

*This Confidential Offering Memorandum constitutes an offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities and to those persons to whom they may be lawfully offered for sale. This offering is not made to, nor will subscriptions be accepted from any person in the United States. No prospectus has been filed with any securities regulatory authority in connection with the securities offered hereunder. This Confidential Offering Memorandum is not to be construed as a prospectus or advertisement or a public offering of these securities.*

## CONFIDENTIAL OFFERING MEMORANDUM

**Date:** June 9, 2015

### THE ISSUER

**Name:** POINTS WEST LIVING LIMITED PARTNERSHIP (THE “PARTNERSHIP”)

2375 Carrington Place, Oakville, Ontario L6J 5P5

**Phone:** 613-739-8538 **Fax:** 613-739-7440

**Email:** asimourd@sussexrl.com or jcathrae@sussexrl.com

**Currently listed or quoted:** No. These securities do not trade on any exchange or market.

**Reporting issuer:** No.

**SEDAR filer:** No.

### THE OFFERING

**Securities Offered:** Class A limited partnership units of the Partnership (the “Class A Units”).

**Price per Security:** \$100 per Unit.

**Maximum Offering:** \$22,000,000.

**Minimum Offering:** \$22,000,000.

**Funds available under the Offering may not be sufficient to accomplish our proposed objectives.**

**Minimum Subscription Amount:** \$25,000 (250 Class A Units).

**Payment Terms:** The subscription price is payable at the time of Closing by wire transfer or such other manner as may be acceptable to the General Partner in its sole discretion.

**Proposed Closing Date(s):** On or about June 25, 2015 or such earlier or later date as may be approved by the General Partner in its sole discretion.

**Income Tax Consequences:** There are important tax consequences associated with the ownership of Units. See “Item 6 – Income Tax Consequences and RRSP Eligibility”.

**Selling Agent:** Cranson Capital Securities Inc. (the “Agent”) has been appointed as principal agent, who may appoint sub-agents permitted under applicable legislation to sell Class A Units. The Agent will also be eligible to a 4% equity participation in the General Partner once the Agent has sold 80,000 Class A Units (\$8,000,000). See “Item 8 – Compensation Paid to Sellers and Finders”.

**Purpose:** The Partnership was primarily formed to carry out the Offering and to indirectly acquire a portfolio of seven income-producing seniors residences comprising approximately 460 suites located in Alberta (the “Points West Living Portfolio”) and to acquire Connecting Care (2000) Inc., a senior housing operator that is also the operator of the Points West Living Portfolio. See “Item 2.2 - Our Business”.

**Resale Restrictions:** You will be restricted from selling your Class A Units (otherwise than by virtue of a redemption) for an indefinite period. See “Item 11 – Resale Restrictions”.

**Purchaser’s Rights:** You have two (2) business days to cancel your agreement to purchase these Class A Units. If there is a misrepresentation in this Offering Memorandum, you have the right to sue either for damages or to cancel the agreement to purchase Class A Units. See “Item 12 – Purchaser’s Rights of Action for Damages or Rescission”.

**No securities regulatory authority or regulator has assessed the merits of these Class A Units or reviewed this Offering Memorandum. Any representation to the contrary is an offence. This is a risky investment. See “Item 9 – Risk Factors”.**

## **ELIGIBILITY FOR INVESTMENT**

Units of the Partnership are not qualified investments under the Income Tax Act (Canada) for a trust governed by a registered retirement savings plan, a registered retirement income fund, a deferred profit sharing plan, a registered education savings plan, a registered disability savings plan, or a tax-free savings account, each as defined in the Income Tax Act (Canada).

## **FORWARD-LOOKING STATEMENTS**

Certain statements in this Offering Memorandum as they relate to the Partnership and its operations are “forward-looking statements”. Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often, but not always, using words or phrases such as “expects”, “does not expect”, “is expected”, “anticipates”, “does not anticipate”, “plans”, “estimates”, “believes”, “does not believe” or “intends”, or stating that certain actions, events or results “may”, “could”, “would”, “might” or “will” be taken, occur or achieved) are not statements of historical fact and may be forward-looking statements.

Forward-looking statements are based on expectations, estimates and projections at the time the statements are made that involve a number of risks and uncertainties which would cause actual results or events to differ materially from those presently anticipated. The forward-looking statements in this Confidential Offering Memorandum include, but are not limited to, statements with respect to the following: the risks relating to the activities of the Partnership and the General Partner; the completion of the acquisition of the Properties; the completion of the acquisition of Connecting Care; the ability of the Partnership to secure first and second mortgages on the Points West Living Portfolio; the ability of the Partnership to execute its growth strategies and leverage its positioning and perceived strengths; the forecasted results of the Partnership for the periods set out in the “Financial Forecast”; receiving continued funding from AHS and PNHR for the DSL suites in the Points West Living Portfolio; maintaining stabilized occupancy at the Properties; entering into the Future Facilities Agreement; its intention to deliver stable returns to investors; the Partnership’s expectations regarding the seniors housing industry and demographic trends; the Partnership’s expectations regarding obtaining and maintain registrations and licenses; the Points West Living Portfolio satisfying and continuing to satisfy regulatory requirements; and entering into employment agreements with key executives.

These statements reflect management’s current beliefs with respect to future events and are based on information currently available to management. Forward-looking statements involve significant known and unknown risks, uncertainties and assumptions. Many factors could cause the Partnership’s actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements, including, without limitation, those listed under “Risk Factors”. Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking statements prove incorrect, actual results, performance or achievements could vary materially from those expressed or implied by the forward-looking statements contained in this Confidential Offering Memorandum. Such risks include, but are not limited to: risks relating to the business, including the seniors housing industry; acquisitions; enforcement of rights against the Promoters; income and revenue support; appraisals; competition; obtaining additional financing; covenants of financing agreements; cash flow and debt servicing; degree of leverage; dependence on executives and other personnel; liability and insurance; litigation risk; geographic concentration; government regulation; change in applicable law; financial forecast; historical financial information and pro forma financial information; management contracts; labour intensity; labour unions; capital intensity of the industry; maintenance of assets; taxes; as well as risks relating to the real estate industry, including real property ownership risks; liquidity of real estate investments; fixed costs; interest rate risk; the condition and nature of financial markets; damage from fire or other calamities; environmental liabilities; and also risks relating to the Offering and Units, including a lack of a public market for the Units, the restriction on transferring the Units and the limited voting rights of the Units. see “Item 9 – Risk Factors” for a complete list of risks relating to an investment in the Partnership. These factors should be considered carefully and prospective investors should not place undue reliance on the forward-looking statements. Although the forward-looking statements contained in this Confidential Offering Memorandum are based upon what management currently believes to be reasonable assumptions, the Partnership cannot assure prospective investors that actual results, performance or achievements will be consistent with these forward-looking statements. Such assumptions include, but are not limited to, Partnership’s future growth potential, results of operations, future prospects and opportunities, the demographic and industry trends remaining unchanged, a stable workforce, future levels of indebtedness and current economic conditions remaining unchanged. The forward-looking statements contained in this Confidential Offering Memorandum are expressly qualified in

their entirety by this cautionary statement. These forward-looking statements are made as of the date of this Confidential Offering Memorandum and neither the Partnership nor any other party involved in the Offering intends to, or assumes any obligation to, update or revise these forward-looking statements to reflect new information, events, results or circumstances or otherwise after the date on which such statement is made as to reflect the occurrence of unanticipated events, except as required by law.



### Points West Living Peace River

11011 – 99 Street, Peace River,  
Alberta  
53 suites, built 2013

### Points West Living Cold Lake

512 – 25 Street, Cold Lake  
Alberta  
52 suites, built 2013



### Points West Living Stettler

4501 – 70 Street, Stettler,  
Alberta  
104 suites, built 2013



### Points West Living Lloydminster

4025 – 56 Avenue,  
Lloydminster, Alberta  
60 suites, built 2008



### Points West Living Wainwright

2710 11th Avenue,  
Wainwright, Alberta  
91 suites, built 2010



### Points West Living Century Park

4613 – 50 Street, Vegreville,  
Alberta  
40 suites, built 2005



### Points West Living Heritage House

4570 Maple Street,  
Vegreville, Alberta  
60 suites, built 2000



## TABLE OF CONTENTS

GLOSSARY OF TERMS .....	1
Item 1 – USE OF AVAILABLE FUNDS .....	9
Item 2 – BUSINESS OF THE PARTNERSHIP .....	10
Item 3 – INTERESTS OF DIRECTORS, MANAGEMENT, PROMOTERS AND PRINCIPAL SECURITYHOLDERS.....	65
Item 4 – CAPITAL STRUCTURE .....	69
Item 5 – DESCRIPTION OF SECURITIES OFFERED .....	70
Item 6 – INCOME TAX CONSEQUENCES AND RRSP ELIGIBILITY .....	72
Item 7 – FEES, DISTRIBUTIONS AND EXPENSES.....	76
Item 8 – COMPENSATION PAID TO SELLERS AND FINDERS .....	76
Item 9 – RISK FACTORS .....	76
Item 10 – REPORTING OBLIGATIONS .....	86
Item 11 – RESALE RESTRICTIONS .....	86
Item 12 – PURCHASER’S RIGHTS OF ACTION FOR DAMAGES OR RESCISSION .....	87
Item 13 – FINANCIAL STATEMENTS .....	98
Item 14 – DATE AND CERTIFICATE.....	99
SCHEDULE A .....	A-1

## GLOSSARY OF TERMS

In this Offering Memorandum, unless the context otherwise requires, the following words and terms will have the indicated meanings, and grammatical variations of such words and terms will have corresponding meanings:

“**Acquisition**” means the indirect acquisition of the Properties through the acquisition of the PWL Operating Companies from the Points West Living Vendors and the acquisition of Connecting Care from PDG Hospitality;

“**Acquisition Agreement**” means the acquisition agreement dated as of December 23, 2014 between the Points West Living Vendors and the Administrator, as agent for the Partnership;

“**Acquisition Closing**” has the meaning set out in “Item 2.7.2 – Material Agreements – Acquisition Agreement”;

“**Acquisition Companies**” has the meaning set out in “Item 1.2 – Use of Available Funds”;

“**Act**” means the *Limited Partnerships Act* (Ontario) and the regulations thereunder, as amended from time to time;

“**Additional LP Units**” has the meaning set out in “Item 2.7.1 – Material Agreements – Partnership Agreement”;

“**Administrator**” means Sussex Retirement Living Inc., a corporation validly existing under the laws of Canada;

“**AHS**” means Alberta Health Services;

“**AHS MS Amending Agreements**” has the meaning set out in “Item 2.7.4 – Material Agreements – AHS Funding Agreements”;

“**Asset Management Fee**” has the meaning set out in “Item 7 – Fees, Distributions and Expenses”;

“**Asset Manager**” means Suske Capital Inc., the asset manager of the Partnership;

“**Asset Management Agreement**” means the asset management agreement to be entered into between the Partnership and the Asset Manager prior to the Closing;

“**Agent**” means Cranson Capital Securities Inc., as principal agent and “**Agents**” means collectively the Agent and sub-agents permitted under applicable legislation to sell Units;

“**Appraisal**” has the meaning set out in “Item 2.2.9 – Our Business – Independent Appraisals, Environmental and Property Condition Reports”;

“**Board**” has the meaning set out in “Item 2.2.10 – Our Business – Description of Management”;

“**Business Day**” means a day which is not a Saturday, Sunday or a legal holiday in the City of Toronto, in the Province of Ontario;

“**Businesses**” has the meaning set out in “Item 2.7.2 – Material Agreements – Acquisition Agreement”;

“**Canadian Unitholder**” has the meaning set out in “Item 6.2 – Summary of Certain Canadian Federal Income Tax Considerations”;

“**Capital Contribution**” means, in the case of each Limited Partner and the General Partner, the amount of cash or other property contributed by such Limited Partner or General Partner (or any prior holder of such interest in the Partnership) to the capital of the Partnership;

“**CBCA**” means the *Canada Business Corporations Act* and the regulations thereunder, as amended from time to time;

“**CBRE**” has the meaning set out in “Item 2.2.3 – Our Business – Sector and Market Demographics”;

**“CC Acquisition Corporation”** means 1891051 Alberta Ltd., a separate affiliate of the Partnership created to act as an acquisition entity in respect of Connecting Care;

**“CC Businesses”** has the meaning set out in “Item 2.7.3 – Material Agreements – Connecting Care Acquisition Agreement”;

**“CC Closing”** has the meaning set out in “Item 2.7.3 – Material Agreements – Connecting Care Acquisition Agreement”;

**“CC Consideration Units”** has the meaning set out in “Item 2.7.3 – Material Agreements – Connecting Care Acquisition Agreement”;

**“CC Exclusivity Period”** has the meaning set out in “Item 2.7.3 – Material Agreements – Connecting Care Acquisition Agreement”;

**“CC Interim Period”** has the meaning set out in “Item 2.7.3 – Material Agreements – Connecting Care Acquisition Agreement”;

**“CC Purchase Price”** has the meaning set out in “Item 2.7.3 – Material Agreements – Connecting Care Acquisition Agreement”;

**“CC Restricted Transaction”** has the meaning set out in “Item 2.7.3 – Material Agreements – Connecting Care Acquisition Agreement”;

**“CC Shareholder Interest”** has the meaning set out in “Item 2.7.3 – Material Agreements – Connecting Care Acquisition Agreement”;

**“CC Threshold”** has the meaning set out in “Item 2.7.3 – Material Agreements – Connecting Care Acquisition Agreement”;

**“Century Park”** means the Century Park residence, as described in “Item 2.2 - Our Business – Description of the Properties”;

**“Class A Units”** means the Class A units of the Partnership issued under this Offering Memorandum;

**“Class B Units”** means the Class B1 Units and the Class B2 Units;

**“Class B1 Acquired Entity”** means each of Points West Living Peace River Inc., Points West Living Cold Lake Inc., Points West Living Lloydminster Inc., and Points West Living Wainwright Inc., including any person formed on the amalgamation of any “Acquisition Corporation” (as defined in the Acquisition Agreement) with a Class B1 Acquired Entity, and any successor entity or person into which a Class B1 Acquired Entity is wound-up;

**“Class B1 Acquired Entity Property”** means all or part of the property held by the Class B1 Acquired Entity;

**“Class B1 Acquisition Time”** means immediately after the time of issuance of the first Class B1 Units;

**“Class B1 Deferred Gains”** means, in respect of amounts attributable to or arising from:

(i) the disposition of shares of a Class B1 Acquired Entity (including any successor entity thereto) in an arm’s length third party transaction for cash, the amount equal to the difference between (a) the lesser of the fair market value, as at the Class B1 Acquisition Time, of the subject shares and the proceeds of disposition of such subject shares, and (b) the cost amount of such subject shares immediately after the Class B1 Acquisition Time for the purposes of the Tax Act; and

(ii) the taxable and capital dividends received by or on behalf of the Partnership from a Class B1 Acquired Entity (including any successor entity thereto) contemporaneous with, or subsequent to, the disposition of Class B1 Acquired Entity Property in an arm’s length third party transaction for cash, the amount equal to the product of A multiplied by B, where:

(A) A equals the difference between (a) the lesser of the fair market value, as at the Class B1 Acquisition Time, of the Class B1 Acquired Entity Property sold and the proceeds of disposition of such Class B1

Acquired Entity Property, and (b) the cost amount of such Class B1 Acquired Entity Property immediately after the Class B1 Acquisition Time for the purposes of the Tax Act, and

(B) B equals the Class B1 Gain Ratio,

subject to the overriding limitation that, in no event, shall the aggregate of all Class B1 Deferred Gains exceed \$5,753,300;

**“Class B1 Deferred Gains Income”** means, for the purposes of the Tax Act, all or such portion of any income comprised of capital gains or taxable dividends in respect of a fiscal period of the Partnership equal to an amount equal to the sum of (i) one half (1/2) (or such other portion of a capital gain that is required to be included in computing income for tax purposes) of the Class B1 Deferred Gains attributable to or arising from the disposition of shares of a Class B1 Acquired Entity (including any successor entity thereto) in an arm’s length third party transaction for cash, and (ii) the Class B1 Deferred Gains attributable to or arising from the taxable dividends received by or on behalf of the Partnership from a Class B1 Acquired Entity (including any successor entity thereto) contemporaneous with, or subsequent to, the disposition of all or part of the property held by the Class B1 Acquired Entity in an arm’s length third party transaction for cash;

**“Class B1 Gain Ratio”** means the fraction, the numerator of which is an amount equal to the stipulated value of the Class B1 Units as at the Class B1 Acquisition Time, and the denominator of which is an amount equal to the total cash and the stipulated value of the Class B1 Units as at the Class B1 Acquisition Time paid or issued for the Purchased Shares (as contemplated by the Acquisition Agreement), with such fraction being equal to 5,733,332/41,731,444 (prior to accounting for “Purchase Price” adjustments contemplated by the Acquisition Agreement), or such other fraction agreed to in writing by the Partnership and the holders of Class B1 Units or their successors and assigns;

**“Class B1 Units”** means the Class B1 units of the Partnership to be issued to Points West Living Inc.;

**“Class B2 Acquired Entity”** means Connecting Care, including any person formed on the amalgamation of Connecting Care with a Class B2 Acquired Entity, and any successor entity or person into which a Class B2 Acquired Entity is wound-up;

**“Class B2 Acquired Entity Property”** means all or part of the property held by the Class B2 Acquired Entity;

**“Class B2 Acquisition Time”** means immediately after the time of issuance of the first Class B2 Units;

**“Class B2 Deferred Gains”** means, in respect of amounts attributable to or arising from:

(i) the disposition of shares of a Class B2 Acquired Entity (including any successor entity thereto) in an arm’s length third party transaction for cash, the amount equal to the difference between (a) the lesser of the fair market value, as at the Class B2 Acquisition Time, of the subject shares and the proceeds of disposition of such subject shares, and (b) the cost amount of such subject shares immediately after the Class B2 Acquisition Time for the purposes of the Tax Act; and

(ii) the taxable and capital dividends received by or on behalf of the Partnership from a Class B2 Acquired Entity (including any successor entity thereto) contemporaneous with, or subsequent to, the disposition of Class B2 Acquired Entity Property in an arm’s length third party transaction for cash, the amount equal to the product of A multiplied by B, where:

(A) A equals the difference between (a) the lesser of the fair market value, as at the Class B2 Acquisition Time, of the Class B2 Acquired Entity Property sold and the proceeds of disposition of such Class B2 Acquired Entity Property, and (b) the cost amount of such Class B2 Acquired Entity Property immediately after the Class B2 Acquisition Time for the purposes of the Tax Act, and

(B) B equals the Class B2 Gain Ratio,

subject to the overriding limitation that, in no event, shall the aggregate of all Class B2 Deferred Gains exceed \$3,466,668;

**“Class B2 Deferred Gains Income”** means, for the purposes of the Tax Act, all or such portion of any income comprised of capital gains or taxable dividends in respect of a fiscal period of the Partnership equal to an amount equal to the sum of (i) one half (1/2) (or such other portion of a capital gain that is required to be included in computing income for tax purposes) of



the Class B2 Deferred Gains attributable to or arising from the disposition of shares of a Class B2 Acquired Entity (including any successor entity thereto) in an arm's length third party transaction for cash, and (ii) the Class B2 Deferred Gains attributable to or arising from the taxable dividends received by or on behalf of the Partnership from a Class B2 Acquired Entity (including any successor entity thereto) contemporaneous with, or subsequent to, the disposition of all or part of the property held by the Class B2 Acquired Entity in an arm's length third party transaction for cash;

**"Class B2 Gain Ratio"** means the fraction, the numerator of which is an amount equal to the stipulated value of the Class B2 Units as at the Class B2 Acquisition Time, and the denominator of which is an amount equal to the total cash and the stipulated value of the Class B2 Units as at the Class B2 Acquisition Time paid or issued for the Connecting Care Shares (as contemplated by the Connecting Care Acquisition Agreement), with such fraction being equal to 3,466,668/5,000,000 (prior to accounting for "CC Purchase Price" adjustments contemplated by the Connecting Care Acquisition Agreement), or such other fraction agreed to in writing by the Partnership and the holders of Class B2 Units or their successors and assigns;

**"Class B2 Units"** means the Class B2 units of the Partnership to be issued to PDG Hospitality;

**"Closing"** means the day or days upon which the Units are issued to Subscribers pursuant to this Offering;

**"Cold Lake"** means the Cold Lake residence, as described in "Item 2.2 – Our Business – Description of the Properties";

**"Connecting Care"** means Connecting Care (2000) Inc.;

**"Connecting Care Acquisition"** means the acquisition of the issued and outstanding shares of Connecting Care pursuant to the Connecting Care Acquisition Agreement;

**"Connecting Care Acquisition Agreement"** means the agreement being negotiated between PDG Hospitality and the Administrator, as agent for the Partnership, to be entered into prior to Closing;

**"Connecting Care Shares"** has the meaning set out in "Item 2.7.3 – Material Agreements – Connecting Care Acquisition Agreement";

**"Consideration Units"** has the meaning set out in "Item 2.7.2 – Material Agreements – Acquisition Agreement";

**"CRA"** means the Canada Revenue Agency or any successor thereto;

**"Deferred Gains Income"** means the sum of Class B1 Deferred Gains Income and Class B2 Deferred Gains Income;

**"Distributable Cash"** has the meaning set out in "Item 2.7.1 – Material Agreements – Partnership Agreement";

**"DSL"** means designated supportive living as described in "Item 2.2 – Our Business – Types of Seniors Housing";

**"DSR"** has the meaning set out in "Item 2.2.3 – Our Business – Sector and Market Demographics";

**"ESA"** has the meaning set out in "Item 2.2.9 – Our Business – Independent Appraisals, Environmental and Property Condition Reports";

**"Exclusivity Period"** has the meaning set out in "Item 2.7.2 – Material Agreements – Acquisition Agreement";

**"Executive"** has the meaning set out in "Item 2.7.5 – Material Agreements – Executive Contracts";

**"FATCA"** has the meaning set out in "Item 9 – Risk Factors";

**"FATCA Withholding Tax"** has the meaning set out in "Item 9 – Risk Factors";

**"Feasibility Studies"** has the meaning set out in "Item 2.2.3 – Our Business – Sector and Market Demographics";

**"Final Hurdle"** has the meaning set out in "Item 2.7.1 – Material Agreements – Partnership Agreement";

**"First Priority Return"** has the meaning set out in "Item 2.7.1 – Material Agreements – Partnership Agreement";

**“First Priority Return Allocation Arrears”** has the meaning set out in “Item 2.7.1 – Material Agreements – Partnership Agreement”;

**“First Priority Return Arrears”** has the meaning set out in “Item 2.7.1 – Material Agreements – Partnership Agreement”;

**“Founders”** means collectively, Suske Capital Inc., Sussex Holdings Limited and 7949278 Canada Inc.;

**“Funding Guarantee Holdback”** has the meaning set out in “Item 2.7.2 – Material Agreements – Acquisition Agreement”;

**“Future Facilities Agreement”** has the meaning set out in “Item 2.7.7 – Material Agreements – Future Facilities Agreement”;

**“GAAP”** means generally accepted accounting principles as set out in the Chartered Professional Accountants of Canada Handbook, as amended from time to time;

**“General Partner”** means Points West Living GP Limited Partnership, the general partner of the Partnership as described in the Partnership Agreement;

**“GP Catch-Up Return”** has the meaning set out in “Item 2.7.1 – Material Agreements – Partnership Agreement”;

**“GP Catch-Up Return Allocation Arrears”** has the meaning set out in “Item 2.7.1 – Material Agreements – Partnership Agreement”;

**“GP Catch-Up Return Arrears”** has the meaning set out in “Item 2.7.1 – Material Agreements – Partnership Agreement”;

**“GP Unit”** has the meaning set out in “Item 2.7.1 – Material Agreements – Partnership Agreement”;

**“Heritage House”** means the Heritage House residence, as described in “Item 2.2 - Our Business – Description of the Properties”;

**“IFRS”** means International Financial Reporting Standards;

**“IGA”** has the meaning set out in “Item 9 – Risk Factors”;

**“IGA Act”** has the meaning set out in “Item 9 – Risk Factors”;

**“Initial Limited Partner”** means Suske Capital Inc.;

**“Initial Limited Partner Unit”** has the meaning set out in “Item 2.7.1 – Material Agreements – Partnership Agreement”;

**“Interim Period”** has the meaning set out in “Item 2.7.2 – Material Agreements – Acquisition Agreement”;

**“IRS”** has the meaning set out in “Item 9 – Risk Factors”;

**“ISL”** means independent supportive living as described in “Item 2.2.2 - Our Business – Types of Seniors Housing”;

**“Limited Partners”** means each of those parties that acquire Units hereunder or in the future and who from time to time are accepted as and become limited partners of the Partnership in accordance with the terms and conditions of the Partnership Agreement, including the General Partner if and when it holds Units;

**“Lloydminster”** means the Lloydminster residence, as described in “Item 2.2 - Our Business – Description of the Properties”;

**“Lloydminster Target NOI”** has the meaning set out in “Item 2.7.2 – Material Agreements – Acquisition Agreement”;

**“Manitoba Act”** has the meaning set out in “Item 12 – Purchaser’s Rights of Action for Damages or Rescission”;

**“Master Services Agreements”** has the meaning set out in “Item 2.7.4 – Material Agreements – AHS Funding Agreement”;

**“Maximum Offering”** means the maximum Offering hereunder of Units for gross proceeds of \$22,000,000;

**“Minimum Offering”** means the minimum Offering hereunder of Units for gross proceeds of \$22,000,000;

**“Net Income”** or **“Net Loss”** means the net income or net loss of the Partnership as determined from time to time by the General Partner in accordance with Canadian accounting standards for private enterprises which is part of Canadian generally accepted accounting principles;

**“Net Proceeds”** means, at any time, such amounts as indicated in the table under “Item 1.1 – Use of Available Funds – Funds”;

**“NI 45-106”** means National Instrument 45-106 – *Prospectus and Registration Exemptions* of the Canadian Securities Administrators;

**“Nominating Entity”** has the meaning set out in “Item 2.7.1 – Material Agreements – Partnership Agreement”;

**“Offer”** has the meaning set out in “Item 2.7.1 – Material Agreements – Partnership Agreement”;

**“Offer Purchase Price”** has the meaning set out in “Item 2.7.1 – Material Agreements – Partnership Agreement”;

**“Offering”** means the offering of Units described herein or in any amendment hereto;

**“Offering Memorandum”** means this confidential offering memorandum, including any amendment hereto;

**“On Demand Redemption”** has the meaning set out in “Item 2.7.1 – Material Agreements – Partnership Agreement”;

**“On Demand Redemption Date”** means the date on which a Unit that is properly surrendered will be redeemed, as more fully described under “Item 2.7.1 – Material Agreements – Partnership Agreement”;

**“On Demand Redemption Price”** means the redemption price per Unit which will be payable to the redeeming Unitholder, as more fully described under “Item 2.7.1 – Material Agreements – Partnership Agreement”;

**“Ontario Act”** has the meaning set out in “Item 12 – Purchaser’s Rights of Action for Damages or Rescission”;

**“OpCo Debt”** has the meaning set out in “Item 2.1.2 – Organizational Structure”;

**“Operating Companies”** has the meaning set out in “Item 2.1.2 – Organizational Structure”;

**“Ordinary Resolution”** means a resolution approved by more than one-half of the votes cast by those Unitholders who vote, and are entitled to vote, in person or by proxy on such resolution at a duly constituted Unitholders’ meeting or at any adjournment thereof called in accordance with the terms of the Partnership Agreement;

**“New Brunswick Act”** has the meaning set out in “Item 12 – Purchaser’s Rights of Action for Damages or Rescission”;

**“Nova Scotia Act”** has the meaning set out in “Item 12 – Purchaser’s Rights of Action for Damages or Rescission”;

**“Partnership”** means Points West Living Limited Partnership;

**“Partnership Agreement”** means the amended and restated limited partnership agreement to be entered into between the General Partner, the Initial Limited Partner and each of the Limited Partners prior to the Closing, setting out the manner in which the Partnership will be governed;

**“Partnership Units”** has the meaning set out in “Item 2.7.1 – Material Agreements – Partnership Agreement”;

**“Partnership’s CC Indemnified Parties”** has the meaning set out in “Item 2.7.3 – Material Agreements – Connecting Care Acquisition Agreement”;

**“Partnership’s Indemnified Parties”** has the meaning set out in “Item 2.7.2 – Material Agreements – Acquisition Agreement”;

**“PCA Reports”** has the meaning set out in “Item 2.2.9 – Our Business – Independent Appraisals, Environmental and Property Condition Reports”;

**“Peace River”** means the Peace River residence, as described in “Item 2.2 - Our Business – Description of the Properties”;

**“PEI Act”** has the meaning set out in “Item 12 – Purchaser’s Rights of Action for Damages or Rescission”;

**“Percentage Limited Partner Interest”** means, with respect to any Limited Partner, that percentage of all the Units which is from time to time owned by such Limited Partner;

**“PDG Hospitality”** means PDG Hospitality Corp.;

**“PDG Representatives”** has the meaning set out in “Item 2.7.3 – Material Agreements – Connecting Care Acquisition Agreement”;

**“PDG Lloyd”** means PDG Lloyd Corp.;

**“PMA”** has the meaning set out in “Item 2.2.3 – Our Business – Sector and Market Demographics”;

**“PNHR”** means Prairie North Health Region;

**“Points West Living”** or **“Points West Living Portfolio”** means the Properties to be indirectly acquired by the Partnership;

**“Points West Living Vendor Representatives”** has the meaning set out in “Item 2.7.2 – Material Agreements – Acquisition Agreement”;

**“Points West Living Vendors”** means collectively Points West Living Inc., PDG Lloyd, Connecting Care and Canalta Real Estate Services Ltd.;

**“Properties”** means the seven designated supportive living and independent supportive living residences and associated assets to be indirectly acquired by the Partnership on or about the Closing, including Peace River, Cold Lake, Stettler, Lloydminster, Wainwright, Century Park and Heritage House, as described under “Item 2.2.8 – Our Business – Description of the Properties”;

**“Proposals”** has the meaning set out in “Item 6.2 – Summary of Certain Canadian Federal Income Tax Considerations”;

**“Purchase Price”** has the meaning set out in “Item 2.7.2 – Material Agreements – Acquisition Agreement”;

**“Purchased Shares”** has the meaning set out in “Item 2.7.2 – Material Agreements – Acquisition Agreement”;

**“Purchaser Election”** has the meaning set out in “Item 2.7.2 – Material Agreements – Acquisition Agreement”;

**“PWL Acquisition”** means the acquisition of the Points West Living Operating Companies, including the Properties pursuant to the Acquisition Agreement;

**“PWL GP”** means Points West Living General Partner Inc., the general partner of the General Partner;

**“PWL Operating Companies”** means, collectively, Points West Living Peace River Inc., Points West Living Cold Lake Inc., Points West Living Stettler Inc., Points West Living Lloydminster Inc., Points West Living Wainwright Inc., Points West Living Century Park Inc. and Points West Living Heritage House Inc., which own, respectively, Peace River, Cold Lake, Stettler, Lloydminster, Wainwright, Century Park and Heritage House;

**“Re-Adjustment Holdback”** has the meaning set out in “Item 2.7.2 – Material Agreements – Acquisition Agreement”;

**“Receiver”** has the meaning set out in “Item 2.7.1 – Material Agreements – Partnership Agreement”;

**“Register”** means the register of the Partnership that the General Partner will prepare and maintain, which will include, without limitation, the names and addresses of the Unitholders and the number of Units held by each Unitholder, as such register may be amended from time to time;

**“Registered Plan”** means an RRSP, a RRIF, a deferred profit sharing plan, a registered education savings plan, a registered disability savings plan or a TFSA;

“**Restricted Transaction**” has the meaning set out in “Item 2.7.2 – Material Agreements – Acquisition Agreement”;

“**RRIF**” means a registered retirement income fund, as defined in the Tax Act;

“**RRSP**” means a registered retirement savings plan, as defined in the Tax Act;

“**Sales Commission**” has the meaning set out in “Item 8 – Compensation Paid to Sellers and Finders”;

“**Saskatchewan Act**” has the meaning set out in “Item 12 – Purchaser’s Rights of Action for Damages or Rescission”;

“**Second Hurdle**” has the meaning set out in “Item 2.7.1 – Material Agreements – Partnership Agreement”;

“**Shareholder Interest**” has the meaning set out in “Item 2.7.2 – Material Agreements – Acquisition Agreement”;

“**SIFT Rules**” has the meaning set out in “Item 9 – Risk Factors”;

“**SL**” means supported living as described in “Item 2.2.2 – Our Business – Types of Seniors Housing”;

“**SL3**” has the meaning set out in “Item 2.2.2 – Our Business – Types of Seniors Housing”;

“**SL4**” has the meaning set out in “Item 2.2.2 – Our Business – Types of Seniors Housing”;

“**SL4D**” has the meaning set out in “Item 2.2.2 – Our Business – Types of Seniors Housing”;

“**Special Resolution**” means a resolution approved by not less than  $66\frac{2}{3}\%$  of the votes cast by those Unitholders who vote, and are entitled to vote, in person or by proxy, on such resolution at a duly constituted Unitholders’ meeting or at any adjournment thereof called in accordance with the terms of the Partnership Agreement or a written resolution signed in one or more counterparts by holders holding Units which, in aggregate, have attached thereto not less than  $66\frac{2}{3}\%$  of the total number of votes attaching to all Units which are entitled to vote on such resolution;

“**Stettler**” means the Stettler residence, as described in “Item 2.2 - Our Business – Description of the Properties”;

“**Subscribers**” means those persons subscribing for Units pursuant to this Offering;

“**Subscription Agreement**” means the subscription agreement, whereby Subscribers may subscribe for Class A Units in the capital of the Partnership;

“**Subsidiaries**” has the meaning set out in “Item 6.2 – Summary of Certain Canadian Federal Income Tax Considerations”;

“**Tax Act**” means the *Income Tax Act* (Canada) and the regulations thereunder, as amended from time to time;

“**taxable capital gain**” has the meaning set out in “Item 6.2.3 – Summary of Certain Canadian Federal Income Tax Considerations – Taxation of Canadian Unitholders”;

“**TFSA**” means a tax-free savings account, as defined in the Tax Act;

“**Threshold**” has the meaning set out in “Item 2.7.2 – Material Agreements – Acquisition Agreement”;

“**Units**” means the Class A Units, the Class B Units and the Additional LP Units;

“**Unitholder**” means a holder of Unit(s) of any class or series as the context may require and fractions thereof;

“**Updated MSAs**” has the meaning set out in “Item 2.7.4 – Material Agreements – AHS Funding Agreements”; and

“**Wainwright**” means the Wainwright residence, as described in “Item 2.2 - Our Business – Description of the Properties”.

In this Offering Memorandum, references to “dollars” and \$ are to the currency of Canada, unless otherwise indicated.

## ITEM 1 – USE OF AVAILABLE FUNDS

### 1.1 Funds

The Net Proceeds of the Offering and the funds which will be anticipated to be available to the Partnership after this Offering are as follows:

	Assuming Minimum Offering (\$)	Assuming Maximum Offering (\$)
A. Amount to be raised by this Offering	\$22,000,000	\$22,000,000
B. Selling commissions and fees <sup>(1)</sup>	\$1,650,000	\$1,650,000
C. Estimated Offering costs (legal, accounting, audit, etc.) <sup>(2)</sup>	\$684,750	\$684,750
D. Available funds: D = A - (B+C)	\$19,665,250	\$19,665,250
E. Additional sources of funding required	\$0	\$0
F. Working capital deficiency	\$0	\$0
G. Total: G = (D+E) - F	\$19,665,250	\$19,665,250

Notes:

- (1) The Class A Units will be offered for sale by the Agent and certain sub-agents. The Agent will receive a commission of 7.5% of the aggregate gross proceeds from the sale of the Class A Units to the Subscribers under the Offering and in certain circumstances, where a Subscriber was introduced to the Agent by the Partnership, the cash commission payable to the Agent will be reduced from 7.5% to 3.75% and in lieu of the reduction in cash commission, the Agent will receive 3.75% of the aggregate gross proceeds from the sale of Class A Units to such Subscriber in Class A Units. Commissions will not be payable in jurisdictions where the payment of a commission is prohibited by securities legislation. The sales commissions payable under the Offering in connection with the sale of Class A Units will be payable by the Partnership from the gross proceeds of the Offering. The maximum amount of sales commissions payable under the Minimum Offering will be \$1,650,000 and under the Maximum Offering will be \$1,650,000 (in each case, a portion of which may be payable in Class A Units). The Agent will also be eligible to a 4% equity participation in the General Partner once the Agent has sold 80,000 Class A Units (\$8,000,000). See “Item 8 – Compensation Paid to Sellers and Finders”.
- (2) The Partnership will be responsible for the payment of the costs of the Offering, which are estimated to be approximately \$684,750. Suske Capital Inc. has advanced to the Partnership \$51,698.08, as of the date hereof, in regards to costs associated with the Offering, which will be repaid by the Partnership.

### 1.2 Use of Available Funds

The Net Proceeds from the sale of Class A Units under this Offering Memorandum is estimated to be approximately \$19,665,250 assuming the Minimum Offering is reached. The Partnership intends to use the Net Proceeds available from this Offering, once obtained, to (i) lend amounts, in the form of interest and non-interest bearing debt, to one or more corporate subsidiaries that will acquire the shares and certain debt of the PWL Operating Companies and Connecting Care in the course of the Acquisition (collectively, the “**Acquisition Companies**”), and (ii) fund other costs and amounts relating to the Acquisition and the activities of the Partnership. The Acquisition is expected to be completed by the Partnership on or about June 25, 2015, unless otherwise agreed to by the applicable vendors and the Partnership. See “Item 2.7.2 – Material Agreements – Acquisition Agreement” and “Item 2.7.3 – Material Agreement – Connecting Care Acquisition Agreement”.

<b>Description of intended use of Net Proceeds Listed in order of Priority</b>	<b>Assuming Minimum Offering</b>	<b>Assuming Maximum Offering</b>
Acquisition of the PWL Operating Companies <sup>(1)(3)</sup>	\$16,387,227	\$16,387,227
Acquisition of Connecting Care <sup>(2)</sup>	\$1,433,300	\$1,433,300
Appraisals <sup>(3)</sup>	\$110,000	\$110,000
Due Diligence <sup>(3)</sup>	\$75,000	\$75,000
Mortgage and Brokerage Fees	\$724,700	\$724,700
Tax Consulting	\$80,000	\$80,000
Contingency/Miscellaneous <sup>(3)</sup>	\$355,023	\$355,023
Legal Costs <sup>(3)</sup>	\$500,000	\$500,000
<b>Total</b>	<b>\$19,665,000</b>	<b>\$19,665,000</b>

**Notes:**

- (1) The purchase price of the PWL Operating Companies is approximately \$91,047,773, subject to adjustments pursuant to the Acquisition Agreement (including negative adjustments known as of the date hereof of \$770,246). The Partnership intends to use \$16,387,227 of the Net Proceeds of the Offering, together with (i) \$500,000 in cash received from the Founders for the subscription of 5,000 Class A Units, (ii) issuance of 57,333 Class B1 Units to Points West Living Inc., (iii) \$336,000 in unsecured debt, and (iv) \$67,321,000 of assumed and new debt, of which \$62,321,000 is expected to represent the first mortgages, and \$5,000,000 is expected to represent a second mortgage, to satisfy the purchase price for the PWL Operating Companies.
- (2) The purchase price for Connecting Care is approximately \$5,000,000, subject to adjustments pursuant to the Connecting Care Acquisition Agreement. The Partnership intends to use \$1,433,300 of the Net Proceeds from the Offering, together with (i) \$100,000 in cash received from the Founders for the subscription of 1,000 Class A Units, and (ii) the issuance of 34,667 Class B2 Units to PDG Hospitality, to satisfy the purchase price for Connecting Care.
- (3) Suske Capital Inc., SFT Sussex Holdings Limited and 7949278 Canada Inc., promoters of the Partnership, as of the date hereof, have advanced funds on behalf of the Partnership in the amount of \$77,462.09 in regards to the Acquisition, as referenced below. 7949278 Canada Inc. has advanced a total \$618.77 to the Partnership in regards to contingency/miscellaneous expenses. Suske Capital Inc. has advanced a total of \$48,853.32 to the Partnership in contingency/miscellaneous expenses. SFT Sussex Holdings Limited has advanced a total of \$27,990 to the Partnership, as of the date hereof, \$2,295.00 in regards to legal fees, \$25,695.77 in regards to contingency/ miscellaneous expenses. These funds will not accrue any interest and will be repaid by the Partnership to each of Suske Capital Inc., SFT Sussex Holdings Limited and 7949278 Canada Inc., respectively, from the Net Proceeds. All funds are fully represented, through their corresponding line items, in the use of Net Proceeds listed above.

### **1.3 Reallocation**

The Partnership intends to allocate and use the Net Proceeds as stated in “Item 1.2 – Use of Available Funds”. The Partnership will reallocate the funds only for sound business reasons.

## **ITEM 2 – BUSINESS OF THE PARTNERSHIP**

### **2.1 Structure**

#### **2.1.1 The Partnership**

The Partnership was formed on May 1, 2015 pursuant to the Act and will be governed by the Partnership Agreement and the laws of the Province of Ontario. The registered office of the Partnership is located at 2375 Carrington Place, Oakville, Ontario L6J 5P5.

##### **(a) Limited Partners**

The interests of the Limited Partners in the Partnership are divided into Units. Each Unit has attached thereto the same rights and obligations as, and ranks equally and pari passu with, each other Unit with respect to distributions, allocations and voting, other than the allocation of Deferred Gains Income. Each Limited Partner will obtain a percentage interest in the Partnership based on the proportionate number of Units subscribed for by each Limited Partner. For additional details on the interests of the Limited Partners see “Item 2.7.1 – Material Agreements – Partnership Agreement”.

(b) The Units

The Partnership is authorized under the Partnership Agreement to issue an unlimited number of Class A Units, an unlimited number of Class B Units, an unlimited number of Additional LP Units, one partnership unit to the Initial Limited Partner and one partnership unit to the General Partner. The Units will be entitled to the rights and subject to the limitations, restrictions and conditions set out in the Partnership Agreement. Units represent a Unitholder's proportionate undivided beneficial interest in the Partnership. Each Unit confers the right to one vote at any meeting of Unitholders and to participate *pro rata* in any distributions by the Partnership in respect of Units and, in the event of the termination of the Partnership, in the net assets of the Partnership remaining after the satisfaction of all liabilities in accordance with the terms of the Partnership Agreement. No Unitholder has or is deemed to have any right of ownership in any of the Partnership's assets. Fair market value may or may not be equal to the net asset value in respect of the Units depending on the methods used by the General Partner in making a particular determination of fair market value. No Unit has any preference or priority over another. The relationship among Unitholders will be governed by the Partnership Agreement which will provide for, among other things, the circumstances in which the various class attributes may be amended. For additional details on the Units see "Item 2.7.1 – Material Agreements – Partnership Agreement".

Units are transferable subject to the approval of the General Partner and in accordance with the terms of the Partnership Agreement and applicable laws. For additional details on transfer restrictions see "Item 11 – Resale Restrictions".

(c) The General Partner

The General Partner is Points West Living GP Limited Partnership, formed on May 1, 2015 pursuant to the Act. The head office and address for service is located at 2375 Carrington Place, Oakville, Ontario L6J 5P5.

The General Partner is responsible for overseeing the operations of the Partnership, including general administration functions, negotiating and executing material contracts for the Partnership, retaining custody of the Partnership's assets, managing the Partnership's investment portfolio, including the Units; calculating the amount and determining the frequency of distributions by the Partnership; preparing income tax returns and financial and accounting information as required by the Partnership; ensuring that the Partnership complies with regulatory requirements; administering purchases, redemptions and other transactions in Units; arranging for any payments required upon termination of the Partnership; and dealing and communicating with Unitholders.

Under the terms of the Partnership Agreement, the General Partner may contract or retain managers to manage the business of the Partnership, where, in the discretion of the General Partner, it would be in the best interests of the Partnership to do so. Connecting Care, the current operator of the Points West Living Portfolio, is being acquired in connection with the Acquisition and will continue to be the operator of the Points West Living Portfolio. See "Item 2.2.1 – Our Business – Description of Connecting Care And the Relationship To Points West Living".

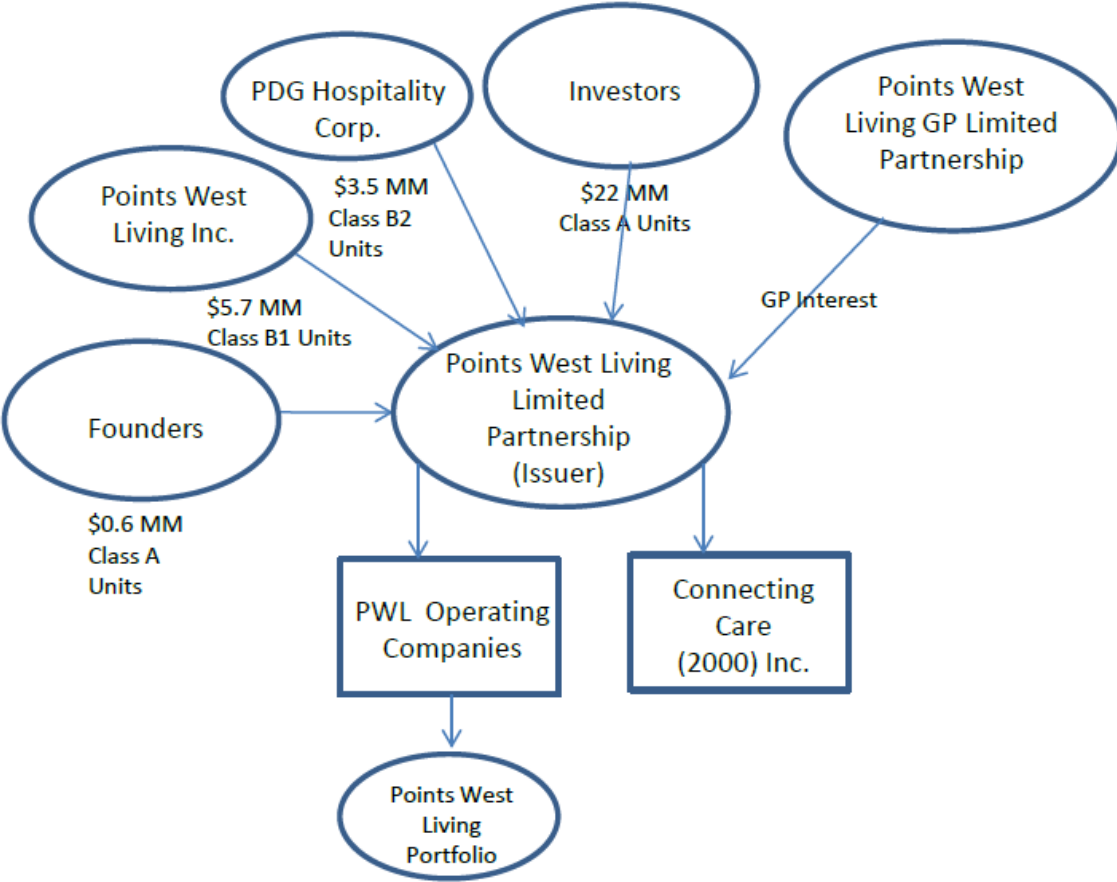
The General Partner will exercise its powers and discharge its duties under the Partnership Agreement honestly, in good faith and in the best interests of the Partnership, and of the Limited Partners and in connection therewith will exercise the degree of care, diligence and skill that a reasonably prudent person providing services of a similar nature would exercise in comparable circumstances. Furthermore, the General Partner will not be liable to the Limited Partners and/or the Partnership for any acts, omissions or errors in judgment, except those resulting from the fraud, gross negligence or wilful misconduct of the General Partner or the material breach of its obligations or duties under the Partnership Agreement. For additional details on the General Partner see "Item 2.7.1 – Material Agreements – Partnership Agreement".

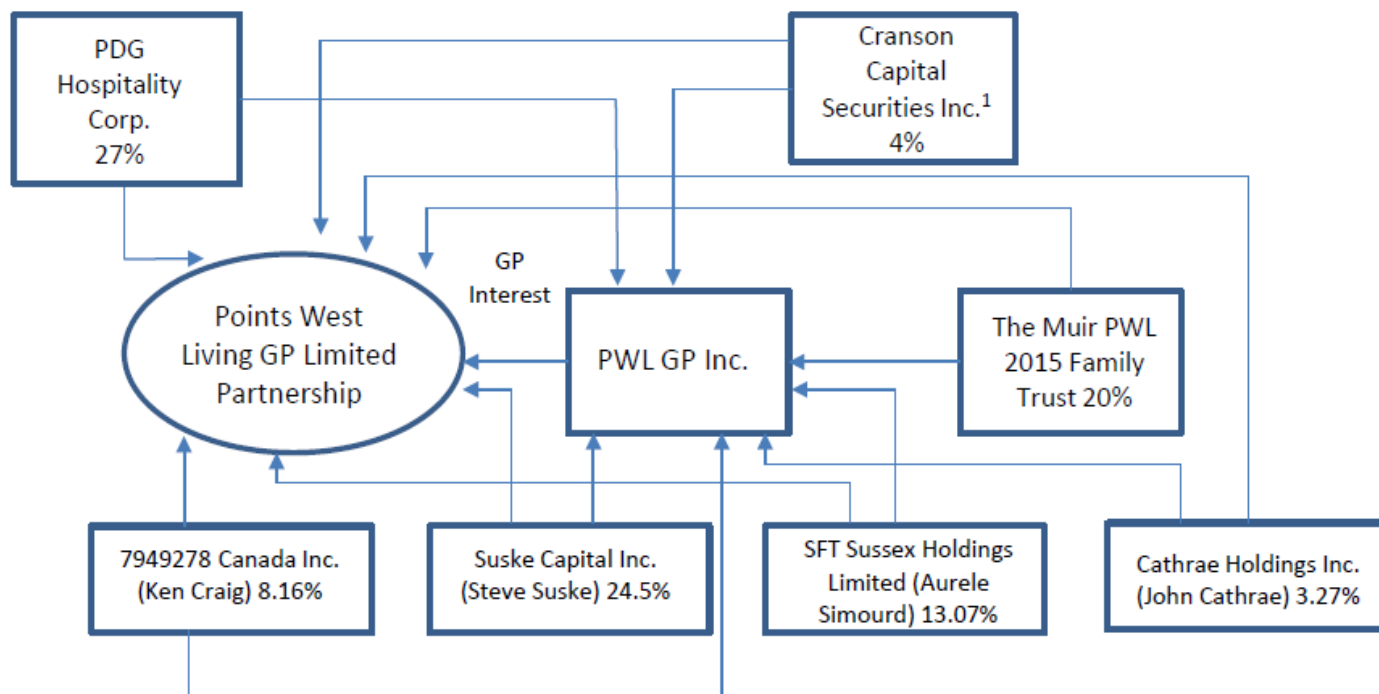
### 2.1.2 Organizational Structure

Subsequent to the completion of the Acquisition, the Partnership's interests in each of the PWL Operating Companies and Connecting Care (or companies formed on the amalgamation of an Acquisition Company with a PWL Operating Company or Connecting Care) (collectively, the "**Operating Companies**") will consist of (i) all of the issued and outstanding shares of the Operating Company, and (ii) interest and non-interest bearing debt owed by the Operating Company to the Partnership (each such debt being an "**OpCo Debt**"). It is expected that payments received by the Partnership from the Operating Companies will consist principally of (i) interest in respect of OpCo Debts, (ii) dividends, and (iii) repayments of the principal amounts owing under the OpCo Debts. The Partnership may also receive proceeds of disposition upon the sale of shares of an Operating Company or the disposition of OpCo Debt. The degree to which an Operating Company chooses to repay all or a portion of the principal amount owing under an OpCo Debt will depend upon a



variety of factors, including the future income and cash flow projections of the Operating Company. It is expected that any repayment of principal of an OpCo Debt should not be included in computing the income of the Partnership.





**Note:**

(1) Assumes that the Agent raises at least \$8,000,000 (80,000 Units) under the Offering.

### 2.1.3 Conflicts of Interest

The Partnership may be subject to various conflicts of interest as Suske Capital Inc., SFT Sussex Holdings Limited, 7949278 Canada Inc., Muir PWL Inc. and PDG Hospitality, and their associated companies who have material interests in the General Partner, may be engaged in a wide range of senior housing and other business activities and will not devote their time exclusively to the Partnership. However, the General Partner will be governed by the Board, see “Item 2.2.10 – Our Business – Description of Management”. Each of Suske Capital Inc., SFT Sussex Holdings Limited, 7949278 Canada Inc., Muir PWL Inc. and PDG Hospitality, and their associated companies may from time to time, deal with persons or entities with which the Partnership may be dealing and their interests may compete with those of the Partnership. Nothing in the Partnership Agreement prevents Suske Capital Inc., SFT Sussex Holdings Limited, 7949278 Canada Inc., Muir PWL Inc. or PDG Hospitality, or any of their associates or affiliates from providing services to other investment funds and other clients (whether or not their investment objectives, strategies or criteria are similar to those of the Partnership) or from engaging in other activities.

## 2.2 Our Business

The Partnership was primarily formed to (i) indirectly acquire, own and operate seven seniors residences in Alberta, Canada, being the Points West Living Portfolio, and (ii) acquire the issued and outstanding shares of the seniors housing operator, Connecting Care, which is also the operator of the Points West Living Portfolio, as well as other seniors residences in Alberta.

The purchase price of the PWL Operating Companies is approximately \$91,047,773, subject to adjustments pursuant to the Acquisition Agreement (including negative adjustments known as of the date hereof of \$770,246). The Partnership intends to use \$16,387,227 of the Net Proceeds of the Offering, together with (i) \$500,000 in cash received from the Founders for the subscription of 5,000 Class A Units, (ii) issuance of 57,333 Class B1 Units to Points West Living Inc., (iii) \$336,000 in unsecured debt, and (iv) \$67,321,000 of assumed and new debt, of which \$62,321,000 is expected to represent the first mortgages, and \$5,000,000 is expected to represent a second mortgage, to satisfy the purchase price for the PWL Operating Companies. The purchase price for Connecting Care is approximately \$5,000,000, subject to adjustments pursuant

to the Connecting Care Acquisition Agreement. The Partnership intends to use \$1,433,300 of the Net Proceeds from the Offering, together with (i) \$100,000 in cash received from the Founders for the subscription of 1,000 Class A Units, and (ii) the issuance of 34,667 Class B2 Units to PDG Hospitality, to satisfy the purchase price for Connecting Care. See “Item 2.7 – Material Agreements – Acquisition Agreement” and “Item 2.7 – Material Agreements – Connecting Care Acquisition Agreement”.

The Points West Living Portfolio is comprised of seven existing seniors residences located in Alberta, with 313 DSL suites contracted with AHS, 60 DSL suites contracted with PNHHR, and 87 ISL suites in Alberta, Canada. AHS and PNHHR fund supportive living services for all the Points West Living Portfolio’s 373 DSL suites, which account for 81% of the Points West Living Portfolio’s total number of suites, and approximately 60% of its total revenue. See “Item 2.2 – Our Business – Description of the Properties”. The Points West Living Portfolio is comprised of Heritage House, a 60-suite seniors residence, constructed in 2000, which includes a 16 suite addition that was completed in 2013; Century Park, a 40-suite seniors residence constructed in 2005; Lloydminster, a 60-suite seniors residence constructed in 2008; Wainwright, a 91-suite seniors residence constructed in 2010; Stettler, a 104-suite seniors residence constructed in 2013, Cold Lake, a 52-suite seniors residence constructed in 2013; and Peace River, a 53-suite seniors residence constructed in 2013. Management believes the seniors residences will be most attractive to prospective residents based on modern amenities, philosophy of choice, levels of care, community involvement and locations that are close to their homes and families.

The majority of the Properties are mature and stabilized, with wait lists at many of the facilities due to favorable demographic trends in Alberta. The April rent rolls highlighted some extraordinary circumstances in three of the residences, which resulted in below-market occupancy. Heritage House was renovating some suites, Stettler was recovering from a quarantine during which it was unable to accept new residents due to an outbreak and Peace River was still in its lease-up period. The Heritage House renovation is expected to be completed prior to the Acquisition Closing, the Stettler quarantine period has ended, and the properties are expected to return to market occupancy by the time of the Acquisition Closing.

As described above, Peace River is currently operating at below-market occupancy as it stabilizes. AHS currently funds 24 SL4 suites, 12 SL4D suites, and 6 SL3 suites. While AHS continues to fund the care component of all of the DSL suites, 22 of 24 SL4 suites are occupied, and 11 of 12 SL4D suites are occupied. Both SL4 and SL4D suites are expected to be at full occupancy by the end of May 2015. The Peace River Market has assessed 5 SL3 residents to place in the 6 vacant SL3 suites. AHS will be working to encourage those 5 residents to move into Points West Living Peace River. Connecting Care continues to work with AHS to adjust the resident mix at Points West Living Peace River to meet the needs of the Peace River area. The April rent roll indicated that 7 of 11 ISL suites are currently occupied. Management has been focussed on marketing initiatives and community involvement, in order to educate the market about ISL and what Points West Living Peace River can offer. These initiatives have proven to be very successful in the past, and Connecting Care expects that the residence will be at market occupancy by the summer of 2015.

The employees on site at the Properties will continue to be employees of the respective property operating company and the contracts with the senior management responsible for oversight of all of the Properties will be continued through the acquisition of Connecting Care. Connecting Care will be contracted to operate the Points West Living residences, in addition to maintaining existing third party contracts and related staff. See “Item 2.2 – Our Business – Description of Management” and “Item 3.2 – Management Experience”.

Points West Living, operated by Connecting Care, is one of Alberta’s leading providers of quality hospitality and care for seniors living in supportive living communities. Points West Living subscribes to the Eden Model of care, which encourages people to continue to be active, healthy, contributing members of their community. In Points West Living communities, seniors are encouraged to make daily lifestyle choices based on a wide variety of options. Residents decide when they rest, when they rise and when their suites are cleaned. Dining in communities with main dining rooms, residents can order from daily choices or a restaurant style menu. Most DSL residents live in cottages of 12 to 15 residents and meals are served family style at large dining room tables where, like a house or a family, everyone sits together and enjoys their meal, including staff.

Connecting Care is Alberta’s largest privately owned operator of supportive living residences, operating 30 seniors residences, including the seven Points West Living residences being acquired. Connecting Care manages over 1,500 professionally trained employees and over 2,100 supportive living and independent living suites. The acquisition of Connecting Care is expected to reduce costs to the Partnership by internalizing the management contracts with Portfolio facilities, and add the proceeds of thirteen third party seniors residence management contracts to the overall operating income. Points West Living and Connecting Care’s strong relationship with key stakeholders has led them to become a trusted operating partner of AHS.

In addition to the two properties currently under construction in Slave Lake and Red Deer, with respect to which the Partnership has recently executed letters of intent, certain vendors of the Points West Living Portfolio have successfully been awarded ASLI grants for three new projects in Lac La Biche, Cochrane and Wetaskiwin. The Partnership is in the process of negotiating an agreement with those vendors which is expected to provide the Partnership with, among other things, a right of first opportunity to acquire these new retirement residences upon stabilization. See “Item 2.7 – Material Agreements – Future Facilities Agreement”

The Partnership’s goal is to deliver stable returns to investors while leveraging operational improvements which is expected to unlock additional income over time. The Partnership intends to achieve its financial objectives by optimizing the current Points West Living Portfolio, to leverage Connecting Care’s vast network of relationships within the Alberta seniors housing industry to source additional management contracts and to expand the Points West Living Portfolio through acquisitions of stabilized properties.

## **2.2.1 Description of Connecting Care And the Relationship To Points West Living**

The executives of Connecting Care, who will be retained following the completion of the Acquisition have been responsible for, and will continue to be responsible for, the operation of the Points West Living Portfolio, as well as the development of the Points West Living brand, since inception. Points West Living, operated by Connecting Care, has become one of Alberta’s leading providers of quality hospitality and care for seniors living in supportive living communities by integrating hospitality, training and residential care services.

Points West Living subscribes to the Eden Model of care, which encourages people to continue to be active, healthy, contributing members of their community. In Points West Living communities, seniors are encouraged to make daily lifestyle choices based on a wide variety of options. Residents decide when they rest, when they rise and when their suites are cleaned. Dining in communities with main dining rooms, residents can order from daily choices or a restaurant style menu. Most DSL residents live in cottages of 12 to 15 residents and meals are served family style at large dining room tables where, like a house or a family, everyone sits together and enjoys their meal, including staff.

The Partnership believes that the acquisition of Connecting Care will reduce costs to the seven residences being acquired by internalizing the management contracts associated with the Points West Living Portfolio. In addition to the 7 existing PWL properties, Connecting Care provides management services to 23 third party seniors residences which will add to the overall operating income, as well as provide the possibility for future acquisitions. The acquisition of Connecting Care will also secure the continuing involvement of the current executive team, including Doug Mills, Georg Rath and Paul Melanson.

## **2.2.2 Types of Seniors Housing**

Points West Living offers two main types of seniors housing: (i) ISL suites; and (ii) DSL suites, as set out in further detail below.

### ***Independent Supportive Living***

ISL facilities typically offer the lowest level of care among the various seniors housing alternatives. The level of care provided in seniors housing facilities with ISL programs can range from no care or services at all, to assistance with meals, homemaking and mid-levels of personal care. ISL programs are private-pay, with residents typically entering into leases with the residence operators. Seniors housing featuring ISL programs generally offer residents a choice of studio or one- or two-bedroom suites with full or partial kitchens. In addition to accommodation and selected meal plan, ISL residents typically receive 24-hour response systems, social programs, housekeeping, laundry and transportation included in their total monthly fee.

### ***Supportive Living***

SL residences provides accommodation in a home-like setting, where people can remain as independent as possible while they have access to accommodation and services that meet their changing needs. SL residences provide residents additional assistance with daily living activities and medium to high levels of care, including assistance with tracking and administering medications, as well as more specialized care programs such as rehabilitation and memory care. SL serves the needs of a wide range of individuals ranging from seniors who require support services due to age, chronic conditions and frailty to young adults with mental health or physical disabilities. However, SL programs are generally required by seniors

that have more acute health needs, but do not yet require institutional long-term care. SL programs are often offered to residents within ISL communities, enabling residents to stay within the same community as their levels of health deteriorate and more intensive care is required. This allows residents to “age in place” within the same community, which is an appealing option for seniors (and their families) who do not want to undergo the stress and costs related to moving to another community.

SL accommodations vary by size, appearance and types of services provided. SL includes many different types of settings including but not limited to seniors lodges, group homes, mental health and DSL accommodations. These SL programs may be provided to residents in their own suite or in a separate area. Some provinces have specific government licensing or registration requirements for SL programs, and/or offer funding assistance for DSL programs. The SL programs offered in the Points West Living Portfolio are DSL programs and are funded by the Government of Alberta, through AHS. The term “Designated” means it is an SL facility that is operated in partnership with AHS.

There are four levels of DSL care offered in the Province of Alberta, which are categorized by the level of care required to be provided in the senior residence. The Points West Living Portfolio includes DSL suites which are categorized as level 3 and level 4.

#### *Supportive Living Level 3:*

The SL level 3 program (“**SL3**”) is for residents for whom living at home is no longer a safe option. This level of care provides residents with 24-hour access to a health care aide for personal care and support as well as continued professional care through their local home care program. SL3 care can be provided in various SL spaces, including lodges, supportive living facilities, or personal care homes. An AHS home care registered nurse would be required to assess a potential resident and identify a need for 24-hour personal care and support.

Most SL3 clients share certain characteristics, including but not limited to the following: medically stable, living with mild dementia with no known risk of wandering, not a risk to self or others, able to physically move independently or with a one-person transfer, experiencing increased care needs that cannot be scheduled, and able to use a call system to get help.

#### *Supportive Living Level 4:*

The SL level 4 program (“**SL4**”) is for individuals with a wide range of needs including adults with disabilities and seniors with complex and significant care needs. SL4 offers individuals and couples a care option that allows them to live with as much independence as their abilities allow.

SL4 clients typically have complex medical needs that are predictable and safely managed with onsite professional nursing and the direction of an AHS home care registered nurse. Most SL4 clients share certain characteristics, including but not limited to the following: chronic disease management, complex physical needs that cannot be met at home or an alternate supportive living space, and varying levels of dementia.

#### *Supportive Living Level 4 - Dementia:*

The SL level 4 dementia (Secure) residences (“**SL4D**”) are for individuals with moderate to severe dementia, who may have a high risk of wandering and unpredictable behaviours but who are not a safety risk to themselves or others. Dementia Cottages provide care as residents move through the later stages of dementia or other forms of cognitive impairment. Dementia Cottages have private bedrooms and shared kitchen, living room, bathroom, laundry room and courtyard spaces. Individuals with dementia experience less severe behavioural symptoms in these environments.

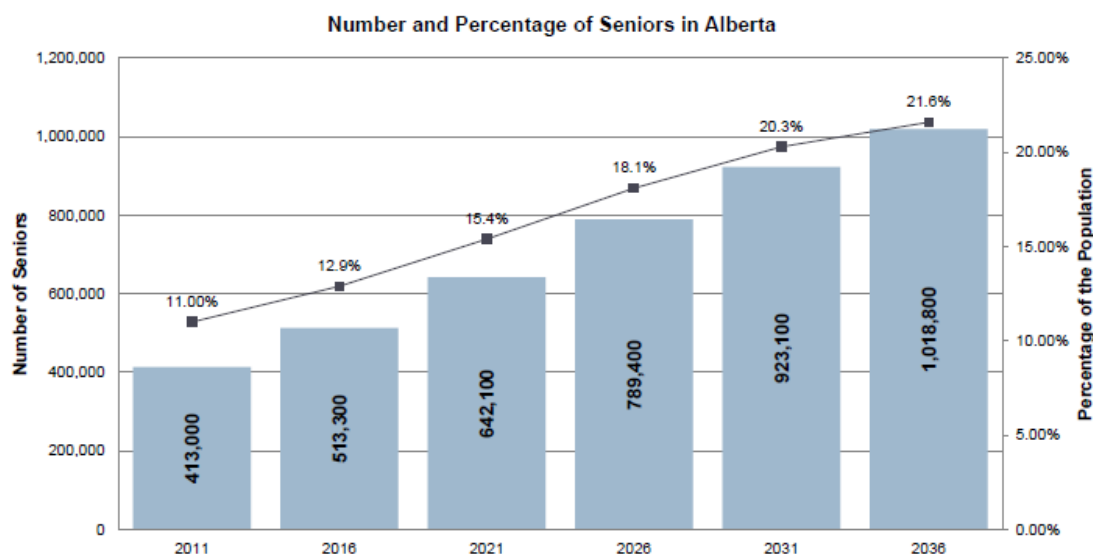
### **Trends Impacting Seniors**

The following trends are expected to impact the projected demand for seniors housing, as well as the types and quality of seniors housing that will be required to meet evolving needs and preferences in the market:

*The ‘Baby Boom’ Generational Cohort:* The current demand for seniors housing is primarily driven by Canadians that are over 75. Between 2011 and 2031, the population of Canadian seniors over 75 is expected to increase by a compound annual rate of 3.5%, while the total population is expected to increase by a compound annual rate of 1.0% over the same period. This dramatic increase in the over 75 seniors’ cohort is expected to create significant new demand for seniors housing and specialized care programs.

*Health and Increasing Life Expectancy:* Recent advancements in medicine and technology and better lifestyle choices have led to Canadians in general living longer (the average life expectancy of Canadians increased from 71.1 years in 1960 to 81.2 years in 2009). Anecdotally, this factor has the potential to initially delay senior's requirement for retirement accommodation (reduce demand), however in the long-run, this phenomenon is expected to extend the average length of stay of residents in seniors housing and care properties and as a result increase the overall demand.

*It is projected that there will be more than one million seniors, or about one in five Albertans by 2036*



Source: Statistics Canada, Population Projections for Canada, Provinces and Territories 2010 – 2036 at <http://www.seniors.alberta.ca/documents/Seniors-Profile-2010.pdf>.

*Changing Lifestyle Preferences:* As the lifestyle and accommodation expectations of Canadian seniors and their children rise, demand is increasing for seniors housing that are modern, aesthetically pleasing and built with amenities that seniors have come to expect.

*Affordability of Seniors Housing:* Seniors who move into seniors housing generally fund the cost of living in such a community by selling their existing home, through income generated from savings or pensions and, in some cases, through assistance from their children and other family members. In the province of Alberta, the care component is funded by AHS. The rental component that the resident is expected to pay is charged based on provincial regulations, and there are affordability programs currently being offered by the Government of Alberta that will supplement a resident's income in order to be able to pay rent and have funds remaining.

### 2.2.3 Sector and Market Demographics

#### *Alberta Market Information*<sup>(1)</sup>

- The 2014 population of Alberta is 4,121,692 and is expected to grow by 2.0% over the next ten years compared to 1.6% growth for Canada
- Alberta's economy makes up approximately 20% of the total gross domestic product of Canada at \$320 billion; making it the second largest contributor to Canada's total gross domestic product. The economy has primarily been driven by the energy sector, with a notable shift towards the services and knowledge sectors focusing more on technology and the sciences.
- The median wage of Albertan families is \$94,460 compared to the Canadian median family wage of \$74,540.

- The total number of people aged 65 and over is expected to more than double by 2041 or 1.17 million people under the medium forecast scenario (18.9% of the population). That number ranges between 1.15 million or 17.5% of the population under a low forecast scenario to 1.29 million or 21% of the population under a high forecast scenario. In 2013, 11.2% of the population is aged 65 years or older. It is projected that about one in five Albertans will be a senior.

Note:

- (1) Source: Alberta Treasury Board and Finance; “Population Projection for 2014 to 2041”, July 15, 2014 at <http://finance.alberta.ca/aboutalberta/population-projections/2014-2041-alberta-population-projections.pdf> and Alberta Health; “Aging-Population-Framework”, November, 2010 at <http://www.seniors.alberta.ca/documents/Aging-Population-Framework-2010.pdf>

### ***CBRE Feasibility Studies***

The Partnership retained CBRE Limited Valuation and Advisory Services (“**CBRE**”), an industry leader in senior housing market feasibility studies and appraisals to prepare feasibility studies for the Properties, dated January 21, 2015 (the “**Feasibility Studies**”). The methodology included an analysis of the demand for ISL/DSL retirement housing within the primary market area (“**PMA**”), an analysis of the existing and proposed competitive supply, followed by the calculation of the ISL/DSL demand supply ratio (“**DSR**”) to confirm whether market conditions support the long-run stabilization of the Points West Living Portfolio residences. The DSR is the ratio of qualified demand to net weighted competitive supply in the PMA. CBRE recommends that the DSR be at least 2.0 to support the Properties, including the suites within the Properties. A DSR of at least 2.0 means there would need to be at least twice as many qualified seniors over the number of comparable retirement suites in the PMA.

For each individual property, CBRE calculated the DSR under two scenarios: (1) assuming that all of the suites were private-pay and not participating under the AHS DSL program, and (2) reflecting the current operations of the Properties with only 10 the existing suites being private-pay suites.

#### *Scenario A: All Suites are Private-Pay*

This scenario assumes that all of the suites are private-pay and are not funded by AHS through the DSL program. This permits the undertaking of CBRE’s standard ISL/DSL feasibility analysis using market driven metrics. This a very conservative approach as 81% of the current Points West Living Portfolio is included in the AHS DSL program. The DSL program provides subsidies to lower-income seniors and may permit younger adults with care needs to reside in the Properties (compared to the typical analysis which solely looks at seniors aged 75 years and older).

Under this scenario, the results were as follows:

<b>Residence</b>	<b>Number of Suites</b>	<b>Rate (\$)</b>	<b>PMA Radius (km)</b>	<b>2014 DSR</b>	<b>2017 DSR</b>
Cold Lake	52	\$1,839	48.7	1.92	2.16
Lloydminster	60	\$1,839	18.1	2.07	2.20
Peace River	53	\$1,839	26.1	2.00	2.19
Stettler	104	\$2,050	38	1.97	2.06
Century Park	40	\$1,839	26.2	2.03	2.14
Heritage House	60	\$1,839	26.2	2.03	2.14
Wainwright	91	\$1,839	29.4	1.86	2.03

#### *Scenario B: Existing Private-Pay Suites*

This scenario reflects the current and anticipated ongoing operation of the Properties. Therefore, in this scenario there are only 10 current private-pay suites with the balance of the suites participating under the AHS DSL program.

Under this scenario, the results were as follows:

Residence	Number of Suites	Rate (\$)	PMA Radius (km)	2014 DSR	2017 DSR
Cold Lake	52	\$1,839	48.7	4.05	4.54
Lloydminster	No IL suites				
Peace River	53	\$1,839	26.1	4.14	4.51
Stettler	104	\$2,050	38	5.83	6.08
Century Park	No IL suites				
Heritage House	60	\$1,839	26.2	3.16	3.32
Wainwright	91	\$1,839	29.4	5.30	5.75

### Conclusion

The Feasibility Studies indicate that there should be a strong demand for the limited number of private-pay suites. This conclusion is supported by the current waiting list for such private-pay suites at the various Properties. In its Feasibility Studies, CBRE further forecasted that the qualified demand would grow by an average of approximately 50% over the next ten years.

#### 2.2.4 Government Funding

Canada's first province-wide, fully integrated health system, was formed on May 15, 2008, by the Alberta Ministry of Health and Wellness. Through the Affordable Supportive Living Initiative, the Government of Alberta provides funding to develop affordable supportive living spaces in the province. Currently, AHS funds about 23,200 continuing care beds including 14,300 long-term care beds and 8,900 Designated Supportive Living beds. This government-backed funding greatly offsets the labour cost of providing additional care to high need residents.

The amount of funding received by operators of SL residences is based on the four levels of DSL care offered in the Province of Alberta. Once a suite achieves DSL status, AHS will assign qualified residents to that room based upon their perceived level of need. All residents pay the residential portion of their living costs. Once a resident is placed in DSL, the rent is charged based on provincial guidelines. If the suite remains empty, the facility will generally continue to receive the allocation funding.

In support of the province's Continuing Care Strategy, the province provides capital grant funding to assist operators to develop new affordable supportive living spaces and operating grants to seniors residences to keep the rental rate affordable for eligible lower-income residents.

The government also provides income and health-related supports to eligible low-income Albertans through a variety of programs.

#### 2.2.5 Key Investment Highlights

Management believes that the following describes the key investment highlights of the Partnership, the Points West Living Portfolio and Connecting Care:

- **Current generation, government-funded DSL care and private-pay seniors housing portfolio.** The Partnership will own an attractive portfolio of DSL care and private-pay seniors residences in Alberta, Canada. These residences are current generation, with an average age of 6 years.
- **Government Support.** AHS and PNHR fund supportive living services for 313 and 60 of the Points West Living Portfolio's DSL suites, respectively, which account for 81% of the total number of suites. Wainwright, Stettler, Peace River, Lloydminster, Cold Lake and the two properties, Red Deer and Slave Lake, under development and under negotiations in the "Future Facilities Agreement", were awarded \$31,948,000 in government development grants. The Points West Living vendors were recently awarded grants for three additional residences, in the aggregate amount of \$11,040,000.



- **Barriers to entry.** There is a requirement to be an approved operator in order to receive government contracts and licences to own, operate and acquire seniors housing residences in Alberta. Connecting Care is one of 80 approved operators in Alberta. DSL residences have become increasingly regulated over the past several years. The sophistication and accountability surrounding care plans and financial reporting to AHS makes it difficult for new entrants into the market. The availability of government grants and funding is a critical component for maintaining competitive pricing in Alberta's high wage environment. Management has a long track record of securing government DSL funding and will continue to use this competitive advantage moving forward
- **Management Track Record.** Points West Living will have an strong management team that specializes in the consolidation, development, and operations of seniors residences. Doug Mills, the Chief Executive Officer, has over 20 years of seniors housing experience and is the president of the Alberta Senior Citizens Housing Association. Steve Suske, the Chair, has led and advised over \$4 billion in M&A transactions and is the founder of Chartwell Retirement Residences and Regal Lifestyle Communities Inc, both listed on the TSX.
- **Attractive Investor Returns** The Points West Living Portfolio is expected to provide investors with a target IRR of approximately 19%, a target annualized return of approximately 24%, and a targeted total return of approximately 121%. The Limited Partnership is expected to have the ability to pay the 8% annual First Priority Return from existing cash flow of the Points West Living Portfolio and Connecting Care. The achievement of these returns is dependent on a number of factors and assumptions including the Partnership's ability to sell assets with a net operating income of approximately \$10.022 million at a 7.5% capitalization rate in the expected timeline of five years, the ability of the Partnership to increase profit margins through increasing revenue at an expected rate of approximately 3% per year and by limiting expense increases to approximately 2.7%.
- **Alignment of Interests.** The Partnership intends to pay a "First Priority Return" of 8% annual yield (paid quarterly). The General Partner will only be entitled to receive its GP Catch-Up Return, being 25% of the aggregate 8% First Priority Return paid to Unitholders, after Unitholders have received distributions in an amount equal to their aggregate Capital Contribution and provided the 8% First Priority Return payable to Unitholders is current. See "Item 2.7.1 – Partnership Agreement – Allocation of Net Income" for a full description of the distribution waterfall.
- **Platform for growth.** The Partnership has executed letters of intent to acquire two residences currently under construction in Red Deer and Slave Lake. In addition, certain vendors of the Points West Living Portfolio have successfully been awarded ASLI grants for three new projects in Lac La Biche, Cochrane and Wetaskiwin. The Partnership is in the process of negotiating an agreement with those vendors which is expected to provide the Partnership with, among other things, a right of first opportunity to acquire these new retirement residences upon stabilization. See "Item 2.7 – Material Agreements – Future Facilities Agreement"
- **Exit potential.** The opportunity to consolidate the Points West Living Portfolio with other seniors residences which may be acquired pursuant to the Future Facilities Agreement, including Red Deer and Slave Lake (currently under letter of intent), and through other third party acquisitions may provide the potential for a meaningful exit when sold. The Partnership is currently targeting a sale within a three to five year from the Acquisition Closing.
- **Strong internal management and governance.** The Partnership is expecting to acquire Connecting Care, the existing operators of the Points West Living Portfolio. This will ensure that management is fully internalized, and will ensure that key managers, who have extensive experience in the Alberta seniors housing industry are retained. Furthermore, the Administrator will add depth of experience in seniors housing, finance, asset management and other key fields.
- **Industry relationships.** The management and directors of the Partnership have cultivated relationships both within the Alberta seniors housing market and on a national level, with owners, operators, developers, and with government agencies. The Partnership anticipates that these relationships will enable it to grow the business, through new management contracts and potential acquisitions.

- **Demographic Trends.** According to Statistics Canada, the population of seniors age 75 years and older in Canada, the primary demand group for seniors housing accommodations, is expected to grow by 105.2% between 2012 and 2032, while the total population of Canada is expected to increase by 21.6% over the same period. The baby boomers, who were born between 1946 and 1965, accounted for almost a quarter of Alberta's population in 2013. The number of Albertans aged 80 years and older will more than triple from the current level 116,800 in 2013 to about 387,600 by 2041. Currently, there is an unmet demand of approximately 3,000 continuing care suites in the Province of Alberta with estimates that a further 7,000 continuing care suites will be required by 2021.

## 2.2.6 Government Regulation

Supportive living operators are responsible for complying with provincial legislation, including the *Supportive Living Accommodation Licensing Act* and regulations as well as provincial accommodation standards. An operator or home care agency that provides publicly funded health and personal care services is also responsible for complying with the *Continuing Care Health Service Standards*. Other applicable legislation, regulations, bylaws and rules established by municipalities and the federal and provincial governments must also be adhered to.

The Alberta government sets provincial accommodation standards for supportive living, and monitors compliance to those standards through annual site inspections. The standards help to ensure that supportive living settings and the services provided in those settings promote residents' safety, security and quality of life.

All licensed supportive living settings, such as seniors lodges, group homes and DSL accommodations are inspected at least once a year to ensure that they are fully compliant with provincial accommodation standards. Provincial accommodation standards apply to accommodations and related services such as meals, housekeeping, facility maintenance and areas that impact a resident's safety and security. The Alberta government has the authority to investigate complaints of non-compliance with the legislation, and has a number of enforcement mechanisms that it can employ in situations where an operator continually fails to meet accommodation standards or if the residents are in danger.

The Alberta government also sets standards for publicly funded continuing care health services, and monitors providers to ensure they provide quality continuing care health services that take into consideration the individual needs, preferences and abilities of each resident. The *Protection for Persons in Care Act* is a key piece of legislation that promotes the safety and well-being of adult Albertans who receive care or support services from publicly funded service providers.

## 2.2.7 The Properties

On or about Closing, the Partnership will acquire seven income-producing seniors residences comprising approximately 460 suites located in Alberta being the Points West Living Portfolio. These residences have a weighted average age of approximately 4.5 years. All units are fully sprinklered and are in compliance with government regulations and building codes.

Facility	Address	# of Suites
1. Peace River	11011 – 99 Street, Peace River, Alberta	53
2. Cold Lake	512 – 25 Street, Cold Lake Alberta	52
3. Stettler	4501 – 70 Street, Stettler, Alberta	104
4. Lloydminster	4025 – 56 Avenue, Lloydminster, Alberta	60
5. Wainwright	2710 11 <sup>th</sup> Avenue, Wainwright, Alberta	91
6. Century Park	4613 – 50 Street, Vegreville, Alberta	40
7. Heritage House	4570 Maple Street, Vegreville, Alberta	60
<b>Total Number of Suites</b>		<b>460</b>

***Points West Living Portfolio Breakdown***

<b>Room Type</b>	<b>Room Program</b>	<b>Room Quantity</b>	<b>Average Size (sq. ft.)</b>	<b>Rates/Suites<sup>(1)</sup></b>
Studio with AHS Funding	DSL	271	308	\$1,899
Studio with PNHR Funding	DSL	55	425	\$1,894
1-Bedroom with AHS Funding	DSL	39	560	\$1,897
1 Bedroom with PNHR Funding	DSL	5	550	\$1,894
Bariatric suites with AHS Funding	DSL	2	440	\$1,894
2-Bedroom with AHS Funding	DSL	1	775	\$2,272
Studio	ISL	21	441	\$2,032
1-Bedroom	ISL	39	612	\$1,937
2-Bedroom	ISL	23	891	\$2,149
Life Lease	ISL	4	822	\$815
<b>Total</b>		<b>460</b>		
<b>Average</b>			<b>413</b>	<b>\$1,968</b>

Note:

(1) The rates provided are June 2015 projected rates.

### 2.2.8 Description of the Properties

#### 1. Peace River – 11011 – 99 Street, Peace River, Alberta

Peace River is a two-storey building with a partial basement that serves the Town of Peace River and surrounding communities. This residence opened in 2013 and contains 53 suites. 38 of these suites are DSL studios, 11 are ISL studios, and 4 are DSL one-bedrooms. Neighborhood amenities include a hospital and community health centre, shopping centre, parks, and churches. AHS provides DSL funding for 42 residents living at Peace River. This residence has 44 surface parking spots, one elevator, and is fully sprinklered. Living spaces and amenities include a private dining room, a large multi-purpose room, a spa room, an exercise room, a hair salon and a guest suite.

#### 2. Cold Lake – 512 – 25 Street, Cold Lake Alberta

Cold Lake is a two-storey building that serves the Town of Cold Lake and surrounding communities. This residence opened in 2013 and contains 52 suites. 39 of these are DSL studios, 9 are ISL studios, 3 are DSL one-bedrooms, and 1 is an ISL one-bedroom. Neighborhood amenities include a hospital, parks, churches, shopping, and professional offices. AHS provides DSL funding for 42 residents living at Cold Lake. This residence has 27 surface parking spots, one elevator, and is fully sprinklered. Living spaces and amenities include a dining room, a large multi-purpose room, pet support, an exercise room, an activity lounge and a guest suite. There is also an opportunity for a 32-suite expansion on the existing Cold Lake site.

#### 3. Stettler – 4501 – 70 Street, Stettler, Alberta

Stettler is a two-storey building that serves the Town of Stettler and surrounding communities. This residence opened in 2013 and contains 104 suites. 80 of these are DSL studios, 12 are ISL studios, 6 are DSL one-bedrooms, 2 are DSL bariatric suites, and 4 are ISL two-bedrooms. Neighborhood amenities include a hospital, parks, churches, library, museum, recreational centre, shopping centres, and professional offices. AHS provides DSL funding for 88 residents living at Stettler. This residence has 64 surface parking spots, one elevator, and is fully sprinklered. Living spaces and amenities include a dining room, a large multi-purpose room, a spa room, fitness centre, a hair salon and a guest suite. There is also an opportunity for further growth at Stettler through a 90 suite expansion on an adjacent 3 acre property.

#### 4. Lloydminster – 4025 – 56 Avenue, Lloydminster, Alberta

Lloydminster is a single-storey building serving the City of Lloydminster and surrounding communities. This community opened in 2008 and contains 60 suites. 55 of these suites are DSL studios, and 5 are DSL one-bedrooms. Neighborhood amenities include a hospital, parks, recreational centre, churches, shopping, and professional offices. PNHR provides DSL funding for all 60 residents at Lloydminster. This residence has 30 surface parking spots, no elevators, and is fully sprinklered. Living spaces and amenities include dining rooms, a multi-purpose room, a spa room, a hair salon, outdoor patio, and a guest suite.

#### 5. Wainwright – 2710 11<sup>th</sup> Avenue, Wainwright, Alberta

Wainwright is a four-storey building that serves the town of Wainwright and surrounding communities. This community opened in 2010 and contains 91 suites. 55 of these are DSL studios, 4 are DSL one-bedrooms, 10 are ISL one-bedrooms, 18 are ISL two-bedrooms, 2 are life lease one-bedrooms, and 2 are life lease two-bedrooms. Neighborhood amenities include a hospital, recreational centre, parks, churches, shopping centre and professional offices. AHS provides DSL funding for 59 residents living at Wainwright. This residence has 42 underground and 7 surface parking spots, two elevators, and is fully sprinklered. Living spaces and amenities include a dining room, a library, a spa room and an underground parkade.



## **6. Century Park – 4613 – 50 Street, Vegreville, Alberta**

Century Park is a single-storey building serving the town of Vegreville and surrounding communities. This residence opened in 2005 and contains 40 DSL studios. Neighborhood amenities include a hospital, parks, churches, shopping centres, and professional offices. AHS provides DSL funding for all 40 residents living at Century Park. This residence has 28 surface parking spots, no elevators, and is fully sprinklered. Living spaces and amenities include dining rooms, a multi-purpose room, a spa room as well other unique common spaces. There is potential for a 14-suite expansion on the existing site.

## **7. Heritage House – 4570 Maple Street, Vegreville, Alberta**

Heritage House is a one-storey building that serves the town of Vegreville and surrounding communities. This residence opened in 2000 and had a 16 suite expansion in 2013 for a total of 60 suites. 19 of these are DSL studios, 1 is an ISL studio, 22 are DSL one-bedrooms, 16 are ISL one-bedrooms, one is a DSL two-bedroom, and 1 is an ISL two-bedroom. Neighborhood amenities include a recreational centre, churches, shopping centres, and professional offices. AHS provides DSL funding for 43 residents living at Heritage House. This residence has 73 surface parking spots, and is fully sprinklered. Living spaces and amenities include a dining room, a large multi-purpose room, a spa room and a number of activity areas throughout the building.

### **2.2.9 Independent Appraisals, Environmental and Property Condition Reports**

#### **Independent Appraisals**

The Administrator retained CBRE, on behalf of the Partnership, to prepare an appraisal report (the “**Appraisal**”) in respect of the market value of the Properties, as at the effective date of December 31, 2014.

The estimated market value of the Points West Living Portfolio was determined using an income approach. Based on CBRE’s survey of market participants and its understanding of the investment market for seniors housing and care properties, the “Direct Capitalization Method” is most commonly relied upon by purchasers and vendors to make a determination of the value of a property.

This valuation approach considers capitalization rates derived from transactions involving properties comparable to the Properties, in order to determine on a relative risk adjusted basis, the most appropriate rate of return required for an investor should they be evaluating the Properties. This capitalization rate is applied to a stabilized single-year estimate of net operating income to determine market value. Should the valuation premise be based on the property ‘as-is’ as opposed to the property on a stabilized basis, adjustments may be considered to the extent that the Properties currently exhibit a level of occupancy which is less than the estimated level of long-term stabilized occupancy for the property.

In completing this analysis CBRE has (i) reviewed the investment characteristics of the Points West Living Portfolio; (ii) completed a review of the North American investment market for seniors housing and care properties; (iii) surveyed a variety of market participants as to factors that typically support a portfolio premium and particularly for a portfolio of the Points West Living nature; and (iv) reviewed recent portfolio offerings and transactions.

Based on the appraisal of the Properties prepared on a stand-alone basis, the Properties have an aggregate market value of \$83.7 million when valued using standardized market assumptions. The market value of the Points West Living Portfolio as a whole is to be considered, requiring an analysis of a portfolio premium or discount to the aggregate individual property market values. CBRE is of the opinion that there is sufficient liquidity and competition for high quality assets in the marketplace that purchasers would pay a premium to acquire an assembled portfolio of assets, and that for the Points West Living Portfolio, a fair premium would adjust the purchase price in the order of 5% to 10%.

The Administrator, on behalf of the Partnership, has represented to CBRE that it has entered into an agreement with the Points West Living Vendors to reorganize the ownership and acquire an interest in the Points West Living Portfolio for a gross adjusted purchase price of \$90.5 million. This adjusted purchase price implies a premium of approximately 8.1% over CBRE’s aggregate appraised value of the Properties prepared on the premise of a stand-alone, stabilized basis of \$83.7 million.

### Summary Appraisal Chart

The chart below summarizes the findings of CBRE with respect to the appraised value of the Properties and the premiums appraised value for the Points West Living Portfolio.

Property	CBRE Appraisal Net Operating Income	Capitalization Rate	Stand-Alone Appraised value <sup>(1)</sup>	Capitalization Rate	Portfolio Premium Appraised Value
Peace River	\$806,000	7.75%	\$10,402,000	7.17%	\$11,245,000
Cold Lake	\$919,000	7.75%	\$11,863,000	7.17%	\$12,867,000
Stettler	\$1,443,000	7.75%	\$18,618,000	7.17%	\$20,111,000
Lloydminster	\$1,244,000	7.75%	\$16,050,000	7.17%	\$17,408,000
Wainwright	\$1,274,000	7.75%	\$16,435,000	7.17%	\$17,732,000
Century Park	\$288,000	7.75%	\$3,718,000	7.17%	\$4,001,000
Heritage House	\$515,000	7.75%	\$6,641,000	7.17%	\$7,136,000
<b>Total</b>	<b>\$6,489,000</b>		<b>\$83,727,000</b>		<b>\$90,500,000</b>

Note:

- (1) The Appraisals are based on a projected stabilized occupancy, and adjustments were made where management forecasts differed from CBRE's view of market expenses.

### Environmental Site Assessments

Each of the Properties was subject to a Phase I environmental site assessment report (the "ESA"), conducted by an independent professional consulting engineering firm with extensive experience in environmental services. The purpose of the Phase I environmental site assessments was to identify any potential or actual contamination at each of the Properties that might pose a hazard to humans or the environment, or which may have a significant impact on the value of the Properties. The Phase I environmental site assessments were conducted in accordance with the Canadian Standards Association's standard for phase I environmental site assessments. The ESAs were dated between January 22, 2015 and January 23, 2015.

The ESAs did not identify any material environmental issues that exist with respect to the Properties. Furthermore, the ESAs did not recommend conducting any Phase II environmental site assessments on any of the Properties.

### Property Condition Assessments

Property condition assessment reports ("PCA Reports") have been prepared for each of the Properties by an independent engineering firm for the purpose of describing the condition of each of the Properties and providing recommendations regarding repair work that is required within the next five years. The PCA Reports were dated January 23, 2015. The PCA Reports were based on visual surveys without intrusions, exploratory probing or the use of special equipment. The PCA Reports recorded deficiencies or conditions which were likely to require capital expenditures above those normally associated with routine maintenance in the next five years. Capital expenditures were defined as those which exceed an annual threshold of \$5,000, excluding regular maintenance, upgrades and improvements.

The following table summarizes the recommended capital expenditure requirements for the Properties over the next five years, identifying work to be funded by certain Points West Living Vendors and work to be funded by the Partnership.

	<b>Immediate</b>	<b>Year1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>	<b>Total</b>	<b>Average</b>
Points West Living Inc. <sup>(1)</sup>	Nil	97,000	Nil	Nil	Nil	Nil	97,000	16,167
Holdback <sup>(2)</sup>	320,000	Nil	Nil	Nil	Nil	Nil	320,000	53,333
<b>Total Points West Living Inc.<sup>(1)</sup></b>	<b>320,000</b>	<b>97,000</b>	<b>Nil</b>	<b>Nil</b>	<b>Nil</b>	<b>Nil</b>	<b>417,000</b>	<b>69,500</b>
Partnership	Nil	Nil	70,000	115,000	55,000	330,000	570,000	95,000
<b>Total Capital Expenditures</b>	<b>320,000</b>	<b>97,000</b>	<b>70,000</b>	<b>115,000</b>	<b>55,000</b>	<b>330,000</b>	<b>987,000</b>	<b>164,500</b>

Notes:

- (1) Points West Living Inc., being one of the Points West Living Vendors, is required to complete Year 1 capital expenses prior to the Acquisition Closing.
- (2) Based on the recommendations in the PCA Reports, the Partnership negotiated with the Points West Living Vendors, (i) a holdback in the amount of \$170,000 for the purposes of replacing the roof at Heritage House in the first year of operations following the closing of the Acquisition, and (ii) a holdback in the amount of \$75,000 for the purposes of replacing the roof at Peace River in the first five years of operations following the closing of the Acquisition. See “Item 2.7.2 – Acquisition Agreement”.

Based on the PCA Reports, and subject to completion of any recommended work to be completed immediately, the Partnership believes that each of the Properties is in good or fair condition for its age and use.

The Partnership has budgeted for expenditures consistent with the recommendations set out in the PCA Reports and estimates that approximately \$667,000 will be spent over the next five years in respect of capital expenditures above those normally associated with routine maintenance, amounting to an average of approximately \$133,400 per annum.

## **2.2.10 Description of Management**

The Partnership will be led by the existing experienced internal management team of Connecting Care, with the addition of John Cathrae as Chief Financial Officer. The management team will include Doug Mills as Chief Executive Officer, Georg Rath as Vice President, Operations, John Cathrae as Chief Financial Officer and Paul Melanson as Vice President, Human Resources and Administration.

### ***Board of Directors***

The Partnership Agreement will provide that the board of directors of the General Partner (being the board of directors of PWL GP Inc., the general partner of Points West Living GP Limited Partnership) (the “**Board**”) will be comprised of seven directors, one of whom will be a nominee of Suske Capital Inc. and initially be Steve Suske; one of whom will be a nominee of SFT Sussex Holdings Limited and initially be Aurele Simourd; two of whom will be nominees of PDG Hospitality and initially be Doug Mills and Doug Murphy; two of whom will be nominees of Muir PWL Inc. and initially be Richard Muir and Gerald Noble and one of whom will be a nominee of the Agent and initially be Devon Cranson. The Chair of the Board will be Steve Suske so long as he is a director of the Board.

### ***Committees of the Board of Directors***

The Board will initially establish an Audit Committee and an Investment Committee. The Board does not have (and does not currently intend to have) any other standing committees.

### ***Audit Committee***

The Board will have an Audit Committee that will consist of three directors, initially being Aurele Simourd, as Chair, Doug Murphy and Gerald Noble. It is expected that the Audit Committee will, among other things, supervise the quality and integrity of the Partnership's financial statements, review its accounting policies and practices as well as the adequacy and effectiveness of the Partnership's internal controls and procedures. More specifically, it is expected that the Audit Committee's responsibilities will include: (i) reviewing the Partnership's procedures for internal control with the Partnership's auditors and Chief Financial Officer; (ii) reviewing and approving the engagement of the auditors; (iii) reviewing annual and quarterly financial statements and all other material disclosure documents, including the Partnership's annual financial statements; (iv) assessing the Partnership's financial and accounting personnel; (v) assessing the Partnership's accounting policies; (vi) reviewing the Partnership's risk management procedures; and (vii) reviewing any significant transactions outside the Partnership's ordinary course of business and any pending litigation involving the Partnership.

### ***Investment Committee***

The Board will have an Investment Committee that will consist of four directors, initially being Doug Mills, as Chair, Steve Suske, Richard Muir and Devon Cranson. The Investment Committee will recommend to the Board whether to approve or reject proposed transactions, including proposed acquisitions and dispositions of residences, borrowings (including the assumption or granting of any mortgage), the provision of debt or equity financing to parties with which the Partnership will have strategic relationships in respect of development projects and the acquisition of development projects that have reached a specified stabilized occupancy level.

### ***Board of Directors and Management***

Stephen (Steve) Suske Chair of the Board of Directors	For the last five years Steve has acted as President and CEO of Suske Capital Inc., a Canadian private equity firm with a focus on real estate, emerging technology and renewable energy. Steve is the founder of Chartwell Seniors Housing REIT and Regal Lifestyle Communities Inc., both listed on the Toronto Stock Exchange. Since 2003, he has developed over 50 retirement residences through his roles as President and CEO of Spectrum Seniors Housing Development Corporation and as Chair of MTCO Holdings Inc. He is a passionate advocate of public policy around seniors housing and care.
Aurele Simourd Vice-Chair of the Board of Directors	For the last year Aurele has acted as the President and CEO of Sussex Retirement Living. Aurele brings over 40 years of experience in commercial lending, consulting, real estate development and ownership. Aurele has loaned over \$2 billion for commercial real estate projects across a variety of industries, including healthcare. On a personal note, Aurele's mother was diagnosed with Lewy body dementia. This firsthand understanding of the disease and current care options fuel his passion to develop person-centered Memory Care facilities.
Doug Mills Chief Executive Officer and Director	Doug Mills and his partners have been involved in seniors housing with supportive living and assisted living projects since 1994. Doug is the Past President, Executive Member with the Alberta Seniors Communities & Housing Association (ASCHA). With ASCHA Doug continues to Co-Chair two important Provincial Health Service Collaborative Committees. With ASCHA, Doug has participated in Provincial Steering Committees in Supportive Living, Health Care Aide Education and Health Services. Doug was born in Winnipeg, grew up in Montreal and came to Alberta in 1975. After college, Doug worked in the hospitality industry including management of hotels, hotel chains, restaurant chains and contracted food services prior to entering the seniors supportive living industry.
Devon Cranson Director	Devon Cranson is the President and Founder of Cranson Capital Securities Inc., an exempt market dealer which raises capital for real estate and high growth businesses from accredited investors. Cranson Capital Securities is a 4-time winner of the Private Capital Markets Association's Deal of the Year Award and recently ranked 49th on the Profit 500 fastest growing companies in Canada. Devon is also the Founder of Cranson Capital Solutions Inc., a boutique investment banking firm which focuses on assisting entrepreneurial businesses with debt advisory and M&A services. Devon acts as the General Partner for two downtown Toronto condo developments, and is a board observer



	to a high growth technology company in Toronto. Devon is a Chartered Public Accountant (CPA), Certified Management Accountant (CMA) and a licensed Mortgage Agent. Devon is a member of the Society of Management Accountants, the Association for Corporate Growth (ACG), the Private Capital Markets Association (PCMA) and the National Exempt Market Association (NEMA).
Doug Murphy Director	Doug Murphy has blended his training as a Certified General Accountant with his involvement in real estate development, construction management, asset management, marketing, strategic planning and acquisitions and mergers. He has been in the Seniors Housing and Care industry since 1990 holding positions of Vice President, Chief Financial Officer, Executive Vice President and Chief Executive Officer of various organizations including Chartwell Seniors Housing REIT. Doug has contributed to the development of various continuing care, assisted living and seniors support funding models and methodologies as well as their accountability and reporting systems in Alberta and British Columbia. Since 2003 Doug has acquired and divested various types of seniors housing and care facilities for clients in Western Canada with sale values in excess of \$500 million. Doug is currently the CEO of Shasta Seniors Living Ltd. Doug is a consultant working with the Asset Manager, Points West Living and Connecting Care.
Richard Muir Director	Richard Muir is an entrepreneur and philanthropist with a successful history in the trucking and logistics industries. He was a fourth generation owner of a small local trucking company under whose guidance the company grew 3,000-fold over a period of 25 years to be among the largest privately held national carriers in Canada. In 2006, Richard sold his company interests to a private equity firm. Since “retiring”, Richard has been involved with several new successful business ventures including property development, automotive dealerships and leasing and lending activities. He is also active with several charitable endeavors and is currently guiding a family charitable foundation. Moreover, Richard is also a knowledgeable and active investor in the senior’s retirement industry. He currently serves as Chairman of the Board for The Shores of Port Credit, a large development project that includes a 300 unit retirement and seniors living complex in Mississauga, Ontario. Over the past nine years Richard served as trustee on the Board of Governors for Tyndale University College & Seminary in Toronto. Finally, as a lawyer, Richard is also a member of the Ontario Bar Association.
Gerald (Gerry) Noble Director	Gerald (Gerry) Noble is a business consultant with an executive background in the media and entertainment industries serving in various corporate and operational roles from 1985-2009. As CEO, Gerry successfully developed and operated media operations in the US, Canada, Australia, Ireland and New Zealand. Gerry currently manages a portfolio of investments and continues to develop and evaluate new opportunities for investors including opportunities in the senior’s retirement industry. Gerry is the CEO of The Shores of Port Credit, a large development project that includes a 300 unit retirement and seniors living complex in Mississauga, Ontario. Gerry, a CPA, CA serves as a member of the Board of Trustees and as Chairman of the Finance Committee for the University of Trinity College at the University of Toronto.
John Cathrae Chief Financial Officer	For the last year, John Cathrae has acted as the CFO of Sussex Retirement Living. His daily responsibilities include financial modelling, review of financial performance, strategy for growth and other general duties. Before Sussex John spent 16 years as the Vice-President of Mask Management Consultants Limited, a company that has provided services for financial institutions such as banks, life insurance companies, pension funds and the Canadian Mortgage Housing Corporation.
Georg Rath Vice President, Operations	Georg Rath and his partners formed PDG Hospitality Corp in 1990 and have been involved in seniors housing with supportive living and assisted living projects since 1994. Georg trained as a chef in Germany and brings 35 years of hospitality experience to the Partnership. He has cruised with Norwegian American Cruises and worked in many hotels and high-end restaurants. Georg loves working with seniors and is a strong advocate of the Eden philosophy of seniors living.
Paul Melanson Vice President, Human Resources and Administration	Paul Melanson and his partners have been involved in seniors housing with supportive living and assisted living projects since 1994. Along with overseeing accounting and administration staff, Paul develops operational software to enhance income and expense tracking, generate financial statements and management reports. Paul is active in the

	seniors housing industry and participates in a number of Provincial Steering Committees including the Resident Based Funding and Human Resources Committees.
Ken Craig Promoter and Guarantor	Ken has spent the last 3 years as President and Founding Partner of Altaview Financial Group. Altaview is a home for financial advisors to offer multiple financial services under one roof. The aim is to offer a diversified investment platform to the mass-affluent that was previously only available to high-net-worth and institutional investors. He is also the Co-Founder of Lonsdale Private Wealth, a discretionary money management service used by financial advisors across Canada. Prior to Altaview, Ken spent 5 years at an internationally recognized land-based investment and development group that manages over \$3 billion in assets.

### 2.3 Development of the Business

The Partnership will be formed primarily to indirectly acquire, own and operate the seven senior residences in Alberta comprising the Points West Living Portfolio as well as acquire the issued and outstanding shares of Connecting Care, the seniors housing operator of the Points West Living Portfolio. The Partnership intends to use \$16,387,227 of the Net Proceeds, together with (i) \$500,000 in cash received from the Founders for the subscription of 5,000 Class A Units, (ii) the issuance of 57,333 Class B1 Units to Points West Living Inc., (iii) \$336,000 in unsecured debt, and (v) \$67,321,000 of assumed and new debt, of which \$62,321,000 is expected to represent the first mortgages and \$5,000,000 is expected to represent second mortgages, to satisfy the purchase price of the PWL Operating Companies, on or about June 25, 2015. The Partnership will use \$1,433,300 of the Net Proceeds, together with (i) the issuance of 34,667 Class B2 Units to PDG Hospitality, and (ii) \$100,000 in cash received from the Founders for the subscription of 1,000 Class A Units, to complete the Connecting Care Acquisition on or about June 25, 2015. The Partnership intends to achieve its financial objectives by optimizing the current Points West Living Portfolio, to leverage Connecting Care's vast network of relationships within the Alberta seniors housing industry to source additional management contracts and to expand the Points West Living Portfolio through acquisitions.

### 2.4 Long Term Objectives

The long term objective of the Partnership is to grow both the size of the Points West Living Portfolio through the acquisition of stabilized properties, and the number of third party contracts managed by its operator Connecting Care. Expanding the Points West Living Portfolio, the Partnership will help drive further operating efficiencies, decrease property specific risk, and improve the attractiveness of the Points West Living Portfolio to potential buyers. Strategies for growing the Points West Living Portfolio are presented below.

The Partnership has executed letters of intent to acquire two properties currently under construction in Slave Lake and Red Deer, from certain Points West Living Vendors. In addition, certain Points West Living Vendors have successfully been awarded ASLI grants for three new projects in Lac La Biche, Cochrane and Wetaskiwin. The Partnership is in the process of negotiating an agreement with those vendors which is expected to provide the Partnership with, among other things, a right of first opportunity to acquire these new retirement residences upon stabilization. See "Item 2.7 – Material Agreements – Future Facilities Agreement". If acquired, the Partnership intends to integrate these residences into the Points West Living Portfolio on stabilization and take further advantage of synergies that are expected to exist among the residences.

Where appropriate, the Partnership intends to take advantage of the expansion opportunities relating to existing communities with excess land or expansion capacity. Any such future expansions would leverage existing infrastructure and cost structures, thereby enhancing economies of scale and improving cash flow for the community in question.

Within the next three to five years, the Partnership will be looking for a meaningful exit through the sale of the existing Points West Living Portfolio alone or together with any additional residences that the Partnership is able to acquire and/or by aligning with additional partners. The ability of the Partnership to achieve this exist strategy will be dependent on a number of factors, including market conditions at the time of the proposed sale.

What we must do and how we will do it	Target completion date or, if not known, number of months to complete	Our cost to complete
Proposed acquisition of Red Deer and Slave Lake residences once development and lease-up are complete	12 months	\$12,000,000 for Slave Lake and \$34,000,000 for Red Deer estimated purchase price based on the projected stabilized NOI of Red Deer and Slave Lake at a 7.5% capitalization rate. The cost of the acquisition is expected to be financed through the issuance of equity and debt offerings of the Partnership, as well as mortgage financing.
Expand the existing Points West Portfolio by adding up to 76 new suites across the Points West Living Portfolio.	18 months	To be determined by management following an expansions and suite conversions analysis.
Grow the Connecting Care business through consulting contracts and new management contracts	On-Going	Costs are included within normal business operations.
Achieve a meaning for sale of the Points West Living Portfolio	36 – 60 months	Costs are included within normal business operations and dependant on the cost of potential acquisitions.

## 2.5 Short Term Objectives and How The Partnership Intends to Achieve Them

In the short-term, the Partnership intends to grow the Points West Living business and implement operational improvements to advance reporting standards within the organization. These changes will highlight opportunities for further optimization of Points West Living Portfolio income.

Over the next 12 month period, together with the Asset Manager, the Partnership intends to analyze current systems and develop strategies for more efficient operating practices. The Partnership is currently negotiating a first right of opportunity on future facilities from certain of the Points West Living Vendors pursuant to the Future Facilities Agreement. See “Item 2.7 – Material Agreements – Future Facilities Agreement”

The Partnership will scrutinize opportunities for residence expansions and suite conversions on the existing portfolio of properties. This analysis, if satisfactory, is expected to lead to accretive growth for the Partnership.

The Partnership will look to determine the demand from seniors and their willingness to pay for Points West Living’s ISL suite offerings. Where supported, the Partnership will increase suite rates.

To date, reporting standards have been sub-optimal throughout the Points West Living Portfolio. By utilizing new systems and reporting software, management can identify and then improve areas of operational inefficiencies.

What we must do and how we will do it	Target completion date or, if not known, number of months to complete	Our cost to complete
Identify opportunities for expansions and suite conversions	8 months	\$10,000 based on the projected cost of labour.
Rental Rate Optimization	12 months	\$8,000 based on the projected cost of labour.
Administrative Cost Optimization/Procurement Synergies	12 months	\$12,000 based on the projected cost of labour.
Improvements to Reporting/Systems Conversions	12 months	\$106,440-\$200,000 based on the projected cost of labour and a wide range of reporting management software packages.

## 2.6 Insufficient Funds

The Net Proceeds will not be sufficient alone to complete the Acquisition and there is no assurance that alternative financing will be available.

The purchase price of the Points West Living Portfolio is approximately \$91,047,773, subject to adjustments pursuant to the Acquisition Agreement (including negative adjustments known as of the date hereof of \$770,246). The Partnership intends to use \$16,387,227 of the Net Proceeds of the Offering, together with (i) \$500,000 in cash received from the Founders for the subscription of 5,000 Class A Units, (ii) issuance of 57,333 Class B1 Units to Points West Living Inc., (iii) \$336,000 in unsecured debt, and (iv) \$67,321,000 of assumed and new debt, of which \$62,321,000 is expected to represent the first mortgages, and \$5,000,000 is expected to represent a second mortgage, to satisfy the purchase price for the PWL Acquisition. First National LP, on behalf of the Partnership, is negotiating the necessary mortgage financing with the existing lenders, as well as the Jericho Foundation, who will provide the second mortgage over the properties, to secure the mortgage financing necessary to complete the PWL Acquisition. In addition, with respect to the \$336,000 in unsecured debt that will be used to partially satisfy the purchase price for the PWL Acquisition, the Partnership is seeking funding sources. While the Partnership expects to be able to obtain the mortgage and unsecured debt financing necessary to complete the Acquisition, there can be no assurance that the Partnership will be successful and closing of the Acquisition, as well as the Offering, will be conditional on the Partnership's ability to obtain the necessary mortgage financing. The Partnership has received five commitment letters from two lenders to date, for first mortgages on Cold Lake, Peace River, Century Park, Lloydminster and Heritage House, and has received term sheets for Wainwright and Stettler. The second mortgage commitment letter is also currently outstanding. See "Item 2.2 – Our Business" and "Item 2.7– Material Agreements – Acquisition Agreement".

The purchase price for Connecting Care is approximately \$5,000,000, subject to adjustments. The Partnership intends to use \$1,433,300 of net proceeds from the Offering, together with (i) \$100,000 in cash received from the Founders for the subscription of 1,000 Class A Units and (ii) the issuance of 34,667 Class B2 Units to PDG Hospitality, to satisfy the purchase price for Connecting Care. See "Item 2.7 – Material Agreements – Connecting Care Acquisition Agreement".

## 2.7 Material Agreements

The following summarizes all material agreements and the material clauses therein, to which the Partnership or the General Partner are currently or proposed to be parties to and any material agreements existing or proposed with a related party. Copies of these agreements will be available at the registered office of the Partnership during business hours at 2375 Carrington Place, Oakville, Ontario L6J 5P5. Subscribers should have these agreements reviewed by their own legal advisors and should not rely solely on the following summary. The following is a summary only and is qualified in its entirety by the full text of the actual agreements.

### 2.7.1 Partnership Agreement

All terms not defined in this section summarizing the Partnership Agreement will have the meaning attributed thereto in the Partnership Agreement. A copy of the Partnership Agreement will be provided upon request. The below summary is subject to, and qualified in its entirety by, the Partnership Agreement.

The Partnership Agreement is the agreement through which the Limited Partners will obtain their Units. The Partnership Agreement will be entered into prior to the Closing between the General Partner, the Initial Limited Partner and each of the Limited Partners. A declaration of limited partnership was filed and registered on May 1, 2015 in respect of the Partnership pursuant to the Act.

In connection with the formation of the Partnership, the Initial Limited Partner contributed \$100.00 as the initial capital contribution of the Partnership.

#### Partnership Units

The Partnership is authorized to issue one partnership unit to the Initial Limited Partner of a class to be designated as an Initial Limited Partner Unit (the “**Initial Limited Partner Unit**”), an unlimited number of Class A Units, an unlimited number of Class B1 Units, an unlimited number of Class B2 Units, an unlimited number of any other class of limited partnership units that may be authorized for issuance by the General Partner (the “**Additional LP Units**”) and one partnership unit to the General Partner of a class to be designated as a GP partnership unit (the “**GP Unit**”) (the Initial Limited Partner Unit, the Class A Units, the Class B1 Units, the Class B2 Units, the Additional LP Units and the GP Unit will collectively be referred to as the “**Partnership Units**”).

The Class A Units, the Class B1 Units, the Class B2 Units and the Additional LP Units will be equal in all respects other than in respect of the allocation of Deferred Gains Income as described in more detail below under “Allocation of Deferred Gains to Holders of Class B1 Units for Tax Purposes” and “Allocation of Deferred Gains to Holders of Class B2 Units for Tax Purposes”.

In addition to the Class A Units, the General Partner is authorized to cause the Partnership to issue Additional LP Units to eligible persons, subject to the pre-emptive rights set forth in the Partnership Agreement. The General Partner shall determine the consideration and terms and conditions with respect to any future issuance of Additional LP Units in a manner that it, in good faith, determines to be in the best interests of the Partnership, which Additional LP Units, if any, shall have such designation, rights, privileges, restrictions and conditions as shall be fixed by the General Partner; provided that any Additional LP Units so issued shall not rank ahead of, but may rank *pari passu* to, the Class A Units, Class B1 Units, Class B2 Units and any previously issued Units, including without limitation with respect to distributions, allocations of Net Income, dissolution, liquidation or winding-up or voting rights, unless approved by a Special Resolution.

#### Allocation of Net Income or Net Loss

##### *Allocations on Account of First Priority Returns*

To the extent there is insufficient Net Income in respect of a fiscal period of the Partnership to allocate an amount equal to the full amount of the First Priority Return and any First Priority Return Allocation Arrears to be accounted for in the fiscal period, or the provisions in the Partnership Agreement with respect to the allocation of a Net Loss of the Partnership apply, then the amount equal to the amount of such First Priority Return not so allocated (the “**First Priority Return Allocation Arrears**”) and any past First Priority Return Allocation Arrears to be accounted for in the fiscal period not so allocated will accumulate and be accounted for in the next ensuing fiscal period of the Partnership and be allocated out of Net Income generated in such ensuing fiscal period. No interest will accrue or be payable on any unallocated or unpaid portions of any First Priority Return Allocation Arrears.

##### *Allocations on Account of GP Catch-Up*

To the extent there is insufficient Net Income in respect of a fiscal period of the Partnership to allocate an amount equal to the full amount equal to 25% of the aggregate First Priority Return paid to the Limited Partners (the “**GP Catch-Up Return**”) and any past GP Catch-Up Return Allocation Arrears to be accounted for in the fiscal period, or the provisions in

the Partnership Agreement with respect to the allocation of a Net Loss of the Partnership apply, then the amount equal to the amount of such GP Catch-Up Return not so allocated (the “**GP Catch-Up Return Allocation Arrears**”) and any past GP Catch-Up Return Allocation Arrears to be accounted for in the fiscal period not so allocated will accumulate and be accounted for in the next ensuing fiscal period of the Partnership and be allocated out of Net Income generated in such ensuing fiscal period. No interest will accrue or be payable on any unallocated or unpaid portions of any GP Catch-Up Return Allocation Arrears.

### ***Allocation of Net Income***

Other than the Deferred Gains Income, the Net Income of the Partnership for each fiscal period will be allocated as follows:

- (a) firstly, in an amount equal to the lesser of such Net Income and the aggregate amount required to pay the First Priority Return Arrears in respect of prior fiscal periods, if any, and the First Priority Return in respect of the current fiscal period, to each of the Limited Partners *pro rata* based on such respective Limited Partners’ relative Capital Contribution;
- (b) secondly, in an amount equal to the lesser of such remaining balance of the Net Income and the aggregate Capital Contribution of the Limited Partners (as computed for the purposes of this section), to each of the Limited Partners *pro rata* based on such respective Limited Partners’ relative Capital Contribution, which amounts, for the purposes only of applying this section in respect of the current and future fiscal periods of the Partnership, will be treated as reducing the aggregate Capital Contributions of the Limited Partners;
- (c) thirdly, in an amount equal to the lesser of such remaining balance and the aggregate amount required to pay the GP Catch-Up Return Arrears, in respect of prior fiscal periods, if any, and the GP Catch-Up Return in respect of the current fiscal period, to the holder of GP Units;
- (d) fourthly, to be allocated, (i) as to 75% thereof, among the Unitholders in accordance with their Percentage Limited Partner Interest; and (ii) as to the remaining 25% thereof, to the holder of the GP Unit, until the Limited Partners have achieved an amount equal to an annual rate of return of 12% on the amount of the Capital Contributions of the Limited Partners, such return to be calculated at a simple annual rate of interest, in respect of each dollar of such Capital Contribution, from the date such Capital Contributions were made, pro rated for any calendar year in which the fiscal year of the Partnership is comprised of less than 12 months (the “**Second Hurdle**”);
- (e) fifthly, to be allocated, (i) as to 60% thereof, among the Unitholders in accordance with their Percentage Limited Partner Interest; and (ii) as to the remaining 40% thereof, to the holder of the GP Unit, until the Limited Partners have achieved an amount equal to an annual rate of return of 16% on the amount of the Capital Contributions of the Limited Partners, such return to be calculated at a simple rate of interest, in respect of each dollar of such Capital Contribution, from the date such Capital Contributions were made, pro rated for any calendar year in which the fiscal year of the Partnership is comprised of less than 12 months (the “**Final Hurdle**”); and
- (f) lastly, the remaining balance to be allocated, (i) as to 50% thereof, among the Unitholders in accordance with their Percentage Limited Partner Interest; and (ii) as to the remaining 50% thereof, to the holder of the GP Unit.

For greater certainty, subject to the other provisions of the Partnership Agreement, any gain on a sale of property or assets by the Partnership will be allocated in the same manner as Net Income is allocated.

### ***Allocation of Net Loss***

In the event there is a Net Loss in respect of any fiscal period of the Partnership, such Net Loss will for all purposes be allocated as follows:

- (a) 0.0001% to the General Partner; and

- (b) the remainder of the Net Loss to be allocated among the Unitholders in accordance with their Percentage Limited Partner Interest.

In no case will any Limited Partner be required to contribute additional Capital to the Partnership.

***Allocation of Deferred Gain to Holders of Class B1 Units for Tax Purposes***

The portion of the income comprised of capital gains or taxable dividends of the Partnership that the General Partner determines, in its reasonable discretion, constitutes Class B1 Deferred Gains Income in respect of a particular fiscal period of the Partnership shall, strictly for the purposes of the Tax Act and any other applicable tax legislation, be allocated as at the end of the fiscal period of the Partnership solely to holders of the Class B1 Units or their successors or assigns and not to other Limited Partners or the General Partner. If any such allocation is not permitted for tax purposes by the Tax Act or other applicable law, the Partnership's income, gains, losses, deductions and credits shall be allocated for tax purposes among the Limited Partners and the General Partner as at the end of the fiscal period of the Partnership (or, as necessary, any subsequent fiscal period of the Partnership), or as at the end of any stub period ending on the date of dissolution of the Partnership, as is permitted so as to reflect as nearly as possible the allocation contemplated by this provision. To the extent that Class B1 Deferred Gains Income is attributable to dividends received by or on behalf of the Partnership from a Class B1 Acquired Entity (including any successor entity thereto), the Class B1 Deferred Gains upon which the Class B1 Deferred Gains Income is based will consist of the capital dividends and taxable dividends, and eligible dividends and ineligible dividends, received by the Partnership in respect of the proceeds from the sale of the relevant Class B1 Acquired Entity Property, as determined by the General Partner, acting reasonably, and such dividends will be proportionally allocated by the General Partner, acting reasonably.

Notwithstanding the foregoing paragraph, no Class B1 Deferred Gains Income in respect of a particular fiscal period of the Partnership shall be allocated to the holders of the Class B1 Units in such fiscal period in an amount greater than the amount of Distributable Cash that has been distributed to the holders of the Class B1 Units in such fiscal period and prior fiscal periods, in each case pursuant to the provisions of the "Distribution of Distributable Cash – (b)" below, less the Class B1 Deferred Gains Income that has been allocated, if any, to the Class B1 Units in prior fiscal periods of the Partnership.

***Allocation of Deferred Gain to Holders of Class B2 Units for Tax Purposes***

The portion of the income comprised of capital gains or taxable dividends of the Partnership that the General Partner determines, in its reasonable discretion, constitutes Class B2 Deferred Gains Income in respect of a particular fiscal period of the Partnership shall, strictly for the purposes of the Tax Act and any other applicable income tax legislation, be allocated as at the end of the fiscal period of the Partnership solely to holders of the Class B2 Units or their successors or assigns and not to other Limited Partners or the General Partner. If any such allocation is not permitted for tax purposes by the Tax Act or other applicable law, the Partnership's income, gains, losses, deductions and credits shall be allocated for tax purposes among the Limited Partners and the General Partner as at the end of the fiscal period of the Partnership (or, as necessary, any subsequent fiscal period of the Partnership), or as at the end of any stub period ending on the date of dissolution of the Partnership, as is permitted so as to reflect as nearly as possible the allocation contemplated by this provision. To the extent that Class B2 Deferred Gains Income is attributable to dividends received by or on behalf of the Partnership from a Class B2 Acquired Entity (including any successor entity thereto), the Class B2 Deferred Gains upon which the Class B2 Deferred Gains Income is based will consist of the capital dividends and taxable dividends, and eligible dividends and ineligible dividends, received by the Partnership in respect of the proceeds from the sale of the relevant Class B2 Acquired Entity Property, as determined by the General Partner, acting reasonably, and such dividends will be proportionally allocated by the General Partner, acting reasonably.

Notwithstanding the foregoing paragraph, no Class B2 Deferred Gains Income in respect of a particular fiscal period of the Partnership shall be allocated to the holders of the Class B2 Units in such fiscal period in an amount greater than the amount of Distributable Cash that has been distributed to the holders of the Class B2 Units in such fiscal period and prior fiscal periods, in each case pursuant to the provisions of the "Distribution of Distribution Cash" section, less the Class B2 Deferred Gains Income that has been allocated, if any, to the Class B2 Units in prior fiscal periods of the Partnership.

## Distributions

### *Distributions Generally*

The General Partner may, in its absolute discretion, distribute from time to time, but in any event not less frequently than on a quarterly basis, such surplus cash of the Partnership as it determines is and will not be required for the conduct of the business (“**Distributable Cash**”). The General Partner will retain in the Partnership as a reserve such funds as in its discretion it deems prudent in respect of financing and any contingent or unforeseen liabilities or obligations of the Partnership. All distributions of Distributable Cash will be made as among the General Partner and the Limited Partners in the same manner and order as described below under “Distributions of Distributable Cash”.

### *Distributions on Account of First Priority Return*

Subject to the general distribution provisions in the Partnership Agreement, the General Partner intends to make distributions to each Limited Partner in an amount equal to an annual rate of return of 8% on the amount of a Limited Partner’s Capital Contribution, such return to be calculated at a simple annual rate of interest, in respect of each dollar of such Capital Contribution, from the date such Limited Partner made such Capital Contribution, pro-rated for any calendar year in which the fiscal year of the Partnership is comprised of less than 12 months (the “**First Priority Return**”), on a quarterly basis.

To the extent there is insufficient Distributable Cash in respect of a quarter to distribute the full amount of the First Priority Return (the “**First Priority Return Arrears**”) and any past First Priority Return Arrears, then the amount of such First Priority Return not so distributed and any past First Priority Return Arrears will accumulate and be paid as and when monies become available, as determined by the General Partner in its absolute discretion. No interest will accrue or be payable on any unallocated or unpaid portions of any First Priority Returns Arrears.

### *Distributions on account of GP Catch-Up*

Subject to the general distribution provisions of the Partnership Agreement and the Partnership having distributed the First Priority Return and all First Priority Return Arrears, the Partnership will make distributions on account of the GP Catch-Up Return. To the extent there is insufficient Distributable Cash in respect of a quarterly period of the Partnership to distribute the full amount of the GP Catch-Up Return (the “**GP Catch-Up Return Arrears**”) and any past GP Catch Up Return Arrears to be distributed in respect of a quarter, then the amount of such GP Catch-Up Return not so distributed and any past GP Catch Up Return Arrears will accumulate and be paid as and when monies become available, as determined by the General Partner in its absolute discretion. No interest will accrue or be payable on any unallocated or unpaid portions of any GP Catch-Up Return Arrears.

### *Distributions of Distributable Cash*

Distributable Cash (if any) for each quarterly period of the Partnership will be for all purposes distributed as follows:

- (a) firstly, in an amount equal to the lesser of such Distributable Cash and the aggregate amount required to pay the First Priority Return Arrears in respect of prior quarterly periods, if any, and the First Priority Return in respect of the current quarterly period to each of the Limited Partners *pro rata* based on such respective Limited Partners’ relative Capital Contribution;
- (b) secondly, provided the distributions pursuant to section (a) above have been made, in an amount equal to the lesser of such remaining balance of the Distributable Cash and the aggregate Capital Contribution of the Limited Partners (as computed for the purposes of this section), to each of the Limited Partners *pro rata* based on such respective Limited Partners’ relative Capital Contribution, which amounts, for the purposes only of applying this section in respect of the current and future quarterly periods of the Partnership, will be treated as reducing the aggregate Capital Contributions of the Limited Partners;
- (c) thirdly, provided the distributions pursuant to sections (a) and (b) above have been made, in an amount equal to the lesser of such remaining balance of Distributable Cash and the aggregate amount required to



pay the GP Catch-Up Return Arrears in respect of prior quarterly periods, if any, and the GP Catch-Up Return in respect of the current quarterly period, to the holder of the GP Unit;

- (d) fourthly, to be distributed, (i) as to 75% thereof, among the Unitholders in accordance with their Percentage Limited Partner Interest; and (ii) as to the remaining 25% thereof, to the holder of the GP Unit, until the Limited Partners have achieved the Second Hurdle;
- (e) fifthly, to be distributed, (i) as to 60% thereof, among the Unitholders in accordance with their Percentage Limited Partner Interest; and (ii) as to the remaining 40% thereof, to the holder of the GP Unit, until the Limited Partners have achieved the Final Hurdle; and
- (f) lastly, the remaining balance to be distributed, (i) as to 50% thereof, among the Unitholders in accordance with their Percentage Limited Partner Interest; and (ii) as to the remaining 50% thereof, to the holder of the GP Unit.

For greater certainty, subject to the other provisions of the Partnership Agreement, any gain on a sale of property or assets by the Partnership will be distributed in the same manner as Distributable Cash is distributed.

### **Management of the Partnership**

The General Partner will, subject to the provisions of the Partnership Agreement and in a reasonable and prudent manner, acting in the best interests of the Partnership, control, manage, administer, conduct and operate or cease operations of the business and affairs of the Partnership, represent the Partnership and make all decisions regarding the business of the Partnership, including but not limited to:

- (a) retaining managers, including a Related Party, to manage the Points West Living Portfolio, at commercially reasonable remuneration and upon such commercially reasonable terms and conditions as may be determined by the General Partner;
- (b) arranging credit lines with bankers;
- (c) retaining accountants for the Partnership;
- (d) engaging such arm's length professional advisors as the General Partner reasonably considers advisable in order to perform its duties under the Partnership Agreement;
- (e) executing and carrying out all other agreements which require execution by or on behalf of the Partnership;
- (f) defending on behalf of the Partnership any and all actions and other proceedings brought against the Partnership or with respect to the Points West Living Portfolio or Connecting Care and to settle on such terms as it deems advisable all such actions;
- (g) holding legal title to the property and assets of the Partnership in the name of the General Partner or such other nominee as may be determined by the General Partner from time to time as trustee for and on behalf of the Partnership;
- (h) investing funds not immediately required for the business in short-term securities of or guaranteed by the Government of Canada, the government of any Canadian province or a Canadian chartered bank;
- (i) issuing Additional LP Units and additional Class A Units;
- (j) purchasing Units for cancellation by agreement with any General Partner or Limited Partner, where deemed appropriate by the General Partner;
- (k) subject to provisions of the Partnership Agreement, selling, leasing, exchanging or disposing of any or all of the property and assets of the Partnership;

- (l) executing any and all other deeds, documents and instruments and performing all acts as may be necessary or desirable to carry out the intent and purpose of the Partnership Agreement including, without limitation, retaining any qualified agents to carry out any of the foregoing;
- (m) borrowing money upon the credit of the Partnership or the credit of the General Partner on behalf of the Partnership or otherwise; issuing, reissuing, selling or pledging debt obligations of the Partnership or the General Partner on behalf of the Partnership; giving a guarantee of the Partnership or the General Partner on behalf of the Partnership; mortgaging, hypothecating, pledging or otherwise creating a security interest in all or any of the property and assets of the Partnership, provided that any such borrowings, debt obligations and security interests will relate to the Points West Living Portfolio or Connecting Care;
- (n) without limiting the generality of the provisions of section (m) above, mortgaging, hypothecating, pledging or otherwise creating a security interest in each of the Limited Partners' Partnership Units as security for any borrowing on behalf of the Partnership, subject to certain limitations:
  - (i) the General Partner will not enter into any agreement which mortgages, hypothecates, pledges or otherwise creates a security interest in each of the Limited Partners' Partnership Units unless:
    - (1) any such borrowings are to be used solely for the further development, repair or improvement of the Properties held in connection with the Points West Living Portfolio;
    - (2) any such mortgage, hypothecate, pledge or security interest is without recourse to the Limited Partners;
    - (3) the General Partner will have used its best efforts to obtain such borrowings without mortgaging, hypothecating, pledging or otherwise creating a security interest in the Limited Partners' Partnership Units and such borrowings were not otherwise available on commercially reasonable terms; and
    - (4) the General Partner will provide advance written notice via courier to the Limited Partners of its intention to mortgage, hypothecate, pledge or otherwise create a security interest in each of the Limited Partners' Partnership Units, where such notice will set forth the proposed use of the proceeds of such borrowings, the proposed terms of the borrowings and the proposed mortgages, hypothecates, pledges or otherwise creates a security interest; and
  - (ii) within two Business Days of entering into an agreement which mortgages, hypothecates, pledges or otherwise creates a security interest in each of the Limited Partners' Partnership Units, the General Partner will provide a confirmatory written notice to the Limited Partners of the matters covered by subsection (n)(i)(4) above.

The General Partner is entitled to be reimbursed by the Partnership for any expenses or disbursements incurred by the General Partner in the performance of its duties.

### ***Board of Directors and Committees***

The General Partner confirms that the board of directors of its general partner, Points West Living General Partner Inc. will be comprised of seven directors, one of whom will be a nominee of Suske Capital Inc. and initially be Steve Suske; one of whom will be a nominee of SFT Sussex Holdings Limited and initially be Aurele Simourd; two of whom will be nominees of PDG Hospitality and initially be Doug Mills and Doug Murphy; two of whom will be nominees of Muir PWL Inc. and initially be Richard Muir and Gerald Noble and one of whom will be a nominee of the Agent and initially be Devon Cranson. The Chair of the Board will be Steve Suske so long as he is a director of the Board.

Each of the nomination rights conferred in the Partnership Agreement, will survive for so long as each of Suske Capital Inc., SFT Sussex Holdings Limited, PDG Hospitality (which in the case of PDG Hospitality for these purposes only will include any interest in the Partnership as a Limited Partner held by Points West Living Inc.), Muir PWL Inc. and the Agent (each a "**Nominating Entity**"), as applicable, have an interest in the Partnership as a Limited Partner or in the case of the Agent, has an interest in the General Partner, and any nominees of such Nominating Entity shall resign immediately upon

such Nominating Entity ceasing to, directly or indirectly, have an interest in the Partnership as a Limited Partner or in the case of the Agent, an interest in the General Partner.

The Board will initially establish an Audit Committee consisting of three directors and an Investment Committee consisting of four directors. See “Item 2.2.10 – Our Business – Description of Management” for additional details on the Board, the Audit Committee and the Investment Committee.

### ***Asset Management Fee***

Pursuant to the Asset Management Agreement, the Asset Manager is entitled to receive the Asset Management Fee, which fee is an annual amount equal to 2% of the Capital Contribution of all Limited Partners (indexed at a rate of 2.5% per annum), plus applicable taxes, for its services as asset manager of the Points West Living Portfolio to be performed by the Asset Manager. The Asset Management Fee will be payable quarterly. The Asset Management Fee will be an expense of the Partnership and payable prior to any distributions on Units, including, without limitation, the First Priority Return. Services covered by the Asset Management Fee include, but are not limited to: sourcing acquisitions, sourcing capital, sourcing joint venture partners, sourcing financing and re-financing, and providing pro-forma budgets, maintaining relationships with AHS, and developing relationships with other professionals or consultants as necessary.

### ***Transaction involving Related Parties and Sale of Business***

The General Partner, on behalf of the Partnership, is not prohibited from entering into any transaction, agreement or payment involving the Partnership and any Related Party of the General Partner by reason of the relationship between the General Partner and such Related Party or by reason of the approval of said transaction, agreement or payment by the directors of the General Partner, all or some of whom may be officers, directors or limited partners of or otherwise interested in or related to such Related Party, provided that the terms of such transaction, agreement or payment are commercially reasonable.

Except as may be required by law:

- (a) the General Partner will not be required to devote the efforts of its general partner, limited partners or employees exclusively to or for the benefit of the Partnership and each may, directly or indirectly, acquire, carry on or engage in such other businesses, ventures and activities as it considers appropriate whether or not similar to or competitive with the Points West Living Portfolio;
- (b) neither the Partnership nor the General Partner nor the Limited Partners will have any right by virtue of the Partnership Agreement or the partnership relation created thereby in relation to such other businesses, ventures or activities or to any income, proceeds or profits derived therefrom; and
- (c) neither the General Partner nor its Related Parties will be required to offer or make available to the Partnership any property or asset or business or investment opportunity which it may determine to acquire, carry on or engage in for its separate account.

The General Partner has the power and authority for and on behalf of the Partnership to sell all or substantially all of the property and assets of the Partnership. The terms of any sale, including purchase price, and the identity of the purchaser, provided that the purchaser will not be a Related Party of the General Partner, will be determined by the General Partner in its sole and absolute discretion.

### ***Changes, Resignation or Removal of General Partner***

The General Partner may resign as general partner of the Partnership on not less than 90 days notice thereof to the Limited Partners and such resignation will become effective upon the expiration of the 90-day notice period.

The General Partner will be deemed to resign as general partner of the Partnership in the event of:

- (a) the bankruptcy, the involuntary dissolution, liquidation or winding-up of the General Partner (or the commencement of any act or proceeding in connection therewith which is not contested in good faith by the General Partner);
- (b) the appointment of a trustee, receiver or receiver and manager of the affairs or properties of the General Partner; or
- (c) if a mortgagee or other encumbrancer will take possession of the property or assets of the General Partner or a substantial part thereof, or if a writ of execution, attachment or similar process is issued or levied against all or substantially all of the property or assets of the General Partner (and such writ of execution, attachment or similar process is not released, satisfied, discharged, vacated or stayed within 30 days after its entry, commencement or levy, as the case may be).

The Limited Partners are entitled to remove or replace the General Partner by a Special Resolution of the Limited Partners if the General Partner is guilty of fraud, wilful misconduct, gross negligence, or a material breach of the Partnership Agreement, which breach is not cured within thirty 30 days after notice of such breach is provided by any Limited Partner to the General Partner.

#### ***Class B1 Consent Rights***

Notwithstanding anything in the Partnership Agreement to the contrary, the General Partner may not, and shall cause the Partnership not to, undertake, without the prior written consent of a majority of the holders of the Class B1 Units:

- (a) issue additional Class B1 Units;
- (b) amend any of the following definitions: “Class B1 Acquired Entity”, “Class B1 Acquired Entity Property”, “Class B1 Acquisition Time”, “Class B1 Deferred Gain”, “Class B1 Deferred Gains Income”, “Class B1 Gain Ratio”, “Class B1 Unit”, “Purchased Shares” and “Acquisition Agreement”; or
- (c) amend the provisions of the Partnership Agreement relating to the “Partnership Units”, “Allocation of Deferred Gain to Holders of Class B1 Units for Tax Purposes” or this provision.

#### ***Class B2 Consent Rights***

Notwithstanding anything in the Partnership Agreement to the contrary, the General Partner may not, and shall cause the Partnership not to, undertake, without the prior written consent of a majority of the holders of the Class B2 Units:

- (a) issue additional Class B2 Units;
- (b) amend any of the following definitions: “Class B2 Acquired Entity”, “Class B2 Acquired Entity Property”, “Class B2 Acquisition Time”, “Class B2 Deferred Gain”, “Class B2 Deferred Gains Income”, “Class B2 Gain Ratio”, “Class B2 Unit”, “Connecting Care Shares” and “Connecting Care Acquisition Agreement”; or
- (c) amend the provisions of the Partnership Agreement relating to the “Partnership Units”, “Allocation of Deferred Gain to Holders of Class B2 Units for Tax Purposes” or this provision.

#### **Relations Between the Partners**

##### ***Limitations on Authority of the Limited Partners***

Neither the Initial Limited Partner nor any of the Limited Partners will be entitled to: (i) take part in the control or the management of the business of the Partnership; (ii) execute any document which bind or purports to bind the Partnership, the General Partner or any of the Limited Partners as such; (iii) purport to have the power or authority to bind the Partnership,

the General Partner or any of the Limited Partners as such; or (iv) undertake any obligation or responsibility on behalf of the Partnership.

### ***Liability of General Partner***

The Partnership Agreement provides that the General Partner will be liable to third parties for the debts, liabilities and obligations of the Partnership. It further provides that the General Partner will not be liable to the Limited Partners and/or the Partnership for any acts, omissions or errors in judgment, except those resulting from the fraud, gross negligence or wilful misconduct of the General Partner or the material breach of its obligations or duties under the Partnership Agreement.

### ***Limited Liability of the Limited Partners***

The liability of the Initial Limited Partner and any of the Limited Partners for any of the debts, liabilities and obligations of the Partnership will be limited to the extent of the value of money and other property or assets contributed or to be contributed by the Initial Limited Partner or such Limited Partner, as the case may be, as reflected in the Register.

### ***Indemnification***

The General Partner will indemnify the Initial Limited Partner and each Limited Partner for such debts, liabilities and obligations of the Partnership if such Limited Partner's liability is not limited in the manner provided for in the Partnership Agreement due to an act or omission by the General Partner which causes the Initial Limited Partner or such Limited Partner to lose the protection of limited liability afforded by the Act.

Furthermore, the General Partner will indemnify the Partnership from and against any and all costs, damages, liabilities and expenses incurred by the Partnership as a result of any breach by the General Partner of its duties under the Partnership Agreement.

### **Books Records and Financial Information**

The General Partner will deliver to the Limited Partners within 45 days after the end of every fiscal quarter unaudited quarterly financial statements and a quarterly business update report on operating activities of the Partnership during the immediately preceding fiscal quarter. The General Partner will deliver to the Limited Partners within 90 days after the end of every fiscal year audited annual financial statements of the Partnership.

The General Partner will also maintain complete books of account and records of the Partnership and its business and operations and financial affairs at the principal place of business of the Partnership.

### **Meetings and Voting Rights**

The Partnership is not required to hold annual general meetings. The General Partner may at any time call a meeting of Limited Partners to obtain approval by way of a Special Resolution with respect to (i) the Partnership carrying on business other than the Points West Living Portfolio, (ii) changes to the allocations of Net Income or Net Loss, (iii) the removal of the General Partner, and (iv) other matters relating to the Units, amendments to the Partnership Agreements. Other than the matters referred to above, the Limited Partners will have no right to vote on any other matters unless specifically provided for by the General Partner. Each Limited Partner is entitled to one vote for each Unit held.

Meetings are to be held at a place in Canada designated by the General Partner. Notice of not less than 10 days is to be given for each meeting. A Limited Partner may attend any meeting of Limited Partners personally or may be represented thereat by proxy. A quorum is not less than one representative of the Limited Partners holding or representing by proxy at least 51% of the total number of votes entitled to be cast at the meeting.

### **Transfer of Units**

Neither a Unit nor a GP Unit may be directly or indirectly, in whole or in part, transferred, sold, assigned, exchanged or in any manner disposed of or pledged or in any manner encumbered (other than in favour of the General Partner) without the prior written consent of the General Partner. Furthermore, the General Partner will not be entitled to either directly or

indirectly, transfer, sell, assign, exchange or in any manner dispose of its interest in the Partnership as the General Partner unless the General Partner has received the approval of the Limited Partners given by Ordinary Resolution or such disposition is to an affiliate of the General Partner.

### **Third Party Offer to Purchase All Partnership Units**

In the event that any one or more of the General Partner, the Unitholders or the Partnership receive an arm's length third party offer to purchase all but not less than all of the issued and outstanding Partnership Units (the "**Offer**") for a purchase price (the "**Offer Purchase Price**") which the General Partner is prepared to accept, the General Partner is authorized to accept the Offer on behalf of all the Limited Partners and the Partnership, at the sole option of the General Partner, and all of the Limited Partners will be bound thereby. The aggregate Offer Purchase Price in the case of the sale of Partnership Units will be allocated amongst the Limited Partners and the General Partner by the General Partner consistent with the provisions of the distribution section in the Partnership Agreement, *mutatis mutandis*.

### **Redemption Rights**

The Partnership Agreement provides the Limited Partners with the following redemption rights in respect of their Units:

- (a) Units are redeemable at any time on demand ("**On Demand Redemption**") by the Limited Partners upon delivery to the Partnership of a duly completed and properly executed notice requesting redemption in a form reasonably acceptable to the General Partner, together with written instructions as to the number of Units to be redeemed. Units properly surrendered for redemption by a Limited Partner at least 30 days prior to the last day of a month will be redeemed on the last day of that month (an "**On Demand Redemption Date**"), provided that such notice period may be waived or shortened at the discretion of the General Partner.
- (b) A Limited Partner who properly surrenders a Unit for redemption will be entitled to receive a price per Unit (an "**On Demand Redemption Price**") equal to 95% of the class fair market value per Unit on the applicable On Demand Redemption Date, as determined by the General Partner and all rights to and under the Units tendered for redemption will be surrendered on the On Demand Redemption Date except for the right to receive the On Demand Redemption Price and any declared but unpaid distributions (not otherwise forming part of the On Demand Redemption Price).
- (c) The aggregate On Demand Redemption Price payable by the Partnership in respect of any Units surrendered for On Demand Redemption during any calendar month will be satisfied by way of a cash payment in Canadian dollars within 15 days following the applicable On Demand Redemption Date, provided that the entitlement of Limited Partners to receive cash upon the On Demand Redemption of their Units is subject to the limitation that the total amount payable by the Partnership in cash in respect of Units tendered for On Demand Redemption in respect the same calendar month will not exceed \$10,000 to all Limited Partners in the aggregate (provided that such limitation may be waived at the discretion of the General Partner). Cash payable for the On Demand Redemptions will be paid pro rata on the basis of the class fair market value to all Limited Partners tendering Units for On Demand Redemption in any month. To the extent a Limited Partner is not entitled to receive cash upon the On Demand Redemption of Units as a result of redemption amounts payable by the Partnership exceeding \$10,000 in the aggregate, then the balance of the On Demand Redemption Price for such Units will be paid and satisfied by way of the issuance of non-interest bearing promissory notes with payments being made under such promissory notes in each calendar month of amounts up to \$10,000 in the aggregate to Limited Partners holding promissory notes.

### **Pre-Emptive Rights**

The Partnership Agreement also provides the Limited Partners with pre-emptive rights in the event that following the Acquisition Closing the Partnership requires additional capital for its continued operations and debt financing is not available on reasonable terms and the Partnership makes a determination to issue any securities or any additional interest in the Partnership, including any Class A Units or Additional LP Units. In such case, the General Partner will deliver to all of the Limited Partners a written notice setting out a description of the securities to be issued, the proposed price and the

proposed terms and conditions of the issuance and the Partnership will be deemed to have given the right to each Limited Partner exercisable within a 15-day period to subscribe for that number of additional securities in accordance with their Percentage Limited Partner Interest.

## **Dissolution**

The affairs of the Partnership will be wound-up, its assets liquidated and the Partnership will be dissolved, as soon as practicable, upon the earliest of:

- (a) the date selected by the General Partner following the disposition of substantially all of the assets of the Partnership;
- (b) the dissolution of the Partnership by operation of law;
- (c) 90 days following the date of a notice of resignation received from the General Partner; and
- (d) 90 days following the date of a notice giving notice of an occurrence of a deemed resignation of the General Partner.

On dissolution of the Partnership, the General Partner will act as the receiver of the Partnership (the “**Receiver**”). All property and assets of the Partnership available for distribution on a sale, liquidation or dissolution of the Partnership will be distributed in the following order of priority:

- (a) to pay the expenses of liquidation and the debts and liabilities of the Partnership to its creditors;
- (b) in the case of a liquidation or dissolution, to provide for reserves which the Receiver considers reasonably necessary for any contingent or unforeseen liability or obligation of the Partnership provided, however, that any such reserve will be paid over by the Receiver to an escrow agent to be held by such escrow agent for the purpose of the payment of such liabilities or obligations of the Partnership and any balance remaining will be distributed at such time as the Receiver reasonably determines in the manner hereinafter provided;
- (c) to pay, on a pro rata basis, any accumulated First Priority Return Arrears, in accordance with the distribution on account of First Priority Return (as discussed above under “Distributions on account of First Priority Returns”); and
- (d) to distribute the balance, if any, in the same manner as the distributions set out in the distribution provisions in the Partnership Agreement, which provisions will apply, *mutatis mutandis*.

## **Amendments**

Subject to the provisions of the “Class B1 Consent Rights” and the “Class B2 Consent Rights” sections in the Partnership Agreement, the General Partner may make the following amendments to the Partnership Agreement in its sole discretion and without the approval of the Limited Partners:

- (a) amendments aimed at ensuring continuing compliance with applicable laws, regulations, requirements or policies of any governmental authority having jurisdiction over the General Partner or over the Partnership;
- (b) amendments which, in the reasonable opinion of the General Partner, provide additional protection for Limited Partners and are not prejudicial to the Limited Partners;
- (c) amendments to remove any conflicts or inconsistencies in the Partnership Agreement or to make minor corrections which are, in the opinion of the General Partner, necessary or desirable and not prejudicial to the Limited Partners;

- (d) amendments of a minor or clerical nature or to correct typographical mistakes, ambiguities or manifest omissions or errors, which amendments, in the opinion of the General Partner, are necessary or desirable and not prejudicial to the Limited Partners;
- (e) amendments which, in the opinion of the General Partner (i) are necessary, or (ii) desirable and not prejudicial to the Limited Partners, as a result of changes in taxation or other laws; and
- (f) amendments for any purpose (except one in respect of which Limited Partner approval is specifically otherwise required) which, in the opinion of the General Partner are not prejudicial to the Limited Partners and are necessary or desirable,

but notwithstanding the foregoing, no such amendment will modify the right to vote attached to any Unit or reduce the equal undivided interest in the property and assets of the Partnership or the entitlement to distributions from the Partnership provided under the Partnership Agreement represented by any Unit without the consent of the Limited Partners pursuant to the Partnership Agreement.

Furthermore, subject to the provisions of the “Class B1 Consent Rights” and the “Class B2 Consent Rights” sections in the Partnership Agreement, the General Partner will not make amendments or changes to any of the following unless the same have been duly approved by a Special Resolution of the Limited Partners:

- (a) any amendment to the section of the Partnership Agreement requiring approval by Special Resolution for the General Partner to make certain amendments;
- (b) any amendments to the Partnership Agreement not specified as being within the sole discretion of the General Partner;
- (c) an exchange, reclassification or cancellation of all or some of the Units;
- (d) the addition, change or removal of the rights, privileges, restrictions or conditions attached to the Units, including (i) the removal or change of rights to distributions; or (ii) the reduction or removal of a distribution preference or liquidation preference;
- (e) any amendment to the provisions relating to any distribution of the Partnership’s property and assets upon its termination;
- (f) any amendment relating to the powers, duties, obligations, liabilities or indemnification of the General Partner; or
- (g) any matter required to be passed by a Special Resolution under the Partnership Agreement.

Notwithstanding anything in the Partnership Agreement to the contrary, no amendment shall be made to provisions of the “Partnership Units” section in the Partnership Agreement or to the Partnership Agreement generally that would have the effect of altering the *pari passu* nature (other than in respect of the allocation of Deferred Gains Income pursuant to the “Allocation of Deferred Gain to Holders of Class B1 Units for Tax Purposes” or the “Allocation of Deferred Gain to Holders of Class B2 Units for Tax Purposes” sections of the Partnership Agreement) of the relationship among the Class A Units, Class B1 Units and Class B2 Units, unless the same has been duly approved by Special Resolution approved by each of the Class A Units, Class B1 Units and Class B2 Units voting separately as a class.

### **Power of Attorney**

The Initial Limited Partner and each Limited Partner grant an irrevocable power of attorney authorizing the General Partner on behalf of the holder of the Unit to execute, swear to, acknowledge, deliver, make, record and file, and perform the Partnership’s obligations when, as and where required or appropriate, any and all of the following:

- (a) the Partnership Agreement and all documents and instruments necessary or appropriate to form, qualify or continue the qualification of the Partnership as a valid and subsisting limited partnership in any jurisdiction



where the Partnership may carry on business or own or lease property in order to establish or maintain the limited liability of the Limited Partners and to comply with the applicable laws of any such jurisdiction;

- (b) all documents, instruments and certificates necessary to reflect any amendments to the Partnership Agreement which are approved;
- (c) all conveyances, agreements, documents and other instruments necessary to facilitate and implement the dissolution and termination of the Partnership, if such dissolution and termination of the Partnership is authorized pursuant to the Partnership Agreement, including the cancellation of any securities and the distribution of the property and assets of the Partnership;
- (d) all instruments, deeds, agreements or documents executed by the General Partner in carrying on the business of the Partnership as authorized in the Partnership Agreement, including those necessary to purchase, sell, or hold the Partnership's property and assets;
- (e) all applications, elections, determinations or designations under the Tax Act or any other taxation or other legislation or similar laws of Canada or of any other jurisdiction in respect of the affairs of the Partnership or of a Limited Partner's interest in the Partnership including all applications, elections, determinations or designations under the Tax Act or other legislation or similar laws of Canada or of any other jurisdiction;
- (f) any instrument or document which may be required to effect the continuation of the Partnership, or the admission of an additional or substitute Limited Partner or General Partner; and
- (g) any instrument or document required or appropriate to be filed with any governmental body or respecting the business, property and assets of the Partnership or the Partnership Agreement,

but the foregoing grant of authority will not include the authority to take any action that would reasonably be expected to prejudice the rights of any Limited Partner other than as may be expressly permitted under the Partnership Agreement, including, but not limited to the following: modifying in any manner the terms of the Units or the rights and obligations of Limited Partner; imposing additional restrictions on the Units or making the rights of the Unitholders subject to the rights of holders of any other class of securities; executing any proxy on behalf of such Limited Partner or voting in respect of any Ordinary Resolution or Special Resolution on behalf of such Limited Partner.

## 2.7.2 Acquisition Agreement

The following is a summary of the material terms of the Acquisition Agreement, which does not purport to be complete.

Pursuant to the Acquisition Agreement, the Partnership has agreed to purchase from the Points West Living Vendors (i) all of the issued and outstanding shares in the capital of each of the PWL Operating Companies being sold by the Points West Living Vendors (the "**Purchased Shares**"); and (ii) the indebtedness of each of the PWL Operating Companies to any of the Points West Living Vendors (collectively, the "**Shareholder Interest**") for an aggregate purchase price of \$91,047,773, subject to adjustments (the "**Purchase Price**"). The Purchase Price, less adjustments and holdbacks described below of approximately \$770,246, will be satisfied by the use of \$16,387,227 of the Net Proceeds of the Offering, together with (i) \$67,321,000 of assumed and new debt of which \$62,321,000 is expected to represent the first mortgages and \$5,000,000 in second mortgages, (ii) the issuance of 57,333 Class B1 Units to Points West Living Inc. (the "**Consideration Units**"), (iii) \$500,000 in cash received from the Founders for the subscription of 5,000 Class A Units, and (iv) \$336,000 in unsecured debt.

Property	Location	Amount of Net Proceeds of Offering to be Used
1. Peace River	Peace River, Alberta	\$ 2,590,350
2. Cold Lake	Cold Lake, Alberta	\$ 644,081
3. Stettler	Stettler, Alberta	\$ 3,679,239
4. Lloydminster	Lloydminster, Alberta	\$ 3,269,820
5. Wainwright	Wainwright, Alberta	\$ 3,990,883
6. Century Park	Vegreville, Alberta	\$ 753,400

<b>Property</b>	<b>Location</b>	<b>Amount of Net Proceeds of Offering to be Used</b>
7. Heritage House	Vegreville, Alberta	\$ 1,459,457

### **Adjustments and Holdbacks**

The Acquisition Agreement contains provisions providing for certain adjustments to the Purchase Price, including in respect of (i) the outstanding amount of the mortgage financing currently registered against the titles to the Properties, (ii) a reduction of \$668,309 as a result of certain tax savings realized by the Points West Living Vendors, (iii) an increase of \$129,413 as a result of certain loss carry-forwards of the PWL Operating Companies, (iv) an increase of \$349,650 as a result of the life lease units and (v) a working capital adjustment in respect of the PWL Operating Companies to be made following the Closing.

The PCA Reports made recommendations as to the capital expenditures to be made in respect of certain of the Properties in the Points West Living Portfolio. Based on these recommendations, the Partnership negotiated with the Points West Living Vendors, (i) a reduction in the Purchase Price of \$170,000 for the purposes of replacing the roof at Heritage House in the first year of operations following the closing of the Acquisition, and (ii) a reduction in the Purchase Price of \$75,000 for the purposes of replacing the roof at Peace River in the first five years of operations following the closing of the Acquisition. Connecting Care will carry out the roof replacement at each of Heritage House and Peace River following the closing, and will use the proceeds of the holdbacks in order to finance the projects. See “Item 2.2.9 – Independent Appraisals, Environmental and Property Condition Reports – Property Condition Assessments”.

On closing an amount equal to \$230,000 (the “**Re-Adjustment Holdback**”) will be retained in trust by the escrow agent to satisfy certain working capital adjustments. The escrow agent will return to the Points West Living Vendors any portion of the Re-Adjustment Holdback remaining in trust in excess of the amounts payable by the Points West Living Vendors to the Partnership for post-closing price adjustments after payment of any adjustments to the Purchase Price in respect of working capital.

### **Income and Revenue Support**

The Lloydminster seniors residence is currently party to a Designated Supportive Housing Agreement with PNHR, which is a regional provincial health authority based in Saskatchewan. The parties are contemplating replacing the DSHA with a MSA between AHS and Lloydminster. Since the outcome and final terms of the MSA are uncertain, the Partnership has negotiated income support with the Points West Living Vendors, in the form of a \$250,000 holdback (the “Funding Guarantee Holdback”), to be held in trust for a period of two years. The purpose of the Funding Guarantee Holdback is to compensate the Partnership, on a dollar for dollar basis, in the event of any funding reduction to Points West Living Lloydminster Inc. or clawback from Points West Living Lloydminster Inc. by AHS or PNHA, or in the event that the Partnership should be required to increase the funded hours to meet accountability requirements. The Partnership will be entitled to draw from the Funding Guarantee Holdback, on a quarterly basis, by providing evidence of the clawback or funding or reduction in funding due to hours accountability. The maximum amount available to the Partnership in respect of this support is the Funding Guarantee Holdback. After a two-year period, any remaining funds will be returned to the Points West Living Vendors, without prejudice.

As a result of the Toronto Dominion Bank (“**TD Bank**”) withholding the sum of \$672,000 (the “**TD Holdback**”) from the expected approved mortgage amount on Point West Living Peace River Inc. until this residence is operating at stabilized occupancy for three (3) months and achieves three (3) month debt service coverage as required by the financial covenants agreed to by the Partnership with TD Bank, on Closing the sum of \$336,000.00 will be held back by the Partnership from the Purchase Price, provided however, such holdback amount shall be paid by the Partnership to Points West Living Inc. on the earlier of March 31, 2016 and the date TD Bank advances the TD Holdback, or any portion thereof.

### **Representation and Warranties**

The Points West Living Vendors and the Partnership have made certain representations and warranties in the Acquisition Agreement, which survive the execution and delivery of the Acquisition Agreement and will survive the closing of the purchase and sale of the Shareholder Interest (the “**Acquisition Closing**”). Such representations and warranties are customary for this type of transaction.

The representations and warranties of the Points West Living Vendors relate to, among other things, corporate authority and binding obligations, the absence of any other purchase agreements in respect of the PWL Operating Companies or the Shareholder Interest, contractual and regulatory approvals, status and governmental licences, licenses, compliance with constating documents, corporate records, authorized and issued capital, absence of bankruptcy and insolvency proceedings, shareholders' agreement, financial statements, books and records, liabilities, indebtedness, absence of certain changes or events, subsidiaries, carrying on of business in the ordinary course, commitments for capital expenditures, dividends and distributions, tax matters, litigation matters, environmental matters, title to assets, personal property, accounts receivable, absence of works orders and deficiencies, inventory, condition of properties and equipment, leases of personal property, real property, intellectual property, privacy laws, absence of partnerships and joint ventures, absence of any facts that could be material to the condition of any of the PWL Operating Companies, restrictions on doing business, outstanding agreements, good standing of agreements, employment agreements, collective agreements, pensions and benefit plans, guarantees, compromises, insurance, non-arm's length matters, compliance with laws, Points West Living Vendors' residency, copies of documents, loans, business activity, credit agreements, working capital, no broker, and disclosure.

The representations and warranties of the Partnership relate to, among other things, corporate authority and binding obligations, compliance with constating documents, agreements and laws, the Partnership being a "Canadian partnership" for the purposes of the Tax Act, valid issuance of Consideration Units, rights and attributes of Consideration Units, absence of any claim, action, suit, proceeding or governmental investigation, and independent review and analysis of the PWL Operating Companies by the Partnership.

## Covenants

The Points West Living Vendors have covenanted that they will do or cause to be done the following:

- (a) During the period from and including the date of which the parties signed the letter of intent to and including the Acquisition Closing (the "**Interim Period**"), the Points West Living Vendors will provide access to and will permit the Partnership, through its representatives, to make such investigation of the operations, properties, assets and records of each of the PWL Operating Companies and of the respective financial and legal condition of each as the Partnership deems necessary or advisable to familiarize itself with such operations, properties, assets, records and other matters. Without limiting the generality of the foregoing, during the Interim Period, the Points West Living Vendors will permit the Partnership and its representatives to have access to the real property and to any other premises used in connection with the business carried on by the Points West Living Vendors through that PWL Operating Company (the "**Businesses**") at such reasonable times as may be designated by the Points West Living Vendors so as not to disrupt the routine daily affairs of the Business, and will produce for inspection and provide copies of any documentation within the control or possession of the Points West Living Vendors relating directly or indirectly to the Business and reasonably requested by the Partnership;
- (b) From and including the date of the letter of intent to and including that date which is the earlier of the date the Acquisition Agreement is terminated in accordance with its terms or the Acquisition Closing (the "**Exclusivity Period**"), the Points West Living Vendors, whether directly or indirectly through their respective officers, directors, agents or other representatives (collectively the "**Points West Living Vendor Representatives**"), will not solicit, initiate discussions, engage in or encourage discussions or negotiations with, or enter into any agreement with, any person relating to:
  - (i) the possible acquisition of any of the PWL Operating Companies or the Business by way of merger, share purchase, asset purchase, license, lease or otherwise; or
  - (ii) any other transaction outside of the ordinary course of business that could materially impair the value of any of the PWL Operating Companies or Businesses post-Acquisition Closing

(collectively, a "**Restricted Transaction**")

During the Exclusivity Period, neither the Points West Living Vendors nor any of the Points West Living Vendor Representatives will:

- (i) disclose any non-public information relating to any of the PWL Operating Companies or the Business; or
  - (ii) provide access to the properties, books or records of the PWL Operating Companies or the Points West Living Vendors to any person (other than the Partnership or its representatives) in connection with a Restricted Transaction.
- (c) At any time prior to Acquisition Closing, the Points West Living Vendors must promptly (and in any event within one business day) upon receipt, provide the Partnership with a copy of any written Restricted Transaction proposal received and a written statement with respect to any non-written Restricted Transaction proposal received, which statement must include the identity of the persons making the proposal and the terms thereof, and will promptly (and in any event within one business day) advise the Partnership of any material modification or proposed modification.
- (d) Except with the prior written consent of the Partnership, such consent not to be unreasonably withheld, the Consideration Units will remain registered in the name of Points West Living Inc. and subject to the indemnification provisions in the Acquisition Agreement until that date which is the later of six years from the Acquisition Closing or the date that all claims in respect of which Notices of Claim made by the Partnership pursuant to the indemnification provision of the Acquisition Agreement prior to the expiration of such six year period but within any limitation periods prescribed by the Acquisition Agreement remain outstanding.
- (e) The Points West Living Vendors acknowledge that an offering document will be required to contain disclosure in relation to the PWL Operating Companies, the Business and the financial results pertaining thereto, including the audited and review engagement financial statements of each of the PWL Operating Companies for the fiscal years ended March 31, 2012 to and including March 31, 2014, consent of the PWL Operating Companies' accountants to the inclusion of the foregoing financial statements in any offering document, and agree to co-operate in a timely manner with the Partnership and its advisors in connection with the preparation of such disclosure, including the provision of information that may be requested for the preparation of such disclosure and review of drafts thereof for accuracy and completeness (including with respect to any pro forma financial statements).

The Partnership has covenanted that it will do or cause to be done the following:

- (a) Prior to the Acquisition Closing the Partnership will, to the extent reasonably possible, keep confidential the existence of and the terms of the Acquisition Agreement and, prior to the Acquisition Closing and, if the transaction contemplated by the Acquisition Agreement is not completed, at all times after the Acquisition Closing, will keep confidential all information obtained by it relating to the PWL Operating Companies and the Business, except such information which:
  - (i) is generally available to the public, other than as a result of a disclosure by the Partnership or its representatives, or
  - (ii) is made available to the Partnership on a non-confidential basis from a source other than the Points West Living Vendors or their representatives.

The Partnership further agrees that such information will be held in compliance with applicable privacy laws and disclosed only to those of its employees and representatives of its advisors who need to know such information for the purposes of evaluating and implementing the transaction contemplated by the Acquisition Agreement. The Partnership will advise such employees and representatives of the confidential nature of the information and obtain the agreement of such employees and representatives that they will be bound by the terms of the confidentiality agreements made by the Partnership to the Points West Living Vendors. Notwithstanding the foregoing provisions of this paragraph, the obligation to maintain the confidentiality of such information will not apply to the extent that disclosure of such information is required (i) in connection with governmental or other applicable filings relating to the transactions under the Acquisition Agreement, provided that, in such case, unless the Points West Living Vendors otherwise agree, the Partnership will, if possible, request confidentiality in respect of such governmental or other

filings or (ii) in connection with any disclosure to third parties deemed necessary by the Partnership in the course of satisfying the Partnership's conditions set forth in the Acquisition Agreement. If the transactions contemplated by the Acquisition Agreement are not consummated for any reason, the Partnership will destroy or return forthwith, without retaining any copies thereof, all information and documents obtained from the Points West Living Vendors or the PWL Operating Companies or their representatives.

- (b) For a period of ten years from the Acquisition Closing or for such longer period as may be required by laws, the Partnership will retain all original books and records relating to the PWL Operating Companies existing on the Acquisition Closing. So long as any such books and records are retained by the Partnership pursuant to the Acquisition Agreement, the Points West Living Vendors have the right to inspect and to make copies (at their own expense) of them at any time upon reasonable request during normal business hours and upon reasonable notice for any proper purpose and without undue interference to the business operations of the PWL Operating Companies. The Partnership has the right to have its representatives present during any such inspection.
- (c) During the period prior to Acquisition Closing, the Partnership will promptly notify the Points West Living Vendors if the Partnership becomes aware that any of the Points West Living Vendor's representations or warranties are untrue or inaccurate in any material respect or that any Points West Living Vendor or PWL Operating Company has failed to perform or fulfil any of its or their covenants or obligations under the Acquisition Agreement in any material respect, and will allow the Points West Living Vendors and the PWL Operating Companies reasonable time to cure any breach of covenant or obligation under the Acquisition Agreement, or remedy the situations giving rise to the untrue or inaccurate representations or breaches of warranty, prior to Acquisition Closing.
- (d) Each of the Partnership and the PWL Operating Companies agree that following the Acquisition Closing it will not:
  - (i) cause the corporate tax returns of any of the PWL Operating Companies for the period ending on the Acquisition Closing or for any prior period, to be amended, except with the prior consent of the Points West Living Vendors, acting reasonably, and for the purposes hereof it will not be unreasonable for the Points West Living Vendors to withhold such consent if any proposed amendment may give rise to additional tax payable by any of the Points West Living Vendors; or
  - (ii) carry any losses occurring in periods following the Acquisition Closing back to any periods ending on or prior to the Acquisition Closing.
- (e) In respect of the Purchased Shares by the Partnership from Points West Living Inc., Points West Living Inc. will receive Consideration Units in respect of each transfer of Purchased Shares for each of the PWL Operating Companies as determined by the Points West Living Vendor, for purposes of subsection 97(2) of the Tax Act and as set forth in the schedules to the Acquisition Agreement, and the Partnership will execute a joint election with Points West Living Inc. pursuant to Section 97(2) of the Tax Act and the corresponding provisions of any applicable provincial or territorial tax legislation in respect of each such transfer of Purchased Shares by Points West Living Inc. and receipt of Consideration Units by Points West Living Inc. for each of the PWL Operating Companies. In such elections Points West Living Inc. will be entitled to elect the amount which will be its proceeds of disposition and the Partnership's cost of the Purchased Shares for purposes of the Tax Act and applicable provincial income tax legislation, provided that such amounts are within the limits prescribed in the Tax Act. Points West Living Inc. will submit to the Partnership, on or before the 90th day following the Acquisition Closing, duly completed election forms together with any required supporting documents (the "**Purchaser Election**"). For purposes of completing the Purchaser Election, the Partnership will provide Points West Living Inc. with the information relating to the Partnership that is required to be included in the Purchaser Election. The Partnership will execute and return the Purchaser Election to the Points West Living Vendor within twenty days following receipt by the Partnership of the completed Purchaser Election. Points West Living Inc. will be solely responsible for duly and timely filing of the Purchaser Election. The Partnership agrees to reasonably consider executing any amended Purchaser Election subsequently submitted by Points West Living Inc. to the Partnership within twenty (20) business days following receipt thereof.

- (f) On any subsequent sale of the Purchased Shares, or the shares of an affiliate of the Partnership acting as an acquisition entity in respect of a PWL Operating Company, or the assets held by a PWL Operating Company, in an arms-length third party transaction for cash, the net proceeds of such sale will be distributed to the Unitholders of the Partnership subject to applicable law before the end of the fiscal period of the Partnership in which such sale occurs. On such sale, to the extent that a Deferred Gain is realized as a result of such transaction, an amount in respect of the Deferred Gain will be allocated to Points West Living Inc. or its successors or assigns (and if there is more than one successor or assign, pro rata among them) by the Partnership as at the end of the fiscal period of the Partnership to which the allocation relates. On any sale of a portion of the Purchased Shares, or a portion of the shares of an affiliate of the Partnership acting as an acquisition entity in respect of a PWL Operating Company, or a portion of the assets held by a PWL Operating Company, in an arms-length third party transaction for cash, the net proceeds of such sale will be distributed to the Unitholders of the Partnership, subject to applicable law, before the end of the fiscal period of the Partnership in which such sale occurs, and to the extent that a Deferred Gain is realized as a result of such transaction, a proportional amount in respect of the Deferred Gain will be allocated to Points West Living Inc. or its successors or assigns (and if there is more than one such successor or assign, pro rata among them) as at the end of the fiscal period of the Partnership to which the allocation relates.

For the purposes of this section (f):

(i) a “Deferred Gain” shall be realized when the purchase price of the subject property sold in the course of the subsequent sale transaction exceeds the cost amount of such property (immediately following the closing time of the sale of the subject property) for the purposes of the Tax Act;

(ii) a “Deferred Gain” shall mean the product of A multiplied by B, where:

“A” equals the difference between (a) the lesser of the fair market value, at time of transfer of the Purchased Shares to the Partnership, of the subject property sold in the subsequent sale transaction and the proceeds of disposition in the subsequent sale of such subject property, and (b) the cost amount of such subject property immediately after the purchase of the Purchased Shares by the Partnership for the purposes of the Tax Act, and

“B” equals (a) where the subject property is assets (other than shares) of an PWL Operating Company or an affiliate (“Subject Assets”), the Gain Ratio, and (b) where the subject property is shares in an PWL Operating Company or an affiliate, 1;

(iii) the “Gain Ratio” shall equal the fraction, the numerator of which is an amount equal to the stipulated value of the Consideration Units on the Acquisition Closing, and the denominator of which is an amount equal to the total cash and Consideration Units paid or issued for the Purchased Shares, with such fraction being equal to 5,733,332/41,731,444 (prior to accounting for Purchase Price adjustments and the allocation of Purchase Price), or such other fraction agreed to in writing by the Partnership and Points West Living Inc. or its successors and assigns;

(iv) where a Deferred Gain is realized as a consequence of the sale of property by a PWL Operating Company or an affiliate, the allocation of an amount equal to the Deferred Gain contemplated by this section (f) will consist of a proportional allocation of the capital dividends and taxable dividends received by the Partnership in respect of the proceeds from the sale of the property, as determined by the General Partner, acting reasonably; and

(vii) the aggregate of the amounts allocated pursuant to this section (f) in respect of Deferred Gains shall in no event exceed \$5,753,300.00.

Each of the Points West Living Vendors and the Partnership have covenanted to use all commercially reasonable efforts to take, or cause to be taken, all actions and to do, or cause to be done, all things necessary, proper, or advisable to consummate the transactions contemplated by the Acquisition Agreement as soon as practicable. Each of the parties will cooperate with each other to provide each other with assistance as may be reasonably requested by any of them in connection with the preparation of any tax returns and tax audit or other examination or legal proceedings relating to taxes of the PWL Operating Companies for any period prior to or ending on the Acquisition Closing. Such cooperation will include providing

records and information that are reasonably relevant to any such matter and making employees available on a mutually convenient basis to provide additional information. Each of the Partnership and the Points West Living Vendors have agreed to execute and file any tax election forms as reasonably required by the transactions contemplated by the Acquisition Agreement, including a Section 22 Tax Act Election in respect of any accounts receivable acquired by the Points West Living Vendors, and the execution and delivery of such tax election forms will be made as soon as reasonably possible so as to ensure that all tax filing deadlines are met.

### **Conditions Precedent**

In order for the transaction contemplated under the Acquisition Agreement to become effective, certain conditions, summarized below must have been satisfied or waived by each of the Partnership and the Points West Living Vendors.

The obligations of the Partnership to complete the transactions contemplated by the Acquisition Agreement are subject to the fulfilment of certain conditions relating to, among other things, the accuracy of the representations and warranties of the Points West Living Vendors, the Points West Living Vendors' compliance with the covenants and obligations under the Acquisition Agreement, the absence of any order, action or proceeding restraining the purchase and sale of any part of the Shareholder Interest, the absence of any material adverse change in the condition, property, assets, liabilities, operations, earnings, business or prospects of the PWL Operating Companies, no material damages to the property or assets of the PWL Operating Companies, the Points West Living Vendors having given or obtained all consents, approvals and acknowledgements, the Points West Living Vendors being in a position to transfer the Shareholder Interest free and clear of all encumbrances, the Partnership's completion of its due diligence, the Partnership having secured financing commitments sufficient for the purposes of completing the acquisitions under the Acquisition Agreement, the Partnership obtaining approval of applicable lenders carrying the existing mortgage financings registered against the real property owned by the respective PWL Operating Companies, the Partnership obtaining all of the required approvals, the pre-Acquisition Closing transactions having been completed and implemented by the Points West Living Vendors and the Partnership having approved the terms of the future facilities agreements which set out the business relationship pursuant to which the Points West Living Vendors will continue to construct assisted living facilities in co-operation with the Partnership.

The obligations of the Points West Living Vendors to complete the transactions contemplated by the Acquisition Agreement are subject to the fulfilment of certain conditions relating to, among other things, the accuracy of the representations and warranties of the Partnership, the Partnership's compliance with the covenants and obligations under the Acquisition Agreement, the absence of any order, action or proceeding restraining the purchase and sale of the Shareholder Interest, the absence of any material adverse change in the condition, property, assets, liabilities, operations, earnings, business or prospects of the PWL Operating Companies and the Points West Living Vendor having approved this Offering Memorandum, the Partnership Agreement and the Subscription Agreement for Units in the Partnership.

### **Indemnification**

Each of the Points West Living Vendors has agreed to severally (but not jointly or jointly and severally) indemnify the Partnership, the Partnership's affiliates, the PWL Operating Companies and their respective partners, directors, officers, employees and agents (the "**Partnership's Indemnified Parties**") from and against all claims, whether or not arising due to third party claims, which may be made or brought against any of the Partnership's Indemnified Parties, or which they may suffer or incur, as a result of or in connection with or relating to:

- (a) any non-fulfilment or breach of any covenant or agreement on the part of such Points West Living Vendor or any PWL Operating Company in which it has an ownership interest contained in the Acquisition Agreement or in any certificate or other document furnished by or on behalf of such Points West Living Vendor pursuant to the Acquisition Agreement;
- (b) any misrepresentation, breach or inaccuracy of any representation or warranty of such Points West Living Vendor contained in the Acquisition Agreement or in any certificate or other document furnished by or on behalf of such Points West Living Vendor pursuant to the Acquisition Agreement; or
- (c) all costs and expenses including without limitation, legal fees on a solicitor and own client basis, incidental to or arising from or in respect of any of the foregoing.

The obligations of indemnification by the Points West Living Vendors pursuant to the Acquisition Agreement will be subject to certain qualifications, including but not limited to the following:

- (a) the indemnification provisions contained in the Acquisition Agreement;
- (b) the maximum aggregate liability of all the Points West Living Vendors under or in connection with the Acquisition Agreement will be limited to the sum of \$5,000,000.00, and the Partnership's remedies will be limited to:
  - (i) the Consideration Units, which for the purposes of the indemnification provisions will be deemed to be valued at par,
  - (ii) the escrowed cash, but only in the event of a claim relating to PWL Stettler Inc. and its assets and business, and
  - (iii) certain holdbacks but only in respect of a working capital adjustment contemplated in the Acquisition Agreement.
- (c) the maximum aggregate liability of all of the Points West Living Vendors under or in connection with the Acquisition Agreement in respect of any one of the PWL Operating Companies and the assets and business of such PWL Operating Company will be limited to the sum of \$1,000,000.00;
- (d) no Points West Living Vendor will be liable under or in connection with the indemnification provisions for any non-performance, non-fulfillment, misrepresentation, inaccuracy, incorrectness, breach or other failure in respect of any PWL Operating Company in which such Points West Living Vendor does not have a Shareholder Interest as of the date of the Acquisition Agreement, or in respect of any assets or business of such PWL Operating Company in which such Points West Living Vendor does not have a Shareholder Interest as of the date of the Acquisition Agreement;
- (e) the Partnership will not be entitled to make any indemnity claim under the Acquisition Agreement until the aggregate amount of all claims against the Points West Living Vendors exceeds \$250,000 (the "**Threshold**") in which event the Points West Living Vendors will be responsible for the entire amount of such claims from the first dollar in accordance with the terms and qualifications set out in the indemnification provisions; provided that only individual claims exceeding \$25,000 will count towards the Threshold;
- (f) no Points West Living Vendor will be liable for any special, indirect, consequential, punitive or aggravated damages; and
- (g) subject to provisions of (a) through (e) above, in the case of a claim for a breach of a representation or warranty that is qualified by materiality, the Partnership will be entitled to claim the full amount of the claim resulting from such breach without regard to the materiality qualifier; however, for certainty, the determination of whether there has been a breach of a representation or warranty that is qualified by materiality will be made having regard to the materiality qualifier.

The Partnership has agreed to indemnify the Points West Living Vendors, the Points West Living Vendors' affiliates and their respective partners, directors, officers, employees and agents against, and will reimburse them for, any claims arising from, in connection with or related in any manner whatever to:

- (a) any incorrectness in or breach of any representation or warranty of the Partnership contained in the Acquisition Agreement or in any other agreement, certificate or instrument executed and delivered pursuant to the Acquisition Agreement;
- (b) any breach or non-fulfilment of any covenant or agreement on the part of the Partnership contained in the Acquisition Agreement or in any other agreement, certificate or instrument executed and delivered pursuant to the Acquisition Agreement; and



- (c) all costs and expenses incurred without limitation, legal fees on a solicitor and own client basis, incidental to or arising from and or in respect of any of the foregoing.

The indemnities described in this section are subject to certain prescribed limitation periods contained in the Acquisition Agreement, which vary depending on the source of the indemnity.

## **Termination**

The Acquisition Agreement may be rescinded by the Partnership if any of the conditions contained in the Acquisition Agreement are not fulfilled or complied with as provided and the Partnership gives notice in writing to the Points West Living Vendors. In such event the Partnership will be released from all obligations under the Acquisition Agreement and, unless the condition or conditions which were not been fulfilled are reasonably capable of being fulfilled or caused to be fulfilled by the Points West Living Vendors, then the Points West Living Vendors will also be released from all obligations under the Acquisition Agreement.

The Acquisition Agreement may be rescinded by the Points West Living Vendors, at or prior to the Acquisition Closing, if any of the conditions contained in the Acquisition Agreement are not fulfilled or complied with as provided and the Points West Living Vendors gives notice in writing to the Partnership. In such event the Points West Living Vendors will be released from all obligations under the Acquisition Agreement and, unless the condition or conditions which were not been fulfilled are reasonably capable of being fulfilled or caused to be fulfilled by the Partnership, then the Partnership will also be released from all obligations under the Acquisition Agreement.

## **Non-Competition**

At the Acquisition Closing, the Points West Living Vendors, other than Canalta Real Estate Services Ltd., have agreed to execute and deliver and will cause each of James Young, William McLean, Jan Pierzchajlo, Jonathan Rockliff, and Robert Haberman to execute and deliver a non-competition agreement whereby such parties agree they will not, for a period of two years following the Acquisition Closing, directly or indirectly own or have any interest in any business or commercial activity that is involved in the development, ownership or operation of assisted living facilities or is otherwise the same or substantially similar to the activities of the Business, anywhere in the Province of Alberta. Provided, however, that such non-competition agreement will expressly provide exceptions for (a) the business activities of the Points West Living Vendors conducted in accordance with the Future Facilities Agreement; including the existing assisted living facilities presently being developed by Points West Living Red Deer Inc. and Points West Living Slave Lake Inc., and the future facilities which will form part of the future facilities agreement, whether or not such assisted living facilities ultimately are acquired by the Partnership or not; (b) the business activities of James Young and William McLean as general contractors in the construction of similar facilities at market rates; (c) the business activities of Jan Pierzchajlo and Jonathan Rockliff as professional architects of similar facilities at market rates; (d) the activities of Robert Haberman in respect of the development, ownership and operation of assisted living facilities in Grande Prairie, including Points West Living Grande Prairie and the Gardens in Grande Prairie; and (e) the activities of Jim Young in respect of the development, ownership or operation of a assisted living facility in Athabasca, Alberta.

### **2.7.3 Connecting Care Acquisition Agreement**

The following is a summary of the proposed material terms of the Connecting Care Acquisition Agreement, which does not purport to be complete.

Pursuant to the Connecting Care Acquisition Agreement, the Partnership has agreed to purchase from PDG Hospitality (i) all of the issued and outstanding shares in the capital of Connecting Care (the “**Connecting Care Shares**”); and (ii) the indebtedness of Connecting Care to PDG Hospitality (collectively, the “**CC Shareholder Interest**”) for an aggregate purchase price of \$5,000,000, (the “**CC Purchase Price**”), subject to adjustments. The CC Purchase Price will be satisfied by the use of \$1,433,300 of the Net Proceeds from the Offering, together with (i) the issuance of 34,667 Class B2 Units to PDG Hospitality (the “**CC Consideration Units**”), and (ii) \$100,000 in cash received from the Founders for the subscription of 1,000 Class A Units, to acquire Connecting Care. The Connecting Care Acquisition Agreement contains provisions providing for certain adjustments to the CC Purchase Price in respect of the working capital of Connecting Care following the closing.

## Representation and Warranties

PDG Hospitality and the Partnership have made certain representations and warranties in the Connecting Care Acquisition Agreement, which survive the execution and delivery of the Connecting Care Acquisition Agreement and will survive the closing of the purchase and sale of the CC Shareholder Interest (the “**CC Closing**”). Such representations and warranties are customary for this type of transaction.

The representations and warranties of PDG Hospitality relate to, among other things, corporate authority and binding obligations, the absence of any other purchase agreements in respect of any unissued shares of Connecting Care or the CC Shareholder Interest, contractual and regulatory approvals, status and governmental licences, licenses, compliance with constating documents, corporate records, authorized and issued capital, absence of bankruptcy and insolvency proceedings, shareholders’ agreement, financial statements, books and records, liabilities, indebtedness, absence of certain changes or events, subsidiaries, carrying on of business in the ordinary course, commitments for capital expenditures, dividends and distributions, tax matters, litigation matters, title to assets, personal property, accounts receivable, absence of works orders and deficiencies, condition of properties and equipment, leases of personal property, leased premises, intellectual property, privacy laws, absence of partnerships and joint ventures, absence of any facts that could be material to the condition of Connecting Care, restrictions on doing business, outstanding agreements, good standing of agreements, employment agreements, collective agreements, pensions and benefit plans, guarantees, compromises, insurance, non-arm’s length matters, compliance with laws, PDG Hospitality’s residency, copies of documents, loans, business activity, credit agreements, working capital, no broker, and disclosure.

The representations and warranties of the Partnership relate to, among other things, corporate authority and binding obligations, compliance with constating documents, agreements and laws, the Partnership being a Canadian partnership, valid issuance of CC Consideration Units, rights and attributes of CC Consideration Units, absence of any claim, action, suit, proceeding or governmental investigation, and independent review and analysis of Connecting Care and its business by the Partnership.

## Covenants

PDG Hospitality has covenanted that it will do or cause to be done the following:

- (a) during the period from and including the date of which the parties signed the letter of intent to and including the CC Closing (the “**CC Interim Period**”), PDG Hospitality will provide access to and will permit the Partnership, through its representatives, to make such investigation of the operations, properties, assets and records of Connecting Care and of the respective financial and legal condition of Connecting Care as the Partnership deems necessary or advisable to familiarize itself with such operations, properties, assets, records and other matters. Without limiting the generality of the foregoing, during the CC Interim Period PDG Hospitality will permit the Partnership and its representatives to have access to the leased property and to any other premises used in connection with the business carried on by PDG Hospitality through Connecting Care (the “**CC Businesses**”) at such reasonable times as may be designated by PDG Hospitality so as not to disrupt the routine daily affairs of the CC Businesses, and will produce for inspection and provide copies of any documentation within the control or possession of PDG Hospitality relating directly or indirectly to the CC Businesses and reasonably requested by the Partnership;
- (b) From and including the date of the letter of intent to and including that date which is the earlier of the date the Connecting Care Acquisition Agreement is terminated in accordance with its terms or the CC Closing (the “**CC Exclusivity Period**”), PDG Hospitality, whether directly or indirectly through its officers, directors, agents or other representatives (collectively the “**PDG Representatives**”), will not solicit, initiate discussions, engage in or encourage discussions or negotiations with, or enter into any agreement with, any person relating to:
  - (i) the possible acquisition of Connecting Care or the CC Businesses by way of merger, share purchase, asset purchase, license, lease or otherwise; or
  - (ii) any other transaction outside of the ordinary course of business that could materially impair the value of Connecting Care or the CC Businesses post-closing

(collectively, a “**CC Restricted Transaction**”)

During the CC Exclusivity Period, neither PDG Hospitality nor any of the PDG Representatives will:

- (i) disclose any non-public information relating to Connecting Care or the CC Businesses; or
  - (ii) provide access to the properties, books or records of Connecting Care or PDG Hospitality to any person (other than the Partnership or its representatives) in connection with a CC Restricted Transaction.
- (c) At any time prior to the CC Closing, PDG Hospitality must promptly (and in any event within one business day) upon receipt, provide the Partnership with a copy of any written CC Restricted Transaction proposal received and a written statement with respect to any non-written CC Restricted Transaction proposal received, which statement must include the identity of the persons making the proposal and the terms thereof, and will promptly (and in any event within one business day) advise the Partnership of any material modification or proposed modification.
- (d) Except with the prior written consent of the Partnership, such consent not to be unreasonably withheld, the CC Consideration Units will remain registered in the name of PDG Hospitality and subject to the indemnification provisions in the Connecting Care Acquisition Agreement until that date which is the later of six years from the CC Closing or the date that all claims in respect of which Notices of Claim made by the Partnership pursuant to the indemnification provision of the Connecting Care Acquisition Agreement prior to the expiration of such six year period but within any limitation periods prescribed by the Connecting Care Acquisition Agreement remain outstanding.
- (e) PDG Hospitality acknowledges that an offering document will be required to contain disclosure in relation to Connecting Care, the CC Businesses and the financial results pertaining thereto, including the notice to reader financial statements of Connecting Care for the fiscal years ended December 31, 2011 to and including December 31, 2013 and the audited financial statements of Connecting Care as at and for the fiscal year ended December 31, 2014, consent of the Connecting Care’s accountants to the inclusion of the foregoing financial statements in any offering document, and agrees to co-operate in a timely manner with the Partnership and its advisors in connection with the preparation of such disclosure, including the provision of information that may be requested for the preparation of such disclosure and review of drafts thereof for accuracy and completeness (including with respect to any pro forma financial statements).

The Partnership has covenanted that it will do or cause to be done the following:

- (a) Prior to the CC Closing the Partnership will, to the extent reasonably possible, keep confidential the existence of and the terms of the Connecting Care Acquisition Agreement and, prior to the CC Closing and, if the transaction contemplated by the Connecting Care Acquisition Agreement is not completed, at all times after the CC Closing, will keep confidential all information obtained by it relating to Connecting Care and the CC Businesses, except such information which:
- (i) is generally available to the public, other than as a result of a disclosure by the Partnership or its representatives, or
  - (ii) is made available to the Partnership on a non-confidential basis from a source other than PDG Hospitality or their representative.

The Partnership further agrees that such information will be held in compliance with applicable privacy laws and disclosed only to those of its employees and representatives of its advisors who need to know such information for the purposes of evaluating and implementing the transaction contemplated by the Connecting Care Acquisition Agreement. The Partnership will advise such employees and representatives of the confidential nature of the information and obtain the agreement of such employees and representatives that they will be bound by the terms of the confidentiality agreements made by the Partnership to PDG Hospitality. Notwithstanding the foregoing provisions of this paragraph, the obligation

to maintain the confidentiality of such information will not apply to the extent that disclosure of such information is required (i) in connection with governmental or other applicable filings relating to the transactions under the Connecting Care Acquisition Agreement, provided that, in such case, unless PDG Hospitality otherwise agree, the Partnership will, if possible, request confidentiality in respect of such governmental or other filings or (ii) in connection with any disclosure to third parties deemed necessary by the Partnership in the course of satisfying the Partnership's conditions set forth in the Connecting Care Acquisition Agreement. If the transactions contemplated by the Connecting Care Acquisition Agreement are not consummated for any reason, the Partnership will destroy or return forthwith, without retaining any copies thereof, all information and documents obtained from PDG Hospitality or the PDG Representatives.

- (b) For a period of ten years from the CC Closing or for such longer period as may be required by laws, the Partnership will retain all original books and records relating to Connecting Care existing on the CC Closing. So long as any such books and records are retained by the Partnership pursuant to the Connecting Care Acquisition Agreement, PDG Hospitality has the right to inspect and to make copies (at their own expense) of them at any time upon reasonable request during normal business hours and upon reasonable notice for any proper purpose and without undue interference to the business operations of Connecting Care. The Partnership has the right to have its representatives present during any such inspection.
- (c) During the period prior to CC Closing, the Partnership will promptly notify PDG Hospitality if the Partnership becomes aware that any of PDG Hospitality's representations or warranties are untrue or inaccurate in any material respect or that PDG Hospitality or Connecting Care has failed to perform or fulfil any of its or their covenants or obligations under the Connecting Care Acquisition Agreement in any material respect, and will allow PDG Hospitality and Connecting Care reasonable time to cure any breach of covenant or obligation under the Connecting Care Acquisition Agreement, or remedy the situations giving rise to the untrue or inaccurate representations or breaches of warranty, prior to CC Closing.
- (d) Each of the Partnership and Connecting Care agree that following the CC Closing it will not:
  - (i) cause the corporate tax returns of Connecting Care for the period ending on the CC Closing or for any prior period, to be amended, except with the prior consent of PDG Hospitality, acting reasonably, and for the purposes hereof it will not be unreasonable for PDG Hospitality to withhold such consent if any proposed amendment may give rise to additional tax payable by PDG Hospitality; or
  - (ii) carry any losses occurring in periods following the CC Closing back to any periods ending on or prior to the CC Closing.
- (e) In respect of the transfer of a portion of the Connecting Care Shares, PDG Hospitality will receive shares in the CC Acquisition Corporation and will subsequently exchange such shares for CC Consideration Units to be issued by the Partnership, all as more particularly described in the Connecting Care Acquisition Agreement. For purposes of subsections 85(1) and 97(2) of the Tax Act, CC Acquisition Corporation and the Partnership will execute joint elections with PDG Hospitality pursuant to sections 85(1) and 97(2) of the Tax Act and the corresponding provisions of any applicable provincial tax legislation in respect of each such transfer of the Connecting Care Shares by PDG Hospitality, transfer of shares in the CC Acquisition Corporation, receipt of shares in the CC Acquisition Corporation and receipt of CC Consideration Units by PDG Hospitality. In such elections, PDG Hospitality will be entitled to elect the amount which will be its proceeds of disposition and CC Acquisition Corporation / the Partnership's cost of the Connecting Care Shares / shares of CC Acquisition Corporation for purposes of the Tax Act and applicable provincial income tax legislation, provided that such amounts are within the limits prescribed in the Tax Act. PDG Hospitality will submit to the Partnership, on or before the 90th day following the CC Closing, duly completed election forms together with any required supporting documents (the "**Purchaser Elections**"). For purposes of completing the Purchaser Elections, the Partnership will provide PDG Hospitality with the information relating to CC Acquisition Corporation / the Partnership that is required to be included in the Purchaser Elections. CC Acquisition Corporation / the Partnership will execute and return the Purchaser Elections to PDG Hospitality within twenty days following receipt by the Partnership of the completed Purchaser Elections. PDG Hospitality will be solely responsible for duly and timely filing of the Purchaser Elections. The Partnership agrees to reasonably consider executing any amended Purchaser Elections

subsequently submitted by PDG Hospitality to the Partnership within twenty business days following receipt thereof.

- (f) On any subsequent sale of the Connecting Care Shares, or the shares of the affiliate of the Partnership acting as an acquisition entity in respect of Connecting Care, or the assets held by Connecting Care, in an arms-length third party transaction for cash, the net proceeds of such sale will be distributed to the Unitholders of the Partnership subject to applicable law before the end of the fiscal period of the Partnership in which such sale occurs. On such sale, to the extent that a Deferred Gain is realized as a result of such transaction, an amount in respect of the Deferred Gain will be allocated to PDG Hospitality or its successors or assigns (and if there is more than one successor or assign, pro rata among them) by the Partnership as at the end of the fiscal period of the Partnership to which the allocation relates. On any sale of a portion of the Connecting Care Shares, or a portion of the shares or assets of the CC Acquisition Corporation or Connecting Care, in an arms-length third party transaction for cash, the net proceeds of such sale will be distributed to the Unitholders in the Partnership, subject to applicable law, before the end of the fiscal period of the Partnership in which such sale occurs, and to the extent that a Deferred Gain is realized as a result of such transaction, a proportional amount in respect of the Deferred Gain will be allocated to PDG Hospitality or its successors or assigns (and if there is more than one such successor or assign, pro rata among them) as at the end of the fiscal period of the Partnership to which the allocation relates.

For the purposes of this section (f):

(i) a “Deferred Gain” shall be realized when the purchase price of the subject property sold in the course of the subsequent sale transaction exceeds the cost amount of such property (immediately following the closing time of the sale of the subject property) for the purposes of the Tax Act;

(ii) a “Deferred Gain” shall mean the product of A multiplied by B, where:

“A” equals the difference between (a) the lesser of the fair market value, at time of transfer of the Connecting Care Shares to the Partnership, of the subject property sold in the subsequent sale transaction and the proceeds of disposition in the subsequent sale of such subject property, and (b) the cost amount of such subject property immediately after the purchase of the Connecting Care Shares by the Partnership for the purposes of the Tax Act, and

“B” equals (a) where the subject property is assets (other than shares) of the Connecting Care or the affiliate (“Subject Assets”), the Gain Ratio, and (b) where the subject property is shares in the Acquisition Corporation or the Acquired Entity, 1;

(iii) the “Gain Ratio” shall equal the fraction, the numerator of which is an amount equal to the stipulated value of the Consideration Units on the CC Closing, and the denominator of which is an amount equal to the total cash and Consideration Units paid or issued for the Connecting Care Shares, with such fraction being equal to 3,466,668/5,000,000 (prior to accounting for Purchase Price adjustments), or such other fraction agreed to in writing by the Partnership and the Vendor or its successors and assigns;

(iv) where a Deferred Gain is realized as a consequence of the sale of property by Connecting Care or the affiliate, the allocation of an amount equal to the Deferred Gain contemplated by this section (f) will consist of a proportional allocation of the capital dividends and taxable dividends received by the Partnership in respect of the proceeds from the sale of the property, as determined by the General Partner, acting reasonably; and

(vii) the aggregate of the amounts allocated pursuant to this section (f) in respect of Deferred Gains shall in no event exceed \$3,466,668.

Each of PDG Hospitality and the Partnership has covenanted to use all commercially reasonable efforts to, and the Partnership covenants to cause the CC Acquisition Corporation to, take, or cause to be taken, all actions and to do, or cause to be done, all things necessary, proper, or advisable to consummate the transactions contemplated by the Connecting Care Acquisition Agreement as soon as practicable. Each of the parties will cooperate with each other to provide each other with

assistance as may be reasonably requested by any of them in connection with the preparation of any tax returns and tax audit or other examination or legal proceedings relating taxes of Connecting Care for any period prior to or ending on the CC Closing. Such cooperation will include providing records and information that are reasonably relevant to any such matter and making employees available on a mutually convenient basis to provide additional information. Each of PDG Hospitality, the Partnership and the CC Acquisition Corporation agree to execute and file any tax election form as reasonably required by the transactions contemplated by the Connecting Care Acquisition Agreement, including a section 22 Tax Act election in respect of any accounts receivable acquired by Connecting Care as contemplated by the Connecting Care Acquisition Agreement, any election forms in respect of the Connecting Care reorganization and any election forms contemplated by the Connecting Care Acquisition Agreement, and the execution and delivery of such tax election forms will be made as soon as reasonably possible so as to ensure that all tax filing deadlines are met.

### **Conditions Precedent**

In order for the transaction contemplated under the Connecting Care Acquisition Agreement to become effective, certain conditions, summarized below must have been satisfied or waived by each of the Partnership and PDG Hospitality.

The obligations of the Partnership to complete the transactions contemplated by the Connecting Care Acquisition Agreement are subject to the fulfilment of certain conditions relating to, among other things, the accuracy of the representations and warranties of PDG Hospitality, PDG Hospitality's compliance with the covenants and obligations under the Connecting Care Acquisition Agreement, the absence of any order, action or proceeding restraining the purchase and sale of any part of the CC Shareholder Interest, the absence of any material adverse change in the condition, property, assets, liabilities, operations, earnings, business or prospects of Connecting Care, no material damages to the property or assets of Connecting Care, PDG Hospitality having given or obtained all consents, approvals and acknowledgements, PDG Hospitality being in a position to transfer the CC Shareholder Interest free and clear of all encumbrances, the Partnership's completion of its due diligence, the Partnership having secured financing commitments sufficient for the purposes of completing the acquisitions under the Connecting Care Acquisition Agreement, the Partnership obtaining all of the required approvals, the pre-CC Closing transactions having been completed and implemented by PDG Hospitality and completion of the transactions contemplated by the Connecting Care Acquisition Agreement by the CC Closing.

The obligations of PDG Hospitality to complete the transactions contemplated by the Connecting Care Acquisition Agreement are subject to the fulfilment of certain conditions relating to, among other things, the accuracy of the representations and warranties of the Partnership, the Partnership's compliance with the covenants and obligations under the Connecting Care Acquisition Agreement, the absence of any order, action or proceeding restraining the purchase and sale of the CC Shareholder Interest, the absence of any material adverse change in the condition, property, assets, liabilities, operations, earnings, business or prospects of Connecting Care, PDG Hospitality having approved this Offering Memorandum, the Partnership Agreement and the Subscription Agreement for Units in the Partnership, PDG Hospitality having completed certain pre-CC Closing reorganizations and a rollover of a portion of the Connecting Care Shares, and the transactions contemplated by the Acquisition Agreement having been completed.

### **Indemnification**

PDG Hospitality has agreed to indemnify the Partnership, the Partnership's affiliates, Connecting Care and their respective partners, directors, officers, employees and agents (the **"Partnership's CC Indemnified Parties"**) from and against all claims, whether or not arising due to third party claims, which may be made or brought against any of the Partnership's CC Indemnified Parties, or which they may suffer or incur, as a result of or in connection with or relating to:

- (a) any non-fulfilment or breach of any covenant or agreement on the part of PDG Hospitality or Connecting Care contained in the Connecting Care Acquisition Agreement or in any certificate or other document furnished by or on behalf of PDG Hospitality pursuant to the Connecting Care Acquisition Agreement;
- (b) any misrepresentation, breach or inaccuracy of any representation or warranty of PDG Hospitality contained in the Connecting Care Acquisition Agreement or in any certificate or other document furnished by or on behalf of PDG Hospitality pursuant to the Connecting Care Acquisition Agreement; or
- (c) all costs and expenses including without limitation, reasonable legal fees on a solicitor and own client basis, incidental to or arising from or in respect of any of the foregoing.

The obligations of indemnification by PDG Hospitality pursuant to the Connecting Care Acquisition Agreement will be subject to certain qualification, including but not limited to the following:

- (a) the indemnification provisions contained in the Connecting Care Acquisition Agreement;
- (b) the maximum aggregate liability of all PDG Hospitality under or in connection with the Connecting Care Acquisition Agreement will be limited to the sum of \$1,000,000.00, and the Partnership's remedies will be limited to the CC Consideration Units, which for the purposes of the indemnification provisions will be deemed to be valued at par.
- (c) the Partnership will not be entitled to make any indemnity claim under the Connecting Care Acquisition Agreement until the aggregate amount of all claims against PDG Hospitality exceeds \$100,000 (the "**CC Threshold**") in which event PDG Hospitality will be responsible for the entire amount of such claims from the first dollar in accordance with the terms and qualifications set out in the indemnification provisions; provided that only individual claims exceeding \$25,000 will count towards the CC Threshold;
- (d) PDG Hospitality will not be liable for any special, indirect, consequential, punitive or aggravated damages; and
- (e) subject to provisions of (a) through (d) above, in the case of a claim for a breach of a representation or warranty that is qualified by materiality, the Partnership will be entitled to claim the full amount of the claim resulting from such breach without regard to the materiality qualifier; however, for certainty, the determination of whether there has been a breach of a representation or warranty that is qualified by materiality will be made having regard to the materiality qualifier.

The Partnership has agreed to indemnify PDG Hospitality, PDG Hospitality's affiliates and their respective partners, directors, officers, employees and agents against, and will reimburse them for, any claims arising from, in connection with or related in any manner whatever to:

- (a) any incorrectness in or breach of any representation or warranty of the Partnership contained in the Connecting Care Acquisition Agreement or in any other agreement, certificate or instrument executed and delivered pursuant to the Connecting Care Acquisition Agreement;
- (b) any breach or non-fulfilment of any covenant or agreement on the part of the Partnership contained in the Connecting Care Acquisition Agreement or in any other agreement, certificate or instrument executed and delivered pursuant to the Connecting Care Acquisition Agreement; and
- (c) all costs and expenses including without limitation, reasonable legal fees on a solicitor and own client basis, incidental to or arising from and or in respect of any of the foregoing.

The indemnities described in this section are subject to certain prescribed limitation periods contained in the Connecting Care Acquisition Agreement, which vary depending on the source of the indemnity.

## **Termination**

The Connecting Care Acquisition Agreement may be rescinded by the Partnership if any of the conditions contained in the Connecting Care Acquisition Agreement are not fulfilled or complied with as provided and the Partnership gives notice in writing to PDG Hospitality. In such event the Partnership will be released from all obligations under the Connecting Care Acquisition Agreement and, unless the condition or conditions which were not been fulfilled are reasonably capable of being fulfilled or caused to be fulfilled by PDG Hospitality, then PDG Hospitality will also be released from all obligations under the Connecting Care Acquisition Agreement.

The Connecting Care Acquisition Agreement may be rescinded by PDG Hospitality, at or prior to the CC Closing, if any of the conditions contained in the Connecting Care Acquisition Agreement are not fulfilled or complied with as provided and PDG Hospitality gives notice in writing to the Partnership. In such event PDG Hospitality will be released from all obligations under the Connecting Care Acquisition Agreement and, unless the condition or conditions which were not been

fulfilled are reasonably capable of being fulfilled or caused to be fulfilled by the Partnership, then the Partnership will also be released from all obligations under the Connecting Care Acquisition Agreement.

#### 2.7.4 AHS Funding Agreements

Each of the PWL Operating Companies, other than Points West Living Lloydminster Inc, to be acquired by the Partnership have entered into a master service agreement with AHS (the “**Master Services Agreements**”) pursuant to which AHS has agreed to fund pre-determined number of staffing hours and associated services for each level of DSL suite at the respective Properties. In exchange for providing these DSL services, AHS provides the PWL Operating Companies with adequate funding to compensate for staffing costs allocated to provide those services. The amount of funding is dependent on the level of care required by AHS at the particular residence. Independent audits are administered by AHS to ensure compliance with the quality of service described under the terms of the agreement. To date Points West Living has passed every administered audit. The PWL Operating Companies are required to return any funding related to unused funded hours as determined by AHS. The terms of the Master Services Agreements generally range from 5 to 30 years, depending on the circumstances but the amount of funding is adjusted annually. Historically, the annual adjustment of the funding has resulted in increases ranging from 2-4% year over year. The annual adjustments are based on the wage increases under the collective bargaining agreements the AHS has with its employees. There can be no assurance that the historical increases will continue, and it is expected that the next annual adjustment will result in an annual increase of 0-2%.

AHS is currently updating the standardizing Master Services Agreements which govern the relationship between AHS and the applicable service provider. Each of Wainwright and Century Park are currently negotiating amending agreements to their respective Master Services Agreements (the “**AHS MS Amending Agreements**”) which are expected to extend the expiring Master Services Agreements for one year until March 31, 2016, while AHS updates its standard Master Services Agreements.

It is expected that within the next 12 months, AHS will have updated its standard Master Services Agreements (the “**Updated MSAs**”). The AHS MS Amending Agreements contemplate that upon execution of Updated MSAs, such services agreements will be automatically extended for a further four (4) years and will automatically be added to the remainder of the first renewal year contemplated in the AHS MS Amending Agreements, and such Updated MSAs will replace the current Master Services Agreements. In the event the service provider (being Wainwright and Century Park) fails to execute the Updated MSAs, AHS shall have the right, in its sole discretion, to terminate the current agreement upon 30 days’ written notice.

Points West Living Lloydminster Inc. entered into an agreement with PNHR on April 1, 2007 to provide personal support services for up to sixty individuals in designed supportive housing units at Lloydminster. PNHR agreed to pay the Partnership two hours of care per resident day. Both parties agreed to annually review the fee and funding methodology, which will include consideration of inflationary costs, and revise as mutually agreed to from time to time.

The chart below illustrates the number of funded hours and total amount of funding received under the respective Master Service Agreement.

Property	Start Date	End Date	Last Year’s DSL Hours per Resident Breakdown <sup>(1)</sup>	Last Year’s Funded Hours	Last Year’s Total Funding <sup>(2)</sup>	Termination Rights
Peace River	September 3, 2013	September 2, 2033	SL3: 6 suites (3,504)  SL4: 24 suites (23,389)  SL4D: 12 suites (15,593)	52,913	\$1,698,199	AHS may terminate the agreement if at any time the PWL Operating Company engages in criminal activity, defaults on its loan covenants or fails to provide clients with Essential Services <sup>(3)</sup> . The agreement may also be terminated by either party on 12



Property	Start Date	End Date	Last Year's DSL Hours per Resident Breakdown <sup>(1)</sup>	Last Year's Funded Hours	Last Year's Total Funding <sup>(2)</sup>	Termination Rights
						months' notice.
Cold Lake	December 1, 2012	March 31, 2032	SL3: 6 suites (3,504)  SL4: 24 suites (22,743)  SL4D: 12 suites (14,140)	51,083	\$1,665,964	AHS may terminate the agreement if at any time the PWL Operating Company engages in criminal activity, defaults on its loan covenants or fails to provide clients with Essential Services <sup>(3)</sup> . The agreement may also be terminated by either party on 12 months' notice.
Stettler	July 2, 2013	July 1, 2033	Integrated Private Clinic: 8 Rooms (966)  SL4: 50 suites (56,594)  SL4D: 38 suites (50,133)	114,391	\$3,650,809	AHS may terminate the agreement if at any time the PWL Operating Company engages in criminal activity, defaults on its loan covenants or fails to provide clients with Essential Services <sup>(3)</sup> . The agreement may also be terminated by either party on 12 months' notice.
Wainwright	October 1, 2010	March 31, 2015	SL4: 35 suites (30,981)  SL4D: 24 suites (28,996)	75,440	\$2,439,327	AHS may terminate the agreement if at any time the PWL Operating Company engages in criminal activity, defaults on its loan covenants or fails to provide clients with Essential Services <sup>(3)</sup> . The agreement may also be terminated by either party on 12 months' notice.
	April 1, 2015	March 31, 2016				
Century Park	September 1, 2010	March 31, 2015	SL4: 20 suites (22,561) SL4D: 20 suites (26,015)	52,297	\$1,709,905	AHS may terminate the agreement if at any time the PWL Operating Company engages in criminal activity, defaults on its loan covenants or fails to provide clients with Essential Services <sup>(3)</sup> . The agreement may also be terminated by either party on 12 months' notice.
	April 1, 2015	March 31, 2016				
Heritage House	June 1, 2012	March 31, 2017	SL4: 42 suites (44,584)	98,333	\$1,634,076	AHS may terminate the agreement if at any time the PWL Operating Company engages in criminal activity, defaults on its loan covenants or fails to provide clients with Essential Services <sup>(3)</sup> . The

Property	Start Date	End Date	Last Year's DSL Hours per Resident Breakdown <sup>(1)</sup>	Last Year's Funded Hours	Last Year's Total Funding <sup>(2)</sup>	Termination Rights
						agreement may also be terminated by either party on 12 months' notice.
Lloydminster <sup>(4)</sup>	April 9, 2007	April 8, 2027	SL4: 60 suites (68,707)	72,830	\$2,365,430	The agreement may be terminated by either party with 12 months written notice, or earlier if mutually agreed to. The PWL Operating Company will provide services in accordance with all applicable federal, provincial and municipal legislation, laws, bylaws, regulations, ordinances and orders, as amended.

Notes:

- (1) Funded hours include payments for activities aides, educators, site directors and other admin and support staff in excess of the funding provided solely for DSL resident care.
- (2) Per the funding 2014-2015 funding advices provided by AHS and PNHR.
- (3) Essential Services are any component of the services provided that in the opinion of AHS affects or may affect the care, health or safety of the Partnership's residents.
- (4) Lloydminster is the only property in the Points West Living Portfolio that is not under contract with AHS. It is currently under contract with PNHR, due to its proximity to Saskatchewan.

## 2.7.5 Executive Contracts

On Closing, Connecting Care expects to enter into employment contracts with four key executives (the “**Executives**” and each an “**Executive**”), as the experienced internal management team of Points West Living. The management team will include: Doug Mills, Chief Executive Officer, John Cathrae, Chief Financial Officer, Georg Rath, Vice President, Operations, and Paul Melanson, Vice President, Human Resources and Administration. The term of the employment contracts will be for a period of two years, effective from the date of Closing. See “Item 3.1 – Compensation and Securities Held” for additional details on the compensation proposed to be paid to the Employees.

### *Termination of Employment Agreements*

In addition, the employment agreements are expected to include the following termination provisions for termination by Connecting Care or by an Employee:

At any time either Connecting Care or the Executive may terminate the employment agreement for any reason, with or without cause and without liability. The terminated Executive is entitled to all outstanding and accrued base salary and vacation pay, earned and owing up to the termination date; and any outstanding reimbursements for expenses incurred and approved by the Board prior to the termination date.

If Connecting Care terminates the employment agreement in the absence of just cause, the Executive is entitled to all outstanding and accrued base salary and vacation pay earned and owing up to the termination date, any outstanding reimbursements for expenses incurred prior to the termination date, a payment equal to 5% of the Executive's base salary in lieu of all benefits, and two (2) years base salary, which shall be paid by way of salary continuance payments in accordance with Connecting Care's regular payroll policies respecting the payment of base salary from time to time.

If the Executive terminates its employment with Connecting Care pursuant to the proposed agreement, Connecting Care will have the option of requiring the Executive to cease providing employment services before the expiry of the Executive's ninety (90) day notice period. Connecting Care will pay the Executive the compensation to which the Executive is entitled pursuant to the terms of the agreement up to the date of termination, and thereafter all obligations of Connecting Care will cease. See "Item 3.1 – Compensation and Securities Held" for additional details on the compensation proposed to be paid to the Executives.

#### **2.7.6 Asset Management Agreement**

The following is a summary of the material terms of the Asset Management Agreement, which does not purport to be complete.

On Closing, the Asset Manager will enter into an asset management agreement with the Partnership pursuant to which the Partnership will engage, retain and appoint the Asset Manager to provide supportive services to the Partnership.

The Asset Manager's duties will include:

- Growing the business by providing support in request for proposals (RFPs), and sourcing projects for acquisition, including the responsibility of sourcing additional capital (including offering memoranda) and financing support through the development of banking and consulting relationships.
- Supporting the business in the development of pro formas, contract negotiations and property tax and other expense reviews. In addition, the Asset Manager is required to oversee the policies and procedures and the financial and operational reporting.
- Leading the business by building relationships with investors and other important personnel as well as maintaining good governance and transparency throughout the organization.
- Planning for the future by developing strategic partnerships and creating action plans designed to grow the organization. Furthermore, the Asset Manager can use capex strategies to maximize existing residences and also to construct exit strategies.
- Sourcing acquisitions, sourcing capital, sourcing joint venture partners, sourcing financing and re-financing, and providing pro-forma budgets, maintaining relationships with AHS, and developing relationships with other professionals or consultants as necessary.

The Asset Manager is entitled to receive the Asset Management Fee, being an annual amount equal to 2% of the Capital Contribution of all Limited Partners (indexed at a rate of 2.5% per annum), plus applicable taxes, for its services as Asset Manager of the Points West Living Portfolio. The Asset Management Fee will be payable quarterly. The Asset Management Fee will be an expense of the Partnership and payable prior to any distributions on Units, including, without limitation, the First Priority Return.

The fee payable to the Asset Manager shall be payable in quarterly installments with the first quarterly installment expected to occur on September 30, 2015 and continue until the Points West Living Portfolio is disposed of by the Partnership. To the extent cash flow is insufficient to pay the fees payable in the aforesaid monthly instalments, then such fees shall accrue and remain outstanding liabilities of the Partnership until paid.

#### **2.7.7 Future Facilities Agreement**

The Partnership is currently in the process of negotiating a future facilities agreement (the "**Future Facilities Agreement**") with certain of the Points West Living Vendors, the key terms of which are set forth in the Acquisition Agreement. A summary of the key terms of the Future Facilities Agreement as set forth in the Acquisition Agreement are provided below.

The future facilities developments generally take four different forms, each of which require a slightly different approach. These are projects currently under development, projects which may be approved for Alberta Supportive Living

Initiative (“ASLI”) grants during the 2015 calendar year, facilities which are identified in the non-competition section of the Acquisition Agreement and an other developments category.

### ***Facilities Under Development***

The development of PWL Red Deer Inc. and PWL Slave Lake Inc. are the subject of letters of intent which will facilitate their purchase by the Partnership. In addition, the existing contracts for development management, start up and lease up, operations management and royalty fees will be assigned to the successor company to Connecting Care or to the Partnership.

### ***Facilities with Approved 2015 ASLI Grants***

The developments to which this may apply are those for which an application for an ASLI grant was submitted in December 2014 and was approved for funding by AHS. The locations that were approved are Cochrane, Lac la Biche, and Wetaskiwan. Locations which were unsuccessful have been removed from the Future Facilities Agreement.

There are two options available to Points West Living Inc. with respect to the successful ASLI grant applications. Firstly, the Partnership would purchase the opportunity to receive the grant and develop and own the facility for an up-front payment based upon the number of DSL units approved for funding. If this option is chosen, it is expected that the Partnership will assign its right to develop such facilities in exchange for an opportunity to purchase the facility once the development is complete and the residence is stabilized. The developer of such facilities may be an affiliate of companies controlled by certain of the members of the Board. During the development it is also expected that Connecting Care will manage the development process in exchange for a fee from the developer.

Alternately, Points West Living Inc. may choose to develop the facilities themselves or with the joint venture partners which were identified in the ASLI grant submissions. Should the latter option be chosen, Points West Living Inc. will enter into a letter of intent with the Partnership on similar terms and conditions as the letters of intent with respect to PWL Red Deer Inc. and PWL Slave Lake Inc. In proceeding with these developments, Points West Living Inc. will arrange the required equity contributions, construction financing, guarantees and other contracts and agreements as required. Points West Living Inc. will assume all risks inherent with development projects of this nature.

In addition, Points West Living Inc. will enter into contracts for development management, start up and lease up, operations management and royalty fees at market rates with Connecting Care until the letter of intent is superseded by a binding and definitive purchase agreement.

### ***Facilities Identified in the Non-Competition Clause***

There are two options available to Jim Young and the Athabasca facility as identified in the non-competition provisions of the Acquisition Agreement. Firstly, the Partnership would purchase the opportunity to receive a grant and develop and own the facility for an up-front payment based upon the number of approved funded DSL units should an ASLI grant apply to such a facility. If this option is chosen, it is expected that the Partnership will assign its right to develop such facilities in exchange for an opportunity to purchase the facility once the development is complete and the residence is stabilized. The developer of such facilities may be an affiliate of companies controlled by certain of the members of the Board. During the development it is also expected that Connecting Care will manage the development process in exchange for a fee from the developer.

Alternately, Mr. Young may choose to develop the facility. Should Mr. Young choose this option, he will enter into a letter of intent with the Partnership on similar terms and conditions as the letters of intent with respect to PWL Red Deer Inc. and PWL Slave Lake Inc. In proceeding with these developments he will arrange the required equity contributions, construction financing, guarantees and other contracts and agreements as required. Mr. Young will assume all risks inherent with development projects of this nature.

In addition, Mr. Young will enter into contracts for development management, start up and lease up, operations management and royalty fees at market rates with Connecting Care until the letter of intent is superseded by a binding and definitive purchase agreement.

### ***Termination of Agreement***

If at any time that the Future Facilities Agreement remains in effect PDG Hospitality Inc. is not a partner in the General Partner, Points West Living Inc. at its option may terminate this agreement and all obligations and responsibilities under it.

## ITEM 3 – INTERESTS OF DIRECTORS, MANAGEMENT, PROMOTERS AND PRINCIPAL SECURITYHOLDERS

### 3.1 Compensation and Securities Held

The following table sets out information about each director, officer and promoter of the Partnership and the General Partner and each person who, directly or indirectly, beneficially owns or controls 10% or more of any class of voting securities of the Partnership or the General Partner:

<b>Name and Municipality of Principal Residence</b>	<b>Position held and the date of obtaining that position</b>	<b>Compensation paid by the Partnership (i) since inception, and (ii) anticipated to be paid by the Partnership in the current financial year<sup>(1)</sup></b>	<b>Number, type and percentage of securities of the Partnership to be held after completion of Minimum Offering<sup>(2)</sup></b>	<b>Number, type and percentage of securities of the Partnership to be held after completion of Maximum Offering<sup>(2)</sup></b>
Doug Mills Edmonton, Alberta	Chief Executive Officer (upon Closing)	(i) Nil (ii) \$250,000	4,777 Class B1 Units 1.5% <sup>(3)</sup>	4,777 Class B1 Units 1.5% <sup>(3)</sup>
			11,555 Class B2 Units 3.6% <sup>(3)</sup>	11,555 Class B2 Units 3.6% <sup>(3)</sup>
John Cathrae. <sup>(4)</sup> Greely, Ontario	Chief Financial Officer (upon Closing)	(i) Nil (ii) \$100,000	Nil	Nil
Steve Suske Oakville, Ontario	Chair (upon Closing)	(i) Nil (ii) Nil	Nil	Nil
Aurele Simourd Ottawa, Ontario	Vice Chair (upon Closing)	(i) Nil (ii) Nil	Nil	Nil
Georg Rath Edmonton, Alberta	Vice President, Operations (upon Closing)	(i) Nil (ii) \$175,000	4,777 Class B1 Units 1.5% <sup>(5)</sup>	4,777 Class B1 Units 1.5% <sup>(5)</sup>
			11,555 Class B2 Units 3.6% <sup>(5)</sup>	11,555 Class B2 Units 3.6% <sup>(5)</sup>
Doug Murphy Strathmore, Alberta	Director	(i) Nil (ii) Commission Agreement	Nil	Nil
Paul Melanson Edmonton, Alberta	Vice President, Human Resources and Administration (upon Closing)	(i) Nil (ii) \$175,000	4,777 Class B1 Units 1.5% <sup>(6)</sup>	4,777 Class B1 Units 1.5% <sup>(6)</sup>
			11,555 Class B2 Units 3.6% <sup>(6)</sup>	11,555 Class B2 Units 3.6% <sup>(6)</sup>
Suske Capital Inc. <sup>(7)</sup> Oakville, Ontario	Promoter	(i) Nil (ii) Nil	3,000 Class A Units 0.94%	3,000 Class A Units 0.94%

<b>Name and Municipality of Principal Residence</b>	<b>Position held and the date of obtaining that position</b>	<b>Compensation paid by the Partnership (i) since inception, and (ii) anticipated to be paid by the Partnership in the current financial year<sup>(1)</sup></b>	<b>Number, type and percentage of securities of the Partnership to be held after completion of Minimum Offering<sup>(2)</sup></b>	<b>Number, type and percentage of securities of the Partnership to be held after completion of Maximum Offering<sup>(2)</sup></b>
SFT Sussex Holdings Limited <sup>(8)</sup> Ottawa, Ontario	Promoter	(i) Nil (ii) Nil	2,000 Class A Units 0.63%	2,000 Class A Units 0.63%
7949278 Canada Inc. <sup>(9)</sup> Ottawa, Ontario	Promoter	(i) Nil (ii) Nil	1,000 Class A Units 0.31%	1,000 Class A Units 0.31%
Richard Muir <sup>(10)</sup> Uxbridge, Ontario	Director	(i) Nil (ii) Nil	63,000 Class A Units 19.81%	63,000 Class A Units 19.81%
Gerald Noble <sup>(11)</sup> Toronto, Ontario	Director	(i) Nil (ii) Nil	7,000 Class A Units 2.20%	7,000 Class A Units 2.20%
Devon Cranson <sup>(12)</sup> Toronto, Ontario	Director	(i) Nil (ii) Nil	2,775 Class A Units 0.87%	2,775 Class A Units 0.87%

Notes:

- (1) The total executive compensation anticipated to be paid from operations in the Partnership's first financial year of operations is \$700,000.
- (2) Assuming that the minimum 220,000 Units are issued under the Offering and that no additional Units are purchased by the directors or officers of the Partnership or the General Partner.
- (3) On Closing, Doug Mills will have an indirect beneficial interest in approximately 4,777 Class B1 Units through his 8.33% interest in Points West Living Inc. and approximately 11,555 Class B2 Units through his 33.33% interest in PDG Hospitality.
- (4) On Closing, John Cathrae will have a 3.27% interest in the General Partner.
- (5) On Closing, Georg Rath will have an indirect beneficial interest in approximately 4,777 Class B1 Units through his 8.33% interest in Points West Living Inc. and approximately 11,555 Class B2 Units through his 33.33% interest in PDG Hospitality.
- (6) On Closing, Paul Melanson will have an indirect beneficial interest in approximately 4,777 Class B1 Units through his 8.33% interest in Points West Living Inc. and approximately 11,555 Class B2 Units through his 33.33% interest in PDG Hospitality.
- (7) Suske Capital Inc. is controlled by Mr. Steve Suske. On Closing, Suske Capital Inc. will have a 24.5% interest in the General Partner. On Closing, Suske Capital Inc. will hold 3000 Class A Units.
- (8) SFT Sussex Holdings Limited is controlled by Mr. Aurele Simourd. On Closing, SFT Sussex Holdings Limited will have a 13.07% interest in the General Partner. On Closing, SFT Sussex Holdings Limited will hold 2000 Class A Units.
- (9) 7949278 Canada Inc. is controlled by Mr. Ken Craig. On Closing, 7949278 Canada Inc. will have an 8.16% interest in the General Partner. On Closing, 7949278 Canada Inc. will hold 1000 Class A Units.
- (10) Muir PWL Inc. is controlled by Richard Muir and he holds an 80% interest in Muir PWL Inc. On closing, Muir PWL Inc. will hold 35,000 Class A Units. Richard Muir is a trustee and a beneficiary of The Muir PWL 2015 Family Trust. On closing The Muir PWL 2015 Family Trust will hold 35,000 Class A Units and will have a 20% interest in the General Partner.
- (11) Gerald Noble has a 20% interest in Muir PWL Inc.
- (12) The Agent is controlled by Mr. Devon Cranson. On Closing, provided certain conditions are met, the Agent will have a 4% interest in the General Partner. On Closing, it is expected that the Agent will hold 2,775 Class A Units.

### 3.2 Management Experience

The following discloses the principal occupations of the directors and senior officers of the Partnership and the General Partner over the past five years:

<b><u>Name</u></b>	<b><u>Principal occupations and related experience</u></b>
Doug Mills Chief Executive Officer	Doug Mills and his partners have been involved in seniors housing with supportive living and assisted living projects since 1994. Doug is President of the Alberta Senior Citizens Housing Association. With ASCHA, Doug has participated in Provincial Steering Committees in Supportive Living, Health Care Aide Education and Health Services. Doug was born in Winnipeg, grew up in Montreal and came to Alberta in 1975. After college, Doug worked in the hospitality industry including management of hotels, hotel chains, restaurant chains and contracted foodservices prior to entering the seniors supportive living industry.
John Cathrae Chief Financial Officer	John Cathrae has been active in the seniors housing industry his entire life as his family owned multiple retirement and long-term care residences. As a former Senior Investment Officer at Guaranty Trust and Midland Mortgage Corporation, he brings over 35 years of commercial lending experience. John's expertise lies in underwriting, budgeting and acquisitions. John will oversee all of the financial performance of the Partnership including due diligence for future acquisitions and developments.
Georg Rath Vice President, Operations	Georg Rath and his partners formed PDG Hospitality Corp in 1990 and have been involved in seniors housing with supportive living and assisted living projects since 1994. Georg trained as a chef in Germany and brings 35 years of hospitality experience to the Partnership. He has cruised with Norwegian American Cruises and worked in many hotels and high-end restaurants. Georg loves working with seniors and is a strong advocate of the Eden philosophy of seniors living.
Paul Melanson Vice President, Human Resources and Administration	Paul Melanson and his partners have been involved in seniors housing with supportive living and assisted living projects since 1994. Along with overseeing accounting and administration staff, Paul develops operational software to enhance income and expense tracking, generate financial statements and management reports. Paul grew up in Montreal where he attended McGill University and is bilingual. Paul is active in the seniors housing industry and participates in a number of Provincial Steering Committees including the Resident Based Funding and Human Resources Committees. Paul also has extensive experience in the hospitality field, including chain restaurant management and chain franchise support management, as well as, hotel management in both Edmonton and rural Alberta.
Steve Suske Chair	President and CEO of Suske Capital Inc., a Canadian private equity firm with a focus on real estate, seniors housing, renewable energy and emerging technologies. Chair of MTCO Holdings Inc., a developer of state-of-the-art ISL and AL residences in Ontario with five projects currently in development. Founder of Chartwell Retirement Residences and Regal Lifestyle Communities Inc., both listed on the TSX. President and CEO of Spectrum Seniors Housing Development Corporation, a developer of over 50+ retirement residences throughout Canada since 2003. On January 1, 2015, Spectrum amalgamated with Suske Capital Inc. and will operate under Suske Capital Inc. going forward.
Aurele Simourd Vice-Chair	As CEO of Sussex Retirement Living, Aurele oversees four projects including projects in Almonte, Ontario, Chesterville, Ontario, Nanaimo, BC and Surprise, AZ Former Vice President of Morguard (Metropolitan Trust) with 40 years of experience in commercial lending, consulting, real estate development and ownership. As a lender, loaned over \$2 billion for commercial real estate projects across Canada including land assembly, office, residential, shopping centres, long term care and retirement residences. Specialist in real estate and health care restructuring and workouts for problem loans on a national basis.
Richard Muir Director	Richard Muir is an entrepreneur and philanthropist with a successful history in the trucking and logistics industries. He was a fourth generation owner of a small local trucking company



under whose guidance the company grew 3,000-fold over a period of 25 years to be among the largest privately held national carriers in Canada. In 2006, Richard sold his company interests to a private equity firm. Since “retiring”, Richard has been involved with several new successful business ventures including property development, automotive dealerships and leasing and lending activities. He is also active with several charitable endeavors and is currently guiding a family charitable foundation. Moreover, Richard is also a knowledgeable and active investor in the senior’s retirement industry. He currently serves as Chairman of the Board for The Shores of Port Credit, a large development project that includes a 300 unit retirement and seniors living complex in Mississauga, Ontario. Over the past nine years Richard served as trustee on the Board of Governors for Tyndale University College & Seminary in Toronto. Finally, as a lawyer, Richard is also a member of the Ontario Bar Association.

Gerald (Gerry) Noble  
Director

Gerald (Gerry) Noble is a business consultant with an executive background in the media and entertainment industries serving in various corporate and operational roles from 1985-2009. As CEO, Gerry successfully developed and operated media operations in the US, Canada, Australia, Ireland and New Zealand. Gerry currently manages a portfolio of investments and continues to develop and evaluate new opportunities for investors including opportunities in the senior’s retirement industry. Gerry is the CEO of The Shores of Port Credit, a large development project that includes a 300 unit retirement and seniors living complex in Mississauga, Ontario. Gerry, a CPA, CA serves as a member of the Board of Trustees and as Chairman of the Finance Committee for the University of Trinity College at the University of Toronto.

Devon Cranson  
Director

Devon Cranson is the President and Founder of Cranson Capital Securities Inc., an exempt market dealer which raises capital for real estate and high growth businesses from accredited investors. Cranson Capital Securities is a 4-time winner of the Private Capital Markets Association’s Deal of the Year Award and recently ranked 49th on the Profit 500 fastest growing companies in Canada. Devon is also the Founder of Cranson Capital Solutions Inc., a boutique investment banking firm which focuses on assisting entrepreneurial businesses with debt advisory and M&A services. Devon acts as the General Partner for two downtown Toronto condo developments, and is a board observer to a high growth technology company in Toronto. Devon is a Chartered Public Accountant (CPA), Certified Management Accountant (CMA) and a licensed Mortgage Agent. Devon is a member of the Society of Management Accountants, the Association for Corporate Growth (ACG), the Private Capital Markets Association (PCMA) and the National Exempt Market Association (NEMA).

Doug Murphy  
Director

Doug Murphy has blended his training as a Certified General Accountant with his involvement in real estate development, construction management, asset management, marketing, strategic planning and acquisitions and mergers. He has been in the Seniors Housing and Care industry since 1990 holding positions of Vice President, Chief Financial Officer, Executive Vice President and Chief Executive Officer of various organizations including Chartwell Seniors Housing REIT. Doug has contributed to the development of various continuing care, assisted living and seniors support funding models and methodologies as well as their accountability and reporting systems in Alberta and British Columbia. Since 2003 Doug has acquired and divested various types of seniors housing and care facilities for clients in Western Canada with sale values in excess of \$500 million. Doug is currently CEO of Shasta Seniors Living Ltd. Doug is a consultant working with the Asset Manager, Points West Living and Connecting Care.

### **3.3 Penalties, Sanctions and Bankruptcy**

No penalty or sanction has been in effect during the last 10 years, nor has any cease trade order been in effect for a period of more than 30 consecutive days during the past 10 years against any of the directors, executive officers or control persons of the Partnership, or any other issuer with which they have acted as director, executive officer or control person.

No declaration of declared bankruptcy, voluntary assignment in bankruptcy, proposal under any bankruptcy or insolvency legislation, proceedings, arrangement or compromise with creditors or appointment of a receiver, receiver manager or general partner to hold assets, that has been in effect during the last 10 years with regard to any director, executive officer or control person of the Partnership, or any other issuer which they have acted as director, executive officer or control person.

### 3.4 Loans

Suske Capital Inc., SFT Sussex Holdings Limited and 7949278 Canada Inc., promoters of the Partnership, as of the date hereof, have advanced funds on behalf of the Partnership in the amount of \$129,160.17 in the aggregate, relating to the Offering and the Acquisition, as referenced below. 7949278 Canada Inc. has advanced a total \$618.77 to the Partnership in regards to contingency/miscellaneous expenses. Suske Capital Inc. has advanced a total of \$48,853.32 in contingency/miscellaneous expenses. SFT Sussex Holdings Limited has advanced a total of \$27,990 to the Partnership, as of the date hereof, \$2,295.00 in regards to legal fees, \$25,695.77 in regards to contingency/ miscellaneous expense. These funds will not accrue any interest and will be repaid by the Partnership to each of Suske Capital Inc., SFT Sussex Holdings Limited and 7949278 Canada Inc., respectively, from the Net Proceeds. All funds are fully represented, through their corresponding line items, within the use of Net Proceeds listed in “Item 1.2 – Use of Available Funds”.

## ITEM 4 – CAPITAL STRUCTURE

### 4.1 Capital Structure

The following sets out the capital structure of the Partnership as at the dates indicated:

Description of Security	Number Authorized to be Issued	Price per Security	Number Outstanding as at June 9, 2015	Number Outstanding after Minimum Offering <sup>(1)</sup>	Number Outstanding after Maximum Offering <sup>(2)</sup>
Class A Units	unlimited	\$100	Nil	226,000	226,000
Class B1 Units	unlimited	\$100	Nil	57,333	57,333
Class B2 Units	unlimited	\$100	Nil	34,667	34,667
Initial Limited Partner Unit	1	\$100	1	Nil	Nil
GP Unit	1	\$0.10	1	1	1

Notes:

(1) Assuming Minimum Offering hereunder of Units for gross proceeds of \$22,000,000.

(2) Assuming Maximum Offering hereunder of Units for gross proceeds of \$22,000,000.

### 4.2 Long Term Debt Securities

Description of long term debt (including whether secured) <sup>(1)</sup>	Interest Rate	Repayment terms	Amount outstanding at Closing	Principal and Interest Payments due within 12 months
Floating Rate First Mortgage on Peace River <sup>(2)(3)</sup>	3.85%	Amortized over a 25 year period with equal repayments to be made on the 15 <sup>th</sup> day of each month.	\$7,200,000	\$448,926
Fixed Rate First Mortgage on Cold Lake	3.10%	Amortized over a 25 year period with equal repayments to be made on the 15 <sup>th</sup> day of each month.	\$9,190,000	\$526,224

<b>Description of long term debt (including whether secured) <sup>(1)</sup></b>	<b>Interest Rate</b>	<b>Repayment terms</b>	<b>Amount outstanding at Closing</b>	<b>Principal and Interest Payments due within 12 months</b>
Fixed Rate First Mortgage on Stettler	3.11%	Amortized over a 20 year period with equal repayments to be made on the 15 <sup>th</sup> day of each month.	\$13,950,000	\$933,982
Fixed Rate First Mortgage on Lloydminster	3.57%	Amortized over a 25 year period with equal repayments to be made on the 15 <sup>th</sup> day of each month.	\$12,186,000	\$733,083
Fixed Rate First Mortgage on Wainwright	3.11%	Amortized over a 20 year period with equal repayments to be made on the 15 <sup>th</sup> day of each month.	\$12,300,000	\$823,511
Fixed Rate First Mortgage on Century Park	3.10%	Amortized over a 25 year period with equal repayments to be made on the 15 <sup>th</sup> day of each month.	\$2,500,000	\$143,151
Fixed Rate First Mortgage on Heritage House	3.57%	Amortized over a 25 year period with equal repayments to be made on the 15 <sup>th</sup> day of each month.	\$4,995,000	\$300,488
Fixed Second Mortgage on the Points West Living Portfolio	8.00%	Non-amortizing mortgage with repayments made on the 15 <sup>th</sup> day of each month.	\$5,000,000	\$393,492
<b>Total Weighted Average</b>	<b>3.66%</b>		<b>\$67,321,000</b>	<b>\$4,302,857</b>

Notes:

- (1) The Partnership's expects to obtain, from a syndicate of lenders, first mortgage secured financing on a primary fixed rate, with the exception of the Peace River First Mortgage, which has a floating rate. The mortgages will be secured against the Properties on a property by property basis, and some of the assets will be cross defaulted. All loans will have identical, terms and maturity dates. The Partnership also secured, from the Jericho Foundation, a secondary collateralized mortgage to be registered against all of the Properties subject to receiving 1st mortgage financing as described above. This secondary mortgage is to be a fixed non-amortizing loan. The combined annual principal and interest payments will be equal to \$4,302,857. The Partnership currently projects a 1.77x debt coverage on total aggregate debt.
- (2) Floating First Mortgage amount reflects under-market occupancy.
- (3) First Fixed Mortgage amount will be determined based on occupancy after one year up to a maximum of \$7,872,000.

#### **4.3 Prior Sales**

The Partnership has not issued any Units (or securities convertible or exchangeable into Units) within the last 12 months other than the Initial Limited Partner Unit and the GP Unit.

### **ITEM 5 – DESCRIPTION OF SECURITIES OFFERED**

#### **5.1 Terms of Securities**

The securities being offered pursuant to the Offering are Class A Units. The Partnership is authorized to issued an unlimited number of Class A Units. Each Unit has attached thereto the same rights and obligations as, and ranks equally with, each other Unit with respect to distributions, allocations and voting, other than the allocation of Deferred Gains Income.

See “Item 2.1.1 – Business of the Partnership – Structure – the Partnership” and “Item 2.7 – Material Agreements – Partnership Agreement”.

## **5.2 Subscription Procedure**

A purchaser may subscribe for Class A Units by delivering the following to the Partnership at McMillan LLP, Brookfield Place, 181 Bay Street, Suite 4400, Toronto, Ontario, M5J 2T3, Attention: Adam Kline or such other address and in such other manner specified by the General Partner or the Partnership:

- (a) A completed Subscription Agreement, in a form acceptable to the General Partner in its sole discretion, emailed to the email address set out in the Subscription Agreement; and
- (b) A wire transfer or bank draft deposited to the bank account set out in the Subscription Agreement in the amount of the subscription price.

**Where required by law, the subscription funds will be held in trust pending Closing for two Business Days (and in any event until midnight on the second Business Day after the Subscriber signs and emails the Subscription Agreement and wire transfers the subscription price for the Class A Units). There may be one or more Closings under this Offering Memorandum.**

**The Class A Units will only be offered on a private placement basis. Reference is made to the Subscription Agreement for a list of all available exemptions. Subscribers should consult their legal advisors to confirm if they can rely on one of these exemptions.**

The General Partner reserves the right to accept or reject subscriptions in whole or in part at its discretion and to close subscription books at any time without notice. Any subscription funds for subscriptions that the General Partner does not accept will be returned promptly after the General Partner has determined not to accept the funds. No interest or any other form of return will be paid to a purchaser on subscription funds delivered to the Partnership on subscriptions that are refused by the General Partner. No interest or any other form of return will be paid to a purchaser on subscription funds delivered to the Partnership on subscriptions that are accepted by the General Partner until such time as the Units are issued to the purchaser.

It is expected that the Closing will occur on or about June 25, 2015 (or such earlier or later date as may be approved by the General Partner in its sole discretion). There will be no Closing unless subscriptions for the Minimum Offering are received and other closing conditions of this Offering have been satisfied. In the event the Offering has not been completed by July 1, 2015, all subscription funds will be promptly returned to the Subscribers, without interest or deduction. It is expected that the closing of the Acquisition will occur on or about June 25, 2015 (or such earlier or later date as may be agreed to by the parties ) following completion of the Offering

The Closings will be completed at the offices of McMillan LLP at Brookfield Place, 181 Bay Street, Suite 4400, Toronto, Ontario.

The General Partner will maintain and update the Register to record the number of fully paid Units held by each Subscriber as the registered owner, provided the subscription price has been paid in full and the Partnership have accepted the subscription.

The General Partner will maintain and update the Register to record the number of fully paid Units held by each Subscriber as the registered owner, provided the subscription price has been paid in full and the General Partner has accepted the subscription. Class A Units are being sold in all of the Provinces of Canada under available exemptions from the prospectus requirements under NI 45-106. Subscribers will be required to make certain representations in the Subscription Agreement and the Partnership will rely on such representations to establish the availability of the exemptions from the prospectus requirements. Investors, other than individuals, that are not “Accredited Investors” as defined in NI 45-106 and are purchasing a minimum of \$150,000 of Class A Units, or who are Accredited Investors solely on the basis that they have net assets of at least \$5,000,000, must also represent to the Partnership (and may be required to provide additional evidence at the request of the Partnership to establish) that such investor was not formed solely in order to make private placement investments which may not have otherwise been available to any persons holding an interest in such investor. The Partnership will also be offering Class A Units in reliance on, among other exemptions, the Offering Memorandum Exemption (as provided in section 2.9 of NI 45-106) in all the Provinces of Canada except Ontario and Québec.

Pursuant to the terms of a letter agreement between the Agent and the General Partner on behalf of the Partnership dated May 27, 2015 (the “**Agent Side Letter**”), the Partnership has agreed to pay 8% interest on the amount of subscription proceeds held in trust by the Agent to such subscribers of Class A Units, calculated at a simple annual rate of interest, from June 1, 2015 until the date on which the Offering is closed, provided such subscriber of Class A Units has prior to May 29, 2015: (i) delivered to the Agent a duly completed subscription agreement in respect of a subscription for Class A Units; and (ii) deposited the full subscription proceeds in respect of such Class A Units subscribed for into the Agent’s trust account (each an “**Eligible Subscriber**”). The obligation of the Partnership to pay the interest contemplated in the Agent Side Letter to an Eligible Subscriber is further subject to the Offering being completed and the Partnership accepting the subscription agreements submitted by such Eligible Subscribers. The interest payment contemplated in the Agent Side Letter is intended to be paid at the time of the first quarterly distribution of the Partnership.

## **ITEM 6 – INCOME TAX CONSEQUENCES AND RRSP ELIGIBILITY**

### **6.1 Disclaimer**

You should consult your own professional advisers to obtain advice as to the income tax consequences associated with acquiring, holding or disposing of Class A Units in light of your own circumstances.

### **6.2 Summary of Certain Canadian Federal Income Tax Considerations**

The following is, as of June 9, 2015, a summary of certain of the principal Canadian federal income tax considerations generally applicable to the acquisition, holding and disposition of Class A Units pursuant to this Offering Memorandum. This summary is applicable to a holder of Class A Units who, for the purposes of the Tax Act and at all material times, is an individual (other than a trust), is resident in Canada, deals at arm’s length and is not affiliated with the Partnership, is the original owner of the Class A Units, holds the Class A Units as capital property, and has invested in the Class A Units for his or her own benefit and not as a trustee of a trust. Generally, Class A Units will be considered to be capital property to a holder provided the holder does not hold the Class A Units in the course of carrying on a business of trading or dealing in securities and has not acquired them in one or more transactions considered to be an adventure or concern in the nature of trade. Holders that satisfy all of the foregoing requirements are referred to as “**Canadian Unitholders**” in this summary and this summary only addresses such Canadian Unitholders.

This summary is based on the following assumptions with respect to each of (i) the Partnership, and (ii) the PWL Operating Companies and Connecting Care (collectively, the “**Subsidiaries**”):

#### *The Partnership*

This summary assumes that the Partnership will not be a “financial institution” as defined for the purposes of the Tax Act and that no interest in the Partnership will be a “tax shelter investment” as defined for the purposes of the Tax Act. This summary also assumes that the Partnership will, at all times, be a “Canadian partnership” for the purposes of the Tax Act and will invest solely in shares and indebtedness issued by the Subsidiaries, and short-term, liquid investments. Finally, this summary is based on the assumption that, at no time, will the Partnership be a “SIFT partnership” for the purposes of the Tax Act.

#### *The Subsidiaries*

This summary assumes that, for the purposes of the Tax Act and at all times, each of the Subsidiaries will be a “Canadian corporation” and will not be a “financial institution”. This summary further assumes that no interest in a Subsidiary will be a “tax shelter investment” as defined for the purposes of the Tax Act, all of the issued and outstanding shares of each Subsidiary will be held solely by the Partnership, and each Subsidiary will carry on business solely in Canada.

References to “income” or “loss” in this summary mean income or loss as determined for the purposes of the Tax Act (unless otherwise indicated).

This summary is based on the current provisions of the Tax Act as at June 9, 2015 and an understanding of the published administrative statements and assessing practices of the CRA as at June 9, 2015. This summary also takes into

account all specific proposals to amend the Tax Act publicly announced by or on behalf of the Minister of Finance (Canada) prior to June 9, 2015 (the “**Proposals**”). No assurance can be given that the Proposals will be enacted as proposed, if at all. This summary does not take into account or anticipate any changes in law, whether by legislative, regulatory, administrative or judicial action. Furthermore, this summary does not take into account other federal tax considerations or any provincial, territorial, local or foreign income tax legislation or considerations.

This summary is not exhaustive of all possible federal tax considerations applicable to an investment in Class A Units and does not describe the income tax considerations relating to the deductibility of interest on money borrowed to acquire Class A Units. The income and other tax consequences of acquiring, holding, or disposing of Class A Units will vary, depending on the status of an investor, the province or territory in which the investor resides or carries on business and, generally, the investor’s own particular circumstances. **The following summary is, therefore, of a general nature only and is not intended to constitute, and should not be construed as, legal or tax advice to any particular investor. Each investor should obtain independent advice regarding the tax consequences of investing in Class A Units, based on the investor’s own particular circumstances.**

### **6.2.1 Taxation of the Partnership**

The Partnership is not subject to income tax under the Tax Act. However, the Partnership will be required to calculate its income or loss in accordance with the detailed computational rules contained in the Tax Act in respect of each fiscal period of the Partnership as if it were a separate person resident in Canada. In this regard, dividends received by the Partnership from a Subsidiary, and interest paid or payable by a Subsidiary to the Partnership, in a fiscal period of the Partnership must generally be included in computing the income or loss of the Partnership in respect of the fiscal period in accordance with the detailed provisions of the Tax Act. In computing the income or loss of the Partnership, deductions may be claimed in respect of expenses incurred by the Partnership in accordance with, and to the extent permitted under, the Tax Act. The income or loss so computed in respect of each fiscal period of the Partnership will be allocated at the end of each such fiscal period among the persons who hold Units and other membership interests in the Partnership as at that date in the manner set forth in the Partnership Agreement.

The fiscal period of the Partnership will end on December 31<sup>st</sup> of each calendar year or upon the dissolution of the Partnership, whichever is earlier.

### **6.2.2 Taxation of the Subsidiaries**

The Partnership will not hold senior residences directly. The Partnership will instead hold shares and indebtedness of the Subsidiaries, which will themselves own seniors residences and related assets.

Each Subsidiary will generally be subject to tax under Part I of the Tax Act on its income for the year. In computing the income or loss of a Subsidiary, deductions may generally be claimed in respect of (i) the Subsidiary’s expenses incurred for the purpose of earning income from business or property to the extent that they are not capital in nature and do not exceed a reasonable amount, (ii) reasonable interest in respect of debt of the Subsidiary (including debt owed to the Partnership), and (iii) available capital cost allowances, each in accordance with, and subject to the limitations imposed under, the Tax Act.

Any losses incurred by a Subsidiary may not be allocated to, or claimed by, the Partnership, but may generally be carried back and deducted in computing the taxable income of the Subsidiary in respect of certain previous taxation years, or carried forward and deducted in computing the taxable income of the Subsidiary in respect of certain future taxation years, in accordance with, and subject to the limitations imposed under, the Tax Act.

The properties held by the Subsidiaries were acquired by the Subsidiaries prior to the date of the Acquisition and the cost amounts of the properties held by the Subsidiaries for tax purposes may be materially less than the respective fair market values of such properties. Accordingly, the deductions that the Subsidiaries may be entitled to claim for tax purposes in respect of their depreciable property and eligible capital property may be materially less than the deductions that the Subsidiaries would have been entitled to claim in respect of such property had they acquired such property directly for fair market value consideration on the date of the Acquisition. Similarly, if a Subsidiary disposes of one or more of its Properties in the future, the income or gain required to be recognized by the Subsidiary for tax purposes will generally exceed the

income or gain that would have been realized if the Subsidiary had acquired such properties at a tax cost equal to their fair market value on the date of the Acquisition.

### 6.2.3 Taxation of Canadian Unitholders

Each person who is a Canadian Unitholder during a fiscal period of the Partnership will be required to include in computing his or her income for the taxation year in which the fiscal period ends his or her share of the Partnership's income and, subject to the "at-risk" rules described below, will generally be permitted to deduct in computing his or her income for that taxation year his or her share of the Partnership's losses for the fiscal period, regardless of whether the Canadian Unitholder has received or will receive any distributions from the Partnership.

In general, a Canadian Unitholder's share of the Partnership's income or loss from any source or from sources in a particular place will be treated as if it were the income or loss of the Canadian Unitholder from that source or from sources in that particular place and any provisions of the Tax Act applicable to that type of income or loss will generally apply to the Canadian Unitholder in respect of such income or loss, subject to the detailed provisions of the Tax Act.

The Partnership will furnish to each Canadian Unitholder information to assist the Canadian Unitholder in reporting his or her share of the Partnership's income or loss for the fiscal period. However, the responsibility for filing any required tax returns reporting the Canadian Unitholder's share of the income or loss of the Partnership is solely that of each Canadian Unitholder.

#### *The "At-Risk" Rules*

The Tax Act provides that, notwithstanding the income or loss allocation provisions of the Partnership Agreement, any losses of the Partnership from a business or property allocated to a Canadian Unitholder will not be deductible by such Canadian Unitholder in computing its income for a taxation year to the extent that the Canadian Unitholder's share of the loss exceeds the Canadian Unitholder's "at-risk amount" in respect of the Partnership at the end of the year. In general terms, the "at-risk amount" of a Canadian Unitholder in respect of the Partnership at the end of a fiscal period of the Partnership is (i) the adjusted cost base of the Canadian Unitholder's Units at that time, plus (ii) his or her share of the income of the Partnership for the fiscal period, less the aggregate of (iii) all amounts owing by the Canadian Unitholder to the Partnership or to a person with whom the Partnership does not deal at arm's length, and (iv), subject to certain exceptions, any amount or benefit to which the Canadian Unitholder is entitled to receive where the amount or benefit is intended to protect the Canadian Unitholder from any loss he or she may sustain by virtue of being a member of the Partnership or holding or disposing of Units.

A Canadian Unitholder's share of any loss incurred by the Partnership that is not deductible by the Canadian Unitholder in the year because of the "at-risk" rules is considered to be his or her "limited partnership loss" in respect of the Partnership for that year. Such "limited partnership loss" may generally be deducted by the Canadian Unitholder in any subsequent taxation year against any income allocated to the Canadian Unitholder from the Partnership for that year to the extent that the Canadian Unitholder's "at-risk amount" at the end of the Partnership's fiscal period ending in that year exceeds his or her share of any loss of the Partnership for that fiscal period, subject to the detailed restrictions contained in the Tax Act.

#### *Disposition and Redemption of Units and Changes to the Adjusted Cost Base of Units*

On the actual or deemed disposition of a Class A Unit (including on the redemption of a Class A Unit), a Canadian Unitholder will generally realize a capital gain (or a capital loss) to the extent that the proceeds of disposition of the Class A Unit, net of any costs of disposition, exceed (or are exceeded by) the Canadian Unitholder's adjusted cost base of the Class A Unit. One-half of any capital gain (a "**taxable capital gain**") must be included in computing the income of a Canadian Unitholder and one-half of any capital loss may be deducted from taxable capital gains in accordance with the rules in the Tax Act.

In general, the adjusted cost base of the Units of a Canadian Unitholder at a particular time is the amount paid by the Canadian Unitholder to acquire the Units, plus the aggregate of the Canadian Unitholder's share of any income and the non-taxable portion of capital gains of the Partnership for fiscal periods of the Partnership ending before that time, less the

aggregate of the Canadian Unitholder's share of the losses of the Partnership (other than any portion of such losses not deducted by reason of the application of the "at-risk" rules) and the non-allowable portion of capital losses of the Partnership for fiscal periods of the Partnership ending before that time and any distributions made to the Canadian Unitholder by the Partnership before that time. The adjusted cost base of a Canadian Unitholder's Units would be reduced by the unpaid principal amount of any indebtedness of the Canadian Unitholder for which recourse is limited to the extent that such indebtedness can reasonably be considered to have been used to acquire the Units.

For purposes of determining the adjusted cost base of Units to a Canadian Unitholder, the adjusted cost base of all Units at any time are their weighted average adjusted cost base at that time.

If a Canadian Unitholder's adjusted cost base of its Units is negative at the end of a fiscal period of the Partnership, the amount by which it is negative will be deemed to be a capital gain realized by the Canadian Unitholder at that time and the Canadian Unitholder's adjusted cost base of its Units will be increased thereafter by the amount of such deemed capital gain. If the adjusted cost base of the Units is positive at the end of a subsequent fiscal period of the Partnership, the Canadian Unitholder may generally elect to treat such positive amount as a capital loss to the extent it does not exceed the previous deemed capital gain, and the adjusted cost base of the Canadian Unitholder's Units would be reduced by such elected amount.

If, at any time, the Partnership redeems all of a Canadian Unitholder's Units, but retains a holdback of the redemption proceeds, the Canadian Unitholder will generally be deemed not to have disposed of the Units until the later of the end of the fiscal period in which the Units were redeemed and the date at which payment of the holdback is satisfied. However, to the extent that amounts required to be deducted from the adjusted cost base of the Units at the end of the fiscal period in which the Units were redeemed exceed the total cost to the Canadian Unitholder of the Units and amounts to be added to the adjusted cost base of the Units at the end of the fiscal period, such excess will be deemed to be a capital gain realized by the Canadian Unitholder on the Units at the end of such fiscal period.

#### *Alternative Minimum Tax*

Alternative minimum tax is payable by individuals on their "adjusted taxable income". In general, "adjusted taxable income" is computed by revising the ordinary income determination by adding back certain deductions otherwise permitted under the Tax Act. Any increase in the "adjusted taxable income" of a Canadian Unitholder and any capital gain realized by an individual on the disposition of a Unit may give rise to an increased liability for alternative minimum tax. Canadian Unitholders are advised to consult with their tax advisors to determine the alternative minimum tax implications of investing in Units.

#### *Tax and Information Returns*

Each Canadian Unitholder is responsible for filing his or her own tax return reporting his or her share of the income or loss of the Partnership. Under the Partnership Agreement, the General Partner is required to provide Canadian Unitholders with all information necessary to enable Canadian Unitholders to complete their tax returns.

Limited Partners will be required to file an annual information return reporting, among other things, the income or loss of the Partnership in respect of the relevant fiscal period and the names and shares of such income or loss of all of the partners of the Partnership. The filing of the annual information return by the General Partner on behalf of the Limited Partners will satisfy this requirement and, under the Partnership Agreement, the General Partner has agreed to file the annual information return on behalf of all Limited Partners.

#### **6.2.4. Non-Eligibility for Investment**

A Unit will not be a "qualified investment" under the Tax Act for trusts governed by a Registered Plan.



## ITEM 7 – FEES, DISTRIBUTIONS AND EXPENSES

### Asset Management Fee

The Asset Manager will be paid an asset management fee equal to 2.00% of the Contributed Capital to the Partnership of all of the Limited Partners per annum and indexed at a rate of 2.5% per annum (the “**Asset Management Fee**”) plus applicable taxes, for its services as asset manager of the Points West Living Portfolio. See “Item 2.7.1 – Partnership Agreement” and “Item 2.7.6 - Asset Management Agreement”.

### Operating Expenses

The Partnership pays for all expenses incurred in connection with its operation and administration including, without limitation: the payment of the Asset Management Fee, internal and external accounting and audit fees, legal fees, insurance premiums, the Sales Commissions relating to the Offering of Units and other fees and expenses of its administration, all Unitholder communication expenses, the cost of maintaining the Partnership's existence, regulatory fees and expenses and bank service fees. Any extraordinary expenses incurred in connection with the Partnership, which it may incur from time to time, are subject to the approval of the General Partner.

## ITEM 8 – COMPENSATION PAID TO SELLERS AND FINDERS

### Selling Commissions

The decision to distribute the Units and the determination of the structure and pricing and other terms and conditions of the distribution were made by the Partnership. A sales commission (the “**Sales Commission**”) will be payable to the Agent by the Partnership from the gross proceeds of the Offering and will be equal to:

- (a) a cash commission equal to 7.5% of the aggregate gross proceeds from the sale of the Class A Units to the Subscribers under the Offering but excluding orders received from certain Subscribers introduced to the Agent by the Partnership;
- (b) a cash commission equal to 3.75% of the gross proceeds received from such Subscribers introduced to the Agent by the Partnership and in lieu of the reduction in cash commission, the Agent shall be issued that number of Class A Units equal to 3.75% of the Class A Units issued in respect of such Subscribers; and
- (c) a commission equal to: (i) a cash commission of 7.5% of the first \$1,000,000 received from certain other Subscribers introduced to the Agent by the Partnership and 3.75% of any orders received over and above the initial \$1,000,000 from such other Subscribers, and (ii) in lieu of the reduction in cash commission, the Agent shall be issued that number of Class A Units equal to 3.75% of the number of Class A Units issued over and above the initial 10,000 Class A Units issued to such other Subscribers.

The Agent will also be eligible to a 4% equity participation in the General Partner once the Agent has sold 80,000 Class A Units for proceeds of \$8,000,000. In addition, an affiliate of the Agent was paid a work fee in the amount of \$20,000 in connection with the Offering.

The Partnership and the dealers may enter into one or more agency agreements in respect of the Offering pursuant to which dealers will agree to distribute the Units on a private placement basis using commercially reasonable efforts in accordance with the agreement. It is anticipated that such agency agreements, if entered into, will contain terms and conditions that are customary in respect of similar offerings.

No Sales Commission will be payable in jurisdictions where the payment of a commission is prohibited by securities legislation.

## ITEM 9 – RISK FACTORS

In addition to the factors set forth elsewhere in this Offering Memorandum, potential Subscribers should carefully consider the following factors, many of which are inherent to the ownership of the Units. The following is a summary only of the risk factors involved in an investment in the Units. Prospective investors should review these risks and other factors relevant to the investor with their legal and financial advisers.

## **9.1 Risks Relating to the Business**

### ***Senior Housing Industry***

By investing indirectly in the business of owning or operating retirement communities, investors may be exposed to the general business risks inherent in the seniors housing industry. These risks include: fluctuations in occupancy levels; the inability to achieve economically viable residency fees (including anticipated increases in such fees); rent control regulations; changes in health care regulations; increases in labour costs, commodity costs, utility and energy costs and other operating costs; possible future changes in labour relations; competition from, or the oversupply of, other similar properties or increases in home care support; changes in neighbourhood or location conditions and general economic conditions; health-related risks; disease outbreak and control risks; the imposition of increased taxes or new taxes; increases in capital expenditure requirements; the potential impact of a prolonged recession; the potential for failures or realignments of financial institutions and the related impact on available credit including but not limited to reduced access to liquid funds or credit or increased cost of credit which could limit the Partnership's ability to manage interest rate risk and could materially adversely affect the financial position of certain of the Partnership's business partners, landlords, counterparties or residents which could increase their risk of default; changes in critical accounting policies; changes in interest rates; changes in the availability and cost of money for long-term financing which may render refinancing of mortgages difficult or unattractive; a downturn or change in demographics or rise in unemployment among resident family members which could materially adversely affect the ability of seniors to afford the Partnership's resident fees.

There is no assurance that projected future occupancy rates at the Properties will be achieved as expected and this could have a material adverse impact upon the business, results of operations and financial condition of the Partnership, which could materially adversely affect the Partnership and its distributions to Unitholders. These risks may be compounded in various geographical areas where the Partnership has a high concentration of communities. If the Partnership is unable to execute and realize on its marketing plans or otherwise retain and/or attract seniors with sufficient income, assets or other resources required to pay the associated fees, the Partnership's occupancy levels, revenues and results of operations could materially decline.

### ***Government Regulation***

Health care in general is an area subject to extensive regulation and frequent regulatory change. In Canada, a number of provinces are promoting regionally managed and regulated health care systems. These changes favour larger operators having the resources to provide more cost effective management services and well developed staff training programs on a regional basis. However, there can be no assurance that future regulatory changes in health care, particularly those changes affecting the seniors housing industry, will not adversely affect the Partnership. It may be difficult to obtain certain required regulatory approvals or sustain current funding levels. Delays in obtaining regulatory approvals could hinder the Partnership's plans to expand its services and operations, which could materially adversely effect the Partnership's anticipated revenues, results of operations and cash flows. In addition, new regulatory standards and requirements are being considered in a number of provinces which may affect all types of seniors housing communities. There can also be no assurance that any existing regulatory standards and requirements do not or will not apply to the Partnership based on services offered by the Partnership from time to time.

### ***Government Funding and Regulatory Changes***

The Partnership's earnings are highly reliant on government funding and reimbursement programs and the effective management of staffing and other costs of operations, which are strictly monitored by government regulatory authorities. Given that the Partnership operates in a labour-intensive industry, where labour-related costs account for a significant portion of the Partnership's operating costs, government funding constraints could have a significant adverse effect on the results from operations and cash flows of the Partnership. Management is unable to predict whether governments will adopt changes in their funding and reimbursement programs, and if adopted and implemented, what effect such changes will have on the Partnership.

All senior housing providers are subject to surveys, inspections, audits and investigations by government authorities to ensure compliance with applicable laws and licensure requirements of the federal and/or provincial funding programs. DSL facilities must comply with applicable regulations that, depending on the jurisdiction in which they operate, may relate to such things as staffing levels, resident care standards, occupational health and safety, resident confidentiality, billing and

reimbursement, along with environmental and other standards. The government review process is intended to determine compliance with survey and certification requirements, and other applicable laws

Government agencies have steadily increased their enforcement activity over the past several years. As a result, in addition to increasing resources to improve the quality of services provided to its residents, the Partnership is continually allocating increased resources to ensure compliance with applicable laws and regulations and to respond to inspections and investigations.

Non-compliance with applicable laws and licensure requirements governing the senior housing industry could result in adverse consequences, including severe penalties, which may include criminal sanctions and fines, civil monetary penalties and fines, administrative and other sanctions. We may be required to refund amounts that have been paid to us by federal and/or provincial funding programs. These penalties could have a material adverse effect on the business, results of operations and financial condition of the Partnership.

### ***Senior Housing Facilities must be Licensed***

In Alberta, SL accommodations must be licensed in accordance with the *Supportive Living Accommodation Licensing Act* and meet the Supportive Living Accommodation Standards. Licenses are issued for a term of up to 3 years, with or without conditions, and can be renewed by an application to AHS. Such license renewals are granted at the appointed Director's sole discretion. There can be no assurance that the Partnership will be granted renewals for its existing licenses or receive new licenses.

### ***Real Property Ownership***

All real property investments are subject to a degree of risk. They are affected by various factors, including changes in general economic conditions (such as the availability of long-term mortgage funds) and in local conditions (such as an oversupply of space or a reduction in demand for real estate in the area), the attractiveness of the Properties to residents, competition from other available space, expropriation and various other factors. In addition, fluctuations in interest rates could have a material adverse effect on the results and financial condition of the Partnership.

### ***Risks Related to Acquisitions***

The success of the acquisition activities of the Partnership will be determined by numerous factors, including the ability of the Partnership to identify suitable acquisition targets, competition for acquisition opportunities, purchase price, ability to obtain adequate financing on reasonable terms, financial performance of the centers after acquisition, and the ability of the Partnership to effectively integrate and operate the acquired centers. Acquired properties may not meet financial or operational expectations due to unexpected costs associated with acquiring the property, as well as the general investment risks inherent in any real estate investment or acquisition. Moreover, newly acquired senior housing centers may require significant management attention or capital expenditures that would otherwise be allocated to existing centers. Any failure by the Partnership to identify suitable candidates for acquisition or operate the acquired centers effectively may have an adverse effect on the business, results of operations and financial condition of the Partnership.

### ***Capital Intensive Sector***

The ability of the Partnership to maintain and enhance its senior housing communities in a suitable condition to meet regulatory standards, operate efficiently and remain competitive in its market will require the Partnership to commit a substantial portion of its respective cash to physical premises and equipment. Significant future capital requirements could have a material adverse effect on the business, operating results and financial condition of the Partnership, which could adversely affect the Partnership's results and ability to pay distributions to its Unitholders.

### ***Additional Financing may be Limited***

The Partnership expects its respective working capital needs and capital expenditure needs to increase in the future as it continues to expand and enhance its respective senior housing facilities and as it continue to implement other strategies, including making new acquisitions, redevelop existing beds, provide for principal repayments and re-finance current mortgages when they come due. The ability of the Partnership to raise additional capital will depend on the financial success of its current business and the successful implementation of its key strategic initiatives, financial, economic and capital and debt market conditions and other factors, some of which are beyond its control. No assurance can be given that the

Partnership will be successful in raising the required capital at reasonable cost and at the required times, or at all. Further equity financings may have a further dilutive effect. If the Partnership requires additional debt financing, the lenders may require it to agree on restrictive covenants that could limit its flexibility in conducting future business activities, and the debt service payments may be a significant drain on free capital allocated for research and other activities, such lenders may also require security or guarantees the General Partner. If the Partnership is unsuccessful in raising additional capital, it may not be able to continue its business operations and advance its respective growth initiatives, which could adversely impact the results of the Partnership, the General Partner and the ability to pay distributions.

### ***Possible Failure to Complete Acquisitions***

Completion of the acquisition of the Properties and Connecting Care is subject to the satisfaction of certain closing conditions. As such, there is no assurance that the acquisitions will be completed or, if completed, will be on terms that are exactly the same as expected. If completion of the acquisitions does not take place as contemplated, the Partnership will not realize the potential benefits described in this Offering Memorandum and could suffer adverse consequences, including loss of investor confidence.

### ***Possible Failure to Realize Expected Returns on the Acquisitions***

Acquisitions involve risks that could materially and adversely affect the respective business plans of the Partnership and the General Partner, including the failure of the acquisitions to realize the results the Partnership expects.

### ***Caution Regarding Use of Appraisals***

The Partnership retained CBRE, a third party appraiser, to provide independent estimates of the market value, as at December 31, 2014, in respect of each of the Properties (see “Item 2.2.9 – Our Business – Independent Appraisals, Environmental and Property Condition Reports”). Caution should be exercised in the evaluation and use of appraisal results, which are estimates of market value at a specific point in time. In general, appraisals such as the Appraisal represent only the analysis and opinion of qualified experts as of the effective date of such appraisals and are not guarantees of present or future value. There is no assurance that the assumptions employed in determining the appraised values of the Properties are correct as of the date of this Offering Memorandum or that such valuations actually reflect an amount that would be realized upon a current or future sale of any of the Properties or that any projections included in the Appraisal will be attainable. In addition, the Appraisal was delivered as at December 31, 2014. As prices in the real estate market fluctuate over time in response to numerous factors, the market value of the Points West Living Portfolio shown in the Appraisal may be an unreliable indication of its current market value.

### ***Financial Forecast***

The assumptions used in the preparation of the financial forecast attached as Schedule A to this Offering Memorandum, although considered reasonable by management at the time of preparation, may not prove to be true or justified or may not materialize as forecasted and unanticipated events and circumstances may occur subsequent to the date of the forecast. Accordingly, there is a significant risk that actual results achieved for the forecast period will vary from the forecast results and that such variations may be material. There is no representation by the Partnership that actual results achieved during the forecast period will be the same in whole or in part as those forecast. There can be no assurance that these assumptions will prove to be accurate. See “Forward-Looking Statements”.

The forecast results contained in this Offering Memorandum were prepared using assumptions that reflect the Partnership’s intended course for the periods covered, given the judgment of the management as to the most probable set of economic conditions. Significant assumptions reflected in the forecast include, but are not limited to, assumptions regarding: the completion of the Acquisition, the completion of the Maximum Offering, borrowing and settlement of existing mortgages, rental revenue, occupancy levels and pre-set AHS DSL rates, management fees, fees for resident services, development and success fees, consulting and miscellaneous revenues, amenities revenue, accounts payable and receivable, income taxes, long-term debt and interest on long-term debt, capital expenditure requirements, operating costs and payment of the Asset Management Fee.

### ***Historical Financial Information and Pro Forma Financial Information***

The historical financial information relating to the Properties included in this Offering Memorandum has been derived from historical accounting records. The Partnership believes that the assumptions underlying such historical financial information are reasonable. However, the historical financial information may not reflect what the Partnership's financial position, results of operations or cash flows will be in the future.

The Partnership has not made adjustments to its historical financial information to reflect changes that may occur in its cost structure, financing and operations as a result of its acquisition of the Points West Living Portfolio. In preparing the pro forma financial information in this Offering Memorandum, the Partnership has given effect to, among other items, the Offering and Closing. The estimates used in the pro forma financial information may not be similar to the Partnership's actual experience.

### ***Assumption of Liabilities***

The Partnership will assume certain liabilities arising out of or related to the Properties, including its business, operations or assets, and will agree to indemnify the vendors of such Properties for, among other matters, such liabilities.

### ***Environmental Matters***

The Partnership is subject to various requirements (including Canadian federal, provincial, and municipal laws) relating to environmental matters. Such laws provide that the Partnership may be, or become, liable for environmental harm, damage or costs, including with respect to the presence or release of hazardous, toxic or other regulated substances into the environment at or under its Properties.

Environmental laws and requirements can change from time to time and the Partnership may become subject to more stringent environmental laws and requirements in the future. Compliance with more stringent environmental laws, the identification of currently unknown environmental issues or an increase in the costs required to address a currently known condition may have an adverse effect on the business, financial condition and results of operations and distributions of the Partnership.

### ***Rising Health Care and Utility Costs***

Health care costs have been rising and are expected to continue to rise at a rate higher than that anticipated for consumer goods and services as a whole. The business, operating results or financial condition of the Partnership could be adversely affected if funding rates from the AHS are not appropriately adjusted to cover increases in labour and other costs.

Electricity costs have been rising at rates in excess of inflation throughout Alberta and are expected to further increase. If these electricity or other utility cost increases continue and are not offset by funding increases or increases in preferred accommodation rates there could be a negative impact on cash flow of the Partnership.

### ***Reconciliations of AHS Funding***

Connecting Care is required to submit a quarterly report of actual hours worked at each of the individual residences to AHS. If AHS finds that there is a significant variance between the hours funded through AHS and the actual hours worked at an individual facility, that facility will be liable for the difference, unless there is a legitimate explanation for the discrepancy such as a work interruption or an outbreak. If AHS finds that the hours are meaningfully understated, and management is unable to provide a reasonable explanation for the discrepancy in that quarter, the residence would be liable for the hours they failed to provide. At the end of the year, there will be a reconciliation of total actual hours worked and hours funded through AHS. From time to time, the reconciliations will result in current year adjustments made in respect of prior years.

### ***Senior Housing Business is Labour-intensive***

The Partnership's business is labour-intensive, with labour-related costs comprising a substantial portion of the Partnership's direct operating expenses. The Partnership's business competes with other health care providers with respect to attracting and retaining qualified personnel. The shortage of qualified personnel and general inflationary pressures may require the Partnership to enhance its pay and benefits package to compete effectively for such personnel, the costs of which

are included in the annual operating budget for each facility. The Partnership may not be able to offset such added costs by increasing the rates charged to patients and residents. An increase in these costs or a failure to attract, train and retain qualified and skilled personnel could adversely affect the business, results of operations and financial condition of the Partnership. No assurance can be given that labour costs will not increase, or that if they do increase, that they will be matched by corresponding increases in funding or other revenue. Wage increases in excess of increases that can be obtained from increases in rental or cost reimbursement could have an adverse impact upon the business, operating results, and financial condition of the Partnership, and the Partnership's ability to pay distributions to the Unitholders. The employees of the each of the facilities may be dissatisfied with their employment contracts, working conditions or other matters and elect to strike, work to rule or undertake some other form of labour dispute and such activities may have an adverse impact upon the business, operating results and financial condition of the Partnership.

### ***Damage to Properties***

Any significant damage to the Properties, as a result of fire or other calamities, could have a material adverse effect. The ability to grow the Partnership's business is heavily dependent on efficient, proper and uninterrupted operations at the Properties. Power failures or disruptions, the breakdown, failure or substandard performance of equipment, the improper installation or operation of equipment and the destruction of buildings, equipment and other facilities due to natural disasters such as tornados, hurricanes, fire, flooding or earthquakes would severely affect the ability of the Partnership to continue operations. While the Partnership will maintain certain insurance policies covering losses due to fire, lightning and explosions, there can be no assurance that their respective coverage would be adequate to compensate the Partnership for the actual cost of replacing such buildings, equipment and infrastructure, nor can there be any assurance that such events would not have a material adverse effect on their respective business, financial condition, results of operations and prospects.

### ***Liability and Insurance***

The businesses, which are carried on by the Partnership, entail an inherent risk of liability, including with respect to the injury to or death of a resident. Management expects that from time to time the Partnership may be subject to such lawsuits as a result of the nature of its business. The Partnership will maintain business and property insurance policies in amounts and with such coverage and deductibles as deemed appropriate, based on the nature and risks of the businesses, historical experience and sector standards. There can be no assurance, however, that claims in excess of the insurance coverage or claims not covered by the insurance coverage will not arise or that the liability coverage will continue to be available on acceptable terms. A successful claim against the Partnership not covered by, or in excess of, the insurance coverage of the Partnership could have a material adverse effect on the businesses, operating results and financial condition of the Partnership. Claims against the Partnership regardless of their merit or eventual outcome, also may have a material adverse effect on the ability of the Partnership to attract residents or expand its businesses (particularly where such claims receive negative media exposure), and will require management to devote time to matters unrelated to the operation of the business.

### ***Competition***

The seniors housing industry is highly competitive. The Partnership competes with numerous other companies, developers, managers and owners of senior care housing that provide similar seniors housing accommodation and/or services, including a number of large nationwide providers. Some of these entities have properties that are located in the same markets as the Partnership's Properties and may be newer, better located, contain more desirable amenities, less levered or have higher market profiles than the Partnership. Some property owners with properties located in the same markets as the Partnership's Properties may be better capitalized, may have access to lower costs of capital, and may be stronger financially and better able to withstand an economic downturn. The existence of developers, managers and owners in such markets and competition for the Partnership's residents could have a negative effect on the Partnership's ability to attract residents to its communities, which could materially adversely affect the business, results of operations and financial condition of the Partnership and decrease the amount of cash available for dividends to shareholders.

Competition for acquisitions of real properties can be intense and some competitors may have the ability or inclination to acquire properties at a higher price or on terms less favourable than those that the Partnership may be prepared to accept. An increase in the availability of investment funds, an increase in interest in real property investments or a decrease in interest rates may increase competition for real property investments, thereby increasing purchase prices and negatively impacting the ability of the Partnership to acquire real properties at prices it would be prepared to accept.

In general, regulatory barriers to entry in the ILS and DSL segments of the seniors housing industry are not as substantial as in the long-term care segment of the seniors housing industry. In pursuing the Partnership's growth strategies, it expects to experience competition in the Partnership's efforts to develop and operate ISL and SL retirement communities. Current competitors as well as future competitors may have greater financial resources and lower costs of capital than the Partnership is able to obtain.

Consequently, the Partnership may encounter competition that could limit its ability to acquire attractive communities, attract new residents, increase resident fee rates, attract and retain capital partners for its ventures or expand development activities or business in general, which could have a material adverse effect on the Partnership's revenues and results of operations. Similarly, overbuilding or oversupply in any of the markets in which the Partnership operates could cause it to experience decreased occupancy, reduced operating margins and lower profitability. Increased competition for residents could also require the Partnership to undertake unbudgeted capital improvements or to lower its rates, which could materially adversely affect the business, results of operations and financial condition of the Partnership.

In addition to industry competition, the provision of in-home care services to seniors is enabling more and more seniors to remain in their homes for longer periods of time, thereby potentially eliminating or reducing their potential lengths of residency within ILS and SL retirement communities.

### ***Geographic Concentration***

All of the business and operations with respect to the businesses of the Partnership are currently expected to be conducted in Alberta. The market value of the Properties' portfolio and the income generated therefrom could be negatively affected by changes in local and regional economic conditions as well as any future changes within the funding mechanism of the AHS. However, the Partnership believes the ILS and DLS sectors in Alberta are currently desirable markets in which to operate, particularly when contrasted to comparable U.S. markets in terms of general economic conditions and government funding rates for skilled nursing.

### ***Exposure to Operational Risks***

Current vacancy rates at the PWL Operating Companies are low. However, potential investors are exposed to the uncertainty of vacancy rates in the future with respect to ISL and private pay components of the Properties' portfolio.

### ***Cash Flow and Debt Servicing***

A portion of the PWL Operating Companies' cash flow is devoted to servicing its debt and there can be no assurance that these companies will continue to generate sufficient cash flow from operations to meet the required interest and principal payments on their mortgages. If the PWL Operating Companies are unable to meet such interest or principal payments, it could be required to seek renegotiation of such payments or obtain additional equity, debt or other financing. If this were to occur, it could have an impact upon the business, results of operations and financial condition of the PWL Operating Companies, which could materially adversely affect its results and ability of the Partnership to pay distributions on the Units.

### ***Fixed Costs***

Certain significant expenditures, including property taxes, maintenance costs, mortgage payments, insurance costs and related charges must be made throughout the period of ownership of real property regardless of whether a property is producing any income. If the Partnership is unable to meet mortgage payments on any property, losses could be sustained as a result of the mortgagee's exercise of its rights of foreclosure or sale or lender's exercise of other remedies. Costs may also be incurred in making improvements or repairs to property required by a new resident and income may be lost as a result of any prolonged delay in attracting suitable residents to the vacant space as a result.

### ***Delays in Returning to Market Occupancy***

Any delays in the completion of the renovations of Heritage House or the ability of the of Stettler to return to market occupancy prior to the Acquisition Closing may have a negative impact on the forecast of the Partnership and its forecasted net operating income.

### ***AHS Master Services Agreement Renewals***

The Partnership's earnings are highly reliant on government funding and reimbursement programs through its Master Services Agreements with AHS. If the Partnership is unable to negotiate the renewal of any of its Master Services Agreements or AHS reduces the funding provided under the Master Services Agreements, there could be a negative impact on the cash flow of the Partnership. In addition, AHS is currently updating the standardizing Master Services Agreements which govern the relationship between AHS and the applicable service provider. Each of Wainwright and Century Park are currently negotiating amending agreements to their respective Master Services Agreements which are expected to extend the expiring Master Services Agreements for one year and contemplate the execution of Updated MSAs, where upon execution the term will be extended for an additional four years. Management is unable to predict whether it will be able to successfully negotiate the amending agreement and whether or not AHS will deliver the Updated MSAs, the term of such Updated MSAs, or the level of funding to be received by the applicable service provider. Given that the Partnership operates in a labour-intensive industry, where labour-related costs account for a significant portion of the Partnership's operating costs the inability to successfully renew its Master Services Agreements and obtain continued government funding could have a significant adverse effect on the results from operations and cash flows of the Partnership.

### ***Market for Points West Living Portfolio at Exit***

The return on investment to Unitholders is dependent on the planned sale of the Properties' portfolio. While management is confident that there will be an exit opportunity; there are no guarantees that it will be sold at the metrics forecasted.

### ***Labour Unions***

Although the employees at the Points West Living residences are generally not unionized, two of the residences, Heritage House and Century Park, are unionized. The collective agreements for each of Heritage House and Century Park will expire on March 31, 2015, and the Partnership expects to receive notices to bargain and to commence negotiations with the unions in an effort to implement renewal collective agreements for the residences.

Heritage House employs approximately 60 of the unionized employees and Century Park employs approximately 35 of the unionized employees. Both of the unions at Heritage House and Century Park are represented by union locals of the Alberta Union of Public Employees.

Points West Living has a long-standing, positive labour relationship with the unions at each of Century Park and Heritage House. However, there can be no assurance that the Partnership will not, at any time, whether in connection with a renegotiation process or otherwise, experience strikes, labour stoppages or other conflict with a union or its employees that could have a material adverse effect on the Partnership's results of operations and financial condition.

In April, 2015 Points West Living Cold Lake held a certification vote, with a majority of employees voting in favour of certification and are now unionized with the Alberta Union of Public Employees. The employer has been served notice to bargain and will endeavour to affect a collective bargaining agreement in the coming months.

Non-unionized Points West Living residences may become unionized if they are targeted for certification by a trade union. There can be no assurance that the Points West Living residences to be acquired by the Partnership that are currently unorganized will not in the future be subject to unionization efforts or that any such efforts will not result in the unionization of the employees at any such a retirement residences.

### ***Pharmacy Agreement***

The Partnership is currently in negotiations with a pharmacy to secure a service contract that will provide pharmaceutical services directly to the individual residents. The Financial Forecast contemplates certain revenue attributable to this pharmacy service contract. The contract is expected to be settled on or around the Closing, but there can be no assurances that a contract with the pharmacy will be secured or whether the terms will be the same as those reflect in the Financial Forecast.



## **9.2 Risks Relating to the Offering and Units**

### ***No Guarantee that Investment in Units will be Successful***

There can be no guarantee that Unitholders will not realize losses from an investment in Units and there can be no assurance that the strategy of the Partnership will be successful or that the objective of earning a profit will be achieved. The success of the Partnership in its objectives will depend to a certain extent on the efforts and abilities of Connecting Care and the General Partner and on a number of other external factors such as, among other things, the development of the senior housing markets and general economic conditions that may prevail from time to time, which factors are out of the control of the Partnership and the General Partner. Cash distributions are not guaranteed and cannot be assured.

### ***No market for Units***

There is no formal market, such as a stock exchange, through which the Units may be sold and none is expected to develop. The Units provide limited liquidity based on the limitations on the On Demand Redemptions including that Units may only be redeemed with 30 days notice prior to the last day of a month at a price equal to 95% of the fair market value per Unit and that an aggregate of \$10,000 of Units per month may be redeemed for cash pursuant to the On Demand Redemption right, subject to any necessary regulatory approvals. There is no assurance that necessary regulatory approvals will be obtained.

### ***Limited Voting Rights***

Unitholders will have limited voting rights. Unitholders will need to rely on the experience, good faith and judgment of management to protect their interests in the Partnership.

### ***Investment Not Liquid***

Real property investments tend to be relatively illiquid, with the degree of liquidity generally fluctuating in relation to demand for, and for the perceived desirability of, the investment. The costs of owning real estate are considerable and the Partnership, as owners of real estate may be faced with ongoing expenditures with little prospect of incoming receipts. Such illiquidity may tend to limit the ability of the Partnership to vary the respective asset base promptly in response to changing economic or investment conditions. If the Partnership was required to liquidate its real property investments, the proceeds to the Partnership, and therefore the return to the Unitholders, might be significantly less than the total value of their respective investment on a going concern basis.

There are restrictions on the redemption of Units. See “No market for Units”. Accordingly, at certain times, investors may not be able to redeem all of their Units and receive the full redemption proceeds in respect of such Units on demand.

A Subscriber will only be able to transfer their Units subject to the approval of the General Partner and redeem their investment pursuant to the terms of the Partnership Agreement.

### ***Redemption Right***

The entitlement of Unitholders to receive cash upon the redemption of their Units is subject to the limitation that the total amount payable by the Partnership in respect of such Units and all other Units tendered for redemption in the same calendar month must not exceed \$10,000 to all Limited Partners in the aggregate (provided that such limitation may be waived at the discretion of the General Partner). Promissory notes which may be distributed to Unitholders in connection with a redemption will not be listed on any exchange and may not be qualified investments for registered retirement savings plan, a registered retirement income fund, a deferred profit sharing plan, a registered education savings plan, a registered disability savings plan, or a tax-free savings account under the Tax Act. No established market is expected to develop in such promissory notes and they may be subject to indefinite resale restrictions under applicable securities laws.

### ***Reliance on Management***

Decisions regarding the management of the Partnership’s affairs and portfolio management will be made exclusively by the General Partner under the oversight of the Board and not by the Limited Partners. Accordingly, investors must carefully evaluate the personal experience and business performance of the General Partner. The General Partner may retain

independent contractors to provide services to the Partnership. These contractors have no fiduciary duty owed to the Unitholders or the Partnership.

The success of the Partnership is heavily dependent on the General Partner's ability to attract, retain and motivate qualified personnel, and its inability to do so could have a material adverse effect. If the General Partner loses the services of any of their respective key executives and cannot replace them in a timely manner, their respective business and prospects may be adversely affected. Since the General Partner is managed by a small group of executive officers, the loss of the technical knowledge, management expertise and knowledge of operations of one or more members of the General Partner's executive management team could result in a diversion of management resources, as the remaining members of management would need to cover the duties of any executive officer who leaves the General Partner and would need to spend time usually reserved for managing the business to search for, hire and train new members of management. The loss of some or all of the General Partner's executives could negatively affect the General Partner's ability to develop and pursue their respective business strategy which could adversely affect the business and financial results of the Partnership and the General Partner. The General Partner does not currently carry any "key man" life insurance on their respective executives.

### ***Potential Conflict of Interest***

The Partnership may be subject to various conflicts of interest as Suske Capital Inc., SFT Hospitality Limited, Muir PWL Inc. and PDG Hospitality, who control the General Partner and certain members of management of the General Partner may be engaged in a wide range of long-term health care and other business activities and will not devote their time exclusively to the management of the Partnership. Each of Suske Capital Inc., SFT Hospitality Limited, Muir PWL Inc. and PDG Hospitality may from time to time deal with persons or entities with which the Partnership may be dealing and their interests may compete with those of the Partnership.

Suske Capital Inc., SFT Hospitality Limited, Muir PWL Inc. or PDG Hospitality or any of their affiliates from providing similar services to other investment funds and other clients (whether or not their investment objectives, strategies or criteria are similar to those of the Partnership) or from engaging in other activities.

### ***Tax***

Canadian federal and provincial tax should be considered prior to investing in Units (See "Item 6 – Income Tax Consequences and RRSP Eligibility"). The return on a Unitholder's investment is subject to changes in Canadian tax laws. The discussion of income tax considerations in this Offering Memorandum is based upon income tax laws and regulations as at June 9, 2015. There can be no assurance that tax laws, regulations or judicial or administrative interpretations will not be changed in a manner which fundamentally alters the tax consequences to investors holding or disposing of Units.

The rules in the Tax Act relating to "SIFT partnerships" (the "**SIFT Rules**") will apply to a partnership that is a "SIFT partnership". The Partnership does not expect that it will constitute a "SIFT partnership" on the basis that investments in the Partnership will not be listed or traded on a stock exchange or other public market. If the SIFT Rules were to apply to the Partnership, such that the Partnership was characterized as a "SIFT partnership", it would have an adverse impact on the Partnership and on the distributions received by the Unitholders.

Although the Partnership is of the view that all expenses to be claimed by the Partnership and the Subsidiaries in computing income will be reasonable and deductible, and that the cost amounts and capital cost allowance claims made in computing the income of the Partnership and the Subsidiaries will be correctly determined, there can be no assurance that the Tax Act, or the interpretation of the Tax Act, will not change, or that the CRA will agree. If the CRA successfully challenges the deductibility of such expenses, the computation of such amounts or the allocation of such income, the income of the Partnership and/or the Subsidiaries, and indirectly the taxable income of Unitholders, will increase or change.

Under the US *Foreign Account Tax Compliance Act* ("**FATCA**"), starting in 2014, investors in certain investment funds may be required to provide identity and residency information to such funds, which may be provided by such funds to the U.S. Internal Revenue Service (the "**IRS**"), in order to avoid a 30% U.S. withholding tax ("**FATCA Withholding Tax**") being imposed on certain U.S. source income received by such funds and, starting in 2017, on certain sale proceeds received by such funds. Under these rules, in certain circumstances, such funds may also be required to withhold a 30% tax from distributions paid to investors who have not provided required information.

On June 19, 2014, the *Canada–United States Enhanced Tax Information Exchange Agreement Implementation Act* (the "**IGA Act**") was proclaimed into law. The IGA Act implements an inter-governmental agreement between Canada and

the United States of America (the “IGA”) in connection with the implementation of FATCA. The IGA and the IGA Act are intended to result in the exchange of certain tax information between the Canadian and US governments consistent with FATCA, and, among other things, to provide potential relief from the imposition of FATCA Withholding Tax. In connection with the IGA and the IGA Act, Unitholders may be required to provide additional information to the Partnership in order to permit the Partnership to satisfy its reporting obligations under the IGA and the IGA Act. In the event that Unitholders do not supply certain information requested by the Partnership, such Unitholders may be subject to penalty under the Tax Act and may be classified as having a “U.S. Reportable Account” for the purposes of the IGA Act and the IGA. Information pertaining to Unitholders (and their investment in the Partnership) may be provided to the CRA and from the CRA to the IRS.

### ***Unitholder Liability***

The Partnership Agreement provides that no Unitholder will be subject to any liability whatsoever to any person in connection with a holding of Units. However, there remains a minimal risk, which is considered by the Partnership to be remote in the circumstances, that a Unitholder could be held personally liable, despite such statement in the Partnership Agreement, for the obligations of the Partnership to the extent that claims are not satisfied out of the assets of the Partnership. The affairs of the Partnership are conducted to seek to minimize such risk wherever possible.

### ***Changes to Applicable Law***

The Partnership must comply with various legal requirements. Should any of those laws, rules or regulations change over the life of the Partnership, it may adversely impact the Partnership.

### ***Possible Loss of Limited Liability and Liability for Return of Capital***

Maintenance of the limited liability of a Limited Partner requires compliance with certain legal requirements in jurisdictions in which the Partnership will operate. There is a risk that Limited Partners could lose their limited liability in certain circumstances and be liable beyond their contribution and share of undistributed net income of the Partnership. Where a Limited Partner has received a distribution from the Partnership, such Limited Partner may be liable to return to the Partnership or, if the Partnership is dissolved, to its creditors, any amount, not in excess of the amount distributed to such Limited Partner with interest, as may be necessary to discharge the liabilities of the Partnership to all creditors who extended credit or whose claims otherwise arose before such distribution.

### ***Dissolution of the Partnership on resignation of General Partner***

If the General Partner gives notice of its resignation, the Partnership will be dissolved 90 days following receipt by the Partnership of such notice from the General Partner. If this were to occur prior to five years after the Acquisition Closing, this could materially adversely affect the expected return on investment in Units. Upon dissolution of the Partnership, the Limited Partners may receive undivided interests in the Partnership assets and will no longer enjoy limited liability with respect to the ownership of such assets.

## **ITEM 10 – REPORTING OBLIGATIONS**

The Partnership is not a reporting issuer in any of the provinces or territories of Canada. Unitholders will receive, within 90 days of the end of each fiscal year, annual audited financial statements of the Partnership, together with a narrative report describing the business and affairs of the Partnership and, within the time periods prescribed under applicable law, all income tax reporting information necessary to enable each Unitholder to file an income tax return with respect to its participation in the Partnership in such fiscal year.

## **ITEM 11 – RESALE RESTRICTIONS**

### **11.1 General Statement**

These Units will be subject to resale restrictions, including a restriction on trading the Units. Until the restriction on trading expires, if ever, a Unitholder will not be able to trade the Units unless it complies with very limited exemptions from the prospectus requirements under applicable securities legislation. As the Partnership has no intention of becoming a reporting issuer in any province or territory of Canada, these restrictions on trading in the Units will not expire. In addition,

the Partnership Agreement provides that Units are transferable subject to the approval of the General Partner. Consequently, Unitholders may not be able to sell their Units in a timely manner, if at all, or pledge their Units as collateral for a loan.

## **11.2 Restricted Period**

Unless permitted under securities legislation, Unitholders cannot trade the Units before the date that is four months and a day after the date the Partnership becomes a reporting issuer in any province or territory of Canada. The Partnership has no intention of becoming a reporting issuer in any province or territory of Canada.

## **11.3 Manitoba Resale Restrictions**

For Subscribers resident in Manitoba, unless permitted under securities legislation, you must not trade the Units without the prior written consent of the regulator in Manitoba unless

- (a) the Partnership has filed a prospectus with the regulator in Manitoba with respect to the Units you have purchased and the regulator in Manitoba has issued a receipt for that prospectus, or
- (b) you have held the Units for at least 12 months.

The regulator in Manitoba will consent to your trade if the regulator is of the opinion that to do so is not prejudicial to the public interest.

## **11.4 Contractual Restrictions on Resale**

Pursuant to the Partnership Agreement, a Unitholder must obtain consent from the General Partner to transfer, sell, assign, exchange or in any manner dispose of or pledge or in any manner encumber such Unitholder's Units, which consent may be withheld for any reason.

# **ITEM 12 – PURCHASER'S RIGHTS OF ACTION FOR DAMAGES OR RESCISSION**

If you purchase the Units you will have certain rights, some of which are described below. For information about your rights you should consult a lawyer.

## **Two Day Cancellation Right**

You can cancel your agreement to purchase these Units. To do so, you must send a notice to the Partnership by midnight on the second Business Day after you sign the agreement to purchase the Units.

## **Statutory and Contractual Rights of Action in the Event of a Misrepresentation**

In addition, the following statutory or contractual rights of action for damages or rescission will apply to a purchase of Units of the Partnership. These remedies, or notice with respect thereto, must be exercised, or delivered, as the case may be, by the Subscriber within the time limits prescribed by the applicable provisions of the provincial securities legislation.

The summary below is not a complete description of such right or the limitations applicable thereto and reference should be made to the securities law of the jurisdiction where the Subscriber is resident for the complete text of such right. Such law is subject to varying interpretation. Subscribers should obtain legal advice to determine any rights that are available to the Subscriber, including in relation to the rights referred to below.

## ***Ontario***

In accordance with Section 130.1 of the *Securities Act* (Ontario) (the “**Ontario Act**”), in the event that this Offering Memorandum or any amendment thereto contains a misrepresentation (as defined in the Ontario Act), the Subscriber who purchases Units offered by this Offering Memorandum during the period of distribution has, without regard to whether the Subscriber relied upon the misrepresentation, a right of action against the Partnership for damages, or, while the Subscriber is

still the owner of the Units purchased by that Subscriber, for rescission, in which case, if the Subscriber elects to exercise the right of rescission, the Subscriber will have no right of action for damages against the Partnership, provided that:

- (a) the Partnership will not be liable if it proves that the Subscriber purchased the Units with knowledge of the misrepresentation;
- (b) in the case of an action for damages, the Partnership will not be liable for all or any portion of the damages that it proves do not represent the depreciation in value of the Units as a result of the misrepresentation relied upon; and
- (c) in no case will the amount recoverable in any action exceed the price at which the Units were sold to the Subscriber.

The foregoing rights provided in accordance with Section 130.1 of the Ontario Act do not apply to the following Subscribers relying upon the accredited investor exemption in Ontario:

- (a) a Canadian financial institution, meaning either:
  - (i) an association governed by the *Cooperative Credit Associations Act* (Canada) or a central cooperative credit society for which an order has been made under section 473(1) of that Act; or
  - (ii) a bank, loan corporation, trust company, trust corporation, insurance company, treasury branch, credit union, caisse populaire, financial services corporation, or league that, in each case, is authorized by an enactment of Canada or a jurisdiction of Canada to carry on business in Canada or a jurisdiction in Canada;
- (b) a Schedule III bank, meaning an authorized foreign bank named in Schedule III of the *Bank Act* (Canada),
- (c) The Business Development Bank of Canada incorporated under the *Business Development Bank of Canada Act* (Canada), or
- (d) a subsidiary of any person referred to in paragraphs (a), (b) or (c) if the person owns all of the voting securities of the subsidiary, except the voting securities required by law to be owned by the directors of the subsidiary.

No action will be commenced to enforce these statutory rights more than:

- (a) in an action for rescission, 180 days from the date of the transaction that gave rise to the cause of action; or
- (b) in an action for damages, the earlier of,
  - (i) 180 days after the plaintiff first had knowledge of the facts giving rise to the cause of action; or
  - (ii) three years after the date of the transaction that gave rise to the cause of action.

The rights of action described above are in addition to and without derogation from any other right or remedy that the Subscriber may have at law.

### **Manitoba**

In accordance with Section 141.1 of the *Securities Act* (Manitoba) (the “**Manitoba Act**”), if this Offering Memorandum contains a misrepresentation (as defined in the Manitoba Act), a Subscriber who purchases Units offered by this Offering Memorandum is deemed to have relied on the representation if it was a misrepresentation at the time of purchase, and the Subscriber has:

- (a) a right of action for damages against:

- (i) the Partnership; and
- (ii) every person or company who signed this Offering Memorandum; or
- (b) a right of rescission against the Partnership.

If the Subscriber chooses to exercise a right of rescission against the Partnership, the Subscriber has no right of action for damages against a person or company referred to above.

If a misrepresentation is contained in a record that is incorporated by reference in, or that is deemed to be incorporated into, this Offering Memorandum, the misrepresentation is deemed to be contained in this Offering Memorandum.

If a misrepresentation is contained in this Offering Memorandum, no person or company is liable:

- (a) if the person or company proves that the Subscriber had knowledge of the misrepresentation;
- (b) other than with respect to the Partnership, if the person or company proves:
  - (i) that the Offering Memorandum was sent to the Subscriber without the person's or company's knowledge or consent, and
  - (ii) that, after becoming aware that it was sent, the person or company promptly gave reasonable notice to the Partnership that it was sent without the person's or company's knowledge and consent;
- (c) other than with respect to the Partnership, if the person or company proves that, after becoming aware of the misrepresentation, the person or company withdrew the person's or company's consent to the Offering Memorandum and gave reasonable notice to the Partnership of the withdrawal and the reason for it;
- (d) other than with respect to the Partnership, if, with respect to any part of the Offering Memorandum purporting to be made on the authority of an expert or to be a copy of, or an extract from, an expert's report, opinion or statement, the person or company proves that the person or company did not have any reasonable grounds to believe and did not believe that:
  - (i) there had been a misrepresentation, or
  - (ii) the relevant part of the Offering Memorandum
    - a. did not fairly represent the expert's report, opinion or statement, or
    - b. was not a fair copy of, or an extract from, the expert's report, opinion or statement; or
- (e) other than with respect to the Partnership, with respect to any part of the Offering Memorandum not purporting to be made on an expert's authority and not purporting to be a copy of, or an extract from, an expert's report, opinion or statement, unless the person or company:
  - (i) did not conduct an investigation sufficient to provide reasonable grounds for a belief that there had been no misrepresentation, or
  - (ii) believed there had been a misrepresentation.

The amount recoverable will not exceed the price at which the Units were offered under this Offering Memorandum. In an action for damages, the defendant is not liable for all or any part of the damages that the defendant proves do not represent the depreciation in value of the Units as a result of the misrepresentation.

No action may be commenced to enforce a right:

- (a) in the case of an action for rescission, more than 180 days after the day of the transaction that gave rise to the cause of action; or
- (b) in any other case, more than the earlier of,
  - (i) 180 days after the day that the plaintiff first had knowledge of the facts giving rise to the cause of action, or
  - (ii) two years after the day of the transaction that gave rise to the cause of action.

The rights of action described above are in addition to and without derogation from any other right or remedy that the Subscriber may have at law.

### ***Saskatchewan***

Section 138 of *The Securities Act*, 1988 (Saskatchewan) (the “**Saskatchewan Act**”) provides, subject to certain limitations, that if this Offering Memorandum or any amendment thereto sent or delivered to a Subscriber contains a misrepresentation (as defined in the Saskatchewan Act), a Subscriber who purchases Units pursuant to this Offering Memorandum or an amendment thereto has, without regard to whether the Subscriber relied on the misrepresentation, a right of action for damages against:

- (a) the Partnership;
- (b) every promoter of the Partnership at the time this Offering Memorandum or any amendment thereto was sent or delivered;
- (c) every person or company whose consent has been filed with this Offering Memorandum or an amendment thereto but only with respect to reports, opinions or statements that have been made by them;
- (d) every person who or company that signed this Offering Memorandum or any amendment thereto; and
- (e) every person who or company that sells Units on behalf of the Partnership under this Offering Memorandum or any amendment thereto.

Such rights of rescission and damages are subject to certain limitations including the following:

- (a) if the purchaser elects to exercise its right of rescission against the Partnership, it will have no right of action for damages against that party;
- (b) in an action for damages, a defendant will not be liable for all or any portion of the damages that he, she or it proves do not represent the depreciation in value of the securities resulting from the misrepresentation relied on;
- (c) no person or company, other than the issuer or a selling security holder, will be liable for any part of this Offering Memorandum or any amendment to it not purporting to be made on the authority of an expert and not purporting to be a copy of, or an extract from, a report, opinion or statement of an expert, unless the person or company failed to conduct a reasonable investigation sufficient to provide reasonable grounds for a belief that there had been no misrepresentation or believed that there had been a misrepresentation;
- (d) in no case will the amount recoverable exceed the price at which Units were offered; and
- (e) no person or company is liable in an action for rescission or damages if that person or company proves that the Subscriber purchased the Units with knowledge of the misrepresentation.

In addition, no person or company, other than the Partnership, will be liable if the person or company proves that:

- (a) this Offering Memorandum or any amendment to it was sent or delivered without the person's or company's knowledge or consent and that, on becoming aware of it being sent or delivered, that person or company gave reasonable general notice that it was so sent or delivered; or
- (b) with respect to any part of this Offering Memorandum or any amendment to it purporting to be made on the authority of an expert, or purporting to be a copy of, or an extract from, a report, an opinion or a statement of an expert, that person or company had no reasonable grounds to believe and did not believe that there had been a misrepresentation, the part of this Offering Memorandum or any amendment to it did not fairly represent the report, opinion or statement of the expert, or was not a fair copy of, or an extract from, the report, opinion or statement of the expert.

Not all defences upon which the issuer or others may rely are described herein. Please refer to the full text of the Saskatchewan Act for a complete listing.

Similar rights of action for damages and rescission are provided in Section 138.1 of the Saskatchewan Act also provides that, subject to certain limitations, where any advertising or sales literature (as defined in the Saskatchewan Act) disseminated in connection with the Offering of Units contains a misrepresentation, a Subscriber who purchases Units referred to in that advertising or sales literature, is deemed to have relied on that misrepresentation if it was a misrepresentation at the time of purchase and has a right of action against the Partnership, every promoter of the Partnership at the time the advertising or sales literature was disseminated, and every person who, or company that, at the time the advertising or sales literature was disseminated, sells Units on behalf of the Partnership in the Offering with respect to which the advertising or sales literature was disseminated.

Section 138.2 of the Saskatchewan Act provides that, subject to certain limitations, where an individual makes a verbal statement to a prospective Subscriber of Units that contains a misrepresentation relating to the Units purchased, and the verbal statement is made either before or contemporaneously with the purchase of the Units, the Subscriber has, without regard to whether the Subscriber relied on the misrepresentation, a right of action for damages against the individual who made the verbal statement.

There are various defences available to the persons or companies who may be sued, including that no person or company is liable if the person or company proves that the Subscriber purchased the Units with knowledge of the misrepresentation. In an action for damages, the defendant will not be liable for all or any part of the damages that the defendant proves does not represent the depreciation in value of the Units resulting from the misrepresentation relied on. The amount recoverable pursuant to these rights will not exceed the price at which the Units were offered.

The Saskatchewan Act also provides a Subscriber who has received an amended Offering Memorandum delivered in accordance with subsection 80.1(3) of the Saskatchewan Act has a right to withdraw from the agreement to purchase the Units by delivering a notice to the person who or company that is selling the Units, indicating the Subscriber's intention not to be bound by the purchase agreement, provided such notice is delivered by the Subscriber within two Business Days of receiving the amended Offering Memorandum.

If Units are sold in contravention of the Saskatchewan Act, the regulations or a decision of the Saskatchewan Financial Services Commission, the Subscriber of such Units has a right to void the purchase agreement and recover all money and other consideration paid therefor from the vendor of the Units. Further, a Subscriber of Units who is not sent or delivered a copy of this Offering Memorandum or any amendment thereto prior to entering into an agreement of purchase and sale has a right of action for rescission or damages against the Partnership or, if purchased through a dealer, the dealer who failed to so send or deliver this Offering Memorandum or any amendment thereto.

No action to enforce the foregoing rights may be commenced:

- (a) in the case of an action for rescission, more than 180 days after the date of the transaction that gave rise to the cause of action; or
- (b) in the case of any action, other than an action for rescission, more than the earlier of,



- (i) one year after the plaintiff first had knowledge of the facts giving rise to the cause of action; or
- (ii) six years after the date of the transaction that gave rise to the cause of action.

The rights of action described above are in addition to and without derogation from any other right or remedy that the Subscriber may have at law.

### ***New Brunswick***

Section 150 of the *Securities Act* (New Brunswick) (the “**New Brunswick Act**”) provides that, subject to certain limitations, where this Offering Memorandum or any amendment thereto, which is provided to a Subscriber of the Units contains a misrepresentation (as defined in the New Brunswick Act), a Subscriber who purchases the Units will be deemed to have relied on the misrepresentation if it was a misrepresentation at the time of purchase and the Subscriber has, subject to certain defences, a right of action for damages against the Partnership or may elect to exercise a right of rescission against the Partnership, in which case the Subscriber will have no right of action for damages, provided that:

- (a) in an action for damages or rescission, the defendant will not be liable if it proves that the Subscriber purchased the Units with knowledge of the misrepresentation;
- (b) in an action for damages, the defendant is not liable for all or any portion of the damages that it proves do not represent the depreciation in value of the Units as a result of the misrepresentation relied upon; and
- (c) in no case will the amount recoverable under the right of action described herein exceed the price at which the Units were offered.

Section 152 of the New Brunswick Act provides that, subject to certain limitations, where a person makes a verbal statement to a Subscriber of Units that contains a misrepresentation relating to the Units purchased, and the verbal statement is made either before or contemporaneously with the purchase of the Units, the Subscriber will be deemed to have relied on the misrepresentation if it was a misrepresentation at the time of purchase, and the Subscriber has a right of action for damages against the person who made the verbal statement. There are various defences available, including if the person proves the Subscriber purchased the Units with knowledge of the misrepresentation. In an action for damages, the defendant will not be liable for all or any portion of the damages that the defendant proves do not represent the depreciation in the value of the Units as a result of the misrepresentation relied on. The amount recoverable will not exceed the price at which the Units were offered.

No action to enforce the foregoing rights may be commenced:

- (a) in the case of an action for rescission, more than 180 days after the date of the transaction that gave rise to the cause of action; or
- (b) in the case of any action, other than an action for rescission, more than the earlier of,
  - (i) one year after the plaintiff first had knowledge of the facts giving rise to the cause of action; or
  - (ii) six years after the date of the transaction that gave rise to the cause of action.

The rights of action described above are in addition to and without derogation from any other right or remedy that the Subscriber may have at law.

### ***Nova Scotia***

Section 138 of the *Securities Act* (Nova Scotia) (the “**Nova Scotia Act**”) provides that, subject to certain limitations, where this Offering Memorandum, together with any amendment thereto sent or delivered to a Subscriber, or any advertising or sales literature (as such terms are defined in the Nova Scotia Act) contains a misrepresentation (as defined in the Nova Scotia Act), a Subscriber who purchased Units referred to in it is deemed to have relied on the misrepresentation, if it was a misrepresentation at the time of purchase, and has a right of action for damages against the Partnership, and subject to certain

additional defences, every seller (other than the Partnership) of Units and persons who have signed this Offering Memorandum.

Alternatively, where the Subscriber purchased Units from the Partnership, the Subscriber may elect to exercise a right of rescission against the Partnership. If the Subscriber exercises its right of rescission against the Partnership, the Subscriber will not have a right of action for damages against the Partnership or against any aforementioned person or company.

The foregoing rights are subject to, among other limitations, the following:

- (a) no action will be commenced to enforce any of the foregoing rights more than 120 days after the date on which the initial payment was made for the Units;
- (b) no person or company will be liable if the person or company proves that the Subscriber purchased the Units with knowledge of the misrepresentation;
- (c) in the case of an action for damages, the defendant will not be liable for all or any portion of the damages that it proves do not represent the depreciation in value of the Units as a result of the misrepresentation; and
- (d) the amount recoverable in any action may not exceed the price at which the Units were offered to the Subscriber under this Offering Memorandum or amendment thereto.

In addition no person or company other than the Partnership is liable if the person or company proves that:

- (a) this Offering Memorandum or the amendment thereto was sent or delivered to the Subscriber without the person's or company's knowledge or consent and that, on becoming aware of its delivery, the person or company gave reasonable general notice that it was delivered without the person's or company's knowledge or consent; or
- (b) after delivery of this Offering Memorandum or the amendment thereto and before the purchase of the Units by the Subscriber, on becoming aware of any misrepresentation in this Offering Memorandum, or amendment thereto, the person or company withdrew the person's or company's consent to this Offering Memorandum, or amendment thereto, and gave reasonable general notice of the withdrawal and the reason for it; or
- (c) with respect to any part of this Offering Memorandum or amendment thereto purporting (i) to be made on the authority of an expert, or (ii) to be a copy of, or an extract from, a report, an opinion or a statement of an expert, the person or company had no reasonable grounds to believe and did not believe that (1) there had been a misrepresentation, or (2) the relevant part of this Offering Memorandum or amendment thereto (A) did not fairly represent the report, opinion or statement of the expert, or (B) was not a fair copy of, or an extract from, the report, opinion or statement of the expert.

Furthermore no person or company other than the Partnership is liable with respect to any part of this Offering Memorandum or amendment thereto not purporting (a) to be made on the authority of an expert; or (b) to be a copy of, or an extract from, a report, opinion or statement of an expert, unless the person or company (i) failed to conduct a reasonable investigation to provide reasonable grounds for a belief that there had been no misrepresentation; or (ii) believed that there had been a misrepresentation.

If a misrepresentation is contained in a record incorporated by reference in, or deemed incorporated into, this Offering Memorandum or amendment thereto, the misrepresentation is deemed to be contained in this Offering Memorandum or amendment thereto.

The rights of action described above are in addition to and without derogation from any other right or remedy that the Subscriber may have at law.

### ***Prince Edward Island***

Section 112 of the *Securities Act* (Prince Edward Island) (the “**PEI Act**”) provides, subject to certain limitations, that if this Offering Memorandum contains a misrepresentation (as defined in the PEI Act), a Subscriber who purchases Units offered by this Offering Memorandum during the period of distribution has, without regard to whether the Subscriber relied on the misrepresentation, a right of action for damages against:

- (a) the Partnership;
- (b) every person who signed this Offering Memorandum.

Alternatively, the Subscriber may elect to exercise a right of rescission against the Partnership. If the Subscriber exercises its right of rescission against the Partnership, the Subscriber will not have a right of action for damages against a person referred to above.

If a misrepresentation is contained in a record incorporated by reference in, or is deemed to be incorporated into, this Offering Memorandum, the misrepresentation is deemed to be contained in this Offering Memorandum.

If a misrepresentation is contained in this Offering Memorandum, no person is liable if the person proves that the Subscriber purchased the Units with knowledge of the misrepresentation.

A person, other than the Partnership, is not liable in an action for damages if the person proves that:

- (a) this Offering Memorandum was sent to the Subscriber without the person’s knowledge or consent, and that, on becoming aware of its being sent, the person had promptly given reasonable notice to the Partnership that it had been sent without the person’s knowledge and consent;
- (b) the person, on becoming aware of the misrepresentation, had withdrawn the person’s consent to this Offering Memorandum and had given reasonable notice to the Partnership of the withdrawal and the reason for it; or
- (c) with respect to any part of this Offering Memorandum purporting to be made on the authority of an expert or to be a copy of, or an extract from, a report, opinion or statement of an expert, the person had no reasonable grounds to believe and did not believe that:
  - (i) there had been a misrepresentation, or
  - (ii) the relevant part of this Offering Memorandum
    - a. did not fairly represent the report, opinion or statement of the expert, or
    - b. was not a fair copy of, or an extract from, the report, opinion or statement of the expert.

A person, other than the Partnership, is not liable in an action for damages with respect to any part of this Offering Memorandum not purporting to be made on the authority of an expert and not purporting to be a copy of, or an extract from, a report, opinion or statement of an expert, unless the person:

- (a) failed to conduct a reasonable investigation to provide reasonable grounds for a belief that there had been no misrepresentation, or
- (b) believed there had been a misrepresentation.

The amount recoverable must not exceed the price at which the Units purchased by the plaintiff were offered. In an action for damages, the defendant is not liable for any damages that the defendant proves do not represent the depreciation in value of the Units resulting from the misrepresentation.

A Subscriber of Units to whom this Offering Memorandum is required to be sent may cancel the contract to purchase the Units by sending written notice to the Partnership by midnight on the second Business Day after the Subscriber signs the agreement to purchase the Units.

A person who is a Subscriber of Units to whom this Offering Memorandum was required to be sent or delivered under the PEI Act but which was not sent or delivered as required has a right of action for damages or rescission against the Partnership.

No action may be commenced to enforce a right:

- (a) in the case of an action for rescission, more than 180 days after the day of the transaction that gave rise to the cause of action; or

in any other case, more than the earlier of,

- (b) 180 days after the day that the plaintiff first had knowledge of the facts giving rise to the cause of action, or
- (c) three years after the day of the transaction that gave rise to the cause of action.

The rights of action described above are in addition to and without derogation from any other right or remedy that the Subscriber may have at law.

#### ***Newfoundland and Labrador***

Section 130.1 of the *Securities Act* (Newfoundland and Labrador) provides that if this Offering Memorandum contains a misrepresentation, a Subscriber who purchases Units offered by this Offering Memorandum is deemed to have relied on the representation if it was a misrepresentation at the time of purchase, and the Subscriber has:

- (a) a right of action for damages against:
  - (i) the Partnership;
  - (ii) every person or company who signed this Offering Memorandum; and
- (b) a right of rescission against the Partnership.

If the Subscriber chooses to exercise a right of rescission against the Partnership, the Subscriber has no right of action for damages against a person or company referred to above.

If a misrepresentation is contained in a record incorporated by reference in, or is deemed to be incorporated into, this Offering Memorandum, the misrepresentation is deemed to be contained in this Offering Memorandum.

When a misrepresentation is contained in this Offering Memorandum, no person or company is liable:

- (a) if the person or company proves that the Subscriber had knowledge of the misrepresentation;
- (b) other than the Partnership, if the person or company proves that:
  - (i) this Offering Memorandum was sent to the Subscriber without the person's or company's knowledge or consent, and
  - (ii) after becoming aware that it was sent, the person or company promptly gave reasonable notice to the Partnership that it was sent without the person's or company's knowledge and consent;
- (c) other than the Partnership, if the person or company proves that, after becoming aware of the misrepresentation, the person or company withdrew the person's or company's consent to this Offering Memorandum and gave reasonable notice to the Partnership of the withdrawal and the reason for it;

- (d) other than the issuer, if, with respect to any part of this Offering Memorandum purporting to be made on the authority of an expert or to be a copy of, or an extract from, an expert's report, opinion or statement, the person or company proves that the person or company did not have any reasonable grounds to believe and did not believe that:
  - (i) there had been a misrepresentation, or
  - (ii) the relevant part of the offering memorandum:
    - a. did not fairly represent the expert's report, opinion or statement, or
    - b. was not a fair copy of, or an extract from, the expert's report, opinion or statement; or
- (e) other than the issuer, with respect to any part of this Offering Memorandum not purporting to be made on an expert's authority and not purporting to be a copy of, or an extract from, an expert's report, opinion or statement, unless the person or company:
  - (i) did not conduct an investigation sufficient to provide reasonable grounds for a belief that there had been no misrepresentation, or
  - (ii) believed there had been a misrepresentation.

The amount recoverable will not exceed the price at which the Units were offered under this Offering Memorandum. In an action for damages, the defendant is not liable for all or any part of the damages that the defendant proves do not represent the depreciation in value of the Units as a result of the misrepresentation.

All or any one or more of the persons or companies that are found to be liable or accept liability in an action for damages are jointly and severally liable. A defendant who is found liable to pay a sum in damages may recover a contribution, in whole or in part, from a person who is jointly and severally liable to make the same payment in the same cause of action unless, in all circumstances of the case, the court is satisfied that it would not be just and equitable.

No action will be commenced to enforce these contractual rights more than:

- (a) in the case of an action for rescission, 180 days after the date of the transaction that gave rise to the cause of action; or
- (b) in the case of an action for damages, before the earlier of,
  - (i) 180 days after the plaintiff first has knowledge of the facts giving rise to the cause of action; or
  - (ii) three years after the date of the transaction that gave rise to the cause of action.

The rights of action described above are in addition to and without derogation from any other right or remedy that the Subscriber may have at law.

### ***Alberta***

If you are a resident of Alberta, and if there is a misrepresentation in this Offering Memorandum, you have a statutory right to sue:

- (a) the Partnership to cancel your agreement to buy the Class A Units, or
- (b) for damages against the Partnership, every person who was a director of a General Partner at the date of this Offering Memorandum and every other person who signed this Offering Memorandum.

This statutory right to sue is available to you whether or not you relied on the misrepresentation. However, there are various defences available to the persons or companies that you have a right to sue. In particular, they have a defence if you

knew of the misrepresentation when you purchased the securities. Additionally, if you elect to exercise a right of rescission against the Partnership, you will have no right of action against the persons described in (b) above.

If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations. You must commence your action to cancel the agreement within 180 days after the date that you purchased the securities. You must commence your action for damages within the earlier of 180 days after you first had knowledge of the facts giving rise to the cause of action and three years after the day you purchased the securities.

### ***British Columbia***

If you are a resident of British Columbia, and if there is a misrepresentation in this Offering Memorandum, you have a statutory right to sue:

- (a) the Partnership to cancel your agreement to buy the Class A Units, or
- (b) for damages against the Partnership, every person who was a director of the General Partner at the date of this Offering Memorandum and every other person who signed this Offering Memorandum.

This statutory right to sue is available to you whether or not you relied on the misrepresentation. However, there are various defences available to the persons or companies that you have a right to sue. In particular, they have a defence if you knew of the misrepresentation when you purchased the securities. Additionally, if you elect to exercise a right of rescission against the Partnership, you will have no right of action against the Persons described in (b) above.

If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations. You must commence your action to cancel the agreement within 180 days after the date that you purchased the securities. You must commence your action for damages within the earlier of 180 days after you first had knowledge of the facts giving rise to the cause of action and three years after the day you purchased the securities.

### ***Quebec***

If you are a resident of Quebec, and if there is a misrepresentation in this Offering Memorandum, you have a statutory right to apply to have the contract rescinded or the price revised, without prejudice to your claim for damages and you have a statutory right to sue for damages against:

- (a) the Partnership and every officer or director of the General Partner;
- (b) any dealer under contract to the Partnership;
- (c) any person who is required to sign a certificate in the Offering Memorandum, in accordance with the conditions prescribed by regulations; and
- (d) any expert whose opinion, containing a misrepresentation, appeared, with his consent, in the Offering Memorandum.

This statutory right to sue is available to you whether or not you relied on the misrepresentation. However, there are various defences available to the persons or companies that you have a right to sue. In particular, they have a defence if you knew of the misrepresentation when you purchased the securities.

If you intend to rely on the rights described in (a), (b), (c) or (d) above, you must do so within strict time limitations. No action may be commenced to enforce such right unless the right is exercised:

- (a) in the case of rescission or revision of the price, within three years form the date of the transaction;
- (b) in the case of damages, within three years of the date on which you acquired knowledge of the facts giving rise to the action, except upon proof that the plaintiff acquired such knowledge more than three years after

the date of the transaction as a result of negligence of the plaintiff, subject to a maximum period of five years from the date of the filing of the Offering Memorandum with the Autorité des marchés financiers.

In an action for rescission or revision of the price against the Partnership, the defendant may defeat the application only if it is provided the plaintiff knew, at the time of the transaction, of the alleged misrepresentation.

### **ITEM 13 – FINANCIAL STATEMENTS**

- 13.1** Points West Living Group of Companies Audited Financial Statements as at March 31, 2014 are attached.
- 13.2** Points West Living Group of Companies Interim Financial Statements as at December 31, 2014 are attached.
- 13.3** Points West Living Limited Partnership Financial Statements as at and for the period ended May 31, 2015 are attached.
- 13.4** Points West Living GP Limited Partnership Financial Statements as at and for the period ended May 31, 2015 are attached.

**Points West Living Group of Companies**  
**Combined Financial Statements**  
*March 31, 2014*



## Independent Auditors' Report

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To the Shareholders of Points West Living Group of Companies:

We have audited the accompanying combined financial statements of Points West Living Group of Companies, which comprise the combined balance sheet as at March 31, 2014, and the combined statements of earnings, retained earnings and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Combined Financial Statements*

Management is responsible for the preparation and fair presentation of these combined financial statements in accordance with Canadian accounting standards for private enterprises, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these combined financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the combined financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the combined financial statements present fairly, in all material respects, the financial position of Points West Living Group of Companies as at March 31, 2014 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for private enterprises.

### *Comparative Information*

The combined financial statements of Points West Living Group of Companies for the year ended March 31, 2013 were not subject to an audit engagement and accordingly the comparative figures are marked as unaudited.

Edmonton, Alberta

June 9, 2015

**MNP LLP**  
Chartered Accountants

# Points West Living Group of Companies

## Combined Balance Sheet

*As at March 31, 2014*

	<b>2014</b>	<b>2013</b> <i>(Unaudited)</i>
<b>Assets</b>		
<b>Current</b>		
Cash and cash equivalents <i>(Note 3)</i>	<b>4,055,417</b>	3,408,953
Accounts receivable <i>(Note 4)</i>	<b>1,376,202</b>	1,657,873
Goods and services tax receivable	-	298,174
Security deposits	<b>142,090</b>	142,090
Prepaid expenses and deposits	<b>99,417</b>	64,318
	<b>5,673,126</b>	5,571,408
<b>Property and equipment</b> <i>(Note 5)</i>	<b>51,630,772</b>	46,361,124
<b>Advances to shareholders</b> <i>(Note 6)</i>	<b>2,135,223</b>	1,657,408
<b>Advances to related parties</b> <i>(Note 7)</i>	<b>669,143</b>	655,360
<b>Investment in related party</b> <i>(Note 8)</i>	<b>320,444</b>	320,444
<b>Mortgage reserve fund</b> <i>(Note 9)</i>	<b>281,185</b>	236,635
<b>Future income taxes</b>	<b>264,316</b>	282,295
	<b>60,974,209</b>	55,084,674

*Continued on next page*

# Points West Living Group of Companies

## Combined Balance Sheet

As at March 31, 2014

	2014	2013 (Unaudited)
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accrued liabilities (Note 10)	2,296,154	6,167,251
Goods and services tax payable	97,834	354,579
Income taxes payable	57,397	31,797
Notes payable (Note 11)	211,200	320,000
Customer deposits	383,600	328,800
Advances from shareholders (Note 12)	6,273,166	6,657,109
Life lease obligations (Note 13)	1,194,600	1,028,375
Current portion of term loans due on demand (Note 14)	4,848,909	524,126
Current portion of long-term debt (Note 15)	527,040	279,192
	<b>15,889,900</b>	15,691,229
Term loans due on demand (Note 14)	<b>16,416,643</b>	16,621,248
	<b>32,306,543</b>	32,312,477
<b>Long-term debt (Note 15)</b>	<b>23,833,837</b>	19,038,320
<b>Future income taxes</b>	<b>685,739</b>	558,423
	<b>56,826,119</b>	51,909,220
<b>Financial guarantee (Note 16)</b>		
<b>Subsequent events (Note 21)</b>		
<b>Shareholders' Equity</b>		
Share capital (Note 17)	1,406	1,406
Retained earnings	4,146,684	3,174,048
	<b>4,148,090</b>	3,175,454
	<b>60,974,209</b>	55,084,674
<b>Approved on behalf of the Board</b>		
<u>signed "Doug Mills"</u> Director	<u>signed "Paul Melanson"</u> Director	

The accompanying notes are an integral part of these combined financial statements

**Points West Living Group of Companies**  
**Combined Statement of Earnings**  
*For the year ended March 31, 2014*

	<b>2014</b>	<b>2013</b> <i>(Unaudited)</i>
<b>Revenue</b>		
Alberta Health Services - DSL <i>(Note 20)</i>	<b>13,531,848</b>	8,026,288
Rental income	<b>7,342,159</b>	4,618,809
Amenities income	<b>340,979</b>	209,080
Alberta Health Services - Home care	<b>99,738</b>	93,311
Life lease maintenance fees	<b>50,248</b>	41,924
Interest income	<b>16,154</b>	16,509
	<b>21,381,126</b>	13,005,921
<b>Expenses</b>		
Salaries, wages and benefits	<b>11,761,512</b>	7,059,043
Amortization <i>(Note 5)</i>	<b>2,050,329</b>	1,423,212
Interest on term loans due on demand and long-term debt <i>(Note 14), (Note 15)</i>	<b>1,595,191</b>	998,749
Food and kitchen supplies	<b>1,002,790</b>	598,150
Cost allocation from Connecting Care <i>(Note 18)</i>	<b>812,828</b>	484,696
Utilities	<b>797,486</b>	463,224
Repairs and maintenance	<b>501,960</b>	335,429
Property taxes	<b>283,923</b>	230,113
Supplies	<b>273,026</b>	129,255
Professional fees	<b>217,626</b>	189,720
Royalties <i>(Note 18)</i>	<b>183,938</b>	-
Office	<b>158,630</b>	62,416
Telephone, fax and internet	<b>129,159</b>	68,334
Insurance	<b>116,971</b>	37,146
Travel, meals and accommodations	<b>70,629</b>	29,202
Advertising and promotion	<b>44,913</b>	35,797
Interest and bank charges	<b>30,021</b>	33,824
Uniforms	<b>17,757</b>	14,911
Bad debts	<b>13,118</b>	11,540
Training and education	<b>9,606</b>	11,163
Business taxes and licences	<b>8,937</b>	7,171
	<b>20,080,350</b>	12,223,095
<b>Operating income</b>	<b>1,300,776</b>	782,826
<b>Income from management services</b> <i>(Schedule 1)</i>	<b>404,825</b>	339,847
<b>Earnings before income taxes</b>	<b>1,705,601</b>	1,122,673
<b>Provision for (recovery of) income taxes</b>		
Current	<b>297,670</b>	283,038
Future	<b>145,295</b>	(24,958)
	<b>442,965</b>	258,080
<b>Net earnings</b>	<b>1,262,636</b>	864,593

*The accompanying notes are an integral part of these combined financial statements*

# Points West Living Group of Companies

## Combined Statement of Retained Earnings

*For the year ended March 31, 2014*

	<b>2014</b>	<b>2013</b> <i>(Unaudited)</i>
Retained earnings, beginning of year	<b>3,174,048</b>	3,559,455
Net earnings	<b>1,262,636</b>	864,593
Dividends	<b>(290,000)</b>	(1,250,000)
Retained earnings, end of year	<b>4,146,684</b>	3,174,048

*The accompanying notes are an integral part of these combined financial statements*

# Points West Living Group of Companies

## Combined Statement of Cash Flows

*For the year ended March 31, 2014*

	2014	2013 (Unaudited)
<b>Cash provided by (used for) the following activities</b>		
<b>Operating activities</b>		
Cash received from customers and Alberta Health Services	28,993,387	19,324,514
Cash paid to suppliers and employees	(26,594,972)	(12,786,288)
Interest paid	(2,524,183)	(1,193,362)
Income taxes paid	(272,070)	(228,931)
Interest received	91,828	75,235
	<b>(306,010)</b>	<b>5,191,168</b>
<b>Financing activities</b>		
Advances of term loans due on demand and long-term debt	9,906,006	16,036,658
Repayments of term loans due on demand and long-term debt	(682,287)	(1,195,707)
Government grants received	2,599,329	4,831,970
Advances of life lease obligations	228,475	-
Repayments of life lease obligations	(62,250)	(40,400)
Repayments of notes payable	(108,800)	(150,000)
Advances to related parties	(13,783)	(594,124)
Advances (to) from shareholders, net (Note 6)	(861,757)	1,636,347
Dividends	(290,000)	(1,250,000)
	<b>10,714,933</b>	<b>19,274,744</b>
<b>Investing activities</b>		
Purchases of property and equipment	(9,717,909)	(25,431,771)
Contributions to mortgage reserve fund	(44,550)	(55,734)
	<b>(9,762,459)</b>	<b>(25,487,505)</b>
<b>Increase (decrease) in cash resources</b>	<b>646,464</b>	<b>(1,021,593)</b>
<b>Cash resources, beginning of year</b>	<b>3,408,953</b>	<b>4,430,546</b>
<b>Cash resources, end of year</b>	<b>4,055,417</b>	<b>3,408,953</b>

*The accompanying notes are an integral part of these combined financial statements*

# Points West Living Group of Companies

## Notes to the Combined Financial Statements

For the year ended March 31, 2014

### 1. Operations and basis of presentation

Points West Living Group of Companies (the "Group") owns and operates seven assisted living facilities in the Province of Alberta and provides management services to nineteen similar facilities throughout British Columbia and Alberta.

#### **Basis of presentation**

These combined financial statements include the accounts of Points West Living Century Park Inc., Points West Living Cold Lake Inc., Points West Living Lloydminster Inc., Points West Living Peace River Inc., Points West Living Stettler Inc., Points West Living Wainwright Inc., Points West Living Heritage House Inc., and Connecting Care (2000) Inc.; and are presented after eliminating all significant revenues, expenses and intra-group balances arising from transactions between the above-noted entities. The entities included in the Group are those required to satisfy the filing requirements of the Points West Living Limited Partnership offering memorandum (Note 21).

### 2. Significant accounting policies

The combined financial statements have been prepared in accordance with Canadian accounting standards for private enterprises and include the following significant accounting policies:

#### **Revenue recognition**

The Group recognizes rental and life lease maintenance fee revenues in equal periodic amounts over the term of the lease agreement. Amenities, Designated Supportive Living ("DSL"), home care, resident services and management fee revenue is recognized when the related services have been performed and collectability is reasonably assured. Interest and investment income is recognized when it is earned.

#### **Cash and cash equivalents**

Cash and cash equivalents includes balances with banks and short-term investments with maturities of three months or less.

#### **Property and equipment**

Property and equipment are initially recorded at cost. Amortization is provided using the following methods at rates intended to amortize the cost of assets over their estimated useful lives.

	<b>Method</b>	<b>Rate</b>
Buildings	straight-line	4 %
Furniture, fixtures, and equipment	declining balance	20 %
Computer equipment	declining balance	30-55 %
Automotive	declining balance	30 %
Paving and landscaping	declining balance	8 %
Deferred grant revenue	straight-line	4 %

In the year of acquisition, amortization is taken at one-half of the above rates.

#### **Interest capitalization**

Interest costs relating to major capital projects in progress are capitalized as part of property and equipment. Capitalization of interest ceases when the asset is substantially complete and ready for its intended productive use.

#### **Investment in related party**

The Group has elected to record its investment in the investee using the cost method. Accordingly, the investment is recorded at acquisition cost, less any provisions for permanent impairment. Investment income is recognized when dividends become receivable.

All transactions with the investee are disclosed as related party transactions.

# Points West Living Group of Companies

## Notes to the Combined Financial Statements

For the year ended March 31, 2014

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### 2. Significant accounting policies (Continued from previous page)

#### **Deferred grant revenue**

The Group has received grant funding from the Rural Affordable Supportive Living Program of the Alberta Government. This funding is used to finance the capital costs of construction of the Group's facilities, and requires that the Group maintain the use of the facilities as advancing Affordable Supportive Living for the 20 year terms of the grant funding agreements. Should the Group not comply with the terms of the grant agreements, repayment of a portion of the grants must occur, calculated on a straight-line basis over the 20 year term of the agreements. Currently, the Group is in full compliance with the use of the facilities.

For financial statement presentation purposes the balances have been disclosed separately in Note 5, but have been appropriately aggregated on the combined balance sheet and combined statement of earnings. Amortization of the deferred grant revenue is presented net of the amortization charged on the underlying property and equipment. Amortization of the grants is charged to earnings at the same rate as the underlying assets.

Grant funding towards operating expenditures is recognized in the year in which the related expenditures are incurred.

#### **Life lease obligations**

The Group enters into occupancy agreements with individuals, termed "life lease agreements". Under the terms of these agreements, the occupant obtains the lifetime exclusive right to occupy a unit in exchange for a fixed fee paid to the Group at the inception of the agreement. The Group is obligated to refund to the occupant 95% of the initial fee within 90 days of the termination of the occupancy agreement. In the event that the agreement is terminated before occupancy begins, 100% of the initial fee is refunded.

The Group records 95% of the fixed fee as a life lease obligation, as this represents the maximum amount refundable to the occupant once occupancy begins, with the remaining 5% of the fixed fee recognized as life lease administration fee revenue at the time of closing.

#### **Future income taxes**

The Group accounts for income taxes using the future income taxes method. Under this method, future income tax assets and liabilities are recorded based on temporary differences between the carrying amount of balance sheet items and their corresponding tax bases. In addition, the future benefits of income tax assets, including unused tax losses, are recognized, subject to a valuation allowance, to the extent that it is more likely than not that such future benefits will ultimately be realized. Future income tax assets and liabilities are measured using substantively enacted tax rates and laws expected to apply when the tax liabilities or assets are to be either settled or realized.

#### **Long-lived assets**

Long-lived assets consist of property and equipment. Long-lived assets held for use are measured and amortized as described in the applicable accounting policies.

The Group performs impairment testing on long-lived assets held for use whenever events or changes in circumstances indicate that the carrying value of an asset, or group of assets, may not be recoverable. Impairment losses are recognized when undiscounted future cash flows from its use and disposal are less than the asset's carrying amount. Impairment is measured as the amount by which the asset's carrying value exceeds its fair value. Any impairment is included in earnings for the year. Fair value is measured using prices for similar items.



# Points West Living Group of Companies

## Notes to the Combined Financial Statements

For the year ended March 31, 2014

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### 2. Significant accounting policies (Continued from previous page)

#### **Financial instruments**

The Group recognizes its financial instruments when the Group becomes party to the contractual provisions of the financial instrument. All financial instruments are initially recorded at their fair value, including financial assets and liabilities originated and issued in a related party transaction with management. Financial assets and liabilities originated and issued in all other related party transactions are initially measured in accordance with Section 3840 *Related Party Transactions* (refer to Note 18).

At initial recognition, the Group may irrevocably elect to subsequently measure any financial instrument at fair value. The Group has not made such an election and consequently all financial assets and liabilities are subsequently measured at amortized cost.

Transaction costs and financing fees related to financial instruments subsequently measured at cost or amortized cost are added to the carrying amount for those instruments.

#### **Measurement uncertainty (use of estimates)**

The preparation of combined financial statements in conformity with Canadian accounting standards for private enterprises requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the combined financial statements, and the reported amounts of revenues and expenses during the reporting period.

Accounts receivable, advances to shareholders and advances to related parties are stated after evaluation as to their collectibility and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization is based on the estimated useful lives of property and equipment. The calculation of future income tax is based on assumptions which are subject to uncertainty as to timing and tax rates expected to apply when temporary differences reverse.

By their nature, these estimates are subject to measurement uncertainty, and the effect on the combined financial statements from changes in such estimates in future years could be significant.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in earnings in the year in which they become known.

### 3. Cash and cash equivalents

The Group's credit facility with Servus Credit Union restricts usage or withdrawal of certain amounts included in cash and cash equivalents at year-end. \$400,000 of the life lease proceeds described in Note 13 must be held in trust to fund any redemptions resulting from the termination of life lease agreements. The trust account must maintain a minimum dollar balance equivalent to the greater of \$400,000 and 10% of total life lease agreements outstanding.

At March 31, 2014, Servus Credit Union held cash and cash equivalents in the amount of \$533,325 (2013 - \$530,654) in trust for the Group.

Included in cash and cash equivalents is \$133,600 (2013 - \$78,800) in restricted cash related to security deposits on rental agreements.

### 4. Accounts receivable

Included in accounts receivable are amounts due from direct and indirect shareholders, companies under common ownership and an investee of the Group of \$109,845 (2013 - \$162,276).

# Points West Living Group of Companies

## Notes to the Combined Financial Statements

*For the year ended March 31, 2014*

### 5. Property and equipment

			<b>2014</b>	<i>2013 (Unaudited)</i>
	<i>Cost</i>	<i>Accumulated amortization</i>	<i>Net book value</i>	<i>Net book value</i>
Land	4,244,260	-	4,244,260	4,244,260
Buildings	75,157,386	6,838,004	68,319,382	62,085,784
Furniture, fixtures, and equipment	3,082,463	1,126,528	1,955,935	1,197,419
Computer equipment	359,647	212,010	147,637	82,047
Automotive	165,550	94,769	70,781	66,248
Paving and landscaping	25,826	5,681	20,145	21,897
Deferred grant revenue	(25,788,466)	(2,661,098)	(23,127,368)	(21,336,531)
	<b>57,246,666</b>	<b>5,615,894</b>	<b>51,630,772</b>	46,361,124

During the year, interest in the amount of \$242,298 (2013 - \$139,348) was capitalized to the cost of the buildings. \$808,492 (2013 - \$439,232) in amortization of deferred grant revenue is included in earnings for the year.

### 6. Advances to shareholders

	<b>2014</b>	<i>2013 (Unaudited)</i>
Points West Living Inc.	1,984,616	1,489,958
PDG Hospitality Corp.	150,607	167,400
Canalta Real Estate Inc.	-	50
	<b>2,135,223</b>	1,657,408

Advances to shareholders are unsecured, non-interest bearing and have no fixed terms of repayment.

Cash flows related to advances to and repayments from shareholders have been presented on a net basis as it is impracticable for management to determine the gross cash receipts and repayments.

### 7. Advances to related parties

	<b>2014</b>	<i>2013 (Unaudited)</i>
PDG Lloyd Corp. - related by virtue of common control	619,907	606,124
Connecting Care Office Holdings Inc. - related by virtue of common ownership	49,236	49,236
	<b>669,143</b>	655,360

Advances to related parties are unsecured, non-interest bearing and have no fixed terms of repayment.

### 8. Investment in related party

The Group holds a 10.1% interest in 1010097 Alberta Ltd. (The Gardens), a supportive living facility designed for seniors that operates in Grande Prairie, Alberta.

# Points West Living Group of Companies

## Notes to the Combined Financial Statements

*For the year ended March 31, 2014*

### 9. Mortgage reserve fund

The Group, as a part of its mortgage agreement with Manufacturer's Life Insurance Company, has committed to monthly payments for property taxes and a general reserve of \$1,983 and \$3,612 respectively. The property tax reserve is applied against yearly property tax assessments; the general reserve is held as collateral in the event of default as outlined in the mortgage agreement. At March 31, 2014, the mortgage reserve fund included prepaid property taxes in the amount of \$30,641 (2013 - \$32,277) and a general reserve in the amount of \$250,544 (2013 - \$204,358).

### 10. Accounts payable and accrued liabilities

Included in accounts payable and accrued liabilities are amounts owing to direct and indirect shareholders and companies under common ownership of \$225,819 (2013 - \$2,950,995) and government remittances payable in the amount of \$231,860 (2013 - \$124,237).

### 11. Notes payable

	2014	2013 (Unaudited)
Portfolio Funding Corporation - Note payable bearing interest at 10% per annum (2013 - 10%) payable in monthly interest-only payments, secured by guarantees from indirect shareholders of the Group, due December 1, 2015.	105,600	160,000
Illuminati Capital Ltd. - Note payable bearing interest at 10% per annum (2013 - 10%) payable in monthly interest-only payments, secured by guarantees from indirect shareholders of the Group, due December 1, 2015.	105,600	160,000
	<b>211,200</b>	<b>320,000</b>

### 12. Advances from shareholders

	2014	2013 (Unaudited)
Points West Living Inc.	5,353,330	5,733,280
PDG Lloyd Corp.	769,845	769,845
Wanda Sullivan	49,997	49,997
Lorelei Lloyd and Associates Ltd.	99,994	99,994
PDG Hospitality Corp.	-	3,993
	<b>6,273,166</b>	<b>6,657,109</b>

Advances from shareholders are unsecured, non-interest bearing and have no fixed terms of repayment.

### 13. Life lease obligations

At March 31, 2014, the Group has entered into 6 life lease agreements (2013 - 5) for which occupancy has begun and the average life lease obligation value for these units was \$193,650 (2013 - \$186,685). The Group has entered into an additional 2 agreements (2013 - 5) for which first deposits have been received, totaling \$32,700 (2013 - \$94,950), but for which occupancy has not yet been established. The life lease obligations are secured by trustee mortgages against the title to the respective lands.

# Points West Living Group of Companies

## Notes to the Combined Financial Statements

*For the year ended March 31, 2014*

### 14. Term loans due on demand

	2014	2013 (Unaudited)
Points West Living Heritage House Inc. - Canadian Western Bank mortgage loan bearing interest at the bank's prime rate plus 1.25% per annum, payable in monthly instalments of \$28,908 including interest, due January 1, 2015, secured by land and building with a net book value of \$6,047,987 (2013 - \$6,236,476)	4,490,060	4,646,686
Points West Living Peace River Inc. - Toronto Dominion Bank demand mortgage loan bearing interest at the bank's prime rate plus 1%, payable in monthly interest-only payments, due June 2015, secured by land and building with a net book value of \$11,205,940 (2013 - \$7,276,379)	7,200,000	2,586,251
Points West Living Wainwright Inc. - Servus Credit Union mortgage loan bearing interest at 4.05%, payable in monthly instalments of \$63,781 including interest, due April 2017, secured by land and building with a net book value of \$14,456,393 (2013 - \$15,100,106)	9,636,154	10,003,076
Financing fees amortized straight-line over the terms of the applicable loans. \$29,977 (2013 - \$13,927) in amortization of financing fees is included in interest on term loans due on demand and long-term debt for the year	(60,662)	(90,639)
Less: current portion of term loans due on demand	(4,848,909)	(524,126)
	<b>16,416,643</b>	<b>16,621,248</b>

Principal repayments on term loans due on demand in each of the next five years, assuming term loans due on demand are renewed at similar terms and all term loans due on demand are subject to contractual terms of repayment, are estimated as follows:

2015	541,187
2016	562,374
2017	587,395
2018	611,991
2019	637,617

The Group has granted the following security and agreed to the following conditions in respect of these loans:

#### ***Points West Living Heritage House Inc.***

A collateral mortgage representing a first charge on land and building, general security agreement providing a first charge on all assets, and an assignment of rents, leases and fire insurance of this company in favour of Canadian Western Bank.

This loan is subject to certain non-financial and financial covenants with respect to cash flow coverage ratio and material adverse change in the financial condition of Points West Living Heritage House Inc. As at March 31, 2014, this company was not in compliance with respect to cash flow coverage ratio. It is management's opinion that this company is not likely to be in compliance with all such covenants throughout the 12 months subsequent to March 31, 2014. The loan has been classified as current due to the covenant violation.

#### ***Points West Living Peace River Inc.***

A collateral mortgage representing a first charge on land and building, general security agreement providing a first charge on all assets, and an assignment of rents, leases and fire insurance of this company in favour of Toronto Dominion Bank.

The loan is subject to certain financial covenants with respect to debt service coverage ratio. As at March 31, 2014, this company was in compliance with all such covenants.

# Points West Living Group of Companies

## Notes to the Combined Financial Statements

*For the year ended March 31, 2014*

### 14. Term loans due on demand *(Continued from previous page)*

#### **Points West Living Wainwright Inc.**

A collateral mortgage representing a first charge on land and building, general security agreement providing a first charge on all assets, and an assignment of rents, leases and fire insurance of this company in favour of Servus Credit Union.

This loan is subject to certain non-financial and financial covenants with respect to debt to equity ratio, debt service coverage ratio, and material adverse change in the financial condition of Points West Living Wainwright Inc. As at March 31, 2014, this company was in compliance with all such covenants.

### 15. Long-term debt

	<b>2014</b>	<b>2013</b> <i>(Unaudited)</i>
Points West Living Lloydminster Inc. - Manufacturer's Life Insurance Company mortgage loan bearing interest at 4.92%, payable in monthly instalments of \$26,596 including interest, due August 2018, secured by land and building with a net book value of \$8,360,800 (2013 - \$8,758,400)	<b>4,002,749</b>	4,123,737
Points West Living Lloydminster Inc. - First National Financial GP Corporation mortgage loan bearing interest at 3.99%, payable in monthly instalments of \$6,167 including interest, due June 2015, secured by land and building with a net book value of \$8,360,800 (2013 - \$8,758,400)	<b>1,012,852</b>	1,046,060
Points West Living Century Park Inc. - Toronto Dominion Bank mortgage loan bearing interest at the bank's prime rate plus 0.25%, payable in monthly instalments of \$8,333 plus interest, due September 2015, secured by land and building with a net book value of \$4,585,400 (2013 - \$4,799,000)	<b>1,950,000</b>	2,050,000
Points West Living Cold Lake Inc. - Toronto Dominion Bank demand mortgage loan bearing interest at the bank's prime rate plus 1%, payable in monthly interest-only payments, secured by land and building with a net book value of \$10,499,441 (2013 - \$10,871,972). Converted to term loan November 2014 bearing interest at 2.56% and payable in monthly instalments of \$29,335 including interest, due May 2015	<b>6,500,000</b>	6,500,000
Points West Living Stettler Inc. - Servus Credit Union demand mortgage loan bearing interest at the bank's prime rate plus 0.95%, payable in monthly interest-only payments, secured by land and building with a net book value of \$17,407,681 (2013 - \$13,287,710). Converted to term loan September 2014 payable in monthly instalments of \$63,550 and bearing interest at 3.6%, due August 2018	<b>10,851,079</b>	5,591,416
Connecting Care (2000) Inc. - Vehicle loans, payable in monthly instalments ranging from \$504 to \$704 (2013 - \$504 to \$704) including interest from 0% to 1.90%, due April 2016 to October 2018, secured by related automotive equipment with a net book value of \$71,503 (2013 - \$64,453)	<b>89,647</b>	82,049
Financing fees amortized straight-line over the terms of the applicable loans. \$30,300 (2013 - \$nil) in amortization of financing fees is included in interest on term loans due on demand and long-term debt for the year	<b>(45,450)</b>	(75,750)
	<b>24,360,877</b>	19,317,512
Less: current portion of long-term debt	<b>527,040</b>	279,192
	<b>23,833,837</b>	19,038,320

# Points West Living Group of Companies

## Notes to the Combined Financial Statements

*For the year ended March 31, 2014*

### 15. Long-term debt (Continued from previous page)

Principal repayments on long-term debt in each of the next five years, assuming long-term debt subject to refinancing is renewed at similar terms and all long-term debt is subject to contractual terms of repayment, are estimated as follows:

2015	527,040
2016	872,312
2017	892,794
2018	906,596
2019	939,132

The Group has granted the following security and agreed to the following conditions in respect of these loans:

#### ***Points West Living Lloydminster Inc.***

A collateral mortgage representing a first charge on land and building, general security agreement providing a first charge on all assets, and an assignment of rents, leases and fire insurance of this company in favour of Manufacturer's Life Insurance Company; and a collateral mortgage representing a second charge on land and building and a general security agreement providing a second charge on all assets of this company in favour of First National Financial GP Corporation.

#### ***Points West Living Century Park Inc.***

A collateral mortgage representing a first charge on land and building, general security agreement providing a first charge on all assets, and an assignment of rents, leases and fire insurance of this company in favour of Toronto Dominion Bank.

The loan is subject to certain financial covenants with respect to debt service coverage ratio. As at March 31, 2014, this company was in compliance with all such covenants.

#### ***Points West Living Cold Lake Inc.***

A collateral mortgage representing a first charge on land and building, general security agreement providing a first charge on all assets, and an assignment of rents, leases and fire insurance of this company in favour of Toronto Dominion Bank.

The loan is subject to certain financial covenants with respect to debt service coverage ratio. As at March 31, 2014, this company was in compliance with all such covenants.

#### ***Points West Living Stettler Inc.***

A collateral mortgage representing a first charge on land and building, general security agreement providing a first charge on all assets, and an assignment of rents, leases and fire insurance of this company in favour of Servus Credit Union.

The loan is subject to certain financial covenants with respect to debt service coverage ratio, debt to equity ratio and material adverse change in the financial condition of Points West Living Stettler Inc. As at March 31, 2014, this company was in compliance with all such covenants.

### 16. Financial guarantee

In the normal course of operations, the Group has outstanding a standby letter of credit in favour of the City of Cold Lake in the amount of \$85,060 (2013 - \$85,060), due October 12, 2015. This letter of credit secures performance on certain contracts between the City of Cold Lake and the Group. In the event of default by the Group on its contractual obligations, the City of Cold Lake is entitled to the face value of this standby letter of credit. As at March 31, 2014, no liability has been recorded associated with this guarantee.

### 17. Share capital

	<b>2014</b>	2013 (Unaudited)
Issued		
Common shares		
17,300 Class A - voting shares	<b>1,406</b>	1,406

# Points West Living Group of Companies

## Notes to the Combined Financial Statements

For the year ended March 31, 2014

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### 18. Related party transactions

The Group, as part of its operations, enters into transactions with related parties. Except as otherwise noted, all such transactions were conducted in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Included in royalties expense are fees in the amount of \$183,938 (2013 - \$nil) paid to a shareholder.

Included in management fees revenues with respect to management services are amounts charged to 1010097 Alberta Ltd. (The Gardens) of \$104,393 (2013 - \$111,450); amounts charged to a shareholder of \$136,553 (2013 - \$79,680); and amounts charged to entities under common ownership of \$167,700 (2013 - \$162,000). Management fees revenues of \$923,216 (2013 - \$538,902) charged by Connecting Care (2000) Inc. to other entities in the Group have been eliminated in these combined financial statements. Estimated actual costs incurred by Connecting Care (2000) Inc. related to the management of the Points West Living entities combined in these financial statements of \$812,828 (2013 - \$484,696) have been allocated from Schedule 1 to expenses on the combined statement of earnings and retained earnings.

Included in management services consulting revenue are amounts received from entities under common control of \$10,000 (2013 - \$nil). Consulting revenue of \$nil (2013 - \$60,000) charged by Connecting Care (2000) Inc. to another entity in the Group has been eliminated in these combined financial statements.

Included in management services consulting expense are amounts paid to an individual shareholder of \$150,000 (2013 - \$158,000) and amounts paid to parent companies of \$250,000 (2013 - \$256,000) in respect to management services rendered.

Included in management services office rental expense are amounts paid to a company under common control of \$64,800 (2013 - \$56,700).

### 19. Financial instruments

The Group, as part of its operations, carries a number of financial instruments. It is management's opinion that the Group is not exposed to significant interest, currency, credit, liquidity or other price risks arising from these financial instruments except as otherwise disclosed.

#### **Credit risk**

Credit risk arises from the potential that a counterparty will fail to perform its obligations. The Group is exposed to credit risk through its cash and cash equivalents, accounts receivable, advances to related parties, advances to shareholders and mortgage reserve fund.

As at March 31, 2014, two customers accounted for 67% of accounts receivable (2013 - 2 customers and Alberta Health Services accounted for 63%).

The Group believes that there is no unusual exposure associated with the collection of these receivables. The Group performs regular credit assessments of its customers and provides allowances for potentially uncollectible accounts receivable.

#### **Interest rate risk**

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. Changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as cash flow risk, and on the fair value of other financial assets or liabilities, known as price risk.

The Group is exposed to interest rate price risk through its fixed rate term loans due on demand and long-term debt as described in Notes 14 and 15.

The Group is exposed to interest rate cash flow risk through its variable rate term loans due on demand and long-term debt as described in Notes 14 and 15.

# Points West Living Group of Companies

## Notes to the Combined Financial Statements

*For the year ended March 31, 2014*

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### 19. Financial instruments *(Continued from previous page)*

#### **Liquidity risk**

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities. The Group is exposed to liquidity risk through its advances from shareholders, life lease obligations, notes payable, term loans due on demand, and long-term debt. The Group manages liquidity risk by regularly monitoring its cash flows.

### 20. Economic dependence

The Group's primary source of income is DSL funding from Alberta Health Services. The revenue from Alberta Health Services represents 48% (2013 - 44%) of the total revenue for the year ended March 31, 2014. The Group's ability to continue viable operations is dependent upon maintaining its right to receive this funding. As at the date of these combined financial statements, it is management's opinion that the Group is in compliance with its agreements with Alberta Health Services.

### 21. Subsequent events

On December 23, 2014 the shareholders of the Group reached an agreement to sell all issued and outstanding shares of the Group to Points West Living Limited Partnership (the "Partnership") for an aggregate purchase price of \$90,277,527, subject to various closing adjustments. The Partnership is also negotiating with a syndicate of lenders to refinance the mortgage debt of the Group for expected proceeds of \$67,657,000 and has prepared an offering memorandum dated June 9, 2015 for the subscription and issuance of \$22,000,000 of Partnership units to investors. The debt and Partnership unit proceeds, combined with additional Partnership units issued directly to the shareholders of the Group, will be used to satisfy the aggregate purchase price and related costs. It is expected that these transactions will close on or about June 25, 2015.



# Points West Living Group of Companies

## Schedule 1 - Combined Schedule of Management Services

*For the year ended March 31, 2014*

	<b>2014</b>	<b>2013</b> <i>(Unaudited)</i>
<b>Revenue</b>		
Management fees <i>(Note 18)</i>	5,329,414	4,596,718
Resident services	1,731,371	1,603,180
Alberta Health Services - home care	161,040	560,514
Interest and investment income	75,674	58,726
Amenities income	24,538	25,959
Rental income	15,795	11,970
Consulting <i>(Note 18)</i>	10,000	-
	<b>7,347,832</b>	<b>6,857,067</b>
<b>Expenses</b>		
Salaries, wages and benefits	6,240,550	5,600,713
Consulting <i>(Note 18)</i>	457,583	455,400
Food and kitchen supplies	421,187	396,269
Travel, meals and accommodations	139,067	120,689
Office rental <i>(Note 18)</i>	85,780	77,617
Supplies	75,908	72,755
Office and administration	74,887	60,559
Automotive	43,189	30,957
Amortization	40,903	39,384
Professional fees and consulting	33,979	15,904
Telephone, fax and internet	32,044	43,522
Interest on long-term debt	30,066	33,214
Insurance	19,691	18,776
Advertising and promotion	17,677	7,663
Bad debts	12,706	-
Non-recoverable goods and services tax	12,530	13,023
Repairs and maintenance	10,781	7,650
Licences, dues and memberships	3,053	2,198
Interest and bank charges	1,941	2,286
Utilities	1,270	1,440
Uniforms	1,043	1,897
Cost allocation to Points West Living entities <i>(Note 18)</i>	(812,828)	(484,696)
	<b>6,943,007</b>	<b>6,517,220</b>
<b>Income from management services</b>	<b>404,825</b>	<b>339,847</b>

**Points West Living Group of Companies**  
**Condensed Interim Combined Financial Statements**  
*December 31, 2014*

# Points West Living Group of Companies

## Condensed Interim Combined Balance Sheet

*As at*

	<b>December 31 2014 (unaudited)</b>	<b>March 31 2014 (audited)</b>
<b>Assets</b>		
<b>Current</b>		
Cash and cash equivalents (Note 3)	3,928,807	4,055,417
Accounts receivable (Note 4)	1,503,987	1,376,202
Security deposits	142,090	142,090
Prepaid expenses and deposits	89,313	99,417
	<b>5,664,197</b>	5,673,126
<b>Property and equipment</b> (Note 5)	<b>50,027,180</b>	51,630,772
<b>Advances to shareholders</b> (Note 6)	<b>2,141,675</b>	2,135,223
<b>Advances to related parties</b> (Note 7)	<b>672,813</b>	669,143
<b>Investment in related party</b> (Note 8)	<b>320,444</b>	320,444
<b>Mortgage reserve fund</b> (Note 9)	<b>303,293</b>	281,185
<b>Future income taxes</b>	<b>264,316</b>	264,316
	<b>59,393,918</b>	60,974,209

*Continued on next page*

# Points West Living Group of Companies

## Condensed Interim Combined Balance Sheet

As at

	<b>December 31 2014 (unaudited)</b>	<b>March 31 2014 (audited)</b>
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accrued liabilities (Note 10)	1,836,989	2,296,154
Goods and services tax payable	51,328	97,834
Income taxes payable	233,252	57,937
Notes payable (Note 11)	-	211,200
Customer deposits	410,400	383,600
Advances from shareholders (Note 12)	5,762,166	6,273,166
Life lease obligations (Note 13)	844,950	1,194,600
Current portion of term loans due on demand (Note 14)	4,752,412	4,848,909
Current portion of long-term debt (Note 15)	879,336	527,040
	<b>14,770,833</b>	15,889,900
Term loans due on demand (Note 14)	<b>16,129,043</b>	16,416,643
	<b>30,899,876</b>	32,306,543
<b>Long-term debt (Note 15)</b>	<b>23,211,230</b>	23,833,837
<b>Future income taxes</b>	<b>685,739</b>	685,739
	<b>54,796,845</b>	56,826,119
<b>Financial guarantee (Note 16)</b>		
<b>Subsequent events (Note 20)</b>		
<b>Shareholders' Equity</b>		
Share capital (Note 17)	1,406	1,406
Retained earnings	4,595,667	4,146,684
	<b>4,597,073</b>	4,148,090
	<b>59,393,918</b>	60,974,209

**Approved on behalf of the Board**

signed "Doug Mills"  
Director

signed "Paul Melanson"  
Director

The accompanying notes are an integral part of these condensed interim combined financial statements

# Points West Living Group of Companies

## Condensed Interim Combined Statement of Earnings

*For the period ended December 31, 2014*

	9 Months ended December 31 2014 (unaudited)	9 Months ended December 31 2013 (unaudited)
<b>Revenue</b>		
Alberta Health Services - DSL (Note 19)	11,473,306	9,799,463
Rental income	6,953,592	5,168,312
Amenities income	324,122	214,750
Alberta Health Services - Home care	82,378	87,382
Life lease maintenance fees	33,781	40,855
Interest income	10,786	13,812
	<b>18,877,965</b>	<b>15,324,574</b>
<b>Expenses</b>		
Salaries, wages and benefits	10,922,981	8,381,459
Amortization (Note 5)	1,833,449	1,527,525
Interest on term loans due on demand and long-term debt (Note 14), (Note 15)	1,386,653	1,085,445
Food and kitchen supplies	890,457	759,157
Utilities	645,433	537,990
Cost allocation from Connecting Care (Note 18)	637,414	600,284
Repairs and maintenance	460,100	374,533
Property taxes	339,016	193,674
Supplies	163,789	224,681
Royalties (Note 18)	151,890	133,804
Office	115,896	124,216
Telephone, fax and internet	103,274	101,968
Insurance	88,575	86,501
Professional fees	87,580	132,584
Travel, meals and accommodations	41,247	59,726
Training and education	19,412	4,569
Interest and bank charges	12,155	16,969
Advertising and promotion	8,629	35,262
Business taxes and licences	8,263	2,889
Uniforms	2,135	17,640
Bad debts	1,571	-
	<b>17,919,919</b>	<b>14,400,876</b>
<b>Operating income</b>	<b>958,046</b>	<b>923,698</b>
<b>Income from management services (Schedule 1)</b>	<b>488,705</b>	<b>261,331</b>
<b>Earnings before other income</b>	<b>1,446,751</b>	<b>1,185,029</b>
<b>Other income</b>		
Gain on disposal of property and equipment	369	-
<b>Earnings before income taxes</b>	<b>1,447,120</b>	<b>1,185,029</b>
<b>Provision for income taxes</b>	<b>323,916</b>	<b>273,859</b>
<b>Net earnings</b>	<b>1,123,204</b>	<b>911,170</b>

The accompanying notes are an integral part of these condensed interim combined financial statements

**Points West Living Group of Companies**  
**Condensed Interim Combined Statement of Retained Earnings**  
*For the period ended December 31, 2014*

	<b>9 Months ended December 31 2014 (unaudited)</b>	<b>9 Months ended December 31 2013 (unaudited)</b>
Retained earnings, beginning of period	4,146,684	3,174,048
Net earnings	1,123,204	911,170
Dividends	(673,940)	-
Refundable income taxes paid	(281)	-
Retained earnings, end of period	4,595,667	4,085,218

*The accompanying notes are an integral part of these condensed interim combined financial statements*

# Points West Living Group of Companies

## Condensed Interim Combined Statement of Cash Flows

*For the period ended December 31, 2014*

	<b>9 Months ended December 31 2014 (unaudited)</b>	<b>9 Months ended December 31 2013 (unaudited)</b>
<b>Cash provided by (used for) the following activities</b>		
<b>Operating activities</b>		
Cash received from customers and Alberta Health Services	22,688,764	21,097,299
Cash paid to suppliers and employees	(18,550,288)	(21,200,073)
Interest paid	(1,449,780)	(1,415,483)
Interest received	68,555	73,487
Income taxes paid	(148,061)	(218,636)
	<b>2,609,190</b>	<b>(1,663,406)</b>
<b>Financing activities</b>		
Advances of term loans due on demand and long-term debt	-	9,659,342
Repayments of term loans due on demand and long-term debt	(684,240)	(597,284)
Government grants received	-	2,599,329
Advances of life lease obligations	-	228,475
Repayments of life lease obligations	(349,650)	(62,250)
Repayments of notes payable	(211,200)	(108,800)
Advances to related parties	(3,670)	(13,783)
Advances (to) from shareholders, net (Note 6)	(517,452)	(596,758)
Dividends	(673,940)	-
	<b>(2,440,152)</b>	<b>11,108,271</b>
<b>Investing activities</b>		
Purchases of property and equipment	(275,848)	(9,461,633)
Proceeds on disposal of property and equipment	2,308	-
Contributions to mortgage reserve fund	(22,108)	(54,925)
	<b>(295,648)</b>	<b>(9,516,558)</b>
<b>Decrease in cash resources</b>	<b>(126,610)</b>	<b>(71,693)</b>
<b>Cash resources, beginning of period</b>	<b>4,055,417</b>	<b>3,408,953</b>
<b>Cash resources, end of period</b>	<b>3,928,807</b>	<b>3,337,260</b>

*The accompanying notes are an integral part of these condensed interim combined financial statements*

# Points West Living Group of Companies

## Notes to the Condensed Interim Combined Financial Statements

*For the period ended December 31, 2014*

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### 1. Operations and basis of presentation

Points West Living Group of Companies (the "Group") owns and operates seven assisted living facilities in the Province of Alberta and provides management services to nineteen similar facilities throughout British Columbia and Alberta.

#### ***Basis of presentation***

These Condensed Interim Combined financial statements include the accounts of Points West Living Century Park Inc., Points West Living Cold Lake Inc., Points West Living Lloydminster Inc., Points West Living Peace River Inc., Points West Living Stettler Inc., Points West Living Wainwright Inc., Points West Living Heritage House Inc., and Connecting Care (2000) Inc.; and are presented after eliminating all significant revenues, expenses and intra-group balances arising from transactions between the above-noted entities. The entities included in the Group are those required to satisfy the filing requirements of the Points West Living Limited Partnership offering memorandum (Note 20).

### 2. Significant accounting policies

The Condensed Interim Combined financial statements are prepared in accordance with Canadian accounting standards for private enterprises ("ASPE").

The accounting policies adopted in the preparation of the Condensed Interim Combined financial statements are consistent with those followed in the preparation of the Group's annual combined financial statements for the year ended March 31, 2014 and should be read in conjunction with these Condensed Interim Combined financial statements.

Management has assessed the material differences between ASPE and International Financial Reporting Standards ("IFRS") in accordance with National Instrument 52-107 3.11(f)(iv) and has concluded that no material differences exist related to the recognition and measurement of the Condensed Interim Combined financial statements.

### 3. Cash and cash equivalents

The Group's credit facility with Servus Credit Union restricts usage or withdrawal of certain amounts included in cash and cash equivalents at year-end. \$400,000 of the life lease proceeds described in Note 13 must be held in trust to fund any redemptions resulting from the termination of life lease agreements. The trust account must maintain a minimum dollar balance equivalent to the greater of \$400,000 and 10% of total life lease agreements outstanding.

At December 31, 2014, Servus Credit Union held cash and cash equivalents in the amount of \$402,189 (March 31, 2014 - \$533,325) in trust for the Group.

Included in cash and cash equivalents is \$160,400 (March 31, 2014 - \$133,600) in restricted cash related to security deposits on rental agreements.

### 4. Accounts receivable

Included in accounts receivable are amounts due from direct and indirect shareholders, companies under common ownership and an investee of the Group of \$418,089 (March 31, 2014 - \$109,845).



**Points West Living Group of Companies**  
**Notes to the Condensed Combined Interim Financial Statements**  
*For the period ended December 31, 2014*

**5. Property and equipment**

			<b>December 31 2014 (unaudited)</b>	<i>March 31 2014 (audited)</i>
	<b>Cost</b>	<b>Accumulated amortization</b>	<b>Net book value</b>	<i>Net book value</i>
Land	4,244,260	-	4,244,260	4,244,260
Buildings	75,162,887	9,092,808	66,070,079	68,319,382
Furniture, fixtures, and equipment	3,260,086	1,434,005	1,826,081	1,955,935
Computer equipment	375,715	270,656	105,059	147,637
Automotive	239,540	123,062	116,478	70,781
Paving and landscaping	25,826	6,889	18,937	20,145
Deferred grant revenue	(25,788,466)	(3,434,752)	(22,353,714)	(23,127,368)
	<b>57,519,848</b>	<b>7,492,668</b>	<b>50,027,180</b>	51,630,772

During the period, interest in the amount of \$nil (2013 - \$242,298) was capitalized to the cost of the buildings. \$773,655 (2013 - \$550,715) in amortization of deferred grant revenue is included in earnings for the period.

**6. Advances to shareholders**

	<b>December 31 2014 (unaudited)</b>	<i>March 31 2014 (audited)</i>
Points West Living Inc.	1,991,616	1,984,616
PDG Hospitality Corp.	150,059	150,607
	<b>2,141,675</b>	2,135,223

Advances to shareholders are unsecured, non-interest bearing and have no fixed terms of repayment.

Cash flows related to advances to and repayments from shareholders have been presented on a net basis as it is impracticable for management to determine the gross cash receipts and repayments.

**7. Advances to related parties**

	<b>December 31 2014 (unaudited)</b>	<i>March 31 2014 (audited)</i>
PDG Lloyd Corp. - related by virtue of common control	619,907	619,907
Connecting Care Office Holdings Inc. - related by virtue of common ownership	52,906	49,236
	<b>672,813</b>	669,143

Advances to related parties are unsecured, non-interest bearing and have no fixed terms of repayment.

**8. Investment in related party**

The Group holds a 10.1% interest in 1010097 Alberta Ltd. (The Gardens), a supportive living facility designed for seniors that operates in Grande Prairie, Alberta.

# Points West Living Group of Companies

## Notes to the Condensed Combined Interim Financial Statements

*For the period ended December 31, 2014*

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### 9. Mortgage reserve fund

The Group, as a part of its mortgage agreement with Manufacturer's Life Insurance Company, has committed to monthly payments for property taxes and a general reserve of \$1,983 and \$3,612 respectively. The property tax reserve is applied against yearly property tax assessments; the general reserve is held as collateral in the event of default as outlined in the mortgage agreement. At December 31, 2014, the mortgage reserve fund included prepaid property taxes in the amount of \$20,241 (March 31, 2014 - \$30,641) and a general reserve in the amount of \$283,052 (March 31, 2014 - \$250,544).

### 10. Accounts payable and accrued liabilities

Included in accounts payable and accrued liabilities are amounts owing to direct and indirect shareholders and companies under common ownership of \$157,910 (March 31, 2014 - \$225,819) and government remittances payable in the amount of \$187,560 (March 31, 2014 - \$231,860).

### 11. Notes payable

	<b>December 31 2014 (unaudited)</b>	<i>March 31 2014 (audited)</i>
Portfolio Funding Corporation - Note payable bearing interest at 10% per annum repaid during the period	-	105,600
Illuminati Capital Ltd. - Note payable bearing interest at 10% per annum repaid during the period	-	105,600
	-	211,200

### 12. Advances from shareholders

	<b>December 31 2014 (unaudited)</b>	<i>March 31 2014 (audited)</i>
Points West Living Inc.	<b>4,842,330</b>	5,353,330
PDG Lloyd Corp.	<b>769,845</b>	769,845
Wanda Sullivan	<b>49,997</b>	49,997
Lorelei Lloyd and Associates Ltd.	<b>99,994</b>	99,994
	<b>5,762,166</b>	6,273,166

Advances from shareholders are unsecured, non-interest bearing and have no fixed terms of repayment.

### 13. Life lease obligations

At December 31, 2014, the Group has entered into 6 life lease agreements (March 31, 2014 - 6) for which occupancy has begun and the average life lease obligation value for these units was \$162,450 (March 31, 2014 - \$193,650). The Group has entered into no additional agreements (March 31, 2014 - 2) for which first deposits have been received, totaling \$nil (March 31, 2014 - \$32,700), but for which occupancy has not yet been established. The Group provided refunds to 2 (March 31, 2014 - nil) occupants equal to 95% of their initial fee for a total refund of \$349,650 (March 31, 2014 - \$nil). The life lease obligations are secured by trustee mortgages against the title to the respective lands.

**Points West Living Group of Companies**  
**Notes to the Condensed Combined Interim Financial Statements**  
*For the period ended December 31, 2014*

**14. Term loans due on demand**

	<b>December 31 2014 (unaudited)</b>	<b>March 31 2014 (audited)</b>
Points West Living Heritage House Inc. - Canadian Western Bank mortgage loan bearing interest at the bank's prime rate plus 1.25% per annum, payable in monthly instalments of \$28,908 including interest, due January 1, 2015, secured by land and building with a net book value of \$5,874,524 (March 31, 2014 - \$6,047,987)	<b>4,371,301</b>	4,490,060
Points West Living Peace River Inc. - Toronto Dominion Bank demand mortgage loan bearing interest at the bank's prime rate plus 1%, payable in monthly interest-only payments, due November 2014, secured by land and building with a net book value of \$10,903,290 (March 31, 2014 - \$11,205,940)	<b>7,200,000</b>	7,200,000
Points West Living Wainwright Inc. - Servus Credit Union mortgage loan bearing interest at 4.05%, payable in monthly instalments of \$63,781 including interest, due April 2017, secured by land and building with a net book value of \$13,973,608 (March 31, 2014 - \$14,456,393)	<b>9,352,346</b>	9,636,154
Financing fees amortized straight-line over the terms of the applicable loans. \$18,470 (2013 - \$22,483) in amortization of financing fees is included in interest on term loans due on demand and long-term debt for the period	<b>(42,192)</b>	(60,662)
<b>Less: current portion of term loans due on demand</b>	<b>(4,752,412)</b>	(4,848,909)
	<b>16,129,043</b>	16,416,643

Principal repayments on term loans due on demand in each of the next five years, assuming term loans due on demand are renewed at similar terms and all term loans due on demand are subject to contractual terms of repayment, are estimated as follows:

2015	558,173
2016	580,025
2017	605,832
2018	631,200
2019	657,631

The Group has granted the following security and agreed to the following conditions in respect of these loans:

***Points West Living Heritage House Inc.***

A collateral mortgage representing a first charge on land and building, general security agreement providing a first charge on all assets, and an assignment of rents, leases and fire insurance of this company in favour of Canadian Western Bank.

This loan is subject to certain non-financial and financial covenants with respect to cash flow coverage ratio and material adverse change in the financial condition of Points West Living Heritage House Inc. As at March 31, 2014, the most recent fiscal year-end for this company, Points West Living Heritage House Inc. was not in compliance with respect to cash flow coverage ratio. It is management's opinion that this company is not likely to be in compliance with all such covenants throughout the 12 months subsequent to March 31, 2014. The loan has been classified as current due to the covenant violation.

***Points West Living Peace River Inc.***

A collateral mortgage representing a first charge on land and building, general security agreement providing a first charge on all assets, and an assignment of rents, leases and fire insurance of this company in favour of Toronto Dominion Bank.

The loan is subject to certain financial covenants with respect to debt service coverage ratio. As at March 31, 2014, the most recent fiscal year-end for this company, this company was in compliance with all such covenants.

**Points West Living Group of Companies**  
**Notes to the Condensed Combined Interim Financial Statements**  
*For the period ended December 31, 2014*

**14. Term loans due on demand** *(Continued from previous page)*

***Points West Living Wainwright Inc.***

A collateral mortgage representing a first charge on land and building, general security agreement providing a first charge on all assets, and an assignment of rents, leases and fire insurance of this company in favour of Servus Credit Union.

This loan is subject to certain non-financial and financial covenants with respect to debt to equity ratio, debt service coverage ratio, and material adverse change in the financial condition of Points West Living Wainwright Inc. As at March 31, 2014, the most recent fiscal year-end for this company, this company was in compliance with all such covenants.

**15. Long-term debt**

	<b>December 31 2014 (unaudited)</b>	<b>March 31 2014 (audited)</b>
Points West Living Lloydminster Inc. - Manufacturer's Life Insurance Company mortgage loan bearing interest at 4.92%, payable in monthly instalments of \$26,596 including interest, due August 2018, secured by land and building with a net book value of \$8,062,600 (March 31, 2014 - \$8,360,800)	<b>3,908,069</b>	4,002,749
Points West Living Lloydminster Inc. - First National Financial GP Corporation mortgage loan bearing interest at 3.99%, payable in monthly instalments of \$6,167 including interest, due June 2015, secured by land and building with a net book value of \$8,062,600 (March 31, 2014 - \$8,360,800)	<b>987,072</b>	1,012,852
Points West Living Century Park Inc. - Toronto Dominion Bank mortgage loan bearing interest at the bank's prime rate plus 0.25%, payable in monthly instalments of \$8,333 plus interest, due September 2015, secured by land and building with a net book value of \$4,425,200 (March 31, 2014 - \$4,585,400)	<b>1,875,000</b>	1,950,000
Points West Living Cold Lake Inc. - Toronto Dominion Bank term loan bearing interest at 2.56%, payable in monthly instalments of \$29,335 including interest, due May 2015, secured by land and building with a net book value of \$10,182,005 (March 31, 2014 - \$10,499,441)	<b>6,489,708</b>	6,500,000
Points West Living Stettler Inc. - Servus Credit Union term loan bearing interest at 3.6%, payable in monthly instalments of \$63,550 including interest, due August 2018, secured by land and building with a net book value of \$16,893,110 (March 31, 2014 - \$17,407,681)	<b>10,727,037</b>	10,851,079
Connecting Care (2000) Inc. - Vehicle loans, payable in monthly instalments ranging from \$442 to \$735 (March 31, 2014 - \$504 to \$704) including interest from 0% to 5.99% (March 31, 2014 - 0% to 1.90%), due April 2016 to June 2021 (March 31, 2014 - April 2016 to October 2018), secured by related automotive equipment with a net book value of \$115,504 (March 31, 2014 - \$71,503)	<b>137,768</b>	89,647
Financing fees amortized straight-line over the terms of the applicable loans. \$11,362 (2013 - \$22,725) in amortization of financing fees is included in interest on term loans due on demand and long-term debt for the period	<b>(34,088)</b>	(45,450)
	<b>24,090,566</b>	24,360,877
Less: current portion of long-term debt	<b>879,336</b>	527,040
	<b>23,211,230</b>	23,833,837

# Points West Living Group of Companies

## Notes to the Condensed Combined Interim Financial Statements

*For the period ended December 31, 2014*

### 15. Long-term debt *(Continued from previous page)*

Principal repayments on long-term debt in each of the next five years, assuming long-term debt subject to refinancing is renewed at similar terms and all long-term debt is subject to contractual terms of repayment, are estimated as follows:

2015	879,336
2016	902,802
2017	912,561
2018	940,985
2019	962,206

The Group has granted the following security and agreed to the following conditions in respect of these loans:

#### ***Points West Living Lloydminster Inc.***

A collateral mortgage representing a first charge on land and building, general security agreement providing a first charge on all assets, and an assignment of rents, leases and fire insurance of this company in favour of Manufacturer's Life Insurance Company; and a collateral mortgage representing a second charge on land and building and a general security agreement providing a second charge on all assets of this company in favour of First National Financial GP Corporation.

#### ***Points West Living Century Park Inc.***

A collateral mortgage representing a first charge on land and building, general security agreement providing a first charge on all assets, and an assignment of rents, leases and fire insurance of this company in favour of Toronto Dominion Bank.

The loan is subject to certain financial covenants with respect to debt service coverage ratio. As at March 31, 2014, the most recent fiscal year-end for this company, this company was in compliance with all such covenants.

#### ***Points West Living Cold Lake Inc.***

A collateral mortgage representing a first charge on land and building, general security agreement providing a first charge on all assets, and an assignment of rents, leases and fire insurance of this company in favour of Toronto Dominion Bank.

The loan is subject to certain financial covenants with respect to debt service coverage ratio. As at March 31, 2014, the most recent fiscal year-end for this company, this company was in compliance with all such covenants.

#### ***Points West Living Stettler Inc.***

A collateral mortgage representing a first charge on land and building, general security agreement providing a first charge on all assets, and an assignment of rents, leases and fire insurance of this company in favour of Servus Credit Union.

The loan is subject to certain financial covenants with respect to debt service coverage ratio, debt to equity ratio and material adverse change in the financial condition of Points West Living Stettler Inc. As at March 31, 2014, the most recent fiscal year-end for this company, this company was in compliance with all such covenants.

### 16. Financial guarantee

In the normal course of operations, the Group has outstanding a standby letter of credit in favour of the City of Cold Lake in the amount of \$85,060 (March 31, 2014 - \$85,060), due October 12, 2015. This letter of credit secures performance on certain contracts between the City of Cold Lake and the Group. In the event of default by the Group on its contractual obligations, the City of Cold Lake is entitled to the face value of this standby letter of credit. As at December 31, 2014, no liability has been recorded associated with this guarantee.

### 17. Share capital

	<b>December 31 2014 (unaudited)</b>	<b>March 31 2014 (audited)</b>
Issued		
Common shares		
17,300      Class A - voting shares	<b>1,406</b>	1,406

**Points West Living Group of Companies**  
**Notes to the Condensed Combined Interim Financial Statements**  
*For the period ended December 31, 2014*

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**18. Related party transactions**

The Group, as part of its operations, enters into transactions with related parties. Except as otherwise noted, all such transactions were conducted in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Included in royalties expense are fees in the amount of \$151,890 (2013 - \$133,804) paid to a shareholder.

Included in management fees revenues with respect to management services are amounts charged to 1010097 Alberta Ltd. (The Gardens) of \$77,518 (2013 - \$73,447); amounts charged to a shareholder of \$91,632 (2013 - \$104,737); and amounts charged to entities under common ownership of \$130,930 (2013 - \$127,200). Management fees revenues of \$760,010 (2013 - \$671,113) charged by Connecting Care (2000) Inc. to other entities in the Group have been eliminated in these Condensed Interim Combined financial statements. Estimated actual costs incurred by Connecting Care (2000) Inc. related to the management of the Points West Living entities combined in these financial statements of \$637,414 (2013 - \$600,284) have been allocated from Schedule 1 to expenses on the combined statement of earnings and retained earnings.

Included in management services consulting revenue are amounts received from a shareholder of \$50,000 (2013 - \$nil), and entities under common control of \$397,500 (2013 - \$10,000).

Included in management services consulting expense are amounts paid to an individual shareholder of \$112,500 (2013 - \$112,500) and amounts paid to parent companies of \$225,000 (2013 - \$180,000) in respect to management services rendered.

Included in management services office rental expense are amounts paid to a company under common control of \$48,600 (2013 - \$48,600).

**19. Economic dependence**

The Group's primary source of income is DSL funding from Alberta Health Services. The revenue from Alberta Health Services represents 51% (2013 - 48%) of the total revenue for the 9 month period ended December 31, 2014. The Group's ability to continue viable operations is dependent upon maintaining its right to receive this funding. As at the date of these Condensed Interim Combined financial statements, it is management's opinion that the Group is in compliance with its agreements with Alberta Health Services.

**20. Subsequent events**

On December 23, 2014 the shareholders of the Group reached an agreement to sell all issued and outstanding shares of the Group to Points West Living Limited Partnership (the "Partnership") for an aggregate purchase price of \$90,277,527, subject to various closing adjustments. The Partnership is also negotiating with a syndicate of lenders to refinance the mortgage debt of the Group for expected proceeds of \$67,657,000 and has prepared an offering memorandum dated June 9, 2015 for the subscription and issuance of \$22,000,000 of Partnership units to investors. The debt and Partnership unit proceeds, combined with additional Partnership units issued directly to the shareholders of the Group, will be used to satisfy the aggregate purchase price and related costs. It is expected that these transactions will close on or about June 25, 2015.

# Points West Living Group of Companies

## Schedule 1 - Condensed Interim Combined Schedule of Management Services

*For the period ended December 31, 2014*

	9 Months ended December 31 2014 (unaudited)	9 Months ended December 31 2013 (unaudited)
<b>Revenue</b>		
Management fees (Note 18)	2,007,043	3,863,326
Resident services	1,428,372	1,259,509
Consulting (Note 18)	449,900	70,000
Interest and investment income	57,769	59,675
Alberta Health Services - home care	48,250	161,040
Amenities income	20,845	17,818
Rental income	16,240	10,995
	<b>4,028,419</b>	<b>5,442,363</b>
<b>Expenses</b>		
Salaries, wages and benefits	2,877,811	4,678,450
Consulting (Note 18)	354,706	315,935
Food and kitchen supplies	322,114	313,505
Office rental (Note 18)	121,553	64,324
Travel, meals and accommodations	96,579	102,764
Office and administration	81,070	51,236
Professional fees and consulting	75,807	17,399
Supplies	63,373	57,543
Amortization	44,052	31,673
Automotive	42,994	32,644
Telephone, fax and internet	26,897	24,001
Interest on long-term debt	18,646	24,153
Non-recoverable goods and services tax	16,117	8,754
Insurance	13,229	14,242
Repairs and maintenance	7,169	9,502
Advertising and promotion	6,643	16,371
Licences, dues and memberships	3,077	2,945
Interest and bank charges	2,494	1,411
Utilities	2,149	997
Uniforms	652	761
Bad debts (recovery)	(4)	12,706
Cost allocation to Points West Living entities (Note 18)	(637,414)	(600,284)
	<b>3,539,714</b>	<b>5,181,032</b>
<b>Income from management services</b>	<b>488,705</b>	<b>261,331</b>

**Points West Living Limited Partnership**  
**Financial Statements**  
*May 31, 2015*



## Independent Auditors' Report

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To the Partners of Points West Living Limited Partnership:

We have audited the accompanying financial statements of Points West Living Limited Partnership, which comprise the statement of financial position as at May 31, 2015, and the statements of partners' capital and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of Points West Living Limited Partnership as at May 31, 2015 and the results of its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Edmonton, Alberta

June 9, 2015

**MNP LLP**  
Chartered Accountants

**Points West Living Limited Partnership**  
**Statement of Financial Position**  
*As at May 31, 2015*

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**2015**

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**Assets**

**Current**

Cash and cash equivalents

**100**

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**Commitments** *(Note 7)*

**Subsequent events** *(Note 9)*

**Partners' Capital** *(Note 5)*

**100**

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Approved on behalf of the Partnership by the Board of Directors of its General Partner,  
Points West Living GP Limited Partnership

*signed "John Cathrae"*

Director

**Points West Living Limited Partnership**  
**Statement of Partners' Capital**  
*For the period ended May 31, 2015*

	<b>2015</b>
<b>Initial Limited Partner</b>	
<b>Suske Capital Inc.</b>	
Contributions <i>(Note 5)</i>	<b>100</b>
<b>Balance, end of period</b>	<b>100</b>

**Points West Living Limited Partnership**  
**Statement of Cash Flows**  
*For the period ended May 31, 2015*

	<b>2015</b>
<b>Cash provided by (used for) the following activities</b>	
<b>Financing activities</b>	
Partner contributions (Note 5)	<b>100</b>
<b>Increase in cash resources, being cash resources, end of period</b>	<b>100</b>

# Points West Living Limited Partnership

## Notes to the Financial Statements

*For the period ended May 31, 2015*

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### 1. Reporting entity

Points West Living Limited Partnership (the "Partnership") was formed under the Limited Partnerships Act (Ontario) on May 1, 2015. The Partnership is domiciled in Canada. The Partnership was primarily formed to issue an offering of limited partnership units to investors and to indirectly acquire a portfolio of seven income-producing seniors residences comprising approximately 460 suites located in Alberta, and a senior housing operator that is also the operator of the residences referenced above.

There has been no activity in the Partnership between formation on May 1, 2015 and May 31, 2015 except for the issuance of partnership units as disclosed in Note 5. Accordingly, no statement of operations for the period has been presented.

The address of the Partnership's registered office is 2375 Carrington Place, Oakville, Ontario.

The financial statements were approved by the Board of Directors of the General Partner and authorized for issue on June 9, 2015.

### 2. Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Centre ("IFRIC") in effect for the period ended May 31, 2015.

### 3. Basis of preparation

#### ***Basis of measurement***

The financial statements have been prepared on a historical basis except for certain financial instruments measured at fair value.

#### ***Functional and presentation currency***

These financial statements are presented in Canadian dollars, which is the Partnership's functional currency.

#### ***Significant accounting judgments, estimates and assumptions***

The preparation of the Partnership's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainties about these assumptions and estimates could result in outcomes that would require a material adjustment to the carrying amount of the asset or liability affected in the future.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

### 4. Summary of significant accounting policies

The following principle accounting policies have been adopted in the preparation of these financial statements.

#### ***Cash and cash equivalents***

Cash and cash equivalents comprise cash on hand which are subject to an insignificant risk of changes in value.

#### ***Income taxes***

The Partnership is not subject to income taxes. The income or loss of the Partnership is allocated to the individual partners for taxation purposes.

#### ***Issuance costs***

Costs directly attributable to the issuance of partnership units are recorded as a reduction of partners' capital.

**4. Summary of significant accounting policies** *(Continued from previous page)*

***Comprehensive loss***

Comprehensive loss includes all changes in equity of the Partnership, except those resulting from investments by owners and distributions to owners. Comprehensive loss is the total of loss and other comprehensive loss. Other comprehensive loss comprises revenues, expenses, gains and losses that, in accordance with International Financial Reporting Standards, require recognition, but are excluded from loss. The Partnership does not have any items giving rise to other comprehensive loss.

***Financial instruments***

***Financial assets at fair value through profit or loss:***

The Partnership has classified the following financial assets at fair value through loss: cash and cash equivalents.

The Partnership has designated cash and cash equivalents on initial recognition at fair value through loss. This is in accordance with the Partnership's risk management strategy. The Partnership's financial assets at fair value through loss are initially recognized at their fair value. Fair value is determined by published price quotations in an active market. Transactions to purchase or sell these items are recorded on the trade date.

Financial assets at fair value through loss are subsequently measured at their fair value. Net gains and losses arising from changes in fair value are recognized immediately in loss and comprehensive loss.

***Standards issued but not yet effective***

The Partnership has not yet applied the following new standards, interpretations and amendments to standards that have been issued as at May 31, 2015 but are not yet effective. Unless otherwise stated, the Partnership does not plan to early adopt any of these new or amended standards and interpretations.

***IFRS 9 Financial instruments***

IFRS 9 was issued in November 2009 and subsequently amended as part of an ongoing project to replace IAS 39 *Financial instruments: recognition and measurement*. The standard requires classification of financial assets into two measurement categories based on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. The categories are those measured at fair value and those measured at amortized cost. The classification and measurement of financial liabilities is primarily unchanged from IAS 39. However, for financial liabilities measured at fair value, changes in the fair value attributable to changes in an entity's "own credit risk" is now recognized in other comprehensive income instead of profit or loss. This new standard will also impact disclosures provided under IFRS 7 *Financial instruments: disclosures*. The Partnership has not yet determined the impact of this standard on its financial statements.

In November 2013, the International Accounting Standards Board (IASB) amended IFRS 9. The amendments result in significant changes to hedge accounting. In addition, an entity can now apply the "own credit requirement" in isolation without the need to change any other accounting for financial instruments. The mandatory effective date has been deferred to annual periods beginning on or after January 1, 2018. The Partnership has not yet determined the impact of these amendments on its financial statements.

**5. Partner's capital**

The Partnership is authorized to issue one GP Partnership Unit to the general partner; one Initial Limited Partnership Unit; and unlimited numbers of additional limited partnership units to be designated at the time of issuance.

During the period ended May 31, 2015, the Partnership issued the one GP Partnership Unit for proceeds of \$0.10 and the one Initial Limited Partnership Unit for proceeds of \$100.

# Points West Living Limited Partnership

## Notes to the Financial Statements

For the period ended May 31, 2015

### 6. Capital management

The Partnership's objective when managing capital is to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for unitholders and benefits for other stakeholders.

The Partnership sets the amount of capital in proportion to risk and manages the capital structure and makes adjustments to it in light of changes to economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Partnership may issue new units or seek financing.

The Partnership considers cash and cash equivalents and partners' capital as capital.

### 7. Commitments

In accordance with the terms of an offering memorandum dated June 9, 2015, the Partnership has committed to reimburse the promoters of the Partnership certain costs upon closing. These costs relate to the preparation and issuance of the offering memorandum and the refinancing of the properties described in Note 9. The nature and expected amount of the costs expected to be incurred in addition to the acquisition of the properties, are as follows:

	2015
Accounting	200,000
Appraisals	110,000
Due diligence	75,000
Legal	584,750
Marketing costs	50,000
Mortgage and brokerage fees	724,700
Offering memorandum	350,000
Tax consulting	80,000
Other	355,023
	<b>2,529,473</b>

### 8. Financial instruments

The Partnership as part of its operations carries a number of financial instruments. It is management's opinion that the Partnership is not exposed to significant interest, currency or credit risks arising from these financial instruments except as otherwise disclosed.

#### ***Fair value of financial instruments***

Cash and cash equivalents are stated at fair value and classified within Level 1 of the fair value hierarchy.

### 9. Subsequent events

On December 23, 2014 the founders of the Partnership reached an agreement to purchase all issued and outstanding shares of seven companies operating assisted living facilities collectively known as the Points West Living Group of Companies (the "Group") for an aggregate purchase price of \$90,277,527, subject to various closing adjustments. The Group will ultimately be acquired by the Partnership at closing. The Partnership is also negotiating with a syndicate of lenders to refinance the mortgage debt of the Group for expected proceeds of \$67,657,000 and has prepared an offering memorandum dated June 9, 2015 for the subscription and issuance of \$22,000,000 of Partnership units to investors. The debt and Partnership unit proceeds, combined with additional Partnership units issued directly to the shareholders of the Group, will be used to satisfy the aggregate purchase price and related costs. It is expected that these transactions will close on or about June 25, 2015.

**Points West Living GP Limited Partnership**  
**Financial Statements**  
*May 31, 2015*



## Independent Auditors' Report

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To the Partners of Points West Living GP Limited Partnership:

We have audited the accompanying financial statements of Points West Living GP Limited Partnership, which comprise the statement of financial position as at May 31, 2015, and the statements of partners' capital and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of Points West Living GP Limited Partnership as at May 31, 2015 and the results of its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Edmonton, Alberta

June 9, 2015

**MNP LLP**  
Chartered Accountants

**Points West Living GP Limited Partnership**  
**Statement of Financial Position**  
*As at May 31, 2015*

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**2015**

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**Assets**

**Current**

Cash and cash equivalents	<b>100</b>
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**Partners' Capital** *(Note 5)*

**100**

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Approved on behalf of the Partnership by the Board of Directors of its General Partner,  
Points West Living General Partner Inc.

*Signed "John Cathrae"*

Director

**Points West Living GP Limited Partnership**  
**Statement of Partners' Capital**  
*For the period ended May 31, 2015*

	<b>2015</b>
<b>Initial Limited Partner</b>	
<b>Points West Living General Partner Inc.</b>	
Contributions <i>(Note 5)</i>	<b>100</b>
<b>Balance, end of period</b>	<b>100</b>

**Points West Living GP Limited Partnership**  
**Statement of Cash Flows**  
*For the period ended May 31, 2015*

	<b>2015</b>
<b>Cash provided by (used for) the following activities</b>	
<b>Financing activities</b>	
Partner contributions <i>(Note 5)</i>	<b>100</b>
<b>Increase in cash resources, being cash, end of period</b>	<b>100</b>

# Points West Living GP Limited Partnership

## Notes to the Financial Statements

*For the period ended May 31, 2015*

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### 1. Reporting entity

Points West Living GP Limited Partnership (the "Partnership") was formed under the Limited Partnerships Act (Ontario) on May 1, 2015. The Partnership is domiciled in Canada. The Partnership was formed as the general partner of Points West Living Limited Partnership.

There has been no activity in the Partnership between formation on May 1, 2015 and May 31, 2015 except for the issuance of partnership units as disclosed in Note 5. Accordingly, no statement of operations for the period has been presented.

The address of the Partnership's registered office is 2375 Carrington Place, Oakville, Ontario.

The financial statements were approved by the Board of Directors of the General Partner and authorized for issue on June 9, 2015.

### 2. Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Centre ("IFRIC") in effect for the period ended May 31, 2015.

### 3. Basis of preparation

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The preparation of the Partnership's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainties about these assumptions and estimates could result in outcomes that would require a material adjustment to the carrying amount of the asset or liability affected in the future.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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**Points West Living GP Limited Partnership**  
**Notes to the Financial Statements**  
*For the period ended May 31, 2015*

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**4. Summary of significant accounting policies** *(Continued from previous page)*

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# Points West Living GP Limited Partnership

## Notes to the Financial Statements

*For the period ended May 31, 2015*

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### 6. Capital management

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The Partnership as part of its operations carries a number of financial instruments. It is management's opinion that the Partnership is not exposed to significant interest, currency or credit risks arising from these financial instruments except as otherwise disclosed.

#### ***Fair value of financial instruments***

Cash and cash equivalents are stated at fair value and classified within Level 1 of the fair value hierarchy.

**ITEM 14 – DATE AND CERTIFICATE**

Dated: June 9, 2015

**This Offering Memorandum does not contain a misrepresentation.**

\_\_\_\_\_  
(Signed) Doug Mills

Name: Doug Mills

Title: Chief Executive Officer

\_\_\_\_\_  
(Signed) John Cathrae

Name: John Cathrae

Title: Chief Financial Officer

On behalf of the General Partner

**Points West Living GP Limited Partnership**

**POINTS WEST LIVING GENERAL PARTNER INC.,  
as general partner of, POINTS WEST LIVING GP  
LIMITED PARTNERSHIP**

\_\_\_\_\_  
(Signed) John Cathrae

Name: John Cathrae

Title: President



**SCHEDULE A**  
**FINANCIAL FORECAST**

**Points West Living  
Limited Partnership  
Consolidated Financial Forecast**  
*For the two years ending March 31, 2016 and 2017  
(Unaudited)*

# Points West Living Limited Partnership

## Table of Contents

*For the two years ending March 31, 2017*

*(Unaudited)*

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	<b>Page</b>
<b>Consolidated Financial Forecast Statements</b>	
Consolidated Forecast Statement of Financial Position .....	1
Consolidated Forecast Statement of Comprehensive Income... ..	2
Consolidated Forecast Statement of Partners' Capital.....	3
Consolidated Forecast Statement of Cash Flows .....	4
<b>Notes to the Consolidated Financial Forecast .....</b>	<b>5</b>
<b>Schedules</b>	
Schedule 1 - Consolidated Forecast Schedule of Management Services.....	13

## Notice to Reader To Compile a Consolidated Financial Forecast

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To the Partners of Points West Living Limited Partnership:

We have compiled the consolidated financial forecast of Points West Living Limited Partnership consisting of a consolidated forecast statement of financial position and the related consolidated forecast statements of comprehensive income, partners' capital and cash flows for the two years ending March 31, 2016 and 2017, using assumptions with an effective date of April 16, 2015 and other information provided by management. Our engagement was performed in accordance with the applicable guidance on compilation of a financial forecast issued by The Chartered Professional Accountants of Canada.

A compilation is limited to presenting, in the form of a consolidated financial forecast, information provided by management and does not include evaluating the support for the assumptions or other information underlying the forecast. Accordingly, we do not express an opinion or any other form of assurance on the consolidated financial forecast or assumptions. Further, since the consolidated financial forecast is based on assumptions regarding future events, actual results will vary from the information presented and the variations may be material. We have no responsibility to update this communication for events and circumstances occurring after the date of this communication.

This communication is intended to be used by prospective partners in their evaluation of potential investment in the Points West Living Limited Partnership and may not be appropriate for any other purpose.

Edmonton, Alberta

April 17, 2015

*MNP LLP*

Chartered Accountants

# Points West Living Limited Partnership

## Consolidated Forecast Statement of Financial Position

As at March 31  
(Unaudited - see Notice to Reader)

	2015	2016	2017
<b>Assets</b>			
<b>Current</b>			
Cash and cash equivalents	568,647	2,663,942	3,367,196
Accounts receivable	1,854,021	1,982,002	1,964,574
Prepaid expenses and deposits	252,990	110,900	110,900
	2,675,658	4,756,844	5,442,670
<b>Property and equipment</b>	91,047,773	87,071,156	83,256,274
<b>Deferred tax asset</b>	264,316	135,699	-
<b>Goodwill</b>	15,892,551	15,892,551	15,892,551
	109,880,298	107,856,250	104,591,495
<b>Liabilities</b>			
<b>Current</b>			
Accounts payable and accruals	1,874,568	3,414,325	3,418,653
Income taxes payable	203,736	121,879	167,263
Customer deposits	157,000	157,000	157,000
Life lease obligations	844,950	844,950	844,950
Current portion of long-term debt	1,924,907	1,987,343	2,051,812
	5,005,161	6,525,497	6,639,678
<b>Long-term debt</b>	66,068,093	64,080,750	62,028,938
<b>Deferred tax liability</b>	10,323,044	9,819,838	9,355,149
	81,396,298	80,426,085	78,023,765
<b>Partners' capital</b>			
Issued and fully paid partnership units	31,800,000	31,800,000	31,800,000
Distributions to partners	-	(2,544,000)	(5,088,000)
Retained earnings (deficit)	(3,316,000)	(1,825,835)	(144,269)
	28,484,000	27,430,165	26,567,731
	109,880,298	107,856,250	104,591,495

The accompanying notes are an integral part of this consolidated financial forecast

# Points West Living Limited Partnership

## Consolidated Forecast Statement of Comprehensive Income

*For the two years ending March 31*

*(Unaudited - see Notice to Reader)*

	<b>2016</b>	<b>2017</b>
<b>Revenue</b>		
Alberta Health Services - DSL	15,807,254	16,281,472
Rental income	10,243,382	10,550,684
Amenities income	504,029	519,150
Life lease maintenance fees	62,058	63,560
Interest income	17,663	18,016
	<b>26,634,386</b>	<b>27,432,882</b>
<b>Expenses</b>		
Salaries, wages and benefits	14,758,680	15,201,440
Depreciation	4,091,618	3,929,879
Interest on long-term debt	2,393,062	2,330,627
Food and kitchen supplies	1,182,801	1,194,629
Utilities	937,474	946,849
Asset management fees	636,000	651,900
Repairs and maintenance	496,801	511,705
Property taxes	431,206	439,830
Professional fees	148,716	151,690
Telephone, fax and internet	138,907	140,296
Office	135,783	138,499
Insurance	123,477	124,712
Laundry and cleaning	116,202	118,526
Supplies	94,008	95,888
Travel, meals and accommodations	42,159	43,424
Advertising and promotion	18,009	18,549
Interest and bank charges	16,398	16,890
Business taxes and licences	8,411	8,663
Bad debts	7,170	7,404
Uniforms	4,198	4,324
	<b>25,781,080</b>	<b>26,075,724</b>
<b>Operating income</b>	<b>853,306</b>	<b>1,357,158</b>
<b>Income from management services (Schedule 1)</b>	<b>749,786</b>	<b>664,469</b>
<b>Income before income taxes</b>	<b>1,603,092</b>	<b>2,021,627</b>
<b>Provision for (recovery of) income taxes</b>		
Current	487,517	669,050
Deferred	(374,589)	(328,990)
	<b>112,928</b>	<b>340,060</b>
<b>Total comprehensive income</b>	<b>1,490,165</b>	<b>1,681,566</b>

The accompanying notes are an integral part of this consolidated financial forecast

# Points West Living Limited Partnership

## Consolidated Forecast Statement of Partners' Capital

*For the two years ending March 31  
(Unaudited - see Notice to Reader)*

	<b>2016</b>	<b>2017</b>
Partners' capital, beginning of year	28,484,000	27,430,165
Total comprehensive income	1,490,165	1,681,566
Distributions to partners	(2,544,000)	(2,544,000)
Partners' capital, end of year	27,430,165	26,567,731

*The accompanying notes are an integral part of this consolidated financial forecast*

# Points West Living Limited Partnership

## Consolidated Forecast Statement of Cash Flows

*For the two years ending March 31  
(Unaudited - see Notice to Reader)*

	<b>2016</b>	<b>2017</b>
<b>Cash provided by (used for) the following activities</b>		
<b>Operating activities</b>		
Cash received from customers and Alberta Health Services	31,536,510	32,523,079
Cash paid to suppliers and employees	(21,912,534)	(24,237,206)
Income taxes paid	(569,374)	(623,667)
Interest paid	(2,393,063)	(2,330,626)
Interest received	17,663	18,016
	6,679,202	5,349,596
<b>Investing activities</b>		
Purchase of property and equipment	(115,000)	(115,000)
<b>Financing activities</b>		
Repayment of long-term debt	(1,924,907)	(1,987,343)
Distributions to partners	(2,544,000)	(2,544,000)
	(4,468,907)	(4,531,343)
<b>Increase in cash resources</b>	2,095,295	703,253
<b>Opening cash resources</b>	568,647	2,663,942
<b>Closing cash resources</b>	2,663,942	3,367,196

*The accompanying notes are an integral part of this consolidated financial forecast*



# Points West Living Limited Partnership

## Notes to the Consolidated Financial Forecast

For the two years ending March 31, 2016 and 2017  
(Unaudited – see Notice to Reader)

---

### 1. Purpose of the consolidated financial forecast

This consolidated financial forecast has been prepared by management of Points West Living Limited Partnership (the "Partnership") for use by prospective investors in their evaluation of potential investments in the Partnership and may not be appropriate for any other purpose. Specifically, this consolidated financial forecast has been prepared for inclusion in the Partnership's offering memorandum (the "Offering Memorandum"), and includes transactions predicated on successful completion of a private equity offering (the "Offering").

### 2. Basis of presentation of the consolidated financial forecast

The principal business of the Partnership is the acquisition and operation of a number of assisted living residences in the Province of Alberta.

The consolidated financial forecast consists of the consolidated forecast statements of financial position as at March 31, 2016 and March 31, 2017, and the consolidated forecast statements of comprehensive income, partners' capital and cash flows for the two years ending March 31, 2016 and March 31, 2017. The consolidated financial forecast has been prepared using assumptions with an effective date of April 16, 2015. The consolidated financial forecast reflects the assumptions described in Note 4.

The consolidated financial forecast has been prepared using assumptions that reflect the Partnership's intended course of action for the periods presented, given management's judgment as to the most probable set of economic conditions. The consolidated financial forecast will be compared with the reported results for the consolidated financial forecast periods and any significant differences will be disclosed. The actual results achieved during the financial forecast periods will vary from the forecasted results, and these variations may be material. Amounts are in Canadian dollars unless otherwise stated.

### 3. Summary of significant accounting policies

The consolidated financial forecast has been prepared in accordance with the significant accounting policies described below which are the accounting policies that will be applied by the Partnership and are consistent with the measurement and presentation principles of International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

#### a) Basis of consolidation

All assets, liabilities, revenues and expenses of all subsidiaries have been consolidated. All inter-company transactions and balances, and all transactions and balances between the Partnership and its subsidiaries have been eliminated. The consolidated forecast financial statements include the accounts of the Partnership and the following subsidiaries:

Points West Living Lloydminster Inc.	100%
Points West Living Wainwright Inc.	100%
Points West Living Century Park Inc.	100%
Points West Living Cold Lake Inc.	100%
Points West Living Peace River Inc.	100%
Points West Living Stettler Inc.	100%
Points West Living Heritage House Inc.	100%
Connecting Care (2000) Inc.	100%

#### b) Revenue recognition

The Partnership recognizes rental and life lease maintenance fee revenues in equal periodic amounts over the term of the lease agreement. Amenities, Designated Supportive Living ("DSL"), home care, resident services and management fee revenue is recognized when the related services have been performed and collectability is reasonably assured. Interest and investment income is recognized when it is earned.

#### c) Cash and cash equivalents

Cash and cash equivalents includes balances with banks and short-term investments with maturities of three months or less.

# Points West Living Limited Partnership

## Notes to the Consolidated Financial Forecast

For the two years ending March 31, 2016 and 2017  
(Unaudited – see Notice to Reader)

### 3. Summary of significant accounting policies (continued from previous page)

#### d) Financial instruments

Financial instruments are recognized when the Partnership becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Partnership has transferred substantially all risks and rewards of ownership. Financial instruments are recognized initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. The Partnership uses settlement date accounting for regular way contracts when recording financial asset transactions. Subsequent to initial recognition, financial instruments are measured as described below:

*Financial assets at fair value through profit or loss:*

The Partnership has classified cash and cash equivalents as financial assets at fair value through profit or loss. These assets are subsequently measured at their fair value with changes in fair value recognized immediately in profit (loss).

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are subsequently carried at amortized cost using the effective interest method. The effective interest method is a method of calculating amortized cost and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees or points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or when appropriate, a shorter period to the net carrying amount of the instrument.

The Partnership has classified accounts receivable as loans and receivables.

*Other financial liabilities*

Other financial liabilities include liabilities that have not been classified as fair value through profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense, calculated using the effective interest rate method, is recognized in total comprehensive income.

The Partnership has classified accounts payable and accruals, customer deposits, life lease obligations and long-term debt as other financial liabilities.

#### e) Property and equipment

Property and equipment are initially recorded at cost. Depreciation is provided using the following methods at rates intended to amortize the cost of assets over their estimated useful lives.

	<b>Method</b>	<b>Rate</b>
Buildings	straight-line	4 %
Furniture, fixtures, and equipment	declining balance	20 %
Computer equipment	declining balance	55 %
Automotive	declining balance	30 %
Paving and landscaping	declining balance	8 %
Deferred grant revenue	straight-line	4 %

In the period of acquisition, depreciation is taken at one half of the above rates.

#### f) Deferred grant revenue

The Partnership has received grant funding from the Rural Affordable Supportive Living Program of the Alberta Government. This funding is used to finance the capital costs of construction of the Partnership's facilities, and requires that the Partnership maintain the use of the facilities as advancing Affordable Supportive Living for the 20 year terms of the grant funding agreements. Should the Partnership not comply with the terms of the grant agreements, repayment of a portion of the grants must occur, calculated on a straight-line basis over the 20 year term of the agreements. Currently, the Partnership is in full compliance with the use of the facilities.

For financial statement presentation purposes the balances have been appropriately aggregated on the consolidated forecast statements of financial position and consolidated forecast statements of comprehensive income. Amortization of the deferred grant revenue is presented net of depreciation charged on the underlying property and equipment. Amortization of the grants is charged to income at the same rate as the underlying assets.

Grant funding towards operating expenditures is recognized in the period in which the related expenditures are incurred.

# Points West Living Limited Partnership

## Notes to the Consolidated Financial Forecast

For the two years ending March 31, 2016 and 2017  
(Unaudited – see Notice to Reader)

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### 3. Summary of significant accounting policies (continued from previous page)

#### g) Life lease obligations

The Partnership enters into occupancy agreements with individuals, termed "life lease agreements". Under the terms of these agreements, the occupant obtains the lifetime exclusive right to occupy a unit in exchange for a fixed fee paid to the Partnership at the inception of the agreement. The Partnership is obligated to refund to the occupant 95% of the initial fee within 90 days of the termination of the occupancy agreement. In the event that the agreement is terminated before occupancy begins, 100% of the initial fee is refunded.

The Partnership records 95% of the fixed fee as a life lease obligation, as this represents the maximum amount refundable to the occupant once occupancy begins, with the remaining 5% of the fixed fee recognized as life lease administration fee revenue at the time of closing.

#### h) Goodwill

Goodwill arising in a business combination is recognized as an asset at the date of control (acquisition date). Goodwill is measured as the excess of cost of the acquisition over the Partnership's interests in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree recognized at the date of acquisition. Goodwill is not amortized but is tested for impairment if events or changes in circumstances indicate that the asset might be impaired.

The impairment test is carried out by comparing the carrying amounts of the reporting unit with its fair value. When the carrying amount of a reporting unit, including goodwill, exceeds its fair value, an impairment loss is recognized in an amount equal to the excess. Fair value of the reporting unit is determined through discounted cash flow analysis.

#### i) Income taxes

Income tax expense comprises current and deferred tax. Current tax is the expected tax payable on the taxable income for the year using rates enacted or substantially enacted at the year-end. Deferred income tax assets and liabilities are recorded based on temporary differences between the carrying amount of balance sheet items and their corresponding tax bases. In addition, the future benefits of income tax assets, including unused tax losses, are recognized, subject to a valuation allowance, to the extent that it is more likely than not that such future benefits will ultimately be realized.

The earnings of the Partnership are not subject to taxation directly but are the responsibility of the partners and their liability for taxes is not reflected herein. This consolidated financial forecast reflects only the tax liability of the corporate subsidiaries of the Partnership.

#### j) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Partnership are recorded at the proceeds received, net of direct issue costs.

#### k) Impairment of financial assets

Financial assets, other than those carried at fair value through profit or loss, are assessed for indicators of impairment at each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that have occurred after the initial recognition of the financial asset; the estimated future cash flows of the asset have been affected.

Objective evidence of impairment could include deterioration in credit quality to the extent that there is no longer reasonable assurance as to the timely collection of principal and interest. Where such objective evidence is deemed to exist, a credit provision is recorded based on an evaluation as prepared by management as to the principle and or interest at risk of loss. The estimated net realizable loans and interest receivables is determined by discounting the expected future cash flows at the effective interest rate in the loan. When the amounts and timing of future cash flows cannot be measured with reasonable reliability, the estimated net realizable amount is calculated based on the fair value of any security underlying the loans net of expected costs of realization and any legal amounts legally required to be paid to or by the borrower.

# Points West Living Limited Partnership

## Notes to the Consolidated Financial Forecast

For the two years ending March 31, 2016 and 2017  
(Unaudited – see Notice to Reader)

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### 3. Summary of significant accounting policies (continued from previous page)

#### ***l) Long-lived assets***

Long-lived assets consist of property and equipment. Long-lived assets held for use are measured and amortized as described in the applicable accounting policies.

The Partnership performs impairment testing on long-lived assets held for use whenever events or changes in circumstances indicate that the carrying value of an asset, or Partnership of assets, may not be recoverable. Impairment losses are recognized when undiscounted future cash flows from its use and disposal are less than the asset's carrying amount. Impairment is measured as the amount by which the asset's carrying value exceeds its fair value. Any impairment is included in total comprehensive income for the period. Fair value is measured using prices for similar items.

#### ***m) Business combinations***

Business combinations are accounted for using the acquisition method.

At the acquisition date, the Partnership recognizes, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the subsidiary. Identifiable assets acquired and liabilities assumed are measured at their acquisition-date fair values. Any non-controlling interest in a subsidiary is measured either at fair value or at the non-controlling interest's proportionate share of the subsidiary's identifiable net assets.

The consideration transferred for each acquisition is measured as the sum of the acquisition-date fair values of the assets transferred, the liabilities incurred, and equity instruments issued by the Partnership to obtain control of the subsidiary.

Acquisition-related costs are recognized in total comprehensive income as incurred with the exception of the costs to issue debt and equity securities. Financing fees and transaction costs to issue debt are reflected in its fair value and expenses relating to the issue of equity securities are shown separately in the statement of changes in equity.

Where appropriate, the cost of an acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in fair value are adjusted against the cost of acquisition where they qualify as measurement period adjustments. All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are not re-measured and any gain or loss on subsequent settlement is recognized in total comprehensive income. Subsequent changes in the fair value of contingent consideration classified as equity are not re-measured and any gain or loss on subsequent settlement is accounted for in equity.

### 4. Significant assumptions

The following assumptions are an integral part of the consolidated financial forecast:

#### ***a) Transactions***

The following transactions contemplated by the Offering Memorandum are scheduled to close no later than May 15, 2015 (the "Closing"). For purposes of this consolidated financial forecast, it is assumed that the closing of the transactions contemplated in the Offering Memorandum occurred on or before March 31, 2015.

##### *Private placement*

On March 31, 2015, the Partnership is assumed to complete the issue of subscription receipts to certain investors pursuant to a private offering (the "Offering") for gross proceeds of \$22,000,000, through the issuance of 220,000 Class A partnership units at a price of \$100 per unit. It is assumed that there will be transaction costs totaling \$2,210,000 associated with the Offering.

# Points West Living Limited Partnership

## Notes to the Consolidated Financial Forecast

For the two years ending March 31, 2016 and 2017  
(Unaudited – see Notice to Reader)

### 4. Significant assumptions (continued from previous page)

#### *Acquisition of Connecting Care (2000) Inc.*

Immediately following the Closing, the Partnership is assumed to acquire 100% of the issued and outstanding shares of Connecting Care (2000) Inc. for an aggregate purchase price of \$6,419,281. The acquisition is assumed to have the following effect on the Partnership's assets and liabilities on the acquisition date:

	Fair value at acquisition
<b>Acquired assets and assumed liabilities</b>	
Current assets	1,741,178
Financial liabilities	(321,897)
Goodwill recognized on acquisition	5,000,000
<b>Net identifiable asset and liabilities</b>	<b>6,419,281</b>
<b>Consideration</b>	
Cash	2,852,613
Class A partnership units	3,566,668
<b>Total consideration for acquisition</b>	<b>6,419,281</b>

Connecting Care (2000) Inc. manages sixteen assisted living facilities in the Provinces of Alberta and British Columbia, including seven for the Points West Living Group of Companies, and it is anticipated that this acquisition will generate valuable synergies with the parallel acquisition of the Points West Living Group of Companies.

#### *Acquisition of the Points West Living Group of Companies*

Immediately following the Closing, the Partnership is assumed to acquire 100% of the issued and outstanding shares of each of the following companies, who own and operate seven assisted living facilities in the Province of Alberta:

Points West Living Lloydminster Inc.;  
Points West Living Wainwright Inc.;  
Points West Living Century Park Inc.;  
Points West Living Cold Lake Inc.;  
Points West Living Peace River Inc.;  
Points West Living Stettler Inc.; and  
Points West Living Heritage House Inc.

These companies will be acquired for an aggregate purchase price of \$48,310,639. The acquisition is assumed to have the following effect on the Partnership's assets and liabilities on the acquisition date:

	Fair value at acquisition
<b>Acquired assets and assumed liabilities</b>	
Cash	3,064,486
Current assets	365,833
Property and equipment	91,047,773
Other assets	331,540
Financial liabilities	(47,383,172)
Deferred tax liability	(10,058,728)
Goodwill recognized on acquisition	10,892,551
<b>Net identifiable asset and liabilities</b>	<b>48,260,283</b>
<b>Consideration</b>	
Cash	42,526,951
Class A partnership units	5,733,332
<b>Total consideration for acquisition</b>	<b>48,260,283</b>

# Points West Living Limited Partnership

## Notes to the Consolidated Financial Forecast

For the two years ending March 31, 2016 and 2017  
(Unaudited – see Notice to Reader)

### 4. Significant assumptions (continued from previous page)

#### *Borrowing and settlement of existing mortgages*

Immediately following the Closing, the Partnership is assumed to borrow \$67,993,000 in the form of first lien mortgages registered against properties acquired as part of the acquisition of the Points West Living Group of Companies totaling \$62,993,000 and second lien mortgages of \$5,000,000. It is assumed that a portion of the proceeds from this borrowing will be used to extinguish mortgages outstanding on these properties at March 31, 2015, which are assumed to total \$44,396,341.

#### *Closing costs*

It is assumed that there will be closing costs totaling \$1,606,000 associated with the acquisition of Connecting Care (2000) Inc. and the Points West Living Group of Companies.

### b) Revenue

#### *Rental revenue*

Rental revenue is forecasted based on assumed occupancy rates and the assumed rental rates which apply to each suite. Each facility contains a mix of DSL and independent living suites. The DSL suites are rent-controlled, with the most recent provincially legislated maximum monthly rent for private rooms being \$1,839. Independent living suites are not rent-controlled and rates for these suites vary based on square footage and demand in the region. Rental rates on independent living and DSL suites are assumed to increase at a rate of 3% per annum.

DSL and independent living suites are distributed as follows:

	Number of suites
Studio DSL	327
One-bedroom DSL	47
Independent living	82
Life lease	4

Rental revenues are forecasted net of vacancy allowances, which are assumed on a facility by facility basis based on historical results, ranging from 1% to 3%.

#### *Alberta Health Services – DSL*

DSL revenue is forecasted based on assumed occupancy levels and the pre-set Alberta Health Services DSL rates for each resident per day. It is assumed that Alberta Health Services DSL revenue per resident will increase at a rate of 3% per annum.

#### *Management fees*

Management fees are forecasted as 4% of assumed revenues at facilities managed by Connecting Care (2000) Inc., and are assumed to increase at a rate of 3% per annum.

#### *Resident services*

Fees for resident services are based on management estimate for 2016 and are assumed to increase at a rate of 3% per annum.

#### *Development and success fees*

Development fees are forecasted based on 1% - 2% of project costs for ongoing and anticipated facilities under construction by Points West Living Inc. Grant success fees are forecasted as \$2,500 per door for each new grant-funded suite added to Points West Living Inc.'s portfolio through the grant process. It is assumed that 234 such funded suites will be secured in 2016 and 150 in 2017.

#### *Consulting and miscellaneous*

Consulting and miscellaneous revenues include one-time revenues for consulting services as well as pharmacy fees and recoveries of certain staffing and non-routine expenditures. These revenues are based on management estimate for 2016 and are either specifically estimated for 2017 or assumed to increase at a rate of 3% per annum.

#### *Amenities*

Amenities revenue is forecasted based on assumed occupancy levels and is assumed to increase at a rate of 3% per annum.

# Points West Living Limited Partnership

## Notes to the Consolidated Financial Forecast

For the two years ending March 31, 2016 and 2017  
(Unaudited – see Notice to Reader)

### 4. Significant assumptions (continued from previous page)

#### c) Accounts receivable and doubtful accounts

Alberta Health Services –DSL revenues reported on the consolidated forecast statement of earnings are assumed to be received as they are invoiced. It is assumed that, for all other revenues, collection and conversion to cash will occur at rates consistent with historical averages.

Doubtful accounts are estimated to be 0.07% of rental income for each of the two years ending March 31, 2017. Bad debts for management fees, resident services, consulting and miscellaneous and development and success fees are based on management estimate, and are expected to increase by 1% per annum.

#### d) Prepaid expenses and deposits

It is assumed that prepaid expenses and deposits will remain constant for the duration of the forecast.

#### e) Property and equipment

It is estimated that purchases of property and equipment will total \$115,000 in each of the two years ending March 31, 2017.

#### f) Accounts payable and accruals

Interest on long-term debt is assumed to be paid as it is incurred. All other purchases are assumed to have payment terms similar to prior years.

#### g) Income taxes

It is assumed that taxable income of the Partnership's subsidiaries will incur current tax at the enacted corporate rate of 25%. No current tax obligations will result from operations of the Partnership as any taxable income of the Partnership is allocated to the partners. Deferred taxes are estimated based on assumed future tax rates and reversals of assumed temporary differences.

#### h) Customer deposits

It is assumed that customer deposits will remain constant for the duration of the forecast.

#### i) Life lease obligations

It is assumed that life lease obligations will stay constant for the duration of the forecast.

#### j) Long-term debt and interest on long-term debt

It is assumed that the loans described under "Borrowing and settlement of existing mortgages" above, will have terms as follows:

- i. First lien mortgages totaling \$62,993,000 will bear interest at 3.10% – 3.60% and will be repayable based on 20 - 25 year amortizations; and
- ii. Second lien mortgages of \$5,000,000 will bear interest at 8.00% with interest only payments required.

Interest on long-term debt is estimated using the above noted terms of the loans outstanding for the duration of the forecast.

Principal repayments on long-term debt in each of the next five years are estimated to be as follows:

2017	1,924,907
2018	1,987,343
2019	2,051,812
2020	2,118,382
2021	2,187,120

#### k) Asset management fees

It is assumed that the Partnership will pay an asset management fee equal to 2% of the assumed \$31,800,000 value of partnership units issued by the Partnership, and that the fee will increase annually at a rate of 2.5%.

# Points West Living Limited Partnership

## Notes to the Consolidated Financial Forecast

For the two years ending March 31, 2016 and 2017  
(Unaudited – see Notice to Reader)

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### 4. Significant assumptions (continued from previous page)

#### l) Salaries, wages and benefits

Salaries, wages and benefits are forecasted based on management estimate for 2016, and increasing at a rate of 3% per annum thereafter. Salaries, wages and benefits for nursing staff are forecasted based on Alberta Health Services required staff hours per DSL resident per day; and, therefore, vary based on assumed occupancy levels and assumed rates for each staff member. Salaries, wages and benefits for hospitality staff are forecasted based on assumed staff hours per meal served, assumed housekeeping staff hours per suite and assumed occupancy levels. Salaries, wages and benefits for office and administrative staff are assumed to be consistent for all facilities. Assumed rates and hours for staff are based on historical experience and geographic location.

#### m) Other expenses

All other expenses are based on historical experience or management's detailed budgets and estimates as follows, and are assumed to increase at annualized rates of 1% to 5%:

- i. *Depreciation*: Derived
- ii. *Food and kitchen supplies*: Based on management estimate for 2016, and increasing at a rate of 1% per annum.
- iii. *Utilities*: Based on management estimate for 2016 and increasing at a rate of 1% per annum.
- iv. *Repairs and maintenance*: Based on management estimate for 2016 and increasing at a rate of 3% per annum.
- v. *Property taxes*: Based on management estimate for 2016 and increasing at a rate of 2% per annum.
- vi. *Professional fees*: Based on management estimate for 2016, and increasing at a rate of 2% per annum.
- vii. *Telephone, fax and internet*: Based on management estimate for 2016 and increasing at a rate of 1% per annum.
- viii. *Office*: Based on management estimate for 2016 and increasing at a rate of 2% per annum.
- ix. *Insurance*: Based on management estimate for 2016 and increasing at a rate of 1% per annum.
- x. *Laundry and cleaning*: Based on management estimate for 2016 and increasing at a rate of 2% per annum.
- xi. *Supplies*: Based on management estimate for 2016 and increasing at a rate of 2% per annum.
- xii. *Travel*: Based on management estimate for 2016 and increasing at a rate of 3% per annum.
- xiii. *Advertising and promotion*: Based on management estimate for 2016 and increasing at a rate of 3% per annum.
- xiv. *Interest and bank charges*: Based on management estimate for 2016, and increasing at a rate of 3% per annum.
- xv. *Business taxes and licences*: Based on management estimate for 2016 and increasing at a rate of 3% per annum.
- xvi. *Uniforms*: Based on management estimate for 2016 and increasing at a rate of 3% per annum.
- xvii. *Senior management fees*: Based on management estimate for 2016 and increasing at a rate of 5% per annum.
- xviii. *Automotive*: Based on management estimate for 2016 and increasing at a rate of 2% per annum.
- xix. *Rental*: Based on management estimate for 2016 and increasing at a rate of 1% per annum.

#### n) Distributions

The Partnership intends to make regular cash distributions to the owners of the Class A units of the Partnership. These distributions will be paid monthly and calculated at a simple rate of interest of 8% per annum based on each unitholder's average contributed capital.



# Points West Living Limited Partnership

## Schedule 1 - Consolidated Forecast Schedule of Management Services

*For the two years ending March 31*

*(Unaudited - see Notice to Reader)*

	<b>2016</b>	<b>2017</b>
<b>Revenue</b>		
Management fees	1,288,919	1,693,121
Resident services	2,156,507	2,221,202
Development and success fees	1,340,000	850,000
Consulting and miscellaneous	262,342	326,462
	<b>5,047,767</b>	<b>5,090,784</b>
<b>Expenses</b>		
Salaries, wages and benefits	2,560,992	2,630,100
Senior management fees	700,000	735,000
Food and kitchen supplies	411,410	421,695
Travel and entertainment	136,273	140,395
Laundry and cleaning	128,049	131,228
Office	110,225	112,539
Rent	88,351	89,235
Automotive	45,443	46,807
Professional fees	33,839	34,553
Telephone, fax and internet	32,375	32,744
Insurance	20,281	20,484
Advertising and promotion	14,215	14,628
Repairs and maintenance	7,080	7,287
Bad debts	4,432	4,500
Training	2,873	2,945
Utilities	1,541	1,557
Business taxes and licences	600	619
	<b>4,297,981</b>	<b>4,426,316</b>
<b>Income from management services</b>	<b>749,786</b>	<b>664,469</b>

*The accompanying notes are an integral part of this consolidated financial forecast*