Siddharth Rajeev, B.Tech, MBA, CFA
Analyst

Michael Reichelt, B.Sc (Business Administration)
Associate

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Beacon Consumer Holdings Inc. (Series Alpha 1) – Notes Offering Backed by Consumer Finance Receivables

Sector/Industry: Alternative Investments **www.beaconconsumerholdings.com**

Offering Summary	
Issuer	Beacon Consumer Holdings Inc.
Date of OM	07-Jul-15
Offering	Maximum of $100M
Securities Offered	Series Alpha1 Notes (10 classes of senior and subordinate notes with varying interest rates and maturity)
Interest Rate	Paid monthly / Interest ranging between 6% p.a. to 9.25% p.a. depending on the term and seniority of the notes
Sales Commissions/ Marketing / Wholesaler Fees	up to 9% - 11% of the gross proceeds depending on the class of notes (paid by the Manager)
Management / Third - Party Fees	2.85% p.a. of the Assets Under Management ("AUM")
Auditor	KPMG
Registered Plans	Eligible

Investment Highlights

- Beacon Consumer Holdings Inc. ("BeaCH"), formed in April 2012, is offering investors an opportunity to invest in notes backed by consumer finance receivables.
- The Series Alpha1 notes, offered through the current offering memorandum, have interest rates (paid monthly) ranging between 6.00% p.a. and 9.25% p.a., depending on their term and seniority.
- Management of this offering has extensive experience in credit rating and financial services. The team is headed by Greg Nelson, who was the head of DBRS's Structured Finance Group and its Rating Committee from 1994 to 2005. Chief Financial Officer, Dara Coulter, has significant financial, operational and corporate governance experience.
- The funds raised in the offering will be used to acquire notes of Beacon Trust ("trust"), which in turn will use the funds to acquire an undivided co-ownership interest in a pool of consumer loans. At the end of Q3-2015 (September 30, 2015), the trust had held $42.12 million in loans receivables, net of the provision for losses.
- All of the loans are currently originated by a third-party consumer finance lender, named Lendcare Capital Inc., a private company based out of Ontario. Lendcare partners with over 500 merchants across Canada to offer retail financing programs to their customers.
- A significant portion of the loans held by the trust charge over 25% p.a. to the borrowers. The loan loss rate has stayed below 3.5% p.a. since inception, enabling the trust to generate very healthy spreads.
- The structure of the offering offers several credit enhancement features to investors.

Risks

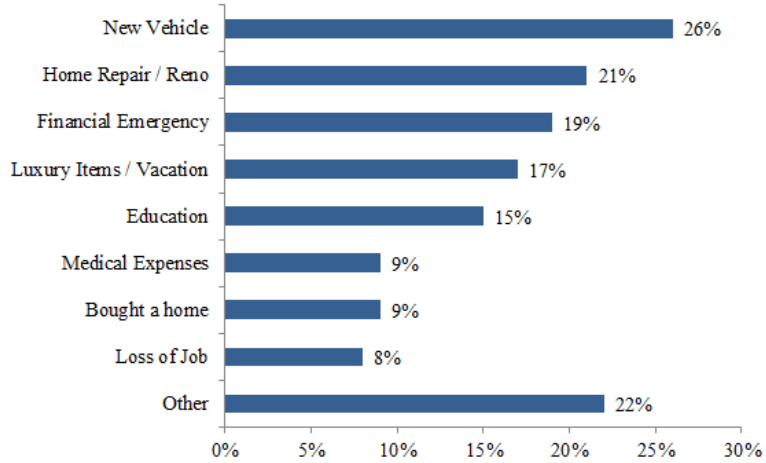
- Consumer finance lending is a highly competitive market.
- Unfavorable macroeconomic changes may impact consumer finance lenders and their ability to grow.
- Fixed rate notes are exposed to interest rate risks.
- The seller currently acquires 100% of its loans from a single originator.
- As with most investments, there is no guarantee that BeaCH will be able to return principal and meet interest payments.
- Maintaining a reasonable loan loss rates is critical.
- Redemption options are limited for investors.

FRC Rating	
Expected Annual Yield	6.00% - 9.25%
Rating	2-
Risk	3

*see back of report for rating definitions

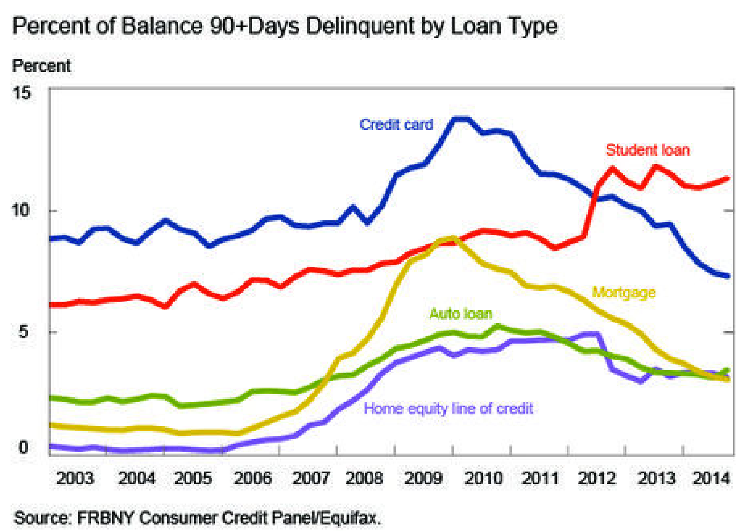
Overview - Consumer Finance Loans

Consumer finance loans are loans provided by lenders to consumers for personal purposes, such as home renovation, purchase goods / recreational vehicles, pay medical or unexpected bills, etc. The following chart shows the top reasons why Canadians took out consumer loans in the 12 months ended June 2015.

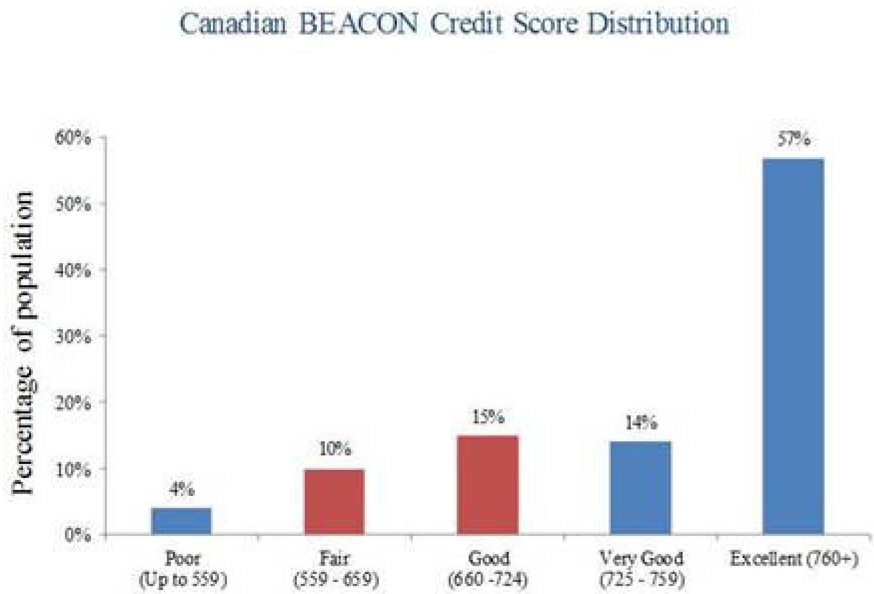


Source: CIBC

Consumer finance loans are typically unsecured, but in certain cases, may be secured by collateral such as a house, car or other assets / investments. The lack of collateral makes unsecured loans typically riskier for lenders. Also, unsecured loans have historically had higher delinquencies compared to secured loans. This is evident by the chart below that shows the higher delinquencies of unsecured loans such as student loans, credit cards, etc. compared to secured mortgage and auto loans.



Consumer loans are provided by banks and private lenders. Borrowers approach private lenders for loans when they are not approved for credit by a bank or for convenience. The following chart shows the Beacon credit score distribution of the Canadian population. Beacon scores are generated by the Equifax Credit Bureau based on an individual's credit-worthiness. Private lenders typically focus on borrowers with credit scores between 560 and 725.



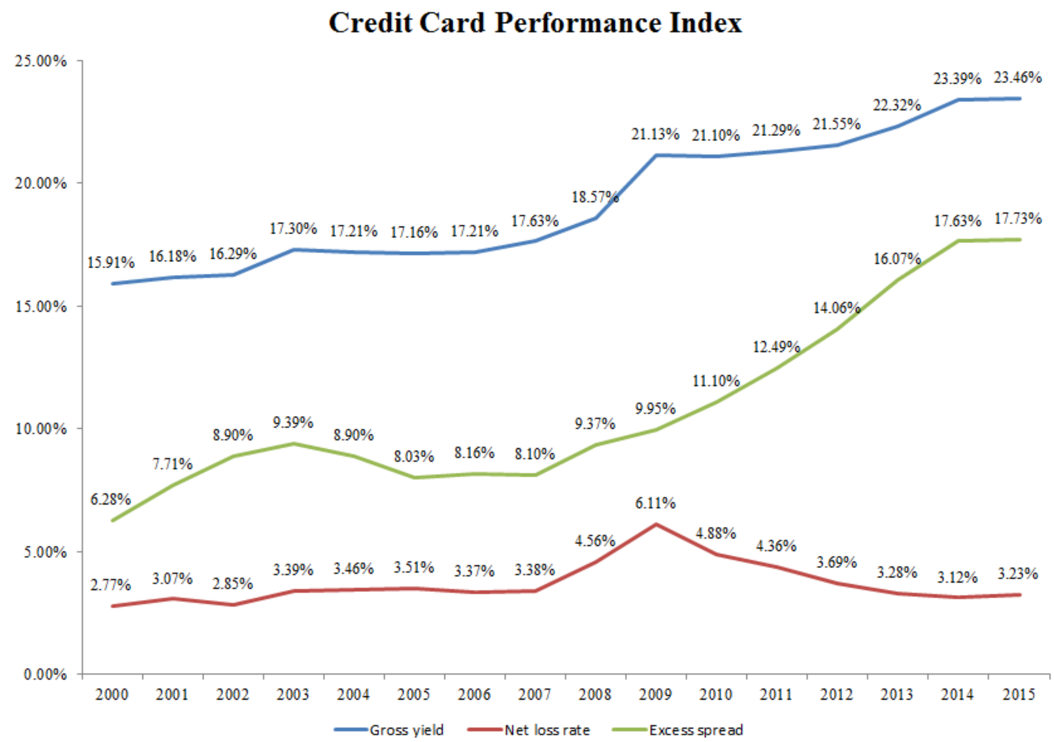
Source: Government of Canada

The interest rate charged on a consumer loan is primarily based on a borrower's credit worthiness and the ability to pay back the debt. Private lenders do not conform within the strict lending guidelines of banks and other traditional lenders, and therefore, can offer individually structured loans to meet the specific requirements of a borrower. These reasons, and the inherent risk of consumer loans, allow private lenders to charge significantly higher interest rates on their loans. To put things in perspective, a significant portion of the loans held by Beacon Trust charge over 25% p.a. to the borrowers. **The key for private lenders is to keep loan losses at reasonable levels.** Beacon Trust's loan loss rate has stayed under 3.5% p.a. since inception, enabling them to generate very healthy spreads.

In order to evaluate the performance of consumer loans in Canada, we reviewed the performance of the six largest trusts managing Canadian credit card receivables (listed below). Among the various types of credit available to borrowers, we believe credit cards are the most comparable to consumer finance loans.

- CARDS II Trust (Canadian Imperial Bank of Commerce)
- Golden Credit Card Trust (Royal Bank of Canada)
- Master Credit Card Trust & Master Credit Card Trust II (Bank of Montreal)
- Glacier Credit Card Trust (Canadian Tire Bank)
- Eagle Credit Card Trust (President's Choice Bank)
- Canadian Credit Card Trust & Canadian Credit Card Trust II (National Bank of Canada)

According to DBRS, the total pool balance of these trusts was $34.52 billion as of June 2015. The following chart shows the average gross yield (lending rate), net loss rate and the excess spread of the combined pool of loans held by the six trusts. The excess spread is calculated as the gross yield net of net loss, cost of funds, and other expenses. As shown, the annual net loss rate has ranged between 2.77% and 6.11% since 2000. The excess spread has increased from 6.28% in 2000, to 17.73% by 2015.



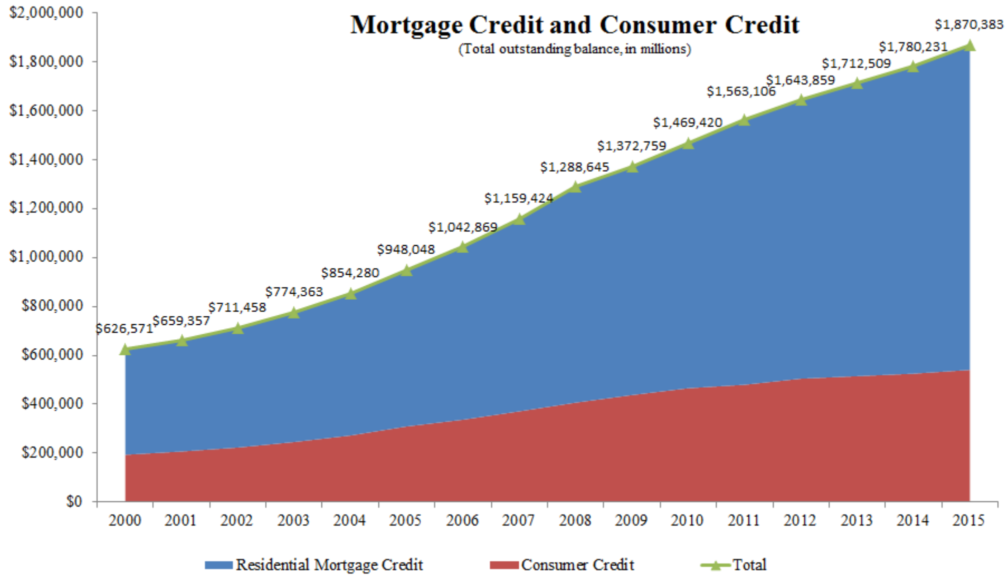
Source: DBRS

The spreads in this space are higher than most of the other lending markets, making consumer finance lending a highly competitive and attractive market.

Growing Canadian Consumer Credit

DBRS currently has credit ratings ranging between ‘AAA’ and ‘BBB’ on the above mentioned six trusts. A “AAA” rating by DBRS implies a fund’s portfolio is of the highest credit quality, and a “BBB” rating indicates the fund’s portfolio is of investment grade credit quality.

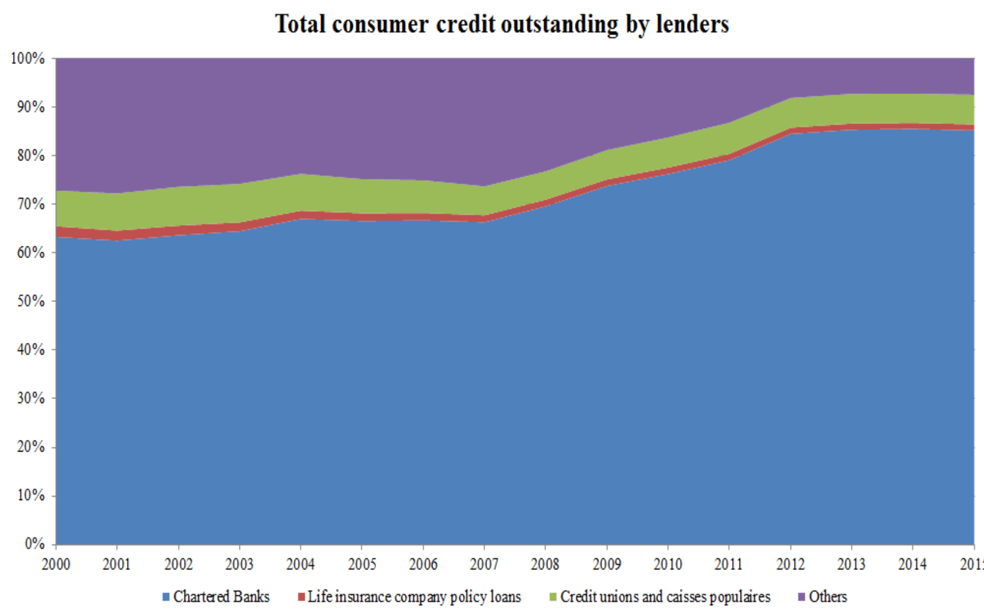
The total debt (mortgage and consumer credit) held by Canadians has increased from $627 billion in 2000, to $1.87 trillion by August 2015, indicating a CAGR (compounded annual growth rate) of 7.6%.



Source: Statistics Canada

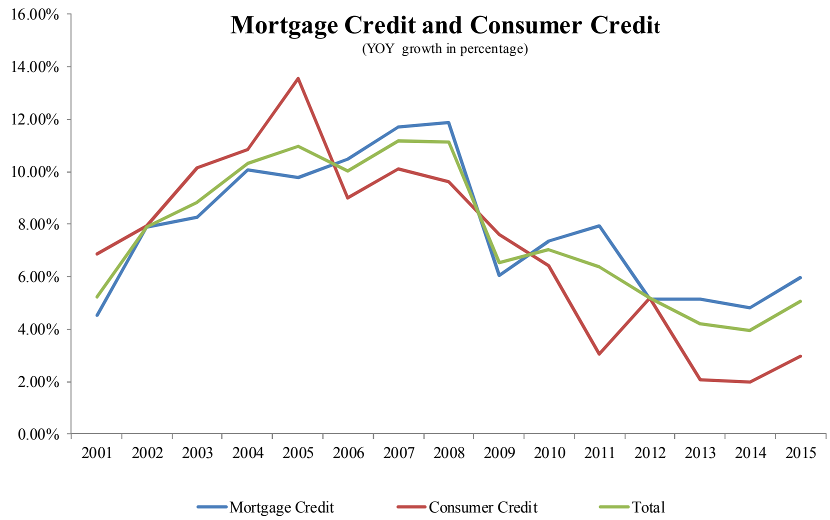
As of June 2015, mortgage credit accounted for 71%, and consumer credit accounted for the remaining 29% of total debt. This ratio has stayed relatively flat as it was 69%: 31% in 2000.

From 2000 to 2015, total consumer credit increased from $193 billion to $540 billion, reflecting a CAGR of 7.1%. Chartered banks, credit unions, life insurance companies, pension funds and related entities accounted for 92.5% of the total consumer credit as of June 2015. The remaining loans (approximately $40 billion) were from trust, mortgage companies, and non-depository credit intermediaries. We estimate that private lenders are a part of this $40 billion industry.



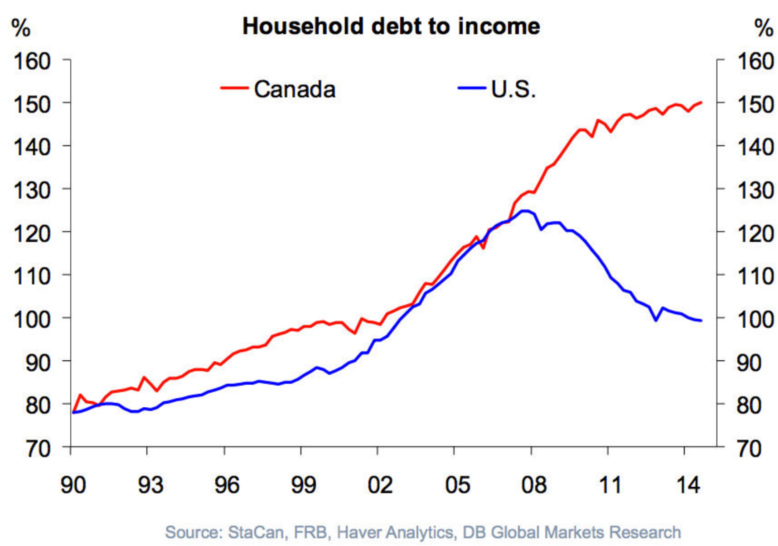
Source: Statistics Canada

The YOY growth in credit has declined significantly from the pre-recession years, but has been increasing in recent years due to the low interest rate environment.



Source: Statistics Canada

According to a recent report by Equifax, the total consumer debt, excluding mortgage debt, of an average Canadian, is approximately $21,164 per person. The ratio of household debt to disposable income in Canada has been steadily increasing and is currently at an all-time high of 150%, well above the U.S.'s 100%.

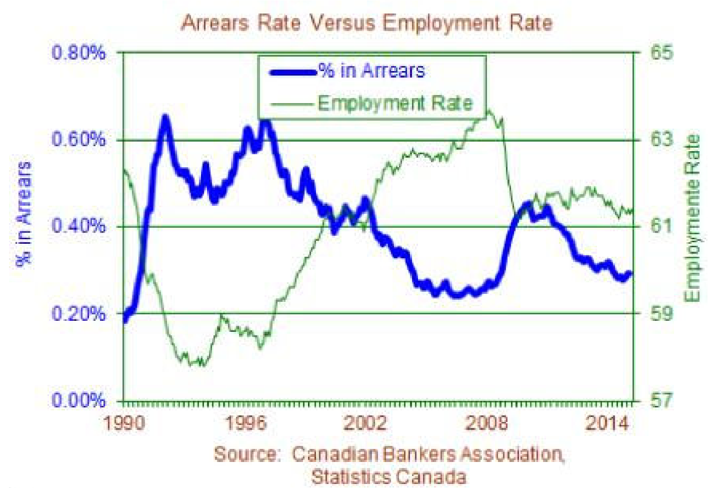


Despite the steep increase in household debt, we believe the Canadian credit market is in a reasonably healthy condition. This is supported by the recent figures reported by the Canadian Bankers Association, which they compiled from various sources including the Bank of Canada, the Canadian Association of Accredited Mortgage Professionals ("CAAMP"), etc.

- 70% of the household debt in Canada is made up of residential mortgage debt, and Canadians have significant equity, of approximately 74%, in their homes.

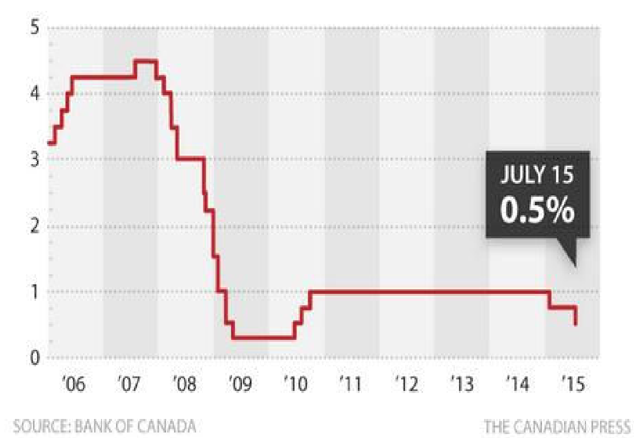
- 60% of the Canadians pay off their credit card balance in full each month.

In addition, mortgage arrears have been dropping since 2010, and are currently at just over 0.3% - which is highly encouraging for lenders.



Source: CAAMP

A decline in housing prices may impact consumer credit growth and delinquency rates. Although there are concerns over the stability of the Canadian housing market, we believe the supply / demand fundamentals of the major areas remain healthy, and do not expect a market crash or a significant drop in real estate prices for an extended period. **Also, the interest rates are currently at historical lows, and the consensus is that rates will remain low for at least another 1 - 2 years.**



All the above factors, we believe, will keep the Canadian consumer credit market healthy in the near-term.

Management

Management of this offering has extensive experience in credit rating and financial services. Greg Nelson was the head of DBRS's Structured Finance Group and its Rating Committee from 1994 to 2005. Dara Coulter was the Chief Financial Officer of the Securcor Financial Group from 2006 to 2012.

The following are brief biographies of the management as provided in the OM:

Greg Nelson, CPA, CA, MBA, CBV, B. COMM.
Greg is the president and the director of the Financial Services Agent, Aileron Capital Inc. Greg is a highly effective decision maker with diversified credit experience. While head of the DBRS' Structured Finance Group and rating committee from 1994 to 2005, Greg developed rating approaches that consistently resulted in transactions rated by DBRS performing without rating downgrades or losses for investors in such transactions or credit enhancers that were party to such transactions. Greg is a recognized expert in international securitization and project finance and a past speaker at Canadian, U.S. and European conferences on ABS, MBS and infrastructure finance.

Dara Coulter, CPA, CA, B.COMM.
Dara is the chief financial officer of Aileron Capital Inc. Dara is a corporate finance executive with over 20 years' experience of building and leading financial, administrative and operational teams. She has a proven ability to improve operations and maximize profits through achievements in financial management, corporate governance, internal controls, and productivity efficiencies.

Greg Nelson holds 100% of Aileron Capital Inc., and holds all 5 Class B voting shares of BeaCH.

Beacon Trust's business model is to acquire secured and unsecured consumer loans, underwritten by third party originators, for products or services in the heating, ventilation, air conditioning, home improvement, and purchase of new or used cars, light trucks, utility vehicles, recreational vehicles, boats or other motor vehicles and related accessories.

Loan Origination

Since inception, the trust has been acquiring all of its loans from a single originator, Lendcare Capital Inc., a private company based out of Ontario. Lendcare, formed in 2009, partners with over 500 merchants across Canada to offer retail financing programs to their customers. A majority of their retail partners are located in Ontario.

The trust buys the loans at face value, and is not charged any upfront fees. Lendcare has a profit sharing agreement with Beacon Holdings Ltd. (discussed later in the report). The actual share of profits received by Lendcare has not been disclosed to us.

The eligibility criteria for purchasing the receivables from Lendcare are as follows:

- loan amounts range between **$500 and $40,000**, with an average loan amount of approximately $5,000;

- terms range between **5 and 62 months**, provided that the first payment may be deferred for a maximum of 12 months;
- the APR (annual percentage rate) currently charged to borrowers ranges between **9.9% and 39.9%**;
- loans are **typically fully amortizing**, but in certain circumstances, loans may be partially amortizing with a balloon payment required at the end of the term;
- acquired loans must be in good standing;
- loans must be originated in Canada or the U.S.; **U.S. based loans should not exceed 20%** of the total loans originated; Quebec based loans should not exceed 20% of the total loans originated; Management currently has no plans to acquire US loans.
- if any of the representations made by the originator about a receivable is untrue, then the originator may be required to repurchase such receivables

A strong collections team is an integral part of any lender. **Lendcare services the loans that they sell to the trust.** Lendcare has an in-house collections department (12 - 15 employees) and a legal department (three full-time paralegals). According to the management of this offering:

- Lendcare's collections infrastructure currently includes two full-time credit and collections managers and an integrated collections and servicing software system.

- Lendcare's legal department is capable of conducting and overseeing court proceedings, repossession procedures, garnishments, liens under provincial and territorial personal property security legislation and general legal matters.

Lendcare's collection process includes:

- calls / letters asking for immediate payment;
- commencing legal proceedings in provincial and territorial small claims courts;
- repossessing assets;
- garnishing the pay of obligors, and
- enforcing personal property security liens.

We believe the high gross yield, and the reasonably low loss rate of the loans acquired by the trust, indicates Lendcare's expertise in the consumer financing lending space. Our discussions with **Beacon's management indicated that they believe Lendcare will be able continue to originate loans for them until the trust's total AUM reaches approximately $100 million.**

Structure of the Offering

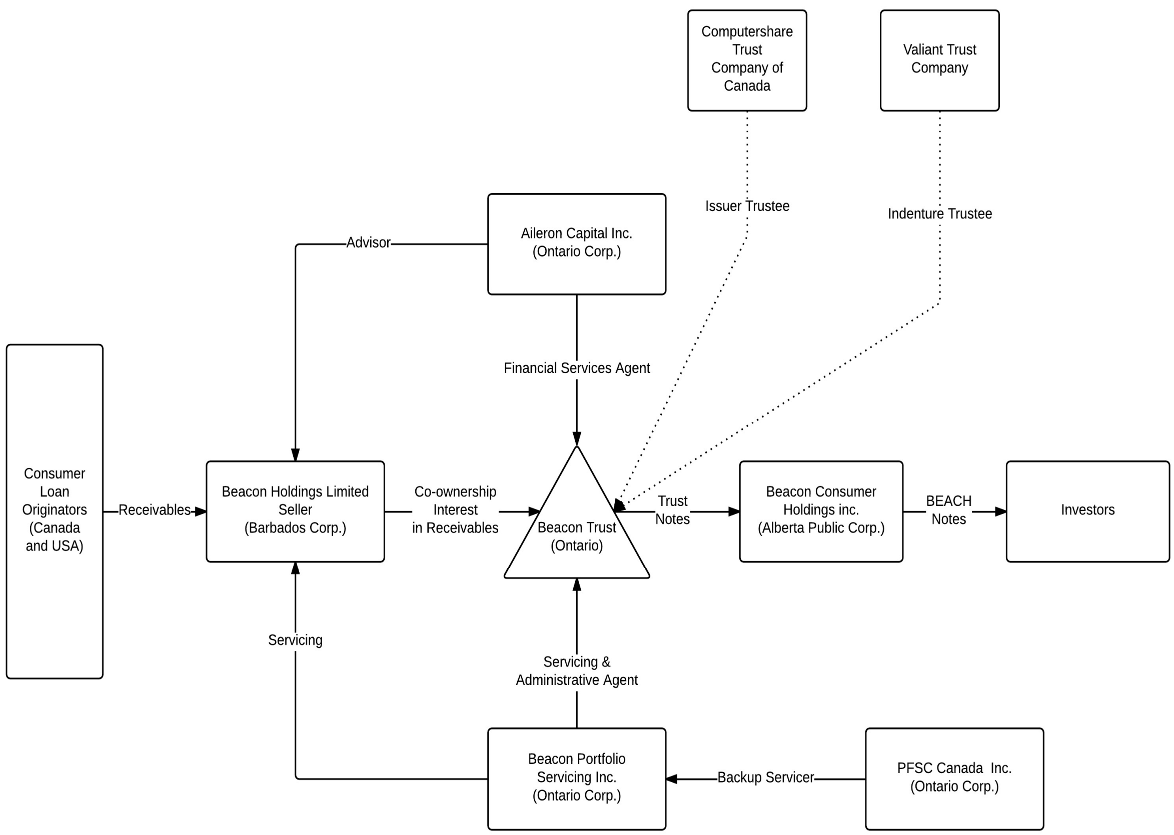
Beacon Consumer Holdings Inc., formed in April 2012, and with registered offices in Edmonton, Alberta, is currently offering Series Alpha1 notes to investors. The funds raised from the offering will be used to acquire Series Alpha1 trust notes from Beacon Trust. The trust, formed in May 2013, will use the funds to acquire an undivided co-ownership interest in a pool of consumer loans from Beacon Holdings Ltd. ("BHL", "seller"). Beacon Holdings, a Barbados incorporated company, acquires loans from Lendcare Capital. Beacon

Holdings has no common owners, or directors, with any other entities in the Beacon Trust structure. The beneficial ownership interest in BHL is not disclosed in the OM.

Through a retained interest, the seller maintains a co-ownership interest in the pool of loans that it sells to the trust (cash flow waterfall discussed in detail below). BeaCH's Series Alpha1 notes are secured by the Series Alpha1 trust notes, which in turn are secured by the trust's co-ownership interest. The notes issued by BeaCH are eligible for registered plans.

The trust is a master trust structured to issue notes in series. **Since inception, the trust has issued three series of notes: Series 2013-1 Beacon Trust Asset – Backed Notes, Series LW1 Beacon Trust Asset-Backed Notes, and Series Alpha1 Notes.** Each series of trust notes will be collateralized by a separate pool of assets acquired by the trust using funds raised from issuing the notes. **The holders of trust notes of one series will not have recourse to the assets of the notes of any other series issued by the trust.**

The following chart summarizes the structure of the offering:



Sources: Offering Memorandum

Aileron Capital Inc. ("Aileron"), located in Burlington, Ontario, acts as the financial services agent, and Beacon Portfolio Servicing Inc. ("BPSI"), acts as the servicer and the administrative agent. Greg Nelson owns 100% of Aileron, and Aileron owns 100% of BPSI. According to management, Aileron charges 0.50% p.a. of the AUM, and BPSI, as the administrative agent, charges 0.25% p.a. of the AUM. BPSI also receives a servicing fee of

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2.1% p.a. of the AUM. Lendcare is paid a portion of this fee, as BPSI outsources loan servicing to Lendcare. **The financial services agent, and the administrative agent fees, are paid only after the trust makes interest payments to the investors.**

The structure uses third-party firms as trustees - Computershare Trust Company of Canada and Valiant Trust Company. The primary role of the trustees is to ensure that the assets and related cash flows acquired by the funds from each series of trust notes are managed separately, administering the trust's bank accounts in the case of a default, etc. **The total fees paid to the trustees are approximately $40k per year.**

The structure also uses a third-party backup servicer, PFSC Canada Inc. Portfolio Financial Servicing Company is among the largest independent third party lease, loan and structured settlement servicers in the U.S., with over $20 billion under management as primary servicer, successor servicer and backup servicer. PFSC is paid a maximum fee per series per month not exceeding $1,500.

The following chart shows the various classes of notes issued by BeaCH, and the corresponding notes issued by the trust, under the Series Alpha1 category.

BeaCH (Series Alpha1 Notes) - Notes offered in the current offering		Beacon Trust (Series Alpha1 Trust Notes)			
Class SR Notes	**Interest Rate (p.a.)**	**Class SR Notes**	**Interest Rate (p.a.)**	**Expected Final Payment Date**	**Final Scheduled Payment Date**
Class SR2018	6.00%	Class SR2018	6.25%	December 2021	December 2023
Class SR2019	6.00%	Class SR2019	6.25%	December 2022	December 2024
Class SR2020	7.00%	Class SR2020	7.25%	December 2023	December 2025
Class SR2021	7.00%	Class SR2021	7.25%	December 2024	December 2026
Class SR2022	7.00%	Class SR2022	7.25%	December 2025	December 2027
Class SB Notes		**Class SB Notes**			
Class SB2018	7.50%	Class SB2018	7.75%	December 2021	December 2023
Class SB2019	7.50%	Class SB2019	7.75%	December 2022	December 2024
Class SB2020	9.25%	Class SB2020	9.50%	December 2023	December 2025
Class SB2021	9.25%	Class SB2021	9.50%	December 2024	December 2026
Class SB2022	9.25%	Class SB2022	9.50%	December 2025	December 2027
		Class SSB Notes			
		Class SSB2018	25%	December 2029	December 2029
		Class SSB2019	25%	December 2029	December 2029
		Class SSB2020	25%	December 2029	December 2029
		Class SSB2021	25%	December 2029	December 2029
		Class SSB2022	25%	December 2029	December 2029

** SR2018 indicates that noteholders are expected to start receiving principal repayments from June*

2018. The notes will be interest-only until that time. The expected final payment date indicates the date when BeaCH expects to pay in full, the principal of the notes. The final scheduled payment date is the date on which BeaCH is obligated to pay outstanding principal to the extent not previously paid.

BeaCH is offering class SR (senior) and class SB (subordinate) notes to investors. Interest and principal repayments will be paid to class SR noteholders in priority to class SB noteholders. The interest rates on class SR notes range between 6.0% p.a. for Class SR2018, and 7.0% p.a. for class SR2022. The interest rate on class SB notes range between 7.5% p.a. for SB2018 and 9.25% p.a. for SB2022.

The interest rates of the trust notes are 0.25% p.a. higher than the corresponding notes issued by BeaCH. The spread will be used to cover the operating expenses of BeaCH.

The structure offers credit enhancement for the Series Alpha1 notes through the following: subordination, excess spread, and through a reserve account.

Subordination: In addition to SR and SB trust notes, the trust also issues SSB trust notes (super subordinate). The purpose of these super subordinated notes is to provide credit enhancement for the SR and SB notes by absorbing losses (up to the super subordinated principal amount) and allowing preferential first access to the cash flows. As per the OM, the note balance of the class SB Notes will represent not less than 34.2857% of the note balance of the class SR Notes, and the note balance of the class SSB Notes will represent not less than 6.3830% of the sum of the note balance of the class SR and class SB notes. **In other words, class SR notes will not account for more than 70% of the total outstanding notes, and the total of class SR and class SB notes will not exceed more than 94% of the total, providing a minimum subordination of 6% through the SSB notes.** As of September 30, 2015, there were $1.86 million in Series Alpha 1 class notes outstanding, as shown below:

	Amount	% of Total
SR	$140,005	7.5%
SB	$1,600,181	86.0%
SSB	$120,336	6.5%
Total	**$1,860,522**	

The SSB notes are held by the seller to meet the conditions set forth in the OM.

If in any case the subordination is less than the conditions mentioned above, the trust is required to setup an Excess Funding Account, wherein the seller has to deposit any amount necessary to maintain the required level of subordination at all times.

Excess spread is basically defined as the interest collections net of the realized losses, interest payment on the notes, and the fees and expenses of the company as a percentage of the AUM. As shown below, the excess spread is expected to be in the 10% - 14% range.

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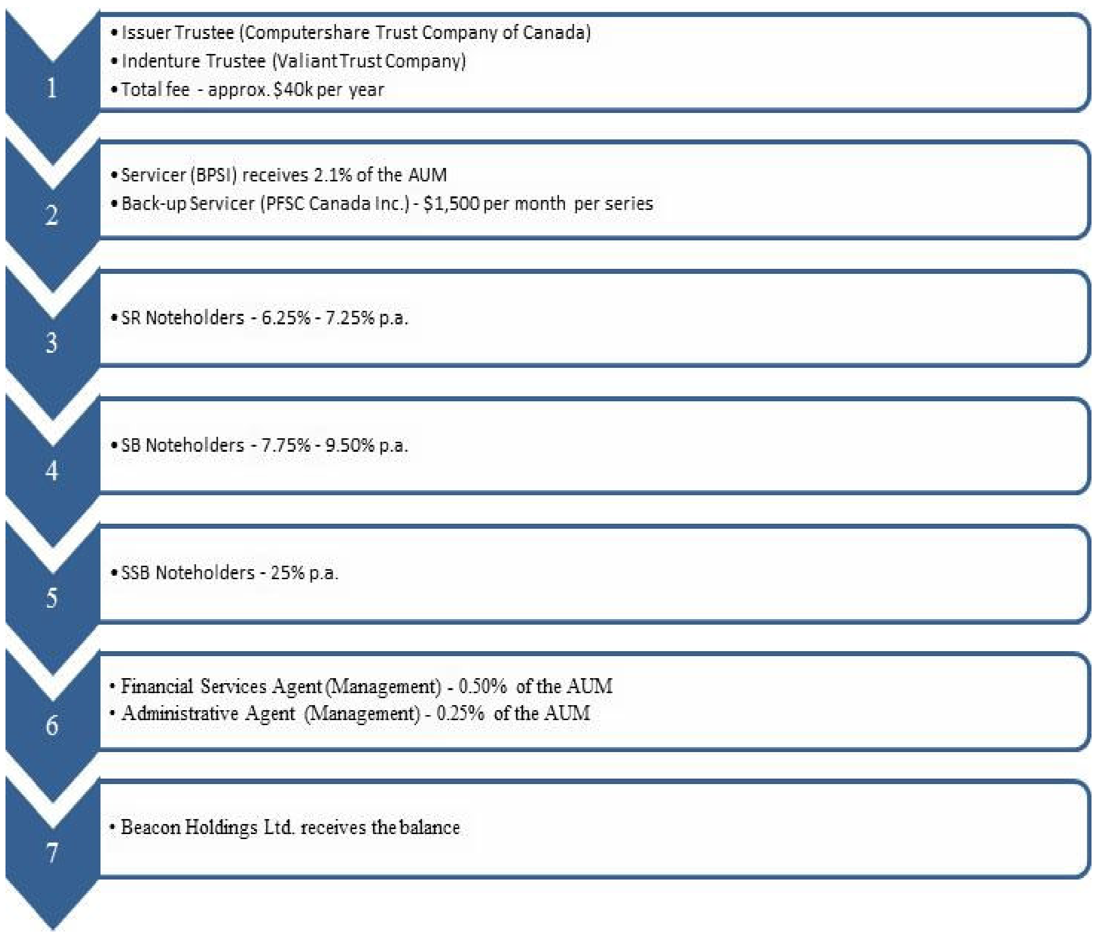
- Gross yield ~ 25 – 27% (average)
- Servicing and trustees ~ 2% - 3%
- Annual expected realized losses ~ 3 – 4%
- Net yield before interest on the notes ~ 20%
- Interest on the notes of 6.00% – 9.25% is expected to be covered by the 20% net yield

If the excess spread drops below 8%, the trust will be required to setup a **reserve account** to meet the trust's obligations. The trust will fund an amount equivalent to 1% if the excess spread in a month is between 6% and 8%, 2% if excess spread is between 4% and 6%, 4% if the excess spread is between 2% and 4%, and 6% if the excess spread is less than 2%.

Flow of interest payments from the loans – The following chart illustrates the cash flow waterfall of the interest payments received by the trust from the outstanding loans:



As shown above, the interest payments received by the trust will be used to first pay the trustees' fee and the servicer/backup-servicer fees, followed by interest payments to the SR, SB and SSB note holders. Subsequently, Aileron and BPSI get paid their annual fees, and 100% of the remaining cash balance will be passed on to the seller as 'excess interest distribution'. In the first nine months ended September 2015, the trust paid $2.81 million as excess interest distribution to the seller. As all of the excess interest is paid out, any net realized losses on the loans, provision for future credit losses, and operating expenses associated with the trust, will be reported as a net loss in the income statement. In the first nine months of 2015, the trust reported $1.20 million in net losses. The seller will invest amounts from their excess interest distribution to acquire new loans to meet all required covenants associated with each series notes balance.

Flow of principal repayments from the loans - The principal repayments on SR notes will commence based on their respective terms. Principal payments in respect of SB Notes will commence only after class SR notes of the corresponding numerical designation (for example - SR2018 and SB2018) receive 100% of the principal. Principal payments in respect of SSB Notes will commence only after Class SR and SB notes (of the corresponding numerical designation) receive 100% of the principal.

Redemption: Series Alpha1 noteholders have the option of making a request for redemption after two years. The redemption price will be equal to the sum of all accrued and unpaid interest, and the following percentage of the note balance depending on how long the notes have been held.

- 85% : 2 – 4 years

- 90% : over 4 years

BeaCH does not have to redeem shares if the amount of notes is greater than 5% of the series Alpha 1 note balance, or if the balance of Class SB Notes represents less than 25.532% of the note balance of the series Alpha1 notes (to meet the subordination clause mentioned above).

BeaCH cannot redeem their Series Alpha1 trust notes, so redemptions will be paid from the excess cash held, which will be minimal as the spread between the interest on the trust notes and the notes issued to investors is only 0.25%. This spread will be used to fund the operating expenses of BeaCH.

Early amortization: An early amortization event will be triggered in the following circumstances:

- The seller fails to deliver to the trust any proceeds or payment required to be delivered.
- Any breach of representation or warranty by the seller.
- The bankruptcy or insolvency of the seller.
- The average excess spread in three consecutive months is less than 2%, or in six consecutive months is less than 4%.
- The average realized loss ratio in three consecutive months is greater than or equal to 18%, or in six consecutive months is greater than or equal to 15%.
- If the reserve account is not funded as per the guidelines mentioned earlier.
- The amount in the series Alpha1 excess funding account exceeds 10% of the note balance of the series Alpha1 notes for three consecutive months.

In this event, the priority of payments will change and BeaCH will have to pay interest and principal sequentially by class, beginning with the Class SR Notes. BeaCH will not pay interest or principal on the Class SB Notes until the Class SR Notes have been paid in full. This subordination feature provides credit enhancement to the SR notes.

1. • Trustee Fees and expenses
2. • Servicer / Back-up Servicer fees
3. • Class SR Noteholders interest and 100% of the principal
4. • Class SB Noteholders interest and 100% of the principal
5. • Class SSB Noteholders interest and 100% of the principal .
6. • Financial Services Agent / Administrative Agent fees and other expenses
7. • Beacon Holdings Ltd.

Sales and Marketing Fees - Management estimates it will have to pay aggregate fees and commissions, marketing fees, and wholesaler fees of up to 9% of the gross proceeds from the SR2018/2019, and the SB2018/SB2019 notes, and up to 11% of the gross proceeds from the SR2020/SR2021/SR2022, and the SB2020/2021/2022 notes. These fees will be not be paid out of the funds raised from the offering. The funds will be borrowed by BeaCH from Lendcare @ 12% p.a. for a term of 4 years. The seller will make the payments to BeaCH on a monthly basis, which is then paid by BeaCH to Lendcare. **This is a positive feature as typically exempt market offerings pay out sales commission and related expenses from the capital raised from investors.**

Current Portfolio

At the end of Q3-2015 (September 30, 2015), the trust had issued $42.79 million in notes, and held $42.12 million in loans receivables, net of provision for losses. The trust had $1.89 million in cash. Included in the cash balance are amounts that will be invested in new loans.

Balance Sheet (Trust)	2013	2014	Q3-2015
Current assets			
Cash	$86,630	$1,320,656	$1,893,921
Other receivables	$46,287	$39,112	$184,863
	$132,917	$1,359,768	$2,078,784
Non-current assets			
Series 2013-1 secured loan	$1,611,600	$11,285,032	$10,958,549
Series LW 1 secured loan		$21,062,025	$29,323,160
Series Alpha1 secured loan			$1,838,700
	$1,611,600	$32,347,057	$42,120,409
Total assets	**$1,744,517**	**$33,706,825**	**$44,199,193**
Current liabilities			
Other payables	$121,824	$1,035,702	$1,650,553
Interest payable	$11,093	$323,017	$426,221
	$132,917	$1,358,719	$2,076,774
Non-current liabilities			
Deferred purchase price	$88,394	$945,349	$1,226,773
Series 2013-1 Class Notes	$1,523,000	$10,371,000	$10,371,000
Series LW 1 Class Notes		$21,728,892	$30,563,314
Series Alpha1 Class Notes			$1,860,522
	$1,611,394	$33,045,241	$44,021,609
Total liabilities	**$1,744,311**	**$34,403,960**	**$46,098,383**
Net Asset (liabilities)	**$206**	**-$697,135**	**-$1,899,190**

- Deferred purchase price are amounts owed to the seller primarily in connection with the purchase of loans under Series 2013-1. Credit enhancement was provided for this series by purchasing the loans at a discount of a minimum of 10% over their face value. Credit enhancement is provided on the Series Alpha1 Notes by issuing the SSB notes. Notes issued are under three separate series; Series 2013-1 and Series Alpha1 to retail investors and the Series LW1 notes have been issued to an institutional investor.

Notes issued are under three separate series; Series 2013-1 and Series Alpha1 to retail investors, and the Series LW1 notes have been issued to an institutional investor. As mentioned earlier, each series of notes are collateralized by a separate and distinct pool of loans.

30-Sep-15	Notes Outstanding	Interest Rate
Series 2013-1 Class Notes	$10,371,000	6.75% p.a. on Class A (senior notes) maturing in 2021, and 9.50% on Class B (subordinate notes) maturing in 2022
Series LW 1 Class Notes	$30,563,314	various classes with maturity dates between 2018 and 2030 / various interest rates depending on the class of Series LW1 notes
Series Alpha1 Class Notes	$1,860,522	SR and SB Notes - 6.25% p.a. to 9.50% p.a. depending on the term and seniority of the notes / SSB notes - 25% p.a.
Total	**$42,794,836**	

The 2013-1 notes were issued in 2013 and 2014, and are currently closed for new investment. The trust started issuing LW1 notes in 2014, and continues to issue such notes from time to time. The trust started issuing series Alpha1 notes in April 2015.

Portfolio Statistics

The following section presents a few of the key parameters associated with the loans purchased through the funds raised from the series 2013-1, and the series Alpha1 notes. Management has not disclosed details of the performance of the LW1 notes.

The following table shows the number of loans purchased by funds raised from the series 2013-1 and the series Alpha1 notes.

Series 2013-1	2014	2015 (9M)
Number of consumer loans purchased	2,788	332
Aggregate original principal balance	$13,959,764	$2,652,538
Loan per contract	$5,007	$7,990
Weighted average term in months	50	54
Weighted average BEACON® score at origination	634	629

Series Alpha1	2015 (Apr - Sept)
Number of consumer loans purchased	287
Aggregate original principal balance	$1,924,146
Loan per contract	$6,704
Weighted average term in months	54
Weighted average BEACON® score at origination	620

As shown, the average loan per contract ranged between $5k - $8k, and the term ranged between 50 and 54 months.

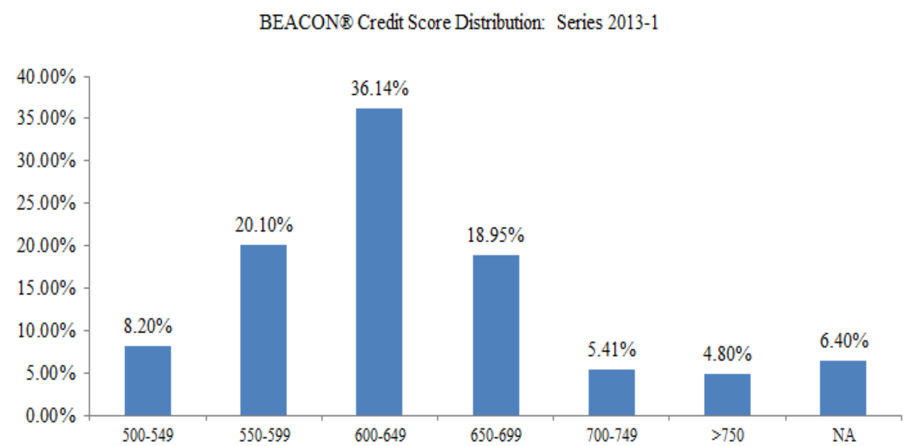
The following tables show the delinquencies and the realized losses. The average monthly delinquencies were 0.71% of the AUM associated with the series 2013-1 notes in the first nine months of 2015. During the same time period, the realized loss as a percentage of the loans outstanding was 3.27% p.a. The realized loss was 2.95% in 2014. Loans associated with Alpha1 notes did not experience any losses for the 6 months ended September 30, 2015.

Series 2013-1	2014	2015 (9M)	Series Alpha1	2015 (Apr - Sept)
Average value of monthly delinquencies			**Average value of monthly delinquencies**	
31-60 days	$8,233	$26,845	31-60 days	$736
61-90 days	$4,969	$18,770	61-90 days	$373
91-120 days	$3,315	$10,546	91-120 days	$211
>120 days	$3,779	$23,977	>120 days	$108
Total	**$20,296**	**$80,138**	**Total**	**$1,428**
% of the avg. portfolio o/s during the period	**0.29%**	**0.71%**	**% of the avg. portfolio o/s during the period**	**0.16%**

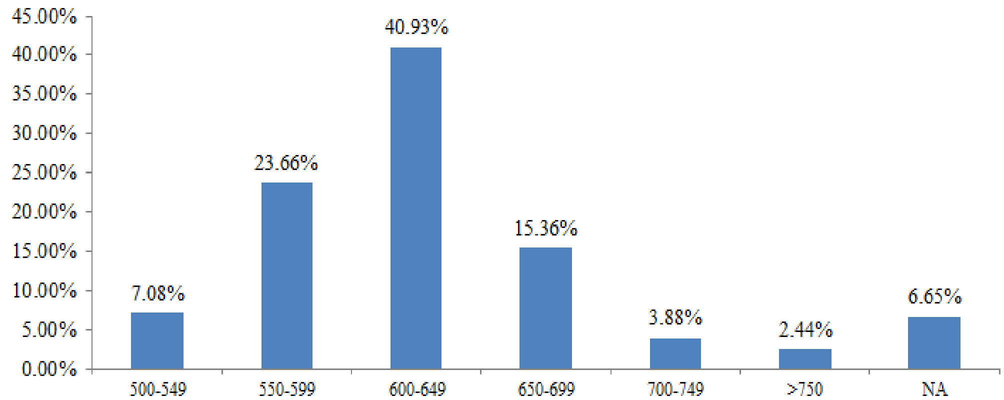
Series 2013-1	2014	2015 (9M)	Series Alpha1	2015 (Apr - Sept)
Realized losses	$208,163	$368,989	Realized losses	-
Realized losses as a percentage of average portfolio outstanding	2.95%	3.27%	Realized losses as a percentage of average portfolio outstanding	0.00%
Gross liquidation	$2,552,651	$2,904,022	Gross liquidation	$85,446
Realized losses as a percentage of gross liquidation	8.15%	12.71%	Realized losses as a percentage of gross liquidation	0.00%
Number of contracts charged off	53	99	Number of contracts charged off	0
Number of contracts charged off as a percentage of average number of contracts outstanding	3.35%	4.07%	Number of contracts charged off as a percentage of average number of contracts outstanding	0%
Average realized loss on contracts charged off	$3,928	$3,727	Average realized loss on contracts charged off	-

The loan loss rate of the trust is in line with management's long-term estimate of 3% - 4% p.a. It is also in line with the average of the Canadian credit card indices mentioned earlier in the report.

The following charts show the Beacon credit score distribution of the borrowers, as of September 30, 2015. Approximately 75% - 80% of the borrowers had credit scores between 550 and 700 for both series.

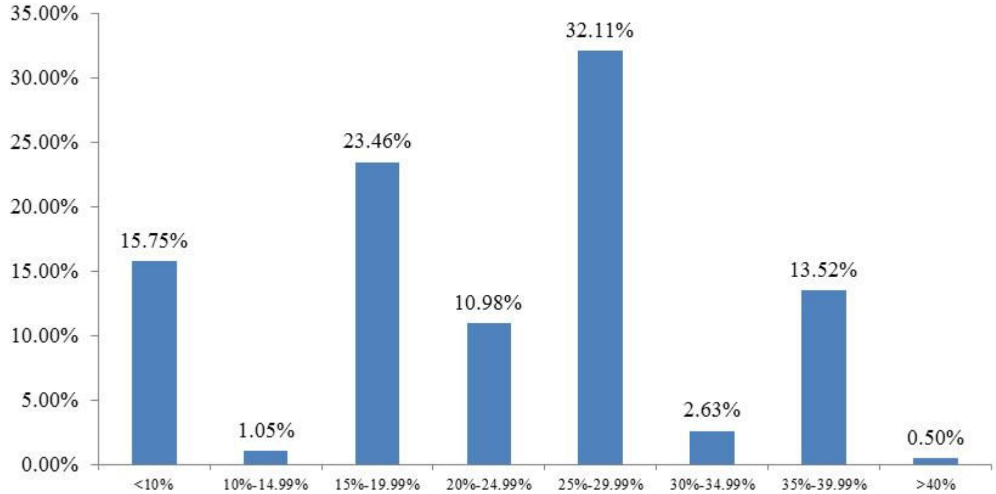


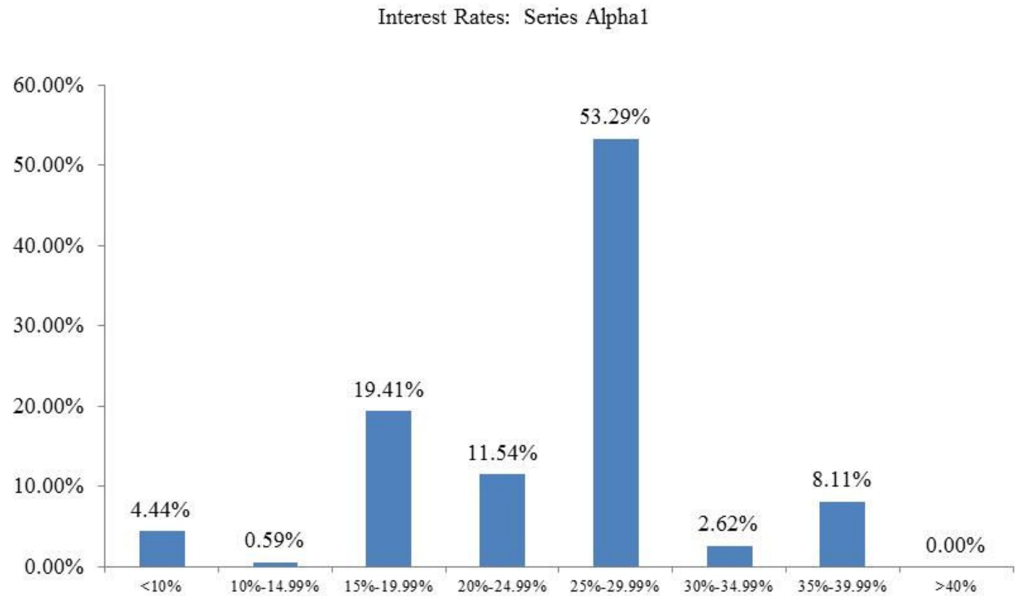
BEACON® Credit Score Distribution: Series Alpha1



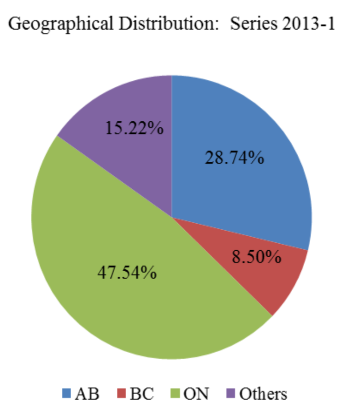
The following charts show the lending rate (interest rates on the underlying loan contracts) as of September 30, 2015. For the series 2013-1 notes, 60% of the loans had an interest rate of at least 20% p.a., and for the series Alpha1 notes, 76% of the loans had an interest rate of at least 20% p.a.

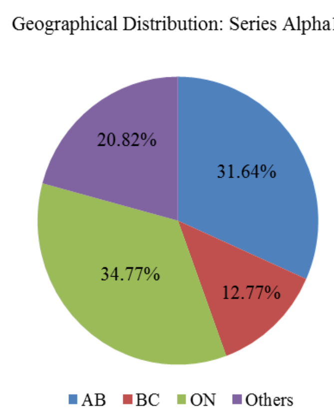
Interest Rates: Series 2013-1





The following charts show the geographical distribution as of September 2015:





Ontario and Alberta accounted for 76% of the portfolio of series 2013-1 notes, and 66% of the Alpha1 notes. Management expects this mix to be maintained going forward. Our discussions with management indicated that Lendcare was going to take a more cautious approach to Alberta going forward.

Financials – Beacon Trust

The income statement of Beacon Trust is shown below. In the nine months ended September 30, 2015, the trust generated $7.9 million in interest revenues, which included $2.30 million in interest revenues from series 2013-1, $5.49 million from series LW1, and $0.14 million in series Alpha1. Interest expenses on the respective notes were $0.73 million, $2.74 million, and $0.05 million.

Administrative expenses were $2.81 million in the nine month period, which primarily included realized losses of $1.03 million (3.7% p.a. of the AUM), provision for loss of $175k, trustee fees of $24k, and financial services / administrative agent fees of $1.58

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million.

Income Statement (Trust)	2013	2014	2015 (9M)
Revenues			
Series 2013-1 interest on secured loans	$40,654	$2,184,305	$2,298,693
Series LW 1 interest on secured loans		$2,564,817	$5,488,968
Series Alpha1 interest on secured loans			$135,076
Other Income	$73	$6,317	$5,403
	$40,727	**$4,755,439**	**$7,928,140**
Expenses			
Series 2013-1 Class Notes interest	$11,093	$673,305	$728,250
Series LW 1 Class Notes interest		$1,355,862	$2,737,941
Series Alpha1 Class Notes interest			$49,386
Excess interest distribution	$15,806	$1,649,219	$2,805,182
Administrative and other	$13,622	$1,774,394	$2,809,436
	$40,521	**$5,452,780**	**$9,130,195**
Excess of revenue over expenses and comprehensive	**$206**	**-$697,341**	**-$1,202,055**

% of Loans	2014	2015 (9M) (annualized)
Revenues		
Series 2013-1 interest on secured loans	33.9%	27.6%
Series 2013-1 Class Notes interest	10.4%	8.7%
Net	**23.4%**	**18.8%**
Series LW 1 interest on secured loans	24.4%	29.1%
Series LW 1 Class Notes interest	12.9%	14.5%
Net	**11.5%**	**14.6%**
Series Alpha1 interest on secured loans		29.4%
Series Alpha1 Class Notes interest		10.7%
Net		**18.6%**
Realized Losses as a % of total loans	1.9%	3.7%
Administrative and other (excld. Realized losses) as a % of total loans	8.5%	6.4%

*Note that the above calculations are based on the average of the loans outstanding at the beginning and end of a period.

Financials – BeaCH

In the first nine months of 2015, loans associated with the series 2013-1 notes generated 27.6% p.a. in interest, and the trust paid out 8.7% to the noteholders, resulting in a 18.8% spread (excluding loss rate and expenses). The spread for the LW1 notes was 14.6%.

The following table shows a summary of BeaCH's balance sheet.

Balance Sheet	2013	2014	Q3-2015
Current assets			
Cash	$166,217	$5,601	$121,258
Accounts receivables		$56,676	
Interest receivable	$11,093	$80,316	$93,754
	$177,310	$142,593	$215,012
Non-current assets			
Investments	$1,523,000	$10,371,000	$12,111,186
Total assets	**$1,700,310**	**$10,513,593**	**$12,326,198**
Current liabilities			
Other payables	$100,866	$58,264	$151,672
Interest payable	$10,797	$78,172	$91,248
Investor funds	$165,000		$25,000
Current portion of loans (due to Lendcare)		$254,881	$371,827
	$276,663	$391,317	$639,747
Non-current liabilities			
Loans payable (due to Lendcare)		$712,895	$734,628
Notes payable	$1,387,405	$9,503,756	$11,156,150
Due to related parties	$185,134	$298,386	$375,900
	$1,572,539	$10,515,037	$12,266,678
Total liabilities	**$1,849,202**	**$10,906,354**	**$12,906,425**
Shareholders' deficiency			
Share capital	$93,850	$93,850	$93,850
Deficit	-$242,742	-$486,611	-$674,077
	-$148,892	-$392,761	-$580,227
Liabilities + Shareholders's deficiency	**$1,700,310**	**$10,513,593**	**$12,326,198**

As reported on its balance sheet at September 30, 2015, BeaCH has $1.1 million in loans payable to Lendcare. These loans represent the aggregate of commissions paid to agents responsible for selling the Series Alpha1 notes, and historically, the Series 2013-1 notes. BeaCH has entered into structuring fee agreements with the seller to fund the monthly payments due on these loans to Lendcare. These amounts are included in the income statement of BeaCH as structuring fees.

Income Statement	2013	2014	2015 (9M)
Revenues			
Interest	$11,093	$674,286	$770,175
Structuring fee		$170,808	$295,561
	$11,093	**$845,094**	**$1,065,736**
Expenses			
Amortization		$55,811	$67,224
G&A (adv + professional + others)	$149,347	$320,291	$345,181
Interest on notes	$10,797	$655,332	$748,997
Other interest (due to Lendcare)		$57,529	$91,800
	$160,144	**$1,088,963**	**$1,253,202**
Net Income	**-$149,051**	**-$243,869**	**-$187,466**

In the first nine months of 2015, the company received $0.77 million in interest from the trust, and paid out $0.75 million to investors. General and Administrative ("G&A") expenses were $0.35 million, which primarily included advertising and promotional expenses of $0.20 million, and professional fees of $0.14 million. Management anticipates the spread of 25 bps to cover ongoing operating costs.

Risk

We believe the offering is exposed to the following key risks:

- Consumer finance lending is a highly competitive market. Although we believe the Canadian consumer credit market is healthy, unfavorable macroeconomic changes may impact consumer finance lenders and their ability to grow.
- The seller currently acquires 100% of its loans from a single originator. Although the loans originated by Lendcare for the seller have so far been of high-quality, partnerships with more than one originator will add diversification and flexibility to the operations.
- Lendcare's ability to consistently originate loans at attractive yields is critical. We have not reviewed Lendcare's financial statements and are not in a position to comment on their current financial health.
- As with most investments, there is no guarantee that BeaCH will be able to return principal and meet interest payments.
- Maintaining reasonable loan loss rates is critical.
- As per the OM, U.S. based loans will be capped at 20% of the portfolio. Such loans will be subject to exchange rate fluctuations. Management currently has no plans to acquire US loans.

- Key person risks exist as Greg Nelson owns 100% of Aileron Capital Inc. and BPSI.
- Redemption options are limited for investors.
- BeaCH's G&A expenses have to drop significantly from the current levels so the company does not operate in losses.
- Some of the information provided to us were from management and have not been verified. We were not provided with the Materials Agreements listed in the OM, including the Declaration of Trust, the Administration Agreement, the Financial Services Agreement, the Indenture, the Series Alpha1 Indenture Supplement, the Sale and Servicing Agreement, the Back-up Servicing Agreement, and the Up-Sale Agreement.

Conclusion / Rating

We believe the offering has a very strong management team. As mentioned earlier, the spreads in this space are higher than most of the other lending markets, making consumer finance lending a highly competitive and attractive market. Timely deployment of capital and maintaining reasonable loan loss rates are critical for operations. One key concern is that the trust is currently highly reliant on Lendcare as the originator and servicer. Based on our review of the offering, we assign an overall rating of 2-, and a risk rating of 3.

FRC Rating	
Expected Annual Yield	6.00% - 9.25%
Rating	2-
Risk	3

Fundamental Research Corp. Rating Scale:

Rating – 1: Excellent Return to Risk Ratio
Rating – 2: Very Good Return to Risk Ratio
Rating – 3: Good Return to Risk Ratio
Rating – 4: Average Return to Risk Ratio
Rating – 5: Weak Return to Risk Ratio
Rating – 6: Very Weak Return to Risk Ratio
Rating – 7: Poor Return to Risk Ratio
A "+" indicates the rating is in the top third of the category, A "-" indicates the lower third and no "+" or "-" indicates the middle third of the category.

Fundamental Research Corp. Risk Rating Scale:
1 (Low Risk)
2 (Below Average Risk)
3 (Average Risk)
4 (Speculative)
5 (Highly Speculative)

FRC Distribution of Ratings			
Rating - 1	0%	Risk - 1	0%
Rating - 2	26%	Risk - 2	4%
Rating - 3	46%	Risk - 3	32%
Rating - 4	10%	Risk - 4	41%
Rating - 5	5%	Risk - 5	10%
Rating - 6	1%	Suspended	13%
Rating - 7	0%		
Suspended	12%		

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