

IOU Financial Settles Litigation with Qwave

MONTREAL, July 17, 2015

- Qwave agrees not to purchase any common shares tendered to its unsolicited partial takeover offer prior to September 23, 2015.
- IOU Board and management maintains its unanimous recommendation that shareholders REJECT Qwave's unsolicited inadequate partial offer, which significantly undervalues IOU's market position, assets, brand presence, and long-term business prospects.
- IOU continues to vigorously pursue alternative transactions that are in the best interests of IOU and its shareholders.

/CNW/ - IOU Financial Inc. (TSX Venture Exchange: IOU) ("**IOU**" or the "**Company**"), a leading online lender to small businesses, announces today that it has entered into a settlement agreement with Qwave Capital LLC ("**Qwave**"), Finstar Management (Overseas) Ltd. ("**Finstar**") and Serguei Kouzmine ("**Kouzmine**") pursuant to which IOU has agreed to settle the proceedings that it commenced against Qwave, Finstar and Kouzmine before the Québec Superior Court.

Pursuant to the settlement, Qwave has agreed not to take up and pay for common shares of IOU ("**Common Shares**") tendered to its unsolicited partial takeover offer to purchase 34,000,000 outstanding Common Shares at a price of \$0.50 per Common Share (the "**Qwave Partial Offer**") prior to September 23, 2015 or launch any other takeover bid for Common Shares prior to that date. In exchange, IOU will continue to defer the "separation time" under its shareholder rights plan and will waive the occurrence of a flip-in event in response to the Qwave Partial Offer on and after September 23, 2015, and has agreed to terminate its proceedings before the Québec Superior Court against Qwave, Finstar and Kouzmine. The settlement agreement also provides that no third party material alternative transactions can be completed before September 23, 2015.

IOU and its financial advisor, Raymond James Ltd., are continuing to vigorously pursue alternative transactions that are fair and in the best interests of IOU and IOU shareholders ("**Shareholders**"). While IOU is currently engaged in a process to pursue alternative transactions, there can be no assurances that such a transaction will arise.

"Considering IOU's engagement to pursue an alternative transaction, the settlement agreement with Qwave, Finstar and Kouzmine provides the Board with a longer time frame to complete its process. The Board and management of IOU continue to believe that IOU has a bright future ahead and is well positioned to deliver sustainable long term shareholder value," stated Evan Price, Chairman of the Board of Directors of IOU (the "**Board**").

"The settlement of our proceedings before the Québec Superior Court does not affect the Board's opinion of the Qwave Partial Offer; the Board maintains its unanimous recommendation that Shareholders **reject** this opportunistic and financially inadequate unsolicited partial offer that fails to recognize the full value of the Company and its growth story. The Board still believes the Qwave Partial Offer is a coercive attempt by Qwave to gain control of IOU and capture its upside potential, without offering Shareholders an appropriate control premium," continued Mr. Price.

The settlement agreement is expected to be homologated by the Québec Superior Court in the coming days.

Reject the Opportunistic and Financially Inadequate Qwave Partial Offer

As previously-disclosed in IOU's press release of July 10, 2015, the Board has unanimously recommended that Shareholders **reject** the Qwave Partial Offer and **not tender** their Common Shares. Shareholders who have already tendered their Common Shares should **withdraw** them immediately.

Important Shareholder Information

A copy of the Directors' Circular, which sets forth in greater detail the Board's recommendation and the reasons for rejecting the Qwave Partial Offer, is available under the Company's profile on SEDAR at www.sedar.com and has been mailed to all Shareholders.

Any questions or requests for assistance may be directed to IOU at 1-877-419-0934 (toll-free in North America) or investors@ioufinancial.com.

About IOU Financial Inc.

IOU Financial provides small businesses throughout the U.S. access to the capital they need to seize growth opportunities quickly. Typical customers include medical and dental practices, grocery and retail stores, restaurant and hotel franchisees and e-commerce companies. In a unique approach to lending, IOU Financial's advanced, automated application and approval system accurately assesses applicants' financial realities, with an emphasis on day-to-day cash flow trends. It makes loans of up to \$150,000 to qualified applicants within a few business days, with affordable charges favorable to cash-flow management. IOU Financial's speed and transparency make it a trusted alternative to banks. To learn more visit: www.ioufinancial.com.

Forward Looking Statements

Certain information set forth in this news release may contain forward-looking statements. Forward-looking statements are statements, other than statements of historical fact, that address or discuss activities, events or developments that IOU expects or anticipates may occur in the future. These forward-looking statements can be identified by the use of words such as "anticipates", "believes", "estimates", "expects", "may", "plans", "projects", "should", "will", or the negative thereof or other variations thereon. These forward-looking statements reflect management's current views and are based on certain assumptions including assumptions as to future economic conditions and courses of action, as well as other factors management believes are appropriate in the circumstances. Such forward-looking statements are subject to risks and uncertainties and no assurance can be given that any of the events anticipated by such statements will occur or, if they do occur, what benefit IOU will derive from them. A number of factors could cause actual results, performance or developments to differ materially from those expressed or implied by such forward-looking statements, including, but not limited to, risks related to the actions taken by Qwave in connection with the Qwave Partial Offer, risks related to the actions taken by Shareholders in response to the Qwave Partial Offer, risks related to the possible effects of the Qwave Partial Offer on the business and prospects of IOU, risks inherent in growing a new business, dependence on third-party service providers, competition, regulatory risk, dependence on key personnel, risks related to rapid growth of IOU, security and confidentiality risk, risk related to inability to attract borrowers and lenders, technological development risk, IT disruptions, maintenance of client relationships, litigation risk, volatility of stock price, and other factors that are beyond its control. Additional information concerning these and other factors can be found beginning on page 13 under the heading "Risks and Uncertainties" in IOU's management's discussion and analysis dated May 27, 2015, which is available under IOU's profile on SEDAR at www.sedar.com.

Neither TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.

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For further information: shareholders please contact IOU at: 1-877-419-0934 (toll-free in North America) or investors@ioufinancial.com; or Philippe Marleau, Chief Executive Officer, (514) 789-0694 ext. 225; Media: Bayfield Strategy, Inc., Riyaz Lalani, 416-907-9365, rlalani@bayfieldstrategy.com

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