if such Lease is a Fixture Lease payable through a third party service provider, more than 60 days, or (ii) any other Lease, more than 30 days, in each case from the payment due date;

(q) as of the date of its origination, the Lease has (i) been serviced in compliance with all material requirements of Applicable Law and in compliance with the Collection Policy of the Lease Servicer, and (ii) not been amended except in accordance with such Collection Policy, all of which amendments are contained in the Receivables File with respect to such Lease;

(r) the Lease constitutes an "account" or "chattel paper" within the meaning of the PPSA of the Province of Ontario, and in the case of a Vehicle Lease, there is only one original authenticated copy of each Vehicle Lease, which copy is held by the Lease Servicer or Custodian; provided that, to the extent that the Note Up-Seller is able to maintain to the Seller's satisfaction the Note Up-Seller's ownership interest in such Lease and a perfected, valid, subsisting and enforceable first priority security interest in the related Vehicle under Applicable Law without the Servicer or the Custodian maintaining possession of an original physical authenticated copy of such Vehicle Lease, this paragraph (u) shall no longer apply so long as the requirements under Applicable Law continues to be satisfied to the Seller's satisfaction for the Note Up-Seller to maintain its ownership interest in such Lease and a perfected, valid, subsisting and enforceable first priority security interest in the related Vehicle, in each case, free and clear of any Lien other than Permitted Liens;

(s) as of the date of its origination, the Lease Securitization Value of the Lease Unit did not exceed \$40,000 (or U.S.\$40,000);

(t) as of the date it was acquired by the SPV pursuant to the related Lease Sale Agreement, the Lease Securitization Value of the Lease Unit was not less than \$500 (or U.S.\$500);

(u) the obligations of the Lease Obligor under the Lease are guaranteed by Hugh Waddell (or such other Person as may be agreed by Note Purchaser);

(v) the Lease specifies an APR of at least 16.0%; and

(w) with respect to any Lease Unit, any additional criteria specified in the related Lease Sale Agreement.

The following are the criteria applicable to each Note Receivable in order for it to qualify as an "**Eligible Receivable**":

- (a) in the case of a Note Receivable, the related Note Obligor (i) is located in Canada or the United States, (ii) is not a Governmental Authority, and (iii) is not the subject of bankruptcy or insolvency proceedings;
- (b) the related Obligor is not the Obligor under any Receivable that is a "defaulted receivable" as determined in accordance with the Collection Policy;
- (c) the Receivable is either (i) denominated in Canadian Dollars and payable in Canada, or (ii) denominated in U.S. Dollars and payable in Canada or the United States; provided that, Receivables denominated in U.S. Dollars shall not constitute Eligible Receivables until the Trust has opened its Series ALPHA2 USD Collection Account in accordance with Sale and Servicing Agreement; the Receivable and any related Pool Assets were validly and absolutely assigned to the Seller pursuant to an Up-Sale Agreement free and clear of any Lien other than Permitted Liens;
- (d) the Receivable (i) is in full force and effect and constitutes a legal, valid and binding obligation of the related Obligor, enforceable against such Obligor in accordance with its terms (subject to applicable law, including bankruptcy, insolvency, reorganization or similar laws affecting the enforcement of creditors' rights generally and to equitable principles of general application), and (ii) is not subject to any asserted or threatened dispute, set-off, counterclaim or defense;
- (e) the Receivable does not contain terms which limit the right of the owner thereof to (i) sell, transfer or assign such Receivable or any interest therein (including any amounts owing or otherwise payable thereunder), or (ii) disclose personal information of the related Obligor to a purchaser of the Receivable (or an interest therein) or a servicer of the Receivable;
- (f) immediately prior to the sale of an interest in the Receivable to the Trust, the Seller had good and marketable title to such Receivable and the related Pool Assets free and clear of any Lien other than Permitted Liens;
- (g) the Receivable is not a Receivable in respect of which any required payment remains unpaid for (i) if such Receivable is a Fixture Loan Receivable payable through a third party service provider, more than 60 days, or (ii) any other Receivable, more than 30 days, in each case from the payment due date;
- (h) as of the date of its origination, the Receivable has (i) been serviced in compliance with all material requirements of Applicable Law and in compliance with the Collection Policy, and (ii) not been amended except in



accordance with the Collection Policy, all of which amendments are contained in the Receivables File;

(i) the Receivable constitutes an “account” or “chattel paper” within the meaning of the PPSA of the Province of Ontario, and in the case of a Vehicle Loan Receivable, there is only one original authenticated copy of each Vehicle Loan Receivable, which copy is held by the Servicer or Custodian; provided that, to the extent that the Seller is able to maintain to its satisfaction its ownership interest in such Receivable and a perfected, valid, subsisting and enforceable first priority security interest in the related Vehicle under Applicable Law without the Servicer or the Custodian maintaining possession of an original physical authenticated copy of such Vehicle Loan Receivable, this paragraph (u) shall no longer apply so long as the requirements under Applicable Law continues to be satisfied for the Seller to maintain its ownership interest in such Receivable and a perfected, valid, subsisting and enforceable first priority security interest in the related Vehicle, in each case, free and clear of any Lien other than Permitted Liens.

**Appendix B**

**Interim Financial Statements**

This is Exhibit "E" referred to in the Affidavit of Hugh Waddell sworn before me at Toronto, Ontario, this 20th day of October, 2023.



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*Commissioner for Taking Affidavits*

**Calvin Peter Horsten, a  
Commissioner, etc., Province of Ontario,  
while a Student-at-Law.  
Expires June 14, 2025.**

[REDACTED]

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[REDACTED]

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**From:** Lau, Duncan  
**Sent:** Friday, October 20, 2023 9:59 AM  
**To:** Eamonn Glavey <eg@enlightenedcapital.net>  
**Cc:** Hugh Waddell <hugh@clonsillaautosales.com>  
**Subject:** Term sheet and proposal

Eamonn,

Please find attached a term sheet from Beacon Trust to re-finance the lease book. In addition to the term sheet, the following is being proposed:

1. There are unfinanced leases / tranches totaling approximately \$400,000 that can transfer to Enlightened Capital
2. The bridge loan is on pause in light of the circumstance but once it is final, another \$400,000 can be provided to Enlightened Capital
3. An interest only arrangement starting Nov 1 to the closing of the attached term sheet

Between #1 and #2, we will be able to provide approximately \$800,000 to cure the existing defaults; while, an interest only arrangement will provide additional funds to you while we work towards completing the transaction.

If we can reach a commercial deal based on these parameters, we can avoid a costly receivership that would erode value.

Please let us know if you have any questions and/or if you have time to catchup over the phone.

Thanks,  
Duncan

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ENLIGHTENED FUNDING CORPORATION  
Applicant

-and- VELOCITY ASSET AND CREDIT CORPORATION et al.  
Respondents

Court File No. CV-23-00707330-00CL

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST**

PROCEEDING COMMENCED AT  
TORONTO

**RESPONDING AFFIDAVIT**

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**Kyle Plunkett (61044N)**  
[kplunkett@airdberlis.com](mailto:kplunkett@airdberlis.com)

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**Josh Suttner (75286M)**  
[jsuttner@airdberlis.com](mailto:jsuttner@airdberlis.com)

Tel: 416-863-1500

Lawyers for the Respondents

ENLIGHTENED FUNDING CORPORATION  
Applicant

-and- VELOCITY ASSET AND CREDIT CORPORATION et al.  
Respondents

Court File No. CV-23-00707330-00CL

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST**

PROCEEDING COMMENCED AT  
TORONTO

**MOTION RECORD**

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Tel: 416-863-1500

Lawyers for the Respondents

Email for party served:  
Raj Sahni: [sahnir@bennettjones.com](mailto:sahnir@bennettjones.com)