

CONFIDENTIAL OFFERING MEMORANDUM

DATE: December 5, 2016

THE ISSUER: North America Home Finance Inc. (the "**Issuer**")

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Currently Listed or Quoted: **These securities do not trade on any exchange or market.** The Issuer is not currently listed or quoted on any stock exchange. The Issuer is not a reporting issuer in any jurisdiction and is not a SEDAR filer.

THE OFFERING:

Securities Offered: HomeBuild bonds: Up to 5,000 HomeBuild bonds ("**HB Bonds**"). Each HB Bond carries an interest rate of 7.75% per annum, payable upon maturity, and will be repayable in 30 months, subject to the right of the Issuer to extend for three 6 month terms, to a maximum of 48 months. See ITEM 5.

Real Equity bond units: Up to 2,000 Real Equity bond units, each REB Unit consisting of a Real Equity bond ("**RE Bond**"), a redeemable capital growth based right ("**Right**") and 100 common share purchase warrants (the "**Warrants**"). Each RE Bond carries an interest rate of 7.25% per annum, payable at the end of the quarter in arrears on the last business day of any given quarter, and will be repayable in 60 months, subject to the right of the Issuer to extend for two 12 month terms, to a maximum of 84 months. Each Warrant shall entitle the holder to purchase one Class C common share at any time for a period of 5 years from the date of issuance at an exercise price of \$0.50 per Common Share within the first 12 months, with the price escalating by 10% per year following the first anniversary from the date of issuance. See ITEM 5.

The "**REB Units**" and together with the HB Bonds, hereinafter are called the "**Securities**." Each Security shall have the attributes and characteristics as set out in ITEM 5.

Price per Security: The subscription price is \$1,000 per HB Bond. See further details in ITEM 5.

The subscription price is \$1,000 per REB Unit (\$999.99 per RE Bond, \$0.01 per Right and \$nil for the Warrants), subject to a discount of 7% for subscribers of the first \$150,000 of REB Units who are "accredited investors" and who enter into an agreement to allow their funds to be used as a refundable deposit required under an agreement to purchase the RE Property (as hereinafter defined) prior to the Closing of the REB Minimum Offering (as hereinafter defined). The deposit on the RE Property shall only be made if it is fully refundable at the discretion of the Issuer, and held in trust by the Issuer's representative law firm. See further details in ITEM 5.

Minimum/Maximum Offering: The minimum offering is either \$100,000 (100 HB Bonds) (the "**HB Minimum Offering**") or \$1,000,000 (1,000 REB Units) (the "**REB Minimum Offering**"). The maximum offering for the HB Bonds is \$5,000,000 (5,000 HB Bonds) (the "**HB Maximum Offering**") and for the REB Units is \$3,700,000 (3,700 REB Units) (the "**REB Maximum Offering**"). Subscribers of REB Units will be entitled to designate the holder of Rights, who need not be the Subscriber. **Funds available under the Offering may not be sufficient to accomplish the Issuer's proposed objectives**, see ITEM 2.6.

Minimum Subscription Amount: Minimum purchase per subscriber of \$20,000 (20 REB Units or 20 HB Bonds); provided, however, the Issuer shall have the discretion to accept subscriptions in lower amounts if the Issuer deems it necessary or reasonable in the circumstances, such as in the case where a Subscriber is making a new contribution to a Tax Free Savings Account.

Payment Terms: Certified cheque, wire or bank draft payable "in trust", as set out in the Subscription Agreement, in full payment of the subscription price per Security subscribed for, is due upon execution and delivery of the Subscription Agreement. See Schedule "E" – Securities Subscription Agreement. **All dollar amounts in this Offering Memorandum are in Canadian dollars unless otherwise indicated.**

Proposed Closing Date(s): Upon receipt of the REB Minimum Offering or the HB Minimum Offering the Issuer shall complete the first Closing of the Offering (expected to be on or about December 31, 2016), thereafter closings shall take place from time to time at the discretion of the Issuer.

Income Tax Consequences: There are important tax consequences relating to the ownership of these Securities. **You should consult your own professional tax advisors to obtain advice respecting any tax consequences applicable to you.** See ITEM 6.

Selling Agents: Yes. Agents (including: (i) Waverley Corporate Financial Services Inc., an exempt market dealer registered in the Provinces of British Columbia, Alberta, Ontario and Quebec; and (ii) other registered dealers, as may be appointed from time to time) shall offer the Securities for sale pursuant to this Offering Memorandum. **The Agents may receive certain commissions and/or fees in connection with the selling of the Securities, all in accordance with the terms of the Agency Agreement. 1090257 B.C. Ltd. is the Manager of the Issuer and shall be entitled to receive certain management fees for services provided in connection with the Offering pursuant to the terms of the Management Agreement.** See ITEM 2.7 and ITEM 7.

RESALE RESTRICTIONS: **You shall be restricted from selling your Securities for an indefinite period.** See ITEM 10.

PURCHASER'S RIGHTS: You have two business days to cancel your agreement to purchase these Securities. If there is a misrepresentation in this Offering Memorandum, you have the right to sue either for damages or to cancel the agreement. See ITEM 11.

No securities regulatory authority or regulator has assessed the merits of these securities or reviewed this Offering Memorandum. Any representation to the contrary is an offence. This is a risky investment. See ITEM 8.

SCHEDULES

The following Schedules are attached to and form a part of this Offering Memorandum:

Schedule "A"	-	HB Bond Indenture
Schedule "B"	-	RE Bond Indenture
Schedule "C"	-	Redeemable Capital Growth Based Right Certificate
Schedule "D"	-	Warrant Certificate
Schedule "E"	-	Securities Subscription Agreement
Schedule "F"	-	Addendum to Securities Subscription Agreement (Discounted Subscribers)
Schedule "G"	-	Financial Statements of the Issuer
Schedule "H"	-	Power Point Presentation for HB Bonds
Schedule "I"	-	Power Point Presentation for RE Bonds

GENERAL

This Offering Memorandum constitutes an offering of the Securities in British Columbia, Alberta and Ontario, and those other jurisdictions where they may be lawfully offered for sale and may be sold only by persons permitted to sell the Securities and only to those persons to whom they may be lawfully offered for sale. No securities commission or similar regulatory authority has passed on the merits of the Securities nor has it reviewed this Offering Memorandum and any representation to the contrary is an offence. No prospectus has been filed with any such authority in connection with the Securities.

This Offering is subject to the Issuer selling a minimum of 100 HB Bonds (\$100,000) or a minimum of 1,000 REB Units (\$1,000,000). If either of the HB Minimum Offering or the REB Minimum Offering is not raised by June 30, 2017, the Agent will return the funds to the subscribers without any interest or deductions. See ITEM 5.2 "Subscription Procedure".

This Offering Memorandum is confidential. The information contained in this Offering Memorandum is intended only for the persons to whom it is transmitted for the purposes of evaluating the securities offered hereby. By accepting a copy of this Offering Memorandum, the recipient agrees that neither it, nor any of its representatives or agents, shall use the Offering Memorandum or the information contained herein for any other purpose, or divulge it to any other party and shall return all copies of the Offering Memorandum to the Issuer promptly upon request.

Prospective investors should rely only on the information in this Offering Memorandum and the Schedules hereto. Any marketing materials related to a distribution under this Offering Memorandum and delivered or made reasonably available to a prospective subscriber before the termination of the distribution (collectively, the "**OM Marketing Materials**"), are hereby specifically incorporated by reference in this Offering Memorandum, and further any OM Marketing Materials shall be deemed to be incorporated by reference in this Offering Memorandum. No persons are authorized to give any information or make any representation in respect of the Issuer, the Manager or the securities offered herein and any such information or representation must not be relied upon.

This Offering is a private placement and is not, and under no circumstances is to be construed as, a public offering of the securities described herein. The securities are being offered in reliance upon exemptions from the registration and prospectus requirements set forth in Applicable Securities Laws.

The Securities offered hereunder shall be subject to a number of resale restrictions, including a restriction on trading. Until the restriction on trading expires, if ever, a Securityholder shall not be able to trade the Security unless it complies with very limited exemptions from the prospectus and registration requirements under Applicable Securities Laws. Consequently, Securityholders may not be able to liquidate their Securities in a timely manner, if at all, or pledge their Securities as collateral for loans. See "ITEM 10 – Resale Restrictions".

The Securities have not been, and shall not be, registered under the United States Securities Act of 1933, as amended (the "**U.S. Securities Act**"), or any applicable state securities laws. Accordingly, except pursuant to an exemption from the registration requirements of the U.S. Securities Act and state securities laws, the Units may not be offered or sold within the U.S. or to, or for the account or benefit of, "U.S. persons" (as such term is defined in Regulation S under the U.S. Securities Act) unless registered under the U.S. Securities Act and applicable state securities laws or an exemption from such registration is available.

INTERPRETATION

Words importing the singular number only include the plural and *vice versa*, and words importing the masculine, feminine or neuter gender include the other genders.

CONFLICTS OF INTEREST AND RISK FACTORS

There are conflicts of interest between the Issuer, the Trustee and the Manager as it relates to this Offering and the administration of the Issuer. There are also numerous risks involved in the investment in the Securities. Potential investors should review these conflicts of interest and risks before investing in the Securities.

See "ITEM 3 –Interest of Directors, Management, Promoters and Principal Holders" and "ITEM 8 – Risk Factors".

FORWARD-LOOKING STATEMENTS

Certain statements contained in this Offering Memorandum as they relate to the Issuer and the Manager and their respective views or predictions about possible future events or conditions and their business operations and strategy constitute "forward-looking statements" within the meaning of that phrase under Applicable Securities Laws. All statements other than statements of historical fact are forward-looking statements. The use of any of the words "anticipate", "does not anticipate", "continue", "estimate", "expect", "is not expected", "may", "could", "might", "shall", "project", "should", "believe", "does not believe", "budget", "plan", "forecast", "potential", "intend" and similar expressions are intended to identify forward-looking statements. Such statements in this Offering Memorandum include, among others, statements regarding the intended use of proceeds of the Offering; the anticipated activities of the Issuer and the strategy by which they expect to achieve their objectives; the business, operation and other costs to be incurred in the operation and management of the business, the material agreements to be entered into and their terms; and potential investments. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. Various assumptions or factors are typically applied in drawing conclusions or making the forecasts or projections set out in forward-looking information, if any. Those assumptions and factors are based on information currently available to the Issuer including information obtained from third party sources. Although the Issuer believes that the expectations reflected in such forward-looking statements are reasonable and represent the Issuer's expectations and belief at this time, such statements involve known and unknown risks and uncertainties which may cause the Issuer's actual performance and results in future periods to differ materially from any estimates or projections of future performance or results expressed or implied by such forward-looking statements. Important factors that could cause actual results to differ materially from expectations include, among other things, general economic and market factors, fluctuating interest rates, ability to raise financing and fund capital expenditures and changes in government regulations or in tax laws, in addition to those factors specifically discussed or referenced in "ITEM 8 - Risk Factors". These factors should not be considered exhaustive. Many of these risk factors are beyond the Issuer's control and each contributes to the possibility that the forward-looking statements shall not occur, or that actual results, performance or achievements may differ materially from those expressed or implied by such statements. The impact of any one risk, uncertainty or factor on a particular forward-looking statement is not determinable with certainty as these risks, uncertainties and factors are interdependent and management's future course of action depends upon the Issuer's assessment of all information available at that time.

The forward-looking statements made herein relate only to events or information as of the date of this Offering Memorandum and are expressly qualified by this cautionary statement. Except as required by law, the Issuer undertakes no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, after the date on which the statements are made or to reflect the occurrence of unanticipated events.

GLOSSARY OF DEFINED TERMS:

The following terms used in this Offering Memorandum have the respective meanings ascribed to them below. Unless the context otherwise requires, any reference in this Offering Memorandum to any agreement, instrument, indenture or other document shall mean such, as amended, supplemented and restated at any time and from time to time prior to the date hereof or in the future:

"Acquisition Fee" shall have the meaning ascribed thereto under *"ITEM 2.7- Material Agreements - Management Agreement"*;

"Acquisition Mortgage" means the first mortgage to be granted by the Issuer in connection with the acquisition of the RE Property and targeted to be in the amount of \$12,075,000;

"Agent" means Waverley Corporate Financial Services Inc., an exempt market dealer registered in the Selling Jurisdictions, and such other persons who are appointed as agents by the Issuer from time to time including registrants who are entitled to sell exempt securities under Applicable Securities Laws (such as exempt market dealers and other registered dealers);

"Agency Agreement" means the agency agreement to be dated as of the date of Closing between the Issuer and the Agent relating to the Offering;

"Applicable Securities Laws" means, collectively, all applicable securities laws of the Selling Jurisdictions and the respective regulations, rules, policies and orders thereunder together with all applicable published orders and rulings of the Securities Regulatory Authorities in such jurisdictions;

"Bridge Loan" means secondary financing that may be obtained from arm's length lenders to complete the acquisition of the RE Property if the closing date for the RE Property occurs before the REB Maximum Offering is achieved. The amount of financing to be obtained in the form of a bridge loan to complete the closing if only the REB Minimum Offering has been reached would be \$2,580,000;

"Business Day" means a day other than a Saturday, Sunday or a day on which the principal chartered banks located at Calgary, Alberta are not open for business;

"Closing" means the first closing of the Securities offered hereby, which shall be on the date that the Issuer receives either the HB Minimum Offering or the REB Minimum Offering (expected to be on or about December 31, 2016) or such later or earlier date as may be determined by the Issuer. Subsequent closings shall take place at later dates as may be determined by the Issuer;

"CRA" means the Canada Revenue Agency of the Government of Canada;

"Disposition Fees" shall have the meaning ascribed thereto under *"ITEM 2.7- Material Agreements - Management Agreement"*;

"Fair Market Fees" shall have the meaning ascribed thereto under *"ITEM 2.7- Material Agreements - Management Agreement"*;

"Financing Fee" shall have the meaning ascribed thereto under *"ITEM 2.7- Material Agreements - Management Agreement"*;

"HB Bonds" means the HomeBuild bonds, which shall be offered to the Subscribers. For further details on the rights, restrictions and terms of the HB Bonds see *"ITEM 5 - Securities Offered - Terms of Securities"*;

"HB Bond Indenture" or **"HBB Indenture"** means the bond indenture between the Trustee and the Issuer to be dated the date of Closing, as may be amended or supplemented, in the form attached hereto as Schedule "A";

"HB Collateral Mortgages" means those collateral mortgages granted by WCHO with respect to the HB Properties as security for the HB Bonds, in favour of the Trustee on behalf of the Subscribers for HB Bonds;

"HB Maturity Date" means, initially, with respect to any HB Bond, the date that is 30 months from the date of issuance of such HB Bond; provided, however, that the Issuer shall be entitled, in its sole discretion, to extend the HB Maturity Date 3 times for an additional 6 months for a maximum period of up to 48 months;

"HB Priority Return" means, in respect of an HB Bond, interest accrued against the principal balance outstanding at the rate of 7.75% per annum and payable to the holder of the HB Bond by the Issuer in priority to the shareholders of the Issuer and other creditors of the Issuer (other than the holders of Senior Indebtedness) and payable upon the HB Maturity Date, see *"ITEM 5 - Securities Offered - Terms of Securities"*;

"HB Bonus Interest Amount" means, in respect of an HB Bond, an amount of additional interest accrued against the principal balance of HB Bonds outstanding, determined as follows: 1% additional interest per annum on the

principal amount of the HB Bonds (up to a maximum of 10%) for every 2% of profit realized from the sale of the HB Properties (calculated after deduction of the amortized costs relating to the Offering and administrative costs of the Trustee and the Issuer, and marketing cost and expenses incurred in connection with the sale of the HB Properties), see *"ITEM 5 - Securities Offered - Terms of Securities"*;

"HB Properties" means the individual residential properties acquired by WCHO utilizing funds provided by the Issuer using the proceeds to the HB Bonds;

"Hurdle Return" shall have the meaning ascribed thereto under *"ITEM 2.7- Material Agreements - Management Agreement"*;

"IFRS" means the International Financial Reporting Standards applicable to the business of the Issuer, as such principles are established and revised by the International Accounting Standards Board (or any successor organization) from time to time, applied on a consistent basis;

"Incentive Fee" shall have the meaning ascribed thereto under *"ITEM 2.7- Material Agreements - Management Agreement"*;

"Issuer" means North America Home Finance Inc., a corporation formed under the laws of Canada;

"Issuer HomeIndex Mortgage Assets" means residential mortgage loans made by the Issuer to property owners (which include a clause requiring the principal balance of the mortgage to be adjusted according to the change in the value of the property);

"Management Agreement" means the management agreement dated November 1, 2016 between the Manager and the Issuer;

"Management Fees" shall have the meaning ascribed thereto under *"ITEM 2.7- Material Agreements - Management Agreement"*;

"Manager" means 1090257 B.C. Ltd., a corporation formed under the laws of British Columbia and an affiliate of the Issuer;

"Manager Services" shall have the meaning ascribed thereto under *"ITEM 2.7- Material Agreements - Management Agreement"*;

"Mortgage Management Fees" shall have the meaning ascribed thereto under *"ITEM 2.7- Material Agreements - Management Agreement"*;

"Offering" means the offering of Securities by way of private placement pursuant to this Offering Memorandum, as described herein;

"Offering Memorandum" means this confidential offering memorandum and the Schedules attached hereto, including any amendment hereto;

"Person" means any individual, partnership, limited partnership, joint venture, syndicate, sole proprietorship, company or issuer with or without share capital, unincorporated association, trust, trustee, executor, administrator or other legal personal representative, regulatory body or agency, government or governmental agency, authority or entity however designated or constituted;

"Property Management Fees" shall have the meaning ascribed thereto under *"ITEM 2.7- Material Agreements - Management Agreement"*;

"RE Bonds" means the Real Equity bonds, which shall be offered to the Subscribers. For further details on the rights, restrictions and terms of the RE Bonds see *"ITEM 5 - Securities Offered - Terms of Securities"*;

"RE Bond Indenture" means the bond indenture between the Trustee and the Issuer to be dated as of the date of Closing, as may be amended or supplemented, in the form attached hereto as Schedule "B";

"RE Collateral Mortgages" means those collateral mortgages granted by the Issuer with respect to the RE Property as security for the RE Bonds, in favour of the Trustee on behalf of the Subscribers for RE Bonds;

"RE Maturity Date" means, initially, with respect to any RE Bond, the date that is 60 months from the date of issuance of such REB Bond; provided, however, that the Issuer shall be entitled, in its sole discretion, to extend the RE Maturity Date 2 times for an additional 12 months, for a maximum period of up to 84 months;

"RE Priority Return" means, in respect of a RE Bond, interest accrued against the principal balance outstanding at the rate of 7.25% per annum and payable to the holder of RE Bond by the Issuer in priority to the shareholders of the Issuer and other creditors of the Issuer (other than the holders of Senior Indebtedness) and payable on a quarterly

basis, or, alternatively, accrued at the option of the directors of the Issuer, see "*ITEM 5 - Securities Offered - Terms of Securities*";

"**RE Bonds**" means the Real Equity Bonds which shall be offered to Subscribers. For further details on the rights, restrictions and terms of the RE Bonds see "*ITEM 5 - Securities Offered - Terms of Securities*";

"**RE Property**" means the property proposed to be purchased with the proceeds from the REB Units, identified as Station Square, located at 10004 - 99 Avenue, Fort Saskatchewan, Alberta;

"**REB Units**" means the Real Equity Bond units, which shall be offered to the Subscribers and which shall each be comprised of a RE Bond, a Right and 100 Warrants. For further details on the rights, restrictions and terms of the REB Units see "*ITEM 5 - Securities Offered - Terms of Securities*";

"**Regulations**" means regulations made under the Tax Act;

"**Right**" means a right granted to a holder of a REB Unit by the Issuer pursuant to the instrument in the form attached hereto as Schedule "C" which provides the Subscriber of REB Units (or its designate) a right to receive a cash amount calculated as the redemption amount paid to the holder of the Rights upon the completion of a sale of the RE Property. For further details on the rights, restrictions and terms of the Rights see "*ITEM 5 - Securities Offered - Terms of Securities*";

"**Securities**" means, collectively, the HB Bonds and the REB Units;

"**Securities Regulatory Authorities**" means, collectively, the securities commissions or similar securities regulatory authorities in the Selling Jurisdictions;

"**Selling Commissions**" shall have the meaning ascribed thereto under "*ITEM 7 - Compensation Paid to Sellers and Finders*";

"**Selling Jurisdictions**" means the Provinces of British Columbia, Alberta, and Ontario, and such other jurisdictions as the Issuer may determine;

"**Special Resolution**" means: (i) a resolution passed by more than 66 2/3% of the votes cast by those Securityholders entitled to vote on such resolution, whether cast in person or by proxy, at a meeting of Securityholders, at which a quorum was present, called (at least in part) for the purpose of approving such resolution; or (ii) a resolution approved in writing, in one or more counterparts, by holders of more than 66 2/3% of the votes represented by those Securities entitled to be voted on such resolution;

"**Subscriber**" means a Person acquiring Securities pursuant to the Offering described herein;

"**Subscription Agreement**" means the subscription agreement to be completed by Subscribers, attached as Schedule "E" hereto;

"**Subscription Price**" means \$1,000 per Security;

"**Subscription Proceeds**" means the gross monies received by the Issuer in consideration for the issuance of Securities under the Offering;

"**Tax Act**" means the *Income Tax Act* (Canada), as amended from time to time;

"**Trustee**" means Alliance Trust Company, the trustee for and on behalf of the holders of Securities of the Issuer under the HB Bond Indenture and the RE Bond Indenture;

"**Securities**" means the HB Bonds and the REB Units (comprised of the RE Bonds and Rights), as may be applicable in the context. See "*ITEM 2- Business of the Issuer - Material Agreements*" and "*ITEM 5 - Securities Offered*";

"**Securityholder**" means a holder of Securities and "**Securityholders**" means all holders of Securities, each as may be applicable in the context;

"**U.S.**" means the United States of America;

"**Warrant**" means a common share purchase warrant of the Issuer in the form attached hereto as Schedule "D", with each Warrant entitling the holder to purchase one Class C common share at any time for a period of 5 years from the date of issuance at an exercise price of \$0.50 per Common Share within the first 12 months, with the price escalating by 10% per year following the first anniversary from the date of issuance;

"**WCHO**" means Westcoast Homeownership Ltd., a company incorporated under the laws of British Columbia, which is affiliated with the Manager, and which entity shall contract for the HB Properties using its own funds and funds provided by the Issuer from the HB Bonds.

In this Offering Memorandum, references to "we", "us", "our", "the Issuer" and other similar terms refer to North America Home Finance Inc. and not to any other entity.

All references to currency herein are references to lawful money of Canada unless specifically stated otherwise.

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CONFIDENTIAL OFFERING MEMORANDUM

North America Home Finance Inc.

1. USE OF AVAILABLE FUNDS

1.1. Funds

The following table discloses the net proceeds of the Offering after deduction of the costs associated with the Offering:

	<u>REB UNITS</u>	Assuming REB Minimum Offering ⁽²⁾	Assuming REB Maximum Offering ⁽²⁾
A	Amount to be raised by this Offering	\$1,000,000	\$3,700,000
B	Selling commissions and fees ⁽¹⁾	\$80,000	\$296,000
C	Estimated Offering costs (e.g. legal, accounting, audit and marketing costs)	\$35,000 ⁽³⁾	\$75,000
D	Available funds: $D = A - (B+C)$	\$885,000	\$3,329,000
E	Additional Sources of funding required ⁽⁴⁾	\$14,655,000	\$12,075,000
F	Working Capital Deficiency	\$0	\$0
G	Total: $G = (D+E) - F$	\$15,540,000	\$15,404,000

Notes:

1. Assumes aggregate selling commissions and fees of 8% to eligible dealers are paid on all Subscription Proceeds. Actual commissions paid may be lower than stated as the Issuer has the ability to recover marketing costs for the offering by paying a 2% lower commission to the Agent. See "ITEM 7 – Compensation to Sellers and Finders".
2. The Issuer shall only complete the first REB Unit Closing when the Issuer accepts subscriptions for at least the REB Minimum Offering, from which the funds shall be used to purchase the RE Property.
3. The estimated costs under the Offering are expected to be an aggregate of \$35,000, whether the Issuer completes the HB Minimum Offering, the REB Minimum Offering or both.
4. The additional sources of funding include the Acquisition Mortgage and the Bridge Loan.

	<u>HB BONDS</u>	Assuming HB Minimum Offering ⁽²⁾	Assuming HB Maximum Offering ⁽²⁾
A	Amount to be raised by this Offering	\$100,000	\$5,000,000
B	Selling commissions and fees ⁽¹⁾	\$8,000	\$400,000
C	Estimated Offering costs (e.g. legal, accounting, audit and marketing costs)	\$35,000 ⁽³⁾	\$115,000
D	Available funds: $D = A - (B+C)$	\$57,000	\$4,485,000
E	Additional Sources of funding required	\$0	\$0
F	Working Capital Deficiency	\$0	\$0
G	Total: $G = (D+E) - F$	\$57,000	\$4,485,000

Notes:

1. Assumes aggregate selling commissions and fees of 8% to eligible dealers are paid on all Subscription Proceeds. Actual commissions paid may be lower than stated as the Issuer has the ability to recover marketing costs for the offering by paying a 2% lower commission to the Agent. See "ITEM 7 – Compensation to Sellers and Finders".
2. The Issuer shall only complete the first HB Bond Closing when the Issuer accepts subscriptions for at least the HB Minimum Offering.
3. The estimated costs under the Offering are expected to be an aggregate of \$35,000, whether the Issuer completes the HB Minimum Offering, the REB Minimum Offering or both.

1.2. Use of Available Funds

The following tables provide a detailed breakdown of how the Issuer shall use the available funds from each of the Securities offered:

Description of intended use of available funds from the REB Units (listed in order of priority)	Assuming REB Minimum Offering	Assuming REB Maximum Offering
Property Acquisition Cost net of purchaser credit ⁽¹⁾	\$14,750,000	\$14,750,000
Closing Costs and Indemnity Insurance	\$315,000	\$315,000
Acquisition Fee under management contract	\$129,375	\$129,375
Capital Reserve	\$345,625	\$210,625
Available Funds:	\$15,540,000	\$15,405,000

Note:

1. The draft purchase and sale agreement is structured so as to provide the Issuer with a credit of approximately \$2.5 million. The Issuer does not intend to close upon the REB Minimum Offering until such time as the Acquisition Mortgage and Bridge Loan have been obtained.

The proceeds of the REB Minimum Offering and the funds to be obtained from the Acquisition Mortgage (and Bridge Loan, as applicable) are anticipated to be used to purchase the RE Property, however, while the Manager has been negotiating with the vendor of the RE Property, the Issuer does not currently have a binding right to purchase the RE Property. In addition, the Issuer has not secured the Bridge Loan. In the event the Bridge Loan is required to complete the purchase of the RE Property, there is no assurance that the Issuer will be able to obtain the Bridge Loan on terms satisfactory to the Issuer.

The proceeds we receive in excess of the REB Minimum Offering and any funds from mortgaging and remortgaging of the RE Property may be used to make refundable and non-refundable deposits on account of the purchase price of another RE Property, to pay mortgage application fees, to pay property due diligence and inspection costs and to payout any financing that we determine can be replaced with more favourable financing. These payments and costs shall include amounts paid to arm's-length third parties and all out-of-pocket costs incurred by the Issuer in the conduct of property inspection and due diligence. There may be non-refundable deposits, mortgage application fees and property due diligence and inspection costs paid by the Issuer in respect of a property it does not acquire, thereby resulting in a possible loss of those deposits, fees or costs.

To calculate a reasonable capital reserve for the renovation and upgrading of the RE Property and for a capital reserve, the Issuer expects to obtain and rely upon a comprehensive third party due diligence report commissioned for the RE Property. The report is expected to include an assessment of the RE Property's age, general state of repair, as well as consider what capital expenditures would be sufficient to cover all or a portion of the repairs or upgrades identified as reasonably necessary or desirable to maintain the economic life span of the RE Property.

Description of intended use of available funds from the HB Bond issuance listed in order of priority	Assuming HB Minimum Offering	Assuming HB Maximum Offering
Return capital funded by WCHO on initial HB Properties	\$35,000	\$35,000
Funding additional bonded deposits on units contracted by WCHO	-	\$2,937,000
Available to advance for Sales, Marketing or management costs up to the amount credited against WCHO contracted units.	\$22,000	\$1,513,000
Available Funds:	\$57,000	\$4,485,000

Reallocation

The Issuer intends to spend the net proceeds in accordance with its investment objectives, strategies, restrictions and policies as set out in this Offering Memorandum. We shall reallocate funds only for sound business reasons including liquidity or cash management requirements. See "*ITEM 2- Business of the Issuer*".

2. BUSINESS OF THE ISSUER

2.1. Structure

The Issuer

The Issuer is a privately held company incorporated under the *Canada Business Corporations Act* on July 27, 2016. The principal office of the Issuer is located at #800, 1040 West Georgia Street, Vancouver, British Columbia V6E 4H1.

The Trustee

The Trustee was incorporated under the *Loan and Trust Corporations Act* (Alberta) and provides corporate trustee services. The principal office of the Trustee is located at #1010, 407 – 2nd Street S.W. Calgary, Alberta T2P 2Y3.

2.2. Our Business

Overview

The Issuer was formed to develop the business of providing financing to residential real estate developers and home purchasers, along with the acquisition, financing, management and operation of commercial real estate. The Issuer's ultimate business purpose is to contribute to the growth in homeownership in North America through the introduction of advanced funding tools and mortgage products for housing developers and home purchasers.

Management of the Issuer believes in the value of people investing in home ownership and has formed the Issuer to lead the way for people to have the universal choice to become homeowners. When people own their home, they have the financial benefit of any appreciation in the value of their home as well as creation of capital through pay-down of a mortgage. One fundamental benefit that home ownership provides is the ability to pay off the mortgage and create wealth by eliminating the monthly cost of housing. The only way for a person to have true financial control and achieve rent-free or mortgage-free status is to first be able to purchase a home and then payoff the mortgage over time. Singapore is one country which has achieved results in their home ownership rate far beyond what North America has achieved. Management of the Issuer believes similar options should be available for people in North America and the Issuer will be focused on making them available.

Management of the Issuer believes that as the home price index rises there will be increasing demand for new mortgage options which provide greater flexibility with regard to the monthly payment amount. The longer term goal for the Issuer is to be able to offer mortgage products in the future with lower monthly payments. These lower monthly payment options would allow the Issuer to effectively compete with existing mortgage lenders. See ITEM 2.4 – *Long Term Objectives* below. As a strategy to achieve this goal and compete with other existing mortgage lenders, the Issuer intends to initially grow its balance sheet through the acquisition of commercial real estate. The Issuer also intends to use the deployment of the HB Bond funds with housing developers as a way to get access to high quality new housing inventory in order to attract prospective customers for its mortgage products as it builds its loan volumes starting with smaller annual loans. As loan volumes increase and the capital base of the Issuer grows

to provide greater economies of scale, competitiveness on mortgage terms will increase and a wider range of home purchasers will be served.

Each city or urban region carries unique risks and opportunities to access residential housing inventory from developers or acquire desirable commercial real estate properties. For example, the current market trends and characteristics in Vancouver are very different from those in Calgary, Toronto or Ottawa and the unique risks to each market must be qualified and understood by Management in order to make sure investments in any of these given markets succeed. The demand for housing units in Vancouver is currently strong with some of the lowest unemployment rates in its history, but with the new foreign buyer tax and recent changes in CMHC mortgage underwriting rules, the market has recently levelled off. In Calgary, the market is experiencing higher unemployment which the Issuer expects will result in a reduced demand for housing. The Issuer expects that a reduced demand for housing will create greater opportunity for increased negotiated profit margins on pre-purchase unit contracts with residential housing developers but could result in longer sale timelines and reduced sales prices. Management of the Issuer must continually monitor market trends and home purchase activity along with new housing starts in order to manage these variables for the overall success of the Issuer.

A greater portion of the Issuer's focus is on the issuance of HB Bonds and involvement in housing inventory financing. From time to time as additional commercial real estate opportunities are found the Issuer shall analyze and determine if the property is suitable, and if so, shall proceed with acquisition through issuance of a new series of REB Units. These investments shall be made when the opportunity is attractive enough to warrant them but this is not the Issuer's sole strategy. The next milestone will be the negotiation of a larger unit contract of greater than \$3,000,000 in value which will allow for the funding of a bonded deposit by a larger issuance of HB Bonds further adding to the scale of the Issuer.

The Issuer is a new company and, as with any early stage company, there is greater risk to the Issuer's success due to the various milestones required when introducing a new investment strategy, as well as new products into the market place. The HB Bonds represent a new investment strategy that relies heavily on management's ability to ensure timely and profitable sale of the residential housing inventory funded by the proceeds from the HB Bonds sold by the Issuer. The ability to pay the HB Priority Return depends upon the Issuer being able to profit from the sale of the residential housing inventory. See "*ITEM 2.2 – Our Business – Investment in Residential Real Estate (HB Bonds)*" and see "*ITEM 8 – Risk Factors*".

The business model of the Issuer is designed to allow individual investors to pool their funds with other investors under the Offering in order to invest in projects they may not otherwise have an opportunity to invest in on their own. The Issuer intends to pass along a portion of the gains realized through funding the development and ownership of new residential real estate to Subscribers through the ownership of the HB Bonds, and to benefit Subscribers from the Issuer's investment in and the operation of the RE Property through ownership of the RE Bonds and through ownership of the Issuer's common shares, should the Subscriber choose to exercise their Warrants.

The Issuer intends to contract with the Manager for all its operational needs, and will not have its own fixed salary costs or office space costs. The Issuer will be fully managed by the Manager and all activities conducted by the Issuer will be performed by the Manager in exchange for the various fees defined in the Management Agreement. The Management Agreement links all management compensation to a set percentage of fees based on actual returns and income generated by the Issuer. Management of the Issuer believes this will allow the Issuer to operate more efficiently, with less fixed overhead costs and allow the Issuer to more fully utilize its funds to grow its business.

Investment in Commercial Real Estate (RE Bonds)

Overview

One aspect of the Issuer's business is to acquire, re-develop, expand, upgrade, hold and operate commercial real estate to derive income therefrom, with a view to making a profit from the ongoing operation of the commercial property, and potentially, from the ultimate sale of the commercial property. The RE Property represents the Issuer's first potential commercial property, however, apart from a letter of intent, the Issuer does not have a binding legal right to purchase the RE Property. There can be no assurance that the Issuer will be successful in acquiring the RE Property.

The Issuer plans to offer additional series of REB Units to fund separate and additional commercial real estate properties in the future. As the Issuer grows its asset base, it will achieve greater economies of scale and better access to lower cost capital. Future commercial real estate investment opportunities to be considered could include apartment buildings (preferably condo titled), shopping centres or malls, multi-tenanted office buildings or business

parks and light industrial buildings or industrial warehouse properties with a range of users and lease expiries. Usually the properties are leased to a variety of tenants in different specialties and often have a range of lease expiry dates to minimize concentrated vacancies. Multi-tenanted commercial and residential properties minimize the risk of vacancies and are more likely to provide consistent cash flow while preserving invested capital. A consistent cash flow creates the ability to pay interest on the RE Bonds, as well as the debt incurred to purchase such properties or reducing the mortgage principal, all of which is directed to increasing the financial strength of the Issuer.

The Issuer operates on the following principles:

- that well-located properties have historically appreciated in value over time;
- that the current low interest rate environment enables real estate owners to obtain historically low mortgage rate financing;
- that when cash flow from a property exceeds the interest rate charged on the mortgage, there is an opportunity to gain positive leverage which increases the overall return on capital invested;
- that current low financing costs provide investment opportunity in real estate with attractive leveraged yields that are not available in many other investment alternatives; and
- that real estate investment may also provide an opportunity for greater returns through capital appreciation.

Management also believes that commercial properties can be acquired at an attractive price as a result of market inefficiencies, sub-optimal ownership practices or incompatibility with the current owner's investment strategy. By providing experienced and proper management, higher returns can be generated from such properties over time. The value can be increased through a variety of techniques such as restructuring ownership entities, refinancing, re-merchandising, re-leasing, re-negotiating existing leases, change of use, capital improvements, renovations or market shifts. The Issuer intends to use the aggregate net proceeds realized from the Offering of REB Units, together with the proceeds from the Acquisition Mortgage (and Bridge Loan, as applicable) to purchase the RE Property. Management's attention will be focused on properties which are believed to be operating below their potential realizable value. Management intends to: (a) concentrate on identifying properties for possible acquisition in growth markets; (b) aggressively manage and reposition those properties with the view to preserving the Issuer's capital; (c) provide cash returns to service the RE Bonds; and (d) enhance the potential for increased income and capital gains on the eventual sale of the RE Property for a holder of Rights.

The Issuer shall purchase a commercial property at prices and on terms negotiated with arm's length third party vendors. In some cases we might acquire a commercial property under an agreement entered into by a company associated or affiliated with the Manager, or its nominee, with arm's length third party vendors, which agreement shall be assigned to the Issuer at no cost other than reimbursement of any deposits (some of which may be refundable to the Issuer) and due diligence or other out-of-pocket expenses incurred before the assignment.

In the last six months, the Manager has been actively examining commercial real estate investment opportunities in order to find one worthy of being acquired in conjunction with the use of proceeds under the REB Unit Offering. The REB Unit Offering will track the progress of the property through the due diligence review process and only upon waiver of diligence conditions by the Issuer along with the REB Minimum Offering being achieved, will the Issuer proceed with the acquisition of the RE Property. See also "*Schedule 'T' – Powerpoint Presentation for the RE Bonds*".

Use of Acquisition Mortgage and Mortgage Loans

In addition to raising funds through the issuance of RE bonds, the Issuer shall negotiate financing, as needed, for a portion of the purchase price and any ongoing operating requirements of a commercial property. Such financing may include the refinancing of any acquisition financing where more favourable financing becomes available, and to realize funds by way of mortgage loans from third party lenders such as banks, trust companies, mortgage syndicates or other providers of mortgage funding including, without limitation, the Acquisition Mortgage (and the Bridge Loan, as applicable). The Issuer expects that the first mortgage loan charging a commercial property shall not be more than 75% of the appraised value of the property and that any bridge financing required to complete the

acquisition prior to the maximum offering not be more than 85% of the appraised value of the property, plus the amount of any property management reserve account, which may be required by the applicable lenders.

Distribution of Cash Flow Generated

The Issuer expects that any cash flow generated by a commercial property will be applied towards the property operating expenses, providing for reasonable reserves for working capital, renovations and upgrades, and the payment of interest and annual principal payments on the mortgage loans, fees due under the Management Agreement and interest payments on the RE bonds (the RE Priority Return) issued for that particular commercial property. The Issuer's ability to pay the RE Priority Return will depend upon the cash flow generated by the RE Property. There is a risk that the cash flow generated by the RE Property will not be sufficient to cover all the operating and other expenses related to the RE Property, to pay amounts owing under the Acquisition Mortgage and to pay the RE Priority Return and ultimately repay the RE Bonds. See "ITEM 8 – Risk Factors".

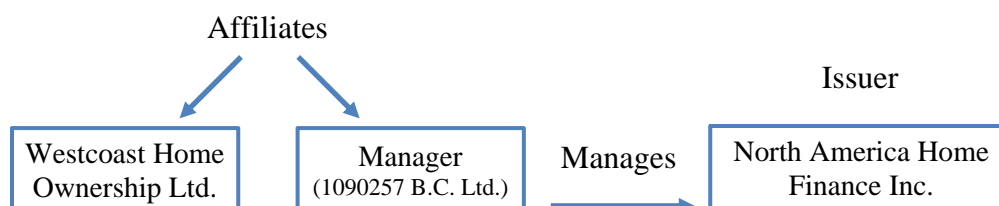
Management of the Commercial Properties

The Issuer expects that it may engage one or more licensed property management companies to manage commercial properties it acquires, and in particular, the RE Property. A third party property management company would be engaged to oversee property maintenance and lease administration in order to effectively manage any property which is purchased by the Issuer. Management of the Issuer will retain final decision making authority on all lease negotiation decisions, financing decisions, major capital upgrade requirements and the decision ultimately to divest of the commercial property when deemed advantageous. The property management fees in most cases are expected to be covered under the recoverable operating costs in the commercial leases of tenants occupying the property.

Investment in Residential Real Estate (HB Bonds)

Description of Investment Model

Another aspect of the Issuer's business and its primary focus, is to invest in residential real estate development projects. In a typical residential real estate development project, the developer requires capital to acquire the property being developed and to fund the costs of construction. The Issuer intends to loan the proceeds of the HB Bonds to Westcoast Home Ownership Ltd. (WCHO), an affiliate of the Manager. This approach is used in part to provide liability protection for the Issuer's other assets and to avoid the requirement for the Issuer to be responsible for active management of the sales of contracted residential units. WCHO is responsible for the active management of sourcing the projects, negotiating the terms, and overseeing the marketing and sale of the contracted residential units. WCHO will be compensated for its role from the sale proceeds of the residential units. The below organization chart shows the relationship of WCHO as an affiliate of the manager of the Issuer.



Once the issuer loans the proceeds of the HB Bonds to WCHO, WCHO will in turn use the loan proceeds to enter into a contract with the developer to pre-purchase a number of the residential units at a discount to the expected sale price to the ultimate homeowners. The timing of the pre-purchase of residential units will coincide with the commencement of construction for the real estate project. The pre-purchase will require the funding of approximately 15-20% of the purchase price of each residential unit. The funds advanced by WCHO for the pre-purchase of residential units will be structured as a bonded deposit on the residential real estate project. Therefore, the proceeds of the HB Bonds loaned by the Issuer to WCHO are never at risk of loss during the construction phase of the residential units. The developer will be responsible for retaining and funding the cost of the surety company to guarantee the performance of the developer to ensure either the funds are either returned to WCHO or the construction of the residential units is completed and the residential units are delivered pursuant to the pre-purchase contract. The loan by the Issuer to WCHO will be secured with assignment of the bonded deposit on the residential real estate project (or the proceeds from trust, depending upon how it is structured). The security shall also include

the benefit of any proceeds paid by a surety company under obligation to ensure performance in delivery of the completed housing inventory. The third form of security under these loans includes a collateral mortgage over the residential units to be granted by WCHO to the Trustee as security for the HB Bonds. The collateral mortgage will be executed upon the loan by the Issuer to WCHO initially being made and will be registered upon title of the completed residential units once occupancy permits are issued and a developer provides clear title.

The developer will also contribute its own funds to the amount of the bonded deposit (expected to be about 10% of the HB Bond funded amount). The developer's portion of the bonded deposit will serve as a reserve to fund the HB Priority Return (interest payments) on the HB Bonds, whether the project is completed or not. The interest reserve would either be held in trust or also protected by the surety company bond ensuring a return on investment to the holders of HB Bonds, even when the development project isn't completed. In addition, the discount to market price that the Manager anticipates WCHO will negotiate in the pre-purchase of residential units, will be the source of the HB Bonus Interest Amount as well as the compensation that WCHO will receive for its role. To the extent that the residential units are sold to the homeowners at below the anticipated market price, the discount may not be sufficient to offset the amounts payable to a holder of HB Bonds. See also *"ITEM 8 – Risk Factors"* and *"Schedule 'H' – Powerpoint Presentation for HB Bonds"* for a summary of the investment model represented by the HB Bonds.

Management of the Issuer believes that the bulk purchase agreements to be negotiated by WCHO with the developer will be attractive to developers as it provides developers with the guaranteed sales which are necessary for the developer to secure construction financing or to complete the sell-out of a project. It will also assist developers in reducing market risk or further advertising or marketing costs for the remaining residential units in the project. Management of the Issuer expects that the developer will provide the discount in exchange for providing this value. The discount amount along with any sales and marketing cost credit the developer provides will serve to act as a buffer protecting HB Bond funded capital in the event the market value of residential real estate falls. Due to the timing of the investment of the funds from the HB Bonds (at the start of construction) and the security granted as a bonded deposit, a number of the typical development risks of a residential housing project are avoided, such as obtaining rezoning and permitting approvals, construction cost overruns, construction financing availability, and achievement of pre-sales targets.

Typically WCHO will also fund a portion of the pre-purchase contracts along with the Issuer to create an alignment of the two parties' interest in protecting the capital invested. Under the loan agreement between WCHO and the Issuer there will be a subordination of the repayment of any of WCHO's capital behind the portion funded by the HB Bonds. This provides additional protection to the capital funded by the HB Bonds. Based on the average metrics of the transactions negotiated in the past year, where a discount of 8-10% of the retail price of the residential unit was obtained, along with a 5% sales and marketing credit for pre-purchased residential units, if the bonded deposit represents 10% of contracted value, then only two-thirds of the contracted residential units need to be sold for the full capital to be returned to the HB Bond holders in the series.

Management believes that with the significant increase in the price of homes, the market is in need of a greater supply of new housing. This bonded deposit loan program along with the associated residential mortgage loans the Issuer anticipates being able to offer, should serve to increase access to homeownership opportunities for people. Management sees funding housing development with the protection of a bonding company's surety guarantee to eliminate development risks presenting a more attractive business opportunity than investing in development through syndicated mortgages or limited partnerships. Management also believes that this opportunity has the potential to yield total returns greater than those realized from general long-term real estate asset ownership strategies.

The risks the HB Bonds carry include those normally associated with lending against existing residential real estate. These risks include market value fluctuations, senior mortgage financing approval or renewal, and importantly the ability for the Issuer to ensure the residential units are ultimately sold. Not selling a unit could result in the HB Priority Return and the HB Bond not being repaid when due and the investment being tied up in the real estate. If the value of the real estate drops or the property is sold for less than anticipated it could result in some or all of the HB Priority Return being eliminated or a negative impact on the amount of HB Bond principal repaid to the Subscriber. The success of these loans and the total return on investment achieved is dependent upon the successful sale of the residential units contracted for purchase by WCHO. See *"ITEM 8 – Risk Factors"*.

The Issuer intends to provide funding for real estate transactions both in Canada and the United States financed with the proceeds from the issuance of HB Bonds. To eliminate any concern of currency or tax issues for the Canadian investors, the Issuer will have all interest collected from WCHO in Canadian Dollars and have WCHO covenant to deal with any currency risk or change through the course of an investment.

Residential units purchased by WCHO will be done with third party, arm's length developers in order to limit or eliminate any actual or perceived conflicts of interest between the profitability of the developer and the success of the investment of the HB Bond funds by WCHO in a residential development project.

The Issuer structured this Offering to facilitate tax-efficient investment in real estate by the Subscribers. See "*ITEM 6 - Income Tax Consequences and RRSP Eligibility - Canadian Federal Income Tax Considerations*".

The HB Properties

WCHO has already contracted for two units in phase 1 of the Pacific Landing residential development located in Victoria, British Columbia. The total contract value for these two units is \$899,800 plus GST and the total amount on deposit is \$134,970 with \$44,990 of this amount being a sales and marketing cost credit funded by the developer. The development is anticipated to have construction completed by September 2017.

Under the minimum offering amount for the HB Bonds, WCHO would be reimbursed \$35,000 of the \$134,970 deposit funded by WCHO, and a further \$22,000 secured by the deposit funded by the developer would be available to WCHO to cover sales and marketing costs for the residential units.

The Manager intends to continue to build additional relationships for the Issuer with qualified and experienced developers in primary urban markets, in order for the Issuer to be top of mind whenever any new project is preparing to be launched. This shall increase the Issuer's access to opportunities for additional housing inventory contracts to be signed and therefore further HB Bond investment to be offered for sale.

2.3. Development of Business

The Issuer was recently incorporated on July 27, 2016, however, in the last twelve months, the Manager has been active in the market place building relationships with developers, negotiating prospective unit contracts, researching development sites that will be under construction in the next year and tracking economic trends relating to housing, employment and financial markets. Of note, the Manager has successfully negotiated six contracts on residential units in the last 10 months which utilized a similar structure to the one proposed by the Issuer and has provided the template for the issuance of HB Bonds under this Offering.

2.4. Long Term Objectives

The long-term objectives of the Issuer are:

- to offer additional series of REB Units to fund investment in well-located, revenue-producing properties with positive cash flow;
- to operate and maintain the RE Property with the intention of creating profitability on a sustainable basis;
- to provide secured distributions upon full investment of the net proceeds allocated to the purchase price of the RE Property;
- to enhance return on capital and yield through HB Bond financing of real estate development opportunities;
- to offer a new series of HB Bonds in greater amounts each year corresponding with the group of units contracted by WCHO during that year;
- to grow the amount of capital available for financing new housing inventory through HB Bond issuance in order to be more capable of funding larger transactions with developers resulting in greater ability to negotiate improved profit margins;
- to become increasing more sophisticated and effective in selecting, negotiating, organizing, and managing the contracting and sale of residential unit inventory for the best results; and
- to increase value and to distribute proceeds from units sales or commercial property divestments,

We anticipate that the capital of the Issuer will be used to purchase revenue-producing commercial, industrial and multifamily real estate properties. Commercial properties may include shopping malls and multi-tenanted business parks. Industrial properties may include light industrial buildings or other industrial properties. Multifamily properties may include apartment buildings or townhouse complexes. The focus would be on properties which the

Issuer believes to be operating below their potential realizable value. The Issuer anticipates concentrating on identifying properties for possible acquisition in growth markets and to aggressively manage and reposition those properties.

The Issuer may also expand, renovate or utilize the re-development opportunities presented by a property to enhance the return on the Issuer's capital and the investor yield, while retaining a more diversified portfolio and conservative risk profile for the Issuer as a whole. Future properties would be purchased at prices and on terms negotiated with arm's length third party vendors, which may also involve purchase agreements negotiated to include tax planning involving roll-over elections in order to optimize the financial opportunity of the real estate asset.

In order for the Issuer to achieve its long-term objectives, commercial properties must be successfully acquired, managed and improved in ways that increase the equity value in the property to provide a positive return on investment. In the case of the residential inventory transactions, the Issuer must properly underwrite projects and unit selection, secure loans and coordinate sales to achieve maximum return and profitability.

The statements above constitute forward-looking statements under Applicable Securities Laws and are based on information received from the Issuer, the Manager and industry trends present at this time. Although the Issuer believes that the expectations reflected in such forward-looking statements are reasonable and represent the Issuer's expectations and belief at this time, such statements involve known and unknown risks and uncertainties, which may cause the Issuer's actual performance and results in future periods to differ materially from any estimates or projections expressed or implied by such forward-looking statements. See – *Forward-Looking Statements* disclaimer on the second page of this Offering Memorandum.

2.5. Short Term Objectives and How We Intend to Achieve Them

The objectives for the next 12 months are to complete the acquisition of the RE Property and to deploy the capital funded by HB Bonds in residential real estate projects as described under “*ITEM 2.2 Our Business – Investment in Residential Real Estate (HB Bonds)*”.

The following outlines the costs associated with the achievement of the Issuer's short-term objectives:

What we must do and how we shall do it if the Minimum Offering of HB Bonds is achieved.	Number of months to complete	Our cost to complete
Complete the first offering of HB Bonds and close on the funding of the first loan for a bonded deposit.	2 months	\$12,500
Fund the first deposit loan contract previously funded by WCHO.	2 weeks	\$35,000
Fund Sales and Marketing efforts for the initial WCHO contracted units.	10 months	\$22,000

What we must do and how we shall do it if the Maximum Offering of HB Bonds is achieved.	Number of months to complete	Our cost to complete
Complete the first offering of HB Bonds and close on the funding of the first loan for a bonded deposit.	2 months	\$12,500
Fund the first deposit loan contract previously funded by WCHO.	2 weeks	\$35,000

What we must do and how we shall do it if the Maximum Offering of HB Bonds is achieved.	Number of months to complete	Our cost to complete
Advance funding of additional bonded deposits on units sourced and contracted by WCHO.	6 months	\$2,937,000
Fund Sales and Marketing efforts for the initial WCHO contracted units.	24 months	\$1,513,000

What we must do and how we shall do it if the Minimum Offering of REB Units is achieved.	Number of months to complete	Our cost to complete
Complete the minimum offering of REB Units.	3 months	\$315,000
Complete the Bridge loan and Acquisition Mortgage funding requirements.	4 months	N/A
Complete the RE Property Acquisition and cover closing costs and indemnity insurance.	4 months	\$14,750,000
Fund the Acquisition Fee and Capital Reserve for the RE Property.	4 months	\$475,000
Operate and fund excess Bridge Loan interest	12 months	\$95,000

What we must do and how we shall do it if the maximum offering of REB Units is achieved.	Number of months to complete	Our cost to complete
Complete the maximum offering of REB Units.	3 months	\$315,000
Complete the Acquisition Mortgage funding requirements.	4 months	N/A
Complete the RE Property Acquisition and cover closing costs and indemnity insurance.	4 months	\$14,750,000
Fund the Acquisition Fee and Capital Reserve for the RE Property.	4 months	\$340,000
Operate and manage the RE Property	12 months	N/A

2.6. Insufficient Funds

The proceeds of this Offering may not be sufficient to accomplish all of the Issuer's proposed objectives and there is no assurance that alternative financing shall be available or, if available, may be obtained by the Issuer on reasonable terms. The cost of any alternative financing may be higher than anticipated and if obtained could result in a lower than expected return on investment or potential for erosion of principal investment value.

2.7. Material Agreements

Following is a list and a detailed description of agreements entered into, or to be entered into, by the Issuer and which can reasonably be regarded as material to the Issuer or a prospective Subscriber of Securities.

List of Material Agreements

- (a) The HB Bond Indenture to be entered into at the date of Closing between the Issuer and the Trustee for the benefit of HB Bondholders;
- (b) The RE Bond Indenture to be entered into at the date of Closing between the Issuer and the Trustee for the benefit of RE Bondholders;
- (c) The Management Agreement dated November 1, 2016, between the Manager and the Issuer; and
- (d) The Agency Agreement to be entered into at the date of Closing between the Issuer and the Agent.

Detailed Summary of Material Agreements

(a) HB Bond Indenture

Upon Closing, the Issuer and the Trustee will enter into the HB Bond Indenture, in the form attached hereto as Schedule "A".

The HB Bond Indenture provides for the issuance of the HB Bonds. The HB Bonds shall be direct obligations of the Issuer and shall rank equally and *pari passu* with each other (regardless of their actual dates or terms of issue). The aggregate principal amount of HB Bonds which may be issued and outstanding from time to time under the HBB Indenture is \$5,000,000, and such HB Bonds may be issued thereunder only upon the terms and subject to the conditions therein provided.

HB Bond Attributes

The HB Bonds shall have the following attributes:

- ☐ the HB Bonds shall be dated as of the date of issue and shall mature on the HB Maturity Date;
- ☐ other than as provided for in the HBB Indenture, the HB Bonds shall be non-voting;
- ☐ the HB Bonds shall be issued only as fully registered HB Bonds in denominations of \$1,000, with a minimum subscription amount per Bondholder of \$5,000 or 5 HB Bonds;
- ☐ on the HB Maturity Date, the Issuer shall repay the HB Bonds;
- ☐ after the Issuer repays the HB Bonds, the holder of HB Bonds shall have the option to reinvest in new HB Bonds at a discounted rate such that they can purchase the same number of HB Bonds for 97% of the principal amount of their repurchased HB Bonds;
- ☐ the HB Bonds shall be secured by, *inter alia*, the HB Collateral Mortgages, certain of which HB Collateral Mortgages shall be executed in connection with Closing and registered upon occupancy permits being issued on the residential units and others of which will be executed post-Closing and registered during the term of the HB Bonds;
- ☐ the HB Bonds shall also be secured by the other security documents and the minimum HB Priority Return protected by an interest reserve held in trust along with a surety company providing bonding; and
- ☐ the holder of HB Bonds shall be entitled receive both the HB Priority Return and the HB Bonus Interest Amount with such payments being payable upon the HB Maturity Date; and

- ☐ regardless of when a HB Bond is subscribed for or issued in a quarter, the holder of HB Bonds shall be entitled to receive the HB Priority Return for the entire quarter.

Security

As general and continuing collateral security for the due payment and performance of any obligations owing to the Trustee or the holders of HB Bonds or under any of the HB Bonds, the Issuer grants, mortgages, charges, transfers and assigns to the Trustee a security interest in the Issuer's right, title, interest and property in and to all of its present and after-acquired personal property, of whatsoever kind and located on lands subject to the HB Collateral Mortgages, including, without limitation, all proceeds in the form of goods, chattel paper, investment property, documents of title, instruments, intellectual property, money or intangibles.

Covenants

Under the HB Bond Indenture, the Issuer covenants and agrees to, *inter alia*, do the following:

- ☐ to pay principal, ordinary interest on the principal balance outstanding in the form of the HB Priority Return and participating interest on the principal balance outstanding in the form of the HB Bonus Interest Amount;
- ☐ to duly and punctually perform and carry out all of the acts or things to be done by it as provided in the HBB Indenture;
- ☐ to carry on and conduct its business in a proper, efficient and businesslike manner and to preserve and keep in full force and effect its corporate existence and rights.
- ☐ to pay the Trustee reasonable remuneration for its service as trustee under the HB Bond Indenture
- ☐ protect its property against all liabilities of any nature; and shall pay or cause to be paid all such liabilities and all charges incurred in its business operations unless same is being contested in good faith; shall indemnify and hold the Trustee free and clear of any liens, charges and security interest or attempted liens, charges or security interests upon its property.
- ☐ pay or cause to be paid all royalties, rents, charges, taxes, rates, levies, assessments, ordinary or extraordinary, government royalties, fees or dues lawfully levied, assessed or imposed upon or in respect of its property or any part thereof or upon the income and profits of the Issuer as and when the same become due and payable
- ☐ to cause all of its property to be properly insured with reputable insurers;
- ☐ if the Issuer has been served with a statement of claim in respect of any legal proceedings against the Issuer that could materially impact its business or financial condition, to furnish to the Trustee a copy of such statement of claim within 30 days of service.
- ☐ to give notice in writing to the Trustee of the occurrence of any event of default or any event which would, with notification or with the lapse of time or otherwise, constitute an event of default;
- ☐ to not, without the prior approval of the holders of HB Bonds, declare or pay any dividends on any securities at any time after the occurrence of an event of default unless and until such default shall have been cured or waived or shall have ceased to exist;
- ☐ to deliver an annual certificate of compliance; and
- ☐ to not at any time insist upon, plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay, extension or usury law or other law which would prohibit or forgive the Issuer from paying all or any portion of the principal of the HB Bonds, the HB Priority Return or HB Bonus Interest Amount.

The Issuer also covenants and it agrees that it shall not without the consent of holders of not less than 66 2/3% of the principal amount of HB Bonds outstanding:

- ☐ sell, exchange, transfer, assign or dispose of all or substantially all of its property and assets;
- ☐ create or suffer to be created any mortgage, hypothec, lien, charge, encumbrance or security interest of whatsoever nature upon its property ranking in priority to or *pari passu* with the lien hereof except for permitted encumbrances;

- ☐ incur or become liable for any indebtedness for borrowed money, in addition to that hereunder when it is in default under the HBB Indenture, except for current indebtedness incurred in the ordinary course of business of the Issuer or incurred to avoid an event of default under the HBB Indenture;
- ☐ guarantee the debts, liabilities or obligations of any person or become the endorser on any note or other obligation when it is in default under the terms of the HBB Indenture;
- ☐ reduce its capital or make any distribution otherwise than out of surplus of its assets, or redeem, purchase or otherwise retire or pay off any of the issued and outstanding shares for the time being of the Issuer;
- ☐ lend money to any person, when it is in default under the HBB Indenture;
- ☐ make any capital expenditures, other than in the ordinary course of business of the Issuer when it is in default under the HBB Indenture; or
- ☐ make any distribution to its shareholders or any of them or declare or pay any dividends until the HB Bonds are repaid in full.

Events of Default

Upon the happening of any one or more of the following events, and subject to Section 7.2 of the HBB Indenture, namely:

- ☐ if the Issuer makes default in payment of the principal amount, the HB Priority Return or HB Bonus Interest Amount when the same becomes due and payable under any provision hereof or of the HB Bonds and such default is not remedied within 30 days or waived by the holders of not less than 66 2/3% of the principal amount of HB Bonds outstanding;
- ☐ if a decree or order of a court having jurisdiction in the premises is entered adjudging the Issuer, or a material subsidiary a bankrupt or insolvent under any bankruptcy, insolvency or analogous laws, or issuing sequestration or process of execution against, or against any substantial part of the property of, the Issuer or a material subsidiary, or appointing a receiver of, or of any substantial part of the property of, the Issuer, or a material subsidiary or ordering the winding-up or liquidation of its affairs, and any such decree or order continues unstayed and in effect for a period of 30 days;
- ☐ if a resolution is passed for the dissolution, winding-up or liquidation of the Issuer or a material subsidiary except in the course of carrying out or pursuant to a transaction in respect of which the conditions of Section 10.1 of the HBB Indenture are duly observed and performed or if the Issuer or a material subsidiary institutes proceedings to be adjudicated a bankrupt or insolvent, or consents to the institution of bankruptcy or insolvency proceedings against it under any bankruptcy, insolvency or analogous laws, or consents to the filing of any such petition or to the appointment of a receiver of, or of any substantial part of, the property of the Issuer or a material subsidiary or makes a general assignment for the benefit of creditors, or admits in writing its inability to pay its debts generally as they become due or takes corporate action in furtherance of any of the aforesaid purposes;
- ☐ if the Issuer shall neglect to observe or perform any other covenant or condition herein contained on its part to be observed or performed and, after notice in writing has been given by the Trustee to the Issuer specifying such default and requiring the Issuer to put an end to the same (which said notice may be given by the Trustee, in its discretion, and shall be given by the Trustee upon receipt of a request in writing signed by the holders of not less than 15% in principal amount of the HB Bonds then outstanding), the Issuer shall fail to remedy such default within a period of 30 days, unless the Trustee (having regard to the subject matter of the default) shall have agreed to a longer period, and in such event, within the period agreed to by the Trustee; or
- ☐ if, after the date of the HBB Indenture, any proceedings with respect to the Issuer are taken with respect to a compromise or arrangement, with respect to creditors of the generally, under the applicable legislation of any jurisdiction;

then in each and every such event the Trustee may in its discretion and shall upon receipt of a request in writing signed by the holders of not less than 15% in principal amount of the HB Bonds then outstanding, subject to the provisions of Section 7.3 of the HBB Indenture, by notice in writing to the Issuer declare the principal on all HB Bonds then outstanding and all other moneys outstanding hereunder to be due and payable and the same shall forthwith become immediately due and payable to the Trustee and the security documents shall forthwith become

enforceable, anything therein or herein to the contrary notwithstanding, and the Issuer shall forthwith pay to the Trustee for the benefit of the holders of HB Bonds such principal, and all other moneys outstanding hereunder.

Enforcement

Any time after the security documents have become enforceable in accordance with the terms of the HBB Indenture, in addition to all enforcement rights available in connection with the Security Documents, the Trustee shall have the following rights and powers:

- ☐ to enter, take possession of, inspect, collect, get in, manage or use all or any part of the collateral with the power to exclude the Issuer therefrom and for such purpose to take any proceedings in the name of the Issuer or otherwise;
- ☐ to preserve, maintain and repair the collateral and make such replacements thereof and additions thereto as it deems advisable;
- ☐ to collect any proceeds arising in respect of the collateral;
- ☐ to institute proceedings in any court of competent jurisdiction for the appointment of a receiver of the collateral;
- ☐ to institute proceedings in any court of competent jurisdiction for sale or foreclosure of the collateral;
- ☐ to file proofs of claim and other documents to establish claims in any proceeding relating to the Issuer;
- ☐ to undertake any other remedy or proceeding authorized or permitted under law or equity;
- ☐ to pay or otherwise satisfy in whole or in part any encumbrances which, in the Trustee's opinion, rank in priority to the security hereof; and
- ☐ by instrument in writing, to appoint any person or persons (whether an officer or officers of the Trustee or not) as a receiver of the collateral and to remove any receiver so appointed and appoint another or others in its stead.

In addition to the remedies of the Trustee set forth above, the Trustee may, any time after the security documents have become enforceable:

- ☐ carry on all or any part of the business of the Issuer and, to the exclusion of all others including the Issuer, enter upon, occupy and use the collateral for such time as the Trustee sees fit, free of charge, and the Trustee shall not be liable for any act, omission or negligence in so doing or for any rent, charges, depreciation or damages incurred in connection therewith or resulting therefrom;
- ☐ borrow for the purpose of carrying on the business of the Issuer or for the maintenance, preservation or protection of the collateral and mortgage, charge, pledge or grant a security interest in the collateral, whether or not in priority to the security documents, to secure repayment;
- ☐ advance the Trustee's own money to the Issuer, in any case upon such terms as the Trustee may deem reasonable and upon the security hereof; and
- ☐ demand, commence, continue or defend any judicial or administrative proceedings for the purpose of protecting, seizing, collecting, realizing or obtaining possession or payment of the collateral, and give valid and effectual receipts and discharges therefor and compromise or give time for the payment or performance of all or any part of the accounts or any other obligation of any third party to the Issuer in relation to the collateral.

Meetings of holders of HB Bonds

The Trustee or the Issuer may at any time and from time to time and the Trustee shall on receipt of a written request of the Issuer or a written request signed by the holders of not less than 15% in principal amount of the HB Bonds then outstanding and upon being funded and indemnified to its reasonable satisfaction by the Issuer or by the holders of HB Bonds signing such request against the costs which may be incurred in connection with the calling and holding of such meeting, convene a meeting of the holders of HB Bonds. In the event of the Trustee failing within 30 days after receipt of any such request and such funds and indemnity to give notice convening a meeting, the Issuer or such holders of HB Bonds, as the case may be, may convene such meeting. Any such meeting shall be held in the City of Vancouver or at such other place as may be approved or determined by the Trustee. At least 15 days' notice of any meeting shall be given to the holders of HB Bonds. At any meeting of the holders of HB Bonds,

a quorum shall consist of holders of HB Bonds present in person or represented by proxy and representing at least 15% in principal amount of the outstanding HB Bonds. On a show of hands every person who is present and entitled to vote, whether as a holder of HB Bonds or as proxy for one or more holders of HB Bonds or both, shall have one vote. On a poll each holder of HB Bonds present in person or represented by a proxy duly appointed by an instrument in writing shall be entitled to one vote in respect of each \$1,000 principal amount of HB Bonds of which it shall then be the holder. A proxy need not be a holder of HB Bonds.

In addition to the powers conferred upon them by any other provisions of the HBB Indenture or by law, a meeting of the holders of HB Bonds shall have the following powers exercisable from time to time by extraordinary resolution:

- ☐ power to sanction any modification, abrogation, alteration, compromise or arrangement of the rights of the holders of HB Bonds or the Trustee against the Issuer or against their property, whether such rights arise under the HBB Indenture or the HB Bonds or otherwise;
- ☐ power to assent to any modification of or change in or addition to or omission from the provisions contained in the HBB Indenture or any HB Bond which shall be agreed to by the Issuer and to authorize the Trustee to concur in and execute any indenture supplemental hereto embodying any modification, change, addition or omission;
- ☐ power to sanction any scheme for the reconstruction or reorganization of the Issuer or for the consolidation, amalgamation or merger of the Issuer with any other corporation or for the sale, leasing, transfer or other disposition of the undertaking, property and assets of the Issuer or any part thereof, provided that no such sanction shall be necessary in respect of any such transaction if the provisions of Section 10.1 of the HBB Indenture shall have been complied with;
- ☐ power to direct or authorize the Trustee to exercise any power, right, remedy or authority given to it by the HBB Indenture in any manner specified in any such extraordinary resolution or to refrain from exercising any such power, right, remedy or authority;
- ☐ subject to Section 7.3 of the HBB Indenture, power to waive and direct the Trustee to waive any default hereunder or cancel any declaration made by the Trustee pursuant to Section 7.1 of the HBB Indenture either unconditionally or upon any condition specified in such extraordinary resolution;
- ☐ power to restrain any holder of HB Bonds from taking or instituting any suit, action or proceeding for the purpose of enforcing payment of the principal of or interest on the HB Bonds, or for the execution of any trust or power hereunder;
- ☐ power to direct any holder of HB Bonds who, as such, has brought any action, suit or proceeding to stay or discontinue or otherwise deal with the same upon payment, if the taking of such suit, action or proceeding shall have been permitted by Section 7.5 of the HBB Indenture, of the costs, charges and expenses reasonably and properly incurred by such holder of HB Bonds in connection therewith;
- ☐ power to assent to any compromise or arrangement with any creditor or creditors or any class or classes of creditors, whether secured or otherwise, and with holders of any shares or other securities of the Issuer;
- ☐ power to appoint a committee with power and authority (subject to such limitations (if any) as may be prescribed in the resolution) to exercise, and to direct the Trustee to exercise, on behalf of the holders of HB Bonds, such of the powers of the holders of HB Bonds as are exercisable by extraordinary or other resolution as shall be included in the resolution appointing the committee. The resolution making such appointment may provide for payment of the expenses and disbursements of and compensation to such committee. Such committee shall consist of such number of persons as shall be prescribed in the resolution appointing it and the member need not be themselves holders of HB Bonds. Every such committee may elect its chairman and may make regulations respecting its quorum, the calling of its meetings, the filling of vacancies occurring in its number and its procedure generally. Such regulations may provide that the committee may act at a meeting at which a quorum is present or may act by minutes signed by the number of members thereof necessary to constitute a quorum. All acts of any such committee within the authority delegated to it shall be binding upon all holders of HB Bonds. Neither the committee nor any member thereof shall be liable for any loss arising from or in connection with any action taken or omitted to be taken by them in good faith;
- ☐ power to authorize the distribution in specie of any shares, bonds, HB Bonds or other securities or obligations or cash or other consideration received hereunder or the use or disposal of the whole or any

part of such shares, bonds, HB Bonds or other securities or obligations or cash or other consideration in such manner and for such purpose as may be deemed advisable and specified in such extraordinary resolution;

- ☐ power to authorize the Trustee or any other person to bid at any sale of the Issuer's properties or assets or any part thereof and to borrow the moneys required to make any deposit at said sale or pay the balance of the purchase price and to hypothecate, mortgage, pledge, charge, cede and transfer the property or assets so purchased as security for the repayment of the moneys so borrowed and interest thereon, or to advance such moneys (in which event they shall have a lien upon the property or assets so purchased for the amount so advanced and interest thereon) and to hold any property or assets so purchased (subject to any hypothec, mortgage, pledge, charge or lien to secure any moneys so borrowed or advanced) in trust for all the holders of HB Bonds outstanding at the time of such sale pro rata in proportion to the amounts due to them thereon respectively for principal and interest before such sale, and to sell, transfer and convey the whole or any part or parts of the property or assets so purchased for such consideration in cash or in the shares, bonds, HB Bonds or other securities or obligations of any company formed or to be formed, or partly in cash and partly in such securities or obligations, and upon such terms and conditions as may be determined by such extraordinary resolution of the holders of HB Bonds and subject to such terms and conditions, to dispose of such cash, shares, bonds, HB Bonds or other securities or obligations pursuant to the provisions of subsection (j), and until the sale, transfer or conveyance of the whole of such property or assets so purchased to maintain and operate such part of said property and assets as has not been disposed of, and for such purposes to borrow moneys and to hypothecate, mortgage, pledge, charge and cede and transfer the property and assets so purchased, or any part thereof, as security for the repayment of the moneys so borrowed, with interest thereon, or to advance such moneys (in which event they shall have a lien or charge upon the property and assets so purchased for the amounts so advanced and interest thereon) and otherwise deal with such property and assets and the proceeds of any sale, transfer or conveyance thereof as the holders of HB Bonds may by such extraordinary resolution direct;
- ☐ power to remove the Trustee from office and to appoint a new Trustee or Trustees;
- ☐ power to sanction the exchange of the HB Bonds for or the conversion thereof into shares, bonds, HB Bonds or other securities or obligations of the Issuer or of any company formed or to be formed;
- ☐ power to authorize the Issuer and the Trustee to grant extensions of time for payment of the principal or interest on any of the HB Bonds, whether or not the principal or interest the payment in respect of which is extended, is at the time due or overdue; and
- ☐ power to amend, alter or repeal any extraordinary resolution previously passed or sanctioned by the holders of HB Bonds or by any committee appointed.

Indemnification of Trustee

By way of supplement to the provisions of any law for the time being relating to trustees, it is expressly declared and agreed as follows in the HBB Indenture:

- ☐ the Trustee and its directors, officers, shareholders, agents and employees shall at all times be indemnified and saved harmless by the Issuer from and against all claims, demands, suits, losses, actions, causes of actions, costs, charges, expenses, damages and liabilities whatsoever arising in connection with the HBB Indenture, including, without limitation, those arising out of or related to actions taken or omitted to be taken by the Trustee contemplated thereby, legal fees and disbursements on a solicitor and client basis, and costs and expenses incurred in connection with the enforcement of this indemnity, which the Trustee may suffer or incur, whether at law or in equity, in any way caused by or arising, directly or indirectly, in respect of any act, deed, matter or thing whatsoever made, done, acquiesced in or omitted in or about or in relation to the execution of its duties as Trustee and including any deed, matter or thing in relation to the registration, perfection, release or discharge of security. The foregoing provisions do not apply to the extent that in any circumstances there has been a failure by the Trustee or its employees or agents to act honestly and in good faith or where the Trustee or its employees or agents have acted with gross negligence or in willful disregard to the Trustee's obligations hereunder. It is understood and agreed that this indemnification shall survive the termination of the HBB Indenture or the resignation of the Trustee;
- ☐ the Trustee shall not be liable for or by reason of any statements of fact or recitals in the HBB Indenture (except the representation contained in Sections 12.15 and 12.16 of the HBB Indenture and in the

certificate of the Trustee) or required to verify the same, but all such statements or recitals are and shall be deemed to be made by the Issuer;

- ☐ nothing therein contained shall impose any obligation on the Trustee to see to or to require evidence of the registration or filing (or renewal thereof) of the HBB Indenture or any instrument ancillary or supplemental hereto;
- ☐ the Trustee shall not be bound to give notice to any person or persons of the execution hereof; and
- ☐ the Trustee shall not incur any liability or responsibility whatever or be in any way responsible for the consequence or any breach on the part of the Issuer of any of the covenants therein contained or of any acts of any directors, officers, employees, trustees, servants or agents of the Issuer.

(b) RE Bond Indenture

Upon Closing, the Issuer and the Trustee will enter into the RE Bond Indenture, in the form attached hereto as Schedule "B".

The RE Bond Indenture provides for the issuance of the RE Bonds. The RE Bonds shall be direct obligations of the Issuer and shall rank equally and *pari passu* with each other (regardless of their actual dates or terms of issue). The aggregate principal amount of RE Bonds which may be issued and outstanding from time to time under the RE Bond Indenture is \$3,700,000, and such RE Bonds may be issued thereunder only upon the terms and subject to the conditions therein provided.

RE Bonds Attributes

The RE Bonds shall have the following attributes:

- ☐ the RE Bonds shall be dated as of the date of issue and shall mature on the RE Maturity Date;
- ☐ other than as provided for in the RE Bond Indenture, the RE Bonds shall be non-voting;
- ☐ the REB Units shall be issued only as fully registered REB Units in denominations of \$1,000, with a minimum subscription amount per holder of REB Units of \$5,000 or 5 REB Units;
- ☐ on the RE Maturity Date, the Issuer shall repay the RE Bonds unless the company uses its right to an extension;
- ☐ after the Issuer repays the RE Bonds, the holder of REB Units shall have the option to reinvest in new REB Units at a discounted rate such that they can purchase the same number of REB Units for 97% of the principal amount of their repaid REB Units;
- ☐ the RE Bonds shall be secured by, inter alia, the RE Collateral Mortgages, which RE Collateral Mortgages shall be executed in connection with Closing and registered upon occupancy permits being issued on the residential units;
- ☐ the RE Bonds shall also be secured by the other security documents and the minimum RE Priority Return protected by an interest reserve held in trust along with a surety company providing bonding;
- ☐ the holders of RE Bonds shall be entitled receive the RE Priority Return with such payment being payable at the end of each quarter in arrears on the last business day of a given quarter where the return or participation is due;
- ☐ regardless of when a RE Bond is subscribed for or issued in a quarter, the holder of RE Bonds shall be entitled to receive the RE Priority Return for the entire quarter; and
- ☐ holder of RE Bonds (or their designates) shall be entitled to be issued Rights pursuant to an instrument in the form attached hereto as Schedule "C".

Security

As general and continuing collateral security for the due payment and performance of any obligations owing to the Trustee or the holders of RE Bonds or under any of the RE Bonds, the Issuer grants, mortgages, charges, transfers and assigns to the Trustee a security interest in the Issuer's right, title, interest and property in and to all of its present and after-acquired personal property, of whatsoever kind and located on lands subject to the RE Collateral Mortgages, including, without limitation, all proceeds in the form of goods, chattel paper, investment property, documents of title, instruments, intellectual property, money or intangibles.

Covenants

Under the RE Bond Indenture, the Issuer covenants and agrees to, *inter alia*, do the following:

- ☐ pay principal and interest on the principal balance outstanding in the form of the RE Priority Return;
- ☐ duly and punctually perform and carry out all of the acts or things to be done by it as provided in the RE Bond Indenture;
- ☐ carry on and conduct its business in a proper, efficient and businesslike manner and to preserve and keep in full force and effect its corporate existence and rights.
- ☐ pay the Trustee reasonable remuneration for its service as trustee under the RE Bond Indenture
- ☐ adopt suitable corporate governance policies and at all times conduct its business and affairs in the best interests of all shareholders, and shall provide to its shareholders and to the holders of REB Units annual financial statements of the results of its operations.
- ☐ protect its property against all liabilities of any nature; and shall pay or cause to be paid all such liabilities and all charges incurred in its business operations unless same is being contested in good faith; shall indemnify and hold the Trustee free and clear of any liens, charges and security interest or attempted liens, charges or security interests upon its property.
- ☐ pay or cause to be paid all royalties, rents, charges, taxes, rates, levies, assessments, ordinary or extraordinary, government royalties, fees or dues lawfully levied, assessed or imposed upon or in respect of its property or any part thereof or upon the income and profits of the Issuer as and when the same become due and payable
- ☐ cause all of its property to be properly insured with reputable insurers;
- ☐ if the Issuer has been served with a statement of claim in respect of any legal proceedings against the Issuer that could materially impact its business or financial condition, furnish to the Trustee a copy of such statement of claim within 30 days of service.
- ☐ give notice in writing to the Trustee of the occurrence of any event of default or any event which would, with notification or with the lapse of time or otherwise, constitute an event of default;
- ☐ not, without the prior approval of the holders of RE Bonds, declare or pay any dividends on any securities at any time after the occurrence of an event of default unless and until such default shall have been cured or waived or shall have ceased to exist;
- ☐ deliver an annual certificate of compliance; and
- ☐ not at any time insist upon, plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay, extension or usury law or other law which would prohibit or forgive the Issuer from paying all or any portion of the principal of the RE Bonds, the RE Priority Return or Right.

The Issuer also covenants and it agrees that it shall not without the consent of holders of not less than 66 2/3% of the principal amount of RE Bonds outstanding:

- ☐ sell, exchange, transfer, assign or dispose of all or substantially all of its property and assets;
- ☐ create or suffer to be created any mortgage, hypothec, lien, charge, encumbrance or security interest of whatsoever nature upon its property ranking in priority to or *pari passu* with the lien hereof except for permitted encumbrances;
- ☐ incur or become liable for any indebtedness for borrowed money, in addition to that hereunder when it is in default under the RE Bond Indenture, except for current indebtedness incurred in the ordinary course of business of the Issuer or incurred to avoid an event of default under the RE Bond Indenture;
- ☐ guarantee the debts, liabilities or obligations of any person or become the endorser on any note or other obligation when it is in default under the terms of the RE Bond Indenture;
- ☐ reduce its capital or make any distribution otherwise than out of surplus of its assets, or redeem, purchase or otherwise retire or pay off any of the issued and outstanding shares for the time being of the Issuer;
- ☐ lend money to any person, when it is in default under the RE Bond Indenture;

- ☐ make any capital expenditures, other than in the ordinary course of business of the Issuer when it is in default under the RE Bond Indenture; or
- ☐ make any distribution to its shareholders or any of them or declare or pay any dividends until the RE Bonds are repaid in full.

Events of Default

Upon the happening of any one or more of the following events, and subject to Section 7.2 of the RE Bond Indenture, namely:

- ☐ if the Issuer makes default in payment of the principal amount, the RE Priority Return or Right when the same becomes due and payable under any provision hereof or of the RE Bonds and such default is not remedied within 30 days or waived by the holders of not less than 66⅔% of the principal amount of RE Bonds outstanding;
- ☐ if a decree or order of a court having jurisdiction in the premises is entered adjudging the Issuer, or a material subsidiary a bankrupt or insolvent under any bankruptcy, insolvency or analogous laws, or issuing sequestration or process of execution against, or against any substantial part of the property of, the Issuer or a material subsidiary, or appointing a receiver of, or of any substantial part of the property of, the Issuer, or a material subsidiary or ordering the winding-up or liquidation of its affairs, and any such decree or order continues unstayed and in effect for a period of 30 days;
- ☐ if a resolution is passed for the dissolution, winding-up or liquidation of the Issuer or a material subsidiary except in the course of carrying out or pursuant to a transaction in respect of which the conditions of Section 10.1 of the RE Bond Indenture are duly observed and performed or if the Issuer or a material subsidiary institutes proceedings to be adjudicated a bankrupt or insolvent, or consents to the institution of bankruptcy or insolvency proceedings against it under any bankruptcy, insolvency or analogous laws, or consents to the filing of any such petition or to the appointment of a receiver of, or of any substantial part of, the property of the Issuer or a material subsidiary or makes a general assignment for the benefit of creditors, or admits in writing its inability to pay its debts generally as they become due or takes corporate action in furtherance of any of the aforesaid purposes;
- ☐ if the Issuer shall neglect to observe or perform any other covenant or condition herein contained on its part to be observed or performed and, after notice in writing has been given by the Trustee to the Issuer specifying such default and requiring the Issuer to put an end to the same (which said notice may be given by the Trustee, in its discretion, and shall be given by the Trustee upon receipt of a request in writing signed by the holders of not less than 15% in principal amount of the RE Bonds then outstanding), the Issuer shall fail to remedy such default within a period of 30 days, unless the Trustee (having regard to the subject matter of the default) shall have agreed to a longer period, and in such event, within the period agreed to by the Trustee; or
- ☐ if, after the date of the RE Bond Indenture, any proceedings with respect to the Issuer are taken with respect to a compromise or arrangement, with respect to creditors of the generally, under the applicable legislation of any jurisdiction;

then in each and every such event the Trustee may in its discretion and shall upon receipt of a request in writing signed by the holders of not less than 15% in principal amount of the RE Bonds then outstanding, subject to the provisions of Section 7.3 of the RE Bond Indenture, by notice in writing to the Issuer declare the principal on all RE Bonds then outstanding and all other moneys outstanding hereunder to be due and payable and the same shall forthwith become immediately due and payable to the Trustee and the security documents shall forthwith become enforceable, anything therein or herein to the contrary notwithstanding, and the Issuer shall forthwith pay to the Trustee for the benefit of the holders of RE Bonds such principal, and all other moneys outstanding hereunder.

Enforcement

Any time after the security documents have become enforceable in accordance with the terms of the RE Bond Indenture, in addition to all enforcement rights available in connection with the Security Documents, the Trustee shall have the following rights and powers:

- ☐ to enter, take possession of, inspect, collect, get in, manage or use all or any part of the collateral with the power to exclude the Issuer therefrom and for such purpose to take any proceedings in the name of the Issuer or otherwise;

- ☐ to preserve, maintain and repair the collateral and make such replacements thereof and additions thereto as it deems advisable;
- ☐ to collect any proceeds arising in respect of the collateral;
- ☐ to institute proceedings in any court of competent jurisdiction for the appointment of a receiver of the collateral;
- ☐ to institute proceedings in any court of competent jurisdiction for sale or foreclosure of the collateral;
- ☐ to file proofs of claim and other documents to establish claims in any proceeding relating to the Issuer;
- ☐ to undertake any other remedy or proceeding authorized or permitted under law or equity;
- ☐ to pay or otherwise satisfy in whole or in part any encumbrances which, in the Trustee's opinion, rank in priority to the security hereof; and
- ☐ by instrument in writing, to appoint any person or persons (whether an officer or officers of the Trustee or not) as a receiver of the collateral and to remove any receiver so appointed and appoint another or others in its stead.

In addition to the remedies of the Trustee set forth above, the Trustee may, any time after the security documents have become enforceable:

- ☐ carry on all or any part of the business of the Issuer and, to the exclusion of all others including the Issuer, enter upon, occupy and use the collateral for such time as the Trustee sees fit, free of charge, and the Trustee shall not be liable for any act, omission or negligence in so doing or for any rent, charges, depreciation or damages incurred in connection therewith or resulting therefrom;
- ☐ borrow for the purpose of carrying on the business of the Issuer or for the maintenance, preservation or protection of the collateral and mortgage, charge, pledge or grant a security interest in the collateral, whether or not in priority to the security documents, to secure repayment;
- ☐ advance the Trustee's own money to the Issuer, in any case upon such terms as the Trustee may deem reasonable and upon the security hereof; and
- ☐ demand, commence, continue or defend any judicial or administrative proceedings for the purpose of protecting, seizing, collecting, realizing or obtaining possession or payment of the collateral, and give valid and effectual receipts and discharges therefor and compromise or give time for the payment or performance of all or any part of the accounts or any other obligation of any third party to the Issuer in relation to the collateral.

Meetings of Holders of RE Bonds

The Trustee or the Issuer may at any time and from time to time and the Trustee shall on receipt of a written request of the Issuer or a written request signed by the holders of not less than 15% in principal amount of the RE Bonds then outstanding and upon being funded and indemnified to its reasonable satisfaction by the Issuer or by the holders of RE Bonds signing such request against the costs which may be incurred in connection with the calling and holding of such meeting, convene a meeting of the holders of RE Bonds. In the event of the Trustee failing within 30 days after receipt of any such request and such funds and indemnity to give notice convening a meeting, the Issuer or such holders of RE Bonds, as the case may be, may convene such meeting. Any such meeting shall be held in the City of Vancouver or at such other place as may be approved or determined by the Trustee. At least 15 days' notice of any meeting shall be given to the holders of RE Bonds. At any meeting of the holders of RE Bonds, a quorum shall consist of holders of RE Bonds present in person or represented by proxy and representing at least 15% in principal amount of the outstanding RE Bonds. On a show of hands every person who is present and entitled to vote, whether as a holder of RE Bonds or as proxy for one or more holders of RE Bonds or both, shall have one vote. On a poll each holder of RE Bonds present in person or represented by a proxy duly appointed by an instrument in writing shall be entitled to one vote in respect of each \$1,000 principal amount of RE Bonds of which it shall then be the holder. A proxy need not be a holder of RE Bonds.

In addition to the powers conferred upon them by any other provisions of the RE Bond Indenture or by law, a meeting of the holders of RE Bonds shall have the following powers exercisable from time to time by extraordinary resolution:

- ☐ power to sanction any modification, abrogation, alteration, compromise or arrangement of the rights of the

holders of RE Bonds or the Trustee against the Issuer or against their property, whether such rights arise under the RE Bond Indenture or the RE Bonds or otherwise;

- ☐ power to assent to any modification of or change in or addition to or omission from the provisions contained in the RE Bond Indenture or any REB Unit which shall be agreed to by the Issuer and to authorize the Trustee to concur in and execute any indenture supplemental hereto embodying any modification, change, addition or omission;
- ☐ power to sanction any scheme for the reconstruction or reorganization of the Issuer or for the consolidation, amalgamation or merger of the Issuer with any other corporation or for the sale, leasing, transfer or other disposition of the undertaking, property and assets of the Issuer or any part thereof, provided that no such sanction shall be necessary in respect of any such transaction if the provisions of Section 10.1 of the RE Bond Indenture shall have been complied with;
- ☐ power to direct or authorize the Trustee to exercise any power, right, remedy or authority given to it by the RE Bond Indenture in any manner specified in any such extraordinary resolution or to refrain from exercising any such power, right, remedy or authority;
- ☐ subject to Section 7.3 of the RE Bond Indenture, power to waive and direct the Trustee to waive any default hereunder or cancel any declaration made by the Trustee pursuant to Section 7.1 of the RE Bond Indenture either unconditionally or upon any condition specified in such extraordinary resolution;
- ☐ power to restrain any holder of RE Bonds from taking or instituting any suit, action or proceeding for the purpose of enforcing payment of the principal of or interest on the RE Bonds, or for the execution of any trust or power hereunder;
- ☐ power to direct any holder of RE Bonds who, as such, has brought any action, suit or proceeding to stay or discontinue or otherwise deal with the same upon payment, if the taking of such suit, action or proceeding shall have been permitted by Section 7.5 of the RE Bond Indenture, of the costs, charges and expenses reasonably and properly incurred by such holder of RE Bonds in connection therewith;
- ☐ power to assent to any compromise or arrangement with any creditor or creditors or any class or classes of creditors, whether secured or otherwise, and with holders of any shares or other securities of the Issuer;
- ☐ power to appoint a committee with power and authority (subject to such limitations (if any) as may be prescribed in the resolution) to exercise, and to direct the Trustee to exercise, on behalf of the holders of RE Bonds, such of the powers of the holders of RE Bonds as are exercisable by extraordinary or other resolution as shall be included in the resolution appointing the committee. The resolution making such appointment may provide for payment of the expenses and disbursements of and compensation to such committee. Such committee shall consist of such number of persons as shall be prescribed in the resolution appointing it and the member need not be themselves holders of RE Bonds. Every such committee may elect its chairman and may make regulations respecting its quorum, the calling of its meetings, the filling of vacancies occurring in its number and its procedure generally. Such regulations may provide that the committee may act at a meeting at which a quorum is present or may act by minutes signed by the number of members thereof necessary to constitute a quorum. All acts of any such committee within the authority delegated to it shall be binding upon all holders of RE Bonds. Neither the committee nor any member thereof shall be liable for any loss arising from or in connection with any action taken or omitted to be taken by them in good faith;
- ☐ power to authorize the distribution in specie of any shares, bonds, RE Bonds or other securities or obligations or cash or other consideration received hereunder or the use or disposal of the whole or any part of such shares, bonds, RE Bonds or other securities or obligations or cash or other consideration in such manner and for such purpose as may be deemed advisable and specified in such extraordinary resolution;
- ☐ power to authorize the Trustee or any other person to bid at any sale of the Issuer's properties or assets or any part thereof and to borrow the moneys required to make any deposit at said sale or pay the balance of the purchase price and to hypothecate, mortgage, pledge, charge, cede and transfer the property or assets so purchased as security for the repayment of the moneys so borrowed and interest thereon, or to advance such moneys (in which event they shall have a lien upon the property or assets so purchased for the amount so advanced and interest thereon) and to hold any property or assets so purchased (subject to any hypothec, mortgage, pledge, charge or lien to secure any moneys so borrowed or advanced) in trust for all the holders

of RE Bonds outstanding at the time of such sale pro rata in proportion to the amounts due to them thereon respectively for principal and interest before such sale, and to sell, transfer and convey the whole or any part or parts of the property or assets so purchased for such consideration in cash or in the shares, bonds, RE Bonds or other securities or obligations of any company formed or to be formed, or partly in cash and partly in such securities or obligations, and upon such terms and conditions as may be determined by such extraordinary resolution of the holders of RE Bonds and subject to such terms and conditions, to dispose of such cash, shares, bonds, RE Bonds or other securities or obligations pursuant to the provisions of subsection (j), and until the sale, transfer or conveyance of the whole of such property or assets so purchased to maintain and operate such part of said property and assets as has not been disposed of, and for such purposes to borrow moneys and to hypothecate, mortgage, pledge, charge and cede and transfer the property and assets so purchased, or any part thereof, as security for the repayment of the moneys so borrowed, with interest thereon, or to advance such moneys (in which event they shall have a lien or charge upon the property and assets so purchased for the amounts so advanced and interest thereon) and otherwise deal with such property and assets and the proceeds of any sale, transfer or conveyance thereof as the holders of RE Bonds may by such extraordinary resolution direct;

- ☐ power to remove the Trustee from office and to appoint a new Trustee or Trustees;
- ☐ power to sanction the exchange of the RE Bonds for or the conversion thereof into shares, bonds, RE Bonds or other securities or obligations of the Issuer or of any company formed or to be formed;
- ☐ power to authorize the Issuer and the Trustee to grant extensions of time for payment of the principal or interest on any of the RE Bonds, whether or not the principal or interest the payment in respect of which is extended, is at the time due or overdue; and
- ☐ power to amend, alter or repeal any extraordinary resolution previously passed or sanctioned by the holders of RE Bonds or by any committee appointed.

Indemnification of Trustee

By way of supplement to the provisions of any law for the time being relating to trustees, it is expressly declared and agreed as follows in the RE Bond Indenture:

- ☐ the Trustee and its directors, officers, shareholders, agents and employees shall at all times be indemnified and saved harmless by the Issuer from and against all claims, demands, suits, losses, actions, causes of actions, costs, charges, expenses, damages and liabilities whatsoever arising in connection with the RE Bond Indenture, including, without limitation, those arising out of or related to actions taken or omitted to be taken by the Trustee contemplated thereby, legal fees and disbursements on a solicitor and client basis, and costs and expenses incurred in connection with the enforcement of this indemnity, which the Trustee may suffer or incur, whether at law or in equity, in any way caused by or arising, directly or indirectly, in respect of any act, deed, matter or thing whatsoever made, done, acquiesced in or omitted in or about or in relation to the execution of its duties as Trustee and including any deed, matter or thing in relation to the execution of its duties as Trustee and including any deed, matter or thing in relation to the registration, perfection, release or discharge of security. The foregoing provisions do not apply to the extent that in any circumstances there has been a failure by the Trustee or its employees or agents to act honestly and in good faith or where the Trustee or its employees or agents have acted with gross negligence or in willful disregard to the Trustee's obligations hereunder. It is understood and agreed that this indemnification shall survive the termination of the RE Bond Indenture or the resignation of the Trustee;
- ☐ the Trustee shall not be liable for or by reason of any statements of fact or recitals in the RE Bond Indenture (except the representation contained in Sections 12.15 and 12.16 of the RE Bond Indenture and in the certificate of the Trustee) or required to verify the same, but all such statements or recitals are and shall be deemed to be made by the Issuer;
- ☐ nothing therein contained shall impose any obligation on the Trustee to see to or to require evidence of the registration or filing (or renewal thereof) of the RE Bond Indenture or any instrument ancillary or supplemental hereto;
- ☐ the Trustee shall not be bound to give notice to any person or persons of the execution hereof; and
- ☐ the Trustee shall not incur any liability or responsibility whatever or be in any way responsible for the consequence or any breach on the part of the Issuer of any of the covenants therein contained or of any acts

of any directors, officers, employees, trustees, servants or agents of the Issuer.

(c) **Management Agreement**

The Issuer and the Manager have entered into the Management Agreement pursuant to which the Manager has been appointed. The Issuer will not have any salary costs or hired staff but instead will have all management functions compensated for by way of the management agreement. This is done to ensure the compensation costs for management and administration of the business match the revenue and economic growth of the business. If the revenue of the company is lower in any given year, the management fees would drop too as a percent of the Issuer's activities to ensure the financial stability of the company.

The fees are all calculated based on value added activities. The company believes this is preferable to paying management salaries on a fixed monthly basis regardless of financial results achieved. This approach to compensation is also suitable for a company in the early stages of growth to make sure the company isn't saddled with excess overhead before it really starts to grow.

Manager's Services

The Manager has agreed to provide, or cause to be provided through qualified service providers, the following manager services (collectively, the "**Manager Services**"): to the Issuer and its subsidiaries, including providing the following strategic, advisory and asset management services:

- ☐ managing the day-to-day operations of the Issuer;
- ☐ preparing or overseeing the preparation of annual budgets and business plans for presentation to the directors;
- ☐ advising the directors on strategic matters relating to properties, potential acquisitions, dispositions and development, and share value maximization;
- ☐ searching for, identifying, introducing, evaluating and screening asset acquisition opportunities;
- ☐ conducting and/or managing due diligence with respect to potential acquisitions;
- ☐ structuring, sourcing, negotiating and organizing the financing of acquisitions;
- ☐ organizing and coordinating the completion of investments, including structuring and negotiating the business terms on which acquisitions are made;
- ☐ monitoring and maintaining the Issuer's properties (including retaining property management and leasing agents) and advising the Issuer with respect to all capital projects that are required or recommended to be implemented with respect to any of the Issuer's properties;
- ☐ in respect of each capital project:
- ☐ determining the quality and completeness of the design and construction documents;
- ☐ confirming the reasonableness of the project schedule;
- ☐ verifying the completeness and adequacy of the construction budget;
- ☐ confirming the existence and appropriateness of project control procedures;
- ☐ reviewing and commenting on all engineering test data, soils reports, zoning approvals;
- ☐ advising the Issuer of any recommended changes to the construction documents; and
- ☐ making available individuals to serve as officers of the Issuer as requested by the Issuer from time to time;
- ☐ overseeing the lease negotiations and provide leasing guidelines with respect to the leasing of the Issuer's properties;
- ☐ re-developing or re-selling the Issuer's properties;

- providing investor relations services to the Issuer;
- providing advice and assistance in connection with the Issuer's borrowings, raising of capital and issuance of securities, including representing the Issuer in its dealings with banks and other lenders, investment dealers, institutions and investors;
- conducting day-to-day relations on behalf of the Issuer with third parties, including property managers, developers, suppliers, joint venturers, lenders, brokers, consultants, advisors, accountants, lawyers, insurers and appraisers; and
- managing and providing direction to the property manager(s) and negotiating arrangements for the engagement of any new property manager(s) or the renewal of the arrangements with existing property manager(s).

Management Fees and Expenses

The Manager is entitled to receive a number of fees pursuant to the Management Agreement. The fees are intended to compensate the Manager in the various roles it plays and the variety of functions performed. The fees are tailored to a specific activity to align the interests of the Manager with the receipt by the Issuer of a specific service as opposed to paying a flat fee for all services. The Issuer believes this structure will enable the Issuer to compensate the Manager according to the services it believes will accomplish its business plan.

The Issuer shall pay the Manager an annual fee (the "**Management Fees**") based on the adjusted book value of the Issuer assets calculated as at the close of business on the last day of each calendar quarter as the greater of:

1. \$5,000 per month if the minimum offering of REB Units is achieved, otherwise \$500 per month if only the minimum offering of HB Bonds is achieved; or;
2. the aggregate of:
 - a. 0.35% on the adjusted book value of the Issuer commercial real estate assets;
 - b. 1.25% on the principal advanced sum of any bonded deposit financings, preferred equity investments, or mezzanine loans provided to developers plus 20% of any interest collect over an 8% return on capital invested; and
 - c. 0.50% on the adjusted book value of the Issuer securities portfolio including any un-listed direct investments made.

The Management Fees shall be paid monthly in arrears and be paid (with additional applicable GST and any other applicable taxes) on or before the 15th day following the end of each month. In addition to the Management Fees, the Issuer shall pay the Manager an annual mortgage management fee (the "**Mortgage Management Fee**") based on the cumulative original loan advance value of the Issuer HomeIndex Mortgage Assets calculated as at the close of business on the last day of each calendar quarter as follows:

3. 0.35% on the total original loan advance value of the Issuer's HomeIndex Mortgage Assets; and
4. 0.10% per year any individual mortgage is outstanding when the mortgage pays out in full without discount or write down as an incentive reward for good performance and collections management (example: for a loan outstanding 5 years the fee would be 0.50% upon the repayment of the loan).

The Mortgage Management Fee shall be paid quarterly in arrears and be paid (with additional applicable GST and any other applicable taxes) on or before the 15th day following the end of each month. In addition to the Management Fees, each time real property is acquired by the Issuer and/or the subsidiaries during each month during the initial term and any renewal term of the Management Agreement from third parties who are not associated or affiliated with the Manager or any affiliates thereof, or related thereto for the purposes of the *Income Tax Act* (Canada), the Issuer shall pay to the Manager an acquisition fee (the "**Acquisition Fee**") equal to 0.75% of the Property Cost of such real property and any Acquisition Fees payable in respect of a particular calendar quarter plus applicable GST and any other applicable taxes shall be paid on or before the 15th day following the end of such

month. In addition to the Acquisition Fee, each time real property is sold by the Issuer and/or the subsidiaries during each month during the initial term and any renewal term of the Management Agreement from third parties who are not associated or affiliated with the Manager or any affiliates thereof, or related thereto for the purposes of the *Income Tax Act* (Canada), the Issuer shall pay to the Manager a disposition fee (the "**Disposition Fee**") equal to 0.75% of the property sale price of such real property and any Disposition Fees payable in respect of a particular month plus applicable GST and any other applicable taxes shall be paid on or before the 15th day following the end of such month. In addition to the Disposition Fee, each time real property is financed by the Issuer and/or the subsidiaries during each month during the initial term and any renewal term of the Management Agreement from third parties who are not associated or affiliated with the Manager or any affiliates thereof, or related thereto for the purposes of the *Income Tax Act* (Canada), the Issuer shall pay to the Manager a financing fee (the "**Financing Fee**") equal to 1.0% of the financing amount for senior first mortgages for newly acquired properties, construction loans, or refinancing and any Financing Fees payable in respect of a particular month plus applicable GST and any other applicable taxes shall be paid on or before the 15th day following the end of such month.

The Management Fees do not include fees that may be payable to the Manager with respect to the provision of property management services by the Manager to the Issuer or its subsidiaries or any of their properties. It is the intention that property management fees payable by the Issuer with respect to any property held by or on behalf of the Issuer ("**Property Management Fees**") shall not exceed the fair market value for such services in the market in which such property is located (the "**Fair Market Fees**"), as determined by the independent directors, and currently determined to be no more than 3.75% of the gross rental income from such property.

If, during the term of this Agreement, the Manager wishes to provide any property management services to the Issuer or its subsidiaries or their properties it may do so by assuming all or some of those services under an existing agreement for the balance of the term of that agreement with a third party property manager, provided that the aggregate fees payable by the Issuer to the Manager and to the third party property manager with respect to such property under such agreement, including any penalties or other amounts payable to the third party property manager on account of it thereby not performing such services, and including any costs to be borne by the Issuer as a result of such management change, is less than or equal to the fees payable under the third party property management agreement. At the end of any agreement with a third party property manager, the Manager may enter into a property management agreement with the Issuer to replace such third party manager, provided that the fees payable by the Issuer to the Manager is not greater than the Fair Market Fees determined for such property. Any such new property management agreement shall be set out in a separate agreement negotiated between the Manager and the Issuer. If the Manager is a party to any property management agreement, the renewal of that agreement, and the terms of renewal must be approved by the Independent Directors.

In consideration of the Management Fees, the Manager shall pay all the salaries, wages and all employment related expenses of the executives and additional personnel providing services to the Issuer or its subsidiaries and all other expenses, including overhead incurred by the Manager in performing its duties under the Management Agreement.

It is specifically agreed that the following expenses of the Issuer and its subsidiaries shall be paid by the Issuer and shall not be paid by the Manager:

- ii. fees and expenses payable by the Issuer to the Manager under the Management Agreement;
- iii. interest and other costs of money borrowed by the Issuer;
- iv. fees and expenses of lawyers, accountants, auditors, appraisers and other agents or consultants employed by or on behalf of the Issuer and its subsidiaries;
- v. fees and expenses of the directors;
- vi. fees and expenses of the property manager(s) that are payable by the Issuer under the applicable property management agreement, provided that if the Manager, or any affiliate thereof, is the property manager, the fees and expenses shall be on market terms and shall have been approved by the independent directors;
- vii. fees and expenses connected with the acquisition, disposition and ownership of real property

interests, mortgage loans or other asset held by or entered into by the Issuer;

- viii. insurance as considered necessary to protect the directors, including directors' and officers' liability insurance;
- ix. expenses in connection with payments or distributions on shares;
- x. expenses in connection with the communications to holders of shares, including annual reports, and the other bookkeeping and clerical work necessary in maintaining relations with holders of shares;
- xi. expenses in connection with any employees or independent contractors employed directly or retained directly by the Issuer or its subsidiaries, including all compensation costs, benefits and severance costs, so long as such employees or independent contractors are not providing services required to be provided by the Manager pursuant to the terms of the Management Agreement;
- xii. expenses of reorganizing, terminating or winding up the Issuer or any of its subsidiaries;
- xiii. fees and charges of transfer agents, registrars, indenture directors and other directors and custodians;
- xiv. all fees, expenses, taxes and other costs incurred in connection with the issuance, distribution, transfer and qualification for distribution to the public of securities of the Issuer or its subsidiaries and other required government filings; and
- xv. all costs and expenses in connection with the Issuer, organization and maintenance of any Issuer formed to hold real property or other property of the Issuer; and
- xvi. stock options, or any escrow share purchase plan.

The Issuer has agreed to reimburse the Manager for the reasonable out-of-pocket expenses directly incurred by the Manager in performing any of the services required of it under the Management Agreement including, without limitation, all reasonable expenses incurred and fees payable to third parties in connection with the acquisition, disposition, development, improvement and management of investments of the Issuer and its subsidiaries that have been approved by the directors or are incurred in connection with the furtherance of a business plan approved by the directors, including, without limitation, airline travel and accommodation expenses of the Manager, and professional reports prepared by independent parties which may be relevant to a real estate investment decision but which do not fall within the purview of real estate investment analysis, such as engineering reports on structural soundness and soil tests, environmental audits, architectural reports, appraisals and other comparable professional activities. The Manager agrees to present receipts and/or other documentation to the Issuer or its subsidiaries as may be reasonably necessary in order for the Manager to claim the foregoing reimbursements.

The Issuer shall pay to the Manager a fee (the "**Project Management Fee**") equal to 8% of all hard construction costs incurred on any capital projects on which the Manager has been appointed by the directors as the project manager and where the hard construction costs for such capital project is over \$50,000 but is equal to or less than \$300,000. The Project Management Fee shall be 5% of all hard construction costs over \$300,000 incurred on any capital projects on which the Manager has been appointed by the directors as the project manager. The Project Management Fee shall be paid on the last business day of the month following the month in which the Issuer paid such hard construction costs.

The Issuer shall pay to the Manager an incentive fee (the "**Incentive Fee**") for each fiscal year ended June 30th equal to 20% of the Issuer's return on equity in excess of the applicable 5-year government benchmark bond yield plus 5% annually (the "**Hurdle Return**") calculated for each asset. "**Return on Equity**" means the quotient obtained by dividing:

the sum of (A) the Realized Gains on Dispositions of an Asset plus (B) the Issuer's original equity investment amount into that Asset, not including the bond holders' investment, as reported in

management's discussion and analysis of the Issuer for the applicable Fiscal Year; by

(B) above, and then compounding this amount over the number of years the Issuer has held the Asset. **"Realized Gains on Dispositions"** means, subject to the limited circumstances set out in Section 8.12, for each Fiscal Year, the sum of the cumulative fair value gains or losses on each income producing Asset Disposed of during that Fiscal Year, if such amount is a positive number, where such cumulative fair value gain or loss per Asset is calculated in accordance with IFRS from December 31, 2015 if the Asset was owned by the Company on the date of this Agreement, or from the date of acquisition of the Asset, if after December 31, 2015, provided that if at the time of Disposition of an Asset on which there is a cumulative fair value gain the aggregate cumulative fair value gains and losses on all income producing properties still held by the Company at such time other than the Asset Disposed of is negative, the cumulative fair value gain for the Asset Disposed of will be reduced by the amount of the aggregate cumulative fair value loss on such other properties and this amount, if a positive number, shall be deemed to be the cumulative fair value gain of that Asset for the purpose of this calculation, and if this amount is a negative number, the cumulative fair value gain of that Asset for the purpose of this calculation will be deemed to be zero.

The calculation of Return on Equity shall be performed by the Manager and presented to the independent directors for approval annually. The Manager shall also prepare an analysis of the return on equity calculation and also provide the same to the independent directors and auditors. The Incentive Fee shall be payable by the 15th day after the audited financial statements for the Fiscal Year to which such fee relates are approved by the Issuer.

In the event a party unrelated to, and not affiliated with, the Issuer, the Manager acquires, directly or indirectly, in one transaction or a series of connected transactions, (A) the beneficial ownership of, or control or direction over, 100% of the Shares or (B) all or substantially all of the properties, then in either case there shall be deemed to be a disposition of all properties held by the Issuer immediately prior to such change in ownership, control or direction over the Shares, or sale of the properties, as the case may be, and the Manager shall be entitled to the Incentive Fee. In such event, the realized gains on dispositions for such deemed dispositions shall be equal to the cumulative fair value gains or losses on each income producing asset as shown on the most recent income statement and calculated in accordance with IFRS.

Term and Termination

The initial term of the Management Agreement ends, subject to earlier termination in accordance with the Management Agreement, on October 15, 2026. It can be automatically renewed for successive five-year terms following the initial term.

The Manager may terminate the Management Agreement on the expiry date of any term upon not less than 180 days' prior written notice to the Issuer. Notwithstanding the foregoing, the Manager may terminate the Management Agreement immediately by written notice to the Issuer at any time within 180 days following a change of control of the Issuer, except where such change of control of the Issuer has occurred due to the Manager or any of their respective affiliates acquiring additional shares in the Issuer, or control or direction over, shares in the Issuer.

The Management Agreement may also be terminated immediately by written notice from:

- ☐ the Issuer (by decision of a majority of the independent directors) to the Manager in the event of:
 - a material breach by the Manager of its obligations under this Agreement that is not cured within 60 days (or such longer period as is reasonably required having regard for the nature of the breach so long as the Manager is proceeding diligently to cure such breach) of the receipt from the Issuer of written notice of such breach by the Manager (which notice shall detail the breach complained of), unless the Manager has requested arbitration with respect to the breach in the form and manner as provided in Section 12.2; or
 - the commission by the Manager or any of its agents or employees of any act constituting fraud, misconduct, breach of fiduciary duty, negligence or a wilful breach of applicable laws; or
- ☐ the Manager to the Issuer in the event of a material breach by the Issuer of its obligations under the Management Agreement that is not cured within 60 days (or such longer period as is reasonably required having regard for the nature of the breach so long as the Issuer is proceeding diligently to cure such breach) of the receipt from the Manager of written notice of such breach by the Issuer (which notice shall detail the

breach complained of), unless the Issuer has requested arbitration with respect to the breach in the form and manner as provided in Section 12.2 of the Management; or

- ☐ one party to the other party, in the event that:
 - the other party or its shareholders or security holders (as applicable) passes a resolution or otherwise authorizes or proceeds with a termination, winding up, dissolution or a sale of all or substantially all of its assets to a person or persons that are not parties to the Management Agreement other than pursuant to an internal reorganization; or
 - the other party:
 - institutes proceedings for it to be adjudicated a voluntary bankrupt, or consents to the filing of a bankruptcy proceeding against it;
 - files a petition or answer or consent seeking reorganization, readjustment, arrangement, composition or similar relief under any bankruptcy law;
 - consents to the appointment of a receiver, liquidator, manager or assignee in bankruptcy; or
 - makes an assignment for the benefit of its creditors generally;
- ☐ a court having jurisdiction enters a decree or order adjudging the other party a bankrupt or insolvent or for the appointment of a receiver, manager or assignee in bankruptcy; or
- ☐ any proceeding with respect to the other party is commenced under the *Bankruptcy and Insolvency Act* (Canada) or the *Companies' Creditors' Arrangement Act* (Canada) or similar legislation relating to a compromise or arrangement with creditors or claimants.

(d) Agency Agreement

The Issuer has entered into an Agency Agreement with the Agent, whereby the Agent has agreed to use its commercially reasonable efforts to sell the Securities under the Offering to qualified purchasers in one or more of the Selling Jurisdictions. The material terms of the Agency Agreement are further described in "*ITEM 7 - Compensation Paid to Sellers and Finders*".

The Agent shall charge the Issuer a fee on any investments made as a result of the Agent's selling efforts plus the Agent will be reimbursed for its expenses in connection with the Offering, if any. The standard commission that shall apply is 8% of the subscription amount in the case a dealing representative of the Agent brings their own contact into the Offering. In the case the Issuer's marketing campaigns are the source of the contact for the dealing representative of the Agent the commission shall be reduced to 6% of the subscription amount.

Pursuant to the Agency Agreement, the Agent shall act as exclusive agent in connection with the completion of the Offering. The Agent shall introduce prospective investors to the Issuer, and shall represent the Issuer in negotiations with such prospective investors. The Offering shall be completed on such other terms and conditions and at such prices relating to the issuance of securities as the Agent and the Issuer agree on.

Under the Agency Agreement the Agent has agreed to the following:

- ☐ it shall use its best efforts on the Issuer's behalf to sell Securities to persons, subject to the terms and conditions set out in the Agency Agreement;
- ☐ it shall effect sales of the Securities only in the Offering Jurisdictions where they may be lawfully offered for sale or sold on a private placement basis that is exempt from the prospectus requirements; and
- ☐ while soliciting or conducting a sale of Securities, it shall refrain from making any representations to any person respecting the Issuer, the private placement or the Securities that is not derived from, and entirely consistent with, the information that is set out in this Offering Memorandum, the HB Bond Indenture, the RE Bond Indenture and/or the Subscription Agreement;
- ☐ each purchaser of Securities through the Agent shall be considered a client of the Agent for purposes of Applicable Securities Laws and the Agent shall therefore comply with the following in respect of each purchaser of Securities:
 - "Know-your-client", suitability, trade reporting and other client-related obligations that are imposed upon exempt market dealers by Applicable Securities Laws;
 - anti-money laundering and suppression of terrorism regulations imposed upon securities dealers by the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (Canada) and the

Criminal Code of Canada; and the *Personal Information Protection and Electronic Documents Act* (Canada) as regards the collection, use and disclosure of personal information respecting each such purchaser; and

- ☐ it shall maintain such books and records as may be required to accurately record its activities as the placement agent in respect of the private placement.

3. INTERESTS OF DIRECTORS, MANAGEMENT, PROMOTERS AND PRINCIPAL HOLDERS

3.1. Compensation and Securities Held

The Issuer

The following table provides the specified information about each director, officer and promoter of the Issuer and each person who, directly or indirectly, beneficially owns or controls 10% or more of any class of voting securities of the Issuer:

Name and Municipality of Principal Residence	Positions held and the date of obtaining that position	Compensation paid by the Issuer in the most recently completed financial year (and the compensation anticipated to be paid in the current financial year)	Number, type and percentage of securities of the Issuer to be held after completion of Max. Offering	Number, type and percentage of securities of the Issuer to be held after completion of Max. Offering
George Lawton, Vancouver, British Columbia	Director, Chief Executive Officer and Chief Financial Officer of the Issuer since incorporation on July 27, 2016	NIL	18,080,000 Class C Common Shares ¹	18,080,000 Class C Common Shares ¹

Note:

1. 1086353 B.C. Ltd., a company controlled by Mr. Lawton, holds 18,000,000 Class C Common Shares and Mr. Lawton hold 80,000 Class C Common Shares personally.

3.2. Management Experience

The name and principal occupation for the past five years of Mr. Lawton, the sole officer and director of the Issuer is as follows. Mr. Lawton is also the sole director and officer of the Manager.

<u>Name</u>	<u>Principal occupation and related experience</u>
George Lawton	<p>George Lawton has been involved in the financial, accounting, and operational systems functions across a broad spectrum of technology and industrial companies. He has been a senior executive at companies with a staff count ranging from 1,300 to 3,000, as well as entrepreneurial startups. Mr. Lawton received a Bachelor of Commerce degree in 1986 and a Post Graduate Diploma in Accounting in 1988 from the University of Natal in Durban, South Africa. Mr. Lawton holds the designation of Chartered Professional Accountant, and worked as a Chartered Accountant for Ernst & Young from 1987 to 1990.</p> <p>Mr. Lawton was Chief Financial Officer of Aegis Mobility Inc. from August 2010 to December 2012. Aegis Mobility Inc. offers a portfolio of products addressing distracted driving due to electronic devices. While there, he designed and implemented a budgeting and forecasting process to enable the board and chief executive officer to analyze the business and perform scenario planning for different initiatives and financings. He also worked with the board and angel and venture capitalists successfully raising \$1.25 million of equity financing and US\$2.5 million of convertible debt enabling the company to commence commercialization of its product.</p> <p>Mr. Lawton was Chief Financial Officer of EastCoal Inc. from May 2011 to April 2013. EastCoal Inc. (TSX-V: ECX), is a resource-based production company, employing over 1,300 people. He left the company in 2013 after taking the company public on the AIM exchange in London raising \$15 million as well as raising \$17 million in equity on the Toronto Venture Exchange. His achievements include the acquisition of a producing coking coal mine and successfully implementing an ERP system, streamlining processes and standardizing all systems onto one platform.</p> <p>Mr. Lawton is currently Chief Financial Officer of Tamwood International Inc. since November 2015. Tamwood International Inc. is a private company operating a number of English language schools across Canada. His achievements include developing a 2-year rolling forecast financial model to improve the company's ability to manage cash flow and evaluate the on-going profitability of the company; and improving internal accounting processes, improving controls over cash and increasing the speed at which cash was collected from overdue accounts.</p> <p>Mr. Lawton is currently Chief Financial Officer of The Answer Company since June 2015. The Answer Company is a leading supplier of business management software and technology consulting services. His achievements include implementing a cloud-based ERP system, integrating their professional services management with their accounting and finance system, realizing significant synergies and eliminating \$65,000 in administration salaries; successfully negotiating and integrating two acquisitions in a twelve-month period; and obtaining \$400,000 in BDC funding for the two acquisitions.</p> <p>Mr. Lawton is currently Chief Financial Officer of Bionic Power Inc. since October 2013. Bionic Power Inc. provides cost-effective and reliable power to people whose lives or quality of life depend on having portable power. His achievements include negotiating 2-year agreement with the US military for the delivery of prototypes for a total of US\$3.6 million; implementing a cloud based ERP system with an advanced project accounting module for costing the various development projects; developing a 5-year financial model to accompany the business plan to raise \$1-5 million of equity financing to complete commercialization of the product; and sourcing potential equity investors including raising \$500,000.</p> <p>Mr. Lawton provides some of his services under contract through his company, Powered By Numbers Inc.</p>

3.3. Penalties, Sanctions and Bankruptcy

There are no penalties or sanctions that have been in effect during the last ten years, and there are no cease trade orders that have been in effect for a period of 30 consecutive days during the last ten years, against the any director, executive officer or control person of the Issuer or against a company of which any of the foregoing was a director, executive officer or control person at the time. No declaration of bankruptcy, voluntary assignment in bankruptcy, proposal under or any bankruptcy or insolvency legislation, proceedings, arrangement or compromise with creditors or appointment of receiver, receiver manager or trustee to hold assets, has been in effect during the last ten years with regard to those individuals or any companies of which any of those individuals was a director, executive officer or control person at that time.

3.4. Loans

Since its inception, there have not been any debentures or loans that are due to or from the directors, management, promoters or principal holders of the Issuer.

4. CAPITAL STRUCTURE

4.1. Share Capital

The authorized capital of the Issuer consists of: (a) an unlimited number of Class A non-voting common shares, (b) an unlimited number of Class B Shares, issuable in one or more series with such rights, privileges, restrictions and conditions as the directors may determine, and (c) an unlimited number of Class C common voting shares. The following table sets out the capital structure of the Issuer as at the dates indicated:

Description of Security	Number authorized to be issued	Price per Security	Number outstanding as at July 27, 2016	Number outstanding after Minimum Offering	Number outstanding after Maximum Offering
Class A Non-Voting Common Shares	Unlimited	N/A	Nil	Nil	Nil
Class B Shares	Unlimited	N/A	Nil	Nil	Nil
Class C Voting Common Shares	Unlimited	\$0.001	18,080,000 ¹	18,080,000 ¹	18,080,000 ¹

Note:

(1) The Manager (1086353 B.C. Ltd.), a company controlled by Mr. George Lawton, holds 18,000,000 Class C Common Shares and Mr. Lawton hold 80,000 Class C Common Shares personally.

4.2. Long-Term Debt Securities

As of the date of this Offering Memorandum, the Issuer has no long term debt.

4.3. Prior Sales

The Issuer has not previously issued any of the Securities.

5. SECURITIES OFFERED

5.1. Terms of Securities

HB Bonds

The HB Bonds shall bear interest at a fixed rate of 7.75% per annum, will be dated as of the date of Closing and shall mature on the HB Maturity Date. On the HB Maturity Date, the Issuer shall repay the HB Bonds unless the Issuer uses its right to an extension. The Issuer has the right, in its sole discretion, to extend the HB Maturity Date by an additional 6 months. The Issuer may exercise its right to extend on three occasions so that the maximum term of the RE Bond is up to 48 months.

In addition, the holder of HB Bonds is entitled to the HB Bonus Interest Amount. The HB Bonus Interest Amount is based upon the amount received by the Issuer upon the eventual sale of residential real estate units. See "*ITEM 2.2- Our Business – Investment in Residential Real Estate (HB Bonds)*" and "*ITEM 8 – Risk Factors*".

After the Issuer repays the HB Bonds, the holder of HB Bonds shall have the option to reinvest in a new series of HB bonds to be issued by the Issuer at a discounted rate such that they can purchase the same number of the new series of HB bonds for 97% of the principal amount of their formerly held HB Bonds.

Other than as provided for in the HBB Indenture, the HB Bonds shall be non-voting. The HB Bonds shall be issued only as fully registered HB Bonds in denominations of \$1,000, with a minimum subscription amount per Bondholder of \$5,000 or 5 HB Bonds.

The HB Bonds shall be secured by, *inter alia*, the HB Collateral Mortgages, certain of which HB Collateral Mortgages shall be executed in connection with Closing and registered upon occupancy permits being issued on the residential units and others of which will be executed post-Closing and registered during the term of the HB Bonds. The HB Bonds shall also be secured by the other security documents and the minimum HB Priority Return protected by an interest reserve held in trust along with a surety company providing bonding.

The holder of HB Bonds shall be entitled receive both the HB Priority Return and the HB Bonus Interest Amount with such payments being payable upon the HB Maturity Date. Regardless of when a HB Bond is subscribed for or issued in a quarter, the holder of HB Bonds shall be entitled to receive the HB Priority Return for the entire quarter.

For information regarding voting rights of the HB Bond Holders, see "*ITEM 2.7- Material Agreements – HB Bond Indenture - Meetings of Holders of HB Bonds*".

RE Bonds

The RE Bonds bear interest at a fixed rate of 7.25% per annum, will be dated as of the date of Closing and shall mature on the RE Maturity Date. On the RE Maturity Date, the Issuer shall repay the RE Bonds unless the Issuer uses its right to an extension. The Issuer has the right, in its sole discretion, to extend the RE Maturity Date by an additional 12 months. The Issuer may exercise its right to extend on two occasions so that the maximum term of the RE Bond is up to 84 months. After the Issuer repays the RE Bonds, the holder of RE Bonds shall have the option to reinvest in a new series of RE bonds at a discounted rate such that they can purchase the same number of the new series of RE Bonds for 97% of the principal amount of their formerly held RE Bonds.

Other than as provided for in the RE Bond Indenture, the RE Bonds shall be non-voting. The RE Bonds shall be issued only as fully registered RE Bonds in denominations of \$1,000, with a minimum subscription amount per holder of RE Bonds of \$5,000 or 5 RE Bonds.

The RE Bonds shall be secured by, *inter alia*, the RE Collateral Mortgages, which RE Collateral Mortgages shall be executed in connection with Closing and registered upon occupancy permits being issued on the residential units. The REB Units shall also be secured by the other security documents and the minimum RE Priority Return protected by an interest reserve held in trust along with a surety company providing bonding.

The Subscribers for the first \$150,000 of REB Units that agree to allow their funds to be used as a refundable deposit required under the purchase agreement for the RE Property, prior to the REB Minimum Offering being achieved, shall receive a 7% discount on the Subscription Price for the REB Units as consideration for the use of the funds. See "*Schedule 'F' Addendum to Securities Subscription Agreement (Discounted Subscribers)*".

The holders of RE Bonds shall be entitled receive the RE Priority Return. Payments of the RE Priority Return shall be made quarterly; in arrears on the last business day of any given quarter during which they are due. Regardless of when a RE Bond is issued in a quarter, the holder of RE Bonds shall be entitled to receive the RE Priority Return for the entire quarter. The Issuer's ability to pay the RE Priority Return is dependent upon the cash flow generated from the RE Property. See "*ITEM 2.2- Our Business – Investment in Commercial Real Estate (RE Bonds)*" and "*ITEM 8 – Risk Factors*".

For information regarding voting rights of the RE Bond holders, see "*ITEM 2.7- Material Agreements – RE Bond Indenture- Meetings of Holders of REB Units*".

Rights

Pursuant to the terms of the instrument attached hereto as Schedule "C", the Issuer shall issue and grant to the holder of a REB Unit 1 Right for every REB Unit purchased by the Subscriber (or its designate). The Rights are a non-voting security.

Each Right shall be redeemed and cancelled by the Issuer in the event of the sale of the RE Property for an amount (the "**REB Right Redemption Amount**") payable by the Issuer to the Holder of Rights in cash, and calculated as follows:

$$A + B = C$$

AND

$$A/C * 4/5 * D = E$$

WHERE:

1. A is the face value of the RE Bonds issued to all Subscribers of REB Units;
2. B is the other equity in the RE Property which is determined as (a) the equity in the RE Property not attributable to the Subscribers of REB Units at the outset upon the purchase of the RE Property, and (b) any additional capital invested in the RE Property by the Issuer, from time to time, prior to the sale of the RE Property;
3. C is the total equity in the RE Property for the purposes of determining the pro rata share of the holders of REB Units (calculated after a reduction for capitalized expenses of the Offering and the purchase of the RE Property, see "*ITEM 1.2 – Use of Available Funds*");
4. D is the gain in the value of the RE Property realized upon the sale of the RE Property; and
5. E is the redemption amount on all Rights due to all Subscribers of REB Units, collectively.

In order to determine the holder of a REB Unit's individual REB Right Redemption Amount, E shall then be divided amongst the Subscribers of REB Units on the basis of their *pro rata* amounts of REB Units held to determine a Subscriber of REB Units' individual entitlement under the Right.

The Issuer shall deliver to the holder of Rights, within 90 days after the completion of the sale of the RE Property, evidence of the sale price of the RE Property along with cash equal to the REB Right Redemption Amount payable by the Issuer on redemption of the holder of Rights. The Issuer shall keep and maintain at all times during the term of the Redeemable Capital Growth Based Right Certificate, true and accurate books, statements, records and accounts evidencing the sale price and the REB Right Redemption Amount.

Example:

In the case that \$3,700,000 REB Units are issued, an aggregate of 3,700 Rights would be outstanding. If at the end of the fifth year the RE Property was sold for \$18,750,000, the first mortgage had been paid down by \$1,100,000 and the Issuer had invested an additional \$250,000 in capital along the way, the below calculation shows how the REB Right Redemption Amount would be calculated, where \$5,850,000 is the total equity in the property based on ITEM 1.2 as described above with \$2,150,000 being attributable to the Issuer after deducting \$3,700,000, being the face value of the RE Bonds outstanding:

$$A + B = C$$

$$\$3,700,000 + \$2,150,000 = \$5,850,000$$

$$A/C * 4/5 * D = E$$

$$\$3,700,000 / \$5,850,000 * 4/5 * \$1,916,750 = \$949,862$$

In this case the holders of Rights would receive \$949,862 in cash for redemption for their Rights or approximately \$262 for every Right held (\$1,000 REB Unit) subscribed for. Note: this is an example and is provided for illustrative purposes only and does not represent actual results.

Warrants

Pursuant to the terms of the instrument attached hereto as Schedule "D", the Issuer shall issue and grant to the holder of a REB Unit, 100 Warrants for every REB Unit purchased by the Subscriber. Each Warrant shall, until 5 years from the date of issue (the "**Time of Expiry**"), entitle the holder to purchase one Class C common share of the Issuer at a price of either: (a) \$0.50 (the "**Original Price**"); or (b) the Class C common share price at the time the Issuer completes a listing transaction resulting in the Class C common shares being publicly traded on any stock exchange; whichever is greater, for each Warrant held. The Original Price shall increase by 10% on the first anniversary of the date of issue, and shall thereafter, on every anniversary year, increase by 10% until the Time of Expiry.

The above is a summary of the terms of the Securities. Potential Subscribers are also strongly encouraged to review the HB Bond Indenture attached hereto as Schedule "A", the RE Bond Indenture attached hereto as Schedule "B", the Redeemable Capital Based Rights Certificate attached hereto as Schedule "C" and the Warrant Certificate attached hereto as Schedule "D" for a full description of the Securities and the rights and limitations applicable to Securityholders.

5.2. Subscription Procedure

Subscription Documents

Subscribers who wish to purchase Securities shall be required to enter into a Subscription Agreement with the Issuer by completing and delivering the Subscription Agreement and related documentation to the Issuer. The Subscription Agreement contains, among other things, representations and warranties required to be made by the Subscriber that it is duly authorized to purchase the Securities, that it is purchasing the Securities for investment and not with a view for resale and as to its corporate status or other qualifications to purchase Securities on a "private placement" basis. Reference is made to the Subscription Agreement and related documentation, a copy of which is attached hereto as Schedule "E", for the specific terms of these representations, warranties and conditions.

Units may be purchased in the following manner:

- (i) by the execution of the Subscription Agreement, as well as any documentation required by the Securities Regulatory Authorities of the jurisdiction in which they are resident (copies of which are attached to the Subscription Agreement); and
- (ii) deliver the Subscription Price in respect of the Securities subscribed for by way of a certified cheque, wire or bank draft payable to the Issuer in accordance with the Subscription Agreement or in such other manner as is acceptable to the Issuer.

The Closing of the Offering is subject to a minimum subscription condition of 100 HB Bonds (\$100,000) or \$1,000,000 REB Units (\$1,000,000). The subscription funds will be held in trust, pending Closing of the Offering. If the minimum amount is not received by June 30, 2017 or the Offering does not close for any other reason, the subscription proceeds will be returned to subscribers, without interest or deduction, unless such subscribers have otherwise directed the Agent. The initial Closing of the Offering is expected to occur on or about December 31, 2016, or on such other date as the Issuer and the Agent may agree upon. Other closings shall occur subsequent to that date. Subscriptions for the Securities will be received subject to rejection or allotment in whole or in part and the Agent reserves the right to close the subscription books at any time without notice.

All Subscription Proceeds shall be held in trust until midnight on the second Business Day after the day the Subscriber signs the Subscription Agreement. In the event that such Subscriber provides the Issuer with a cancellation notice prior to midnight of the second Business Day after the signing date, or the Issuer does not accept such Subscriber's subscription or the Minimum Offering is not achieved, all Subscription Proceeds shall be promptly returned to such Subscriber without interest or deduction.

You should carefully review the terms of the Subscription Agreement attached hereto for more detailed information concerning the rights and obligations applicable to you and the Issuer. Execution and delivery of the Subscription Agreement shall bind you to the terms thereof, whether executed by you or by an agent on your behalf. **You should consult with your own professional advisors.**

6. INCOME TAX CONSEQUENCES AND RRSP ELIGIBILITY

6.1. Tax Advice

You should consult your own professional advisers to obtain advice on the tax consequences that apply to you.

6.2. Canadian Federal Income Tax Considerations

In the opinion of Burnet, Duckworth & Palmer LLP, tax counsel to the Issuer, the following summary describes the principal Canadian federal income tax considerations pursuant to the Tax Act generally applicable to a holder (i) who acquires HB Bonds, RE Bonds, Rights or Warrants pursuant to this Offering, (ii) who, for purposes of the Tax Act, and at all relevant times, is or is deemed to be resident in Canada, (iii) who, for purposes of the Tax Act and at all relevant times, holds the HB Bonds, RE Bonds, Rights or Warrants (the "**Offered Securities**") as capital property, and (iv) who deals at arm's length and is not affiliated with the Issuer (a "**Holder**"). Generally, Offered Securities will be considered to be capital property to a Holder provided the Holder does not hold the Offered Securities 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. Certain Holders who might not otherwise be considered to hold their Offered Securities as capital property may, in certain circumstances, be entitled to have their Offered Securities and every other "Canadian security" as defined in the Tax Act owned by them treated as capital property by making the irrevocable election permitted by subsection 39(4) of the Tax Act.

This summary is not applicable to (i) a Holder that is a "financial institution" (as defined in the Tax Act for the purposes of the mark-to-market rules), (ii) a Holder where an interest in such Holder would be a "tax shelter investment" (as defined in the Tax Act), (iii) a Holder that is a "specified financial institution" (as defined in the Tax Act), (iv) a Holder whose functional currency for purposes of the Tax Act is the currency of a country other than Canada, (v) a Holder who enters into a "derivative forward agreement" (as defined in the Tax Act) with respect to the Offered Securities, or (vi) a Holder that is a corporation resident in Canada and is, or becomes as a part of a transaction or event or series of transactions or events that includes the acquisition of the HB Bonds, RE Bonds, Rights or Warrants, controlled by a non-resident corporation for purposes of the foreign affiliate dumping rules in section 212.3 of the Tax Act. **Any such Holder is urged to consult its own tax advisor with respect to an investment in the Offered Securities.** In addition, this summary does not address the deductibility of interest by an investor who has borrowed money to acquire the Offered Securities.

This summary is based upon the provisions of the Tax Act in force as of the date hereof, all specific proposals to amend the Tax Act that have been publicly announced by or on behalf of the Minister of Finance prior to the date hereof (the "**Proposed Amendments**") and counsel's understanding of the current administrative and assessing policies and practices of the CRA published in writing by it prior to the date hereof. This summary assumes the Proposed Amendments will be enacted in the form proposed; however, no assurance can be given that the Proposed Amendments will be enacted in the form proposed, if at all. This summary is not exhaustive of all possible Canadian federal income tax considerations and, except for the Proposed Amendments, does not take into account any changes in the law, whether by legislative, governmental or judicial decision or action, nor does it take into account other federal or any provincial, territorial or foreign tax considerations, which may differ significantly from those discussed herein.

This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any particular Holder or prospective Holder of Offered Securities, and no representations with respect to the income tax consequences to any Holder or prospective Holder are made. Consequently, Holders and prospective Holders of Offered Securities should consult their own tax advisors for advice with respect to the tax consequences to them of acquiring Offered Securities pursuant to this Offering, having regard to their particular circumstances.

Taxation of Bondholders

Interest on HB Bonds and RE Bonds

A Holder of HB Bonds or RE Bonds that is a corporation, partnership, unit trust or any trust of which a corporation or a partnership is a beneficiary, will be required to include in computing its income for a taxation year any interest on the HB Bonds or RE Bonds that accrues (or is deemed to accrue) to it to the end of the particular taxation year (or if the Holder disposes of the HB Bonds or RE Bonds in the year, that accrues or is deemed to

accrue to it until the time of disposition) or that has become receivable by or is received by the Holder before the end of that taxation year, including on a conversion, redemption or repayment on maturity, except to the extent that such interest was included in computing the Holder's income for a preceding taxation year.

Any other Holder of HB Bonds or RE Bonds will be required to include in computing income for a taxation year all interest on the HB Bonds or RE Bonds that is received or receivable by such Holder in that taxation year (depending upon the method regularly followed by the Holder of HB Bonds or RE Bonds in computing income), including on a redemption or repayment on maturity, except to the extent that the interest was included in the Holder's income for a preceding taxation year. In addition, if at any time HB Bonds or RE Bonds should become an "investment contract" (as defined in the Tax Act) in relation to a Holder, such Holder will be required to include in computing income for a taxation year any interest that accrues to the Holder on the HB Bonds or RE Bonds up to the end of any "anniversary day" (as defined in the Tax Act) in that year to the extent such interest was not otherwise included in the Holder's income for that year or a preceding year.

A Holder that throughout the relevant taxation year is a "Canadian-controlled private corporation" (as defined in the Tax Act) may be liable to pay a refundable tax of 10 $\frac{2}{3}$ % (which is reduced for taxation years beginning before 2016 and ending after 2015) on its "aggregate investment income", which, as defined in the Tax Act, includes interest income.

Allocation of Purchase Price

On the acquisition of an REB Unit, the Holder will be considered to have acquired an RE Bond, a Right and 100 Warrants. The total Offering Price of an REB Unit to a Holder must be allocated on a reasonable basis between the RE Bond, the Right and the Warrants to determine the cost of each for purposes of the Tax Act.

The Corporation has advised counsel that, for tax purposes, it intends to allocate \$999.99 of the Offering Price as consideration for the issue of each RE Bond, \$0.01 of the Offering Price as consideration for the issue of each Right and \$nil as consideration for the issue of the Warrants. However, the Corporation's allocation is not binding on the CRA or on a Holder, and counsel expresses no opinions as to such allocation.

Exercise of Warrants

The exercise of a Warrant to acquire a Class C common share will be deemed not to constitute a disposition of property for purposes of the Tax Act and consequently no gain or loss will be realized by a Holder upon such an exercise. When a Warrant is exercised, the Holder's cost of the Class C common share acquired thereby will be equal to the aggregate of the Holder's adjusted cost base of such Warrant and the exercise price paid for the Class C common share. The Holder's adjusted cost base of the Class C common share so acquired will be determined by averaging such cost with the adjusted cost base to the Holder of all other Common Shares owned by the Holder and held as capital property immediately prior to such acquisition.

Dividends on Class C Common Shares

A Holder will be required to include in computing its income for a taxation year any dividends received (or deemed to be received) on Class C common shares. In the case of a Holder that is an individual (other than certain trusts), such dividends will be subject to the gross-up and dividend tax credit rules applicable to taxable dividends received from taxable Canadian corporations, including the enhanced gross-up and dividend tax credit applicable to any dividends designated by the Issuer as eligible dividends in accordance with the provisions of the Tax Act. A dividend received (or deemed to be received) by a Holder that is a corporation will generally be deductible in computing the corporation's taxable income. In certain circumstances, however, subsection 55(2) of the Tax Act may deem a dividend received (or deemed to be received) by a Holder that is a corporation to be proceeds of a disposition or a capital gain. Holders that are corporations should consult their own tax advisors having regard to their own particular circumstances.

A Holder that is a "private corporation", as defined in the Tax Act, or any other corporation controlled, whether because of a beneficial interest in one or more trusts or otherwise, by or for the benefit of an individual (other than a trust) or a related group of individuals (other than trusts), will generally be liable to pay a refundable tax of 38 $\frac{1}{3}$ % under Part IV of the Tax Act on dividends received (or deemed to be received) on Class C common

shares acquired on exercise of the Warrants to the extent such dividends are deductible in computing the Holder's taxable income for the taxation year.

Dispositions of Warrants and Class C Common Shares

Generally, on a disposition or deemed disposition of a Warrant or Class C common share, a Holder will realize a capital gain (or capital loss) equal to the amount, if any, by which the proceeds of disposition, net of any reasonable costs of disposition, exceed (or are exceeded by) the adjusted cost base to the Holder of such Warrant or Class C common share, as applicable, immediately before the disposition or deemed disposition. In the event of the expiry of an unexercised Warrant, a Holder generally will realize a capital loss equal to the Holder's adjusted cost base of such Warrant.

At any particular time, the adjusted cost base to a Holder of a Warrant acquired pursuant to this Offering will be determined by averaging the cost of such Warrant with the adjusted cost base of all other Warrants owned by the Holder as capital property at that time. The tax treatment of capital gains and capital losses is discussed in greater detail below under the subheading "*Taxation of Capital Gains and Capital Losses*".

Redemption or other Disposition of Rights

In the view of counsel, a Holder of Rights that are disposed of or deemed disposed of by the Holder or are redeemed by the Issuer for cash should realize a capital gain (or capital loss) equal to the amount by which the proceeds of disposition or redemption proceeds received exceeds (or is exceeded by) the Holder's adjusted cost base and reasonable costs of disposition. Insofar as Rights are not conventional securities, there can be no assurance CRA will concur with this view.

The Holder's adjusted cost base of the Rights at any time will be determined by averaging the Holder's cost of Rights acquired under this offering with the cost of any other Rights acquired by the Holder as capital property at the time. See "*Taxation of Capital Gains and Losses*" below.

Dispositions of HB Bonds and RE Bonds

A disposition or deemed disposition of an HB Bond or RE Bond by a Holder, including a redemption, payment on maturity or purchase for cancellation will generally result in the Holder realizing a capital gain (or a capital loss) equal to the amount by which the proceeds of disposition exceed (or are exceeded by) the aggregate of the Holder's adjusted cost base thereof and any reasonable costs of disposition. Such capital gain (or capital loss) will be subject to the tax treatment described below under "*Taxation of Capital Gains and Capital Losses*".

Upon a disposition or deemed disposition of an HB Bond or RE Bond, interest accrued thereon to the date of disposition will be included in computing the income of the Holder as described above under "*Interest on HB Bonds and RE Bonds*", except to the extent that such amount was included in the Holder's income for a preceding taxation year, and will be excluded in computing the Holder's proceeds of disposition of an HB Bond or RE Bond.

A Holder which has over-accrued interest income on an HB Bond or RE Bond will generally be entitled to a deduction in computing the Holder's income for a taxation year in which an HB Bond or RE Bond is disposed of for an amount equal to such over-accrued interest income.

Taxation of Capital Gains and Capital Losses

Generally, one-half of any capital gain (a "**taxable capital gain**") realized by a Holder in a taxation year must be included in the Holder's income for the year. One-half of any capital loss (an "**allowable capital loss**") realized by a Holder in a taxation year must be deducted from taxable capital gains realized by the Holder in the year of disposition. Allowable capital losses in excess of taxable capital gains realized in a taxation year generally may be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any subsequent taxation year, to the extent and under the circumstances described in the Tax Act.

A Holder that is, throughout the relevant taxation year, a "Canadian-controlled private corporation" (as defined in the Tax Act) may be liable to pay a refundable tax of 10% on its "aggregate investment income", which is defined in the Tax Act to include taxable capital gains.

Capital gains realized by a Holder who is an individual (other than certain trusts) may result in such Holder being liable for alternative minimum tax under the Tax Act. Holders who are individuals should consult their own tax advisors in this regard.

6.3. Eligibility for Investment

In the opinion of Burnet, Duckworth & Palmer LLP, tax counsel to the Issuer, based on the provisions of the Tax Act in force on the date hereof, the HB Bonds and RE Bonds will be qualified investments at the time of acquisition by a trust governed by a registered retirement savings plan ("RRSP"), registered retirement income fund ("RRIF"), deferred profit sharing plan (other than a deferred profit sharing plan to which contributions are made by the Issuer or by an employer with which the Issuer does not deal at arm's length for the purposes of the Tax Act), registered education savings plan, registered disability savings plan, or a tax-free savings account ("TFSA"), each as defined in the Tax Act (each a "**Plan**") provided that the debt obligations of the Issuer under the HB Bonds and RE Bonds are fully secured by mortgages in respect of real or immovable property situated in Canada. The Issuer has advised that the HB Bonds and RE Bonds will at all material times be fully secured by mortgages in respect of real or immovable property situated in Canada.

Notwithstanding that the HB Bonds and RE Bonds, as the case may be, may be qualified investments for a trust governed by a RRSP, RRIF or TFSA, the holder of a TFSA or the annuitant of an RRSP or RRIF, as the case may be, will be subject to a penalty tax if the HB Bonds or the RE Bonds, as the case may be, are a "prohibited investment" within the meaning of the Tax Act.

The HB Bonds and RE Bonds will not be a prohibited investment for a TFSA, RRSP or RRIF provided the holder of a TFSA or annuitant of the RRSP or RRIF, as the case may be, (i) deals at arm's length with the Issuer, for purposes of the Tax Act, and (ii) does not have a "significant interest" (as defined in the Tax Act) in the Issuer.

Prospective investors who intend to hold HB Bonds or RE Bonds in a TFSA, RRSP or RRIF are advised to consult their personal tax advisors.

Rights will **not** be qualified investments for any of the Plans and subscribers are cautioned in this regard.

The Warrants will be qualified investments in respect of a Plan only if certain detailed rules contained in the Tax Act in relation to the Class C common shares can be favourably applied. No opinion is offered in relation to whether or not the Warrants will at any time be qualified investments for Plans in general or a particular Plan and Holders must consult with their own advisors in respect thereof.

6.4. Taxation of Securityholders Not Resident in Canada

Securityholders who, for the purposes of the Tax Act and any relevant tax treaty, are not resident in Canada and are not deemed to be resident in Canada must consult their own tax advisors regarding their particular circumstances.

This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any particular Securityholder and no representations with respect to the income tax consequences are made to any particular Securityholder. Consequently, prospective Subscribers should consult their own tax advisors with respect to their particular circumstances. Securityholders who are residents of Canada, but who are also subject to the tax laws of another jurisdiction (such as the United States of America), should consult their own tax advisors.

7. COMPENSATION PAID TO SELLERS AND FINDERS

7.1. Fees and Commissions

Pursuant to the Agency Agreement, the material terms of which are described under "*ITEM 2.7- Material Agreements - Agency Agreement*", the Agent has agreed to use its commercially reasonable efforts to sell the Securities under the offering to qualified purchasers in one or more of the Selling Jurisdictions.

The Agent shall receive the selling commissions based on 8% of the value of the face value of the securities issued in the case where the Agent funded marketing costs associated to sourcing the individual subscriber, and in the case where the Issuer covered the marketing costs associated with sourcing the individual subscriber the Selling Commissions may be reduced down to as low as 6% (the "**Selling Commissions**"). These Selling Commissions shall be deducted from proceeds of any subscriptions for Securities and shall be paid out at Closing.

Under the Management Agreement, the Manager is assisting with this Offering and coordinating distribution of the Securities with the Agent on behalf of the Issuer. No specific fee shall be paid to the Manager for these services.

The Issuer may in the future engage other dealers to sell the Offering and shall compensate such dealers on commercially reasonable terms. Also, the Issuer may in the future pay fees in respect of sales of its Securities at or near prevailing or customary market rates and may also reimburse or otherwise compensate on commercially reasonable terms other related entities that pay such commissions or fees.

If you acquire any Securities through a registered dealer or sales agent or your financial advisor, then you shall be responsible for any commissions or fees that may be negotiated between you and the dealer, agent or advisor.

8. RISK FACTORS

Investment in the Securities should only be made after consulting with independent and qualified sources of investment and tax advice. Investment in the Securities at this time is highly speculative due to the stage of the Issuer's development and the structure of the Issuer. Any investment in the Issuer at this stage involves a high degree of risk.

In addition to 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 Securities. An investment in the Securities involves various risks and uncertainties. The risks discussed in this Offering Memorandum can adversely affect the Issuer's operations, operating results, prospects and financial condition. This could cause the value of the Securities to decline and cause Securityholders therein to lose part or all of their investment. In addition to those set out below and elsewhere in this Offering Memorandum, other material risks and uncertainties of which the Issuer is not presently aware may also harm the Issuer's activities. The following is a summary only of the material risk factors involved in an investment in the Securities. Prospective Subscribers should review the risks with their legal, investment, tax and financial advisors.

8.1. Investment Risk

Among the risks of investing in the Issuer are the following:

- (a) **No Guaranteed Return** - There is no guarantee that an investment in Securities shall earn any positive return in the short or long-term. Investment in the Securities may be more volatile and risky than some other forms of investments. All prospective Subscribers should consider an investment in the Issuer within the overall context of their investment goals and risk tolerances.
- (b) **Highly Speculative** - The purchase of Securities is highly speculative. A potential Subscriber should purchase Securities only if it is able to bear the risk of the entire loss of its investment. An investment in the Securities should not constitute a significant portion of a Subscriber's investment portfolio. Potential Subscribers should review closely the objectives and strategies to be utilized by the Issuer as outlined in this Offering Memorandum to familiarize themselves with the risks associated with an investment in the Issuer. Each prospective Subscriber is responsible for determining if an investment in the Issuer of the size contemplated by the prospective Subscriber is appropriate for that prospective Subscriber. There is no assurance that the Issuer shall be able to achieve its objectives.
- (c) **Investment Not Liquid** - The Securities shall be subject to a number of resale restrictions, including a restriction on trading. Unless the Issuer becomes a reporting issuer, the Securityholder shall not be able to trade or transfer the Securities unless it complies with very limited exemptions from the prospectus and registration requirements under Applicable Securities Laws. There is no market over which the Securities may be traded and it is not expected that a market shall develop. Consequently, Securityholders may not be able to liquidate their Securities in a timely manner, if at all, or pledge their Securities as collateral for loans. An investment in Securities is hence suitable only for sophisticated investors who do not need full liquidity with respect to this investment. (See *ITEM 10– Resale Restrictions*). Without imposing any obligation on the Securityholders, the Manager has agreed upon request to assist any Subscriber in the

disposition of the Securities subject to the applicable resale restrictions for a discount to the securities' then current value equal to the greater of 6% of the value of or the consideration received through re-sale to a transferring Subscriber for the transferred HB Bonds or REB Units.

- (d) **Loss of Investment** - An investment in Securities is appropriate only for investors who have the capacity to absorb a loss of some or all of their investment. The Issuer is not a member institution of the Canada Deposit Insurance Issuer and the Securities offered pursuant to this Offering Memorandum are not insured against loss through the Canada Deposit Insurance Issuer.
- (e) **Regulatory Review** - This Offering Memorandum constitutes an offering of the securities described herein only in those jurisdictions and to those Persons where and to whom they may be lawfully offered for sale and is not, and under no circumstances is to be construed as a public offering, prospectus or an advertisement of securities. Subscribers shall not have the benefit of a review of the material by any regulatory authority.
- (f) **Offering** - There can be no assurance regarding the amount of proceeds that may be obtained under the Offering. If fewer Securities are sold pursuant to this Offering than expected, the Issuer shall have less capital available to invest in HB Properties. This could have a material adverse effect on the business plan of the Issuer as it may not be able to invest the proceeds of this Offering as originally intended.
- (g) **Management Performance** - The success of the investment is based on the ability and performance of management in operating the properties in the case of commercial real estate funded with RE Bonds and selling housing inventory in the case of the HB Bonds. If management does not perform with the tasks of negotiating leases and maintaining the property or negotiating unit purchase contracts or selling housing inventory the investment could be materially impacted.
- (h) **No Increased Payments if Withholding is Required** - The HB Bond Indenture and the RE Bond Indenture will not contain a requirement that the Issuer increase the amount of interest or other payments to Holders in the event that the Issuer is required to withhold amounts in respect of income or similar taxes on payment of interest or other amounts on the HB Bonds or RE Bonds. Non-residents of Canada should consult their own tax advisors regarding the tax consequences of acquiring and holding HB Bonds or RE Bonds.
- (i) **Investment Eligibility** - The Issuer will endeavour to ensure that the HB Bonds and RE Bonds continue to be qualified investments for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, registered education savings plans, registered disability savings plans and tax free savings accounts. No assurance can be given in this regard. The Tax Act imposes penalties for the acquisition or holding of non-qualified investments by such plans.

8.2. Issuer Risk

Among the risks of investing in the Issuer are the following:

- (a) **Limited Operating History** - The Issuer is newly incorporated with no previous operating history. Its operations are subject to the risks inherent in the formation of a company, including a lack of operating history. Future profits, if any, shall depend upon various factors, many of which are out of the Issuer's control. There is no assurance that the Issuer can operate profitably.
- (b) **Reliance on Management** - Prospective Subscribers assessing the risks and rewards of this investment should appreciate that they shall, in large part, be relying on the good faith and expertise of the principals and management team of the Issuer. Prospective Subscribers shall be relying on their discretion and ability and continued involvement. George Lawton shall not be providing services to the Issuer on a full-time basis, but only as, and when, he determines his involvement shall be beneficial to the Issuer. None of the Issuer or Trustee maintains key person life insurance for him. If his services are lost, then the business, financial condition and results of operations of the Issuer might be materially adversely affected. In addition, he has other business interests, including as directors and officers of other companies.
- (c) **Continuous Disclosure Obligations** - The Issuer is not a reporting issuer and does not have any continuous disclosure obligations.

- (d) **Revenue/Proceeds Shortfalls** - Revenues from the RE Property may not be sufficient or may not increase sufficiently to meet increases in operating expenses or debt service payments under any mortgage loans, to fund changes in the variable rates of interest charged in respect of such loans of the fund payment of the RE Priority Return. Individual tenants businesses could suffer causing the tenant to prematurely vacate their space creating a unexpected shortfall income or operating cost recovery. Proceeds from the sale of HB Properties may not be sufficient to cover the payment of the HB Priority Return or the HB Bonus Interest.
- (e) **Tax Matters** – As set out under *ITEM 6 – Income Tax Consequences and RRSP Eligibility*, the tax treatment of real estate activities and of the Issuer has a material effect on the advisability of an investment in the Securities.
- (f) **Net Worth of the Issuer** - The Issuer, which has unlimited liability for the obligations of the Issuer, has no material net worth. Therefore, if the Issuer is not able to generate sufficient funds through the operation of the RE Property of the HB Properties to meet its obligations, the Issuer shall be exposed to bankruptcy or insolvency. Bankruptcy or insolvency shall impair or remove entirely the ability of the Issuer to successfully implement the Issuer's business strategy, carry out a restructuring of the business and affairs of the Issuer if required, or satisfy certain limited obligations of the Issuer.
- (g) **Reliance on Property Management** – The Issuer expects to rely upon independent asset mortgage and property management companies to perform the function of manager for the RE Property. The employees of the management companies shall be expected to devote so much of their time to the management of the RE Property as in their judgment is reasonably required. However, they may have conflicts in allocating their time, services and functions among other properties and their other development, investment and/or management activities.
- (h) **Urban Real Estate Market Activity** – The Issuer's business depends on the continued normal transaction volume and activity within each city or greater urban region in which properties are acquired. If employment levels or the general economy in any of these individual markets suffer the resulting value of the real estate assets in those locations could be detrimentally affected impeding the investments chances for successful realization.
- (i) **Sales and Marketing Expertise** – The Issuer depends also on the expertise and active involvement of outside real estate sales and marketing professionals to sell the housing inventory contracted for and funded by HB Bonds issued. If these professionals are not available to focus time on these sales or they are not effective in their roles the results of the investment could be compromised.
- (j) **Interest Rate Volatility** – The Issuer's business is dependent on the health of the commercial real estate and residential real estate markets which are highly reliant on mortgage capital to finance ownership and purchase transactions. If interest rate changes significantly in a short period of time the value of real estate of all types could be detrimentally affected and it could hurt the chance for success of these investments.

8.3. Industry Risk

Among the industry risks are the following:

- (a) **Risks of Real Estate Ownership** – Investment in real estate is subject to numerous risks, including the highly competitive nature of the real estate industry, changes in general or local conditions, failure of tenants to pay rent, changes in neighbourhood property values, interest rates, availability of mortgage funds, increases in real estate tax rates and other operating expenses, the possibility of competitive overbuilding and of the inability to obtain full occupancy of the properties this Issuer acquires, governmental rules and fiscal policies, including rent control legislation, which limit potential rent increases, and other events and factors which are beyond the control of the Issuer.
- (b) **Financing Risks** - There is no assurance that any mortgage loan shall be available or renewed when it matures or, if renewed, renewed on the same or commercially reasonable terms and conditions (including the rate of interest). In the absence of mortgage financing, the projected return from the ownership of the RE Property shall be reduced. Although the RE Property may have in the past generated sufficient funds to service all mortgage financing there is always a risk that we may not be able to generate sufficient funds through the operation of the RE Property to service future mortgage loans. If a default occurs under the any mortgages, the mortgage lenders could exercise their rights including, without limitation, foreclosure or sale of the RE Property.

- (c) **Potential Liability under Environmental Protection Legislation** - Environmental and ecological legislation and policies have become increasingly important in recent years. Under various laws, the Issuer could become liable for the costs of removal or remediation of certain hazardous or toxic substances released on, from the RE Property or disposed of at other locations. The failure to remove or remediate such substances, if any, may adversely affect the Issuer's ability to sell the RE Property or to borrow using the RE Property as collateral, and could potentially also result in claims against the Issuer by private parties.
- (d) **Uninsured Losses** - The Issuer shall arrange for comprehensive insurance, including fire, liability and extended coverage, of the type and in the amounts customarily obtained for properties similar to those to be owned by the Issuer, and shall endeavour to obtain coverage where warranted and if available against earthquakes and floods. However, in many cases certain types of losses (generally of a catastrophic nature) are either uninsurable or not economically insurable. Should such a disaster occur with respect to a Property, the Issuer could suffer a loss of capital invested and not realize any profits, which might be anticipated from the disposition of the Property.
- (e) **Competition for Tenants and Home Purchasers** - The Issuer shall face competition from other commercial property owners or residential housing developers or home sellers who are all working to attract tenants or home purchasers to their properties. This competition could be greater than expected causing either or both a reduced demand for space or reduction in rental rates or sale prices.

The foregoing risk factors do not purport to be a complete explanation of all risks involved in purchasing Securities described herein. Potential Subscribers should read this entire Offering Memorandum and the attached Subscription Agreement carefully and consult with their legal and other professional advisors before determining to invest in Securities of the Issuer.

9. REPORTING OBLIGATIONS

9.1. Reporting

The Issuer is not subject to continuous reporting and disclosure obligations which the securities legislation in any province would require of a "reporting issuer" as defined in such legislation and there is, therefore, no requirement that the Issuer make disclosure of its affairs, including, without limitation, the prompt notification of material changes by way of press releases and formal filings or the preparation of quarterly unaudited financial statements and annual audited financial statements in accordance with generally accepted accounting principles. **The Issuer is not currently required to send you any documents on an annual or ongoing basis.**

The Issuer shall send to all Securityholders, the financial statements of the Issuer together with comparative financial statements for the preceding fiscal year, if any, and the report of the accountant thereon, within 120 days of the end of the fiscal year of the Issuer.

On or before March 31 in each year, or such date as may be required under law, the Issuer shall provide to Securityholders who received distributions from the Issuer in the prior calendar year, such information regarding the Issuer required by Canadian law to be submitted to Securityholders for income tax purposes to enable Securityholders to complete their tax returns in respect of the prior calendar year.

The Issuer shall prepare and maintain adequate accounting records. Securityholders have the right to obtain, on demand and without fee, from the Issuer, a copy of the HB Bond Indenture and RE Bond Indenture and minutes of meetings of Securityholders and any written resolutions of Securityholders passed in lieu of a meeting. Securityholders shall also be entitled to examine a list of Securityholders.

10. RESALE RESTRICTIONS

10.1. General Statement

The Securities shall be subject to a number of resale restrictions, including a restriction on trading. Until the restriction on trading expires, you shall not be able to trade the securities unless you comply with an exemption from the prospectus and registration requirements under Applicable Securities Laws.

The Issuer is not: (i) a reporting issuer in any Canadian province or territory, nor (ii) a SEDAR filer in any Canadian province or territory. As a result, the Units shall be subject to an indefinite hold period.

10.2. Restricted Period

For trades in Alberta, British Columbia and Ontario:

Unless permitted under securities legislation, you cannot trade the securities before the date that is four months and a day after the date the Issuer becomes a reporting issuer in any province or territory of Canada.

The Issuer shall not become a reporting issuer upon completion of this Offering and may never become a reporting issuer. **The resale restriction on the securities may therefore never expire.**

The foregoing is a summary of resale restrictions relevant to Subscribers of Securities offered hereby. The foregoing is not intended to be exhaustive and all Subscribers under this Offering should consult with their own professional advisers with respect to restriction on the transferability, resale and availability of further exemptions relating to the Securities offered hereunder.

11. PURCHASER'S RIGHTS

If you purchase these securities, you shall have certain rights, some of which are described below. For more information about your rights, you should consult a lawyer.

The securities laws in your jurisdiction may provide you with the right, in certain circumstances, to seek damages or to cancel your agreement to buy Securities. Most often, these rights are available if the Issuer makes a misrepresentation in this Offering Memorandum or any amendment hereto, but in some jurisdictions, you may have these rights in other circumstances including if the Issuer fails to deliver the Offering Memorandum to you within the required time or if the Issuer makes a misrepresentation in any advertisements or literature regarding Securities. Generally, a "misrepresentation" means an untrue statement about a material fact or the failure to disclose a material fact that is required to be stated or that is necessary in order to make a statement not misleading in light of the circumstances in which it was made. The meaning of misrepresentation may differ slightly depending on the law in your jurisdiction. In most jurisdictions there are defenses available to the persons or companies that you may have a right to sue. In particular, in many jurisdictions, the person or company that you sue shall not be liable if you knew of the misrepresentation when you purchased the Securities.

The following summaries are subject to any express provisions of the securities legislation of each Selling Jurisdiction and the regulations, rules and policy statements thereunder and reference is made thereto for the complete text of such provisions.

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

11.1. Two Day Cancellation Right

You can cancel your agreement to purchase these securities. To do so, you must send a notice to the Issuer by midnight on the second Business Day after you sign the Subscription Agreement to buy Securities.

11.2. Statutory Rights of Action in the Event of a Misrepresentation

Subscribers in British Columbia and Alberta

If there is a misrepresentation in this Offering Memorandum, you have a statutory right to sue:

- (1) the Issuer to cancel your agreement to buy the Securities; or
- (2) for damages against:
 - a) if you are resident in Alberta:
 - i) the Issuer;
 - ii) every director of the Issuer at the date of this Offering Memorandum; and
 - iii) every person or company who signed this Offering Memorandum; and
 - b) if you are resident in British Columbia:
 - i) the Issuer;
 - ii) every director of the Issuer at the date of this Offering Memorandum; and

- iii) every 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 defenses available to the persons or companies that you have a right to sue. In particular, they have a defense if you knew of the misrepresentation when you purchased the Securities.

Time limitations

If you intend to rely on the rights described above in paragraph (1) or (2), you must do so within strict time limitations.

You must commence an action to cancel the agreement within:

- (1) if you are resident in Alberta, 180 days from the date of the transaction that gave rise to the cause of action; and
- (2) if you are resident in British Columbia, 180 days after the date of the transaction that gave rise to the cause of action.

You must commence an action for damages within:

- (1) if you are resident in Alberta, the earlier of:
 - a) 180 days from the date that you first had knowledge of the facts giving rise to the cause of action; or
 - b) 3 years from the day of the transaction that gave rise to the cause of action.
- (2) if you are resident in British Columbia, the earlier of:
 - a) 180 days after you first had knowledge of the facts giving rise to the cause of action; or
 - b) 3 years after the date of the transaction that gave rise to the cause of action.

Subscribers in Ontario

If this Offering Memorandum, together with any amendment hereto, is delivered to you and contains a misrepresentation and it was a misrepresentation at the time of purchase of Securities by you, you shall have, without regard to whether you relied on such representation, a right of action against the Issuer for damages or, while still the owner of the Securities purchased by you, for rescission, in which case if you elect to exercise the right of rescission you shall have no right of action for damages against the Issuer. You may exercise these rights of action against the Issuer provided that:

- (1) the right of action for rescission or damages shall be exercisable by you only if you commence an action to enforce such right not later 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 any action, other than an action for rescission, the earlier of (A) 180 days after you first had knowledge of the facts giving rise to the cause of action or (B) three years after the date of the transaction that gave rise to the cause of action;
- (2) the Issuer shall not be liable if it proves that you purchased the Securities with knowledge of the misrepresentation;
- (3) in the case of an action for damages, the Issuer shall not be liable for all or any portion of the damages that it proves do not represent the depreciation in value of the Securities as a result of the misrepresentation relied upon;
- (4) in no case shall the amount recoverable in any action exceed the price at which the Securities were sold to you; and
- (5) the Issuer shall not be liable for a misrepresentation in forward-looking information if the Issuer proves that:
 - a) this Offering Memorandum contains reasonable cautionary language identifying the forward looking information as such, and identifying material factors that could cause actual results to differ materially from a conclusion, forecast or projection in the forward looking information, and a statement of

material factors or assumptions that were applied in drawing a conclusion or making a forecast or projection set out in the forward looking information; and

- b) the Issuer has a reasonable basis for drawing the conclusion or making the forecasts and projections set out in the forward looking information.

General

The securities laws of the provinces of British Columbia, Alberta and Ontario are complex. Reference should be made to the full text of the provisions summarized above relating to contractual and statutory rights of action. **Subscribers should consult their own legal advisers with respect to their rights and the remedies available to them. The rights discussed above are in addition to and without derogation from any other rights or remedies which Subscribers may have at law.**

12. FINANCIAL STATEMENTS

The Issuer has prepared its audited financial statements in accordance with IFRS. See "*Schedule 'G' Financial Statements of the Issuer.*"

**SCHEDULE "A" TO THE
OFFERING MEMORANDUM OF
NORTH AMERICA HOME FINANCE INC.**

HB Bond Indenture

BOND INDENTURE

Dated as of the ● day of ●, ●

Between

NORTH AMERICA HOME FINANCE INC.

and

ALLIANCE TRUST COMPANY

Providing for the issue of HomeBuild Bonds of North America Home Finance Inc.

THIS INDENTURE made and effective as of ●, ●.

BETWEEN:

NORTH AMERICA HOME FINANCE INC., a corporation
incorporated under the laws of Canada (the "**Corporation**")

- and -

ALLIANCE TRUST COMPANY, a trust company having an office in
the City of Calgary, in the Province of Alberta (the "**Trustee**")

WHEREAS:

1. The Corporation desires to raise the capital through the issuance and sale of HomeBuild bonds ("**Bonds**"), the issuance of which is provided for by this Indenture;
2. The Corporation, under the laws relating thereto, is duly authorized to create and issue the Bonds as herein provided;
3. The Corporation shall issue security, including, without limitation, certain collateral mortgages and the security interest granted hereunder, which shall secure the obligations of the Corporation to the Trustee and the Bondholders hereunder;
4. All necessary by-laws and resolutions of the directors and shareholders of the Corporation have been duly enacted, passed and/or confirmed and other proceedings taken and conditions complied with to make the creation and issue of the Bonds hereunder and this Indenture and the execution thereof legal, valid and binding on the Corporation in accordance with the laws relating to the Corporation; and
5. The foregoing recitals are made as representations and statements of fact by the Corporation and not by the Trustee;

NOW THEREFORE it is hereby covenanted, agreed and declared as follows:

1. INTERPRETATION

1.1. Definitions

In this Indenture and in the Bonds including the recitals to this Indenture, unless there is something in the subject matter or context inconsistent therewith, the expressions following shall have the following meanings, namely:

"**Auditors**" means an independent firm of chartered or certified public accountants duly appointed as auditors of the Corporation;

"**business day**" means a day which is not a Saturday or Sunday or a civic or statutory holiday in the City of Vancouver;

"**Bondholders**" means the persons for the time being entered in the registers hereinafter mentioned as holders of any of the Bonds;

"**Bonds**" has the meaning set forth in the Preamble to this Indenture;

"Bonus Interest Amount" means, in respect of a Bond, an amount of additional interest accrued against the principal balance of Bonds outstanding, determined as follows: 1% additional interest per annum on the principal amount of the Bonds (up to a maximum of 10%) for every 2% of profit realized from the sale of the Properties (calculated after deduction of the amortized costs relating to the offering and administrative costs of the Trustee and the Corporation, and marketing cost and expenses incurred in connection with the sale of the Properties);

"Closing Date" means the first closing of the Bonds, which shall be on the date that the Corporation receives the minimum offering of 100 Bonds (expected to be no later than ●) or such later or earlier date as may be determined by the Corporation;

"Collateral" has the meaning set forth in Section 3.1;

"Collateral Mortgages" means those collateral mortgages granted by WHCO in favour of the Trustee (on behalf of the Bondholders) with respect to the Properties;

"Contractual Rights" has the meaning set forth in Section 3.2;

"Corporation" means North America Home Finance Inc. and includes any successor corporation to, or of, the Corporation which shall have complied with the provisions of Article 9;

"Counsel" means a barrister or solicitor or firm of barristers or solicitors retained or employed by the Trustee or retained or employed by the Corporation and acceptable to the Trustee;

"director" means a director of the Corporation for the time being and **"directors"** or **"board"** means the board of directors of the Corporation or, if duly constituted and whenever duly empowered, the executive committee of the board of directors of the Corporation for the time being, and reference to action by the directors means action by the directors of the Corporation, as a board or action by the said executive committee as such committee;

"Event of Default" means any event specified in Section 6.1, provided that there has been satisfied any requirement in connection with such event for the giving of notice, or the lapse of time, or the happening of any further condition, event or act;

"extraordinary resolution" has the meaning set forth in Section 10.12(a);

"Material Subsidiary" means a Subsidiary of the Corporation, the total assets of which comprise over 50% of the consolidated assets of the Corporation, and all their respective Subsidiaries;

"Maturity Date" means, initially, with respect to any Bond, the date that is 30 months from the date of issuance of such Bond; provided, however, that the Corporation shall be entitled, in its sole discretion, to extend the Maturity Date 3 times for an additional 6 months for a maximum period of up to 48 months;

"Offering Jurisdictions" means the Provinces of British Columbia, Alberta and Ontario and such other jurisdictions as may be agreed to by the Corporation;

"Officers' Certificate" means a certificate signed by a duly appointed officer of the Corporation;

"Permitted Encumbrances" means, as of any date, any of the following:

- (a) liens for taxes, assessments or governmental charges;
 - (i) not at such date due or delinquent; or
 - (ii) the validity of which the Corporation shall be contesting in good faith and in respect of which:

- (A) an amount in cash sufficient to pay such taxes, assessments or charges shall have been deposited with a court, a taxing or assessing authority or the Trustee; or
 - (B) a surety bond, satisfactory to the holders, for such amount shall have been deposited with the Trustee;
- (b) the lien of any judgment rendered, or of any claim filed, against the Corporation which the Corporation shall be contesting in good faith and in respect of which:
 - (i) an amount in cash sufficient to pay such judgment or claim shall have been deposited with a court or the Trustee; or
 - (ii) a surety bond, satisfactory to the Trustee, for such amount, shall have been deposited with the Trustee;
- (c) undetermined or inchoate liens incidental to construction or current operations which have not at such date been filed pursuant to law against its property or against the Corporation or which relate to obligations not at such date due or delinquent;
- (d) easements, rights of way, servitudes or other similar rights in property (including, without limitation, rights of way and servitudes for railways, sewers, drains, pipelines, gas and water mains, electric light, power, telephone, telegraph or cable television conduits, poles, wires and cables) granted to or reserved or taken by other persons which in the aggregate do not materially detract from the value of such property or materially impair its use in the operation of the business of the Corporation;
- (e) security given by the Corporation to a public utility, any municipality, governmental or other public authority when required by such utility, municipality or authority in the ordinary course of the business of the Corporation;
- (f) any other lien, the validity of which is being contested in good faith and where the Corporation has deposited:
 - (i) with a court or the Trustee, an amount in cash sufficient to pay the same in full; or
 - (ii) with the Trustee, a surety bond, satisfactory to the Trustee, for such amount; and
- (g) any lien relating to Senior Indebtedness; and
- (h) the REB Security;

"**person**" means an individual, corporation, company, partnership (whether general or limited), association or trust;

"**Prime Rate**" means an annual rate of interest equal to the floating annual rate of interest from time to time set by Royal Bank of Canada as the prime rate used by it to determine rates of interest charged on Canadian dollar commercial loans to customers in Canada, being the rate from time to time designated as such by the said bank in Vancouver, British Columbia;

"**Priority Return**" means, in respect of a Bond, interest accrued against the principal balance outstanding at the rate of 7.75% per annum and payable to the holder of the Bond by the Corporation in priority to the shareholders of the Corporation and other creditors of the Corporation (other than the holders of Senior Indebtedness) and payable on the Maturity Date;

"**Properties**" means the individual residential properties acquired by WCHO utilizing funds provided by the Corporation using the proceeds to the Bonds;

"REB Security" means any security granted in favour of the holders of RealEquity Bond units being offered concurrently with the Bonds;

"Security Documents" means this Indenture, the Collateral Mortgages and all other documents, instruments and agreements to be executed and delivered to the Trustee by, or on behalf of or in respect of, the Corporation or a related party hereunder including, without limitation, such security agreements, mortgages, or subordination or priorities agreements with the other creditors as the Trustee may require to give effect to the provisions hereof;

"Security Interest" has the meaning set forth in Section 3.1;

"Senior Indebtedness" means the principal of, premium (if any) on and any interest associated with (a) secured bank operating or term debt, mortgage financing, construction financing and equipment lease financing or any other type of secured debt; and (b) all renewals, extensions and refunding of any such secured indebtedness or any such obligations;

"Subsidiary" means any corporation, partnership, trust or other person of which more than 50% of the outstanding voting shares or other equity interests (pertaining to the right to appoint or to elect persons to the Board, committee or group who determine the management and policy of such partnership, trust or other person) is owned or controlled, directly or indirectly, by or for the Corporation, and includes any corporation, partnership, trust or other person in like relation to a Subsidiary;

"Successor Corporation" has the meaning set forth in Section 9.1(a);

"Taxes" has the meaning set forth in Section 5.7;

"this Indenture", **"this trust indenture"**, **"hereto"**, **"herein"**, **"hereby"**, **"hereunder"**, **"hereof"** and similar expressions refer to this Indenture and not to any particular Article, Section, subsection, clause, subdivision or other portion hereof and include any and every instrument supplemental or ancillary hereto;

"Trustee" means Alliance Trust Company or its successor or successors for the time being as trustee hereunder;

"WHCO" means Westcoast Homeownership Ltd., a company incorporated under the laws of British Columbia and which shall contract for the Properties using its own funds and funds provided by the Corporation from the Bonds; and

"written direction" means an instrument in writing signed by one of the President or the Chairman and also by one of any other officer of the Corporation.

1.2. Special Accounting Provisions

For the purposes of this Indenture and in respect of the Bonds and the determinations required to be made under any of the covenants herein contained which relate to the Bonds and the definitions set forth in Section 1.1 the following shall apply:

- (a) all determinations shall be made in accordance with IFRS and shall give effect to retirements of securities to be effected concurrently with or prior to any proposed action; and
- (b) all determinations made hereunder shall be conclusive and binding for all purposes of this Indenture.

1.3. Meaning of "Outstanding"

Every Bond certified and delivered by the Trustee hereunder shall be deemed to be outstanding until it shall be cancelled, or delivered to the Trustee or deemed to be cancelled under Section 9.1, as the case may be, provided that:

- (a) when a new Bond has been issued in substitution for a Bond which has been lost, stolen or destroyed, only one of such Bonds shall be counted for the purpose of determining the aggregate principal amount of Bonds outstanding; and
- (b) for the purposes of any provision of this Indenture entitling Bondholders to vote, sign consents, requisitions or other instruments or take any other action under this Indenture, Bonds owned directly or indirectly, legally or beneficially, by the Corporation or any Subsidiary shall be disregarded except that:
 - (i) for the purpose of determining whether the Trustee shall be protected in relying on any such vote, consent, acquisition or other instrument or action, only the Bonds which the Trustee knows are so owned shall be so disregarded; and
 - (ii) Bonds so owned which have been pledged in good faith other than to the Corporation or a Subsidiary shall not be so disregarded if the pledgee shall establish to the satisfaction of the Trustee the pledgee's right to vote such Bonds in his discretion free from the control of the Corporation, or any Subsidiary.

1.4. Interpretation

In this Indenture:

- (a) words importing the singular number or masculine gender shall include the plural number or the feminine or neuter genders, and *vice versa*;
- (b) all references to Articles and Schedules refer, unless otherwise specified, to Articles of and Schedules to this Indenture;
- (c) all references to Sections refer, unless otherwise specified, to sections, subsections or clauses of this Indenture and reference to subsections or clauses refer to paragraphs in the same section as the reference or to clauses in the same subsection as the reference; and
- (d) words and terms denoting inclusiveness (such as "include" or "includes" or "including"), whether or not so stated, are not limited by and do not imply limitation of their context or the words or phrases which precede or succeed them.

1.5. Headings, Etc.

The division of this Indenture into Articles and Sections and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Indenture or of the Bonds.

1.6. Day not a Business Day

In the event that any day on or before which any action required to be taken hereunder is not a business day, then such action shall be required to be taken on or before the requisite time on the next succeeding day that is a business day.

1.7. Applicable Law

This Indenture and the Bonds shall be construed in accordance with the laws of the Province of British Columbia and shall be treated in all respects as British Columbia contracts.

1.8. Monetary References

All references to currency herein and in the Bonds shall be to lawful money of Canada, unless otherwise expressed.

1.9. Invalidity, Etc.

Any provision hereof which is prohibited or unenforceable shall be ineffective only to the extent of such prohibition or unenforceability, without invalidating the remaining provisions hereof.

1.10. Language

This document is drawn up in English at the express wish of the parties. C'est le volenté expresse des parties que cette entente soit redigée en anglais.

1.11. Schedules

Schedule "A" – Form of Bond

2.

THE BONDS

2.1. Limitation

The aggregate principal amount of Bonds which may be issued and outstanding from time to time under this Indenture is \$5,000,000, and such Bonds may be issued hereunder only upon the terms and subject to the conditions herein provided.

2.2. Bond Attributes

The Bonds shall have the following attributes:

- (a) the Bonds shall be dated as of the date of issue and shall mature on the Maturity Date;
- (b) other than as provided for in this Indenture, the Bonds shall be non-voting;
- (c) the Bonds shall be issued only as fully registered Bonds in denominations of \$1,000, with a minimum subscription amount per Bondholder of \$5,000 or 5 Bonds;
- (d) on the Maturity Date, the Corporation shall repay the Bonds;
- (e) after the Corporation repays the Bonds, the Bondholder shall have the option to reinvest in new Bonds at a discounted rate such that they can purchase the same number of Bonds for 97% of the principal amount of their repurchased Bonds;
- (f) the Bonds shall be secured by, *inter alia*, the Collateral Mortgages, certain of which Collateral Mortgages shall be executed in connection with Closing and registered upon occupancy permits being issued on the residential units and others of which will be executed post-Closing and registered during the term of the Bonds;
- (g) the Bonds shall also be secured by the other Security Documents and the minimum Priority Return protected by an interest reserve held in trust along with a surety company providing bonding;
- (h) the Bondholders shall be entitled receive both the Priority Return and the Bonus Interest Amount with such payments being payable upon the Maturity Date; and
- (i) regardless of when a Bond is subscribed for or issued in a quarter, the Bondholder shall be entitled to receive the Priority Return for the entire quarter.

2.3. Form of Bonds

The Bonds and the registration panel and certificate of the Trustee endorsed thereon may be in the form set out in Schedule "A" hereto or in such other form or forms (which may include legends) as the directors of the Corporation shall by resolution determine prior to the time of issue thereof and as shall be approved by the Trustee, whose approval shall be conclusively evidenced by its certification thereof.

The Bonds may be engraved, lithographed, printed, mimeographed or typewritten, or partly in one form and partly in another, as the Corporation may determine, provided that if a Bond is issued in mimeographed or typewritten form, the Corporation, on the demand of the Holder thereof, shall make available within a reasonable time after such demand, without expense to such Holder, an engraved, lithographed or printed Bond in exchange therefor.

2.4. Bonds to Rank Equally

The Bonds shall be direct obligations of the Corporation and shall rank equally and *pari passu* with each other (regardless of their actual dates or terms of issue).

2.5. Signature on Bonds

The Bonds shall be signed (either manually or by facsimile signature) by a duly appointed officer of the Corporation. A facsimile signature upon any of the Bonds shall for all purposes of this Indenture be deemed to be the signature of the person whose signature it purports to be and to have been signed at the time such facsimile signature is reproduced and each Bond so signed shall be valid and binding upon the Corporation, notwithstanding that any individual whose signature, either manual or in facsimile, may appear on the Bonds is not, at the date of this Indenture or at the date of the Bonds or at the date of the certifying and delivery thereof, the holder of the office indicated.

2.6. Certification

No Bond shall be issued or, if issued, shall be obligatory or shall entitle the holder to the benefits of this Indenture, until it has been certified by or on behalf of the Trustee substantially in the form set out in Schedule "A" hereto or in some other form approved by the Trustee. Such certification (either manually or by facsimile signature) on any Bond shall be conclusive evidence that such Bond is duly issued, is a valid obligation of the Corporation and is entitled to the benefits hereof.

The certificate of the Trustee signed on the Bonds shall not be construed as a representation or warranty by the Trustee as to the validity of this Indenture or of the Bonds or as to the issuance of the Bonds and the Trustee shall in no respect be liable or answerable for the use made of the Bonds or any of them or the proceeds thereof. The certificate of the Trustee signed on the Bonds shall, however, be a representation and warranty by the Trustee that the Bonds have been duly certified by or on behalf of the Trustee pursuant to the provisions of this Indenture.

2.7. Attorney-in-Fact

The Bondholders, by acceptance of the Bonds, authorize the Trustee to enter into the Security Documents and to take such action as may be necessary or appropriate to effectuate the security as provided therein, and hereby appoint the Trustee as the Bondholders' attorney-in-fact for any and all such purposes.

2.8. Registration and Exchange of Bonds

The Corporation shall cause to be kept registers hereinafter referred to in which shall be entered the names and addresses of the Bondholders and particulars of the fully registered Bonds held by them respectively and of all exchanges of fully registered Bonds. No exchange of a fully registered Bond shall be valid unless made by the holder or his executors or administrators or other legal representatives or his or their attorney duly appointed by an instrument in writing in form and execution satisfactory to the Trustee or other registrar, upon compliance with such reasonable requirements as the Trustee may prescribe, and unless such exchange shall have been duly entered on one of the appropriate registers.

The registers referred to in this Section shall at all reasonable times be open for inspection by the Corporation, the Trustee and any Bondholder.

The registers referred to in this Section shall be kept by and at the principal office of the Trustee in the City of Calgary.

Except as herein otherwise provided, upon any exchange of Bonds the Trustee may make a sufficient charge to reimburse it for any stamp or security transfer taxes or other governmental charge required to be paid and, in addition, a reasonable charge for its services, and payment of the said charge shall be made by the party requesting such exchange as a condition precedent thereto.

Neither the Trustee nor the Corporation shall be charged with notice of, or be bound to see to, the execution of any trust, whether expressed, implied or constructive, in respect of any Bond and the Trustee or the Corporation may exchange any Bond on the direction of the registered holder thereof, whether named as trustee or otherwise, as though that person were the beneficial owner thereof.

Except in the case of the register required to be kept at the City of Calgary, the Corporation shall have power at any time to close any register upon which the registration of any Bond appears and in that event it shall transfer the records thereof to another existing register or to a new register and thereafter such Bonds shall be deemed to be registered on such existing or new register, as the case may be.

The Trustee shall, when requested so to do by the Corporation, furnish the Corporation with a list of the names and addresses of Bondholders showing the principal amounts and serial numbers of such Bonds held by each such Bondholder.

2.9. Transfer

No transfer of a Bond shall be valid unless made on such register referred to in Section 2.8 by the registered Bondholder or such Bondholder's executors, administrators or other legal representatives or an attorney duly appointed by an instrument in writing in form and execution satisfactory to the Trustee or other registrar upon surrender of the Bonds together with a duly executed form of transfer acceptable to the Trustee and upon compliance with such other reasonable requirements as the Trustee or other registrar may prescribe, nor unless the name of the transferee shall have been noted on the Bond by the Trustee or other registrar.

The transferee of a Bond shall be entitled, after the appropriate form of transfer is lodged with the Trustee or other registrar and upon compliance with all other conditions in that behalf required by this Indenture or by law, to be entered on the register as the owner of such Bond free from all equities or rights of set-off or counterclaim between the Corporation and the transferor or any previous holder of such Bond, save in respect of equities of which the Corporation is required to take notice by statute or by order of a court of competent jurisdiction.

2.10. Persons Entitled to Payment

The person in whose name any registered Bond shall be registered shall be deemed and regarded as the owner thereof for all purposes of this Indenture and payment of or on account of the principal, the Priority Return and the Bonus Interest Amount of such Bond shall be made only to or upon the order in writing of such holder thereof and such payment shall be a good and sufficient discharge to the Trustee and any registrar and to the Corporation and any paying agent for the amounts so paid.

2.11. Payments to Bondholders

When the Priority Return or Bonus Interest Amount is payable, the Corporation, either directly or through the Trustee or an agent of the Trustee, at least three days prior to each date on which such amount becomes due, shall forward or cause to be forwarded by prepaid post, to the holder for the time being, at his address appearing on the appropriate register hereinbefore mentioned, or in the case of cash payments deliverable to joint Bondholders, to the one whose name appears first on such register, a cheque, in satisfaction of such amount (less any tax required by law to be deducted) payable to the order of such Bondholder or Bondholders. Such cheque shall be negotiable at par at each of the places at which such amounts are expressed to be payable. The forwarding of such cheque shall satisfy and discharge the liability for such amounts on such Bonds to the extent of the sum or sums represented thereby (plus the amount of any tax deducted as aforesaid) unless, in the case of delivery of a cheque, such cheque be not

paid on presentation; provided that in the event of the non receipt of such cheque by the holder, or the loss or destruction thereof, the Corporation, upon being furnished with reasonable evidence of such non receipt, loss or destruction and indemnity reasonably satisfactory to it, shall issue to such holder a replacement cheque for the amount of such cheque.

The holder for the time being of any Bond shall be entitled to the principal, Priority Return and Bonus Interest Amount evidenced by such Bond, free from all equities or rights of setoff or counterclaim between the Corporation and the original or any intermediate holder thereof and all persons may act accordingly.

Delivery to the Corporation by a Bondholder of a Bond or delivery of the receipt of such holder for the principal, Priority Return and Bonus Interest Amount evidenced by such Bond respectively shall be a good discharge to the Corporation, which shall not be bound to enquire into the title of such holder, save as ordered by some court of competent jurisdiction or as required by statute. None of the Corporation, the Trustee nor any registrar shall be bound to see to the execution of any trust affecting the ownership of any Bond nor be affected by notice of any equity that may be subsisting in respect thereof.

The Corporation shall provide the Trustee, not less than 3 business days prior to any payment date for the Priority Return and Bonus Interest Amount, immediately available funds by wire transfer to an account designated by the Trustee in an amount sufficient to pay all amounts payable to the Bondholders.

Where registered Bonds are registered in more than one name, the principal, Priority Return and Bonus Interest Amount from time to time payable in respect thereof may be paid by cheque payable to the order of all such Bondholders, failing written instruction from them to the contrary, and such payment shall be a valid discharge to the Trustee and any registrar and to the Corporation and any paying agent.

In the case of the death of one or more joint Bondholders, the principal, Priority Return and Bonus Interest Amount on any Bonds, may be paid to the survivor or survivors of such Bondholders whose receipt therefor shall constitute a valid discharge to the Trustee and any registrar and to the Corporation and any paying agent.

2.12. Mutilation, Loss, Theft or Destruction

In case any of the Bonds issued hereunder shall become mutilated or be lost, stolen or destroyed, the Corporation, in its discretion, acting reasonably, may issue, and thereupon the Trustee shall certify and deliver, a new Bond of like date and tenor upon surrender and cancellation of the mutilated Bond, or in the case of a lost, stolen or destroyed Bond, in lieu of and in substitution for the same, and the substituted Bond shall be in a form approved by the Trustee and shall be entitled to the benefits of this Indenture equally with all other Bonds issued or to be issued hereunder without preference or priority one over another. In case of loss, theft or destruction the applicant for a substituted Bond shall furnish to the Corporation and to the Trustee such evidence of such loss, theft or destruction as shall be satisfactory to them in their discretion, acting reasonably, and shall also furnish an indemnity satisfactory to them in their discretion, acting reasonably. The applicant shall pay all reasonable expenses incidental to the issuance of any substituted Bond.

2.13. Exchanges of Bonds

Bonds of any denomination may be exchanged for Bonds of any other authorized denomination or denominations of an equivalent aggregate principal amount. Except as herein otherwise provided, upon any exchange of Bonds the Trustee may make a reasonable charge for its services, and payment of the said charge shall be made by the party requesting such exchange as a condition precedent thereto. Any exchange of Bonds may be made at the offices of the Trustee referred to in Section 2.8. Any Bonds tendered for exchange shall be surrendered to the Trustee and shall be cancelled.

2.14. Option of Holder as to Place of Payment

Except as herein otherwise provided, all sums which may at any time become payable, whether at maturity or otherwise, on account of any Bond shall be payable at the option of the holder at any of the places at which the principal of such Bond is payable.

2.15. Record of Payments

The Trustee shall maintain accounts and records evidencing each payment of principal of and interest on Bonds, which accounts and records shall constitute, in the absence of manifest error, *prima facie* evidence thereof.

2.16. Trustee Not Bound to Make Inquiries

The Trustee, prior to the certification and delivery of any Bonds, shall not be bound or make any enquiry or investigation as to the correctness of the matters set out in any of the resolutions, opinions, certificates or other documents required by the provisions of this Indenture, but shall be entitled to accept and act upon the said resolutions, opinions, certificates and other documents. The Trustee may nevertheless, in its discretion, require further proof in cases where it deems further proof desirable.

2.17. Cancellation

All Bonds surrendered for payment or exchange shall, if surrendered to any person other than the Trustee, be delivered to the Trustee and, if not already cancelled, shall be promptly cancelled by it. The Corporation may at any time (and shall, if at any time required to do so by any provisions of this Indenture) deliver to the Trustee for cancellation any Bonds previously certified and delivered hereunder which the Corporation may have acquired in any manner whatsoever, and all Bonds so delivered shall be promptly cancelled by the Trustee. No Bonds shall be certified in lieu of or in exchange for any Bonds cancelled as provided in this Section except as expressly permitted by this Indenture.

2.18. Right to Receive Indenture

Each Bondholder is entitled to receive from the Corporation a copy of this Indenture on written request and upon payment of a reasonable copying charge.

3.

SECURITY

3.1. Grant of Security

As general and continuing collateral security for the due payment and performance of any obligations owing to the Trustee or the Bondholders hereunder or under any of the Bonds, the Corporation grants, mortgages, charges, transfers and assigns to the Trustee a security interest (the "**Security Interest**") in the Corporation's right, title, interest and property in and to all of its present and after-acquired personal property, of whatsoever kind and located on lands subject to the Collateral Mortgages, including, without limitation, all proceeds in the form of goods, chattel paper, investment property, documents of title, instruments, intellectual property, money or intangibles (all or any part of the foregoing hereinafter is collectively called the "**Collateral**").

3.2. Contractual Rights

The Security Interest does not, and shall not, extend to, and the Collateral shall not include: (a) or apply to the last day of the term of any lease, sublease or any agreement therefore now held or thereafter acquired by the Corporation, but upon enforcement of the Security Interest, the Corporation shall thereafter stand possessed of such last day and shall hold it in trust for the Trustee to assign the same at the direction of the Trustee to any person acquiring such term; or (b) any agreement, right, franchise, license or permit (the "**Contractual Rights**") to which the Corporation is a party or of which the Corporation has the

benefit, to the extent that the creation of the Security Interest herein would constitute a breach of the terms of or permit any person to terminate the Contractual Rights, but the Corporation shall hold its interest therein in trust for the Trustee and shall assign such Contractual Rights to the Trustee, forthwith upon obtaining the consent of the other party or parties thereto.

3.3. Attachment

The Corporation confirms that value has been given, that the Corporation has rights in the Collateral, and that the Corporation and the Trustee have not agreed to postpone the time for attachment of the Security Interest to any of the Collateral. In respect of Collateral which is acquired after the date of execution hereof, the time for attachment shall be the time when the Corporation acquires any rights in such Collateral.

4.

SUBORDINATION OF BONDS

4.1. Subordination

The indebtedness evidenced by the Bond, shall be subordinate and subject in right of payment, to the prior payment in full of all Senior Indebtedness of the Corporation and the Trustee and Bondholders agree to and shall be bound by the provisions of this Article 4.

4.2. Order of Payment

Upon any distribution of the assets of the Corporation on any dissolution, winding up, liquidation or reorganization of the Corporation (whether in bankruptcy, insolvency or receivership proceedings, or upon an assignment for the benefit of creditors, or any other marshalling of the assets and liabilities of the Corporation, or otherwise):

- (a) all Senior Indebtedness shall first be paid in full, or provision made for such payment, before any payment is made on account of the principal or interest of the Bonds;
- (b) any payment or distribution of assets of the Corporation, whether in cash, property or securities, to which the Trustee or the Bondholders would be entitled except for the provisions of this Article 4, shall be paid or delivered by the trustee in bankruptcy, receiver, assignee for the benefit of creditors, or other liquidating agent making such payment or distribution, directly to the holders of Senior Indebtedness or their representative or representatives, or to the trustee or trustees under any indenture pursuant to which any instruments evidencing any of such Senior Indebtedness may have been issued, to the extent necessary to pay all Senior Indebtedness in full; and
- (c) in the event that, notwithstanding the foregoing, any payment or distribution of assets of the Corporation, whether in cash, property or securities, shall be received by the Bondholders or the Trustee before all Senior Indebtedness is paid in full, or provision made for its payment, such payment or distribution shall be held in trust for the benefit of, and shall be paid over or delivered to, holders of such Senior Indebtedness or their representative, or to the trustee under any indenture pursuant to which any instruments evidencing any of such Senior Indebtedness may have been issued, for application to the payment of all Senior Indebtedness remaining unpaid.

4.3. No Payment if Senior Indebtedness in Default

Upon the maturity of any Senior Indebtedness by lapse of time, acceleration or otherwise, then, all principal of, premium (if any) on, and interest on all such matured Senior Indebtedness shall first be paid in full, or shall first have been duly provided for, before any payment under the Indenture or on account of the Bonds is made.

In case of default with respect to any Senior Indebtedness permitting the holders thereof to accelerate the maturity thereof, then, unless and until such default shall have been cured or waived or shall have ceased to exist, no payment (by purchase of the Bonds or otherwise) shall be made by the Corporation under the Indenture or with respect to the Bonds after the happening of such a default unless and until such default shall have been cured or waived.

The fact that any payment hereunder is prohibited by this Section 4.3 shall not prevent the failure to make such payment from being an Event of Default.

4.4. Confirmation of Subordination

Each holder of Bonds by his acceptance thereof authorizes and directs the Trustee on his behalf to take such action as may be necessary or appropriate to effect the subordination as provided in this Article 4 and appoints the Trustee his attorney in fact for any and all such purposes. Upon request of the Corporation, and upon being furnished an Officers' Certificate from the Corporation stating and specifying the amount and nature of the Senior Indebtedness of such senior creditor, the Trustee shall enter into a written agreement or agreements with the Corporation and the person or persons named in such Officers' Certificate providing that such person or persons are entitled to all the rights and benefits of this Article 4 as a senior creditor and for such other matters, such as an agreement not to amend the provisions of this Article 4 and the definitions used herein without the consent of such senior creditor, as the senior creditor may reasonably request. Such agreement shall be conclusive evidence that the indebtedness specified therein is Senior Indebtedness; however, nothing herein shall impair the rights of any senior creditor who has not entered into such an agreement.

4.5. Knowledge of Trustee

Notwithstanding the provisions of this Article 4 or any provision in this Indenture or in the Bonds contained, the Trustee shall not be charged with knowledge of any Senior Indebtedness or of any default in the payment thereof, or of the existence of any other fact that would prohibit the making of any payment of monies to or by the Trustee, or the taking of any other action by the Trustee, unless and until the Trustee has received written notice thereof from the Corporation, any Bondholder or any senior creditor.

5.

COVENANTS

5.1. To Pay Principal, Priority Return and Bonus Interest Amount

The Corporation shall duly and punctually pay or cause to be paid to every Bondholder the principal of the Bonds, the Priority Return and Bonus Interest Amount of which he is the holder on the dates, at the places and in the manner mentioned herein and in the Bonds.

5.2. To Carry out the terms of this Indenture

The Corporation shall duly and punctually perform and carry out all of the acts or things to be done by it as provided in this Indenture.

5.3. To Carry on Business

Subject to the express provisions hereof, the Corporation shall, and shall cause its Material Subsidiaries to, carry on and conduct their respective businesses in a proper, efficient and business-like manner and diligently use, operate, maintain, repair and replace their respective properties and plants so as to preserve and protect the earnings, incomes, rents and profits thereof, all in accordance with good business practice; provided that nothing herein contained shall prevent the Corporation, or any Material Subsidiary from ceasing to use or operate any particular property if in the opinion of the directors it shall be advisable and in the best interests of the Corporation to do so. At all reasonable times the Corporation shall furnish or

cause to be furnished to the Trustee or its duly authorized agent or attorney such information relating to the business of the Corporation, and the Subsidiaries as the Trustee may reasonably require. Subject to the express provisions hereof, the Corporation shall do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence and rights.

5.4. To Pay Trustee's Remuneration

The Corporation shall pay the Trustee reasonable remuneration for its service as Trustee hereunder and shall repay to the Trustee on demand all moneys which shall have been paid by the Trustee in and about the execution of the trusts hereby created, with interest, if demanded by the Trustee, at a rate equal to the Prime Rate from 30 days after the date of the invoice from the Trustee to the Corporation in respect of such expenditure until repayment, and such moneys and the interest thereon, including the Trustee's remuneration, shall be payable out of any funds coming into the possession of the Trustee in priority to any of the Bonds or interest thereon. The said remuneration shall continue to be payable until the trusts hereof be finally wound up and whether or not the trusts of this Indenture shall be in the course of administration by or under the direction of the court.

5.5. Negative Covenants

The Corporation shall not, and covenants with the Trustee on behalf of the Trustee and the Bondholders, that it shall not, without the consent of holders of not less than 66⅔% of the principal amount of Bonds outstanding first had and received:

- (a) sell, exchange, transfer, assign or dispose of all or substantially all of its property and assets;
- (b) create or suffer to be created any mortgage, hypothec, lien, charge, encumbrance or security interest of whatsoever nature upon its property ranking in priority to or *pari passu* with the lien hereof except for Permitted Encumbrances;
- (c) incur or become liable for any indebtedness for borrowed money, in addition to that hereunder when it is in default under this Indenture, except for current indebtedness incurred in the ordinary course of business of the Corporation or incurred to avoid an Event of Default under this Indenture;
- (d) guarantee the debts, liabilities or obligations of any Person or become the endorser on any note or other obligation when it is in default under the terms of this Indenture;
- (e) reduce its capital or make any distribution otherwise than out of surplus of its assets, or redeem, purchase or otherwise retire or pay off any of the issued and outstanding shares for the time being of the Corporation;
- (f) lend money to any person, when it is in default under this Indenture;
- (g) make any capital expenditures, other than in the ordinary course of business of the Corporation when it is in default under this Indenture; or
- (h) make any distribution to its shareholders or any of them or declare or pay any dividends until the Bonds are repaid in full.

5.6. Defend Property

The Corporation at its own cost shall protect its property against all liabilities of any nature; and shall pay or cause to be paid all such liabilities and all charges incurred in its business operations unless same is being contested in good faith; shall indemnify and hold the Trustee free and clear of any liens, charges and security interest or attempted liens, charges or security interests upon its property.

5.7. To Pay Taxes

The Corporation shall from time to time pay or cause to be paid all royalties, rents, charges, taxes, rates, levies, assessments, ordinary or extraordinary, government royalties, fees or dues (collectively "**Taxes**") lawfully levied, assessed or imposed upon or in respect of its property or any part thereof or upon the income and profits of the Corporation and of their Material Subsidiaries as and when the same become due and payable, and shall exhibit or cause to be exhibited to the Trustee, when required, the receipts and vouchers establishing such payment; provided that the Corporation, and their Material Subsidiaries, acting diligently and in good faith, shall be entitled to contest by appropriate proceedings any such Taxes and, upon such contest, may delay or defer payment or discharge thereof.

5.8. To Insure

The Corporation shall or shall cause all of its property and the property of its Material Subsidiaries which the directors reasonably determine should be insured to be properly insured with reputable insurers (which may include associations or other organizations for mutual or reciprocal insurance or, to the extent customary, through self insurance) against loss or damage by fire or other hazards of the nature and to the extent and in the amount that such properties are usually insured by companies operating like businesses, provided that the relevant insurance policies may contain such exclusions from the risks insured against as are in accordance with the customary practice of reputable insurers.

5.9. Notice of Litigation Filing

If the Corporation has been served with a statement of claim in respect of any legal proceedings against the Corporation or its Material Subsidiaries that could materially impact their respective businesses or financial condition, the Corporation shall furnish to the Trustee a copy of such statement of claim within 30 days of service.


5.10. Notice of Event of Default

The Corporation shall give notice in writing to the Trustee of the occurrence of any Event of Default or any event which would, with notification or with the lapse of time or otherwise, constitute an Event of Default forthwith upon becoming aware thereof and without waiting for the Trustee to take any further action, and specifying the nature of such default and the steps taken or proposed to be taken to remedy the same.

5.11. No Distributions of Dividends if Event of Default

The Corporation shall not, without the prior approval of the Bondholders, declare or pay any dividends on any securities at any time after the occurrence of an Event of Default unless and until such default shall have been cured or waived or shall have ceased to exist.

5.12. Annual Certificate of Compliance

The Corporation shall deliver to the Trustee, within 120 days after the end of each calendar year (commencing ) , an Officers' Certificate as to the knowledge of such officer(s) who executes the Officers' Certificate of the respective entity's compliance with all conditions and covenants in this Indenture certifying that after reasonable investigation and inquiry, the Corporation has complied with all covenants, conditions or other requirements contained in this Indenture, the non-compliance with which could, with the giving of notice, lapse of time or otherwise, constitute an Event of Default hereunder, or if such is not the case, setting forth with reasonable particulars the circumstances of any failure to comply and steps taken or proposed to be taken to eliminate such circumstances and remedy such Event of Default, as the case may be.

5.13. Stay, Extension and Usury Laws

The Corporation covenants (to the extent that it may lawfully do so) that it shall not at any time insist upon, plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay, extension or

usury law or other law which would prohibit or forgive the Corporation from paying all or any portion of the principal of the Bonds, the Priority Return or Bonus Interest Amount as contemplated herein, wherever enacted, now or at any time hereafter in force, or which may affect the covenants or the performance of this Indenture, and the Corporation (to the extent it may lawfully do so) hereby expressly waives all benefit or advantage of any such law and covenants that it shall not, by resort to any such law, hinder, delay or impede the execution of any power herein granted to the Trustee, but shall suffer and permit the execution of every such power as though no such law had been enacted.

5.14. Other Covenants

The Corporation may provide such additional covenants and agreements with the Trustee for the benefit of the Trustee and the Bondholders as may be determined by resolution of the directors passed at or prior to the time of issue of the Bonds and expressed in an indenture supplemental hereto providing for the issuance of the Bonds.

5.15. Trustee May Perform Covenants

If the Corporation shall fail to perform any covenant on its part herein contained, the Trustee may in its discretion, but (subject to Section 6.2) need not, notify the Bondholders of such failure or itself may perform any of said covenants capable of being performed by it and, if any such covenant requires the payment or expenditure of money, it may make such payment or expenditure with its own funds, or with money borrowed by or advanced to it for such purposes, but shall be under no obligation so to do. All sums so expended or advanced shall be repayable by the Corporation in the manner provided in Section 6.6, but no such performance or payment shall be deemed to relieve the Corporation from any default hereunder.

6.

DEFAULT

6.1. Acceleration of Maturity

Upon the happening of any one or more of the following events (an “**Event of Default**”), and subject to Section 6.2 below, namely:

- (a) if the Corporation makes default in payment of the principal amount, the Priority Return or Bonus Interest Amount when the same becomes due and payable under any provision hereof or of the Bonds and such default is not remedied within 30 days or waived by the holders of not less than 66⅔% of the principal amount of Bonds outstanding;
- (b) if a decree or order of a court having jurisdiction in the premises is entered adjudging the Corporation, or a Material Subsidiary a bankrupt or insolvent under any bankruptcy, insolvency or analogous laws, or issuing sequestration or process of execution against, or against any substantial part of the property of, the Corporation or a Material Subsidiary, or appointing a receiver of, or of any substantial part of the property of, the Corporation, or a Material Subsidiary or ordering the winding-up or liquidation of its affairs, and any such decree or order continues unstayed and in effect for a period of 30 days;
- (c) if a resolution is passed for the dissolution, winding-up or liquidation of the Corporation or a Material Subsidiary except in the course of carrying out or pursuant to a transaction in respect of which the conditions of Section 9.1 are duly observed and performed or if the Corporation or a Material Subsidiary institutes proceedings to be adjudicated a bankrupt or insolvent, or consents to the institution of bankruptcy or insolvency proceedings against it under any bankruptcy, insolvency or analogous laws, or consents to the filing of any such petition or to the appointment of a receiver of, or of any

substantial part of, the property of the Corporation or a Material Subsidiary or makes a general assignment for the benefit of creditors, or admits in writing its inability to pay its debts generally as they become due or takes corporate action in furtherance of any of the aforesaid purposes;

- (d) if the Corporation shall neglect to observe or perform any other covenant or condition herein contained on its part to be observed or performed and, after notice in writing has been given by the Trustee to the Corporation specifying such default and requiring the Corporation to put an end to the same (which said notice may be given by the Trustee, in its discretion, and shall be given by the Trustee upon receipt of a request in writing signed by the holders of not less than 15% in principal amount of the Bonds then outstanding), the Corporation shall fail to remedy such default within a period of 30 days, unless the Trustee (having regard to the subject matter of the default) shall have agreed to a longer period, and in such event, within the period agreed to by the Trustee; or
- (e) if, after the date of this Indenture, any proceedings with respect to the Corporation are taken with respect to a compromise or arrangement, with respect to creditors of the generally, under the applicable legislation of any jurisdiction.

then in each and every such event the Trustee may in its discretion and shall upon receipt of a request in writing signed by the holders of not less than 15% in principal amount of the Bonds then outstanding, subject to the provisions of Section 6.3, by notice in writing to the Corporation declare the principal on all Bonds then outstanding and all other moneys outstanding hereunder to be due and payable and the same shall forthwith become immediately due and payable to the Trustee and the Security Documents shall forthwith become enforceable, anything therein or herein to the contrary notwithstanding, and the Corporation shall forthwith pay to the Trustee for the benefit of the Bondholders such principal, and all other moneys outstanding hereunder. Such payment when made shall be deemed to have been made in discharge of the Corporation's obligations hereunder and any moneys so received by the Trustee shall be applied in the manner provided in Section 6.6.

6.2. Notice of Events of Default

If an Event of Default shall occur and be continuing the Trustee shall, within 30 days after it becomes aware of the occurrence of such Event of Default, give notice of such Event of Default to the Bondholders in the applicable manner provided in Section 11.2, provided that, notwithstanding the foregoing, unless the Trustee shall have been requested to do so by the holders of at least 15% of the principal amount of the Bonds then outstanding, the Trustee shall not be required to give such notice if the Trustee in good faith shall have determined that the withholding of such notice is in the best interests of the Bondholders and shall have so advised the Corporation in writing.

6.3. Waiver of Default

Upon the happening of any Event of Default hereunder:

- (a) Bondholders by extraordinary resolution as provided in Sections 10.12 and 10.15 shall have the power (in addition to the powers exercisable by extraordinary resolution as hereinafter provided) either by a meeting as contemplated or by acquisition in writing to instruct the Trustee to waive any Event of Default and to cancel any declaration made by the Trustee pursuant to Section 6.1 and the Trustee shall thereupon waive the Event of Default and cancel such declaration, or either, upon such terms and conditions as shall be prescribed in such resolution or requisition; and
- (b) the Trustee, so long as it has not become bound to declare the principal on the Bonds then outstanding to be due and payable, or to obtain or enforce payment of the same, shall have power to waive any Event of Default if, in the Trustee's opinion, the same shall have

been cured or adequate satisfaction made therefor, and in such event to cancel any such declaration theretofore made by the Trustee in the exercise of its discretion, upon such terms and conditions as the Trustee may deem advisable.

No such act or omission either of the Trustee or of the Bondholders shall extend to or be taken in any manner whatsoever to affect any subsequent Event of Default or the rights resulting therefrom.

6.4. Enforcement by the Trustee

Subject to the provisions of Section 6.3 and to the provisions of any extraordinary resolution that may be passed by the Bondholders, in case the Corporation shall fail to pay to the Trustee, forthwith after the same shall have been declared to be due and payable under Section 6.1, the principal of all Bonds then outstanding together with any other amounts due hereunder, the Trustee may in its discretion and shall upon receipt of a request in writing signed by the holders of not less than 15% in principal amount of the Bonds then outstanding and upon being indemnified to its reasonable satisfaction against all costs, expenses and liabilities to be incurred, proceed in its name as Trustee hereunder to obtain or enforce payment of the said principal on all the Bonds then outstanding together with any other amounts due hereunder by such proceedings authorized by this Indenture or by law or equity as the Trustee in such request shall have been directed to take, or if such request contains no such direction, or if the Trustee shall act without such request, then by such proceedings authorized by this Indenture or by suit at law or in equity as the Trustee shall deem expedient.

The Trustee shall be entitled and empowered, either in its own name or as trustee of an express trust, or as attorney-in-fact for the Bondholders, or in any one or more of such capacities, to file such proof of debt, amendment of proof of debt, claim, petition or other document as may be necessary or advisable in order to have the claims of the Trustee and of the Bondholders allowed in any insolvency, bankruptcy, liquidation or other judicial proceedings relative to the Corporation or its creditors or relative to or affecting its property. The Trustee is hereby irrevocably appointed (and the successive respective Bondholders by taking and holding the same shall be conclusively deemed to have so appointed the Trustee) the true and lawful attorney-in-fact of the respective Bondholders with authority to make and file in the respective names of the Bondholders or on behalf of the Bondholders as a class, subject to deduction from any such claims of the amounts of any claims filed by any of the Bondholders themselves, any proof of debt, amendment of proof of debt, claim, petition or other document in any such proceedings and to receive payment of any sums becoming distributable on account thereof, and to execute any such other papers and documents and to do and perform any and all such acts and things for and on behalf of such Bondholders, as may be necessary or advisable in the opinion of the Trustee, in order to have the respective claims of the Trustee and of the Bondholders against the Corporation or its property allowed in any such proceeding, and to receive payment of or on account of such claims; provided that nothing contained in this Indenture shall be deemed to give to the Trustee, unless so authorized by extraordinary resolution, any right to accept or consent to any plan of reorganization or otherwise by action of any character in such proceeding to waive or change in any way any right of any Bondholder.

The Trustee shall also have power at any time and from time to time to institute and to maintain such suits and proceedings as it may be advised shall be necessary or advisable to preserve and protect its interests and the interests of the Bondholders.

All rights of action hereunder may be enforced by the Trustee without the possession of any of the Bonds or the production thereof on the trial or other proceedings relating thereto. Any such suit or proceeding instituted by the Trustee shall be brought in the name of the Trustee as trustee of an express trust, and any recovery of judgment shall be for the rateable benefit of the Bondholders subject to the provisions of this Indenture. In any proceeding brought by the Trustee (and also any proceeding in which a declaratory judgment of a court may be sought as to the interpretation or construction of any provision of this Indenture, to which the Trustee shall be a party) the Trustee shall be held to represent all the Bondholders, and it shall not be necessary to make any Bondholders parties to any such proceeding.

6.5. No Suits by Bondholders

No holder of any Bond shall have any right to institute any action, suit or proceeding at law or in equity for the purpose of enforcing payment of the principal on the Bonds or for the execution of any trust or power hereunder or for the appointment of a liquidator or receiver or for a receiving order or to have the Corporation wound up or to file or prove a claim in any liquidation or bankruptcy proceeding or for any other remedy hereunder, unless: (a) such holder shall previously have given to the Trustee written notice of the happening of an Event of Default hereunder; and (b) the Bondholders by extraordinary resolution or by written instrument signed by the holders of at least 15% in principal amount of the Bonds then outstanding shall have made a request to the Trustee and the Trustee shall have been afforded reasonable opportunity either itself to proceed to exercise the powers hereinbefore granted or to institute an action, suit or proceeding in its name for such purpose; and (c) the Bondholders or any of them shall have furnished to the Trustee, when so requested by the Trustee, sufficient funds and security and indemnity satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby; and (d) the Trustee shall have failed to act within a reasonable time after such notification, request and offer of indemnity and such notification, request and offer of indemnity are hereby declared in every such case, at the option of the Trustee, to be conditions precedent to any such proceeding.

6.6. Application of Moneys by Trustee

Except as herein otherwise expressly provided any moneys received by the Trustee from the Corporation pursuant to the foregoing provisions of this Article, or as a result of legal or other proceedings or from any trustee in bankruptcy or liquidator of the Corporation shall be applied, together with any other moneys in the hands of the Trustee available for such purpose, as follows:

- (a) first, in payment or in reimbursement to the Trustee of its compensation, costs, charges, expenses, borrowings, advances or other moneys furnished or provided by or at the instance of the Trustee in or about the execution of its trusts under, or otherwise in relation to, this Indenture, with interest thereon as herein provided;
- (b) second, but subject as hereinafter in this Section provided, in payment, rateably and proportionately to the Bondholders, the principal of the Bonds, the Priority Return and the Bonus Interest Amount, priority of principal first and then the Priority Return and the Bonus Interest Amount, unless otherwise directed by extraordinary resolution and in that case in such order or priority as between principal and Priority Return and the Bonus Interest Amount, as may be directed by such resolution; and
- (c) third, in payment of the surplus, if any, of such moneys to the Corporation or its assigns;

provided that no payment shall be made pursuant to clause (b) above in respect of the principal, the Priority Return or the Bonus Interest Amount, on any Bond held, directly or indirectly, by or for the benefit of the Corporation, or any Subsidiary (other than any Bond pledged for value and in good faith to a person other than the Corporation, or any Subsidiary but only to the extent of such person's interest therein) except subject to the prior payment in full of the principal, the Priority Return and the Bonus Interest Amount, on all Bonds which are not so held.

6.7. Distribution of Proceeds

Payments to Bondholders pursuant to Section 6.6(b) shall be made as follows:

- (a) at least 15 days notice of every such payment shall be given in the applicable manner provided in Section 11.2 specifying the time when and the place or places where the Bonds are to be presented and the amount of them;
- (b) payment of any Bond shall be made upon presentation thereof at any one of the places specified in such notice and any such Bond thereby paid in full shall be surrendered, otherwise a memorandum of such payment shall be endorsed thereon; but the Trustee

may in its discretion dispense with presentation and surrender for endorsement in any special case upon such indemnity being given as it shall deem sufficient; and

- (c) the Trustee shall not be bound to apply or make any partial or interim payment of any moneys coming into its hands if the amount so received by it, after reserving thereout such amount as the Trustee may think necessary to provide for the payments mentioned in Section 6.6(a), is insufficient to make a distribution of at least 2% of the aggregate principal amount of the outstanding Bonds, but it may retain the money so received by it and invest or deposit the same as provided in Section 12.9 until the money or the investments representing the same, with the income derived therefrom, together with any other moneys for the time being under its control shall be sufficient for the said purpose or until it shall consider it advisable to apply the same in the manner hereinbefore set forth. The foregoing shall, however, not apply to a final payment in distribution hereunder.

6.8. Remedies Cumulative

No remedy herein conferred upon or reserved to the Trustee, or upon or to the Bondholders is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now existing or hereafter to exist by law or by statute.

6.9. Judgment

The Corporation covenants and agrees with the Trustee that, in case of any judicial or other proceedings to enforce the rights of the Bondholders, judgment may be rendered against it in favour of the Bondholders or in favour of the Trustee, as trustee for the Bondholders, for any amount which may remain due in respect of the Bonds and the interest thereon and any other moneys owing hereunder.

6.10. Trustee Appointed Attorney

The Corporation hereby irrevocably appoints the Trustee to be the attorney of the Corporation in the name and on behalf of the Corporation to execute any instruments and do any acts and things which the Corporation ought to execute and do, and has not executed or done, under the covenants and provisions contained in this Indenture and generally to use the name of the Corporation in the exercise of all or any of the powers hereby conferred on the Trustee, with full powers of substitution and revocation.

7.

ENFORCEMENT OF SECURITY

7.1. Enforcement

Any time after the Security Documents have become enforceable in accordance with the terms of Article 7 hereof, in addition to all enforcement rights available in connection with the Security Documents, the Trustee shall have the following rights and powers:

- (a) to enter, take possession of, inspect, collect, get in, manage or use all or any part of the Collateral with the power to exclude the Corporation therefrom and for such purpose to take any proceedings in the name of the Corporation or otherwise;
- (b) to preserve, maintain and repair the Collateral and make such replacements thereof and additions thereto as it deems advisable;
- (c) to collect any proceeds arising in respect of the Collateral;
- (d) to institute proceedings in any court of competent jurisdiction for the appointment of a receiver of the Collateral;

- (e) to institute proceedings in any court of competent jurisdiction for sale or foreclosure of the Collateral;
- (f) to file proofs of claim and other documents to establish claims in any proceeding relating to the Corporation;
- (g) to undertake any other remedy or proceeding authorized or permitted under law or equity;
- (h) to pay or otherwise satisfy in whole or in part any encumbrances which, in the Trustee's opinion, rank in priority to the security hereof; and
- (i) by instrument in writing, to appoint any person or persons (whether an officer or officers of the Trustee or not) as a receiver of the Collateral and to remove any receiver so appointed and appoint another or others in its stead.

The Security Documents may be realized and the rights enforced by any remedy or in any manner permitted by this Indenture or by law or equity and no remedy for the realization of the Security Documents hereof shall be exclusive of or dependent upon any other remedy and all or any remedies may from time to time be exercised independently or in any combination.

In addition to the remedies of the Trustee set forth above, the Trustee may, any time after the Security Documents have become enforceable:

- (a) carry on all or any part of the business of the Corporation and, to the exclusion of all others including the Corporation, enter upon, occupy and use the Collateral for such time as the Trustee sees fit, free of charge, and the Trustee shall not be liable for any act, omission or negligence in so doing or for any rent, charges, depreciation or damages incurred in connection therewith or resulting therefrom;
- (b) borrow for the purpose of carrying on the business of the Corporation or for the maintenance, preservation or protection of the Collateral and mortgage, charge, pledge or grant a security interest in the Collateral, whether or not in priority to the Security Documents, to secure repayment;
- (c) advance the Trustee's own money to the Corporation, in any case upon such terms as the Trustee may deem reasonable and upon the security hereof; and
- (d) demand, commence, continue or defend any judicial or administrative proceedings for the purpose of protecting, seizing, collecting, realizing or obtaining possession or payment of the Collateral, and give valid and effectual receipts and discharges therefor and compromise or give time for the payment or performance of all or any part of the accounts or any other obligation of any third party to the Corporation in relation to the Collateral.

7.2. Disposition

Without limiting the generality of the foregoing in connection with the exercise of remedies under this Article 7, any time after the Security Documents has become enforceable, it shall be lawful for the Trustee:

- (a) to make any sale, lease or other disposition of the Collateral either for cash or upon credit or partly for one and partly for the other upon such conditions as to terms of payment as are commercially reasonable;
- (b) to rescind or vary any contract for sale, lease or other disposition that the Trustee may have entered into pursuant hereto and resell, release or redispense of the Collateral with or under any of the powers conferred herein; and

- (c) to stop, suspend or adjourn any sale, lease or other disposition from time to time and to hold the same adjourned without further notice, provided same is done in a commercially reasonable manner.

Upon any such sale, lease or other disposition, the obligations of the Corporation under the Bonds or otherwise secured by this Indenture shall only be discharged to the extent of any money or other proceeds of realization actually collected or received by the Trustee or any receiver. The Corporation shall be accountable for any deficiency and the Trustee shall be accountable for any surplus. The Trustee may deliver to the purchaser or purchasers of the Collateral or any part thereof good and sufficient conveyances or deeds for the same free and clear of any claim by the Corporation. Provided that the Trustee has complied with this Indenture, the purchaser or lessee receiving any disposition of the Collateral or any part thereof need not inquire whether default under this Indenture has actually occurred but may as to this and all other matters rely upon a statutory declaration of an officer of the Trustee, which declaration shall be conclusive evidence as between the Corporation and any such purchaser or lessee, and the purchaser or lessee need not look to the application of the purchase money, rent or other consideration given upon such sale, lease or other disposition, which shall not be affected by any irregularity of any nature or kind relating to the crystallizing or enforcing of the security hereof or the taking of possession of the Collateral or the sale, lease or other disposition thereof.

7.3. Powers of Receiver

Any receiver appointed as aforesaid shall have the power without legal process:

- (a) to take possession of and to collect and get in and use the Collateral and for those purposes to enter the Collateral and to act whether by action, distress, or otherwise, in the name of the Corporation, or otherwise as the receiver considers necessary;
- (b) to carry on or concur in carrying on the business of the Corporation and to employ and discharge any Persons upon the terms and at the remuneration the receiver considers proper;
- (c) to keep in repair the Collateral and to do all necessary things to carry on the business of the Corporation and to protect the Collateral;
- (d) to make any arrangement or compromise which the receiver considers expedient in the interests of the Trustee and to exchange any part or parts of the Collateral for any other property suitable for the purposes of the Corporation upon such terms as the receiver considers expedient, either with or without payment of money for equality of exchange or otherwise;
- (e) to borrow money to carry on the business of the Corporation or to maintain the whole or any part of the Collateral;
- (f) to sell or lease or concur in the selling or leasing of the whole or any part of the Collateral and in exercising the receiver's foregoing power to sell, or lease the Collateral the receiver may in his absolute discretion:
 - (i) sell or lease the whole or any part of the Collateral by public or private tender or by private contract;
 - (ii) grant options to purchase, lease or sublease;
 - (iii) grant rights of first refusal to purchase, lease or sublease;
 - (iv) complete any contract for sale, lease, sublease, option or right of first refusal;
 - (v) grant exclusive and multiple listing contracts for sale, lease or sublease;
 - (vi) sign and file subdivision, condominium, strata, consolidation or other plans;

- (vii) effect a sale, lease or sublease by conveying in the name of or on behalf of the Corporation, or otherwise;
- (viii) make any stipulation as to title or conveyance or commencement of title;
- (ix) rescind or vary any contract of sale, lease, sublease, option or right of first refusal;
- (x) resell, release or sublease without being answerable for any loss occasioned thereby;
- (xi) sell, lease or sublease on terms as to credit as shall appear to be most advantageous to the receiver and if a sale, lease or sublease is on credit the receiver shall not be accountable for any moneys until actually received; and
- (xii) make any arrangements or compromises which the receiver shall think expedient;
- (g) to exercise on behalf of the Trustee all of the rights and remedies herein granted to the Trustee;

and for the purposes aforesaid each of the Corporation hereby irrevocably empowers the receiver so appointed as its attorney to execute deeds, transfers, leases, subleases, contracts, agreements or other documents on its behalf and in its place under the receiver's seal and the same shall bind the Corporation and have the same effect as if such deeds were under the Corporation's common seal or to affix the Corporation's common seal or a duplicate thereof to any of the same.

7.4. Validity of Sale

The Corporation covenants and agrees with the Trustee that no purchaser, lessee or sublessee at any sale, lease or sublease purporting to be made by the receiver pursuant to the aforesaid power shall be bound to enquire whether any notice required hereunder has been given, or as to the necessity or expediency of the sale or lease or the stipulations subject to which it is made, or otherwise as to the propriety of the sale, lease or sublease or regularity of its proceedings, or be affected by notice that no default has been made or continues, or notice that the sale or lease is otherwise unnecessary, improper or irregular, and despite any impropriety or irregularity, or notice thereof to any purchaser, the sale or lease as regards that purchaser, lessee or sublessor shall be deemed to be within the aforesaid powers and be valid accordingly and the remedy, if any, of the Corporation in respect of any impropriety or irregularity whatsoever in any sale, lease or sublease by the receiver shall be in damages only.

7.5. Receiver Agent of Corporation

Any receiver appointed by the Trustee shall act as agent for the Trustee for the purposes of taking possession of the Collateral, but otherwise and for all other purposes (except as provided below), as agent for the Corporation. The receiver may sell, lease, or otherwise dispose of Collateral as agent for the Corporation or as agent for the Trustee, as the Trustee may determine in its discretion. Provided that the Trustee has complied with this Indenture, the Corporation agrees to ratify and confirm all actions of the receiver acting as their agent, and to release and indemnify the receiver in respect of all such actions. Provided that the Trustee has complied with this Indenture, the Trustee, in appointing or refraining from appointing any receiver shall not incur liability to the receiver, the Corporation, or otherwise and shall not be responsible for any misconduct or negligence of such receiver or for any loss resulting therefrom. The receiver shall be considered to be the agent of the Corporation and the Corporation shall be responsible for the receiver's acts, defaults and remuneration.

7.6. Care and Custody of Collateral

Provided the same is commercially reasonable, the Trustee shall not be bound to collect, dispose of, realize or enforce any of the Corporation's right, title and interest in and to the Collateral or to institute proceedings for the purpose thereof and, without limiting the generality of the foregoing, the Trustee shall

not be required to take any steps necessary to preserve rights against prior parties in respect of any negotiable Collateral. The Trustee may, after the Security Documents becomes enforceable: (i) notify any Person obligated on an account or on chattel paper or any obligor on an instrument to make payment thereunder to the Trustee whether or not the Corporation was theretofore making collections thereon; and (ii) assume control of any proceeds arising from the Collateral.

7.7. Dealing with the Collateral

The Trustee shall not be obliged to exhaust its recourse against the Corporation, or any other Person or Persons or against any other security it may hold in respect of the obligations under the Bonds or secured by this Indenture before realizing upon or otherwise dealing with the Collateral in such manner as the Trustee may consider desirable. Provided it acts in a commercially reasonable manner, the Trustee shall not be: (i) liable or accountable for any failure to collect, realize or obtain payment in respect of the Collateral; (ii) bound to institute proceedings for the purpose of collecting, enforcing, realizing or obtaining payment of the Collateral or for the purpose of preserving any rights of the Trustee, the Corporation, or any other parties in respect thereof; (iii) responsible for any loss occasioned by any sale or other dealing with the Collateral or by the retention of or failure to sell or otherwise deal therewith; or (iv) bound to protect the Collateral from depreciating in value or becoming worthless.

7.8. Standards of Sale

Without prejudice to the ability of the Trustee to sell, consign, lease or otherwise dispose of the Collateral in any manner so long as every aspect of the disposition is commercially reasonable, the Corporation acknowledges that a disposition of Collateral by the Trustee which takes place substantially in accordance with the following provisions shall be deemed to be commercially reasonable:

- (a) Collateral may be disposed of in whole or in part;
- (b) Collateral may be disposed of by public auction, public tender or private contract, with or without advertising and without any other formality;
- (c) any purchaser or lessee of such Collateral may be a customer of the Trustee or a Bondholder;
- (d) a disposition of Collateral may provide time for payment on credit; and
- (e) the Trustee may establish an upset or reserve bid or price in respect of Collateral.

7.9. Remedies

The Corporation acknowledges that the types and periods of restrictions and notices in this Indenture are fair and reasonable. The Corporation recognizes that a breach or a threatened breach of any provisions of this Indenture or the Bonds shall result in the Trustee and the Bondholders suffering irreparable harm which cannot be calculated or fully or adequately compensated by recovery of damages, agrees that the Trustee is entitled to both temporary and permanent injunctive relief or other equitable relief in addition to any other rights or remedies it may have and hereby waives any defences thereto.

7.10. Distrain

The Corporation covenants and agrees with the Trustee that at any time after the Security Documents hereby constituted has become enforceable, the Trustee shall have the right and power to distrain for costs or charges secured hereby or arrears of principal outstanding on the Bonds.

8.

SATISFACTION AND DISCHARGE

8.1. Cancellation and Destruction

All Bonds shall forthwith after payment thereof be delivered to the Trustee and cancelled by it. All Bonds cancelled or required to be cancelled under this or any other provision of this Indenture shall be destroyed by the Trustee and if required by the Corporation, the Trustee shall furnish to it a destruction certificate setting out the designating numbers of the Bonds so destroyed.

8.2. Non-Presentation of Bonds

In case the holder of any Bond shall fail to present the same for payment on the date on which the principal, the Priority Return and the Bonus Interest Amount becomes payable either at maturity or otherwise or shall not accept payment on account thereof and give such receipt therefor (if any) as the Trustee may require:

- (a) the Corporation shall be entitled to pay to the Trustee and direct the Trustee to set aside; or
- (b) in respect of moneys in the hands of the Trustee which may or should be applied to the payment of the Bonds, the Corporation shall be entitled to direct the Trustee to set aside;

in each case either in the deposit department of the Trustee or in a chartered bank in Canada, the principal moneys, the Priority Return and the Bonus Interest Amount, as the case may be, in trust to be paid to the holder of such Bond upon due presentation or surrender thereof in accordance with the provisions of this Indenture; and thereupon the principal moneys, the Priority Return and the Bonus Interest Amount represented by each Bond in respect whereof such moneys have been set aside shall be deemed to have been paid and the holder thereof shall thereafter have no right in respect thereof except that of receiving payment of the moneys so set aside by the Trustee upon due presentation and surrender thereof.

8.3. Discharge

The Trustee shall at the request and expense of the Corporation release and discharge this Indenture and execute and deliver such instruments as it shall be advised by Counsel are requisite for that purpose and to release the Corporation from its covenants herein contained (other than the provisions relating to the indemnification of the Trustee), upon proof being given to the reasonable satisfaction of the Trustee that the principal, the Priority Return and the Bonus Interest Amount, on all the Bonds and all other moneys payable hereunder have been paid or satisfied or that, all the Bonds having matured, payment of the principal, the Priority Return and the Bonus Interest Amount on such Bonds and of all other moneys payable hereunder has been duly and effectually provided for in accordance with the provisions hereof.

8.4. Defeasance

The Corporation shall be deemed to have fully paid, satisfied and discharged all the outstanding Bonds and the Trustee, at the expense of the Corporation, shall execute and deliver proper instruments acknowledging the full payment, satisfaction and discharge of such Bonds, when, with respect to all outstanding Bonds, either:

- (a) there are no remaining Bond balances outstanding; or
- (b) the Corporation has deposited or caused to be deposited with the Trustee as trust funds in trust for the purpose, an amount sufficient to pay, satisfy and discharge the entire amount of principal, the Priority Return and the Bonus Interest Amount or any repayment date, as the case may be, of all the outstanding Bonds; or

- (c) the Corporation has deposited or caused to be deposited with the Trustee as trust property in trust for the purpose, such amount of direct obligations of, or obligations the principal the Priority Return and the Bonus Interest Amount which are guaranteed by, the Government of Canada or of the United States of America as shall, together with the income to accrue thereon without consideration of any reinvestment thereof, be sufficient to pay and discharge the entire amount of principal, the Priority Return and the Bonus Interest Amount to the Maturity Date or any repayment date, as the case may be, of all the outstanding Bonds;

and in any such event:

- (i) the Corporation has paid or caused to be paid all other sums payable with respect to all the outstanding Bonds; and
- (ii) the Corporation has delivered to the Trustee an Officers' Certificate stating that all conditions precedent herein provided relating to the payment, satisfaction and discharge of all the outstanding Bonds have been complied with.

Upon the satisfaction of the conditions set forth in this Section with respect to all the outstanding Bonds, the terms and conditions of all the outstanding Bonds, including the terms and conditions with respect thereto set forth in this Indenture, shall no longer be binding upon or applicable to the Corporation.

Any funds or obligations deposited with the Trustee pursuant to this Section shall be denominated in the currency in which the Bonds so deemed to be fully paid, satisfied and discharged are denominated.

If the Trustee is unable to apply any money or securities in accordance with this Section by reason of any legal proceeding or any order or judgment of any court or governmental authority enjoining, restraining or otherwise prohibiting such application, the Corporation's obligations under this Indenture and the affected Bonds shall be revived and reinstated as though no money or securities had been deposited pursuant to this Section until such time as the Trustee is permitted to apply all such money or securities in accordance with this Section.

9.

SUCCESSOR CORPORATIONS

9.1. Certain Requirements

The Corporation shall not enter into any transaction (including by way of reconstruction, reorganization, consolidation, arrangement, amalgamation, merger, liquidation, transfer, sale or otherwise) whereby all or substantially all of its undertaking, property and assets would become the property of any other person or, in the case of any such amalgamation, of the continuing corporation resulting therefrom, unless:

- (a) such other person or continuing corporation (herein called "**Successor Corporation**") is a corporation incorporated under the laws of the United States or the laws of Canada or one of its provinces;
- (b) the Corporation and Successor Corporation shall execute, prior to or contemporaneously with the consummation of such transaction, such instruments (if any) as are in the opinion of Counsel necessary or advisable to evidence the assumption by the Successor Corporation of liability for the due and punctual payment of the principal, the Priority Return and the Bonus Interest Amount on all of the Bonds then outstanding, and all other monies payable hereunder, the covenant of the Successor Corporation to pay the same and the agreement of the Successor Corporation to observe and perform all the covenants and obligations under this Indenture;

- (c) such transaction, in the opinion of Counsel, shall be upon such terms as to substantially preserve and not impair any of the rights and powers of the Trustee or the Bondholders hereunder; and
- (d) no condition or event shall exist in respect of the Corporation or the Successor Corporation at the time of such transaction or after giving full effect thereto which constitutes or would constitute an Event of Default hereunder.

9.2. Vesting of Powers in Successor

Whenever the conditions of Section 9.1 have been duly observed and performed, the Successor Corporation shall possess and from time to time may exercise each and every right and power of the Corporation under this Indenture in the name of the Corporation or otherwise and any act or proceeding by any provision of this Indenture required to be done or performed by any directors or officers of the Corporation may be done and performed with like force and effect by the directors or officers of such Successor Corporation.

10.

MEETINGS OF BONDHOLDERS

10.1. Right to Convene Meeting

The Trustee or the Corporation may at any time and from time to time and the Trustee shall on receipt of a written request of the Corporation or a written request signed by the holders of not less than 15% in principal amount of the Bonds then outstanding and upon being funded and indemnified to its reasonable satisfaction by the Corporation or by the Bondholders signing such request against the costs which may be incurred in connection with the calling and holding of such meeting, convene a meeting of the Bondholders. In the event of the Trustee failing within 30 days after receipt of any such request and such funds and indemnity to give notice convening a meeting, the Corporation or such Bondholders, as the case may be, may convene such meeting. Any such meeting shall be held in the City of Vancouver or at such other place as may be approved or determined by the Trustee.

10.2. Notice of Meetings

At least 15 days' notice of any meeting shall be given to the Bondholders in the applicable manner provided in Section 11.2 and a copy thereof shall be provided to the Trustee, unless the meeting has been called by it. Such notice shall state the time when and the place where the meeting is to be held and shall state briefly the general nature of the business to be transacted thereat and it shall not be necessary for any such notice to set out the terms of any resolution to be proposed or any of the provisions of this Article. The accidental omission to give notice of a meeting to any holder of Bonds shall not invalidate any resolution passed at any such meeting.

10.3. Chairman

The Chairman of the Corporation, if present, shall be the chairman of any meeting of Bondholders, failing which an individual (who need not be a Bondholder), nominated in writing by the Trustee shall be chairman of the meeting and if no person is so nominated, or if the person so nominated is not present within 15 minutes from the time fixed for the holding of the meeting, the Bondholders present in person or represented by proxy shall choose an individual present to be chairman.

10.4. Quorum

Subject to the provisions of Section 10.8, at any meeting of the Bondholders a quorum shall consist of Bondholders present in person or represented by proxy and representing at least 15% in principal amount of the outstanding Bonds. If a quorum of the Bondholders shall not be present within 30 minutes from the time fixed for holding any meeting, the meeting, if summoned by the Bondholders or pursuant to a

request of the Bondholders, shall be dissolved. In any other case, the meeting shall be adjourned to the same day in the next week (unless such day is a non-business day in which case it shall be adjourned to the next following business day thereafter) at the same time and place and no notice shall be required to be given in respect of such adjourned meeting. At the adjourned meeting, the Bondholders present in person or by proxy shall form a quorum and may transact the business for which the meeting was originally convened notwithstanding that they may not represent 15% of the principal amount of the outstanding Bonds. Any business may be brought before or dealt with at an adjourned meeting which might have been brought before or dealt with at the original meeting in accordance with the notice calling the same. No business shall be transacted at any meeting unless the required quorum be present at the commencement of business.

10.5. Power to Adjourn

The chairman of any meeting at which a quorum of the Bondholders is present may with the consent of the holders of a majority in principal amount of the outstanding Bonds represented thereat adjourn any such meeting and no notice of such adjournment need be given except such notice, if any, as the meeting may prescribe.

10.6. Show of Hands

Every question submitted to a meeting shall, subject to Section 10.7, be decided in the first place by a majority of the votes given on a show of hands. At any such meeting, unless a poll is duly demanded as herein provided, a declaration by the chairman that a resolution has been carried or carried unanimously or by a particular majority or lost or not carried by a particular majority shall be conclusive evidence of the fact. The chairman of any meeting shall be entitled, both on a show of hands and on a poll, to vote in respect of the Bonds (if any) held by him.

10.7. Poll

On every extraordinary resolution, and on any other question submitted to a meeting when demanded by the chairman or by one or more Bondholders or proxies for Bondholders, a poll shall be taken in such manner and either at once or after an adjournment as the chairman shall direct. Questions other than extraordinary resolutions shall, if a poll be taken, be decided by the votes of the holders of a majority in principal amount of the outstanding Bonds represented at the meeting and voted on the poll.

10.8. Voting

On a show of hands every person who is present and entitled to vote, whether as a Bondholder or as proxy for one or more Bondholders or both, shall have one vote. On a poll each Bondholder present in person or represented by a proxy duly appointed by an instrument in writing shall be entitled to one vote in respect of each \$1,000 principal amount of Bonds of which he shall then be the holder. A proxy need not be a Bondholder. In the case of joint registered Bondholders, any one of them present in person or represented by proxy at the meeting may vote in the absence of the other or others, but in case more than one of them be present in person or represented by proxy, they shall vote together in respect of the Bonds of which they are joint registered Bondholders.

10.9. Regulations

The Trustee, or the Corporation with the approval of the Trustee, may from time to time make and from time to time vary or revoke such regulations as it shall from time to time think fit providing for and governing:

- (a) the issue of voting certificates
 - (i) by any bank, trust company or other depositary approved by the Trustee certifying that specified Bonds have been deposited with it by a named holder

other than such bank, trust company or other depository and shall remain on deposit until after the meeting and any adjournment thereof; and

- (ii) by any bank, trust company, insurance company, governmental department or agency approved by the Trustee certifying that it is the holder of specified Bonds and shall continue to hold the same until after the meeting and any adjournment thereof;

which voting certificates shall entitle the holders named therein to be present and vote at any such meeting and at any adjournment thereof or to appoint a proxy or proxies to represent them and vote for them at any such meeting and at any adjournment thereof in the same manner and with the same effect as though the holders so named in such voting certificates were the actual bearers of the Bonds specified therein;

- (b) the voting by proxy by Bondholders and the form of the instrument appointing a proxy, which shall be in writing, and the manner in which the same shall be executed and the production of the authority of any person signing on behalf of a Bondholder;
- (c) the deposit of instruments appointing proxies at such place as the Trustee, the Corporation or the Bondholders convening the meeting, as the case may be, may in the notice convening the meeting, direct and the time (if any) before the holding of the meeting or any adjournment thereof by which the same be deposited; and
- (d) the deposit of instruments appointing proxies at some approved place or places other than the place at which the meeting is to be held and enabling particulars of such instruments appointing proxies to be mailed, cabled, telegraphed, telecopied or sent by facsimile before the meeting to the Corporation or to the Trustee at the place where the same is to be held and for the voting of proxies so deposited as though the instruments themselves were produced at the meeting.

Any regulations so made shall be binding and effective and the votes given in accordance therewith shall be valid and shall be counted. The Trustee may dispense with any such deposit and permit Bondholders to make proof of ownership in such other manner (if any) as the Trustee may approve. Save as such regulations may provide, the only persons who shall be recognized at any meeting as Bondholders, or as entitled to vote or be present at the meeting in respect thereof, shall be Bondholders and persons whom Bondholders have by instrument in writing duly appointed as their proxies.

10.10. Persons Entitled to Attend Meetings

The Corporation and the Trustee, by their respective employees, officers and directors, and the legal advisers of the Corporation, the Trustee and any Bondholder may attend any meeting of the Bondholders, but shall have no vote as such.

10.11. Powers Exercisable by Extraordinary Resolution

In addition to the powers conferred upon them by any other provisions of this Indenture or by law, a meeting of the Bondholders shall have the following powers exercisable from time to time by extraordinary resolution:

- (a) power to sanction any modification, abrogation, alteration, compromise or arrangement of the rights of the Bondholders or the Trustee against the Corporation or against their property, whether such rights arise under this Indenture or the Bonds or otherwise;
- (b) power to assent to any modification of or change in or addition to or omission from the provisions contained in this Indenture or any Bond which shall be agreed to by the Corporation and to authorize the Trustee to concur in and execute any indenture supplemental hereto embodying any modification, change, addition or omission;

- (c) power to sanction any scheme for the reconstruction or reorganization of the Corporation or for the consolidation, amalgamation or merger of the Corporation with any other corporation or for the sale, leasing, transfer or other disposition of the undertaking, property and assets of the Corporation or any part thereof, provided that no such sanction shall be necessary in respect of any such transaction if the provisions of Section 10.1 shall have been complied with;
- (d) power to direct or authorize the Trustee to exercise any power, right, remedy or authority given to it by this Indenture in any manner specified in any such extraordinary resolution or to refrain from exercising any such power, right, remedy or authority;
- (e) subject to Section 6.2, power to waive and direct the Trustee to waive any default hereunder or cancel any declaration made by the Trustee pursuant to Section 6.1 either unconditionally or upon any condition specified in such extraordinary resolution;
- (f) power to restrain any Bondholder from taking or instituting any suit, action or proceeding for the purpose of enforcing payment of the principal of or interest on the Bonds, or for the execution of any trust or power hereunder;
- (g) power to direct any Bondholder who, as such, has brought any action, suit or proceeding to stay or discontinue or otherwise deal with the same upon payment, if the taking of such suit, action or proceeding shall have been permitted by Section 6.5, of the costs, charges and expenses reasonably and properly incurred by such Bondholder in connection therewith;
- (h) power to assent to any compromise or arrangement with any creditor or creditors or any class or classes of creditors, whether secured or otherwise, and with holders of any shares or other securities of the Corporation;
- (i) power to appoint a committee with power and authority (subject to such limitations (if any) as may be prescribed in the resolution) to exercise, and to direct the Trustee to exercise, on behalf of the Bondholders, such of the powers of the Bondholders as are exercisable by extraordinary or other resolution as shall be included in the resolution appointing the committee. The resolution making such appointment may provide for payment of the expenses and disbursements of and compensation to such committee. Such committee shall consist of such number of persons as shall be prescribed in the resolution appointing it and the member need not be themselves Bondholders. Every such committee may elect its chairman and may make regulations respecting its quorum, the calling of its meetings, the filling of vacancies occurring in its number and its procedure generally. Such regulations may provide that the committee may act at a meeting at which a quorum is present or may act by minutes signed by the number of members thereof necessary to constitute a quorum. All acts of any such committee within the authority delegated to it shall be binding upon all Bondholders. Neither the committee nor any member thereof shall be liable for any loss arising from or in connection with any action taken or omitted to be taken by them in good faith;
- (j) power to authorize the distribution *in specie* of any shares, bonds, Bonds or other securities or obligations or cash or other consideration received hereunder or the use or disposal of the whole or any part of such shares, bonds, Bonds or other securities or obligations or cash or other consideration in such manner and for such purpose as may be deemed advisable and specified in such extraordinary resolution;
- (k) power to authorize the Trustee or any other person to bid at any sale of the Corporation's properties or assets or any part thereof and to borrow the moneys required to make any deposit at said sale or pay the balance of the purchase price and to hypothecate,

mortgage, pledge, charge, cede and transfer the property or assets so purchased as security for the repayment of the moneys so borrowed and interest thereon, or to advance such moneys (in which event they shall have a lien upon the property or assets so purchased for the amount so advanced and interest thereon) and to hold any property or assets so purchased (subject to any hypothec, mortgage, pledge, charge or lien to secure any moneys so borrowed or advanced) in trust for all the Bondholders outstanding at the time of such sale *pro rata* in proportion to the amounts due to them thereon respectively for principal and interest before such sale, and to sell, transfer and convey the whole or any part or parts of the property or assets so purchased for such consideration in cash or in the shares, bonds, Bonds or other securities or obligations of any company formed or to be formed, or partly in cash and partly in such securities or obligations, and upon such terms and conditions as may be determined by such extraordinary resolution of the Bondholders and subject to such terms and conditions, to dispose of such cash, shares, bonds, Bonds or other securities or obligations pursuant to the provisions of subsection 10.12 and until the sale, transfer or conveyance of the whole of such property or assets so purchased to maintain and operate such part of said property and assets as has not been disposed of, and for such purposes to borrow moneys and to hypothecate, mortgage, pledge, charge and cede and transfer the property and assets so purchased, or any part thereof, as security for the repayment of the moneys so borrowed, with interest thereon, or to advance such moneys (in which event they shall have a lien or charge upon the property and assets so purchased for the amounts so advanced and interest thereon) and otherwise deal with such property and assets and the proceeds of any sale, transfer or conveyance thereof as the Bondholders may by such extraordinary resolution direct;

- (l) power to remove the Trustee from office and to appoint a new Trustee or Trustees;
- (m) power to sanction the exchange of the Bonds for or the conversion thereof into shares, bonds, Bonds or other securities or obligations of the Corporation or of any company formed or to be formed;
- (n) power to authorize the Corporation and the Trustee to grant extensions of time for payment of the principal or interest on any of the Bonds, whether or not the principal or interest the payment in respect of which is extended, is at the time due or overdue; and
- (o) power to amend, alter or repeal any extraordinary resolution previously passed or sanctioned by the Bondholders or by any committee appointed pursuant to subsection (i).

10.12. Meaning of "Extraordinary Resolution"

- (a) The expression "extraordinary resolution" when used in this Indenture means, subject as hereinafter in this Article provided, a resolution proposed to be passed as an extraordinary resolution at a meeting of Bondholders (including an adjourned meeting) duly convened for the purpose and held in accordance with the provisions of this Article at which the holders of not less than 50% in principal amount of the Bonds then outstanding are present in person or by proxy and passed by the favourable votes of the holders of not less than 66 2/3% of the principal amount of Bonds represented at the meeting and voted on a poll upon such resolution.
- (b) If, at any such meeting, the holders of not less than 50% in principal amount of the Bonds outstanding are not present in person or by proxy within 30 minutes after the time appointed for the meeting, then the meeting, if convened by or on the requisition of Bondholders, shall be dissolved. In any other case, it shall stand adjourned to such date, being not less than 14 nor more than 60 days later and to such place and time as may be appointed by the chairman. Not less than 10 days notice shall be given of the time and

place of such adjourned meeting in the applicable manner provided in Section 11.2. Such notice shall state that at the adjourned meeting the Bondholders present in person or by proxy shall form a quorum but it shall not be necessary to set forth the purposes for which the meeting was originally called or any other particulars. At the adjourned meeting the Bondholders present in person or by proxy shall form a quorum and may transact the business for which the meeting was originally convened and a resolution proposed at such adjourned meeting and passed by the requisite vote as provided in subsection (a) shall be an extraordinary resolution within the meaning of this Indenture, notwithstanding that the holders of not less than 50% in principal amount of the Bonds then outstanding are not present in person or by proxy at such adjourned meeting.

10.13. Powers Cumulative

It is hereby declared and agreed that any one or more of the powers in this Indenture stated to be exercisable by the Bondholders by extraordinary resolution or otherwise may be exercised from time to time and the exercise of any one or more of such powers from time to time shall not be deemed to exhaust the rights of the Bondholders to exercise the same or any other such power or powers thereafter from time to time.

10.14. Minutes

Minutes of all resolutions and proceedings at every meeting of Bondholders shall be made and duly entered in books to be from time to time provided for that purpose by the Trustee at the expense of the Corporation, and any such minutes, if signed by the chairman of the meeting at which such resolutions were passed or proceedings had, or by the chairman of the next succeeding meeting of the Bondholders, shall be *prima facie* evidence of the matters therein stated and, until the contrary is proved, every such meeting, in respect of the proceedings of which minutes shall have been made, shall be deemed to have been duly held and convened and all resolutions passed thereat or proceedings taken thereat to have been duly passed and taken.

10.15. Instruments in Writing

All actions which may be taken and all powers that may be exercised by the Bondholders at a meeting held as in this Article provided may also be taken and exercised by the holders of 66 2/3% of the principal amount of all the outstanding Bonds by an instrument in writing signed in one or more counterparts and the expression "extraordinary resolution" when used in this Indenture shall include an instrument so signed.

10.16. Binding Effect of Resolutions

Every resolution and every extraordinary resolution passed in accordance with the provisions of this Article at a meeting of Bondholders shall be binding upon all the Bondholders, whether present at or absent from such meeting, and every instrument in writing signed by Bondholders in accordance with Section 10.15 shall be binding upon all the Bondholders, whether signatories thereto or not, and each and every Bondholder and the Trustee (subject to the provisions for its indemnity herein contained) shall be bound to give effect accordingly to every such resolution, extraordinary resolution and instrument in writing.

10.17. Evidence of Rights of Bondholders

Any request, direction, notice, consent or other instrument which this Indenture may require or permit to be signed or executed by the Bondholders may be in any number of concurrent instruments of similar tenor and may be signed or executed by such Bondholders in person or by attorney duly appointed in writing. Proof of the execution of any such request or other instrument or of a writing appointing any such attorney or (subject to the provisions of this Article with regard to voting at meetings of Bondholders) of the holding by any person of Bonds shall be sufficient for any purpose of this Indenture

if made in the following manner, namely, the fact and date of execution by any person of such request or other instrument or writing may be proved by the certificate of any notary public, or other officer authorized to take acknowledgements of deeds to be recorded at the place where such certificate is made, that the person signing such request or other instrument in writing acknowledged to him the execution thereof, or by an affidavit of a witness of such execution or in any other manner which the Trustee may consider adequate.

The Trustee may, nevertheless, in its discretion require further proof in cases where it deems further proof desirable or may accept such other proof as it shall consider proper.

11. NOTICES

11.1. Notice to Corporation and Trustee

- (a) Notices to the Corporation and the Trustee shall be writing and may be delivered:
 - (i) personally by leaving them with the party, or at the offices of the party, to whom they are addressed at that party's address hereinafter given, and notices so served shall be deemed to have been received by the addressee thereof on the day of delivery, unless actually delivered on a day which is not a business day or after 4:00 o'clock p.m. on the day of delivery, in which case notice shall be deemed to be received on the next ensuing business day;
 - (ii) by facsimile, or any other like method by which a message may be sent directed to the party to whom they are to be delivered at that party's address hereinafter given, and notices so sent shall be deemed to have been received by the addressee thereof on the business day next ensuing after the day of sending; and
 - (iii) by mailing them first class (air mail if to or from a country other than Canada) registered post, postage prepaid, to the party to whom they are to be delivered, in which case notices mailed shall be deemed to be received by the addressee thereof on the fifth business day following the day of mailing thereof.
- (b) The address of each of the parties to this Indenture shall be as follows:
 - (i) to the Corporation:

#800, 1040 West Georgia Street
Vancouver, British Columbia V6E 4H1
Facsimile No.: 403.571.8008
Attention: President

With a copy to:

TingleMerrett LLP
1250, 639 – 5th Avenue S.W.
Calgary, Alberta T2P 0M9

Facsimile No.: (403) 571-8008
Attention: Scott Reeves
 - (ii) to the Trustee:

#1010, 407 – 2nd Street SW
Calgary, Alberta T2P 2Y3

Facsimile No. (403) 237-6181
Attention: President and Chief Executive Officer

- (c) Any party to this Indenture may change its address by notice delivered in accordance with this Indenture.

11.2. Notice to Bondholders

Except as herein otherwise expressly provided, all notices to be given hereunder with respect to the Bonds shall be deemed to be validly given to the Bondholders if delivered or if sent by facsimile or other means of telecommunication or if sent through the ordinary post, postage prepaid, by letter or circular addressed to such Bondholders at their post office addresses appearing in any of the registers hereinbefore mentioned and shall be deemed to have been effectively given 3 days following the day of mailing. Accidental error or omission in giving notice or accidental failure to mail notice to any Bondholder shall not invalidate any action or proceeding founded thereon unless such action or proceeding is predicated on a vote and the vote of such Bondholder would have the effect of changing the resolution passed at such meeting. The inability of the Corporation to give or mail any notice due to anything beyond the reasonable control of the Corporation shall not invalidate any action or proceeding founded thereon.

If any notice given in accordance with the foregoing paragraph would be unlikely to reach the Bondholders to whom it is addressed in the ordinary course of post by reason of an interruption in mail service, whether at the place of dispatch or receipt or both, the Corporation shall give such notice by publication at least once in the City of Vancouver (or in such other city or cities as, in the opinion of the Trustee, is sufficient in the particular circumstances), each such publication to be made in a daily newspaper of general circulation in the designated city.

Any notice given to Bondholders by mail shall be deemed to have been given 3 days following the day of mailing. Any notice given to Bondholders by publication shall be deemed to have been given on the day on which publication shall have been effected at least once in each of the newspapers in which publication was required.

All notices with respect to any Bond may be given to whichever one of the holders thereof (if more than one) is named first in the registers hereinbefore mentioned, and any notice so given shall be sufficient notice to all holders of and persons interested in such Bond.

11.3. Mail Service Interruption

If by reason of strike, lockout or other work stoppage, actual or threatened, of postal employees, any notice to be given by mail to the Corporation, the Trustee or a Bondholder would reasonably be unlikely to reach its destination, such notice shall be valid and effective only if delivered to the person to whom it is addressed at the appropriate address in accordance with Section 11.1 or Section 11.2 by facsimile or other means of telecommunication or, in the case of notice to the Bondholders, if such notice is published in accordance with Section 11.2, provided the provisions of this Section shall be in addition to the requirements of any applicable legislation governing the giving of notice during mail service interruption.

12.

CONCERNING THE TRUSTEE

12.1. No Conflict of Interest

The Trustee represents to the Corporation that at the date of execution and delivery by it of this Indenture there exists no material conflict of interest in the role of the Trustee as a fiduciary hereunder but if, notwithstanding the provisions of this Section, such a material conflict of interest exists, the validity and enforceability of this Indenture, and the Bonds issued hereunder shall not be affected in any manner whatsoever by reason only that such material conflict of interest exists but the Trustee shall, within 90 days after ascertaining that it has a material conflict of interest, either eliminate such material conflict of interest or resign in the manner and with the effect specified in Section 12.2.

12.2. Replacement of Trustee

The Trustee may resign its trust and be discharged from all further duties and liabilities hereunder by giving to the Corporation three months' notice in writing or such shorter notice as the Corporation may accept as sufficient. If at any time a material conflict of interest exists in the Trustee's role as a fiduciary hereunder the Trustee shall, within 90 days after ascertaining that such a material conflict of interest exists, either eliminate such material conflict of interest or resign in the manner and with the effect specified in this Section. The validity and enforceability of this Indenture and of the Bonds issued hereunder shall not be affected in any manner whatsoever by reason only that such material conflict of interest exists. In the event of the Trustee resigning or being removed or being dissolved, becoming bankrupt, going into liquidation or otherwise becoming incapable of acting hereunder, the Corporation shall forthwith appoint a new Trustee unless a new Trustee has already been appointed by the Bondholders. Failing such appointment by the Corporation, the retiring Trustee or any Bondholder may apply to a Judge of the Supreme Court of British Columbia, on such notice as such Judge may direct, for the appointment of a new Trustee. Any new Trustee so appointed by the Corporation or by the Court shall be subject to removal as aforesaid by the Bondholders. Any new Trustee appointed under any provision of this Section shall be a corporation authorized to carry on business of a trust company in the Province of British Columbia. On any new appointment the new Trustee shall be vested with the same powers, rights, duties and responsibilities as if it had been originally named herein as Trustee.

Any company into which the Trustee may be merged or with which it may be consolidated or amalgamated or any company resulting from any merger, consolidation or amalgamation to which the Trustee shall be a party shall be the successor trustee under this Indenture without the execution of any instrument or any further act. Nevertheless, upon the written request of the successor Trustee or of the Corporation, the Trustee ceasing to act shall execute and deliver an instrument assigning and transferring to such successor Trustee, upon the trusts herein expressed, all the rights, powers and trusts of the Trustee so ceasing to act, and shall duly assign, transfer and deliver all property and money held by such Trustee to the successor Trustee so appointed in its place. Should any deed, conveyance or instrument in writing from the Corporation be required by any new Trustee for more fully and certainly vesting in and confirming to it such estates, properties, rights, powers and trusts, then any and all such deeds, conveyances and instruments in writing shall on request of said new Trustee, be made, executed, acknowledged and delivered by the Corporation.

12.3. Duties of Trustee

In the exercise of the rights, duties and obligations prescribed or conferred by the terms of this Indenture, the Trustee shall exercise that degree of care, diligence and skill that a reasonably prudent trustee would exercise in comparable circumstances.

12.4. Reliance Upon Declarations, Opinions, etc.

In the exercise of its rights, duties and obligations hereunder the Trustee may, if acting in good faith, rely, as to the truth of the statements and accuracy of the opinions expressed therein, upon statutory declarations, affidavits, opinions, reports or certificates furnished pursuant to any covenant, condition or requirement of this Indenture or required by the Trustee to be furnished to it in the exercise of its rights and duties hereunder, if the Trustee examines such statutory declarations, affidavits, opinions, reports or certificates and determines that they comply with Section 12.4, if applicable, and with any other applicable requirements of this Indenture. The Trustee may nevertheless, in its discretion, require further proof in cases where it deems further proof desirable.

Without restricting the foregoing, the Trustee may rely on an opinion of Counsel satisfactory to the Trustee notwithstanding that it is delivered by a solicitor or firm which acts as solicitors for the Corporation.

12.5. Evidence and Authority to Trustee, Opinions, etc.

The Corporation shall furnish to the Trustee evidence of compliance with the conditions precedent provided for in this Indenture relating to any action or step required or permitted to be taken by the Corporation, or the Trustee under this Indenture or as a result of any obligation imposed under this Indenture, including without limitation, the certification and delivery of Bonds hereunder, the satisfaction and discharge of this Indenture and the taking of any other action to be taken by the Trustee at the request of or on the application of the Corporation, forthwith if and when: (a) such evidence is required by any other Section of this Indenture to be furnished by the Trustee in accordance with the terms of this Section; or (b) the Trustee, in the exercise of its rights and duties under this Indenture, gives the Corporation written notice requiring it to furnish such evidence in relation to any particular action or obligation specified in such notice.

Such evidence shall consist of:

- (a) a statutory declaration or certificate made by two duly appointed officers of the Corporation stating that any such condition precedent has been complied with in accordance with the terms of this Indenture;
- (b) in the case of a condition precedent compliance with which is, by the terms of this Indenture, made subject to review or examination by a solicitor, an opinion of Counsel of the Corporation that such condition precedent has been complied with in accordance with the terms of this Indenture; and
- (c) in the case of any such condition precedent compliance with which is subject to review or examination by auditors or accountants, an opinion or report of the Auditors of the Corporation whom the Trustee for such purposes hereby approves, that such condition precedent has been complied with in accordance with the terms of this Indenture.

Whenever such evidence relates to a matter other than the certification and delivery of Bonds and the satisfaction and discharge of this Indenture, and except as otherwise specifically provided herein, such evidence may consist of a report or opinion of any solicitor, auditor, accountant, engineer or appraiser or any other person whose qualifications give authority to a statement made by him, provided that if such report or opinion is furnished by a director, officer or employee of the Corporation it shall be in the form of a statutory declaration. Such evidence shall be, so far as appropriate, in accordance with the immediately preceding paragraph of this Section.

Each statutory declaration, certificate, opinion or report with respect to compliance with a condition precedent provided for in this Indenture shall include: (a) a statement by the person giving the evidence that he has read and is familiar with those provisions of this Indenture relating to the condition precedent in question; (b) a brief statement of the nature and scope of the examination or investigation upon which

the statements or opinions contained in such evidence are based; (c) a statement that, in the belief of the person giving such evidence, he has made such examination or investigation as is necessary to enable him to make the statements or give the opinions contained or expressed therein; and (d) a statement whether in the opinion of such person the conditions precedent in question have been complied with or satisfied.

The Corporation shall furnish to the Trustee at any time if the Trustee reasonably so requires, its certificate that the Corporation has complied with all covenants, conditions or other requirements contained in this Indenture, the noncompliance with which would, with the giving of notice or the lapse of time, or both, or otherwise, constitute an Event of Default, or if such is not the case, specifying the covenant, condition or other requirement which has not been complied with and giving particulars of such noncompliance. The Corporation shall, whenever the Trustee so requires, furnish the Trustee with evidence by way of statutory declaration, opinion, report or certificate as specified by the Trustee as to any action or step required or permitted to be taken by the Corporation or as a result of any obligation imposed by this Indenture.

12.6. Officers' Certificate as Evidence

Except as otherwise specifically provided or prescribed by this Indenture, whenever in the administration of the provisions of this Indenture the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or omitting any action hereunder, the Trustee, if acting in good faith, may rely upon an Officers' Certificate.

12.7. Experts, Advisers and Agents

The Trustee may:

- (a) employ or retain and act on the opinion or advice of or information obtained from any solicitor, auditor, valuer, engineer, surveyor, appraiser or other expert, whether obtained by the Trustee or by the Corporation, or otherwise, and shall not be liable for acting in good faith on any such opinion or advice and may pay proper and reasonable compensation for all such legal and other advice or assistance; and
- (b) employ such agents and other assistants as it may reasonably require for the proper discharge of its duties hereunder, and may pay reasonable remuneration for all services performed for it (and shall be entitled to receive reasonable remuneration for all services performed by it) in the discharge of the trusts hereof and compensation for all disbursements, costs and expenses made or incurred by it in the discharge of its duties hereunder and in the management of the trusts hereof. Any solicitors employed or consulted by the Trustee may, but need not be, solicitors for the Corporation.

12.8. Trustee May Deal in Bonds

The Trustee may, in its personal or other capacity, buy, sell, lend upon and deal in the Bonds and generally contract and enter into financial transactions with the Corporation or otherwise, without being liable to account for any profits made thereby.

12.9. Investment of Moneys Held by Trustee

Unless otherwise provided in this Indenture, any moneys held by the Trustee which under the trusts of this Indenture may or ought to be invested or which may be on deposit with the Trustee or which may be in the hands of the Trustee may be invested and reinvested in the name or under the control of the Trustee in securities in which, under the laws of the Province of British Columbia, trustees are authorized to invest trust moneys, provided that such securities are expressed to mature within two years after their purchase by the Trustee, and unless and until the Trustee shall have declared the principal of and interest on the Bonds to be due and payable, the Trustee shall so invest such moneys at the request of the Corporation.

Pending the investment of any moneys as hereinbefore provided, such moneys may be deposited in the name of the Trustee in any chartered bank of Canada or, with the consent of the Corporation, in the deposit department of the Trustee or any other loan or trust company authorized to accept deposits under the laws of Canada or any Province thereof at the rate of interest then current on similar deposits.

Unless and until the Trustee shall have declared the principal, Priority Return and Bonus Interest Amount on the Bonds to be due and payable, the Trustee shall pay over to the Corporation all interest received by the Trustee in respect of any investments or deposits made pursuant to the provisions of this Section.

12.10. Trustee Not Ordinarily Bound

Except as provided in Section 7.2 and as otherwise specifically provided herein, the Trustee shall not, subject to Section 12.2, be bound to give notice to any person of the execution hereof, nor to do, observe or perform or see to the observance or performance by the Corporation of any of the obligations herein imposed upon the Corporation or of the covenants on the part of the Corporation herein contained, nor in any way to supervise or interfere with the conduct of the Corporation's business, unless the Trustee shall have been required to do so in writing by the holders of not less than 15% of the aggregate principal amount of the Bonds then outstanding or by any extraordinary resolution of the Bondholders passed in accordance with the provisions contained in Article 11, and then only after it shall have been indemnified to its satisfaction against all actions, proceedings, claims and demands to which it may render itself liable and all costs, charges, damages and expenses which it may incur by so doing.

12.11. Trustee Not Required to Give Security

The Trustee shall not be required to give any bond or security in respect of the execution of the trusts and powers of this Indenture or otherwise in respect of this Indenture.

12.12. Trustee Not to be Appointed Receiver

The Trustee and any person related to the Trustee shall not be appointed a receiver or receiver and manager or liquidator of all or any part of the assets or undertaking of the Corporation.

12.13. Trustee Not Bound to Act on Request

Except as in this Indenture otherwise specifically provided, the Trustee shall not be bound to act in accordance with any direction or request of the Corporation or of its directors until a duly authenticated copy of the instrument or resolution containing such direction or request shall have been delivered to the Trustee, and the Trustee shall be empowered to act upon any such copy purporting to be authenticated and believed by the Trustee to be genuine.

12.14. Conditions Precedent to Trustee's Obligations to Act Hereunder

The obligation of the Trustee to commence or continue any act, action or proceeding for the purpose of enforcing the rights of the Trustee and of the Bondholders hereunder shall be conditional upon the Bondholders furnishing, when required by notice in writing by the Trustee, sufficient funds to commence or continue to such act, action or proceeding and an indemnity reasonably satisfactory to the Trustee to protect and hold harmless the Trustee against the costs, charges and expenses and liabilities to be incurred thereby and any loss and damage it may suffer by reason thereof.

None of the provisions contained in this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur financial liability in the performance of any of its duties or in the exercise of any of its rights or powers unless indemnified as aforesaid.

The Trustee may, before commencing or at any time during the continuance of any such act, action or proceeding require the Bondholders at whose instance it is acting to deposit with the Trustee the Bonds held by them for which Bonds the Trustee shall issue receipts.

12.15. Authority to Carry on Business

The Trustee represents to the Corporation that at the date of execution and delivery by it of this Indenture it is authorized to carry on the business of a trust company in the Province of British Columbia but if, notwithstanding the provisions of this Section it ceases to be so authorized to carry on business, the validity and enforceability of this Indenture and the Bonds issued hereunder shall not be affected in any manner whatsoever by reason only of such event but the Trustee shall, within 90 days after ceasing to be authorized to carry on the business of a trust company in the Province of British Columbia either become so authorized or resign in the manner and with the effect specified in Section 12.2.

12.16. Acceptance of Trust

The Trustee hereby accepts the trusts in this Indenture declared and provided for and agrees to perform the same upon the terms and conditions herein set forth and to hold all rights, privileges and benefits conferred hereby and by law in trust for the various persons who shall from time to time be Bondholders, subject to all the terms and conditions herein set forth.

12.17. Indemnification of the Trustee

By way of supplement to the provisions of any law for the time being relating to trustees, it is expressly declared and agreed as follows:

- (a) the Trustee and its directors, officers, shareholders, agents and employees shall at all times be indemnified and saved harmless by the Corporation from and against all claims, demands, suits, losses, actions, causes of actions, costs, charges, expenses, damages and liabilities whatsoever arising in connection with this Indenture, including, without limitation, those arising out of or related to actions taken or omitted to be taken by the Trustee contemplated hereby, legal fees and disbursements on a solicitor and client basis, and costs and expenses incurred in connection with the enforcement of this indemnity, which the Trustee may suffer or incur, whether at law or in equity, in any way caused by or arising, directly or indirectly, in respect of any act, deed, matter or thing whatsoever made, done, acquiesced in or omitted in or about or in relation to the execution of its duties as Trustee and including any deed, matter or thing in relation to the registration, perfection, release or discharge of security. The foregoing provisions of this Section do not apply to the extent that in any circumstances there has been a failure by the Trustee or its employees or agents to act honestly and in good faith or where the Trustee or its employees or agents have acted with gross negligence or in willful disregard to the Trustee's obligations hereunder. It is understood and agreed that this indemnification shall survive the termination of this Indenture or the resignation of the Trustee;
- (b) the Trustee shall not be liable for or by reason of any statements of fact or recitals in this Indenture (except the representation contained in Sections 12.15 and 12.16 and in the certificate of the Trustee) or required to verify the same, but all such statements or recitals are and shall be deemed to be made by the Corporation;
- (c) nothing herein contained shall impose any obligation on the Trustee to see to or to require evidence of the registration or filing (or renewal thereof) of this Indenture or any instrument ancillary or supplemental hereto;
- (d) the Trustee shall not be bound to give notice to any person or persons of the execution hereof; and
- (e) the Trustee shall not incur any liability or responsibility whatever or be in any way responsible for the consequence or any breach on the part of the Corporation of any of the

covenants herein contained or of any acts of any directors, officers, employees, trustees, servants or agents of the Corporation.

13.

SUPPLEMENTAL INDENTURES

13.1. Supplemental Indentures

From time to time the Trustee and, when authorized by a resolution of the directors, the Corporation may, and they shall when required by this Indenture, execute, acknowledge and deliver by their proper officers deeds or indentures supplemental hereto, which thereafter shall form part hereof, for any one or more of the following purposes:

- (a) adding to the covenants of the Corporation herein contained for the protection of the Bondholders or providing for Events of Default in addition to those herein specified;
- (b) making such provisions not inconsistent with this Indenture as may be necessary or desirable with respect to matters or questions arising hereunder, including the making of any modifications in the form of the Bonds which do not affect the substance thereof and which, in the opinion of the Trustee, it may be expedient to make, provided that the Trustee shall be of the opinion that such provisions and modifications shall not be prejudicial to the interests of the Bondholders;
- (c) evidencing the succession, or successive successions, of other corporations to the Corporation and the covenants of and obligations assumed by any such successor in accordance with the provisions of this Indenture;
- (d) giving effect to any extraordinary resolution passed as provided in Article 11; and
- (e) for any other purpose not inconsistent with the terms of this Indenture.

The Trustee may also, without the consent or concurrence of the Bondholders, by supplemental indenture or otherwise, concur with the Corporation in making any changes or corrections in this Indenture which it shall have been advised by Counsel are required for the purpose of curing or correcting any ambiguity or defective or inconsistent provisions or clerical omissions or mistakes or manifest errors contained herein or in any deed or indenture supplemental or ancillary hereto, provided that in the opinion of the Trustee the rights of the Trustee and of the Bondholders are in no way prejudiced thereby.


14.

EXECUTION AND FORMAL DATE

14.1. Execution

This Indenture may be executed in several counterparts, each of which when so executed shall be deemed to be an original and such counterparts together shall constitute one and the same instrument.

14.2. Formal Date

For the purpose of convenience this Indenture may be referred to as bearing a formal date of , irrespective of the actual date of execution hereof.

IN WITNESS whereof the parties hereto have executed these presents under their respective corporate seals and the hands of their proper officers in that behalf.

NORTH AMERICA HOME FINANCE INC.

By: _____

ALLIANCE TRUST COMPANY

By: _____

By: _____

SCHEDULE "A"

Form of Bond

"Unless permitted under securities legislation, the holder of this security must not trade the security before the date that is 4 months and a day after the later of: (i) ●; and (ii) the date the issuer became a reporting issuer in any province or territory".

NORTH AMERICA HOME FINANCE INC.

(Incorporated under the laws of Canada)

● Bonds in denominations of \$1,000

No.: ●

HOMEBUILD BOND UNIT

(the "Bonds")

North America Home Finance Inc. (hereinafter referred to as the "**Corporation**") for value received hereby promises to pay to _____ on ● (the "**Maturity Date**") or on such earlier date as the principal amount hereof may become due in accordance with the provisions of the Indenture hereinafter mentioned, on presentation and surrender of this Bond, the sum of _____ in lawful money of Canada and to pay the Priority Return and the Bonus Interest Amount in accordance with the terms of the Indenture.

This Bond is one of the Bonds of the Corporation issued or issuable under the terms of a bond indenture dated as of ●, and made between the Corporation and Alliance Trust Company (the "**Trustee**"), as trustee, to which indenture and all instruments supplemental thereto or in implementation thereof reference is hereby made for a description of the rights of the holders of the Bonds (herein referred to as the "**Indenture**"), of the Corporation, and of the Trustee and of the terms and conditions upon which the Bonds are issued and held, all to the same effect as if the provisions of the Indenture and such instruments supplemental thereto or in implementation thereof were herein set forth, to all of which provisions the holder of this Bond, by acceptance hereof, assents.

Reference is hereby expressly made to the Indenture and any instruments supplemental thereto for the description of the terms and conditions upon which the Bonds are issued and held and the rights and remedies of the Bondholders and of the Corporation, and of the Trustee, all to the same effect as if the provisions of the Indenture and any instruments supplemental thereto were herein set forth to all of which provisions the holder of this Bond by acceptance hereof assents.

Upon compliance with the provisions of the Indenture, Bonds of any denomination may be exchanged for an equal aggregate principal amount of Bonds in any other authorized denomination or denominations. The indebtedness evidenced by this Bond is secured by the Security Documents on the Collateral (as defined in the Indenture). The principal hereof may become or be declared due and payable before the stated maturity in the event, in the manner, with the effect and at the times provided in the Indenture.

The Indenture contains provisions making binding upon all holders of Bonds outstanding thereunder resolutions passed at meetings of such holders held in accordance with such provisions and instruments signed by the holders of a specified percentage of the aggregate principal amount of Bonds outstanding, which resolutions or instruments may have the effect of amending the terms of this Bond or the Indenture.

The Indenture contains provisions disclaiming any personal liability on the part of the trustees in respect of any obligation or claim arising out of the Indenture or this Bond.

This Bond is transferable in accordance with the terms of the Indenture. This Bond may only be exchanged, upon compliance with the conditions prescribed in the Indenture, in the register to be kept at the principal office of the Trustee in the City of Vancouver and in such other place or places and/or by such other registrars (if any) as the Corporation with the approval of the Trustee may designate, by the registered Holder hereof or his executors and administrators or other legal representatives, or his or their attorney duly appointed by an instrument in form and substance satisfactory to the Trustee or other registrar, and upon compliance with such reasonable requirements as the Trustee and/or other registrar may prescribe.

This Bond shall not become obligatory for any purpose until it shall have been certified by the Trustee under the Indenture.

Capitalized words or expressions used in this Bond shall, unless otherwise defined herein, have the meaning ascribed thereto in the Indenture.

IN WITNESS WHEREOF the Corporation has caused this Bond to be signed by authorized officers of the Corporation as of _____, ●.

NORTH AMERICA HOME FINANCE INC.

By: _____

George Lawton

(form of Trustee's Certificate)

This Bond is one of the Bonds referred to in the Indenture within mentioned.

ALLIANCE TRUST COMPANY

By: _____

Authorized Officer

Date of Certification: _____

**SCHEDULE "B" TO THE
OFFERING MEMORANDUM OF
NORTH AMERICA HOME FINANCE INC.**

RE Bond Indenture

BOND INDENTURE

Dated as of the ● day of ●, ●

Between

NORTH AMERICA HOME FINANCE INC.

and

ALLIANCE TRUST COMPANY

Providing for the issue of RealEquity Bonds by North America Home Finance Inc.

THIS INDENTURE made and effective as of ●, ●.

BETWEEN:

NORTH AMERICA HOME FINANCE INC., a corporation
incorporated under the laws of Canada (the "**Corporation**")

- and -

ALLIANCE TRUST COMPANY, a trust company having an office in
the City of Calgary, in the Province of Alberta (the "**Trustee**")

WHEREAS:

1. The Corporation desires to raise the capital through the issuance and sale of RealEquity Bond units (the "**Units**"), the Units comprised of a RealEquity Bond ("**Bonds**"), a redeemable capital growth based right (the "**Right**") and 100 common share purchase warrants, the issuance of which Bonds is provided for by this Indenture;
2. The Corporation, under the laws relating thereto, is duly authorized to create and issue the Bonds as herein provided;
3. The Corporation shall issue security, including, without limitation, certain collateral mortgages and the security interest granted hereunder, which shall secure the obligations of the Corporation to the Trustee and the Bondholders hereunder;
4. All necessary by-laws and resolutions of the directors and shareholders of the Corporation have been duly enacted, passed and/or confirmed and other proceedings taken and conditions complied with to make the creation and issue of the Bonds hereunder and this Indenture and the execution thereof legal, valid and binding on the Corporation in accordance with the laws relating to the Corporation; and
5. The foregoing recitals are made as representations and statements of fact by the Corporation and not by the Trustee;

NOW THEREFORE it is hereby covenanted, agreed and declared as follows:

1.

INTERPRETATION

1.1. Definitions

In this Indenture and in the Bonds including the recitals to this Indenture, unless there is something in the subject matter or context inconsistent therewith, the expressions following shall have the following meanings, namely:

"**Auditors**" means an independent firm of chartered or certified public accountants duly appointed as auditors of the Corporation;

"**business day**" means a day which is not a Saturday or Sunday or a civic or statutory holiday in the City of Vancouver;

"**Bondholders**" means the persons for the time being entered in the registers hereinafter mentioned as holders of any of the Bonds;

"Bonds" has the meaning set forth in the Preamble to this Indenture;

"Closing Date" means the first closing of the Units, which shall be on the date that the Issuer receives the minimum offering of 1,000 Units (expected to be no later than ●) or such later or earlier date as may be determined by the Corporation;

"Collateral" has the meaning set forth in Section 3.1;

"Collateral Mortgages" means those collateral mortgages granted by the Corporation in favour of the Trustee (on behalf of the Bondholders) with respect to the RE Property;

"Contractual Rights" has the meaning set forth in Section 3.2;

"Corporation" means North America Home Finance Inc. and includes any successor corporation to, or of, the Corporation which shall have complied with the provisions of Article 10;

"Counsel" means a barrister or solicitor or firm of barristers or solicitors retained or employed by the Trustee or retained or employed by the Corporation and acceptable to the Trustee;

"director" means a director of the Corporation for the time being and **"directors"** or **"board"** means the board of directors of the Corporation or, if duly constituted and whenever duly empowered, the executive committee of the board of directors of the Corporation for the time being, and reference to action by the directors means action by the directors of the Corporation, as a board or action by the said executive committee as such committee;

"Event of Default" means any event specified in Section 6.1, provided that there has been satisfied any requirement in connection with such event for the giving of notice, or the lapse of time, or the happening of any further condition, event or act;

"extraordinary resolution" has the meaning set forth in Section 10.12(a);

"Right" means a right granted to Bondholders pursuant to the terms of the Redeemable Capital Growth Participation Rights agreement in the form attached hereto as Schedule "B" which right must be redeemed by the Corporation in the event of the sale of the RE Property for an amount which reflects a Bondholder's indirect share of any net capital gain enjoyed by the Corporation upon the completion of a sale of the RE Property;

"HBB Security" means any security granted in favour of the holders of HomeBuild Bonds being offered concurrently with the Bonds;

"Material Subsidiary" means a Subsidiary of the Corporation, the total assets of which comprise over 50% of the consolidated assets of the Corporation, and all their respective Subsidiaries;

"Maturity Date" means, initially, with respect to any Bond, the date that is 60 months from the date of issuance of such Bond; provided, however, that the Corporation shall be entitled, in its sole discretion, to extend the Maturity Date 2 times for an additional 12 months, for a maximum period of up to 84 months;

"Offering Jurisdictions" means the Provinces of British Columbia, Alberta and Ontario and such other jurisdictions as may be agreed to by the Corporation;

"Officers' Certificate" means a certificate signed by a duly appointed officer of the Corporation;

"Permitted Encumbrances" means, as of any date, any of the following:

- (a) liens for taxes, assessments or governmental charges;
 - (i) not at such date due or delinquent; or
 - (ii) the validity of which the Corporation shall be contesting in good faith and in respect of which:

- (A) an amount in cash sufficient to pay such taxes, assessments or charges shall have been deposited with a court, a taxing or assessing authority or the Trustee; or
 - (B) a surety bond, satisfactory to the holders, for such amount shall have been deposited with the Trustee;
- (b) the lien of any judgment rendered, or of any claim filed, against the Corporation which the Corporation shall be contesting in good faith and in respect of which:
 - (i) an amount in cash sufficient to pay such judgment or claim shall have been deposited with a court or the Trustee; or
 - (ii) a surety bond, satisfactory to the Trustee, for such amount, shall have been deposited with the Trustee;
- (c) undetermined or inchoate liens incidental to construction or current operations which have not at such date been filed pursuant to law against its property or against the Corporation or which relate to obligations not at such date due or delinquent;
- (d) easements, rights of way, servitudes or other similar rights in property (including, without limitation, rights of way and servitudes for railways, sewers, drains, pipelines, gas and water mains, electric light, power, telephone, telegraph or cable television conduits, poles, wires and cables) granted to or reserved or taken by other persons which in the aggregate do not materially detract from the value of such property or materially impair its use in the operation of the business of the Corporation;
- (e) security given by the Corporation to a public utility, any municipality, governmental or other public authority when required by such utility, municipality or authority in the ordinary course of the business of the Corporation;
- (f) any other lien, the validity of which is being contested in good faith and where the Corporation has deposited:
 - (i) with a court or the Trustee, an amount in cash sufficient to pay the same in full; or
 - (ii) with the Trustee, a surety bond, satisfactory to the Trustee, for such amount; and
- (g) any lien relating to Senior Indebtedness; and
- (h) the HBB Security;

"person" means an individual, corporation, company, partnership (whether general or limited), association or trust;

"Prime Rate" means an annual rate of interest equal to the floating annual rate of interest from time to time set by Royal Bank of Canada as the prime rate used by it to determine rates of interest charged on Canadian dollar commercial loans to customers in Canada, being the rate from time to time designated as such by the said bank in Vancouver, British Columbia;

"Priority Return" means, in respect of a Bond, interest accrued against the principal balance outstanding at the rate of 7.25% per annum and payable to the Bondholder by the Corporation in priority to the shareholders of the Corporation and other creditors (other than the holders of Senior Indebtedness) and payable on a quarterly basis, or, alternatively, accrued at the option of the directors of the Issuer.

"RE Property" means a specific property secured by a mortgage charge on behalf of the Bondholders. The property is titled Station Square and has a civic address of 10004 99 Ave Fort Saskatchewan,

Alberta and a legal address of: Lot 7; Plan 9222557, Lot8; Plan 9222557, except Plan 9723414; Excepting thereout all Mines and Minerals;

"Right" means a right granted to Bondholders pursuant to the terms of the Redeemable Capital Growth Participation Based certificate in the form attached hereto as Schedule "B" which provides the subscribers of Units (or its designate) a right to receive a cash amount calculated as the redemption amount paid to Unit holders upon the completion of a sale of the RE Property;

"Security Documents" means this Indenture, the Collateral Mortgages and all other documents, instruments and agreements to be executed and delivered to the Trustee by, or on behalf of or in respect of, the Corporation or a related party hereunder including, without limitation, such security agreements, mortgages, or subordination or priorities agreements with the other creditors as the Trustee may require to give effect to the provisions hereof;

"Security Interest" has the meaning set forth in Section 3.1;

"Senior Indebtedness" means the principal of, premium (if any) on and any interest associated with (a) secured bank operating or term debt, mortgage financing, construction financing and equipment lease financing or any other type of secured debt; and (b) all renewals, extensions and refunding of any such secured indebtedness or any such obligations;

"Subsidiary" means any corporation, partnership, trust or other person of which more than 50% of the outstanding voting shares or other equity interests (pertaining to the right to appoint or to elect persons to the Board, committee or group who determine the management and policy of such partnership, trust or other person) is owned or controlled, directly or indirectly, by or for the Corporation, and includes any corporation, partnership, trust or other person in like relation to a Subsidiary;

"Successor Corporation" has the meaning set forth in Section 9.1(a);

"Taxes" has the meaning set forth in Section 5.8;

"this Indenture", **"this trust indenture"**, **"hereto"**, **"herein"**, **"hereby"**, **"hereunder"**, **"hereof"** and similar expressions refer to this Indenture and not to any particular Article, Section, subsection, clause, subdivision or other portion hereof and include any and every instrument supplemental or ancillary hereto;

"Trustee" means Alliance Trust Company or its successor or successors for the time being as trustee hereunder; and

"written direction" means an instrument in writing signed by one of the President or the Chairman and also by one of any other officer of the Corporation.

1.2. Special Accounting Provisions

For the purposes of this Indenture and in respect of the Bonds and the determinations required to be made under any of the covenants herein contained which relate to the Bonds and the definitions set forth in Section 1.1, the following shall apply:

- (a) all determinations shall be made in accordance with IFRS and shall give effect to retirements of securities to be effected concurrently with or prior to any proposed action; and
- (b) all determinations made hereunder shall be conclusive and binding for all purposes of this Indenture.

1.3. Meaning of "Outstanding"

Every Bond certified and delivered by the Trustee hereunder shall be deemed to be outstanding until it shall be cancelled, or delivered to the Trustee or deemed to be cancelled under Section 9.1, as the case may be, provided that:

- (a) when a new Bond has been issued in substitution for a Bond which has been lost, stolen or destroyed, only one of such Bonds shall be counted for the purpose of determining the aggregate principal amount of Bonds outstanding; and
- (b) for the purposes of any provision of this Indenture entitling Bondholders to vote, sign consents, requisitions or other instruments or take any other action under this Indenture, Bonds owned directly or indirectly, legally or beneficially, by the Corporation or any Subsidiary shall be disregarded except that:
 - (i) for the purpose of determining whether the Trustee shall be protected in relying on any such vote, consent, acquisition or other instrument or action, only the Bonds which the Trustee knows are so owned shall be so disregarded; and
 - (ii) Bonds so owned which have been pledged in good faith other than to the Corporation or a Subsidiary shall not be so disregarded if the pledgee shall establish to the satisfaction of the Trustee the pledgee's right to vote such Bonds in his discretion free from the control of the Corporation, or any Subsidiary.

1.4. Interpretation

In this Indenture:

- (a) words importing the singular number or masculine gender shall include the plural number or the feminine or neuter genders, and *vice versa*;
- (b) all references to Articles and Schedules refer, unless otherwise specified, to Articles of and Schedules to this Indenture;
- (c) all references to Sections refer, unless otherwise specified, to sections, subsections or clauses of this Indenture and reference to subsections or clauses refer to paragraphs in the same section as the reference or to clauses in the same subsection as the reference; and
- (d) words and terms denoting inclusiveness (such as "include" or "includes" or "including"), whether or not so stated, are not limited by and do not imply limitation of their context or the words or phrases which precede or succeed them.

1.5. Headings, Etc.

The division of this Indenture into Articles and Sections and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Indenture or of the Bonds.

1.6. Day not a Business Day

In the event that any day on or before which any action required to be taken hereunder is not a business day, then such action shall be required to be taken on or before the requisite time on the next succeeding day that is a business day.

1.7. Applicable Law

This Indenture and the Bonds shall be construed in accordance with the laws of the Province of British Columbia and shall be treated in all respects as British Columbia contracts.

1.8. Monetary References

All references to currency herein and in the Bonds shall be to lawful money of Canada, unless otherwise expressed.

1.9. Invalidity, Etc.

Any provision hereof which is prohibited or unenforceable shall be ineffective only to the extent of such prohibition or unenforceability, without invalidating the remaining provisions hereof.

1.10. Language

This document is drawn up in English at the express wish of the parties. C'est le volenté expresse des parties que cette entente soit redigée en anglais.

1.11. Schedules

Schedule "A" – Form of Bond

Schedule "B" – Form of Redeemable Capital Growth Based Rights Certificate

2.

THE BONDS

2.1. Limitation

The aggregate principal amount of Bonds which may be issued and outstanding from time to time under this Indenture is \$3,700,000, and such Bonds may be issued hereunder only upon the terms and subject to the conditions herein provided.

2.2. Bond Attributes

The Bonds shall have the following attributes:

- (a) the Bonds shall be dated as of the date of issue and shall mature on the Maturity Date;
- (b) other than as provided for in this Indenture, the Bonds shall be non-voting;
- (c) the Units shall be issued only as fully registered Units in denominations of \$1,000, with a minimum subscription amount per Bondholder of \$5,000 or 5 Units;
- (d) on the Maturity Date, the Corporation shall repay the Bonds unless the company uses its right to an extension;
- (e) after the Corporation repays the Bonds as provided for in Section 2.2(d), the Bondholder shall have the option to reinvest in new Units at a discounted rate such that they can purchase the same number of Units for 97% of the principal amount of their repaid Units;
- (f) the Bonds shall be secured by, *inter alia*, the Collateral Mortgages, which Collateral Mortgages shall be executed in connection with Closing and registered upon occupancy permits being issued on the residential units;
- (g) the Bonds shall also be secured by the other Security Documents and the minimum Priority Return protected by an interest reserve held in trust along with a surety company providing bonding;
- (h) the Bondholders shall be entitled receive the Priority Return with such payment being payable at the end of the quarter in arrears on the last business of a given quarter where the return or participation is due;

- (i) regardless of when a Bond is subscribed for or issued in a quarter, the Bondholder shall be entitled to receive the Priority Return for the entire quarter; and
- (j) Bondholders (or their designates) shall be entitled to be issued Rights under the Redeemable Capital Growth Based Right Certificate in the form attached as Schedule "B".

2.3. Form of Bonds

The Bonds and the registration panel and certificate of the Trustee endorsed thereon may be in the form set out in Schedule "A" hereto or in such other form or forms (which may include legends) as the directors of the Corporation shall by resolution determine prior to the time of issue thereof and as shall be approved by the Trustee, whose approval shall be conclusively evidenced by its certification thereof.

The Bonds may be engraved, lithographed, printed, mimeographed or typewritten, or partly in one form and partly in another, as the Corporation may determine, provided that if a Bond is issued in mimeographed or typewritten form, the Corporation, on the demand of the Holder thereof, shall make available within a reasonable time after such demand, without expense to such Holder, an engraved, lithographed or printed Bond in exchange therefor.

2.4. Bonds to Rank Equally

The Bonds shall be direct obligations of the Corporation and shall rank equally and *pari passu* with each other (regardless of their actual dates or terms of issue).

2.5. Signature on Bonds

The Bonds shall be signed (either manually or by facsimile signature) by a duly appointed officer of the Corporation. A facsimile signature upon any of the Bonds shall for all purposes of this Indenture be deemed to be the signature of the person whose signature it purports to be and to have been signed at the time such facsimile signature is reproduced and each Bond so signed shall be valid and binding upon the Corporation, notwithstanding that any individual whose signature, either manual or in facsimile, may appear on the Bonds is not, at the date of this Indenture or at the date of the Bonds or at the date of the certifying and delivery thereof, the holder of the office indicated.

2.6. Certification

No Bond shall be issued or, if issued, shall be obligatory or shall entitle the holder to the benefits of this Indenture, until it has been certified by or on behalf of the Trustee substantially in the form set out in Schedule "A" hereto or in some other form approved by the Trustee. Such certification (either manually or by facsimile signature) on any Bond shall be conclusive evidence that such Bond is duly issued, is a valid obligation of the Corporation and is entitled to the benefits hereof.

The certificate of the Trustee signed on the Bonds shall not be construed as a representation or warranty by the Trustee as to the validity of this Indenture or of the Bonds or as to the issuance of the Bonds and the Trustee shall in no respect be liable or answerable for the use made of the Bonds or any of them or the proceeds thereof. The certificate of the Trustee signed on the Bonds shall, however, be a representation and warranty by the Trustee that the Bonds have been duly certified by or on behalf of the Trustee pursuant to the provisions of this Indenture.

2.7. Attorney-in-Fact

The Bondholders, by acceptance of the Bonds, authorize the Trustee to enter into the Security Documents and to take such action as may be necessary or appropriate to effectuate the security as provided therein, and hereby appoint the Trustee as the Bondholders' attorney-in-fact for any and all such purposes.

2.8. Registration and Exchange of Bonds

The Corporation shall cause to be kept registers hereinafter referred to in which shall be entered the names and addresses of the Bondholders and particulars of the fully registered Bonds held by them respectively and of all exchanges of fully registered Bonds. No exchange of a fully registered Bond shall be valid unless made by the holder or his executors or administrators or other legal representatives or his or their attorney duly appointed by an instrument in writing in form and execution satisfactory to the Trustee or other registrar, upon compliance with such reasonable requirements as the Trustee may prescribe, and unless such exchange shall have been duly entered on one of the appropriate registers.

The registers referred to in this Section shall at all reasonable times be open for inspection by the Corporation, the Trustee and any Bondholder.

The registers referred to in this Section shall be kept by and at the principal office of the Trustee in the City of Calgary.

Except as herein otherwise provided, upon any exchange of Bonds the Trustee may make a sufficient charge to reimburse it for any stamp or security transfer taxes or other governmental charge required to be paid and, in addition, a reasonable charge for its services, and payment of the said charge shall be made by the party requesting such exchange as a condition precedent thereto.

Neither the Trustee nor the Corporation shall be charged with notice of, or be bound to see to, the execution of any trust, whether expressed, implied or constructive, in respect of any Bond and the Trustee or the Corporation may exchange any Bond on the direction of the registered holder thereof, whether named as trustee or otherwise, as though that person were the beneficial owner thereof.

Except in the case of the register required to be kept at the City of Calgary, the Corporation shall have power at any time to close any register upon which the registration of any Bond appears and in that event it shall transfer the records thereof to another existing register or to a new register and thereafter such Bonds shall be deemed to be registered on such existing or new register, as the case may be.

The Trustee shall, when requested so to do by the Corporation, furnish the Corporation with a list of the names and addresses of Bondholders showing the principal amounts and serial numbers of such Bonds held by each such Bondholder.

2.9. Transfer

No transfer of a Bond shall be valid unless made on such register referred to in Section 2.8 by the registered Bondholder or such Bondholder's executors, administrators or other legal representatives or an attorney duly appointed by an instrument in writing in form and execution satisfactory to the Trustee or other registrar upon surrender of the Bonds together with a duly executed form of transfer acceptable to the Trustee and upon compliance with such other reasonable requirements as the Trustee or other registrar may prescribe, nor unless the name of the transferee shall have been noted on the Bond by the Trustee or other registrar.

The transferee of a Bond shall be entitled, after the appropriate form of transfer is lodged with the Trustee or other registrar and upon compliance with all other conditions in that behalf required by this Indenture or by law, to be entered on the register as the owner of such Bond free from all equities or rights of set-off or counterclaim between the Corporation and the transferor or any previous holder of such Bond, save in respect of equities of which the Corporation is required to take notice by statute or by order of a court of competent jurisdiction.

2.10. Persons Entitled to Payment

The person in whose name any registered Bond shall be registered shall be deemed and regarded as the owner thereof for all purposes of this Indenture and payment of or on account of the principal, the Priority Return and the Right of such Bond shall be made only to or upon the order in writing of such holder

thereof and such payment shall be a good and sufficient discharge to the Trustee and any registrar and to the Corporation and any paying agent for the amounts so paid.

2.11. Payments to Bondholders

When the Priority Return or Right is payable, the Corporation, either directly or through the Trustee or an agent of the Trustee, at least three days prior to each date on which such amount becomes due, shall forward or cause to be forwarded by prepaid post, to the holder for the time being, at his address appearing on the appropriate register hereinbefore mentioned, or in the case of cash payments deliverable to joint Bondholders, to the one whose name appears first on such register, a cheque, in satisfaction of such amount (less any tax required by law to be deducted) payable to the order of such Bondholder or Bondholders. Such cheque shall be negotiable at par at each of the places at which such amounts are expressed to be payable. The forwarding of such cheque shall satisfy and discharge the liability for such amounts on such Bonds to the extent of the sum or sums represented thereby (plus the amount of any tax deducted as aforesaid) unless, in the case of delivery of a cheque, such cheque be not paid on presentation; provided that in the event of the non receipt of such cheque by the holder, or the loss or destruction thereof, the Corporation, upon being furnished with reasonable evidence of such non receipt, loss or destruction and indemnity reasonably satisfactory to it, shall issue to such holder a replacement cheque for the amount of such cheque.

The holder for the time being of any Bond shall be entitled to the principal, Priority Return and Right evidenced by such Bond, free from all equities or rights of set-off or counterclaim between the Corporation and the original or any intermediate holder thereof and all persons may act accordingly.

Delivery to the Corporation by a Bondholder of a Bond or delivery of the receipt of such holder for the principal, Priority Return and Right evidenced by such Bond respectively shall be a good discharge to the Corporation, which shall not be bound to enquire into the title of such holder, save as ordered by some court of competent jurisdiction or as required by statute. None of the Corporation, the Trustee nor any registrar shall be bound to see to the execution of any trust affecting the ownership of any Bond nor be affected by notice of any equity that may be subsisting in respect thereof.

The Corporation shall provide the Trustee, not less than 3 business days prior to any payment date for the Priority Return and Right, immediately available funds by wire transfer to an account designated by the Trustee in an amount sufficient to pay all amounts payable to the Bondholders.

Where registered Bonds are registered in more than one name, the principal, Priority Return and Right from time to time payable in respect thereof may be paid by cheque payable to the order of all such Bondholders, failing written instruction from them to the contrary, and such payment shall be a valid discharge to the Trustee and any registrar and to the Corporation and any paying agent.

In the case of the death of one or more joint Bondholders, the principal, Priority Return and Right on any Bonds, may be paid to the survivor or survivors of such Bondholders whose receipt therefor shall constitute a valid discharge to the Trustee and any registrar and to the Corporation and any paying agent.

2.12. Mutilation, Loss, Theft or Destruction

In case any of the Bonds issued hereunder shall become mutilated or be lost, stolen or destroyed, the Corporation, in its discretion, acting reasonably, may issue, and thereupon the Trustee shall certify and deliver, a new Bond of like date and tenor upon surrender and cancellation of the mutilated Bond, or in the case of a lost, stolen or destroyed Bond, in lieu of and in substitution for the same, and the substituted Bond shall be in a form approved by the Trustee and shall be entitled to the benefits of this Indenture equally with all other Bonds issued or to be issued hereunder without preference or priority one over another. In case of loss, theft or destruction the applicant for a substituted Bond shall furnish to the Corporation and to the Trustee such evidence of such loss, theft or destruction as shall be satisfactory to them in their discretion, acting reasonably, and shall also furnish an indemnity satisfactory to them in

their discretion, acting reasonably. The applicant shall pay all reasonable expenses incidental to the issuance of any substituted Bond.

2.13. Exchanges of Bonds

Bonds of any denomination may be exchanged for Bonds of any other authorized denomination or denominations of an equivalent aggregate principal amount. Except as herein otherwise provided, upon any exchange of Bonds the Trustee may make a reasonable charge for its services, and payment of the said charge shall be made by the party requesting such exchange as a condition precedent thereto. Any exchange of Bonds may be made at the offices of the Trustee referred to in Section 2.8. Any Bonds tendered for exchange shall be surrendered to the Trustee and shall be cancelled.

2.14. Option of Holder as to Place of Payment

Except as herein otherwise provided, all sums which may at any time become payable, whether at maturity or otherwise, on account of any Bond shall be payable at the option of the holder at any of the places at which the principal of such Bond is payable.

2.15. Record of Payments

The Trustee shall maintain accounts and records evidencing each payment of principal of and interest on Bonds, which accounts and records shall constitute, in the absence of manifest error, *prima facie* evidence thereof.

2.16. Trustee Not Bound to Make Inquiries

The Trustee, prior to the certification and delivery of any Bonds, shall not be bound or make any enquiry or investigation as to the correctness of the matters set out in any of the resolutions, opinions, certificates or other documents required by the provisions of this Indenture, but shall be entitled to accept and act upon the said resolutions, opinions, certificates and other documents. The Trustee may nevertheless, in its discretion, require further proof in cases where it deems further proof desirable.

2.17. Cancellation

All Bonds surrendered for payment or exchange shall, if surrendered to any person other than the Trustee, be delivered to the Trustee and, if not already cancelled, shall be promptly cancelled by it. The Corporation may at any time (and shall, if at any time required to do so by any provisions of this Indenture) deliver to the Trustee for cancellation any Bonds previously certified and delivered hereunder which the Corporation may have acquired in any manner whatsoever, and all Bonds so delivered shall be promptly cancelled by the Trustee. No Bonds shall be certified in lieu of or in exchange for any Bonds cancelled as provided in this Section except as expressly permitted by this Indenture.

2.18. Right to Receive Indenture

Each Bondholder is entitled to receive from the Corporation a copy of this Indenture on written request and upon payment of a reasonable copying charge.

3.

SECURITY

3.1. Grant of Security

As general and continuing collateral security for the due payment and performance of any obligations owing to the Trustee or the Bondholders hereunder or under any of the Bonds, the Corporation grants, mortgages, charges, transfers and assigns to the Trustee a security interest (the "**Security Interest**") in the Corporation's right, title, interest and property in and to all of its present and after-acquired personal property, of whatsoever kind and located on lands subject to the Collateral Mortgages, including, without limitation, all proceeds in the form of goods, chattel paper, investment property, documents of title,

instruments, intellectual property, money or intangibles (all or any part of the foregoing hereinafter is collectively called the "**Collateral**").

3.2. Contractual Rights

The Security Interest does not, and shall not, extend to, and the Collateral shall not include: (a) or apply to the last day of the term of any lease, sublease or any agreement therefore now held or thereafter acquired by the Corporation, but upon enforcement of the Security Interest, the Corporation shall thereafter stand possessed of such last day and shall hold it in trust for the Trustee to assign the same at the direction of the Trustee to any person acquiring such term; or (b) any agreement, right, franchise, license or permit (the "**Contractual Rights**") to which the Corporation is a party or of which the Corporation has the benefit, to the extent that the creation of the Security Interest herein would constitute a breach of the terms of or permit any person to terminate the Contractual Rights, but the Corporation shall hold its interest therein in trust for the Trustee and shall assign such Contractual Rights to the Trustee, forthwith upon obtaining the consent of the other party or parties thereto.

3.3. Attachment

The Corporation confirms that value has been given, that the Corporation has rights in the Collateral, and that the Corporation and the Trustee have not agreed to postpone the time for attachment of the Security Interest to any of the Collateral. In respect of Collateral which is acquired after the date of execution hereof, the time for attachment shall be the time when the Corporation acquires any rights in such Collateral.

4.

SUBORDINATION OF BONDS

4.1. Subordination

The indebtedness evidenced by the Bond, shall be subordinate and subject in right of payment, to the prior payment in full of all Senior Indebtedness of the Corporation and the Trustee and Bondholders agree to and shall be bound by the provisions of this Article 4.

4.2. Order of Payment

Upon any distribution of the assets of the Corporation on any dissolution, winding up, liquidation or reorganization of the Corporation (whether in bankruptcy, insolvency or receivership proceedings, or upon an assignment for the benefit of creditors, or any other marshalling of the assets and liabilities of the Corporation, or otherwise):

- (a) all Senior Indebtedness shall first be paid in full, or provision made for such payment, before any payment is made on account of the principal or interest of the Bonds;
- (b) any payment or distribution of assets of the Corporation, whether in cash, property or securities, to which the Trustee or the Bondholders would be entitled except for the provisions of this Article 4, shall be paid or delivered by the trustee in bankruptcy, receiver, assignee for the benefit of creditors, or other liquidating agent making such payment or distribution, directly to the holders of Senior Indebtedness or their representative or representatives, or to the trustee or trustees under any indenture pursuant to which any instruments evidencing any of such Senior Indebtedness may have been issued, to the extent necessary to pay all Senior Indebtedness in full; and
- (c) in the event that, notwithstanding the foregoing, any payment or distribution of assets of the Corporation, whether in cash, property or securities, shall be received by the Bondholders or the Trustee before all Senior Indebtedness is paid in full, or provision made for its payment, such payment or distribution shall be held in trust for the benefit

of, and shall be paid over or delivered to, holders of such Senior Indebtedness or their representative, or to the trustee under any indenture pursuant to which any instruments evidencing any of such Senior Indebtedness may have been issued, for application to the payment of all Senior Indebtedness remaining unpaid.

4.3. No Payment if Senior Indebtedness in Default

Upon the maturity of any Senior Indebtedness by lapse of time, acceleration or otherwise, then, all principal of, premium (if any) on, and interest on all such matured Senior Indebtedness shall first be paid in full, or shall first have been duly provided for, before any payment under the Indenture or on account of the Bonds is made.

In case of default with respect to any Senior Indebtedness permitting the holders thereof to accelerate the maturity thereof, then, unless and until such default shall have been cured or waived or shall have ceased to exist, no payment (by purchase of the Bonds or otherwise) shall be made by the Corporation under the Indenture or with respect to the Bonds after the happening of such a default unless and until such default shall have been cured or waived.

The fact that any payment hereunder is prohibited by this Section 4.3 shall not prevent the failure to make such payment from being an Event of Default.

4.4. Confirmation of Subordination

Each holder of Bonds by his acceptance thereof authorizes and directs the Trustee on his behalf to take such action as may be necessary or appropriate to effect the subordination as provided in this Article 4 and appoints the Trustee his attorney in fact for any and all such purposes. Upon request of the Corporation, and upon being furnished an Officers' Certificate from the Corporation stating and specifying the amount and nature of the Senior Indebtedness of such senior creditor, the Trustee shall enter into a written agreement or agreements with the Corporation and the person or persons named in such Officers' Certificate providing that such person or persons are entitled to all the rights and benefits of this Article 4 as a senior creditor and for such other matters, such as an agreement not to amend the provisions of this Article 4 and the definitions used herein without the consent of such senior creditor, as the senior creditor may reasonably request. Such agreement shall be conclusive evidence that the indebtedness specified therein is Senior Indebtedness; however, nothing herein shall impair the rights of any senior creditor who has not entered into such an agreement.

4.5. Knowledge of Trustee

Notwithstanding the provisions of this Article 4 or any provision in this Indenture or in the Bonds contained, the Trustee shall not be charged with knowledge of any Senior Indebtedness or of any default in the payment thereof, or of the existence of any other fact that would prohibit the making of any payment of monies to or by the Trustee, or the taking of any other action by the Trustee, unless and until the Trustee has received written notice thereof from the Corporation, any Bondholder or any senior creditor.

5.

COVENANTS

5.1. To Pay Principal, Priority Return and Right

The Corporation shall duly and punctually pay or cause to be paid to every Bondholder the principal of the Bonds, the Priority Return and Right of which it is the holder on the dates, at the places and in the manner mentioned herein and in the Bonds.

5.2. To Carry out this Indenture

The Corporation shall duly and punctually perform and carry out all of the acts or things to be done by it as provided in this Indenture.

5.3. To Carry on Business

Subject to the express provisions hereof, the Corporation shall, and shall cause its Material Subsidiaries to, carry on and conduct their respective businesses in a proper, efficient and businesslike manner and diligently use, operate, maintain, repair and replace their respective properties and plants so as to preserve and protect the earnings, incomes, rents and profits thereof, all in accordance with good business practice; provided that nothing herein contained shall prevent the Corporation, or any Material Subsidiary from ceasing to use or operate any particular property if in the opinion of the directors it shall be advisable and in the best interests of the Corporation to do so. At all reasonable times the Corporation shall furnish or cause to be furnished to the Trustee or its duly authorized agent or attorney such information relating to the business of the Corporation, and the Subsidiaries as the Trustee may reasonably require. Subject to the express provisions hereof, the Corporation shall do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence and rights.

5.4. To Pay Trustee's Remuneration

The Corporation shall pay the Trustee reasonable remuneration for its service as Trustee hereunder and shall repay to the Trustee on demand all moneys which shall have been paid by the Trustee in and about the execution of the trusts hereby created, with interest, if demanded by the Trustee, at a rate equal to the Prime Rate from 30 days after the date of the invoice from the Trustee to the Corporation in respect of such expenditure until repayment, and such moneys and the interest thereon, including the Trustee's remuneration, shall be payable out of any funds coming into the possession of the Trustee in priority to any of the Bonds or interest thereon. The said remuneration shall continue to be payable until the trusts hereof be finally wound up and whether or not the trusts of this Indenture shall be in the course of administration by or under the direction of the court.

5.5. To Provide Financial Statements

The Corporation shall adopt suitable corporate governance policies and shall at all times conduct its business and affairs in the best interests of all shareholders, and shall provide to its shareholders and to the Bondholders annual financial statements of the results of its operations.

5.6. Negative Covenants

The Corporation shall not, and covenants with the Trustee on behalf of the Trustee and the Bondholders, that it shall not, without the consent of holders of not less than 66⅔% of the principal amount of Bonds outstanding first had and received:

- (a) sell, exchange, transfer, assign or dispose of all or substantially all of its property and assets;
- (b) create or suffer to be created any mortgage, hypothec, lien, charge, encumbrance or security interest of whatsoever nature upon its property ranking in priority to or *pari passu* with the lien hereof except for Permitted Encumbrances;
- (c) incur or become liable for any indebtedness for borrowed money, in addition to that hereunder when it is in default under this Indenture, except for current indebtedness incurred in the ordinary course of business of the Corporation or incurred to avoid an Event of Default under this Indenture;
- (d) guarantee the debts, liabilities or obligations of any Person or become the endorser on any note or other obligation when it is in default under the terms of this Indenture;

- (e) reduce its capital or make any distribution otherwise than out of surplus of its assets, or redeem, purchase or otherwise retire or pay off any of the issued and outstanding shares for the time being of the Corporation;
- (f) lend money to any person, when it is in default under this Indenture;
- (g) make any capital expenditures, other than in the ordinary course of business of the Corporation when it is in default under this Indenture; or
- (h) make any distribution to its shareholders or any of them or declare or pay any dividends until the Bonds are repaid in full.

5.7. Defend Property

The Corporation at its own cost shall protect its property against all liabilities of any nature; and shall pay or cause to be paid all such liabilities and all charges incurred in its business operations unless same is being contested in good faith; shall indemnify and hold the Trustee free and clear of any liens, charges and security interest or attempted liens, charges or security interests upon its property.

5.8. To Pay Taxes

The Corporation shall from time to time pay or cause to be paid all royalties, rents, charges, taxes, rates, levies, assessments, ordinary or extraordinary, government royalties, fees or dues (collectively "**Taxes**") lawfully levied, assessed or imposed upon or in respect of its property or any part thereof or upon the income and profits of the Corporation and of their Material Subsidiaries as and when the same become due and payable, and shall exhibit or cause to be exhibited to the Trustee, when required, the receipts and vouchers establishing such payment; provided that the Corporation, and their Material Subsidiaries, acting diligently and in good faith, shall be entitled to contest by appropriate proceedings any such Taxes and, upon such contest, may delay or defer payment or discharge thereof.

5.9. To Insure

The Corporation shall or shall cause all of its property and the property of its Material Subsidiaries which the directors reasonably determine should be insured to be properly insured with reputable insurers (which may include associations or other organizations for mutual or reciprocal insurance or, to the extent customary, through self insurance) against loss or damage by fire or other hazards of the nature and to the extent and in the amount that such properties are usually insured by companies operating like businesses, provided that the relevant insurance policies may contain such exclusions from the risks insured against as are in accordance with the customary practice of reputable insurers.

5.10. Notice of Litigation Filing

If the Corporation has been served with a statement of claim in respect of any legal proceedings against the Corporation or its Material Subsidiaries that could materially impact their respective businesses or financial condition, the Corporation shall furnish to the Trustee a copy of such statement of claim within 30 days of service.

5.11. Notice of Event of Default

The Corporation shall give notice in writing to the Trustee of the occurrence of any Event of Default or any event which would, with notification or with the lapse of time or otherwise, constitute an Event of Default forthwith upon becoming aware thereof and without waiting for the Trustee to take any further action, and specifying the nature of such default and the steps taken or proposed to be taken to remedy the same.

5.12. No Distributions of Dividends if Event of Default

The Corporation shall not, without the prior approval of the Bondholders, declare or pay any dividends on any securities at any time after the occurrence of an Event of Default unless and until such default shall have been cured or waived or shall have ceased to exist.

5.13. Annual Certificate of Compliance

The Corporation shall deliver to the Trustee, within 120 days after the end of each calendar year (commencing ●), an Officers' Certificate as to the knowledge of such officer(s) who executes the Officers' Certificate of the respective entity's compliance with all conditions and covenants in this Indenture certifying that after reasonable investigation and inquiry, the Corporation has complied with all covenants, conditions or other requirements contained in this Indenture, the non-compliance with which could, with the giving of notice, lapse of time or otherwise, constitute an Event of Default hereunder, or if such is not the case, setting forth with reasonable particulars the circumstances of any failure to comply and steps taken or proposed to be taken to eliminate such circumstances and remedy such Event of Default, as the case may be.

5.14. Stay, Extension and Usury Laws

The Corporation covenants (to the extent that it may lawfully do so) that it shall not at any time insist upon, plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay, extension or usury law or other law which would prohibit or forgive the Corporation from paying all or any portion of the principal of the Bonds, the Priority Return or Right as contemplated herein, wherever enacted, now or at any time hereafter in force, or which may affect the covenants or the performance of this Indenture, and the Corporation (to the extent it may lawfully do so) hereby expressly waives all benefit or advantage of any such law and covenants that it shall not, by resort to any such law, hinder, delay or impede the execution of any power herein granted to the Trustee, but shall suffer and permit the execution of every such power as though no such law had been enacted.

5.15. Other Covenants

The Corporation may provide such additional covenants and agreements with the Trustee for the benefit of the Trustee and the Bondholders as may be determined by resolution of the directors passed at or prior to the time of issue of the Bonds and expressed in an indenture supplemental hereto providing for the issuance of the Bonds.

5.16. Trustee May Perform Covenants

If the Corporation shall fail to perform any covenant on its part herein contained, the Trustee may in its discretion, but (subject to Section 6.2) need not, notify the Bondholders of such failure or itself may perform any of said covenants capable of being performed by it and, if any such covenant requires the payment or expenditure of money, it may make such payment or expenditure with its own funds, or with money borrowed by or advanced to it for such purposes, but shall be under no obligation so to do. All sums so expended or advanced shall be repayable by the Corporation in the manner provided in Section 6.6, but no such performance or payment shall be deemed to relieve the Corporation from any default hereunder.

6.

DEFAULT

6.1. Acceleration of Maturity

Upon the happening of any one or more of the following events, and subject to Section 6.2 below, namely:

- (a) if the Corporation makes default in payment of the principal amount, the Priority Return

or Right when the same becomes due and payable under any provision hereof or of the Bonds and such default is not remedied within 30 days or waived by the holders of not less than 66⅔% of the principal amount of Bonds outstanding;

- (b) if a decree or order of a court having jurisdiction in the premises is entered adjudging the Corporation, or a Material Subsidiary a bankrupt or insolvent under any bankruptcy, insolvency or analogous laws, or issuing sequestration or process of execution against, or against any substantial part of the property of, the Corporation or a Material Subsidiary, or appointing a receiver of, or of any substantial part of the property of, the Corporation, or a Material Subsidiary or ordering the winding-up or liquidation of its affairs, and any such decree or order continues unstayed and in effect for a period of 30 days;
- (c) if a resolution is passed for the dissolution, winding-up or liquidation of the Corporation or a Material Subsidiary except in the course of carrying out or pursuant to a transaction in respect of which the conditions of Section 9.1 are duly observed and performed or if the Corporation or a Material Subsidiary institutes proceedings to be adjudicated a bankrupt or insolvent, or consents to the institution of bankruptcy or insolvency proceedings against it under any bankruptcy, insolvency or analogous laws, or consents to the filing of any such petition or to the appointment of a receiver of, or of any substantial part of, the property of the Corporation or a Material Subsidiary or makes a general assignment for the benefit of creditors, or admits in writing its inability to pay its debts generally as they become due or takes corporate action in furtherance of any of the aforesaid purposes;
- (d) if the Corporation shall neglect to observe or perform any other covenant or condition herein contained on its part to be observed or performed and, after notice in writing has been given by the Trustee to the Corporation specifying such default and requiring the Corporation to put an end to the same (which said notice may be given by the Trustee, in its discretion, and shall be given by the Trustee upon receipt of a request in writing signed by the holders of not less than 15% in principal amount of the Bonds then outstanding), the Corporation shall fail to remedy such default within a period of 30 days, unless the Trustee (having regard to the subject matter of the default) shall have agreed to a longer period, and in such event, within the period agreed to by the Trustee; or
- (e) if, after the date of this Indenture, any proceedings with respect to the Corporation are taken with respect to a compromise or arrangement, with respect to creditors of the generally, under the applicable legislation of any jurisdiction;

then in each and every such event the Trustee may in its discretion and shall upon receipt of a request in writing signed by the holders of not less than 15% in principal amount of the Bonds then outstanding, subject to the provisions of Section 6.3, by notice in writing to the Corporation declare the principal on all Bonds then outstanding and all other moneys outstanding hereunder to be due and payable and the same shall forthwith become immediately due and payable to the Trustee and the Security Documents shall forthwith become enforceable, anything therein or herein to the contrary notwithstanding, and the Corporation shall forthwith pay to the Trustee for the benefit of the Bondholders such principal, and all other moneys outstanding hereunder. Such payment when made shall be deemed to have been made in discharge of the Corporation's obligations hereunder and any moneys so received by the Trustee shall be applied in the manner provided in Section 6.6.

6.2. Notice of Events of Default

If an Event of Default shall occur and be continuing the Trustee shall, within 30 days after it becomes aware of the occurrence of such Event of Default, give notice of such Event of Default to the Bondholders in the applicable manner provided in Section 11.2, provided that, notwithstanding the foregoing, unless

the Trustee shall have been requested to do so by the holders of at least 15% of the principal amount of the Bonds then outstanding, the Trustee shall not be required to give such notice if the Trustee in good faith shall have determined that the withholding of such notice is in the best interests of the Bondholders and shall have so advised the Corporation in writing.

6.3. Waiver of Default

Upon the happening of any Event of Default hereunder:

- (a) Bondholders by extraordinary resolution as provided in Sections 10.12 and 10.15 shall have the power (in addition to the powers exercisable by extraordinary resolution as hereinafter provided) either by a meeting as contemplated or by acquisition in writing to instruct the Trustee to waive any Event of Default and to cancel any declaration made by the Trustee pursuant to Section 6.1 and the Trustee shall thereupon waive the Event of Default and cancel such declaration, or either, upon such terms and conditions as shall be prescribed in such resolution or requisition; and
- (b) the Trustee, so long as it has not become bound to declare the principal on the Bonds then outstanding to be due and payable, or to obtain or enforce payment of the same, shall have power to waive any Event of Default if, in the Trustee's opinion, the same shall have been cured or adequate satisfaction made therefor, and in such event to cancel any such declaration theretofore made by the Trustee in the exercise of its discretion, upon such terms and conditions as the Trustee may deem advisable.

No such act or omission either of the Trustee or of the Bondholders shall extend to or be taken in any manner whatsoever to affect any subsequent Event of Default or the rights resulting therefrom.

6.4. Enforcement by the Trustee

Subject to the provisions of Section 6.3 and to the provisions of any extraordinary resolution that may be passed by the Bondholders, in case the Corporation shall fail to pay to the Trustee, forthwith after the same shall have been declared to be due and payable under Section 6.1, the principal of all Bonds then outstanding together with any other amounts due hereunder, the Trustee may in its discretion and shall upon receipt of a request in writing signed by the holders of not less than 15% in principal amount of the Bonds then outstanding and upon being indemnified to its reasonable satisfaction against all costs, expenses and liabilities to be incurred, proceed in its name as Trustee hereunder to obtain or enforce payment of the said principal on all the Bonds then outstanding together with any other amounts due hereunder by such proceedings authorized by this Indenture or by law or equity as the Trustee in such request shall have been directed to take, or if such request contains no such direction, or if the Trustee shall act without such request, then by such proceedings authorized by this Indenture or by suit at law or in equity as the Trustee shall deem expedient.

The Trustee shall be entitled and empowered, either in its own name or as trustee of an express trust, or as attorney-in-fact for the Bondholders, or in any one or more of such capacities, to file such proof of debt, amendment of proof of debt, claim, petition or other document as may be necessary or advisable in order to have the claims of the Trustee and of the Bondholders allowed in any insolvency, bankruptcy, liquidation or other judicial proceedings relative to the Corporation or its creditors or relative to or affecting its property. The Trustee is hereby irrevocably appointed (and the successive respective Bondholders by taking and holding the same shall be conclusively deemed to have so appointed the Trustee) the true and lawful attorney-in-fact of the respective Bondholders with authority to make and file in the respective names of the Bondholders or on behalf of the Bondholders as a class, subject to deduction from any such claims of the amounts of any claims filed by any of the Bondholders themselves, any proof of debt, amendment of proof of debt, claim, petition or other document in any such proceedings and to receive payment of any sums becoming distributable on account thereof, and to execute any such other papers and documents and to do and perform any and all such acts and things for and on behalf of

such Bondholders, as may be necessary or advisable in the opinion of the Trustee, in order to have the respective claims of the Trustee and of the Bondholders against the Corporation or its property allowed in any such proceeding, and to receive payment of or on account of such claims; provided that nothing contained in this Indenture shall be deemed to give to the Trustee, unless so authorized by extraordinary resolution, any right to accept or consent to any plan of reorganization or otherwise by action of any character in such proceeding to waive or change in any way any right of any Bondholder.

The Trustee shall also have power at any time and from time to time to institute and to maintain such suits and proceedings as it may be advised shall be necessary or advisable to preserve and protect its interests and the interests of the Bondholders.

All rights of action hereunder may be enforced by the Trustee without the possession of any of the Bonds or the production thereof on the trial or other proceedings relating thereto. Any such suit or proceeding instituted by the Trustee shall be brought in the name of the Trustee as trustee of an express trust, and any recovery of judgment shall be for the rateable benefit of the Bondholders subject to the provisions of this Indenture. In any proceeding brought by the Trustee (and also any proceeding in which a declaratory judgment of a court may be sought as to the interpretation or construction of any provision of this Indenture, to which the Trustee shall be a party) the Trustee shall be held to represent all the Bondholders, and it shall not be necessary to make any Bondholders parties to any such proceeding.

6.5. No Suits by Bondholders

No holder of any Bond shall have any right to institute any action, suit or proceeding at law or in equity for the purpose of enforcing payment of the principal on the Bonds or for the execution of any trust or power hereunder or for the appointment of a liquidator or receiver or for a receiving order or to have the Corporation wound up or to file or prove a claim in any liquidation or bankruptcy proceeding or for any other remedy hereunder, unless: (a) such holder shall previously have given to the Trustee written notice of the happening of an Event of Default hereunder; and (b) the Bondholders by extraordinary resolution or by written instrument signed by the holders of at least 15% in principal amount of the Bonds then outstanding shall have made a request to the Trustee and the Trustee shall have been afforded reasonable opportunity either itself to proceed to exercise the powers hereinbefore granted or to institute an action, suit or proceeding in its name for such purpose; and (c) the Bondholders or any of them shall have furnished to the Trustee, when so requested by the Trustee, sufficient funds and security and indemnity satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby; and (d) the Trustee shall have failed to act within a reasonable time after such notification, request and offer of indemnity and such notification, request and offer of indemnity are hereby declared in every such case, at the option of the Trustee, to be conditions precedent to any such proceeding.

6.6. Application of Moneys by Trustee

Except as herein otherwise expressly provided any moneys received by the Trustee from the Corporation pursuant to the foregoing provisions of this Article, or as a result of legal or other proceedings or from any trustee in bankruptcy or liquidator of the Corporation shall be applied, together with any other moneys in the hands of the Trustee available for such purpose, as follows:

- (a) first, in payment or in reimbursement to the Trustee of its compensation, costs, charges, expenses, borrowings, advances or other moneys furnished or provided by or at the instance of the Trustee in or about the execution of its trusts under, or otherwise in relation to, this Indenture, with interest thereon as herein provided;
- (b) second, but subject as hereinafter in this Section provided, in payment, rateably and proportionately to the Bondholders, the principal of the Bonds, the Priority Return and the Right, priority of principal first and then the Priority Return and the Right, unless otherwise directed by extraordinary resolution and in that case in such order or priority as

between principal and Priority Return and the Right, as may be directed by such resolution; and

(c) third, in payment of the surplus, if any, of such moneys to the Corporation or its assigns; provided that no payment shall be made pursuant to clause (b) above in respect of the principal, the Priority Return or the Right, on any Bond held, directly or indirectly, by or for the benefit of the Corporation, or any Subsidiary (other than any Bond pledged for value and in good faith to a person other than the Corporation, or any Subsidiary but only to the extent of such person's interest therein) except subject to the prior payment in full of the principal, the Priority Return and the Right, on all Bonds which are not so held.

6.7. Distribution of Proceeds

Payments to Bondholders pursuant to Section 6.6(b) shall be made as follows:

- (a) at least 15 days' notice of every such payment shall be given in the applicable manner provided in Section 11.2 specifying the time when and the place or places where the Bonds are to be presented and the amount of them;
- (b) payment of any Bond shall be made upon presentation thereof at any one of the places specified in such notice and any such Bond thereby paid in full shall be surrendered, otherwise a memorandum of such payment shall be endorsed thereon; but the Trustee may in its discretion dispense with presentation and surrender for endorsement in any special case upon such indemnity being given as it shall deem sufficient; and
- (c) the Trustee shall not be bound to apply or make any partial or interim payment of any moneys coming into its hands if the amount so received by it, after reserving thereout such amount as the Trustee may think necessary to provide for the payments mentioned in Section 6.6(a), is insufficient to make a distribution of at least 2% of the aggregate principal amount of the outstanding Bonds, but it may retain the money so received by it and invest or deposit the same as provided in Section 12.9 until the money or the investments representing the same, with the income derived therefrom, together with any other moneys for the time being under its control shall be sufficient for the said purpose or until it shall consider it advisable to apply the same in the manner hereinbefore set forth. The foregoing shall, however, not apply to a final payment in distribution hereunder.

6.8. Remedies Cumulative

No remedy herein conferred upon or reserved to the Trustee, or upon or to the Bondholders is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now existing or hereafter to exist by law or by statute.

6.9. Judgment

The Corporation covenants and agrees with the Trustee that, in case of any judicial or other proceedings to enforce the rights of the Bondholders, judgment may be rendered against it in favour of the Bondholders or in favour of the Trustee, as trustee for the Bondholders, for any amount which may remain due in respect of the Bonds and the interest thereon and any other moneys owing hereunder.

6.10. Trustee Appointed Attorney

The Corporation hereby irrevocably appoints the Trustee to be the attorney of the Corporation in the name and on behalf of the Corporation to execute any instruments and do any acts and things which the Corporation ought to execute and do, and has not executed or done, under the covenants and provisions contained in this Indenture and generally to use the name of the Corporation in the exercise of all or any of the powers hereby conferred on the Trustee, with full powers of substitution and revocation.

7.

ENFORCEMENT OF SECURITY

7.1. Enforcement

Any time after the Security Documents have become enforceable in accordance with the terms of Article 7 hereof, in addition to all enforcement rights available in connection with the Security Documents, the Trustee shall have the following rights and powers:

- (a) to enter, take possession of, inspect, collect, get in, manage or use all or any part of the Collateral with the power to exclude the Corporation therefrom and for such purpose to take any proceedings in the name of the Corporation or otherwise;
- (b) to preserve, maintain and repair the Collateral and make such replacements thereof and additions thereto as it deems advisable;
- (c) to collect any proceeds arising in respect of the Collateral;
- (d) to institute proceedings in any court of competent jurisdiction for the appointment of a receiver of the Collateral;
- (e) to institute proceedings in any court of competent jurisdiction for sale or foreclosure of the Collateral;
- (f) to file proofs of claim and other documents to establish claims in any proceeding relating to the Corporation;
- (g) to undertake any other remedy or proceeding authorized or permitted under law or equity;
- (h) to pay or otherwise satisfy in whole or in part any encumbrances which, in the Trustee's opinion, rank in priority to the security hereof; and
- (i) by instrument in writing, to appoint any person or persons (whether an officer or officers of the Trustee or not) as a receiver of the Collateral and to remove any receiver so appointed and appoint another or others in its stead.

The Security Documents may be realized and the rights enforced by any remedy or in any manner permitted by this Indenture or by law or equity and no remedy for the realization of the Security Documents hereof shall be exclusive of or dependent upon any other remedy and all or any remedies may from time to time be exercised independently or in any combination.

In addition to the remedies of the Trustee set forth above, the Trustee may, any time after the Security Documents have become enforceable:

- (a) carry on all or any part of the business of the Corporation and, to the exclusion of all others including the Corporation, enter upon, occupy and use the Collateral for such time as the Trustee sees fit, free of charge, and the Trustee shall not be liable for any act, omission or negligence in so doing or for any rent, charges, depreciation or damages incurred in connection therewith or resulting therefrom;
- (b) borrow for the purpose of carrying on the business of the Corporation or for the maintenance, preservation or protection of the Collateral and mortgage, charge, pledge or grant a security interest in the Collateral, whether or not in priority to the Security Documents, to secure repayment;
- (c) advance the Trustee's own money to the Corporation, in any case upon such terms as the Trustee may deem reasonable and upon the security hereof; and

- (d) demand, commence, continue or defend any judicial or administrative proceedings for the purpose of protecting, seizing, collecting, realizing or obtaining possession or payment of the Collateral, and give valid and effectual receipts and discharges therefor and compromise or give time for the payment or performance of all or any part of the accounts or any other obligation of any third party to the Corporation in relation to the Collateral.

7.2. Disposition

Without limiting the generality of the foregoing in connection with the exercise of remedies under this Article 7, any time after the Security Documents has become enforceable, it shall be lawful for the Trustee:

- (a) to make any sale, lease or other disposition of the Collateral either for cash or upon credit or partly for one and partly for the other upon such conditions as to terms of payment as are commercially reasonable;
- (b) to rescind or vary any contract for sale, lease or other disposition that the Trustee may have entered into pursuant hereto and resell, release or redispense of the Collateral with or under any of the powers conferred herein; and
- (c) to stop, suspend or adjourn any sale, lease or other disposition from time to time and to hold the same adjourned without further notice, provided same is done in a commercially reasonable manner.

Upon any such sale, lease or other disposition, the obligations of the Corporation under the Bonds or otherwise secured by this Indenture shall only be discharged to the extent of any money or other proceeds of realization actually collected or received by the Trustee or any receiver. The Corporation shall be accountable for any deficiency and the Trustee shall be accountable for any surplus. The Trustee may deliver to the purchaser or purchasers of the Collateral or any part thereof good and sufficient conveyances or deeds for the same free and clear of any claim by the Corporation. Provided that the Trustee has complied with this Indenture, the purchaser or lessee receiving any disposition of the Collateral or any part thereof need not inquire whether default under this Indenture has actually occurred but may as to this and all other matters rely upon a statutory declaration of an officer of the Trustee, which declaration shall be conclusive evidence as between the Corporation and any such purchaser or lessee, and the purchaser or lessee need not look to the application of the purchase money, rent or other consideration given upon such sale, lease or other disposition, which shall not be affected by any irregularity of any nature or kind relating to the crystallizing or enforcing of the security hereof or the taking of possession of the Collateral or the sale, lease or other disposition thereof.

7.3. Powers of Receiver

Any receiver appointed as aforesaid shall have the power without legal process:

- (a) to take possession of and to collect and get in and use the Collateral and for those purposes to enter the Collateral and to act whether by action, distress, or otherwise, in the name of the Corporation, or otherwise as the receiver considers necessary;
- (b) to carry on or concur in carrying on the business of the Corporation and to employ and discharge any Persons upon the terms and at the remuneration the receiver considers proper;
- (c) to keep in repair the Collateral and to do all necessary things to carry on the business of the Corporation and to protect the Collateral;
- (d) to make any arrangement or compromise which the receiver considers expedient in the interests of the Trustee and to exchange any part or parts of the Collateral for any other

property suitable for the purposes of the Corporation upon such terms as the receiver considers expedient, either with or without payment of money for equality of exchange or otherwise;

- (e) to borrow money to carry on the business of the Corporation or to maintain the whole or any part of the Collateral;
- (f) to sell or lease or concur in the selling or leasing of the whole or any part of the Collateral and in exercising the receiver's foregoing power to sell, or lease the Collateral the receiver may in his absolute discretion:
 - (i) sell or lease the whole or any part of the Collateral by public or private tender or by private contract;
 - (ii) grant options to purchase, lease or sublease;
 - (iii) grant rights of first refusal to purchase, lease or sublease;
 - (iv) complete any contract for sale, lease, sublease, option or right of first refusal;
 - (v) grant exclusive and multiple listing contracts for sale, lease or sublease;
 - (vi) sign and file subdivision, condominium, strata, consolidation or other plans;
 - (vii) effect a sale, lease or sublease by conveying in the name of or on behalf of the Corporation, or otherwise;
 - (viii) make any stipulation as to title or conveyance or commencement of title;
 - (ix) rescind or vary any contract of sale, lease, sublease, option or right of first refusal;
 - (x) resell, release or sublease without being answerable for any loss occasioned thereby;
 - (xi) sell, lease or sublease on terms as to credit as shall appear to be most advantageous to the receiver and if a sale, lease or sublease is on credit the receiver shall not be accountable for any moneys until actually received; and
 - (xii) make any arrangements or compromises which the receiver shall think expedient;
- (g) to exercise on behalf of the Trustee all of the rights and remedies herein granted to the Trustee;

and for the purposes aforesaid each of the Corporation hereby irrevocably empowers the receiver so appointed as its attorney to execute deeds, transfers, leases, subleases, contracts, agreements or other documents on its behalf and in its place under the receiver's seal and the same shall bind the Corporation and have the same effect as if such deeds were under the Corporation's common seal or to affix the Corporation's common seal or a duplicate thereof to any of the same.

7.4. Validity of Sale

The Corporation covenants and agrees with the Trustee that no purchaser, lessee or sublessee at any sale, lease or sublease purporting to be made by the receiver pursuant to the aforesaid power shall be bound to enquire whether any notice required hereunder has been given, or as to the necessity or expediency of the sale or lease or the stipulations subject to which it is made, or otherwise as to the propriety of the sale, lease or sublease or regularity of its proceedings, or be affected by notice that no default has been made or continues, or notice that the sale or lease is otherwise unnecessary, improper or irregular, and despite any impropriety or irregularity, or notice thereof to any purchaser, the sale or lease as regards that purchaser, lessee or sublessor shall be deemed to be within the aforesaid powers and be valid accordingly and the

remedy, if any, of the Corporation in respect of any impropriety or irregularity whatsoever in any sale, lease or sublease by the receiver shall be in damages only.

7.5. Receiver Agent of Corporation

Any receiver appointed by the Trustee shall act as agent for the Trustee for the purposes of taking possession of the Collateral, but otherwise and for all other purposes (except as provided below), as agent for the Corporation. The receiver may sell, lease, or otherwise dispose of Collateral as agent for the Corporation or as agent for the Trustee, as the Trustee may determine in its discretion. Provided that the Trustee has complied with this Indenture, the Corporation agrees to ratify and confirm all actions of the receiver acting as their agent, and to release and indemnify the receiver in respect of all such actions. Provided that the Trustee has complied with this Indenture, the Trustee, in appointing or refraining from appointing any receiver shall not incur liability to the receiver, the Corporation, or otherwise and shall not be responsible for any misconduct or negligence of such receiver or for any loss resulting therefrom. The receiver shall be considered to be the agent of the Corporation and the Corporation shall be responsible for the receiver's acts, defaults and remuneration.

7.6. Care and Custody of Collateral

Provided the same is commercially reasonable, the Trustee shall not be bound to collect, dispose of, realize or enforce any of the Corporation's right, title and interest in and to the Collateral or to institute proceedings for the purpose thereof and, without limiting the generality of the foregoing, the Trustee shall not be required to take any steps necessary to preserve rights against prior parties in respect of any negotiable Collateral. The Trustee may, after the Security Documents becomes enforceable: (i) notify any Person obligated on an account or on chattel paper or any obligor on an instrument to make payment thereunder to the Trustee whether or not the Corporation was theretofore making collections thereon; and (ii) assume control of any proceeds arising from the Collateral.

7.7. Dealing with the Collateral

The Trustee shall not be obliged to exhaust its recourse against the Corporation, or any other Person or Persons or against any other security it may hold in respect of the obligations under the Bonds or secured by this Indenture before realizing upon or otherwise dealing with the Collateral in such manner as the Trustee may consider desirable. Provided it acts in a commercially reasonable manner, the Trustee shall not be: (i) liable or accountable for any failure to collect, realize or obtain payment in respect of the Collateral; (ii) bound to institute proceedings for the purpose of collecting, enforcing, realizing or obtaining payment of the Collateral or for the purpose of preserving any rights of the Trustee, the Corporation, or any other parties in respect thereof; (iii) responsible for any loss occasioned by any sale or other dealing with the Collateral or by the retention of or failure to sell or otherwise deal therewith; or (iv) bound to protect the Collateral from depreciating in value or becoming worthless.

7.8. Standards of Sale

Without prejudice to the ability of the Trustee to sell, consign, lease or otherwise dispose of the Collateral in any manner so long as every aspect of the disposition is commercially reasonable, the Corporation acknowledges that a disposition of Collateral by the Trustee which takes place substantially in accordance with the following provisions shall be deemed to be commercially reasonable:

- (a) Collateral may be disposed of in whole or in part;
- (b) Collateral may be disposed of by public auction, public tender or private contract, with or without advertising and without any other formality;
- (c) any purchaser or lessee of such Collateral may be a customer of the Trustee or a Bondholder;
- (d) a disposition of Collateral may provide time for payment on credit; and

- (e) the Trustee may establish an upset or reserve bid or price in respect of Collateral.

7.9. Remedies

The Corporation acknowledges that the types and periods of restrictions and notices in this Indenture are fair and reasonable. The Corporation recognizes that a breach or a threatened breach of any provisions of this Indenture or the Bonds shall result in the Trustee and the Bondholders suffering irreparable harm which cannot be calculated or fully or adequately compensated by recovery of damages, agrees that the Trustee is entitled to both temporary and permanent injunctive relief or other equitable relief in addition to any other rights or remedies it may have and hereby waives any defences thereto.

7.10. Distrain

The Corporation covenants and agrees with the Trustee that at any time after the Security Documents hereby constituted has become enforceable, the Trustee shall have the right and power to distrain for costs or charges secured hereby or arrears of principal outstanding on the Bonds.

8.

SATISFACTION AND DISCHARGE

8.1. Cancellation and Destruction

All Bonds shall forthwith after payment thereof be delivered to the Trustee and cancelled by it. All Bonds cancelled or required to be cancelled under this or any other provision of this Indenture shall be destroyed by the Trustee and if required by the Corporation, the Trustee shall furnish to it a destruction certificate setting out the designating numbers of the Bonds so destroyed.

8.2. Non-Presentation of Bonds

In case the holder of any Bond shall fail to present the same for payment on the date on which the principal, the Priority Return and the Right becomes payable either at maturity or otherwise or shall not accept payment on account thereof and give such receipt therefor (if any) as the Trustee may require:

- (a) the Corporation shall be entitled to pay to the Trustee and direct the Trustee to set aside;
or
- (b) in respect of moneys in the hands of the Trustee which may or should be applied to the payment of the Bonds, the Corporation shall be entitled to direct the Trustee to set aside;

in each case either in the deposit department of the Trustee or in a chartered bank in Canada, the principal moneys, the Priority Return and the Right, as the case may be, in trust to be paid to the holder of such Bond upon due presentation or surrender thereof in accordance with the provisions of this Indenture; and thereupon the principal moneys, the Priority Return and the Right represented by each Bond in respect whereof such moneys have been set aside shall be deemed to have been paid and the holder thereof shall thereafter have no right in respect thereof except that of receiving payment of the moneys so set aside by the Trustee upon due presentation and surrender thereof.

8.3. Discharge

The Trustee shall at the request and expense of the Corporation release and discharge this Indenture and execute and deliver such instruments as it shall be advised by Counsel are requisite for that purpose and to release the Corporation from its covenants herein contained (other than the provisions relating to the indemnification of the Trustee), upon proof being given to the reasonable satisfaction of the Trustee that the principal, the Priority Return and the Right, on all the Bonds and all other moneys payable hereunder have been paid or satisfied or that, all the Bonds having matured, payment of the principal, the Priority Return and the Right on such Bonds and of all other moneys payable hereunder has been duly and effectually provided for in accordance with the provisions hereof.

8.4. Defeasance

The Corporation shall be deemed to have fully paid, satisfied and discharged all the outstanding Bonds and the Trustee, at the expense of the Corporation, shall execute and deliver proper instruments acknowledging the full payment, satisfaction and discharge of such Bonds, when, with respect to all outstanding Bonds, either:

- (a) there are no remaining Bond balances outstanding; or
- (b) the Corporation has deposited or caused to be deposited with the Trustee as trust funds in trust for the purpose, an amount sufficient to pay, satisfy and discharge the entire amount of principal, the Priority Return and the Right or any repayment date, as the case may be, of all the outstanding Bonds;

and in any such event:

- (i) the Corporation has paid or caused to be paid all other sums payable with respect to all the outstanding Bonds; and
- (ii) the Corporation has delivered to the Trustee an Officers' Certificate stating that all conditions precedent herein provided relating to the payment, satisfaction and discharge of all the outstanding Bonds have been complied with.

Upon the satisfaction of the conditions set forth in this Section with respect to all the outstanding Bonds, the terms and conditions of all the outstanding Bonds, including the terms and conditions with respect thereto set forth in this Indenture, shall no longer be binding upon or applicable to the Corporation.

Any funds or obligations deposited with the Trustee pursuant to this Section shall be denominated in the currency in which the Bonds so deemed to be fully paid, satisfied and discharged are denominated.

If the Trustee is unable to apply any money or securities in accordance with this Section by reason of any legal proceeding or any order or judgment of any court or governmental authority enjoining, restraining or otherwise prohibiting such application, the Corporation's obligations under this Indenture and the affected Bonds shall be revived and reinstated as though no money or securities had been deposited pursuant to this Section until such time as the Trustee is permitted to apply all such money or securities in accordance with this Section.

9.

SUCCESSOR CORPORATIONS

9.1. Certain Requirements

The Corporation shall not enter into any transaction (including by way of reconstruction, reorganization, consolidation, arrangement, amalgamation, merger, liquidation, transfer, sale or otherwise) whereby all or substantially all of its undertaking, property and assets would become the property of any other person or, in the case of any such amalgamation, of the continuing corporation resulting therefrom, unless:

- (a) such other person or continuing corporation (herein called "**Successor Corporation**") is a corporation incorporated under the laws of the United States or the laws of Canada or one of its provinces;
- (b) the Corporation and Successor Corporation shall execute, prior to or contemporaneously with the consummation of such transaction, such instruments (if any) as are in the opinion of Counsel necessary or advisable to evidence the assumption by the Successor Corporation of liability for the due and punctual payment of the principal, the Priority Return and the Right on all of the Bonds then outstanding, and all other monies payable hereunder, the covenant of the Successor Corporation to pay the same and the agreement

of the Successor Corporation to observe and perform all the covenants and obligations under this Indenture;

- (c) such transaction, in the opinion of Counsel, shall be upon such terms as to substantially preserve and not impair any of the rights and powers of the Trustee or the Bondholders hereunder; and
- (d) no condition or event shall exist in respect of the Corporation or the Successor Corporation at the time of such transaction or after giving full effect thereto which constitutes or would constitute an Event of Default hereunder.

9.2. Vesting of Powers in Successor

Whenever the conditions of Section 9.1 have been duly observed and performed, the Successor Corporation shall possess and from time to time may exercise each and every right and power of the Corporation under this Indenture in the name of the Corporation or otherwise and any act or proceeding by any provision of this Indenture required to be done or performed by any directors or officers of the Corporation may be done and performed with like force and effect by the directors or officers of such Successor Corporation.

10.

MEETINGS OF BONDHOLDERS

10.1. Right to Convene Meeting

The Trustee or the Corporation may at any time and from time to time and the Trustee shall on receipt of a written request of the Corporation or a written request signed by the holders of not less than 15% in principal amount of the Bonds then outstanding and upon being funded and indemnified to its reasonable satisfaction by the Corporation or by the Bondholders signing such request against the costs which may be incurred in connection with the calling and holding of such meeting, convene a meeting of the Bondholders. In the event of the Trustee failing within 30 days after receipt of any such request and such funds and indemnity to give notice convening a meeting, the Corporation or such Bondholders, as the case may be, may convene such meeting. Any such meeting shall be held in the City of Vancouver or at such other place as may be approved or determined by the Trustee.

10.2. Notice of Meetings

At least 15 days' notice of any meeting shall be given to the Bondholders in the applicable manner provided in Section 11.2 and a copy thereof shall be provided to the Trustee, unless the meeting has been called by it. Such notice shall state the time when and the place where the meeting is to be held and shall state briefly the general nature of the business to be transacted thereat and it shall not be necessary for any such notice to set out the terms of any resolution to be proposed or any of the provisions of this Article. The accidental omission to give notice of a meeting to any holder of Bonds shall not invalidate any resolution passed at any such meeting.

10.3. Chairman

The Chairman of the Corporation, if present, shall be the chairman of any meeting of Bondholders, failing which an individual (who need not be a Bondholder), nominated in writing by the Trustee shall be chairman of the meeting and if no person is so nominated, or if the person so nominated is not present within 15 minutes from the time fixed for the holding of the meeting, the Bondholders present in person or represented by proxy shall choose an individual present to be chairman.

10.4. Quorum

Subject to the provisions of Section 10.8, at any meeting of the Bondholders a quorum shall consist of Bondholders present in person or represented by proxy and representing at least 15% in principal amount

of the outstanding Bonds. If a quorum of the Bondholders shall not be present within 30 minutes from the time fixed for holding any meeting, the meeting, if summoned by the Bondholders or pursuant to a request of the Bondholders, shall be dissolved. In any other case, the meeting shall be adjourned to the same day in the next week (unless such day is a non-business day in which case it shall be adjourned to the next following business day thereafter) at the same time and place and no notice shall be required to be given in respect of such adjourned meeting. At the adjourned meeting, the Bondholders present in person or by proxy shall form a quorum and may transact the business for which the meeting was originally convened notwithstanding that they may not represent 15% of the principal amount of the outstanding Bonds. Any business may be brought before or dealt with at an adjourned meeting which might have been brought before or dealt with at the original meeting in accordance with the notice calling the same. No business shall be transacted at any meeting unless the required quorum be present at the commencement of business.

10.5. Power to Adjourn

The chairman of any meeting at which a quorum of the Bondholders is present may with the consent of the holders of a majority in principal amount of the outstanding Bonds represented thereat adjourn any such meeting and no notice of such adjournment need be given except such notice, if any, as the meeting may prescribe.

10.6. Show of Hands

Every question submitted to a meeting shall, subject to Section 10.7, be decided in the first place by a majority of the votes given on a show of hands. At any such meeting, unless a poll is duly demanded as herein provided, a declaration by the chairman that a resolution has been carried or carried unanimously or by a particular majority or lost or not carried by a particular majority shall be conclusive evidence of the fact. The chairman of any meeting shall be entitled, both on a show of hands and on a poll, to vote in respect of the Bonds (if any) held by him.

10.7. Poll

On every extraordinary resolution, and on any other question submitted to a meeting when demanded by the chairman or by one or more Bondholders or proxies for Bondholders, a poll shall be taken in such manner and either at once or after an adjournment as the chairman shall direct. Questions other than extraordinary resolutions shall, if a poll be taken, be decided by the votes of the holders of a majority in principal amount of the outstanding Bonds represented at the meeting and voted on the poll.

10.8. Voting

On a show of hands every person who is present and entitled to vote, whether as a Bondholder or as proxy for one or more Bondholders or both, shall have one vote. On a poll each Bondholder present in person or represented by a proxy duly appointed by an instrument in writing shall be entitled to one vote in respect of each \$1,000 principal amount of Bonds of which he shall then be the holder. A proxy need not be a Bondholder. In the case of joint registered Bondholders, any one of them present in person or represented by proxy at the meeting may vote in the absence of the other or others, but in case more than one of them be present in person or represented by proxy, they shall vote together in respect of the Bonds of which they are joint registered Bondholders.

10.9. Regulations

The Trustee, or the Corporation with the approval of the Trustee, may from time to time make and from time to time vary or revoke such regulations as it shall from time to time think fit providing for and governing:

- (a) the issue of voting certificates
 - (i) by any bank, trust company or other depositary approved by the Trustee

certifying that specified Bonds have been deposited with it by a named holder other than such bank, trust company or other depositary and shall remain on deposit until after the meeting and any adjournment thereof; and

- (ii) by any bank, trust company, insurance company, governmental department or agency approved by the Trustee certifying that it is the holder of specified Bonds and shall continue to hold the same until after the meeting and any adjournment thereof;

which voting certificates shall entitle the holders named therein to be present and vote at any such meeting and at any adjournment thereof or to appoint a proxy or proxies to represent them and vote for them at any such meeting and at any adjournment thereof in the same manner and with the same effect as though the holders so named in such voting certificates were the actual bearers of the Bonds specified therein;

- (b) the voting by proxy by Bondholders and the form of the instrument appointing a proxy, which shall be in writing, and the manner in which the same shall be executed and the production of the authority of any person signing on behalf of a Bondholder;
- (c) the deposit of instruments appointing proxies at such place as the Trustee, the Corporation or the Bondholders convening the meeting, as the case may be, may in the notice convening the meeting, direct and the time (if any) before the holding of the meeting or any adjournment thereof by which the same be deposited; and
- (d) the deposit of instruments appointing proxies at some approved place or places other than the place at which the meeting is to be held and enabling particulars of such instruments appointing proxies to be mailed, cabled, telegraphed, telecopied or sent by facsimile before the meeting to the Corporation or to the Trustee at the place where the same is to be held and for the voting of proxies so deposited as though the instruments themselves were produced at the meeting.

Any regulations so made shall be binding and effective and the votes given in accordance therewith shall be valid and shall be counted. The Trustee may dispense with any such deposit and permit Bondholders to make proof of ownership in such other manner (if any) as the Trustee may approve. Save as such regulations may provide, the only persons who shall be recognized at any meeting as Bondholders, or as entitled to vote or be present at the meeting in respect thereof, shall be Bondholders and persons whom Bondholders have by instrument in writing duly appointed as their proxies.

10.10. Persons Entitled to Attend Meetings

The Corporation and the Trustee, by their respective employees, officers and directors, and the legal advisers of the Corporation, the Trustee and any Bondholder may attend any meeting of the Bondholders, but shall have no vote as such.

10.11. Powers Exercisable by Extraordinary Resolution

In addition to the powers conferred upon them by any other provisions of this Indenture or by law, a meeting of the Bondholders shall have the following powers exercisable from time to time by extraordinary resolution:

- (a) power to sanction any modification, abrogation, alteration, compromise or arrangement of the rights of the Bondholders or the Trustee against the Corporation or against their property, whether such rights arise under this Indenture or the Bonds or otherwise;
- (b) power to assent to any modification of or change in or addition to or omission from the provisions contained in this Indenture or any Bond which shall be agreed to by the

Corporation and to authorize the Trustee to concur in and execute any indenture supplemental hereto embodying any modification, change, addition or omission;

- (c) power to sanction any scheme for the reconstruction or reorganization of the Corporation or for the consolidation, amalgamation or merger of the Corporation with any other corporation or for the sale, leasing, transfer or other disposition of the undertaking, property and assets of the Corporation or any part thereof, provided that no such sanction shall be necessary in respect of any such transaction if the provisions of Section 10.1 shall have been complied with;
- (d) power to direct or authorize the Trustee to exercise any power, right, remedy or authority given to it by this Indenture in any manner specified in any such extraordinary resolution or to refrain from exercising any such power, right, remedy or authority;
- (e) subject to Section 6.2, power to waive and direct the Trustee to waive any default hereunder or cancel any declaration made by the Trustee pursuant to Section 6.1 either unconditionally or upon any condition specified in such extraordinary resolution;
- (f) power to restrain any Bondholder from taking or instituting any suit, action or proceeding for the purpose of enforcing payment of the principal of or interest on the Bonds, or for the execution of any trust or power hereunder;
- (g) power to direct any Bondholder who, as such, has brought any action, suit or proceeding to stay or discontinue or otherwise deal with the same upon payment, if the taking of such suit, action or proceeding shall have been permitted by Section 6.5, of the costs, charges and expenses reasonably and properly incurred by such Bondholder in connection therewith;
- (h) power to assent to any compromise or arrangement with any creditor or creditors or any class or classes of creditors, whether secured or otherwise, and with holders of any shares or other securities of the Corporation;
- (i) power to appoint a committee with power and authority (subject to such limitations (if any) as may be prescribed in the resolution) to exercise, and to direct the Trustee to exercise, on behalf of the Bondholders, such of the powers of the Bondholders as are exercisable by extraordinary or other resolution as shall be included in the resolution appointing the committee. The resolution making such appointment may provide for payment of the expenses and disbursements of and compensation to such committee. Such committee shall consist of such number of persons as shall be prescribed in the resolution appointing it and the member need not be themselves Bondholders. Every such committee may elect its chairman and may make regulations respecting its quorum, the calling of its meetings, the filling of vacancies occurring in its number and its procedure generally. Such regulations may provide that the committee may act at a meeting at which a quorum is present or may act by minutes signed by the number of members thereof necessary to constitute a quorum. All acts of any such committee within the authority delegated to it shall be binding upon all Bondholders. Neither the committee nor any member thereof shall be liable for any loss arising from or in connection with any action taken or omitted to be taken by them in good faith;
- (j) power to authorize the distribution *in specie* of any shares, bonds, Bonds or other securities or obligations or cash or other consideration received hereunder or the use or disposal of the whole or any part of such shares, bonds, Bonds or other securities or obligations or cash or other consideration in such manner and for such purpose as may be deemed advisable and specified in such extraordinary resolution;

- (k) power to authorize the Trustee or any other person to bid at any sale of the Corporation's properties or assets or any part thereof and to borrow the moneys required to make any deposit at said sale or pay the balance of the purchase price and to hypothecate, mortgage, pledge, charge, cede and transfer the property or assets so purchased as security for the repayment of the moneys so borrowed and interest thereon, or to advance such moneys (in which event they shall have a lien upon the property or assets so purchased for the amount so advanced and interest thereon) and to hold any property or assets so purchased (subject to any hypothec, mortgage, pledge, charge or lien to secure any moneys so borrowed or advanced) in trust for all the Bondholders outstanding at the time of such sale *pro rata* in proportion to the amounts due to them thereon respectively for principal and interest before such sale, and to sell, transfer and convey the whole or any part or parts of the property or assets so purchased for such consideration in cash or in the shares, bonds, Bonds or other securities or obligations of any company formed or to be formed, or partly in cash and partly in such securities or obligations, and upon such terms and conditions as may be determined by such extraordinary resolution of the Bondholders and subject to such terms and conditions, to dispose of such cash, shares, bonds, Bonds or other securities or obligations pursuant to the provisions of subsection (j), and until the sale, transfer or conveyance of the whole of such property or assets so purchased to maintain and operate such part of said property and assets as has not been disposed of, and for such purposes to borrow moneys and to hypothecate, mortgage, pledge, charge and cede and transfer the property and assets so purchased, or any part thereof, as security for the repayment of the moneys so borrowed, with interest thereon, or to advance such moneys (in which event they shall have a lien or charge upon the property and assets so purchased for the amounts so advanced and interest thereon) and otherwise deal with such property and assets and the proceeds of any sale, transfer or conveyance thereof as the Bondholders may by such extraordinary resolution direct;
- (l) power to remove the Trustee from office and to appoint a new Trustee or Trustees;
- (m) power to sanction the exchange of the Bonds for or the conversion thereof into shares, bonds, Bonds or other securities or obligations of the Corporation or of any company formed or to be formed;
- (n) power to authorize the Corporation and the Trustee to grant extensions of time for payment of the principal or interest on any of the Bonds, whether or not the principal or interest the payment in respect of which is extended, is at the time due or overdue; and
- (o) power to amend, alter or repeal any extraordinary resolution previously passed or sanctioned by the Bondholders or by any committee appointed pursuant to subsection (i).

10.12. Meaning of "Extraordinary Resolution"

- (a) The expression "extraordinary resolution" when used in this Indenture means, subject as hereinafter in this Article provided, a resolution proposed to be passed as an extraordinary resolution at a meeting of Bondholders (including an adjourned meeting) duly convened for the purpose and held in accordance with the provisions of this Article at which the holders of not less than 50% in principal amount of the Bonds then outstanding are present in person or by proxy and passed by the favourable votes of the holders of not less than 66 2/3% of the principal amount of Bonds represented at the meeting and voted on a poll upon such resolution.
- (b) If, at any such meeting, the holders of not less than 50% in principal amount of the Bonds outstanding are not present in person or by proxy within 30 minutes after the time appointed for the meeting, then the meeting, if convened by or on the requisition of

Bondholders, shall be dissolved. In any other case, it shall stand adjourned to such date, being not less than 14 nor more than 60 days later and to such place and time as may be appointed by the chairman. Not less than 10 days notice shall be given of the time and place of such adjourned meeting in the applicable manner provided in Section 11.2. Such notice shall state that at the adjourned meeting the Bondholders present in person or by proxy shall form a quorum but it shall not be necessary to set forth the purposes for which the meeting was originally called or any other particulars. At the adjourned meeting the Bondholders present in person or by proxy shall form a quorum and may transact the business for which the meeting was originally convened and a resolution proposed at such adjourned meeting and passed by the requisite vote as provided in subsection (a) shall be an extraordinary resolution within the meaning of this Indenture, notwithstanding that the holders of not less than 50% in principal amount of the Bonds then outstanding are not present in person or by proxy at such adjourned meeting.

10.13. Powers Cumulative

It is hereby declared and agreed that any one or more of the powers in this Indenture stated to be exercisable by the Bondholders by extraordinary resolution or otherwise may be exercised from time to time and the exercise of any one or more of such powers from time to time shall not be deemed to exhaust the rights of the Bondholders to exercise the same or any other such power or powers thereafter from time to time.

10.14. Minutes

Minutes of all resolutions and proceedings at every meeting of Bondholders shall be made and duly entered in books to be from time to time provided for that purpose by the Trustee at the expense of the Corporation, and any such minutes, if signed by the chairman of the meeting at which such resolutions were passed or proceedings had, or by the chairman of the next succeeding meeting of the Bondholders, shall be *prima facie* evidence of the matters therein stated and, until the contrary is proved, every such meeting, in respect of the proceedings of which minutes shall have been made, shall be deemed to have been duly held and convened and all resolutions passed thereat or proceedings taken thereat to have been duly passed and taken.

10.15. Instruments in Writing

All actions which may be taken and all powers that may be exercised by the Bondholders at a meeting held as in this Article provided may also be taken and exercised by the holders of 66 2/3% of the principal amount of all the outstanding Bonds by an instrument in writing signed in one or more counterparts and the expression "extraordinary resolution" when used in this Indenture shall include an instrument so signed.

10.16. Binding Effect of Resolutions

Every resolution and every extraordinary resolution passed in accordance with the provisions of this Article at a meeting of Bondholders shall be binding upon all the Bondholders, whether present at or absent from such meeting, and every instrument in writing signed by Bondholders in accordance with Section 10.15 shall be binding upon all the Bondholders, whether signatories thereto or not, and each and every Bondholder and the Trustee (subject to the provisions for its indemnity herein contained) shall be bound to give effect accordingly to every such resolution, extraordinary resolution and instrument in writing.

10.17. Evidence of Rights of Bondholders

Any request, direction, notice, consent or other instrument which this Indenture may require or permit to be signed or executed by the Bondholders may be in any number of concurrent instruments of similar tenor and may be signed or executed by such Bondholders in person or by attorney duly appointed in

writing. Proof of the execution of any such request or other instrument or of a writing appointing any such attorney or (subject to the provisions of this Article with regard to voting at meetings of Bondholders) of the holding by any person of Bonds shall be sufficient for any purpose of this Indenture if made in the following manner, namely, the fact and date of execution by any person of such request or other instrument or writing may be proved by the certificate of any notary public, or other officer authorized to take acknowledgements of deeds to be recorded at the place where such certificate is made, that the person signing such request or other instrument in writing acknowledged to him the execution thereof, or by an affidavit of a witness of such execution or in any other manner which the Trustee may consider adequate.

The Trustee may, nevertheless, in its discretion require further proof in cases where it deems further proof desirable or may accept such other proof as it shall consider proper.

11. NOTICES

11.1. Notice to Corporation and Trustee

- (a) Notices to the Corporation and the Trustee shall be writing and may be delivered:
 - (i) personally by leaving them with the party, or at the offices of the party, to whom they are addressed at that party's address hereinafter given, and notices so served shall be deemed to have been received by the addressee thereof on the day of delivery, unless actually delivered on a day which is not a business day or after 4:00 o'clock p.m. on the day of delivery, in which case notice shall be deemed to be received on the next ensuing business day;
 - (ii) by facsimile, or any other like method by which a message may be sent directed to the party to whom they are to be delivered at that party's address hereinafter given, and notices so sent shall be deemed to have been received by the addressee thereof on the business day next ensuing after the day of sending; and
 - (iii) by mailing them first class (air mail if to or from a country other than Canada) registered post, postage prepaid, to the party to whom they are to be delivered, in which case notices mailed shall be deemed to be received by the addressee thereof on the fifth business day following the day of mailing thereof.
- (b) The address of each of the parties to this Indenture shall be as follows:
 - (i) to the Corporation:

#800, 1040 West Georgia Street
Vancouver, British Columbia V6E 4H1
Facsimile No.: 403.571.8008
Attention: President

With a copy to:

TingleMerrett LLP
1250, 639 – 5th Avenue S.W.
Calgary, Alberta T2P 0M9

Facsimile No.: (403) 571-8008
Attention: Scott Reeves

(ii) to the Trustee:

#1010, 407 – 2nd Street SW
Calgary, Alberta T2P 2Y3

Facsimile No. (403) 237-6181
Attention: President and Chief Executive Officer

(c) Any party to this Indenture may change its address by notice delivered in accordance with this Indenture.

11.2. Notice to Bondholders

Except as herein otherwise expressly provided, all notices to be given hereunder with respect to the Bonds shall be deemed to be validly given to the Bondholders if delivered or if sent by facsimile or other means of telecommunication or if sent through the ordinary post, postage prepaid, by letter or circular addressed to such Bondholders at their post office addresses appearing in any of the registers hereinbefore mentioned and shall be deemed to have been effectively given 3 days following the day of mailing. Accidental error or omission in giving notice or accidental failure to mail notice to any Bondholder shall not invalidate any action or proceeding founded thereon unless such action or proceeding is predicated on a vote and the vote of such Bondholder would have the effect of changing the resolution passed at such meeting. The inability of the Corporation to give or mail any notice due to anything beyond the reasonable control of the Corporation shall not invalidate any action or proceeding founded thereon.

If any notice given in accordance with the foregoing paragraph would be unlikely to reach the Bondholders to whom it is addressed in the ordinary course of post by reason of an interruption in mail service, whether at the place of dispatch or receipt or both, the Corporation shall give such notice by publication at least once in the City of Vancouver (or in such other city or cities as, in the opinion of the Trustee, is sufficient in the particular circumstances), each such publication to be made in a daily newspaper of general circulation in the designated city.

Any notice given to Bondholders by mail shall be deemed to have been given 3 days following the day of mailing. Any notice given to Bondholders by publication shall be deemed to have been given on the day on which publication shall have been effected at least once in each of the newspapers in which publication was required.

All notices with respect to any Bond may be given to whichever one of the holders thereof (if more than one) is named first in the registers hereinbefore mentioned, and any notice so given shall be sufficient notice to all holders of and persons interested in such Bond.

11.3. Mail Service Interruption

If by reason of strike, lockout or other work stoppage, actual or threatened, of postal employees, any notice to be given by mail to the Corporation, the Trustee or a Bondholder would reasonably be unlikely to reach its destination, such notice shall be valid and effective only if delivered to the person to whom it is addressed at the appropriate address in accordance with Section 11.1 or Section 11.2 by facsimile or other means of telecommunication or, in the case of notice to the Bondholders, if such notice is published in accordance with Section 11.2, provided the provisions of this Section shall be in addition to the requirements of any applicable legislation governing the giving of notice during mail service interruption.

12.

CONCERNING THE TRUSTEE

12.1. No Conflict of Interest

The Trustee represents to the Corporation that at the date of execution and delivery by it of this Indenture there exists no material conflict of interest in the role of the Trustee as a fiduciary hereunder but if, notwithstanding the provisions of this Section, such a material conflict of interest exists, the validity and enforceability of this Indenture, and the Bonds issued hereunder shall not be affected in any manner whatsoever by reason only that such material conflict of interest exists but the Trustee shall, within 90 days after ascertaining that it has a material conflict of interest, either eliminate such material conflict of interest or resign in the manner and with the effect specified in Section 12.2.

12.2. Replacement of Trustee

The Trustee may resign its trust and be discharged from all further duties and liabilities hereunder by giving to the Corporation three months' notice in writing or such shorter notice as the Corporation may accept as sufficient. If at any time a material conflict of interest exists in the Trustee's role as a fiduciary hereunder the Trustee shall, within 90 days after ascertaining that such a material conflict of interest exists, either eliminate such material conflict of interest or resign in the manner and with the effect specified in this Section. The validity and enforceability of this Indenture and of the Bonds issued hereunder shall not be affected in any manner whatsoever by reason only that such material conflict of interest exists. In the event of the Trustee resigning or being removed or being dissolved, becoming bankrupt, going into liquidation or otherwise becoming incapable of acting hereunder, the Corporation shall forthwith appoint a new Trustee unless a new Trustee has already been appointed by the Bondholders. Failing such appointment by the Corporation, the retiring Trustee or any Bondholder may apply to a Judge of the Supreme Court of British Columbia, on such notice as such Judge may direct, for the appointment of a new Trustee. Any new Trustee so appointed by the Corporation or by the Court shall be subject to removal as aforesaid by the Bondholders. Any new Trustee appointed under any provision of this Section shall be a corporation authorized to carry on business of a trust company in the Province of British Columbia. On any new appointment the new Trustee shall be vested with the same powers, rights, duties and responsibilities as if it had been originally named herein as Trustee.

Any company into which the Trustee may be merged or with which it may be consolidated or amalgamated or any company resulting from any merger, consolidation or amalgamation to which the Trustee shall be a party shall be the successor trustee under this Indenture without the execution of any instrument or any further act. Nevertheless, upon the written request of the successor Trustee or of the Corporation, the Trustee ceasing to act shall execute and deliver an instrument assigning and transferring to such successor Trustee, upon the trusts herein expressed, all the rights, powers and trusts of the Trustee so ceasing to act, and shall duly assign, transfer and deliver all property and money held by such Trustee to the successor Trustee so appointed in its place. Should any deed, conveyance or instrument in writing from the Corporation be required by any new Trustee for more fully and certainly vesting in and confirming to it such estates, properties, rights, powers and trusts, then any and all such deeds, conveyances and instruments in writing shall on request of said new Trustee, be made, executed, acknowledged and delivered by the Corporation.

12.3. Duties of Trustee

In the exercise of the rights, duties and obligations prescribed or conferred by the terms of this Indenture, the Trustee shall exercise that degree of care, diligence and skill that a reasonably prudent trustee would exercise in comparable circumstances.

12.4. Reliance Upon Declarations, Opinions, etc.

In the exercise of its rights, duties and obligations hereunder the Trustee may, if acting in good faith, rely, as to the truth of the statements and accuracy of the opinions expressed therein, upon statutory declarations, affidavits, opinions, reports or certificates furnished pursuant to any covenant, condition or requirement of this Indenture or required by the Trustee to be furnished to it in the exercise of its rights and duties hereunder, if the Trustee examines such statutory declarations, affidavits, opinions, reports or certificates and determines that they comply with Section 12.4, if applicable, and with any other applicable requirements of this Indenture. The Trustee may nevertheless, in its discretion, require further proof in cases where it deems further proof desirable.

Without restricting the foregoing, the Trustee may rely on an opinion of Counsel satisfactory to the Trustee notwithstanding that it is delivered by a solicitor or firm which acts as solicitors for the Corporation.

12.5. Evidence and Authority to Trustee, Opinions, etc.

The Corporation shall furnish to the Trustee evidence of compliance with the conditions precedent provided for in this Indenture relating to any action or step required or permitted to be taken by the Corporation, or the Trustee under this Indenture or as a result of any obligation imposed under this Indenture, including without limitation, the certification and delivery of Bonds hereunder, the satisfaction and discharge of this Indenture and the taking of any other action to be taken by the Trustee at the request of or on the application of the Corporation, forthwith if and when: (a) such evidence is required by any other Section of this Indenture to be furnished by the Trustee in accordance with the terms of this Section; or (b) the Trustee, in the exercise of its rights and duties under this Indenture, gives the Corporation written notice requiring it to furnish such evidence in relation to any particular action or obligation specified in such notice.

Such evidence shall consist of:

- (a) a statutory declaration or certificate made by two duly appointed officers of the Corporation stating that any such condition precedent has been complied with in accordance with the terms of this Indenture;
- (b) in the case of a condition precedent compliance with which is, by the terms of this Indenture, made subject to review or examination by a solicitor, an opinion of Counsel of the Corporation that such condition precedent has been complied with in accordance with the terms of this Indenture; and
- (c) in the case of any such condition precedent compliance with which is subject to review or examination by auditors or accountants, an opinion or report of the Auditors of the Corporation whom the Trustee for such purposes hereby approves, that such condition precedent has been complied with in accordance with the terms of this Indenture.

Whenever such evidence relates to a matter other than the certification and delivery of Bonds and the satisfaction and discharge of this Indenture, and except as otherwise specifically provided herein, such evidence may consist of a report or opinion of any solicitor, auditor, accountant, engineer or appraiser or any other person whose qualifications give authority to a statement made by him, provided that if such report or opinion is furnished by a director, officer or employee of the Corporation it shall be in the form of a statutory declaration. Such evidence shall be, so far as appropriate, in accordance with the immediately preceding paragraph of this Section.

Each statutory declaration, certificate, opinion or report with respect to compliance with a condition precedent provided for in this Indenture shall include: (a) a statement by the person giving the evidence that he has read and is familiar with those provisions of this Indenture relating to the condition precedent in question; (b) a brief statement of the nature and scope of the examination or investigation upon which

the statements or opinions contained in such evidence are based; (c) a statement that, in the belief of the person giving such evidence, he has made such examination or investigation as is necessary to enable him to make the statements or give the opinions contained or expressed therein; and (d) a statement whether in the opinion of such person the conditions precedent in question have been complied with or satisfied.

The Corporation shall furnish to the Trustee at any time if the Trustee reasonably so requires, its certificate that the Corporation has complied with all covenants, conditions or other requirements contained in this Indenture, the noncompliance with which would, with the giving of notice or the lapse of time, or both, or otherwise, constitute an Event of Default, or if such is not the case, specifying the covenant, condition or other requirement which has not been complied with and giving particulars of such noncompliance. The Corporation shall, whenever the Trustee so requires, furnish the Trustee with evidence by way of statutory declaration, opinion, report or certificate as specified by the Trustee as to any action or step required or permitted to be taken by the Corporation or as a result of any obligation imposed by this Indenture.

12.6. Officers' Certificate as Evidence

Except as otherwise specifically provided or prescribed by this Indenture, whenever in the administration of the provisions of this Indenture the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or omitting any action hereunder, the Trustee, if acting in good faith, may rely upon an Officers' Certificate.

12.7. Experts, Advisers and Agents

The Trustee may:

- (a) employ or retain and act on the opinion or advice of or information obtained from any solicitor, auditor, valuer, engineer, surveyor, appraiser or other expert, whether obtained by the Trustee or by the Corporation, or otherwise, and shall not be liable for acting in good faith on any such opinion or advice and may pay proper and reasonable compensation for all such legal and other advice or assistance; and
- (b) employ such agents and other assistants as it may reasonably require for the proper discharge of its duties hereunder, and may pay reasonable remuneration for all services performed for it (and shall be entitled to receive reasonable remuneration for all services performed by it) in the discharge of the trusts hereof and compensation for all disbursements, costs and expenses made or incurred by it in the discharge of its duties hereunder and in the management of the trusts hereof. Any solicitors employed or consulted by the Trustee may, but need not be, solicitors for the Corporation.

12.8. Trustee May Deal in Bonds

The Trustee may, in its personal or other capacity, buy, sell, lend upon and deal in the Bonds and generally contract and enter into financial transactions with the Corporation or otherwise, without being liable to account for any profits made thereby.

12.9. Investment of Moneys Held by Trustee

Unless otherwise provided in this Indenture, any moneys held by the Trustee which under the trusts of this Indenture may or ought to be invested or which may be on deposit with the Trustee or which may be in the hands of the Trustee may be invested and reinvested in the name or under the control of the Trustee in securities in which, under the laws of the Province of British Columbia, trustees are authorized to invest trust moneys, provided that such securities are expressed to mature within two years after their purchase by the Trustee, and unless and until the Trustee shall have declared the principal of and interest on the Bonds to be due and payable, the Trustee shall so invest such moneys at the request of the Corporation.

Pending the investment of any moneys as hereinbefore provided, such moneys may be deposited in the name of the Trustee in any chartered bank of Canada or, with the consent of the Corporation, in the deposit department of the Trustee or any other loan or trust company authorized to accept deposits under the laws of Canada or any Province thereof at the rate of interest then current on similar deposits.

Unless and until the Trustee shall have declared the principal, Priority Return and Right on the Bonds to be due and payable, the Trustee shall pay over to the Corporation all interest received by the Trustee in respect of any investments or deposits made pursuant to the provisions of this Section.

12.10. Trustee Not Ordinarily Bound

Except as provided in Section 7.2 and as otherwise specifically provided herein, the Trustee shall not, subject to Section 12.2, be bound to give notice to any person of the execution hereof, nor to do, observe or perform or see to the observance or performance by the Corporation of any of the obligations herein imposed upon the Corporation or of the covenants on the part of the Corporation herein contained, nor in any way to supervise or interfere with the conduct of the Corporation's business, unless the Trustee shall have been required to do so in writing by the holders of not less than 15% of the aggregate principal amount of the Bonds then outstanding or by any extraordinary resolution of the Bondholders passed in accordance with the provisions contained in Article 11, and then only after it shall have been indemnified to its satisfaction against all actions, proceedings, claims and demands to which it may render itself liable and all costs, charges, damages and expenses which it may incur by so doing.

12.11. Trustee Not Required to Give Security

The Trustee shall not be required to give any bond or security in respect of the execution of the trusts and powers of this Indenture or otherwise in respect of this Indenture.

12.12. Trustee Not to be Appointed Receiver

The Trustee and any person related to the Trustee shall not be appointed a receiver or receiver and manager or liquidator of all or any part of the assets or undertaking of the Corporation.

12.13. Trustee Not Bound to Act on Request

Except as in this Indenture otherwise specifically provided, the Trustee shall not be bound to act in accordance with any direction or request of the Corporation or of its directors until a duly authenticated copy of the instrument or resolution containing such direction or request shall have been delivered to the Trustee, and the Trustee shall be empowered to act upon any such copy purporting to be authenticated and believed by the Trustee to be genuine.

12.14. Conditions Precedent to Trustee's Obligations to Act Hereunder

The obligation of the Trustee to commence or continue any act, action or proceeding for the purpose of enforcing the rights of the Trustee and of the Bondholders hereunder shall be conditional upon the Bondholders furnishing, when required by notice in writing by the Trustee, sufficient funds to commence or continue to such act, action or proceeding and an indemnity reasonably satisfactory to the Trustee to protect and hold harmless the Trustee against the costs, charges and expenses and liabilities to be incurred thereby and any loss and damage it may suffer by reason thereof.

None of the provisions contained in this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur financial liability in the performance of any of its duties or in the exercise of any of its rights or powers unless indemnified as aforesaid.

The Trustee may, before commencing or at any time during the continuance of any such act, action or proceeding require the Bondholders at whose instance it is acting to deposit with the Trustee the Bonds held by them for which Bonds the Trustee shall issue receipts.

12.15. Authority to Carry on Business

The Trustee represents to the Corporation that at the date of execution and delivery by it of this Indenture it is authorized to carry on the business of a trust company in the Province of British Columbia but if, notwithstanding the provisions of this Section it ceases to be so authorized to carry on business, the validity and enforceability of this Indenture and the Bonds issued hereunder shall not be affected in any manner whatsoever by reason only of such event but the Trustee shall, within 90 days after ceasing to be authorized to carry on the business of a trust company in the Province of British Columbia either become so authorized or resign in the manner and with the effect specified in Section 12.2.

12.16. Acceptance of Trust

The Trustee hereby accepts the trusts in this Indenture declared and provided for and agrees to perform the same upon the terms and conditions herein set forth and to hold all rights, privileges and benefits conferred hereby and by law in trust for the various persons who shall from time to time be Bondholders, subject to all the terms and conditions herein set forth.

12.17. Indemnification of the Trustee

By way of supplement to the provisions of any law for the time being relating to trustees, it is expressly declared and agreed as follows:

- (a) the Trustee and its directors, officers, shareholders, agents and employees shall at all times be indemnified and saved harmless by the Corporation from and against all claims, demands, suits, losses, actions, causes of actions, costs, charges, expenses, damages and liabilities whatsoever arising in connection with this Indenture, including, without limitation, those arising out of or related to actions taken or omitted to be taken by the Trustee contemplated hereby, legal fees and disbursements on a solicitor and client basis, and costs and expenses incurred in connection with the enforcement of this indemnity, which the Trustee may suffer or incur, whether at law or in equity, in any way caused by or arising, directly or indirectly, in respect of any act, deed, matter or thing whatsoever made, done, acquiesced in or omitted in or about or in relation to the execution of its duties as Trustee and including any deed, matter or thing in relation to the registration, perfection, release or discharge of security. The foregoing provisions of this Section do not apply to the extent that in any circumstances there has been a failure by the Trustee or its employees or agents to act honestly and in good faith or where the Trustee or its employees or agents have acted with gross negligence or in willful disregard to the Trustee's obligations hereunder. It is understood and agreed that this indemnification shall survive the termination of this Indenture or the resignation of the Trustee;
- (b) the Trustee shall not be liable for or by reason of any statements of fact or recitals in this Indenture (except the representation contained in Sections 12.15 and 12.16 and in the certificate of the Trustee) or required to verify the same, but all such statements or recitals are and shall be deemed to be made by the Corporation;
- (c) nothing herein contained shall impose any obligation on the Trustee to see to or to require evidence of the registration or filing (or renewal thereof) of this Indenture or any instrument ancillary or supplemental hereto;
- (d) the Trustee shall not be bound to give notice to any person or persons of the execution hereof; and
- (e) the Trustee shall not incur any liability or responsibility whatever or be in any way responsible for the consequence or any breach on the part of the Corporation of any of the

covenants herein contained or of any acts of any directors, officers, employees, trustees, servants or agents of the Corporation.

13.

SUPPLEMENTAL INDENTURES

13.1. Supplemental Indentures

From time to time the Trustee and, when authorized by a resolution of the directors, the Corporation may, and they shall when required by this Indenture, execute, acknowledge and deliver by their proper officers deeds or indentures supplemental hereto, which thereafter shall form part hereof, for any one or more of the following purposes:

- (a) adding to the covenants of the Corporation herein contained for the protection of the Bondholders or providing for Events of Default in addition to those herein specified;
- (b) making such provisions not inconsistent with this Indenture as may be necessary or desirable with respect to matters or questions arising hereunder, including the making of any modifications in the form of the Bonds which do not affect the substance thereof and which, in the opinion of the Trustee, it may be expedient to make, provided that the Trustee shall be of the opinion that such provisions and modifications shall not be prejudicial to the interests of the Bondholders;
- (c) evidencing the succession, or successive successions, of other corporations to the Corporation and the covenants of and obligations assumed by any such successor in accordance with the provisions of this Indenture;
- (d) giving effect to any extraordinary resolution passed as provided in Article 11; and
- (e) for any other purpose not inconsistent with the terms of this Indenture.

The Trustee may also, without the consent or concurrence of the Bondholders, by supplemental indenture or otherwise, concur with the Corporation in making any changes or corrections in this Indenture which it shall have been advised by Counsel are required for the purpose of curing or correcting any ambiguity or defective or inconsistent provisions or clerical omissions or mistakes or manifest errors contained herein or in any deed or indenture supplemental or ancillary hereto, provided that in the opinion of the Trustee the rights of the Trustee and of the Bondholders are in no way prejudiced thereby.


14.

EXECUTION AND FORMAL DATE

14.1. Execution

This Indenture may be executed in several counterparts, each of which when so executed shall be deemed to be an original and such counterparts together shall constitute one and the same instrument.

14.2. Formal Date

For the purpose of convenience this Indenture may be referred to as bearing a formal date of , irrespective of the actual date of execution hereof.

IN WITNESS whereof the parties hereto have executed these presents under their respective corporate seals and the hands of their proper officers in that behalf.

NORTH AMERICA HOME FINANCE INC.

By: _____

ALLIANCE TRUST COMPANY

By: _____

By: _____

SCHEDULE "A"

Form of Bond

"Unless permitted under securities legislation, the holder of this security must not trade the security before the date that is 4 months and a day after the later of: (i) ●; and (ii) the date the issuer became a reporting issuer in any province or territory".

NORTH AMERICA HOME FINANCE INC.

(Incorporated under the laws of Canada)

No.: ●

● Bonds in denominations of \$1,000

RealEquity Bond

(the "**Bonds**")

North America Home Finance Inc. (hereinafter referred to as the "**Corporation**") for value received hereby promises to pay to _____ on ● (the "**Maturity Date**") or on such earlier date as the principal amount hereof may become due in accordance with the provisions of the Indenture hereinafter mentioned, on presentation and surrender of this Bond, the sum of _____ in lawful money of Canada and to pay the Priority Return and the Right in accordance with the terms of the Indenture.

This Bond is one of the Bonds of the Corporation issued or issuable under the terms of a bond indenture dated as of ● and made between the Corporation and Alliance Trust Company (the "**Trustee**"), as trustee, to which indenture and all instruments supplemental thereto or in implementation thereof reference is hereby made for a description of the rights of the holders of the Bonds (herein referred to as the "**Indenture**"), of the Corporation, and of the Trustee and of the terms and conditions upon which the Bonds are issued and held, all to the same effect as if the provisions of the Indenture and such instruments supplemental thereto or in implementation thereof were herein set forth, to all of which provisions the holder of this Bond, by acceptance hereof, assents.

Reference is hereby expressly made to the Indenture and any instruments supplemental thereto for the description of the terms and conditions upon which the Bonds are issued and held and the rights and remedies of the Bondholders and of the Corporation, and of the Trustee, all to the same effect as if the provisions of the Indenture and any instruments supplemental thereto were herein set forth to all of which provisions the holder of this Bond by acceptance hereof assents.

Upon compliance with the provisions of the Indenture, Bonds of any denomination may be exchanged for an equal aggregate principal amount of Bonds in any other authorized denomination or denominations. The indebtedness evidenced by this Bond is secured by the Security Documents on the Collateral (as defined in the Indenture). The principal hereof may become or be declared due and payable before the stated maturity in the event, in the manner, with the effect and at the times provided in the Indenture.

The Indenture contains provisions making binding upon all holders of Bonds outstanding thereunder resolutions passed at meetings of such holders held in accordance with such provisions and

instruments signed by the holders of a specified percentage of the aggregate principal amount of Bonds outstanding, which resolutions or instruments may have the effect of amending the terms of this Bond or the Indenture.

The Indenture contains provisions disclaiming any personal liability on the part of the trustees in respect of any obligation or claim arising out of the Indenture or this Bond.

This Bond is transferable in accordance with the terms of the Indenture. This Bond may only be exchanged, upon compliance with the conditions prescribed in the Indenture, in the register to be kept at the principal office of the Trustee in the City of Vancouver and in such other place or places and/or by such other registrars (if any) as the Corporation with the approval of the Trustee may designate, by the registered Holder hereof or his executors and administrators or other legal representatives, or his or their attorney duly appointed by an instrument in form and substance satisfactory to the Trustee or other registrar, and upon compliance with such reasonable requirements as the Trustee and/or other registrar may prescribe.

This Bond shall not become obligatory for any purpose until it shall have been certified by the Trustee under the Indenture.

Capitalized words or expressions used in this Bond shall, unless otherwise defined herein, have the meaning ascribed thereto in the Indenture.

IN WITNESS WHEREOF the Corporation has caused this Bond to be signed by authorized officers of the Corporation as of _____, ●.

NORTH AMERICA HOME FINANCE INC.

By: _____

George Lawton

(form of Trustee's Certificate)

This Bond is one of the Bonds referred to in the Indenture within mentioned.

ALLIANCE TRUST COMPANY

By: _____

Authorized Officer

Date of Certification: _____

SCHEDULE "B"

Form of Redeemable Capital Growth Based Right Certificate

**SCHEDULE "C" TO THE
OFFERING MEMORANDUM OF
NORTH AMERICA HOME FINANCE INC.**

Redeemable Capital Growth Based Rights Certificate

UNLESS PERMITTED UNDER SECURITIES LEGISLATION, THE HOLDER OF THIS SECURITY MUST NOT TRADE THE SECURITY BEFORE THE DATE THAT IS 4 MONTHS AND A DAY AFTER THE LATER OF (I) **INSERT DATE**, AND (II) THE DATE THE ISSUER BECAME A REPORTING ISSUER IN ANY PROVINCE OR TERRITORY.

REDEEMABLE CAPITAL GROWTH BASED RIGHTS CERTIFICATE

THIS INSTRUMENT IS ISSUED effective as of the ● day of ●, ●
BY:

NORTH AMERICA HOME FINANCE INC., a body corporate
incorporated under the laws of Canada (the "**Grantor**")

- in favour of -

● (the "**Grantee**")

WHEREAS the Grantee (or a person designated by the Grantee) has purchased ● Real Equity Bond units (the "**REB Units**") from the Grantor with a subscription price of \$1,000 per REB Unit;

AND WHEREAS the Grantor intends to use the funds obtained from the sale of the REB Units to purchase a property which is titled Station Square and has a civic address of 10004 99 Ave, Fort Saskatchewan, Alberta and a legal address of: Lot 7; Plan 9222557, Lot8; Plan 9222557, except Plan 9723414; Excepting thereout all Mines and Minerals (the "**Property**");

AND WHEREAS in connection with the purchase of the REB Units, the Grantor wishes to grant and issue certain rights ("**Rights**") to the Grantee, entitling the Grantee to receive, on cancellation and surrender thereof, a cash amount calculated as the redemption amount on the eventual sale (the "**Sale**") of the Property on the terms hereinafter set forth;

NOW THEREFORE, the Grantor hereby grants and this Instrument evidences the following Rights granted to the Grantee:

1. – REDEMPTION RIGHT

- 1.1. The Grantor hereby issues and grants to the Grantee (or its designate) one (1) Right for every REB Unit purchased by the Grantee.
- 1.2. Each Right shall be redeemed and cancelled by the Grantor in the event of the sale of the Property for an amount (the "**REB Right Redemption Amount**") payable by the Grantor to the Grantee of Rights in cash, and calculated as follows:

$$A + B = C$$

AND

$$A/C * 4/5 * D = E$$

WHERE:

1. A is the face value of the REB Units issued to all REB Unit holders;
2. B is the other equity in the Property which is determined as (a) the equity in the Property not attributable to the REB Unit holders at the outset on the purchase of the Property and (b) any additional capital invested in the Property by the Grantor, from time to time, prior to the Sale;
3. C is the total equity in the Property for the purposes of determining the REB Unit holders' share;
4. D is the gain in the value of the Property realized upon the Sale; and
5. E is the redemption amount on all Rights due to all REB Unit holders, collectively.

In order to determine the Grantee's individual Right Redemption Amount, E shall then be divided amongst the REB Unit holders on the basis of their respective *pro rata* amounts of REB Units held.

- 1.2. The Grantor shall deliver to the Grantee, within ninety (90) days after the completion of the Sale, evidence of the Sale price of the Property along with cash equal to the Right Redemption Amount payable by the Grantor on redemption of the Grantee's Rights. The Grantor shall keep and maintain at all times during the term hereof, true and accurate books, statements, records and accounts evidencing the Sale price and the Right Redemption Amount.
- 1.3. Notwithstanding any other provision of this Instrument, the Grantor shall not make, and the Grantee shall not accept, any payment in respect of the Right Redemption Amount if such payment would contravene any law or regulation in force in the Province of British Columbia, from time to time.

2. – MISCELLANEOUS

- 2.1. The Rights granted hereunder shall be governed by and construed in accordance with the laws of the Province of British Columbia and the laws of Canada applicable therein, and each of the parties irrevocably submits the jurisdiction of the courts of the Province of British Columbia for the interpretation and enforcement hereof.
- 2.2. Nothing hereunder shall create a partnership, agency or co-ownership relationship between the Grantor and the Grantee.
- 2.3. If any provision hereof shall be held to be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired.
- 2.4. In the event that any provision hereof is inconsistent with or contrary to the laws in force in British Columbia, the latter shall be deemed to control with such modifications to the terms and conditions hereof as are necessary and such terms and conditions shall be regarded as modified

NORTH AMERICA HOME FINANCE INC.

By: _____

**SCHEDULE "D" TO THE
OFFERING MEMORANDUM OF
NORTH AMERICA HOME FINANCE INC.**

Warrant Certificate

UNLESS PERMITTED UNDER SECURITIES LEGISLATION, THE HOLDER OF THIS SECURITY MUST NOT TRADE THE SECURITY BEFORE THE DATE THAT IS 4 MONTHS AND A DAY AFTER THE LATER OF: (I) ●, AND (II) THE DATE THE ISSUER BECAME A REPORTING ISSUER IN ANY PROVINCE OR TERRITORY.

THE WARRANTS REPRESENTED BY THIS CERTIFICATE SHALL BE VOID AND OF NO VALUE UNLESS EXERCISED BY 4:30 P.M. (CALGARY TIME), ON ● OR SUCH EARLIER DATE AS PROVIDED HEREIN.

WARRANT CERTIFICATE

NORTH AMERICA HOME FINANCE INC.

(Organized under the laws of Canada)

WARRANT CERTIFICATE

NO. ●

● WARRANTS (each a "Warrant")
entitling the holder to acquire, subject to adjustment, one Class C common share of North America Home Finance Inc. at a price of \$0.50 (a "Common Share") for each Warrant represented hereby.

THIS IS TO CERTIFY THAT _____ (hereinafter referred to as the "holder") is entitled to acquire, in the manner and subject to the restrictions and adjustments set forth herein, at any time, and from time to time, until 4:30 p.m. (Calgary time) (the "Time of Expiry") on ● [five years from date of issuance], one additional Common Share at a price of either: (a) \$0.50 (the "Original Price"); or (b) the Common Share price at the time the Corporation completes a listing transaction resulting in the Common Shares being publicly traded on any stock exchange; whichever is greater, for each Warrant held. The Original Price shall increase by 10% on ● [first anniversary from date of issuance], and shall thereafter, on every anniversary year, increase by 10% until the Time of Expiry.

The right to acquire Common Shares may only be exercised by the holder within the time set forth above by:

- (a) surrendering this Warrant Certificate to the Corporation at its transfer agent Alliance Trust Company, #1010, 407 – 2nd Street SW, Calgary, Alberta, T2P 2Y3, together with the duly completed Exercise Form attached hereto; and
- (b) remitting, along with this Warrant Certificate and the duly completed Exercise Form, cash, certified cheque, bank draft, wire transfer or money order in lawful money of Canada, payable to or to the order of the Corporation for the aggregate purchase price of the Common Shares so subscribed for.

These Warrants shall be deemed to be surrendered only upon personal delivery hereof or, if sent by mail or other means of transmission, upon actual receipt thereof by the Corporation at the principal office referred to above.

Upon exercise and surrender of these Warrants, and payment of the exercise price to the Corporation, the person or persons in whose name or names the Common Shares issuable upon exercise of the Warrants

are to be issued shall be deemed for all purposes to be the holder or holders of record of such Common Shares and the Corporation covenants that it shall cause a certificate or certificates representing such Common Shares to be delivered or mailed to the person or persons at the address or addresses specified in the Exercise Form.

Certificates representing the Common Shares subscribed for shall be mailed to the persons specified in the Exercise Form, at their respective addresses specified therein, within 5 Business Days after the surrender of this Warrant Certificate and payment as aforesaid. In the event of a purchase of a number of Common Shares fewer than the number which can be purchased upon exercise of the Warrants represented hereby, the registered holder of this Warrant Certificate shall be entitled to receive without charge a new Warrant Certificate in respect of the balance of the Warrants not then exercised. Under no circumstances is the Corporation obliged to issue fractional Common Shares.

The exercise price (and the number of Common Shares purchasable upon exercise in the case of paragraphs (d) and (e) below) shall be subject to adjustment, from time to time, in the events and in the manner provided for below:

- (a) If and whenever at any time after the date hereof, and prior to the Time of Expiry, the Corporation shall:
 - (i) issue Common Shares to all, or substantially all, of the holders of outstanding Common Shares as a stock dividend (other than the issue of Common Shares to holders of outstanding Common Shares pursuant to the exercise of an option to receive dividends in the form of Common Shares in lieu of dividends paid in the ordinary course on the outstanding Common Shares);
 - (ii) make a distribution on its outstanding Common Shares payable in Common Shares or securities exchangeable for or convertible in either case without the payment of further consideration, into Common Shares other than the issue of Common Shares (or securities exchangeable for or convertible into Common Shares) to holders of outstanding Common Shares pursuant to the exercise of an option to receive dividends in the form of Common Shares (or securities exchangeable for or convertible into Common Shares) in lieu of dividends paid in the ordinary course on the outstanding Common Shares);
 - (iii) subdivide its outstanding Common Shares into a greater number of shares; or
 - (iv) consolidate its outstanding Common Shares into a smaller number of shares;

(any of such events in the foregoing clauses (i), (ii), (iii) and (iv) being hereinafter called a "**Common Share Reorganization**"), then the exercise price shall be adjusted, effective immediately after the record date at which the holders of outstanding Common Shares are determined for the purpose of the Common Share Reorganization, by multiplying the exercise price in effect immediately prior to such record date by a fraction, the numerator of which shall be the number of Common Shares outstanding on such record date before giving effect to such Common Share Reorganization, and the denominator of which shall be the number of Common Shares outstanding immediately after giving effect to such Common Share Reorganization (including, in the case where securities exchangeable for or convertible, in either case without the payment of further consideration, into Common Shares are distributed, and the conversion of such securities is not conditional upon the occurrence of another event, the number of Common Shares that would have been outstanding had such securities been exchanged for or converted into Common Shares on such record date).

- (c) If and whenever at any time after the date hereof, and prior to the Time of Expiry, the Corporation shall issue rights, options or warrants to all, or substantially all, of the holders of the outstanding Common Shares, pursuant to which such shareholders are entitled, directly or indirectly, during a period expiring not more than 45 days after the record date for such issue (the "**Rights Period**"), to subscribe for, or purchase, Common Shares at a price per share (or at an exchange or conversion price per share at the date of issue of such securities in the case of securities exchangeable for, or convertible into, Common Shares) less than 95% of the Current Market Price (as hereinafter defined) for the Common Shares on such record date (any of such events being hereinafter called a "**Rights Offering**"), then the exercise price shall be adjusted effective immediately after the end of the Rights Period to a price determined by multiplying the exercise price in effect immediately prior to the end of the Rights Period by a fraction:
- (i) the numerator of which shall be the aggregate of:
 - (A) the number of Common Shares outstanding as of the record date for the Rights Offering, and
 - (B) a number determined by dividing: (i) either (1) the product of the number of Common Shares issued, or subscribed for, during the Rights Period upon the exercise of the rights, warrants, or options distributed under the Rights Offering and the price per share at which such Common Shares are acquired; or, as the case may be, (2) the product of the exchange or conversion price of the securities distributed under the Rights Offering and the number of Common Shares for or into which such securities were exchanged or converted during the Rights Period; by (ii) the Current Market Price of the Common Shares as of the record date for the Rights Offering, and
 - (ii) the denominator of which shall be the number of Common Shares outstanding immediately after the end of the Rights Period (after giving effect to the Rights Offering, including the number of Common Shares actually issued, or subscribed for, during the Rights Period upon exercise of the rights, warrants or options (or securities derived therefrom) distributed under the Rights Offering).
- (b) If and whenever at any time after the date hereof, and prior to the Time of Expiry, the Corporation shall fix a record date for the issue or the distribution to all, or substantially all, of the holders of outstanding Common Shares of: (i) shares of the Corporation of any class other than Common Shares (other than the issue of shares to holders of Common Shares pursuant to the exercise of an option to receive dividends in the form of such shares in lieu of dividends paid in the ordinary course on the Common Shares); (ii) rights, options or warrants to acquire Common Shares or securities exchangeable for or convertible into Common Shares (excluding those exercisable for a period expiring not more than 45 days after such record date at a price per share (or having a conversion or exchange price per share) of not less than 95% of the Current Market Price); or (iii) evidences of indebtedness; and if such issuance or distribution does not constitute a dividend paid in the ordinary course, a Common Share Reorganization or a Rights Offering (any of such non-excluded events being herein called a "**Special Distribution**"), the exercise price shall be adjusted effective immediately after such record date to a price determined by multiplying the exercise price in effect on such record date by a fraction:
- (iii) the numerator of which shall be:

- (A) the product of the number of Common Shares outstanding on such record date and the Current Market Price of the Common Shares on such record date; less
 - (B) the fair market value, as determined by action by the directors of the Corporation (whose determination shall be conclusive), to the holders of the Common Shares of the shares, rights, options, warrants, or evidences of indebtedness issued or distributed in the Special Distribution; and
- (iv) the denominator of which shall be the number of Common Shares outstanding on such record date multiplied by the Current Market Price of the Common Shares on such record date.
- (c) If and whenever at any time after the date hereof, and prior to the Time of Expiry, the Corporation shall determine to transfer all or a portion of its assets to a subsidiary and to distribute shares of such subsidiary to holders of Common Shares, holders of Warrants on the record date of such distribution shall be entitled to receive, upon exercise of their Warrants, in addition to Common Shares, such number of shares in the subsidiary equal to the number of shares they would have received had they exercised the Warrants prior to such record date and continued to hold the Common Shares received upon the exercise of the Warrants, on such record date.
- (d) If and whenever at any time after the date hereof, and prior to the Time of Expiry, there shall be a reclassification of the Common Shares at any time outstanding or a change of the outstanding Common Shares into other shares or into other securities (other than a Common Share Reorganization), or a consolidation, amalgamation or merger of the Corporation with or into any other corporation or other entity (other than a consolidation, amalgamation or merger which does not result in any reclassification of the outstanding Common Shares or a change of the Common Shares into other shares), or a transfer of the undertaking or assets of the Corporation as an entirety or substantially as an entirety to another corporation or other entity (any of such events being herein called a "**Capital Reorganization**"), the holder, upon any exercise of its right hereunder to purchase Common Shares after the effective date of such Capital Reorganization, shall be entitled to receive, and shall accept, for the same aggregate consideration, in lieu of the number of Common Shares to which the holder was theretofore entitled upon such exercise, the aggregate number of shares, other securities or other property which the holder would have been entitled to receive as a result of such Capital Reorganization if, on the effective date thereof, the holder had been the registered holder of the number of Common Shares that the holder was theretofore entitled to acquire upon such exercise. The Corporation shall not enter into any transaction whereby all or substantially all of its undertaking, property and assets would become the property of any other corporation (herein called a "**successor corporation**"), whether by way of reorganization, reconstruction, consolidation, amalgamation, arrangement, merger, transfer, sale, disposition or otherwise, unless, prior to or contemporaneously with the consummation of such transaction, the Corporation and the successor corporation shall have executed such instruments and done such things as the Corporation, acting reasonably, considers necessary or advisable to establish that upon the consummation of such transaction:
 - (v) the successor corporation shall have assumed all the covenants and obligations of the Corporation under this Warrant Certificate, and
 - (vi) the Warrants and the terms set forth in this Warrant Certificate shall be a valid and binding obligation of the successor corporation entitling the holder, as

against the successor corporation, to all the rights of the holder under this Warrant Certificate.

- (e) If and whenever at any time after the date hereof, and prior to the Time of Expiry, a Common Share Reorganization shall occur and any such event results in an adjustment in the exercise price, the number of Common Shares purchasable pursuant to each of these Warrants shall be adjusted contemporaneously with the adjustment of the exercise price, by multiplying the number of Common Shares theretofore purchasable on the exercise thereof by a fraction the numerator of which shall be the exercise price in effect immediately prior to such adjustment and the denominator of which shall be the exercise price resulting from such adjustment.
- (f) The adjustments to the exercise price and number or type of shares of the Corporation provided for herein are cumulative and such adjustments shall be made successively whenever any of the relevant events referred to herein shall occur, subject to any approvals required by the principal stock exchange on which the Common Shares are then traded, as applicable. For purposes of the adjustments set forth above, the following provisions shall apply:
 - (vii) no adjustment in the exercise price shall be required unless such adjustment would result in a change of at least 1% in the prevailing exercise price and no adjustment shall be made pursuant to clause (d) in the number of Common Shares purchasable upon exercise of any of these Warrants unless a corresponding adjustment to the exercise price is required hereunder; provided, however, that any adjustments which, except for the provisions of this clause (f)(i) would otherwise have been required to be made, shall be carried forward and taken into account in any subsequent adjustment;
 - (viii) if a dispute shall at any time arise with respect to adjustments provided for herein, such dispute shall be conclusively determined by the Corporation's auditors (except in cases where any determination relating to adjustments is to be made by the board of directors of the Corporation), or if they are unable or unwilling to act, by such other firm of independent chartered accountants as may be selected by action of the directors and any such determination shall be binding upon the Corporation and the holder;
 - (ix) in case the Corporation, after the date hereof and prior to the Time of Expiry, shall take any action affecting the outstanding Common Shares, other than an action described herein, which in the opinion of the board of directors of the Corporation would materially affect the rights of the holder, the exercise price or the number of Common Shares purchasable upon exercise of these Warrants (or both, as the case may be) shall be adjusted in such manner, if any, and at such time, as the directors in their sole discretion may determine to be equitable in the circumstances;
 - (x) if the Corporation shall set a record date to determine holders of outstanding Common Shares entitled to receive any dividend or distribution or any subscription or purchase rights and shall, thereafter and before the distribution to such shareholders of any such dividend, distribution or subscription or purchase rights, legally abandon its plan to pay or deliver such dividend, distribution or subscription or purchase rights, then no adjustment in the exercise price or the number of Common Shares purchasable upon exercise of any of these Warrants shall be required by reason of the setting of such record date;
 - (xi) "**Current Market Price**" of the Common Shares at any date means a price per share equal to the weighted average price at which the Common Shares have traded in board

lots on the principal stock exchange on which the Common Shares are then traded, or if the Common Shares are not then listed, at such price as may be determined by the board of directors of the Corporation, in its sole discretion, prior to such date;

- (xii) in the absence of a resolution of the directors fixing a record date for a Rights Offering or Special Distribution, the Corporation shall be deemed to have fixed as the record date therefor the date on which the Rights Offering or Special Distribution is effected;
 - (xiii) as a condition precedent to the taking of any action which would require any adjustment in any attribute of these Warrants, including the exercise price and the number or class of shares or other securities which are to be received upon the exercise thereof, the Corporation shall take any corporate action which may, in the opinion of counsel, be necessary in order that the Corporation have unissued and reserved in its authorized capital and may validly and legally issue as fully paid and non-assessable all shares or other securities that the holder is entitled to receive on the total exercise hereof in accordance with the provisions hereof; and
 - (xiv) **"dividends paid in the ordinary course"** means cash dividends declared payable on the Common Shares in any fiscal year of the Corporation to the extent that such cash dividends do not exceed, in the aggregate, the greatest of: (i) 200% of the aggregate amount of cash dividends declared payable by the Corporation on the outstanding Common Shares in its immediately preceding fiscal year; (ii) 300% of the arithmetic mean of the aggregate amounts of cash dividends declared payable by the Corporation on the outstanding Common Shares in its three immediately preceding fiscal years; and (iii) 100% of the aggregate consolidated net income of the Corporation, before extraordinary items, for its immediately preceding fiscal year.
- (g) In any case in which the terms of these Warrants shall require that an adjustment become effective as of a particular time, the Corporation may defer, until such time, issuing to the holder in respect of any Warrants exercised after the record date for the event giving rise to the adjustment and before such time the kind and amount of shares, other securities or property to which the holder would be entitled upon such exercise by reason of the relevant adjustment, provided, however that the Corporation shall deliver to the holder an appropriate instrument evidencing such holder's right, upon the occurrence of any event requiring the adjustment, to the relevant adjustment.
- (h) At least 10 days prior to the effective date or record date, as the case may be, of any event which requires or might require an adjustment in any attribute of these Warrants, including the exercise price and the number of Common Shares that are purchasable upon the exercise thereof, the Corporation shall give notice to the holder of the particulars of such event and, if determinable, the required adjustment. In case any adjustment is not then determinable, the Corporation shall promptly after such adjustment is determinable give notice to the holder of the adjustment.

On the happening of each and every event referred to above that gives rise to an adjustment, the applicable provisions of these Warrants shall, *ipso facto*, be deemed to be amended accordingly and the Corporation shall take all necessary action so as to comply with such provisions as so amended.

The registered holder of this Warrant Certificate may, at any time prior to the Expiry Date, upon surrender of this Warrant Certificate to the Corporation at the principal office referred to above, exchange this Warrant Certificate for other Warrant Certificates entitling the holder to acquire, in the aggregate, the same number of Common Shares as may be acquired under this Warrant Certificate.

The holding of the Warrants evidenced by this Warrant Certificate shall not constitute the holder hereof a shareholder of the Corporation or entitle the holder to any right or interest in respect thereof except as expressly provided in this Warrant Certificate.

If these Warrants are stolen, lost, mutilated or destroyed the Corporation may, on such reasonable terms as to indemnity or otherwise as it may impose, deliver replacement Warrants of like denomination, tenor and date as the Warrants so stolen, lost, mutilated or destroyed.

The Warrants represented hereby and securities which may be acquired hereunder have not been registered under the United States Securities Act of 1933, as amended (the "**U.S. Securities Act**"), or applicable state securities laws, and the Warrants evidenced by this Warrant Certificate may not be exercised by or on behalf of any "U.S. person", as such term is defined in Regulation S under the U.S. Securities Act (a "**U.S. Person**"), or a person within the United States unless registered under the U.S. Securities Act or pursuant to an applicable exemption from registration under the U.S. Securities Act and applicable state securities laws and the Corporation has received an opinion of counsel of recognized standing to such effect in form and substance satisfactory to the Corporation; provided that an "accredited investor", as defined in Rule 501(a) of Regulation D under the U.S. Securities Act, that purchased the Warrants directly from the Corporation pursuant to a written subscription agreement for the purchase of units ("**Units**"), with each Unit consisting of one Common Share and one Warrant, in the Corporation's private placement of Units in the United States, shall not be required to deliver an opinion of counsel in connection with the exercise of Warrants that are a part of those Units.

All Common Shares issuable upon exercise of these Warrants and all certificates issued in exchange therefor or in substitution thereof, shall bear the following legends in substantially the following form:

UNLESS PERMITTED UNDER SECURITIES LEGISLATION, THE HOLDER OF THIS SECURITY MUST NOT TRADE THE SECURITY BEFORE THE DATE THAT IS 4 MONTHS AND A DAY AFTER THE LATER OF: (I) , AND (II) THE DATE THE ISSUER BECAME A REPORTING ISSUER IN ANY PROVINCE OR TERRITORY.

The Corporation represents and warrants that it is duly authorized to create and deliver these Warrants and to issue the Common Shares that may be issued hereunder and that this Warrant Certificate, when signed by the Corporation as herein provided, shall be a valid obligation of the Corporation enforceable against the Corporation in accordance with the provisions hereof. The Corporation hereby covenants and agrees that, subject to the provisions hereof, it shall cause the Common Shares from time to time duly subscribed for and purchased in the manner herein provided, and the certificates evidencing such Common Shares, to be duly issued and delivered, and that at all times up to and including the Time of Expiry, while these Warrants remain outstanding, it shall have sufficient authorized capital to satisfy its obligations hereunder should the holder determine to exercise the right in respect of all the Common Shares for the time being purchasable pursuant to these Warrants. Certificates for Common Shares issued upon the exercise of these Warrants may bear such legend or legends as to transfer as may be considered necessary by the Corporation and its counsel, acting reasonably. All Common Shares issued upon the exercise of the right of purchase herein provided (upon payment therefor of the amount at which such Common Shares may at the time be purchased pursuant to the provisions hereof), shall be issued as fully paid and nonassessable Common Shares and the holders thereof shall not be liable to the Corporation or its creditors in respect thereof.

Time shall be of the essence hereof. These Warrants shall be governed by and construed in accordance with the laws of the Province of British Columbia and the laws of Canada applicable therein.

This Warrant Certificate shall not be valid for any purpose whatever unless and until it has been executed by the Corporation. The Warrants represented by this Warrant Certificate and all rights granted hereunder are non-transferrable and non-assignable.

IN WITNESS WHEREOF the Corporation has caused this Warrant Certificate to be signed by its duly authorized officer on this ____ day of _____, 201__.

NORTH AMERICA HOME FINANCE INC.

Per: _____

EXERCISE FORM**TO: NORTH AMERICA HOME FINANCE INC.**

The undersigned hereby exercises the right pursuant to the Warrants represented by this Warrant Certificate to acquire _____ Class C common shares of North America Home Finance Inc. (the "**Corporation**") (or such number of other securities or property to which such Warrants entitle the undersigned in lieu thereof or in addition thereto under the terms and conditions referred to in this Warrant Certificate), in accordance with and subject to the terms and conditions referred to in this Warrant Certificate.

The Common Shares (or other securities or property) are to be issued as follows:

Name:

Address in full:

Number of Common Shares:

Social Insurance Number:

DATED this ____ day of _____, ____.

Signature Guaranteed (Signature of Warrantholder)

(Print full name)

(Print full address)

(Social Insurance Number)

Instructions:

1. The registered holder may exercise its right to receive Common Shares by completing this Exercise Form and surrendering this Warrant Certificate representing the Warrants being exercised to the Corporation at its transfer agent Alliance Trust Company, #1010, 407 – 2nd Street SW, Calgary, Alberta, T2P 2Y3. Certificates for Common Shares shall be delivered or mailed as soon as practicable, and in any event within five business days, after the exercise of the Warrants.
2. If the Exercise Form indicates that Common Shares are to be issued to a person or persons other than the registered holder of the Warrant Certificate, the signature of such holder on the Exercise Form must be guaranteed by an authorized officer of a chartered bank, trust company or an investment dealer who is a member of a recognized stock exchange. **Common Shares shall only be transferable in accordance with applicable laws.**
3. If the Exercise Form is signed by a trustee, executor, administrator, curator, guardian, attorney, officer of a corporation or any person acting in a fiduciary or representative capacity, the Warrant Certificate must be accompanied by evidence of authority to sign satisfactory to the Corporation.

**SCHEDULE "E" TO THE
OFFERING MEMORANDUM OF
NORTH AMERICA HOME FINANCE INC.**

Securities Subscription Agreement

SUBSCRIPTION FOR HB BONDS / REB UNITS

TO: North America Home Finance (the "Corporation")
AND TO: Waverley Corporate Financial Services Inc. (the "Agent")

The undersigned (hereinafter referred to as the "**Subscriber**") hereby irrevocably subscribes for and agrees to purchase the number of HB Bonds and/or REB Units of the Corporation (collectively, the "**Securities**"), set forth below for the aggregate subscription price set forth below (the "**Aggregate Subscription Price**"), representing a subscription price of CDN\$1,000.00 per HB Bond or CDN\$1,000.00 per REB Unit, and upon and subject to the terms and conditions set forth in "**Terms and Conditions of Subscription for HB Bonds or REB Units of North America Home Finance Inc.**" attached hereto (together with these first two pages and the attached Exhibits, the "**Subscription Agreement**"). Each REB Unit is comprised of one RE Bond, 100 share purchase warrant each entitling the holder to purchase one Class C common share of the Corporation (as described herein) and one Right (as described herein). By executing this Subscription Agreement, the Subscriber consents to the collection, use and disclosure of the Subscriber's personal information in the manner described in the Privacy Notice attached to this Subscription Agreement. **In addition to this face page, the Subscriber must also complete the Exhibits attached hereto, as applicable.**

Full Legal Name of Subscriber (please print)

By: _____
Signature of Subscriber or its Authorized Representative

Official Title or Capacity (please print)

Name of Signatory (please print name of individual whose signature appears above if different than name of Subscriber)

Subscriber's Address (including postal code)

Telephone Number (including area code)

E-mail Address

Aggregate Subscription Price: \$ _____

Number of HB Bonds: _____

Number of REB Units: _____

Disclosed Beneficial Purchaser Information:

If the Subscriber is signing as agent for a principal and is not deemed to be purchasing as principal pursuant to applicable securities legislation, complete the following and ensure that the Schedules and Exhibits, as applicable, are completed in respect of such principal:

(Name of Principal)

(Principal's address)

(Telephone Number)

(E-mail Address)

Register the HB Bonds, REB Units and/or Rights (if different from address given above) as follows:

Name

Account reference, if applicable

Address (including postal code)

Deliver the Securities (if different from address given above) as follows:

Name

Account reference, if applicable

Contact Name

Address (including postal code)

Telephone Number (including area code)

ACCEPTANCE: The Corporation hereby accepts the subscription as set forth above on the terms and conditions contained in this Subscription Agreement and the Corporation represents and warrants to the Subscriber that the representations and warranties made by the Corporation to the Agent in the Agency Agreement (as defined herein) are true and correct in all material respects as of the Closing Date (as defined herein) (save and except as waived in whole or in part by the Agent) and that the Subscriber is entitled to rely thereon.

North America Home Finance Inc.

_____, 201__

Per: _____

No.: _____

This is the first page of an agreement comprised of 13 pages (excluding the Schedules and Exhibits hereto).

PLEASE MAKE SURE THAT YOUR SUBSCRIPTION INCLUDES:

1. a signed copy of this Subscription Agreement;
2. a certified cheque, bank draft or wire transfer in an amount equal to the Aggregate Subscription Amount in immediately payable funds, payable to "**North America Home Finance Inc., in Trust**";
3. **if the Subscriber is an "accredited investor" and resident in British Columbia, Alberta, or Ontario**, one (1) copy of the Representation Letter in the form attached to this Subscription Agreement as Schedule "A" (including a duly completed and initialed copy of Exhibit A to Schedule "A") and, if you are an individual described in paragraphs (j), (k), or (l) of the definition of "accredited investor" in Section 1.1 of National Instrument 45-106 entitled *Prospectus Exemptions* ("NI 45-106") (which definition is reproduced in Exhibit A to Schedule "A"), a duly completed and signed copy of Exhibit B to Schedule "A");
4. **if the Subscriber is purchasing the Securities in reliance on the "offering memorandum exemption" and is resident in British Columbia**, two (2) copies of the Risk Acknowledgement in the form attached to this Subscription Agreement as Schedule "B";
5. **if the Subscriber is purchasing the Securities in reliance on the "offering memorandum exemption" and is resident in Alberta or Ontario**:
 - (i) two (2) copies of the Risk Acknowledgement in the form attached to this Subscription Agreement as Schedule "B";
 - (ii) **if the Subscriber is an "eligible investor" as such term is defined in NI 45-106**, one (1) copy of the Certificate of Eligible Investor in the form attached to this Subscription Agreement as Schedule "C";
 - (iii) one (1) copy of each of Exhibit 1 and Exhibit 2 to Schedule "D" attached to this Subscription Agreement and meet the investment limits specified therein (the investment limits do not apply if you are not an individual or you are an "accredited investor");
 - (iv) if the Subscriber is relying on advice from a portfolio manager, investment dealer or exempt market dealer (each a "**registrant**") to increase its 12-month investment limit to \$100,000, then the dealing representative or advising representative of such registrant who provided such advice must complete Section 2 of Exhibit 2 to Schedule "D"; and
 - (v) the person meeting with or providing information to you must complete Schedule "E"; and
6. **if the Subscriber is not a resident of Canada or the United States**, one (1) copy of each of the Representation Letters in the forms attached to this Subscription Agreement as Schedule "A" and Schedule "F".

Subject to subscriptions by certain Subscribers, as described herein, the Aggregate Subscription Amount will be held by TingleMerrett LLP until the Closing. This Offering is subject to the Corporation receiving minimum subscription proceeds of \$100,000 in the case of the offering of HB Bonds and \$1,000,000 in the case of offering REB Units. Upon acceptance of the Subscription Agreement by the Corporation at Closing, all funds will be paid to the Corporation without any further action or consent required by the Subscriber. Should the Closing not occur, all funds will be returned to Subscribers without interest or deduction.

PLEASE DELIVER YOUR SUBSCRIPTION TO:

Tingle Merrett LLP
1250, 639 – 5th Avenue S.W.
Calgary, Alberta T2P 0M9
Fax: (403) 571-8008
Attention: Scott Reeves
sreeves@tinglemerrett.com

**TERMS AND CONDITIONS OF SUBSCRIPTION FOR
HB BONDS OR REB UNITS OF NORTH AMERICA HOME FINANCE INC.**

1. **Definitions.** In this Subscription Agreement:

- (a) "Addendum" means an addendum to the Subscription for HB Bonds/REB Units whereby in exchange for a 7% discount to the subscription price for REB Units, the Subscriber has agreed to allow the Corporation to use the Subscriber's Aggregate Subscription Amount as a fully refundable deposit to purchase the RE Property (as defined in the Offering Memorandum) prior to the Closing Date;
- (b) "Agency Agreement" shall have the meaning ascribed thereto in Section 12 hereof;
- (c) "Agent" means Waverly Corporate Financial Services Inc.;
- (d) "Aggregate Subscription Amount" has the meaning set forth on the face page hereof;
- (e) "Closing Date" means the date of closing of this Offering, being such date or date(s) as the Corporation and the Agent may agree upon, with the first closing to occur on or about December 31, 2016;
- (f) "Corporation" means North America Home Finance Inc., a corporation incorporated under the laws of Canada;
- (g) "Discounted Subscriber" means a Subscriber who is one or more of a group of Subscribers purchasing the first \$150,000 of REB Units as an "accredited investor" pursuant to Section 2.3 of National Instrument 45-106 entitled *Prospectus Exemptions* and who has signed the Addendum;
- (h) "HB Bonds" means debt securities (called HomeBuild bonds) to be issued by the Corporation, whereby each HB Bond carries an interest rate of 7.75% per annum, payable upon maturity, and will be repayable in 30 months, subject to the right of the Issuer to extend for three 6 month terms, to a maximum of 48 months;
- (i) "NI 45-106" means National Instrument 45-106 entitled *Prospectus Exemptions*;
- (j) "Offering" shall have the meaning ascribed thereto in paragraph 2(b) hereof;
- (k) "Offering Memorandum" means the offering memorandum of the Corporation dated December 5, 2016, and any documents incorporated therein by reference, as may be amended from time to time;
- (l) "RE Bonds" means debt securities (called Real Equity bonds) to be issued by the Corporation as part of the REB Units, whereby each RE Bond carries an interest rate of 7.25% per annum, payable at the end of the quarter in arrears on the last business day of any given quarter, and will be repayable in 60 months, subject to the right of the Issuer to extend for two 12 month terms, to a maximum of 84 months;
- (m) "Rights" means an instrument to be issued by Corporation as part of the REB Units that grants the holder with the right to receive a cash amount calculated as the redemption amount paid to the holder of the rights upon the completion of a sale of the RE Property (as defined in the Offering Memorandum);
- (n) "Securities" means collectively, the HB Bonds, RE Bonds, Warrants and Rights; and
- (o) "Warrants" means the share purchase warrants to be issued by the Corporation as part of the REB Units, whereby each warrant shall entitle the holder to purchase one Class C common share at any time for a period of 5 years from the date of issuance at an exercise price of \$0.50 per Common Share within the first 12 months, with the price escalating by 10% per year following the first anniversary from the date of issuance.

2. **Acknowledgements of the Subscriber.** The Subscriber acknowledges (on its own behalf and, if applicable, on behalf of each person on whose behalf the Subscriber is contracting) that:

- (a) this subscription is subject to rejection or acceptance by the Corporation, and is effective only upon acceptance by the Corporation;
- (b) the Securities subscribed for by the Subscriber hereunder form part of a larger issue and sale by the Corporation of a minimum of 100 HB Bonds (\$100,000) and a maximum of 5,000 HB Bonds

(\$5,000,000), each at a subscription price of \$1,000 per HB Bond; or a minimum of 1,000 REB Units (\$1,000,000) up to a maximum of 3,700 REB Units (\$3,700,000), each at a subscription price of \$1,000 per REB Unit, all pursuant to the Offering Memorandum (collectively, the "Offering");

- (c) the Agent has been appointed as agent pursuant to the Agency Agreement to offer the Securities on a "commercially reasonable efforts" basis and the Corporation has agreed to pay to the Agent a cash commission equal to 8% of the gross proceeds from sales of Securities under the Offering where the Agent has funded the marketing costs and as low as 6% where the Corporation has funded the operating costs, and to reimburse the Agent for its reasonable expenses incurred pursuant to the Offering (including reasonable legal fees);
 - (d) the minimum purchase per Subscriber is \$5,000 (5 HB Bonds or 5 REB Units), provided however, the Corporation has the discretion to accept subscriptions in lower amounts if the Corporation deems it necessary or reasonable in the circumstances;
 - (e) **the Subscriber is responsible for obtaining such legal and tax advice as it considers appropriate in connection with the execution, delivery and performance by it of this Subscription Agreement; and**
 - (f) **there are risks associated with an investment in the Securities, including, without limitation, those risks set out in this Subscription Agreement and the Offering Memorandum and, as a result, the Subscriber may lose its entire investment.**
3. **Representations, Warranties and Covenants of the Subscriber.** By executing this Subscription Agreement, the Subscriber (on its own behalf and, if applicable, on behalf of each person on whose behalf the Subscriber is contracting) represents, warrants and covenants to the Corporation, the Agent and their respective counsel (and acknowledges that the Corporation, the Agent and their respective counsel are relying thereon), as at the date hereof and the Closing Date, that:
- (a) if the Subscriber is an individual, the Subscriber is of the full age of majority in the jurisdiction in which this Subscription Agreement is executed and is legally competent to execute and deliver this Subscription Agreement, to perform all of its obligations hereunder, and to undertake all actions required of the Subscriber hereunder;
 - (b) if the Subscriber is not an individual, the Subscriber has the requisite power, authority, legal capacity and competence to execute and deliver and be bound by this Subscription Agreement, to perform all of its obligations hereunder, and to undertake all actions required of the Subscriber hereunder, and all necessary approvals of its directors, partners, shareholders, trustees or otherwise with respect to such matters have been given or obtained;
 - (c) if the Subscriber is a body corporate, partnership, unincorporated association or other entity, the Subscriber has been duly incorporated or created and is validly subsisting under the laws of its jurisdiction of incorporation or creation;
 - (d) this Subscription Agreement has been duly and validly authorized, executed and delivered by, and constitutes a legal, valid, binding and enforceable obligation of, the Subscriber;
 - (e) the execution, delivery and performance by the Subscriber of this Subscription Agreement and the completion of the transactions contemplated hereby do not and will not result in a violation of any law, regulation, order or ruling applicable to the Subscriber, and do not and will not constitute a breach of or default under any of the Subscriber's constating documents (if the Subscriber is not an individual) or any agreement or covenant to which the Subscriber is a party or by which it is bound;
 - (f) the Subscriber confirms that the Subscriber (and, if the Subscriber is not purchasing as principal, each beneficial purchaser for whom the Subscriber is acting):
 - (i) has such knowledge in financial and business affairs as to be capable of evaluating the merits and risks of its investment in the Securities;
 - (ii) is capable of assessing the proposed investment in the Securities as a result of the Subscriber's own experience or as a result of advice received from a person registered under applicable securities legislation;

- (iii) is aware of the characteristics of the Securities and the risks relating to an investment therein; and
 - (iv) is able to bear the economic risk of loss of its investment in the Securities;
- (g) the Subscriber acknowledges that:
 - (i) no securities commission or similar regulatory authority has reviewed or passed on the merits of the Securities;
 - (ii) there is no government or other insurance covering the Securities;
 - (iii) there are risks associated with the purchase of the Securities;
 - (iv) there are restrictions on the Subscriber's ability to resell the Securities and it is the responsibility of the Subscriber to find out what those restrictions are and to comply with them before selling the Securities; and
 - (v) the Corporation has advised the Subscriber that the Corporation is relying on an exemption from the requirements to provide the Subscriber with a prospectus and to sell securities through a person or company registered to sell securities under the *Securities Act* (Ontario) and other applicable securities laws and, as a consequence of acquiring Securities pursuant to this exemption, certain protections, rights and remedies provided by the *Securities Act* (Ontario) and other applicable securities laws, including statutory rights of rescission or damages, will not be available to the Subscriber;
- (h) the Subscriber acknowledges that no prospectus has been filed by the Corporation with any securities commission or similar regulatory authority in any jurisdiction in connection with the issuance of the Securities, and the issuance of the Securities is exempted from the prospectus requirements available under the provisions of applicable securities laws, and as a result:
 - (i) the Subscriber is restricted from using some of the civil remedies otherwise available under applicable securities laws;
 - (ii) the Subscriber will not receive information that would otherwise be required to be provided to it under applicable securities laws; and
 - (iii) the Corporation is relieved from certain obligations that would otherwise apply under applicable securities laws;
- (i) other than the Offering Memorandum, the Subscriber has not received or been provided with, nor has it requested, nor does it have any need to receive, any prospectus or any other document (other than the annual financial statements, interim financial statements or any other document (excluding offering memoranda, prospectuses or other offering documents) the content of which is prescribed by statute or regulation) describing the business and affairs of the Corporation, which has been prepared for delivery to and review by prospective purchasers in order to assist them in making an investment decision in respect of the purchase of Securities pursuant to the Offering;
- (j) the Subscriber has been solely responsible for its own due diligence investigation of the Corporation and its business, and analysis of the merits and risks of the investment in the Securities, and is not relying on anyone else's analysis or investigation of the Corporation, its business or the merits and risks of the Securities;
- (k) the Subscriber confirms that neither the Corporation, the Agent nor any of their representative directors, employees, officers, agents, representatives or affiliates, have made any representations (written or oral) to the Subscriber:
 - (i) regarding the future value of the Securities;
 - (ii) that any person will resell or repurchase the Securities;
 - (iii) that any of the Securities will be listed on any stock exchange or traded on any market; or
 - (iv) that any person will refund the purchase price of the Securities other than as provided in this Subscription Agreement;
- (l) the Subscriber confirms that it has been advised to consult its own legal and financial advisors in its own jurisdiction of residence with respect to the suitability of the Securities as an investment for the Subscriber, the tax consequences of purchasing and dealing with the Securities, and the

resale restrictions and "hold periods" to which the Securities are or may be subject under applicable securities legislation or stock exchange rules, and has not relied upon any statements made by or purporting to have been made on behalf of the Corporation or the Agent with respect to such suitability, tax consequences, and resale restrictions;

- (m) the Subscriber is resident in the jurisdiction indicated on the face page of this Subscription Agreement as the "Subscriber's Address" and the purchase by and sale to the Subscriber of the Securities, and any act, solicitation, conduct or negotiation directly or indirectly in furtherance of such purchase and sale (whether with or with respect to the Subscriber or any beneficial purchaser) has occurred only in such jurisdiction;
- (n) the Subscriber acknowledges that it and/or the Corporation or the Agent may be required to provide applicable securities regulatory authorities or stock exchanges with information concerning the identities of the beneficial purchasers of the Securities and the Subscriber agrees that, notwithstanding that the Subscriber may be purchasing the Securities as agent for an undisclosed principal, the Subscriber will provide to the Corporation and the Agent, on request, particulars as to the identity of such undisclosed principal as may be required by the Corporation or the Agent in order to comply with the foregoing;
- (o) the Subscriber has not relied upon any verbal or written representation as to fact or otherwise made by or on behalf of the Corporation or the Agent, other than pursuant to the Offering Memorandum delivered to the Subscriber and except as expressly set forth herein;
- (p) unless the Subscriber satisfies Section 3(q) below, the Subscriber satisfies one of subsections (i), (ii), (iii) or (iv) below:
 - (i) **if the Subscriber is resident in or otherwise subject to the applicable securities laws of British Columbia, Alberta or Ontario**, the Subscriber is purchasing the Securities as principal (or is deemed to be purchasing as principal) for its own account, not for the benefit of any other person, the Subscriber is an "accredited investor" as defined in National Instrument 45-106 entitled *Prospectus Exemptions* ("NI 45-106") (or, if applicable for Subscribers in Ontario, the corresponding categories for the definition of an "accredited investor" as defined in Section 73.3 of the *Securities Act* (Ontario)), which definitions are reproduced in Exhibit A to Schedule "A" attached hereto, the Subscriber was not created or used solely to purchase or hold securities as an accredited investor as described in paragraph (m) of the definition of "accredited investor" in NI 45-106 and reproduced in Exhibit A to Schedule "A" hereto, the Subscriber is not a trust company or trust corporation registered under the laws of Prince Edward Island that is not registered or authorized under the *Trust and Loan Companies Act* (Canada) or under comparable legislation in another jurisdiction of Canada **and the Subscriber has executed and delivered to the Corporation a Representation Letter in the form attached hereto as Schedule "A" indicating that the Subscriber fits within one of the categories of "accredited investor" set forth in such definitions (including a duly completed and initialed copy of Exhibit A to Schedule "A" and, if the Subscriber is an individual described in paragraphs (j), (k), or (l) of the definition of "accredited investor" in Section 1.1 of NI 45-106, a duly completed and signed copy of Exhibit B to Schedule "A"); OR**
 - (ii) **if the Subscriber is relying on the offering memorandum exemption found in Section 2.9 of NI 45-106 and is resident in or otherwise subject to the applicable securities laws of British Columbia**, it is purchasing the Securities as principal (or is deemed to be purchasing as principal) for its own account and not for the benefit of any other person and it has received or been provided with a copy of the Offering Memorandum **and the Subscriber has executed and delivered to the Corporation one (1) copy of the Risk Acknowledgement in the form attached hereto as Schedule "B" and retained a second copy of such Risk Acknowledgement for its records;**
 - (iii) **if the Subscriber is relying on the offering memorandum exemption found in Section 2.9 of NI 45-106 and is resident in or otherwise subject to the applicable securities laws of Alberta or Ontario:**
 - (A) it is purchasing the Securities as principal (or is deemed to be purchasing as principal) for its own account and not for the benefit of any other person;

- (B) it was not created or used solely to purchase or hold securities in reliance on this Section 3(p)(iii);
- (C) the acquisition cost of all securities acquired by the Subscriber who is an individual in the preceding 12 months does not exceed: (i) in the case of a Subscriber that is not an eligible investor, \$10,000; (ii) in the case of a Subscriber that is an eligible investor, \$30,000; (iii) in the case of a Subscriber that is an eligible investor and that has received advice from a portfolio manager, investment dealer or exempt market dealer that the investment is suitable, \$100,000; and
- (D) at the same time or before the Subscriber signs this Subscription Agreement, it has received or been provided with a copy of the Offering Memorandum,

and the Subscriber has executed and delivered to the Corporation:

- (E) one (1) copy of the Risk Acknowledgement in the form attached hereto as Schedule "B" and retained a second copy of such Risk Acknowledgement for its records;
- (F) if the Subscriber is an "eligible investor" as such term is defined in NI 45-106, one (1) copy of the Certificate of Eligible Investor in the form attached to this Subscription Agreement as Schedule "C";
- (G) one (1) copy of each of Exhibit 1 and Exhibit 2 to Schedule "D" attached to this Subscription Agreement and meets the investment limits specified therein (the investment limits do not apply if the Subscriber is not an individual or it is an "accredited investor" as defined in NI 45-106);
- (H) if the Subscriber is relying on advice from a portfolio manager, investment dealer or exempt market dealer (each a "registrant") to increase its 12-month investment limit to \$100,000, then the dealing representative or advising representative of such registrant who provided such advice must complete Section 2 of Exhibit 2 to Schedule "D"; and
- (I) the person meeting with or providing information to the Subscriber must complete Schedule "E";

OR

- (iv) **if the Subscriber is relying on the offering memorandum exemption found in Section 2.9 of NI 45-106 and is resident in or otherwise subject to the applicable securities laws of Manitoba:**

- (A) it is purchasing the Securities as principal (or is deemed to be purchasing as principal) for its own account and not for the benefit of any other person;
- (B) it is an eligible investor (in which case, it was not created or used solely to purchase or hold securities as an eligible investor as defined in paragraph (a) of the definition of "eligible investor" in NI 45-106) or the acquisition cost of the Securities does not exceed \$10,000; and
- (C) at the same time or before the Subscriber signs this Subscription Agreement, it has received or been provided with a copy of the Offering Memorandum,

and the Subscriber has executed and delivered to the Corporation one (1) copy of the Risk Acknowledgement in the form attached hereto as Schedule "B" and retained a second copy of such Risk Acknowledgement for its records and, if the acquisition cost to the Subscriber exceeds \$10,000, one (1) copy of the Certificate of Eligible Investor in the form attached to this Subscription Agreement as Schedule "C"; OR

- (q) **if the Subscriber is not purchasing the Securities as principal pursuant to section 3(p),** it is duly authorized to enter into this Subscription Agreement and to execute and deliver all documentation in connection with the purchase on behalf of each beneficial purchaser, each of whom is purchasing as principal for its own account, not for the benefit of any other person, and

not with a view to the resale or distribution of all or any of the Securities, it acknowledges that the Corporation may be required by law to disclose to certain regulatory authorities the identity of each beneficial purchaser of Securities for whom it may be acting, it is resident in the jurisdiction set out as the "Subscriber's Residential Address" and each beneficial purchaser is resident in the jurisdiction set out as the "Disclosed Beneficial Purchaser Information" and the purchase by and sale of the Securities, and any act, solicitation, conduct or negotiation directly or indirectly in furtherance of such purchase and sale (whether with or with respect to the Subscriber or any beneficial purchaser) has occurred only in such jurisdiction(s), and:

- (i) it is acting as agent for a disclosed beneficial purchaser, who is disclosed on the face page of this Subscription Agreement, who is resident in the jurisdiction set out as the "Disclosed Beneficial Purchaser's Residential Address" and who complies with section 3(p)(i) hereof as if all references therein were to the disclosed beneficial purchaser rather than to the Subscriber **and the Subscriber has concurrently executed and delivered a Representation Letter in the form attached hereto as Schedule "A" on behalf of such disclosed beneficial purchaser indicating that the disclosed beneficial purchaser fits within one of the categories of "accredited investor" set forth in such definitions (including a duly completed and initialed copy of Exhibit A to Schedule "A" and, if the Subscriber is an individual described in paragraphs (j), (k), or (l) of the definition of "accredited investor" in Section 1.1 of NI 45-106, a duly completed and signed copy of Exhibit B to Schedule "A"); or**
- (ii) it is deemed to be purchasing as principal under NI 45-106 because it is an "accredited investor" as such term is defined in paragraphs (p) or (q) of the definition of "accredited investor" in NI 45-106 and reproduced in Exhibit A to Schedule "A" attached hereto (provided, however, that it is not a trust company or trust corporation registered under the laws of Prince Edward Island that is not registered or authorized under the *Trust and Loan Companies Act* (Canada) or under comparable legislation in another jurisdiction of Canada) **and has concurrently executed and delivered a Representation Letter in the form attached hereto as Schedule "A" indicating that the Subscriber satisfies one of the categories of "accredited investor" set out in paragraphs (p) or (q) of the definition of "accredited investor" in NI 45-106 and reproduced in Exhibit A to Schedule "A" hereto and, if the Subscriber is an individual described in paragraphs (j), (k), or (l) of the definition of "accredited investor" in Section 1.1 of NI 45-106, a duly completed and signed copy of Exhibit B to Schedule "A");**
- (r) **if the Subscriber is not purchasing the Securities pursuant to section 3(p) or 3(q), the Subscriber and each person on whose behalf the Subscriber is contracting is a resident of a jurisdiction outside of both Canada and the United States, it has concurrently executed and delivered the Representation Letters in the form attached to this Subscription Agreement as Schedule A" and Schedule "F" and will provide such evidence of compliance with all matters described in such Representation Letters as the Corporation, the Agent or their respective counsel may request including that: (a) the purchase of the Securities does not contravene any of the applicable securities laws in the Subscriber's jurisdiction of residence and does not trigger (i) any obligation to prepare and file a prospectus, an offering memorandum or similar document, or any other ongoing reporting requirements with respect to such purchase or otherwise, or (ii) any registration or other obligation on the part of the Corporation; and (b) the sale of the Securities as contemplated in this Subscription Agreement would, if completed, be made pursuant to an exemption from the prospectus and registration requirements (or similar requirements) under the applicable securities legislation of the Subscriber's jurisdiction of residence;**
- (s) it has been independently advised as to restrictions with respect to trading in the Securities imposed by applicable securities legislation in the jurisdiction in which it resides or is located, confirms that no representation (written or oral) has been made to it by or on behalf of the Corporation or the Agent with respect thereto;
- (t) the Subscriber understands that it may not be able to resell the Securities except in accordance with limited exemptions available under applicable securities legislation, regulatory policy and stock exchange rules, and that the Subscriber is solely responsible for (and neither the Corporation nor the Agent is in any way responsible for) the Subscriber's compliance with applicable resale restrictions;

- (u) **the Subscriber acknowledges that it is aware that there is no market upon which any of the Securities trade and that none may develop and there is no assurance that any of the Securities will be listed and posted for trading on a stock exchange or dealer network in the future;**
- (v) **the Subscriber acknowledges that it is aware that the Corporation is not a "reporting issuer" or the equivalent in any jurisdiction of Canada and therefore, the Securities will be subject to a hold period which may be of indefinite duration;**
- (w) the Subscriber understands that any certificates representing the Securities will bear a legend in accordance with applicable securities legislation indicating that the resale of such securities is restricted and the Subscriber will not sell any of the Securities except in accordance with applicable securities legislation;
- (x) the Subscriber has not become aware of any advertisement in printed media of general and regular paid circulation or on radio, television or other form of telecommunication or any other form of advertisement (including electronic display or the Internet) or sales literature with respect to the distribution of the Securities;
- (y) the Subscriber acknowledges that the Agent has not engaged in or conducted an independent investigation on behalf of the Subscriber with respect to the Corporation or the transactions contemplated by this Subscription Agreement to the same extent or level that the Agent would for a prospectus offering, and that the Agent and its representatives are not liable for any information given or statement made to the Subscriber by the Corporation in connection with the Corporation or the transactions contemplated by this Subscription Agreement, and the Subscriber hereby releases the Agent and its representatives from any claim that may arise in respect of this Subscription Agreement or the transaction contemplated hereby;
- (z) except for the representations and warranties made by the Corporation to the Agent pursuant to the Agency Agreement, the Subscriber has relied solely upon publicly available information relating to the Corporation and not upon any verbal or written representation as to fact or otherwise made by or on behalf of the Corporation or the Agent, such publicly available information having been delivered to the Subscriber without independent investigation or verification by the Agent, and agrees that the Agent assumes no responsibility or liability of any nature whatsoever for the accuracy, adequacy or completeness of publicly available information and acknowledges that Corporation's counsel and the Agent's counsel are acting as counsel to the Corporation and the Agent, respectively, and not as counsel to the Subscriber;
- (aa) the Subscriber is aware that the Securities have not been and will not be registered under the United States *Securities Act of 1933*, as amended (the "U.S. Securities Act"), or the securities laws of any state and that the Securities may not be offered or sold, directly or indirectly, in the United States without registration under the U.S. Securities Act or compliance with requirements of an exemption from registration and it acknowledges that the Corporation has no present intention of filing a registration statement under the U.S. Securities Act in respect of the Securities;
- (bb) the Subscriber is not a "U.S. person" (as that term is defined by Regulation S under the U.S. Securities Act, which definition includes, but is not limited to, an individual resident in the United States, an estate or trust of which any executor or administrator or trustee, respectively, is a U.S. Person and any partnership or corporation organized or incorporated under the laws of the United States) and is not acquiring the Securities for the account or benefit of a U.S. person or a person in the United States;
- (cc) the Subscriber acknowledges that the Securities have not been offered to the Subscriber in the United States, and the individuals making the order to purchase the Securities and executing and delivering this Subscription Agreement on behalf of the Subscriber were not in the United States when the order was placed and this Subscription Agreement was executed and delivered, unless such person is a dealer or other professional fiduciary organized, incorporated, or (if an individual) resident in the United States signing on behalf of a discretionary account or similar account (other than an estate or trust) held for the benefit or account of a disclosed beneficial purchaser which is not in the United States or a U.S. person;
- (dd) the Subscriber undertakes and agrees that it will not offer or sell any of the Securities in the United States unless such securities are registered under the U.S. Securities Act and the securities laws of

all applicable states of the United States, or an exemption from such registration requirements is available, and further that it will not resell the Securities, except in accordance with the provisions of applicable securities legislation, regulations, rules, policies and orders and stock exchange rules;

- (ee) the Subscriber has not purchased the Securities as a result of any form of "directed selling efforts", as such term is defined in Regulation S under the U.S. Securities Act;
 - (ff) if required by applicable securities legislation, regulations, rules, policies or orders or by any securities commission, stock exchange or other regulatory authority, the Subscriber will execute, deliver, file and otherwise assist the Corporation in filing, such reports, undertakings and other documents with respect to the issue of the Securities;
 - (gg) the Subscriber does not act jointly or in concert with any other person or company for the purposes of acquiring securities of the Corporation;
 - (hh) the Subscriber has reviewed the "Privacy Notice" on page 12 of this Subscription Agreement, and agrees to and accepts all covenants, representations and consents as set out therein;
 - (ii) the funds representing the Aggregate Subscription Amount which will be advanced by the Subscriber to the Corporation hereunder will not represent proceeds of crime for the purposes of the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act (Canada)* (the "PCMLA") and the Subscriber acknowledges that the Corporation or the Agent may in the future be required by law to disclose the Subscriber's name and other information relating to this Subscription Agreement and the Subscriber's subscription hereunder, on a confidential basis, pursuant to the PCMLA. To the best of its knowledge: (i) none of the subscription funds to be provided by the Subscriber: (A) have been or will be derived from or related to any activity that is deemed criminal under the law of Canada, the United States, or any other jurisdiction; or (B) are being tendered on behalf of a person or entity who has not been identified to the Subscriber; and (ii) it shall promptly notify the Corporation if the Subscriber discovers that any of such representations ceases to be true, and to provide the Corporation with appropriate information in connection therewith;
 - (jj) the Subscriber acknowledges that the Corporation may complete additional financings in the future in order to develop the business of the Corporation and to fund ongoing development. There is no assurance that such financing will be available and if available, on reasonable terms. Any such financings may have a dilutive effect on shareholders, including the Subscriber; and
 - (kk) **the Subscriber acknowledges that an investment in the Securities is subject to a number of risk factors. In particular, the Subscriber acknowledges that the Corporation is not a reporting issuer in any province of Canada, has no obligation to become a reporting issuer, and, as such, the applicable hold period may never expire. Accordingly, there is currently no market for the Securities, and one may never develop. It may be difficult or even impossible for a Subscriber to sell any of the Securities. Resale of such Securities will require the availability of exemptions from the prospectus requirements of applicable securities legislation, or the application for a discretionary order of the securities commission or similar regulatory authority in the subscriber's province of residence permitting the trade. The Subscriber covenants and agrees to comply with applicable securities legislation concerning the purchase, holding of, and resale of the Securities.**
4. **Timeliness of Representations, etc.** The Subscriber agrees (on its own behalf and, if applicable, on behalf of each person on whose behalf the Subscriber is contracting) that the representations, warranties and covenants of the Subscriber herein will be true and correct both as of the execution of this Subscription Agreement and as of the Closing Time (as defined herein), and will survive the completion of the distribution of the Securities and any subsequent disposition by the Subscriber of any of the Securities.
5. **Indemnity.** The Subscriber acknowledges that the Corporation, the Agent and their respective counsel are relying upon the representations, warranties and covenants of the Subscriber set forth herein in determining the eligibility (from a securities law perspective) of the Subscriber (or, if applicable, the eligibility of another on whose behalf the Subscriber is contracting hereunder to subscribe for Securities) to purchase Securities under the Offering, and hereby agrees to indemnify the Corporation, the Agent and their respective directors, officers, employees, advisers, affiliates, shareholders and agents (including their respective legal counsel) against all losses, claims, costs, expenses, damages or liabilities that they may

suffer or incur as a result of or in connection with their reliance on such representations, warranties and covenants. The Subscriber undertakes to immediately notify the Corporation's counsel at 1250, 639 – 5 Avenue SW, Calgary, AB, T2P 0M9, Attention: Scott Reeves (fax: (403) 571-8008); and the Agent at Waverley Corporate Financial Services Inc., Suite 1600 - 150 York Street Toronto, ON M5H 3S5 Attention: Don McDonald fax: (416) 352-1564); of any change in any statement or other information relating to the Subscriber set forth herein that occurs prior to the Closing Time.

6. **Deliveries by Subscriber prior to Closing.** The Subscriber agrees to deliver to the Agent not later than noon (Calgary time) on the date which is 2 business days prior to the Closing Date of which the Subscriber receives notice:
 - (a) this duly completed and executed Subscription Agreement;
 - (b) a certified cheque, bank draft or wire transfer made payable to "TingleMerrett LLP, in Trust" in an amount equal to the Aggregate Subscription Amount, or payment of the same amount in such other manner as is acceptable to the Agent;
 - (c) a properly completed and duly executed copy of the appropriate investor qualification forms as described on page 2 of this Subscription Agreement; and
 - (d) such other documents as may be requested by the Corporation or the Agent, acting reasonably, as contemplated by this Subscription Agreement.
7. **Partial Acceptance or Rejection of Subscription.** The Corporation and the Agent may, in their absolute discretion, accept or reject the Subscriber's subscription for Securities as set forth in this Subscription Agreement, in whole or in part, and the Corporation reserves the right to allot to the Subscriber, with the consent of the Agent, less than the amount of Securities subscribed for under this Subscription Agreement. Notwithstanding the foregoing, the Subscriber acknowledges and agrees that the acceptance of this Subscription Agreement will be conditional upon among other things, the sale of the Securities to the Subscriber being exempt from any prospectus and offering memorandum requirements of applicable securities laws. The Corporation will be deemed to have accepted this Subscription Agreement upon the delivery at Closing of the certificates representing the Securities to the Subscriber or upon the direction of the Subscriber in accordance with the provisions hereof.

If this Subscription Agreement is rejected in whole, or is accepted only in part, a cheque representing the whole Subscription or the amount by which the payment delivered by the Subscriber to the Agent exceeds the subscription price of the number of Securities sold to the Subscriber pursuant to a partial acceptance of this Subscription Agreement, as the case may be, will be promptly delivered to the Subscriber without interest or deduction.
8. **Time and Place of Closing.** The sale of the Securities will be completed at the offices of TingleMerrett LLP, 1250, 639 – 5 Avenue SW, Calgary, Alberta at 10:00 a.m. (Calgary time) or such other time as the Corporation and the Agent may agree upon (the "Closing Time") on the Closing Date. The Corporation and the Agent reserve the right to close the Offering in multiple tranches, so that one or more closings may occur after the initial closing.
9. **Deliveries at Closing.** At the Closing Time, if the terms and conditions contained in the Agency Agreement have been complied with to the satisfaction of the Agent, acting reasonably, or waived by the Agent in whole or in part, the Agent shall deliver to the Corporation all completed subscription agreements (including this Subscription Agreement) and the aggregate subscription proceeds less an amount in respect of the Agent's commission and expenses that are payable in accordance with the Agency Agreement (which shall include without limitation, the fees and expenses of the Agent's designated legal counsel), against delivery by the Corporation of certificates representing the Securities and such other documentation as may be required under the Agency Agreement.
10. **Subject to Regulatory Approval.** The obligations of the parties hereunder are subject to all required regulatory approvals being obtained.
11. **Representations and Warranties of the Corporation.** The Corporation hereby represents and warrants to the Subscriber (and acknowledges that the Subscriber is relying thereon) that:
 - (a) the Corporation has the full corporate right, power and authority to execute and deliver this Subscription Agreement and to issue the Securities to the Subscriber;

- (b) the Corporation is duly incorporated and validly subsisting, and is qualified to carry on business in each jurisdiction in respect of which the carrying out of the activities contemplated hereby make such qualification necessary;
 - (c) the Corporation has complied or will comply with all applicable corporate and securities laws in connection with the offer and sale of the Securities;
 - (d) upon acceptance by the Corporation, this Subscription Agreement shall constitute a binding obligation of the Corporation enforceable in accordance with its terms subject to applicable bankruptcy, insolvency, reorganization and other laws of general application limiting the enforcement of creditors' rights generally and to the general principles of equity including the fact that specific performance is available only in the discretion of the court; and
 - (e) the execution, delivery and performance of this Subscription Agreement by the Corporation and the issuance of the Securities pursuant hereto does not and will not constitute a breach of or default under the constating documents of the Corporation, or any law, regulation, order or ruling applicable to the Corporation, or any agreement to which the Corporation is a party or by which it is bound.
12. **Role of the Agent.** The Subscriber acknowledges that the Agent has been appointed by the Corporation to act as the agent of the Corporation to market the Securities on a commercially reasonable private placement basis and, in connection therewith, the Corporation and the Agent have entered into or will prior to the Closing Time enter into an agreement (the "Agency Agreement") pursuant to which the Agent, in connection with the issue and sale of the Securities, will receive compensation from the Corporation. The Subscriber hereby irrevocably authorizes the Agent to:
- (a) negotiate and settle the form of any certificates to be delivered and any agreement to be entered into in connection with the Offering and to vary, amend, alter or waive, on its own behalf and on behalf of the purchasers of Securities, in whole or in part, or extend the time for compliance with, any of the conditions for completing the sale of the Securities in such manner and on such terms and conditions as the Agent may determine, acting reasonably, without in any way affecting the Subscriber's obligations or the obligations of such others hereunder; provided, however, that the Agent shall not vary, amend, alter or waive any such condition where to do so would result in a material adverse change to any of the material attributes of the Securities;
 - (b) allocate the Securities being offered pursuant to the Offering and in accordance with the terms of the Agency Agreement;
 - (c) act as its representative at the Closing with full power of substitution, as its true and lawful attorney and agent with the full power and authority in its place and stead to swear, execute, file and record any document necessary to accept delivery of certificates representing the Securities on the Closing Date, to terminate this subscription on its behalf in the event that any condition precedent to the Offering has not been satisfied, to execute a receipt for such certificates and all other documentation, and to deliver such certificates to the Subscriber as set out in this Subscription Agreement promptly after Closing;
 - (d) complete or correct any errors or omissions in this Subscription Agreement and any form or document provided by the Subscriber;
 - (e) receive on the Subscriber's behalf certificates representing the Securities purchased pursuant to this Subscription Agreement;
 - (f) approve any opinions, certificates or other documents addressed to the Subscriber;
 - (g) waive, in whole or in part, any representations, warranties, covenants or conditions for the benefit of the Subscriber and contained in the Agency Agreement; and
 - (h) exercise any rights of termination under the Agency Agreement.
13. **No Partnership.** Nothing herein shall constitute or be construed to constitute a partnership of any kind whatsoever between the Subscriber and the Corporation.
14. **Governing Law.** The contract arising out of acceptance of this Subscription Agreement by the Corporation shall be governed by and construed in accordance with the laws of the Province of Alberta and the federal laws of Canada applicable therein. The parties irrevocably attorn to the exclusive jurisdiction of the courts of the Province of Alberta.

15. **Time of Essence.** Time shall be of the essence of this Subscription Agreement.
16. **Entire Agreement.** This Subscription Agreement represents the entire agreement of the parties hereto relating to the subject matter hereof, and there are no representations, covenants or other agreements relating to the subject matter hereof except as stated or referred to herein.
17. **Electronic Copies.** The Corporation and the Agent shall be entitled to rely on delivery of an electronic copy of executed subscriptions, and acceptance by the Corporation of such subscriptions shall be legally effective to create a valid and binding agreement between the Subscriber and the Corporation in accordance with the terms hereof.
18. **Counterpart.** This Subscription Agreement may be executed in one or more counterparts each of which so executed shall constitute an original and all of which together shall constitute one and the same agreement.
19. **Severability.** The invalidity, illegality or unenforceability of any provision of this Subscription Agreement shall not affect the validity, legality or enforceability of any other provision hereof.
20. **Survival.** The covenants, representations and warranties contained in this Subscription Agreement shall survive the closing of the transactions contemplated hereby, and shall be binding upon and enure to the benefit of the parties hereto and their respective heirs, executors, administrators, successors and permitted assigns.
21. **Interpretation.** The headings used in this Subscription Agreement have been inserted for convenience of reference only and shall not affect the meaning or interpretation of this Subscription Agreement or any provision hereof. In this Subscription Agreement, all references to money amounts are to Canadian dollars.
22. **Amendment.** Except as otherwise provided herein, this Subscription Agreement may only be amended by the parties hereto in writing.
23. **Costs.** The Subscriber acknowledges and agrees that all costs incurred by the Subscriber (including any fees and disbursements of any special counsel retained by the Subscriber) relating to the sale of the Securities to the Subscriber shall be borne by the Subscriber.
24. **Withdrawal.** Other than pursuant to the Agency Agreement, the Subscriber, on its own behalf and, if applicable, on behalf of others for whom it is contracting hereunder, agrees that this subscription is made for valuable consideration and may not be withdrawn, cancelled, terminated or revoked by the Subscriber, on its own behalf and, if applicable, on behalf of others for whom it is contracting hereunder.
25. **Assignment.** Neither party may assign all or part of its interest in or to this Subscription Agreement without the consent of the other party in writing.

PRIVACY NOTICE

The Subscriber acknowledges that this Subscription Agreement and the Schedules and Exhibits hereto require the Subscriber to provide certain personal information to the Corporation. Such information is being collected by the Corporation and the Agent for the purposes of completing the Offering, which includes, without limitation, determining the Subscriber's eligibility (or that of any disclosed beneficial purchaser) to purchase the Securities under applicable securities laws, preparing and registering certificates representing the Securities to be issued to the Subscriber and completing filings required by any stock exchange or securities regulatory authority. In addition, the Agent may collect personal information in connection with its obligations under applicable securities laws as a registrant, including its satisfaction and discharge of know-your-client, know your-product and suitability obligations with respect to the Subscriber and its investment under this Subscription Agreement. The Subscriber's personal information (and that of any disclosed beneficial purchaser) may be disclosed by the Corporation to (a) stock exchanges or securities regulatory authorities (including the Ontario Securities Commission (the "**OSC**") and the British Columbia Securities Commission (the "**BCSC**")), (b) the Corporation's registrar and transfer agent, (c) Canadian tax authorities, and (d) any of the other parties involved in the Offering, including legal counsel, and may be included in closing books in connection with the Offering. By executing this Subscription Agreement, the Subscriber (on its own behalf and on behalf of any disclosed beneficial purchaser for whom it is contracting hereunder) consents to the foregoing collection, use and disclosure of the Subscriber's (and any disclosed beneficial purchaser's) personal information. The Subscriber (on its own behalf and on behalf of any disclosed beneficial purchaser for whom it is contracting hereunder) also consents to the filing of copies or originals of any of the Subscriber's documents delivered in connection with this Subscription Agreement as may be required to be filed with any stock exchange or securities regulatory authority in connection with the transactions contemplated hereby and expressly consents to the collection, use and disclosure of the Subscriber's (and any disclosed beneficial purchaser's) personal information by the TSX Venture Exchange or the Toronto Stock Exchange for the purposes identified by such exchange, from time to time. The Subscriber (on its own behalf and on behalf of any disclosed beneficial purchaser for whom it is contracting hereunder) further acknowledges that it has been notified by the Corporation and the Agent, as applicable (a) of the requirement to deliver to the OSC and the BCSC the full name, residential address and telephone number of the purchaser of the securities, the number and type of securities purchased, the total purchase price, the exemption relied upon and the date of distribution; (b) that this information is being collected indirectly by the OSC and BCSC under the authority granted to it in securities legislation; (c) that this information is being collected for the purposes of the administration and enforcement of the securities legislation of Ontario and British Columbia; (d) that the Administrative Support Clerk can be contacted at Ontario Securities Commission, Suite 1903, Box 55, 20 Queen Street West, Toronto, Ontario, M5H 3S8, or at (416) 593-3684, and can answer any questions about the OSC's indirect collection of this information; and (e) that the BCSC can be contacted at British Columbia Securities Commission, P.O. Box 10142, Pacific Centre, 701 West Georgia Street, Vancouver, British Columbia, V7Y 1L2, Telephone: (604) 899-6500, Toll free across Canada: 1-800-373-6393, Facsimile: (604) 899-658, and can answer any questions about the BCSC's indirect collection of this information.

SCHEDULE "A"

REPRESENTATION LETTER

TO BE COMPLETED BY ACCREDITED INVESTORS

TO: North America Home Finance Inc. (the "Corporation")
AND TO: Waverley Corporate Financial Services Inc. (the "Agent")

(Capitalized terms not specifically defined in this Schedule have the meaning ascribed to them in the Subscription Agreement to which this Schedule is attached)

In connection with the execution by the undersigned Subscriber of the Subscription Agreement which this Representation Letter forms a part of, the undersigned Subscriber hereby represents, warrants, covenants and certifies to the Corporation, the Agent and their respective counsel that:

1. the undersigned Subscriber is resident in the jurisdiction set out as the "Subscriber's Residential Address" on the face page of the Subscription Agreement and, if the undersigned Subscriber is purchasing as agent for a disclosed beneficial purchaser, the disclosed beneficial purchaser is resident in the jurisdiction set out as the "Disclosed Beneficial Purchaser Information" on the face page of the Subscription Agreement;
2. the undersigned Subscriber is either (a) purchasing the Securities as principal for its own account, (b) deemed to be purchasing the Securities as principal in accordance with section 2.3(2) or (4) of NI 45-106, or (c) acting as agent for a disclosed beneficial purchaser who is purchasing the Securities as principal for its own account;
3. the undersigned Subscriber (or if the undersigned Subscriber is purchasing as agent for a disclosed beneficial purchaser, the disclosed beneficial purchaser) is an "accredited investor" within the meaning of NI 45-106 and Section 73.3(1) of the *Securities Act* (Ontario), as applicable, by virtue of satisfying the indicated criterion as set out in Exhibit A to this Representation Letter;
4. the Subscriber (or if the undersigned Subscriber is purchasing as agent for a disclosed beneficial purchaser, the disclosed beneficial purchaser) fully understands the meaning of the terms and conditions of the category of "accredited investor" applicable to it and confirms that it has reviewed and understands the definitions in Exhibit A to this Representation Letter in respect of the category of "accredited investor" applicable to it and, in particular, if the Subscriber is an "accredited investor" by virtue of satisfying paragraph (j), (j.1), (k) or (l) of Exhibit A to this Representation Letter, it has reviewed and understands the definitions of "financial assets", "related liabilities" and "financial assets", as applicable, contained in Exhibit A hereto;
5. the undersigned Subscriber (or if the undersigned Subscriber is purchasing as agent for a disclosed beneficial purchaser, the disclosed beneficial purchaser) was not created, and is not used, solely to purchase or hold securities as an accredited investor as described in paragraph (m) of the definition of "accredited investor" in NI 45-106;
6. if the Subscriber (or if the undersigned Subscriber is purchasing as agent for a disclosed beneficial purchaser, the disclosed beneficial purchaser) is an "accredited investor" by virtue of satisfying paragraph (j), (k) or (l) on Exhibit A to this Representation Letter, it acknowledges that it needs to complete Exhibit B to this Representation Letter and upon execution of Exhibit B by the Subscriber, Exhibit B shall be incorporated into and form a part of this Representation Letter and the Corporation and the Agent and their respective counsel shall be entitled to rely thereon; and

7. upon execution of this Representation Letter by the undersigned Subscriber, this Representation Letter, including the Exhibits hereto, shall be incorporated into and form a part of the Subscription Agreement.

Name of Subscriber (please print)

By: _____
Authorized Signature

Official Title or Capacity (please print)

Name of Signatory (please print name of individual whose
signature appears above if different than name of
Subscriber)

DATED at _____ this ____ day of _____, 201____.

<p style="text-align: center;"><u>IMPORTANT</u> PLEASE COMPLETE THE EXHIBITS TO THIS REPRESENTATION LETTER</p>
--

EXHIBIT A TO SCHEDULE "A"
TO BE COMPLETED BY ACCREDITED INVESTORS

PLEASE MARK YOUR INITIALS BESIDE THE CATEGORY BELOW TO WHICH YOU BELONG
--

Please complete the Representation Letter to the Corporation by marking your initials beside the category of "accredited investor" to which you belong within the meaning of Section 1.1 of NI 45-106 and Section 73.3(1) of the *Securities Act* (Ontario), as applicable:

Meaning of "Accredited Investor"

"Accredited investor" is defined in Section 1.1 of NI 45-106 to mean any person who fits within any of the following categories at the time of the sale of securities to that person:

- | | | | |
|-------|-------|------|---|
| _____ | (a) | (i) | except in Ontario, a Canadian financial institution, or a bank listed in Schedule III of the <i>Bank Act</i> (Canada), |
| | | (ii) | in Ontario, (A) a bank listed in Schedule I, II or III to the <i>Bank Act</i> (Canada); (B) an association to which the <i>Cooperative Credit Associations Act</i> (Canada) applies or a central cooperative credit society for which an order has been made under subsection 473 (1) of that Act; or (C) a loan corporation, trust company, trust corporation, insurance company, treasury branch, credit union, caisse populaire, financial services cooperative or credit union league or federation that is authorized by a statute of Canada or Ontario to carry on business in Canada or Ontario, as the case may be, |
| _____ | (b) | (i) | except in Ontario, the Business Development Bank of Canada incorporated under the <i>Business Development Bank of Canada Act</i> (Canada), |
| | | (ii) | in Ontario, the Business Development Bank of Canada, |
| _____ | (c) | (i) | except in Ontario, a subsidiary of any person referred to in paragraphs (a) or (b), if the person owns all of the voting securities of the subsidiary, except the voting securities required by law to be owned by directors of that subsidiary, |
| | | (ii) | in Ontario, a subsidiary of any person referred to in paragraphs (a) or (b) above, if the person owns all of the voting securities of the subsidiary, except the voting securities required by law to be owned by directors of that subsidiary, |
| _____ | (d) | (i) | except in Ontario, a person registered under the securities legislation of a jurisdiction of Canada as an adviser or dealer, |
| | | (ii) | in Ontario, a person or company registered under the securities legislation of a province or territory of Canada as an adviser or dealer, except as otherwise prescribed by the regulations under the <i>Securities Act</i> (Ontario), |
| _____ | (e) | | an individual registered under the securities legislation of a jurisdiction of Canada as a representative of a person referred to in paragraph (d), |
| _____ | (e.1) | | an individual formerly registered under the securities legislation of a jurisdiction of Canada, other than an individual formerly registered solely as a representative of a limited market dealer under one or both of the <i>Securities Act</i> (Ontario) or the <i>Securities Act</i> (Newfoundland and Labrador), |
| _____ | (f) | (i) | except in Ontario, the Government of Canada or a jurisdiction of Canada, or any crown corporation, agency or wholly owned entity of the government of Canada or a jurisdiction of Canada, |
| | | (ii) | in Ontario, the Government of Canada, the government of a province or territory of Canada, or any Crown corporation, agency or wholly owned entity of the Government of Canada or the government of a province or territory of Canada, |
| _____ | (g) | (i) | except in Ontario, a municipality, public board or commission in Canada and a metropolitan community, school board, the Comité de gestion de la taxe scolaire de l'île de Montréal or an intermunicipal management board in Québec, |

- (ii) in Ontario, a municipality, public board or commission in Canada and a metropolitan community, school board, the Comité de gestion de la taxe scolaire de l'île de Montréal or an intermunicipal management board in Québec,
- _____ (h)
 - (i) except in Ontario, any national, federal, state, provincial, territorial or municipal government of or in any foreign jurisdiction, or any agency of that government,
 - (ii) in Ontario, any national, federal, state, provincial, territorial or municipal government of or in any foreign jurisdiction, or any agency of that government,
- _____ (i)
 - (i) except in Ontario, a pension fund that is regulated by either the Office of the Superintendent of Financial Institutions (Canada) or a pension commission or similar regulatory authority of a jurisdiction of Canada,
 - (ii) in Ontario, a pension fund that is regulated by the Office of the Superintendent of Financial Institutions (Canada) or a pension commission or similar regulatory authority of a province or territory of Canada,
- _____ (j) an individual who, either alone or with a spouse, beneficially owns, directly or indirectly, financial assets having an aggregate realizable value that, before taxes, but net of any related liabilities, exceeds \$1,000,000,

[Note: Financial assets include cash and securities, but do not include a personal residence – see the definition of “financial assets” later in this certificate. Financial assets are generally liquid or relatively easy to liquidate. You must subtract any liabilities related to your financial assets to calculate your net financial assets—see the definition of “related liabilities”. Financial assets held in a group RRSP under which you do not have the ability to acquire the financial assets and deal with them directly are not considered to be beneficially owned by you. If you meet the higher financial asset threshold set out in paragraph (j.1), then initial paragraph (j.1) instead of this paragraph (j).]

[Note: If you are an accredited investor described in this paragraph (j), and do not meet the higher financial asset threshold set out in paragraph (j.1), you must deliver a completed Form 45-106F9 – Form for Individual Accredited Investors (See Exhibit B hereto).]

- _____ (j.1) an individual who beneficially owns financial assets having an aggregate realizable value that, before taxes but net of any related liabilities, exceeds \$5,000,000,

[Note: The financial assets of your spouse (including financial assets in a spousal RRSP) cannot be included in the calculation of net financial assets under this paragraph (j.1). See definition of "financial assets" below. If you meet the financial asset threshold set out in this paragraph (j.1), you are not required to complete Exhibit B.]

- _____ (k) an individual whose net income before taxes exceeded \$200,000 in each of the two most recent calendar years or whose net income before taxes combined with that of a spouse exceeded \$300,000 in each of the two most recent calendar years and who, in either case, reasonably expects to exceed that net income level in the current calendar year,

[Note: If individual accredited investors wish to purchase through wholly-owned holding companies or similar entities, such purchasing entities must qualify under section (t) below, which must be initialed and completed.]

[Note: If you are an accredited investor described in this paragraph (k), you must deliver a completed Form 45-106F9 – Form for Individual Accredited Investors (See Exhibit B hereto).]

- _____ (l) an individual who, either alone or with a spouse, has net assets of at least \$5,000,000,

[Note: To calculate net assets, take the value of your total assets (which may include a personal residence) and subtract your total liabilities (which may include a mortgage). The value attributed to assets should reasonably reflect their estimated fair value. Income tax should be considered a liability if the obligation to pay it is outstanding at the time of the subscription.]

[Note: If you are an accredited investor described in this paragraph (l), you must deliver a completed Form 45-106F9 – Form for Individual Accredited Investors (See Exhibit B hereto).]

- _____ (m) a person, other than an individual or an investment fund, that has net assets of at least \$5,000,000, as shown on its most recently prepared financial statements,

- _____ (n) an investment fund that distributes or has distributed its securities only to:
- (i) a person that is or was an accredited investor at the time of the distribution,
 - (ii) a person that acquires or acquired securities in the circumstances referred to in section 2.10 of National Instrument 45-106 (where the person subscribes for a minimum amount investment) and Section 2.19 of National Instrument 45-106 (where the person makes an additional investment in investment funds), or
 - (iii) a person described in paragraph (i) or (ii) that acquires or acquired securities under section 2.18 of National Instrument 45-106 (investment fund reinvestment),
- _____ (o) an investment fund that distributes or has distributed securities under a prospectus in a jurisdiction of Canada for which the regulator or, in Quebec, the securities regulatory authority, has issued a receipt,
- _____ (p) a trust company or trust corporation registered or authorized to carry on business under the *Trust and Loan Companies Act* (Canada) or under comparable legislation in a jurisdiction of Canada or a foreign jurisdiction, acting on behalf of a fully managed account managed by the trust company or trust corporation, as the case may be,
- _____ (q) a person acting on behalf of a fully managed account managed by that person, if that person is registered or authorized to carry on business as an adviser or the equivalent under the securities legislation of a jurisdiction of Canada or a foreign jurisdiction,
- _____ (r) a registered charity under the *Income Tax Act* (Canada) that, in regard to the trade, has obtained advice from an eligibility adviser or an adviser registered under the securities legislation of the jurisdiction of the registered charity to give advice on the securities being traded,
- _____ (s) an entity organized in a foreign jurisdiction that is analogous to any of the entities referred to in paragraphs (a) to (d) or paragraph (i) in form and function,
- _____ (t) a person in respect of which all of the owners of interests, direct, indirect or beneficial, except the voting securities required by law to be owned by directors, are persons that are accredited investors,

Note: If you initialled (t), then indicate the name and category of accredited investor (by reference to the applicable letter of this Exhibit A) of each of the owners of interests (attach additional pages if more than three):

Name	Category of Accredited Investor
_____	_____
_____	_____
_____	_____

- _____ (u) an investment fund that is advised by a person registered as an adviser or a person that is exempt from registration as an adviser,
- _____ (v) a person that is recognized or designated by the securities regulatory authority or, except in Ontario and Québec, the regulator as an accredited investor, or
- _____ (w) a trust established by an accredited investor for the benefit of the accredited investor's family members of which a majority of the trustees are accredited investors and all of the beneficiaries are the accredited investor's spouse, a former spouse of the accredited investor or a parent, grandparent, brother, sister, child or grandchild of that accredited investor, of that accredited investor's spouse or of that accredited investor's former spouse.

Note: If you initialed (w), then indicate the name and category of accredited investor (by reference to the applicable letter of this Exhibit A) of each of the following (attach additional pages if more than three trustees):

	Name	Category of Accredited Investor
Individual who established trust:	_____	_____
Trustee	_____	_____
Trustee	_____	_____
Trustee	_____	_____

PLEASE MARK YOUR INITIALS BESIDE THE CATEGORY ABOVE TO WHICH YOU BELONG

Interpretative Aids

The following definitions relate to certain of the categories set forth above:

- (a) "Canadian financial institution" means:
 - (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 cooperative, 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 of Canada;
- (b) "Canadian securities regulatory authorities" means the securities commissions and similar regulatory authorities of each of the provinces or territories of Canada;
- (c) "eligibility adviser" means:
 - (i) a person that is registered as an investment dealer or in an equivalent category of registration under the securities legislation of the jurisdiction of a purchaser and authorized to give advice with respect to the type of security being distributed; and
 - (ii) in Saskatchewan or Manitoba, also means a lawyer who is a practicing member in good standing with a law society of a jurisdiction of Canada or a public accountant who is a member in good standing of an institute or association of chartered accountants, certified general accountants or certified management accountants in a jurisdiction of Canada provided that the lawyer or public accountant must not:
 - (A) have a professional, business or personal relationship with the issuer, or any of its directors, executive officers, founders, or control persons; and
 - (B) have acted for or been retained personally or otherwise as an employee, executive officer, director, associate or partner of a person that has acted for or been retained by the issuer or any of its directors, executive officers, founders or control persons within the previous 12 months;
- (d) "EVCC" means an employee venture capital corporation that does not have a restricted constitution, and is registered under Part 2 of the *Employee Investment Act* (British Columbia), R.S.B.C. 1996 c. 112, and whose business objective is making multiple investments;
- (e) "financial assets" means:
 - (i) cash;
 - (ii) securities; or
 - (iii) a contract of insurance, a deposit or an evidence of a deposit that is not a security for the purposes of securities legislation;
- (f) "foreign jurisdiction" means a country other than Canada or a political subdivision of a country other than Canada;
- (g) "fully managed account" means an account for which a person or company makes the investment decisions if that person or company has full discretion to trade in securities for the account without requiring the client's express consent to a transaction;

- (h) "investment fund" means a mutual fund or a non-redeemable investment fund, and, for greater certainty in British Columbia, includes an EVCC and a VCC;
- (i) "jurisdiction" means a province or territory of Canada;
- (j) "non-redeemable investment fund" means an issuer, (i) whose primary purpose is to invest money provided by its securityholders; (ii) that does not invest (A) for the purpose of exercising or seeking to exercise control of an issuer, other than an issuer that is a mutual fund or a non-redeemable investment fund, or (B) for the purpose of being actively involved in the management of any issuer in which it invests, other than an issuer that is a mutual fund or a non-redeemable investment fund; and (iii) that is not a mutual fund;
- (k) "person" includes:
 - (i) an individual,
 - (ii) a corporation,
 - (iii) a partnership, trust, fund and an association, syndicate, organization or other organized group of persons, whether incorporated or not, and
 - (iv) an individual or other person in that person's capacity as a trustee, executor, administrator or personal or other legal representative;
- (l) "related liabilities" means:
 - (i) liabilities incurred or assumed for the purpose of financing the acquisition or ownership of financial assets, or
 - (ii) liabilities that are secured by financial assets;
- (m) "securities legislation" means, for the local jurisdiction, the statute and other instruments issued by the securities regulator authority of the local jurisdiction;
- (n) "subsidiary" means an issuer that is controlled directly or indirectly by another issuer and includes a subsidiary of that subsidiary; and
- (o) "VCC" means a venture capital corporation registered under Part 1 of the *Small Business Venture Capital Act* (British Columbia), R.S.B.C. 1996 c. 429 whose business objective is making multiple investments.

All monetary references are in Canadian dollars.

EXHIBIT B TO SCHEDULE "A"
FORM 45-106F9
FORM FOR INDIVIDUAL ACCREDITED INVESTORS

WARNING!

This investment is risky. Don't invest unless you can afford to lose all the money you pay for this investment.

SECTION 1 TO BE COMPLETED BY THE ISSUER OR SELLING SECURITYHOLDER:	
1. About your investment	
Type of securities:	Issuer: North America Home Finance Inc.
Purchased from: North America Home Finance Inc. (the Issuer of the Securities)	
SECTIONS 2 TO 4 TO BE COMPLETED BY THE PURCHASER	
2. Risk acknowledgement	
This investment is risky. Initial that you understand that:	Your initials
Risk of loss – You could lose your entire investment of \$ _____. <i>[Instruction: Insert the total dollar amount of the investment.]</i>	
Liquidity risk – You may not be able to sell your investment quickly – or at all.	
Lack of information – You may receive little or no information about your investment.	
Lack of advice – You will not receive advice from the salesperson about whether this investment is suitable for you unless the salesperson is registered. The salesperson is the person who meets with, or provides information to, you about making this investment. To check whether the salesperson is registered, go to www.aretheyregistered.ca .	
3. Accredited investor status	
You must meet at least one of the following criteria to be able to make this investment. Initial the statement that applies to you. (You may initial more than one statement.) The person identified in section 6 is responsible for ensuring that you meet the definition of accredited investor. That person, or the salesperson identified in section 5, can help you if you have questions about whether you meet these criteria.	Your initials
• Your net income before taxes was more than \$200,000 in each of the 2 most recent calendar years, and you expect it to be more than \$200,000 in the current calendar year. (You can find your net income before taxes on your personal income tax return.)	
• Your net income before taxes combined with your spouse's was more than \$300,000 in each of the 2 most recent calendar years, and you expect your combined net income before taxes to be more than \$300,000 in the current calendar year.	
• Either alone or with your spouse, you own more than \$1 million in cash and securities, after subtracting any debt related to the cash and securities.	
• Either alone or with your spouse, you have net assets worth more than \$5 million. (Your net assets are your total assets (including real estate) minus your total debt.)	
4. Your name and signature	
By signing this form, you confirm that you have read this form and you understand the risks of making this investment as identified in this form.	
First and last name (please print):	
Signature:	Date:

SECTION 5 TO BE COMPLETED BY THE SALESPERSON	
5. Salesperson information	
<i>[Instruction: The salesperson is the person who meets with, or provides information to, the purchaser with respect to making this investment. That could include a representative of the issuer or selling security holder, a registrant or a person who is exempt from the registration requirement.]</i>	
First and last name of salesperson (please print):	
Telephone:	Email:
Name of firm (if registered):	
SECTION 6 TO BE COMPLETED BY THE ISSUER OR SELLING SECURITY HOLDER	
6. For more information about this investment	
<p>For investment in a non-investment fund</p> <p>North America Home Finance Inc. 800, 1040 West Georgia Street Vancouver, British Columbia V6E 4H1</p> <p>Phone: (778)729-0681 Email: George@skyire.com</p> <p>For investment in an investment fund</p> <p><i>[Insert name of investment fund]</i></p> <p><i>[Insert name of investment fund manager]</i></p> <p><i>[Insert address of investment fund manager]</i></p> <p><i>[Insert telephone number of investment fund manager]</i></p> <p><i>[Insert email address of investment fund manager]</i></p> <p><i>[If investment is purchased from a selling security holder, also insert name, address, telephone number and email address of selling security holder here]</i></p> <p>For more information about prospectus exemptions, contact your local securities regulator. You can find contact information at www.securities-administrators.ca.</p>	

Form instructions:

1. This form does not mandate the use of a specific font size or style but the font must be legible.
2. The information in sections 1, 5 and 6 must be completed before the purchaser completes and signs the form.
3. **The purchaser must sign this form. Each of the purchaser and the issuer or selling security holder must receive a copy of this form signed by the purchaser. The issuer or selling security holder is required to keep a copy of this form for 8 years after the distribution.**

SCHEDULE "B"

REPRESENTATION LETTER - 45-106F4

Risk Acknowledgement

- I acknowledge that this is a risky investment.
- I am investing entirely at my own risk.
- No securities regulatory authority or regulator has evaluated or endorsed the merits of these securities or the disclosure in the offering memorandum.
- I will not be able to sell these securities except in very limited circumstances. I may never be able to sell these securities.
- The securities are redeemable but I may only be able to redeem them in limited circumstances.
- I could lose all the money I invest.

I am investing \$_____ [total consideration] in total; this includes any amount I am obliged to pay in future. North America Home Finance Inc. will pay up to 8% of this subscription amount to _____ [name of person/company selling the securities] as a fee or commission.

I acknowledge that this is a risky investment and that I could lose all the money I invest.

Date

Signature of Purchaser

Print name of Purchaser

Sign 2 copies of this document. Keep one copy for your records.

You have 2 business days to cancel your purchase. To do so, send a notice to North America Home Finance Inc. stating that you want to cancel your purchase. You must send the notice before midnight on the 2nd business day after you sign the agreement to purchase the securities. You can send the notice by fax or email or deliver it in person to North America Home Finance Inc. at its business address. Keep a copy of the notice for your records.

Issuer Name and Address:

North America Home Finance Inc.
800, 1040 West Georgia Street
Vancouver, British Columbia
V6E 4H1

George@skyire.com

COPY FOR THE CORPORATION:
PLEASE EXECUTE AND RETURN
THIS COPY TO THE CORPORATION
IN ACCORDANCE WITH THE
INSTRUCTIONS PROVIDED FOR ON
PAGE 2 OF THE SUBSCRIPTION
AGREEMENT.

WARNING

You are buying *Exempt Market Securities*

They are called *exempt market securities* because two parts of securities law do not apply to them. If an issuer wants to sell *exempt market securities* to you:

- the issuer does not have to give you a prospectus (a document that describes the investment in detail and gives you some legal protections), and
- the securities do not have to be sold by an investment dealer registered with a securities regulatory authority or regulator.

There are restrictions on your ability to resell *exempt market securities*. *Exempt market securities* are more risky than other securities.

You will receive an offering memorandum

Read the offering memorandum carefully because it has important information about the issuer and its securities. Keep the offering memorandum because you have rights based on it. Talk to a lawyer for details about these rights.

The securities you are buying are not listed

The securities you are buying are not listed on any stock exchange, and they may never be listed. You may never be able to sell these securities.

The issuer of your securities is a non-reporting issuer

A *non-reporting issuer* does not have to publish financial information or notify the public of changes in its business. You will not receive ongoing information about this issuer.

For more information on the *exempt market*, call your local securities regulatory authority or regulator.

ALBERTA SECURITIES COMMISSION
Suite 600, 250 – 5th Street SW.
Calgary, Alberta
T2P 0R4
(403) 297-6454
www.albertasecuritiescommission.com

MANITOBA SECURITIES COMMISSION
500 – 400 St. Mary Avenue
Winnipeg, Manitoba
R3C 4W5
(204) 945-2548
www.msc.gov.mb.ca

BRITISH COLUMBIA SECURITIES COMMISSION
701 West Georgia Street
Vancouver, British Columbia
V7Y 1L2
(604) 899-6500
www.bcsc.bc.ca

ONTARIO SECURITIES COMMISSION
20 Queen Street West, Suite 1903
Toronto, Ontario
M5H 3S8
(416) 593-8314
www.osc.gov.on.ca

SASKATCHEWAN SECURITIES COMMISSION
Suite 601, 1919 Saskatchewan Drive
Regina, Saskatchewan
S4P 4H2
(306) 787-5645
www.sfsc.gov.sk.ca/

REPRESENTATION LETTER - 45-106F4

Risk Acknowledgement

- I acknowledge that this is a risky investment.
- I am investing entirely at my own risk.
- No securities regulatory authority or regulator has evaluated or endorsed the merits of these securities or the disclosure in the offering memorandum.
- I will not be able to sell these securities except in very limited circumstances. I may never be able to sell these securities.
- The securities are redeemable but I may only be able to redeem them in limited circumstances.
- I could lose all the money I invest.

I am investing \$_____ [total consideration] in total; this includes any amount I am obliged to pay in future. North America Home Finance Inc. will pay up to _____% of this subscription amount to _____ [name of person/company selling the securities] as a fee or commission.

I acknowledge that this is a risky investment and that I could lose all the money I invest.

Date

Signature of Purchaser

Print name of Purchaser

Sign 2 copies of this document. Keep one copy for your records.

You have 2 business days to cancel your purchase. To do so, send a notice to North America Home Finance Inc. stating that you want to cancel your purchase. You must send the notice before midnight on the 2nd business day after you sign the agreement to purchase the securities. You can send the notice by fax or email or deliver it in person to North America Home Finance Inc. at its business address. Keep a copy of the notice for your records.

Issuer Name and Address:

North America Home Finance Inc.
800, 1040 West Georgia Street
Vancouver, British Columbia
V6E 4H1

George@skyire.com

COPY FOR THE SUBSCRIBER:
PLEASE EXECUTE AND RETAIN
THIS COPY FOR YOUR
RECORDS.

WARNING

You are buying *Exempt Market Securities*

They are called *exempt market securities* because two parts of securities law do not apply to them. If an issuer wants to sell *exempt market securities* to you:

- the issuer does not have to give you a prospectus (a document that describes the investment in detail and gives you some legal protections), and
- the securities do not have to be sold by an investment dealer registered with a securities regulatory authority or regulator.

There are restrictions on your ability to resell *exempt market securities*. *Exempt market securities* are more risky than other securities.

You will receive an offering memorandum

Read the offering memorandum carefully because it has important information about the issuer and its securities. Keep the offering memorandum because you have rights based on it. Talk to a lawyer for details about these rights.

The securities you are buying are not listed

The securities you are buying are not listed on any stock exchange, and they may never be listed. You may never be able to sell these securities.

The issuer of your securities is a non-reporting issuer

A *non-reporting issuer* does not have to publish financial information or notify the public of changes in its business. You will not receive ongoing information about this issuer.

For more information on the *exempt market*, call your local securities regulatory authority or regulator.

ALBERTA SECURITIES COMMISSION
Suite 600, 250 – 5th Street SW.
Calgary, Alberta
T2P 0R4
(403) 297-6454
www.albertasecuritiescommission.com

MANITOBA SECURITIES COMMISSION
500 – 400 St. Mary Avenue
Winnipeg, Manitoba
R3C 4W5
(204) 945-2548
www.msc.gov.mb.ca

BRITISH COLUMBIA SECURITIES COMMISSION
701 West Georgia Street
Vancouver, British Columbia
V7Y 1L2
(604) 899-6500
www.bcsc.bc.ca

ONTARIO SECURITIES COMMISSION
20 Queen Street West, Suite 1903
Toronto, Ontario
M5H 3S8
(416) 593-8314
www.osc.gov.on.ca

SASKATCHEWAN SECURITIES COMMISSION
Suite 601, 1919 Saskatchewan Drive
Regina, Saskatchewan
S4P 4H2
(306) 787-5645
www.sfsc.gov.sk.ca/

SCHEDULE "C"

CERTIFICATE OF ELIGIBLE INVESTOR

TO: North America Home Finance Inc. (the "Corporation")
AND TO: Waverley Corporate Financial Services Inc. (the "Agent")

(Capitalized terms not specifically defined in this Schedule have the meaning ascribed to them in the Subscription Agreement to which this Schedule is attached)

In connection with the purchase of Securities of the Corporation, the undersigned hereby represents, warrants and certifies to the Corporation and the Agent that the undersigned is an "eligible investor" as defined in Section 1.1 of National Instrument 45-106 *Prospectus Exemptions* and is purchasing the securities offered hereunder as principal.

The undersigned has indicated below the category or categories which it, he or she satisfies to qualify as an "eligible investor". If not an individual, the undersigned was not created or used solely to purchase or hold securities as an "eligible investor".

The undersigned fully understands the meaning of the terms and conditions of the category of "eligible investor" applicable to it and confirms that it has reviewed and understands the definitions in this Certificate in respect of the category of "eligible investor" applicable to it.

If the undersigned is an "eligible investor" by virtue of satisfying paragraph (f) below as an "accredited investor", it acknowledges that it must complete and sign Schedule "A" to the Subscription Agreement.

The undersigned understands that the Corporation, the Agent and their respective counsel are relying on this information in determining to sell securities to the undersigned in a manner exempt from the prospectus and registration requirements of the securities legislation in the jurisdiction in which the undersigned is a resident.

Upon execution of this Certificate by the undersigned Subscriber, this Certificate shall be incorporated into and form a part of the Subscription Agreement.

ELIGIBLE INVESTOR STATUS

The undersigned represents, warrants and certifies that it, he or she is [initial each applicable item]:

- ___ (a) a person whose:
 - ___ (i) net assets, alone or with a spouse, in the case of an individual, exceed \$400,000, *[Note: your "net assets" are your total assets (including real estate) minus your total debt]*
 - ___ (ii) net income before taxes exceeded \$75,000 in each of the two most recent calendar years and who reasonably expects to exceed that income level in the current calendar year, or
 - ___ (iii) net income before taxes, alone or with a spouse, in the case of an individual, exceeded \$125,000 in each of the two most recent calendar years and who reasonably expects to exceed that income level in the current calendar year,
- ___ (b) a person of which a majority of the voting securities are beneficially owned by eligible investors, or a majority of the directors are eligible investors,
- ___ (c) a general partnership of which all of the partners are eligible investors,
- ___ (d) a limited partnership of which the majority of the general partners are eligible investors,
- ___ (e) a trust or estate in which all of the beneficiaries or a majority of the trustees or executors are eligible investors,

Note: If you initialed & marked (b), (c), (d) or (e), then indicate the name and category of eligible investor (by reference to the applicable item above) as follows (attach additional pages if required):

(1) list all owners of voting securities (and % owned) if relying on security holders as Eligible Investors or list all of the directors if relying on the majority of directors as eligible investors

(2) list all partners

(3) list all general partners

(4) list all beneficiaries, trustees and executors

Attach supporting documentation affirming the owners of voting securities (and % owned) such as an Annual Return or a certified list of shareholders.

Name and Title	Percentage of Securities	Category of Eligible Investor

- _____ (f) an accredited investor, as such term is defined in NI 45-106, and it has concurrently completed, signed and delivered a Representation Letter in the form of Schedule "A" this Subscription Agreement indicating the applicable category or categories,
- _____ (g) a person who purchases the security as principal and is:
 - _____ (i) a director, executive officer or control person of the Corporation or of an affiliate of the Corporation,
 - _____ (ii) a spouse, parent, grandparent, brother, sister, child or grandchild of a director, executive officer or control person of the Corporation, or of an affiliate of the Corporation,
 - _____ (iii) a parent, grandparent, brother, sister, child or grandchild of the spouse of a director, executive officer or control person of the Corporation, or of an affiliate of the Corporation,
 - _____ (iv) a close personal friend of a director, executive officer or control person of the Corporation, or of an affiliate of the Corporation,
 - _____ (v) a close business associate of a director, executive officer or control person of the Corporation, or of an affiliate of the Corporation,
 - _____ (vi) a founder of the Corporation or a spouse, parent, grandparent, brother, sister, child, grandchild, close personal friend or close business associate of a founder of the Corporation,
 - _____ (vii) a parent, grandparent, brother, sister, child or grandchild of the spouse of a founder of the Corporation,
 - _____ (viii) a person of which a majority of the voting securities are beneficially owned by, or a majority of the directors are, persons or companies described in paragraphs (i) to (vii), or
 - _____ (ix) a trust or estate of which all of the beneficiaries or a majority of the trustees or executors are persons described in paragraphs (i) to (vii), or

- _____ (h) a person that has obtained advice regarding the suitability of the investment and, if the person or company is resident in a jurisdiction of Canada, that advice has been obtained from an eligibility adviser. **"Eligibility Advisor"** means a person that is registered as an investment dealer or in an equivalent category of registration under the securities legislation of the jurisdiction of the purchaser and authorized to give advice with respect to the type of security being distributed, and in Manitoba, also means a lawyer who is a practicing member in good standing with a law society of a jurisdiction of Canada or a public accountant who is a member in good standing of an institute or association of chartered accountants, certified general accountants or certified management accountants in a jurisdiction of Canada provided that the lawyer or public accountant (A) does not have a professional, business or personal relationship with the Corporation, or any of the directors, executive officers, founders or control persons of the Corporation, and (B) has not acted for or been retained personally or otherwise as an employee, executive officer, director, associate or partner of a person that has acted for or been retained by the Corporation or any of the Corporation's directors, executive officers, founders or control persons within the previous 12 months.

[If you fall within this category, please indicate in the space below the name, title and firm of the investment dealer, securities dealer or equivalent from whom you obtained advice:

_____]

The undersigned has executed this Questionnaire as of the _____ day of _____, 201____.

If a Corporation, Partnership or Other Entity:

If an Individual:

Name of Entity

Signature

Type of Entity

Named Individual

Signature of Person Signing

Title of Person Signing

As used in this certificate, the following terms have the following meaning:

"affiliate" means an issuer connected with another issuer because (i) one of them is the subsidiary of the other; (ii) each of them is controlled by the same person; or (iii) for the purposes of Saskatchewan securities law, both are subsidiaries of the same issuer.

"close personal friend" is an individual who has known the director, executive officer, founder or control person well enough and for a sufficient period of time to be in a position to assess their capabilities and trustworthiness. The term "close personal friend" can include family members not already specifically identified in the exemption if the family member satisfies the criteria described above.

An individual is not a close personal friend solely because the individual is a relative or a member of the same organization, association or religious group or a client, customer or former client or customer.

The relationship between the purchaser and director, executive officer, founder or control person must be direct. For example, the exemption is not available for a close personal friend of a close personal friend of the director, executive officer, founder or control person.

"close business associate" is an individual who has had sufficient prior business dealings with the director, executive officer, founder or control person to be in a position to assess their capabilities and trustworthiness.

An individual is not a close business associate solely because the individual is a client, customer or former client or customer.

The relationship between the purchaser and director, executive officer, founder or control person must be direct. For example, the exemption is not available for a close business associate of a close business associate of a director, executive officer, founder or control person.

"control person" means any person that holds or is one of a combination of persons that holds:

- (a) a sufficient number of any of the securities of the Corporation so as to affect materially the control of the Corporation; or
- (b) more than 20% of the voting shares of the Corporation except where there is evidence showing the holding of the shares does not affect materially the control of the Corporation.

"director" means (i) a member of the board of directors of a company or an individual who performs similar functions for a company, and (ii) with respect to a person that is not a company, an individual who performs functions similar to those of a director of a company.

"executive officer" means, for the Corporation, an individual who is:

- (a) a chair, vice-chair or president;
- (b) a vice-president in charge of a principal business unit, division or function including sales, finance or production,
- (c) an officer of the Corporation or any of its subsidiaries and who performs a policy-making function in respect of the Corporation, or
- (d) performing a policy-making function in respect of the Corporation.

"founder" means a person or company who,

- (a) acting alone, in conjunction or in concert with one or more other persons or companies, directly or indirectly, takes the initiative in founding, organizing or substantially reorganizing the business of the Corporation, and
- (b) at the time of the proposed trade, is actively involved in the business of the Corporation.

"person" includes:

- (a) an individual;
- (b) a corporation;
- (c) a partnership, trust, fund and an association, syndicate, organization or other organized group of persons, whether incorporated or not; and
- (d) an individual or other person in that person's capacity as a trustee, executor, administrator or personal or other legal representative.

SCHEDULE "D"

Each Subscriber who is an Alberta or Ontario resident and who is subscribing as an individual under the offering memorandum exemption is required to complete and execute one copy of each of Exhibit 1 and Exhibit 2 to this Schedule "D".

EXHIBIT 1 TO SCHEDULE "D" Classification of Investors Under the Offering Memorandum Exemption

Instructions: This Exhibit 1 of Schedule "D" must be completed together with the Risk Acknowledgement Form (Schedule "B") and Exhibit 2 to Schedule "D" by individuals purchasing securities under the exemption (the offering memorandum exemption) in subsection 2.9(2.1) of National Instrument 45-106 Prospectus Exemptions (NI 45-106) in Alberta, Saskatchewan and Ontario.

How you qualify to buy securities under the offering memorandum exemption

Initial the statement under A, B, C or D containing the criteria that applies to you. (You may initial more than one statement.) If you initial a statement under B or C, you are not required to complete A.

A. You are an eligible investor because:		Your initials
ELIGIBLE INVESTOR	Your net income before taxes was more than \$75,000 in each of the 2 most recent calendar years, and you expect it to be more than \$75,000 in this calendar year. (You can find your net income before taxes on your personal income tax return.)	
	Your net income before taxes combined with your spouse's was more than \$125,000 in each of the 2 most recent calendar years, and you expect your combined net income to be more than \$125,000 in this calendar year. (You can find your net income before taxes on your personal income tax return.)	
	Either alone or with your spouse, you have net assets worth more than \$400,000. (Your net assets are your total assets, including real estate, minus your total debt including any mortgage on your property.)	

B. You are an eligible investor, as a person described in section 2.3 [Accredited investor] of NI 45-106 or, as applicable in Ontario, subsection 7.3(3) of the Securities Act (Ontario), because:		Your initials
ACCREDITED INVESTOR	Your net income before taxes was more than \$200,000 in each of the 2 most recent calendar years, and you expect it to be more than \$200,000 in this calendar year. (You can find your net income before taxes on your personal income tax return.)	
	Your net income before taxes combined with your spouse's was more than \$300,000 in each of the 2 most recent calendar years, and you expect your combined net income before taxes to be more than \$300,000 in the current calendar year.	
	Either alone or with your spouse, you own more than \$1 million in cash and securities, after subtracting any debt related to the cash and securities.	
	Either alone or with your spouse, you have net assets worth more than \$5 million. (Your net assets are your total assets (including real estate) minus your total debt.)	

C. You are an eligible investor, as a person described in section 2.5 [Family, friends and business associates] of NI 45-106, because:		Your initials
FAMILY, FRIENDS AND BUSINESS ASSOCIATES	<p>You are:</p> <p>1) <i>[check all applicable boxes]</i></p> <p><input type="checkbox"/> a director of the issuer or an affiliate of the issuer</p> <p><input type="checkbox"/> an executive officer of the issuer or an affiliate of the issuer</p> <p><input type="checkbox"/> a control person of the issuer or an affiliate of the issuer</p> <p><input type="checkbox"/> a founder of the issuer</p> <p>OR</p> <p>2) <i>[check all applicable boxes]</i></p> <p><input type="checkbox"/> a person of which a majority of the voting securities are beneficially owned by, or a majority of the directors are, (i) individuals listed in (1) above and/or (ii) family members, close personal friends or close business associates of individuals listed in (1) above</p> <p><input type="checkbox"/> a trust or estate of which all of the beneficiaries or a majority of the trustees or executors are (i) individuals listed in (1) above and/or (ii) family members, close personal friends or close business associates of individuals listed in (1) above</p>	
	<p>You are a family member of _____ <i>[Instruction: Insert the name of the person who is your relative either directly or through his or her spouse]</i>, who holds the following position at the issuer or an affiliate of the issuer:</p> <p>_____.</p>	
	<p>You are the _____ of that person or that person's spouse.</p> <p><i>[Instruction: To qualify for this investment, you must be (a) the spouse of the person listed above or (b) the parent, grandparent, brother, sister, child or grandchild of that person or that person's spouse.]</i></p>	
	<p>You are a close personal friend of _____ <i>[Instruction: Insert the name of your close personal friend]</i>, who holds the following position at the issuer or an affiliate of the issuer:</p> <p>_____.</p> <p>You have known that person for ____ years.</p>	
	<p>You are a close business associate of _____ <i>[Instruction: Insert the name of your close business associate]</i>, who holds the following position at the issuer or an affiliate of the issuer:</p> <p>_____.</p> <p>You have known that person for ____ years.</p>	
D. You are not an eligible investor.		Your initials
NOT AN ELIGIBLE INVESTOR	You acknowledge that you are not an eligible investor.	

EXHIBIT 2 TO SCHEDULE "D"
Investment Limits for Investors Under the Offering Memorandum Exemption

Instructions: This Exhibit 2 of Schedule "D" must be completed together with the Risk Acknowledgement Form (Schedule "B") and Exhibit 1 to Schedule "D" by individuals purchasing securities under the exemption (the offering memorandum exemption) in subsection 2.9(2.1) of National Instrument 45-106 Prospectus Exemptions (NI 45-106) in Alberta, Saskatchewan and Ontario.

SECTION 1 TO BE COMPLETED BY THE PURCHASER

1. Investment limits you are subject to when purchasing securities under the offering memorandum exemption

You may be subject to annual investment limits that apply to all securities acquired under the offering memorandum exemption in a 12 month period, depending on the criteria under which you qualify as identified in Exhibit 1. Initial the statement that applies to you.

A. You are an eligible investor.		Your initials
ELIGIBLE INVESTOR	As an eligible investor that is an individual, you cannot invest more than \$30,000 in all offering memorandum exemption investments made in the previous 12 months, unless you have received advice from a portfolio manager, investment dealer or exempt market dealer, as identified in section 2 of this Exhibit 2, that your investment is suitable.	
	Initial one of the following statements:	
	You confirm that, after taking into account your investment of \$_____ today in this issuer, you have not exceeded your investment limit of \$30,000 in all offering memorandum exemption investments made in the previous 12 months.	
	You confirm that you received advice from a portfolio manager, investment dealer or exempt market dealer, as identified in section 2 of this schedule that the following investment is suitable.	
	You confirm that, after taking into account your investment of \$_____ today in this issuer, you have not exceeded your investment limit in all offering memorandum exemption investments made in the previous 12 months of \$100,000 .	
B. You are an eligible investor, as a person described in section 2.3 [Accredited investor] of NI 45- 106 or, as applicable in Ontario, subsection 7.3(3) of the Securities Act (Ontario).		Your initials
ACCREDITED INVESTOR	You acknowledge that, by qualifying as an eligible investor as a person described in section 2.3 [Accredited investor], you are not subject to investment limits.	
C. You are an eligible investor, as a person described in section 2.5 [Family, friends and business associates] of NI 45-106.		Your initials
FAMILY, FRIENDS AND BUSINESS ASSOCIATES	You acknowledge that, by qualifying as an eligible investor as a person described in section 2.5 [Family, friends and business associates], you are not subject to investment limits.	

D. You are not an eligible investor.		Your initials
NOT AN ELIGIBLE INVESTOR	You acknowledge that you cannot invest more than \$10,000 in all offering memorandum exemption investments made in the previous 12 months.	
	You confirm that, after taking into account your investment of \$ _____ today in this issuer, you have not exceeded your investment limit of \$10,000 in all offering memorandum exemption investments made in the previous 12 months.	

SECTION 2 TO BE COMPLETED BY THE REGISTRANT	
2. Registrant information	
<i>[Instruction: this section must only be completed if an investor has received advice from a portfolio manager, investment dealer or exempt market dealer concerning his or her investment.]</i>	
First and last name of registrant (please print):	
Registered as: <i>[Instruction: indicate whether registered as a dealing representative or advising representative]</i>	
Telephone:	Email:
Name of firm: <i>[Instruction: indicate whether registered as an exempt market dealer, investment dealer or portfolio manager.]</i>	
Date:	

SCHEDULE "E"

ELIGIBLE INVESTOR SUPPORTING CHECKLIST

To be completed by the person meeting with or providing information to the Subscriber (the "Salesperson") that is subscribing for securities as an "eligible investor". The issuer is required to keep a copy of this form and any supporting documentation (if any was received) for 8 years after the distribution.

1. Subscriber Information	
Name of Subscriber:	Issuer: North America Home Finance Inc.
Name of representative of Subscriber (for non-individual Subscribers):	Security: Securities
2. Salesperson Information	
Print first and last name of Salesperson:	
Date:	
3. Support for Eligible Investor Status	
(a) Describe how the Subscriber was identified or located:	
(b) How long have you known the Subscriber?	
(c) Describe the details of your relationship with the Subscriber or prior business dealings:	
<p>(d) Indicate the category or categories of "eligible investor" that the Subscriber certified apply to the Subscriber in the Subscriber's subscription agreement in the box on the right.</p> <p><i>Note: If the category of "eligible investor" is based on a financial threshold, then ask the Subscriber whether the Subscriber has "net income before taxes", "net assets" or "financial assets" (as applicable) that exceed the applicable threshold and explain that:</i></p> <p><i>"financial assets" are cash and securities, after subtracting any debt related to the cash and securities.</i></p> <p><i>"net assets" are total assets (including real estate) minus the Subscriber's total debt; and</i></p> <p><i>"net income before taxes" is available on the Subscriber's tax returns.</i></p>	<p style="text-align: center;"><u>Subscriber Category</u></p> <p><i>Note: indicate the paragraph(s) indicated on Schedule "C" of the Subscriber's Subscription Agreement</i></p>
<p>(e) Did the Subscriber appear to understand the category or categories of "eligible investor" that the Subscriber certified apply to the Subscriber, including, if applicable, the definition of "net income", "financial assets" or "net assets"?</p> <p><i>Note: Ask the Subscriber questions regarding the Subscriber's net income before taxes, net assets and/or financial assets (as applicable) to determine that the Subscriber meets or exceeds the financial threshold in the applicable category of eligible investor.</i></p>	<div style="display: flex; justify-content: space-around;"> <div><input type="checkbox"/> Yes</div> <div><input type="checkbox"/> No</div> </div> <p><i>Note: Only complete (f) if the answer to Part (e) is "no".</i></p>
<p>(f) Do the Subscriber's initial responses to the questions asked in part (e) seem reasonable, including whether the Subscriber meets the category of "eligible investor" that the Subscriber certified on the subscription agreement?</p> <p><i>Note: If "no", make further inquiries regarding the Subscriber's financial circumstances and if the response to this part (f) remains "no" then you <u>must</u> complete part (g) to proceed with the subscription.</i></p>	<div style="display: flex; justify-content: space-around;"> <div><input type="checkbox"/> Yes</div> <div><input type="checkbox"/> No</div> </div> <p><i>Note: Only complete (f) if the answer to Part (e) is "no".</i></p>
<p>(g) <u>If the response to the question in part (f) is "no"</u> then ask the Subscriber to show supporting documentation to support the Subscriber's status as an "eligible investor" and <u>describe</u> the supporting documentation below:</p>	

SCHEDULE "F"

REPRESENTATION LETTER (FOR NON-CANADIAN RESIDENT INVESTORS ONLY, EXCLUDING U.S. PERSONS)

TO: North America Home Finance Inc. (the "Corporation")
AND TO: Waverley Corporate Financial Services Inc. (the "Agent")

(Capitalized terms not specifically defined in this Schedule have the meaning ascribed to them in the Subscription Agreement to which this Schedule is attached)

In connection with the execution by the undersigned Subscriber of the Subscription Agreement which this Representation Letter forms a part of, the undersigned Subscriber hereby represents, warrants, covenants and certifies to the Corporation, the Agent and their respective counsel that:

1. The undersigned Subscriber and (if applicable) any other purchaser for whom it is acting hereunder, is resident in the jurisdiction set out as the "Subscriber's Residential Address" and "Disclosed Beneficial Purchaser's Residential Address", as applicable, on the face page of the Subscription Agreement (the "**Foreign Jurisdiction**") and the undersigned Subscriber certifies that it and (if applicable) any other purchaser for whom it is acting hereunder is not resident in or otherwise subject to applicable securities laws of any province or territory of Canada.
2. The undersigned Subscriber and (if applicable) any other purchaser for whom it is acting hereunder, is a purchaser which is purchasing the Securities pursuant to an exemption from any prospectus or securities registration or similar requirements under the applicable securities laws of the Foreign Jurisdiction or any other securities laws to which the Subscriber and (if applicable) any other purchaser for whom the Subscriber is acting hereunder are otherwise subject.
3. The purchase of Securities by the Subscriber, and any other purchaser for whom it is acting hereunder, does not contravene any of the applicable securities laws in the Foreign Jurisdiction or any other securities laws to which the Subscriber and (if applicable) any other purchaser for whom the Subscriber is acting hereunder are otherwise subject and does not result in: (i) any obligation of the Corporation to prepare and file a prospectus, an offering memorandum or similar document; or (ii) any obligation of the Corporation to make any filings with or seek any approvals of any kind from any regulatory body in such jurisdiction or any other ongoing reporting requirements with respect to such purchase or otherwise; or (iii) any registration or other obligation on the part of the Corporation under the applicable securities laws in the Foreign Jurisdiction or any other securities laws to which the Subscriber and (if applicable) any other purchaser for whom the Subscriber is acting hereunder are otherwise subject.
4. The Securities are being acquired for investment purposes only and not with a view to the resale or distribution of all or any of the Securities.
5. The undersigned Subscriber and (if applicable) any other purchaser for whom it is acting hereunder, are knowledgeable of, and have been independently advised as to, the securities laws of the Foreign Jurisdiction or any other securities laws to which the Subscriber and (if applicable) any other purchaser for whom the Subscriber is acting hereunder are otherwise subject.
6. The undersigned Subscriber and (if applicable) any other purchaser for whom it is acting hereunder, is aware that its ability to enforce civil liabilities under applicable securities laws may be affected adversely by, among other things: (A) the fact that the Corporation is organized under the laws of Canada; (B) some or all of the directors and officers may be residents of Canada; and (C) all or a substantial portion of the assets of the Corporation and said persons may be located outside the Foreign Jurisdiction.

7. Upon execution of this Schedule by the undersigned Subscriber, this Representation Letter shall be incorporated into and form a part of the Subscription Agreement.

Dated: _____, 201____.

Print name of Subscriber

By: _____
Signature

Print name of Signatory (if different from the
Subscriber)

Title

**SCHEDULE "F" TO THE
OFFERING MEMORANDUM OF
NORTH AMERICA HOME FINANCE INC.**

Addendum to Securities Subscription Agreement (Discounted Subscribers)

ADDENDUM TO SUBSCRIPTION AGREEMENT FOR HB BONDS/REB UNITS

THIS AGREEMENT is made effective as of ____ day of _____, 20____.

BETWEEN:

_____, a _____ resident in _____
(hereinafter referred to as the "**Subscriber**")

AND:

NORTH AMERICA HOME FINANCE INC., a corporation formed under the laws of Canada (hereinafter collectively referred to as the "**Issuer**")

WHEREAS the Subscriber has received a copy of the Issuer's Offering Memorandum dated December 5, 2016;

AND WHEREAS the Subscriber has executed a Subscription Agreement (the "**Subscription Agreement**") and agreed to purchase for _____ REB Units (as defined therein);

AND WHEREAS the Subscriber has represented and demonstrated under the Subscription Agreement that the Subscriber is an "accredited investor" as such term is defined under National Instrument 45-106 *Prospectus Exemptions*;

AND WHEREAS pursuant to the terms of the Subscription Agreement, the Subscriber paid \$_____ in trust to TingleMerrett LLP as the Aggregate Subscription Price (as defined therein), which funds were to be held in trust pending the closing of the REB Minimum Offering (as defined in the Offering Memorandum);

AND WHEREAS the Subscriber and the Issuer desire to enter into this agreement with respect to the use of the Subscriber's funds held in trust, prior to the closing of the REB Minimum Offering (as defined in the Offering Memorandum);

NOW THEREFORE in consideration of the Discount (as defined below) and the terms and conditions contained in the Subscription Agreement, and for good and other valuable consideration exchanged between the parties, the Subscriber and the Issuer hereby agree as follows:

1. Any capitalized terms used in this Agreement that are not otherwise defined herein shall bear the meaning ascribed thereto in the Subscription Agreement and/or Offering Memorandum, as applicable.
2. Despite any reference to the Aggregate Subscription Price being held in trust pending the closing of the Minimum REB Offering, the Subscriber hereby authorizes and directs TingleMerrett LLP to release the Aggregate Subscription Price from trust (the "**Released Funds**") and to pay the funds to the Issuer for the sole purpose of the Issuer providing a fully refundable deposit (at the

discretion of the Issuer) pursuant to a purchase and sale agreement for the purchase of the RE Property (as defined in the Offering Memorandum) (the “**RE Property Deposit**”).

3. The Issuer covenants and agrees that the Released Funds shall only be used for the RE Property Deposit and for no other reason.
4. As consideration for the use of the Released Funds by the Issuer, the Issuer shall issue the REB Units to the Subscriber upon closing of the REB Minimum Offering at an Aggregate Subscription Price which represents a discount of 7% to the offering price (the “**Discount**”) of the REB Units pursuant to the Offering Memorandum.
5. Should the Minimum REB Offering not close on or before _____, the Issuer shall return the Released Funds, without interest or deduction, to the Subscriber within five (5) business days of such a date.
6. All other terms of the Subscription Agreement remain in full force and effect and unamended except as expressly set forth herein.

IN WITNESS WHEREOF the parties hereto have executed this agreement as of the day and year first above written.

Signed by an Individual Subscriber:

_____) _____
 Witness _____

Signed by a corporate Subscriber:

Per: _____

Signed by the Issuer:

NORTH AMERICA HOME FINANCE INC.

Per: _____

**SCHEDULE "G" TO THE
OFFERING MEMORANDUM OF
NORTH AMERICA HOME FINANCE INC.**

Financial Statements of the Issuer

NORTH AMERICA

H O M E F I N A N C E I N C .

Financial Statements

September 30, 2016

(expressed in Canadian dollars)

Management's Responsibility

To the Board of North America Home Finance Inc.:

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian generally accepted accounting principles. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Board has the responsibility of meeting with management and external auditors to discuss the internal controls over the financial reporting process, auditing matters and financial reporting issues. The Board is also responsible for recommending the appointment of North America Home Finance Inc.'s external auditors.

MNP LLP is appointed by the Board to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Board and management to discuss their audit findings.

December 2, 2016


Chief Executive Officer

INDEPENDENT AUDITORS' REPORT

To the Directors of North America Home Finance Inc.:

We have audited the accompanying financial statements of North America Home Finance Inc., which comprise the statement of financial position at September 30, 2016 and the statements of changes in equity and cash flows for the period from July 27, 2016 (date of inception) to September 30, 2016 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 audits 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 North America Home Finance Inc. at September 30, 2016 and the results of its operations and its cash flows for the period from July 27, 2016 (date of inception) to September 30, 2016 in accordance with International Financial Reporting Standards.



Chartered Professional Accountants

December 2, 2016
Vancouver, British Columbia

North America Home Finance Inc.

Statement of Financial Position

(expressed in Canadian dollars)

As at
September 30,
2016
\$

Assets

Current assets

Share subscriptions receivable to related parties (note 6)

18,080

Total assets

18,080

Shareholder's Equity

Share Capital (note 3)

18,080

Retained Earnings

-

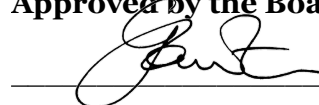
Total shareholder's equity

18,080

Total liabilities and shareholder's equity

18,080

Approved by the Board of Directors



Director

The accompanying notes are an integral part of these financial statements.

North America Home Finance Inc.

Statement of Changes in Equity

For the period from July 27, 2016 to September 30, 2016

(expressed in Canadian dollars)

	Number of Shares	Share Capital \$	Retained Earnings \$	Total \$
Balance – July 27, 2016 (Date of Inception)	-	-	-	-
Shares issued	18,080,000	18,080	-	18,080
Net income for the period	-	-	-	-
Balance - September 30, 2016	18,080,000	18,080	-	(18,080)

The accompanying notes are an integral part of these financial statements.

North America Home Finance Inc.

Statement of Cash Flows

(expressed in Canadian dollars)

From July 27,
2016
(Date of
Inception) to
September 30,
2016
\$

Cash flows from operating activities

Net income for the period

-

Change in assets and liabilities

Share subscriptions receivable to related parties

(18,080)

(18,080)

Cash flows from financing activities

Shares issued

18,080

(Decrease) increase in cash and cash equivalents

-

Cash and cash equivalents - Beginning of period

-

Cash and cash equivalents - End of period

-

The accompanying notes are an integral part of these financial statements.

North America Home Finance Inc.

Notes to the Financial Statements

For the period ended September 30, 2016

(expressed in Canadian dollars)

1 Nature of operations

North America Home Finance Inc. ("the Company") is a privately held company incorporated under the Canada Business Corporations Act on July 27, 2016. The principal office of the Issuer is located at #800, 1040 West Georgia Street, Vancouver, British Columbia, V6E 4H1. The Company's intention is to be actively engaged in the acquisition, financing, management and operation of a commercial real estate asset and growing the business of providing financing to residential real estate developers and home purchasers. The Company was created as a vehicle for individual investors to pool their funds to purchase and operate interests in real estate properties and to fund the development and ownership of new residential real estate by homeowners.

As of September 30, 2016 the Company has no operations since inception. The Company is currently raising funds through a private debt placement to finance future operations. The Company's continued existence and plans for future growth depend on its ability to obtain additional capital. The Company's ability to achieve these objectives cannot be determined at this time.

These financial statements have been prepared on the basis of accounting principles applicable to a going concern, with the assumption that the Company will continue in operation for foreseeable future and will be able to realize its assets and discharge its obligations in the normal course of operations. The Company's continuing operations as intended are dependent upon the Company's ability to obtain additional capital, and identify, evaluate and negotiate the acquisition of an interest in properties, assets or a business. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period.

These consolidated financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue as a going concern.

The financial statements of the Company for the period from July 27, 2016 (date of inception) to September 30, 2016 were authorized for issue in accordance with a resolution of the directors on December 2, 2016.

2 Summary of significant accounting policies

Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). IFRS has been applied since July 27, 2016 (date of inception).

Basis of preparation

These financial statements have been prepared on the historical cost basis, except for certain financial instruments that are measured at fair values, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets. Furthermore, these financial statements are presented in Canadian dollars which is the functional currency of the Company and all values are rounded to the nearest dollar.

North America Home Finance Inc.

Notes to the Financial Statements

For the period ended September 30, 2016

(expressed in Canadian dollars)

Significant Accounting Judgments and Estimates

The preparation of these financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Judgment is used mainly in determining how a balance or transaction should be recognized in the financial statements. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

There were no areas of significant management's estimates in the current period. Areas where significant management judgments have been applied include:

Judgments

i.) Going concern

Significant judgments used in the preparation of these financial statements relate to the assessment of the Company's ability to continue as a going concern. Management has applied judgments in the assessment of the Company's ability to continue as a going concern when preparing its financial statements for the period ended September 30, 2016. Management prepares the financial statements on a going concern basis unless Management either intends to liquidate the entity or has no realistic alternative but to do so. In assessing whether the going concern assumption is appropriate, Management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. As a result of the assessment, Management concluded the going concern basis of accounting is appropriate.

Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument to another entity. Financial assets and financial liabilities are recognized on the statements of financial position at the time the Company becomes a party to the contractual provisions of the financial instrument.

Financial instruments are initially measured at fair value. Measurement in subsequent periods is dependent on the classification of the financial instrument. The Company classifies its financial instruments in the following categories: fair value through profit or loss, loans and receivables, held-to-maturity, available-for-sale, and other financial liabilities.

Financial assets

Financial assets at fair value through profit or loss

Financial assets and liabilities at fair value through profit or loss are either 'held-for-trading' or designated at fair value through profit or loss. They are initially and subsequently recorded at fair value and changes in fair value are recognized in profit or loss for the period.

The Company does not have any fair value through profit or loss assets.

North America Home Finance Inc.

Notes to the Financial Statements

For the period ended September 30, 2016

(expressed in Canadian dollars)

Held to maturity

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are initially recorded at fair value and subsequently measured at amortized cost.

The Company does not have any held-to-maturity financial assets.

Loans and receivable

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value and subsequently on an amortized cost basis using the effective interest method, less any impairment losses. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period, which are classified as non-current assets. The Company classified its due from related parties as loans and receivables.

Available for sale

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any other financial asset categories. They are initially and subsequently measured at fair value and the changes in fair value, other than impairment losses are recognized in other comprehensive income (loss) and presented in the fair value reserve in shareholders' equity. When the financial assets are sold or an impairment write-down is required, losses accumulated in the fair value reserve recognized in shareholders' equity are included in profit or loss.

The Company does not have any available-for-sale financial assets.

Financial liabilities

All financial liabilities are recognized initially at fair value plus any directly attributable transaction costs on the date at which the Company becomes a party to the contractual provisions of the instrument. Subsequent to initial recognition, the Company's financial liabilities classified as other financial liabilities are measured at amortized cost using the effective interest method. Financial liabilities at fair value are stated at fair value with changes being recognized in profit and loss. The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled, or expired.

The Company's non-derivative financial liabilities include its accounts payable and accrued liabilities are designated as other liabilities.

The Company has no financial liabilities are stated at fair value with changes recognized through profit and loss.

Impairment of financial assets

A financial asset not carried at fair value through profit or loss is reviewed at each reporting date to determine whether there is any indication of impairment. A financial asset is impaired if objective evidence indicates that a loss event has

North America Home Finance Inc.

Notes to the Financial Statements

For the period ended September 30, 2016

(expressed in Canadian dollars)

occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the assets' original effective interest rate. Losses are recognized in profit or loss with a corresponding reduction in the financial asset, or, in the case of amounts receivable, are reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Share Capital

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

Basic and Diluted Loss Per Share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

Comprehensive Income (Loss)

Comprehensive income (loss) is the overall change in the net assets of the Company for a period, other than changes attributable to transactions with shareholders. It is made up of net income (loss) and other comprehensive income (loss). Other comprehensive income (loss) includes gains or losses, which generally accepted accounting principles requires recognizing in a period, but excluding from net income (loss) for that period.

Income Taxes

Income tax expense comprises current and deferred taxes.

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date.

Current income tax related to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations where applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

North America Home Finance Inc.

Notes to the Financial Statements

For the period ended September 30, 2016

(expressed in Canadian dollars)

Deferred tax

Deferred tax is provided using the balance sheet method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit (tax loss).

Deferred tax assets are recognized for all deductible temporary differences, the carry-forward of unused tax credits and any unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will be available to allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

New Standards, Amendments and Interpretations Issued

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB or IFRIC that are mandatory for accounting periods beginning after July 27, 2016, or later periods. Some updates that are not applicable or are not consequential to the Company may have been excluded from the list below.

North America Home Finance Inc.

Notes to the Financial Statements

For the period ended September 30, 2016

(expressed in Canadian dollars)

The standards and interpretations that are issued, but not yet effective, up to the date of authorization of these financial statements are disclosed below. Management anticipates that all of the pronouncements will be adopted in the accounting policy for the first period beginning after the effective date of the pronouncement.

The Company continues to evaluate the impact the implementation of these standards will have on the financial statements.

Accounting standards anticipated to be effective in future periods:

IFRS 9 - Financial Instruments. This IFRS introduces new requirements for classifying and measuring financial assets and liabilities and carries over from the requirements of IAS 39 - Financial Instruments: Recognition and measurement, derecognition of financial assets and financial liabilities. The required adoption date for IFRS 9 is January 1, 2018.

IFRS 15 - Revenue from Contracts with Customers. This IFRS establishes principles to address the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. IFRS 15 will be effective for annual periods beginning on or after January 1, 2017, with early adoption permitted.

IFRS 16 – Leases. This IFRS, which supersedes IAS 17 – Leases, specifies how to recognize, present and disclose leases. The standard provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is 12 months or less or the underlying asset has a low value. IFRS 16 is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted if IFRS 15, has also been applied.

3 Share Capital

Authorized

Unlimited Class A common shares at no par value – Non-voting and participating
Unlimited Class B common shares at no par value – Non-voting and non-participating
Unlimited Class C common shares at no par value – Voting and participating

Issued

	Common shares	Amount \$
Opening balance, July 27, 2016	-	-
Transactions during the period:		
Class C common shares issued at \$0.001 per share	18,080,000	18,080
Balance, September 30, 2016	18,080,000	18,080

North America Home Finance Inc.

Notes to the Financial Statements

For the period ended September 30, 2016

(expressed in Canadian dollars)

4 Financial Risk Management

Overview

The Company is exposed in varying degrees to a variety of financial instrument related risks. This note presents information about the Company's exposure to each of these risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

a) Credit risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash. The Company limits its exposure to credit risk on liquid financial assets through investing its cash with high credit quality financial institutions. Management believes that the Company is subject to minimal credit risk.

b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company ensures that there is sufficient capital in order to meet short term business requirements, after taking into account cash flows from operations and the Company's holdings of cash. The Company's cash is currently deposited in the accounts with high-credit quality financial institutions which is available on demand by the Company. As at September 30, 2016, the Company has accounts payable and accrued liabilities of \$3,500. Management intends to meet the financial obligations by raising funds through the completion of a private debt placement.

c) Foreign exchange risk

The functional currency of the Company is Canadian dollar. The Company does not have exposure to currency fluctuations.

d) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to interest rate risk is minimal as it does not currently hold debt balances and is not generally charged interest on accounts payable balances.

North America Home Finance Inc.

Notes to the Financial Statements

For the period ended September 30, 2016

(expressed in Canadian dollars)

5 Financial Instruments

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

Level 1 – unadjusted quoted prices in active markets for identical assets or liabilities

Level 2 – inputs other than quoted prices that are observable for the asset or liability either directly or indirectly;
and

Level 3 – inputs that are not based on observable market data.

As at September 30, 2016, the Company's financial instruments consist of amounts due from related parties, accounts payable and accrued liabilities. The fair values of amounts due from related parties, accounts payable and accrued liabilities approximate their carrying values due to the relatively short-term to maturity.

6 Related Party Transactions

During the period ended September 30, 2016, all 18,080,000 seed shares were purchased by the director and a company controlled by the director at \$0.001 per share. The amount paid for seed shares, \$18,080, remains due from related parties as at September 30, 2016. The amount due from related parties has been received in-trust subsequent to the period end.

7 Capital Disclosures

The Company manages its capital, consisting of shareholders' equity, in a manner consistent with the risk characteristics of the assets it holds. All sources of financing are analyzed by the management and approved by the board of directors.

The Company's objectives when managing capital are:

- a) to safeguard the Company's ability to continue as a going concern;
- b) to facilitate the completion of a corporate objectives.

The Company is meeting its objective of managing capital through its detailed review and performance of due diligence on all potential acquisitions, preparing short-term and long term cash flow analysis to ensure an adequate amount of liquidity and monthly review of financial results.

North America Home Finance Inc.

Notes to the Financial Statements

For the period ended September 30, 2016

(expressed in Canadian dollars)

8 Subsequent Event

During the month of December 2016, the Company issued an offering memorandum which included:

- a) HomeBuild bonds: Up to 5,000 HomeBuild bonds ("HB Bonds"). The subscription price is \$1,000 per HB Bond.
- b) Real Equity bond units: Up to 2,000 Real Equity Bond units, each REB Unit consisting of a Real Equity bond ("RE Bond"), a redeemable capital growth based right and 100 common share purchase warrants (the "Warrants"). Each Warrant shall entitle the holder to purchase one Class C common share at any time for a period of 5 years from the date of issuance at an exercise price of \$0.50 per Common Share within the first 12 months, with the price escalating by 10% per year following the first anniversary from the date of issuance. The subscription price is \$1,000 per REB Unit (\$999.99 per RE Bond, \$0.01 per Right and \$nil for the Warrants), subject to a discount of 7% for subscribers of the first \$150,000 of REB Units that agree to allow their funds to be used as a refundable deposit required under an agreement to acquire the RE Property prior to the Closing of the Minimum Offering. The deposit on the RE Property shall only be made if it is fully refundable at the discretion of the Issuer, and held in trust by the Issuer's representative law firm.

The minimum offering is either \$100,000 (100 HB Bonds) or \$1,000,000 (1,000 REB Units). The maximum offering for the HB Bonds is \$5,000,000 (5,000 HB Bonds) and for the REB Units is \$3,700,000 (3,700 REB Units).

**SCHEDULE "H" TO THE
OFFERING MEMORANDUM OF
NORTH AMERICA HOME FINANCE INC.**

Powerpoint Presentation for the HB Bonds



HomeBuild Bonds

Schedule H



Notice to Reader

This management presentation is intended to provide an overview of HomeBuild Bonds (“HB Bond”). It has been prepared for informational purposes only.

The presentation contains statements that, to the extent that they are not historical fact, may constitute “forward-looking statements” within the meaning of applicable securities legislation. Forward-looking statements in this presentation include but are not limited to statements regarding HB Bond’s potential returns, management’s beliefs regarding the future prospects for residential development investment strategies. In addition to these statements, any statements regarding future plans, objectives or economic performance of the HB Bonds, or the assumption underlying any of the foregoing, constitute forward-looking information. This presentation uses words such as “may”, “would”, “could”, “will”, “likely”, “expect”, “anticipate”, “believe”, “intend”, “plan”, “forecast”, “project”, “estimate”, “outlook”, and other similar expressions to identify forward-looking statements. Actual results, performance or achievement could differ materially from that expressed in, or implied by, any forward-looking statements in this presentation, and, accordingly, readers should not place undue reliance on any such forward-looking statements. Forward-looking information involves significant risks, assumptions, uncertainties and other factors that may cause actual future results or anticipated events to differ materially from those expressed or implied in any forward-looking statements and accordingly, should not be read as guarantees of future performance or results. These risks and uncertainties include the business of funding, developing, and selling residential property including: government regulation and environmental matters; illiquidity; uninsured losses; investment concentration; competition; funding strategy; absorption rates; reliance on key personnel; integration of additional properties; debt financing; interest rates; litigation; restrictive covenants; joint venture investments; potential undisclosed liabilities associated with acquisitions; reliance on external sources of capital and other factors. Due to the potential impact of these factors, any forward-looking statements speak only as of the date on which such statement is made and North America Home Finance Inc. disclaims any intention or obligation to update or revise any forward-looking information, as a result of new information, future events or otherwise, unless required by applicable law. New factors emerge from time to time, and it is not possible for management to predict all of such factors and to assess in advance the impact of each such factor on the business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. This presentation forms a schedule to the Offering Memorandum and is not a stand alone document. The Offering Memorandum should be reviewed and read fully before making an investment decision

Better Financial Design

Dividing Risk: Residential development typically involves 4 groups of risk:

1. City Approvals and Permits (zoning risk)
2. Servicing and Construction (development risk)
3. Construction Financing (risk)
4. Market Absorption

To offer a better investment we asked: how can these risks be eliminated while reducing the time associated with them?

Solution

Surety Backed Financing is the Answer

By contracting for units in a residential development project with a 10% deposit and working with bonding/surety companies we are able to eliminate development risk, zoning risk, and construction financing risk.

Capital is only invested when financing is committed and construction permits are in place. During construction the investment is **Fully Bonded**.

Old Way vs. New Way

How the Two Methods Compare

Old Way: **LP Syndication, or Mezzanine Financing**

- Normally a developer puts in the cash to tie up the land, and/or syndicates the acquisition of the property along with the capital needed to construct the building. Depending on the success of the efforts raising the equity they may also borrow mezzanine debt at a high rate of interest which increases the risk in the project.

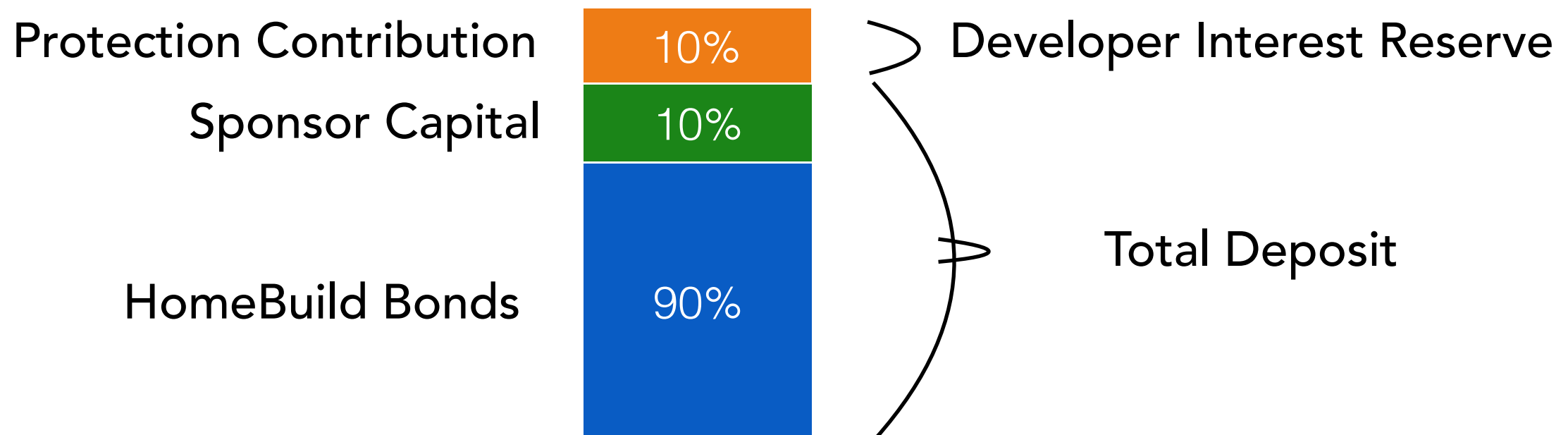
New Way: **Guaranteed Sales with Cash on Construction Start**

- This approach provides the developer a block of unit sales where the funds put on deposit are bonded giving the developer additional capital up front, therefore eliminating the need for syndicated equity or a high cost mezzanine loan.

Investment Structure

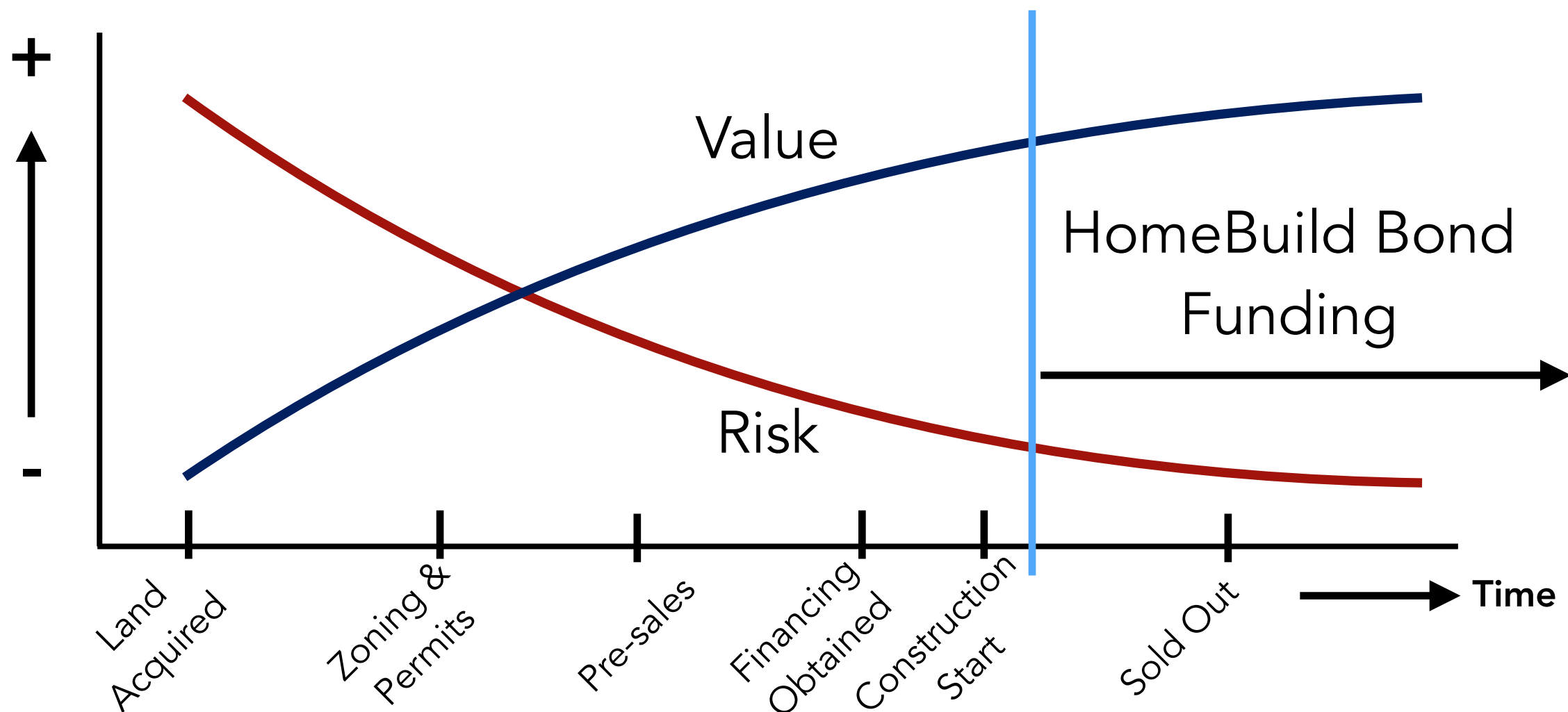
Developer Funds a Bonded Interest Reserve

The approach to funding the investment uses two tranches of capital including “skin in the game” from the sponsor. The protection contribution provided by the developer (interest reserve) is also bonded covering the return even if the project fails.



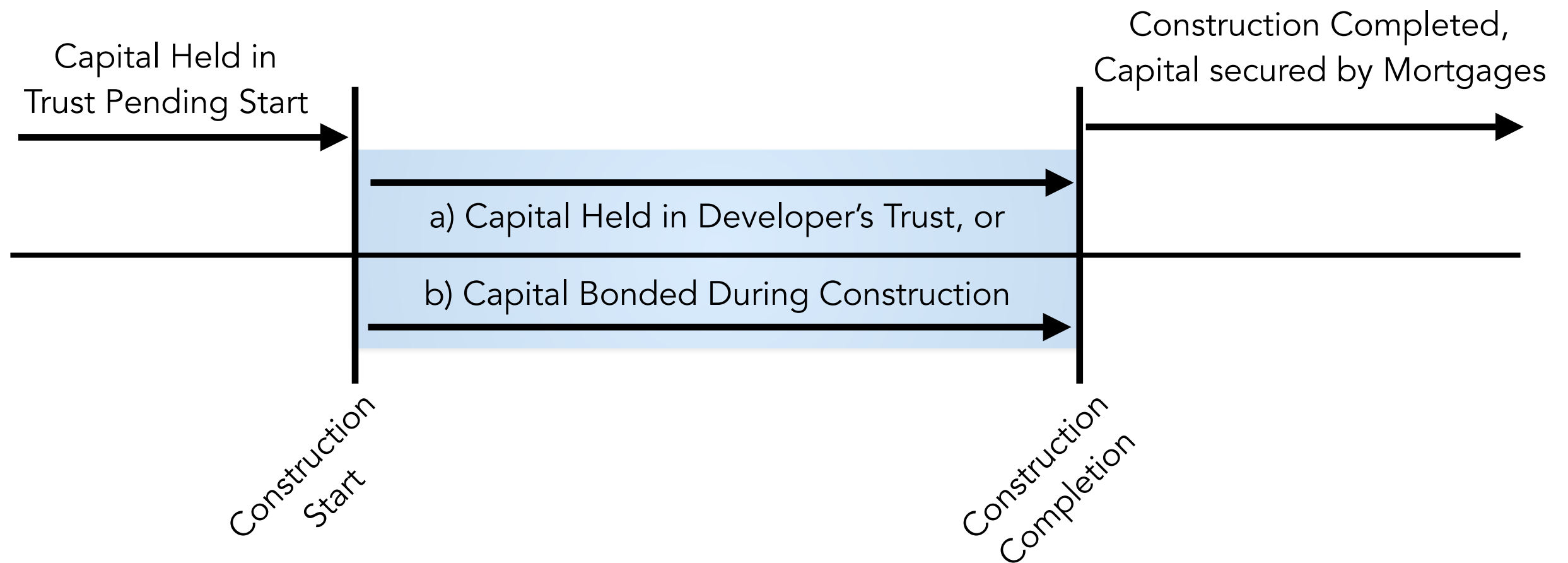
A Layered Approach

As the Construction Starts, Investment Occurs



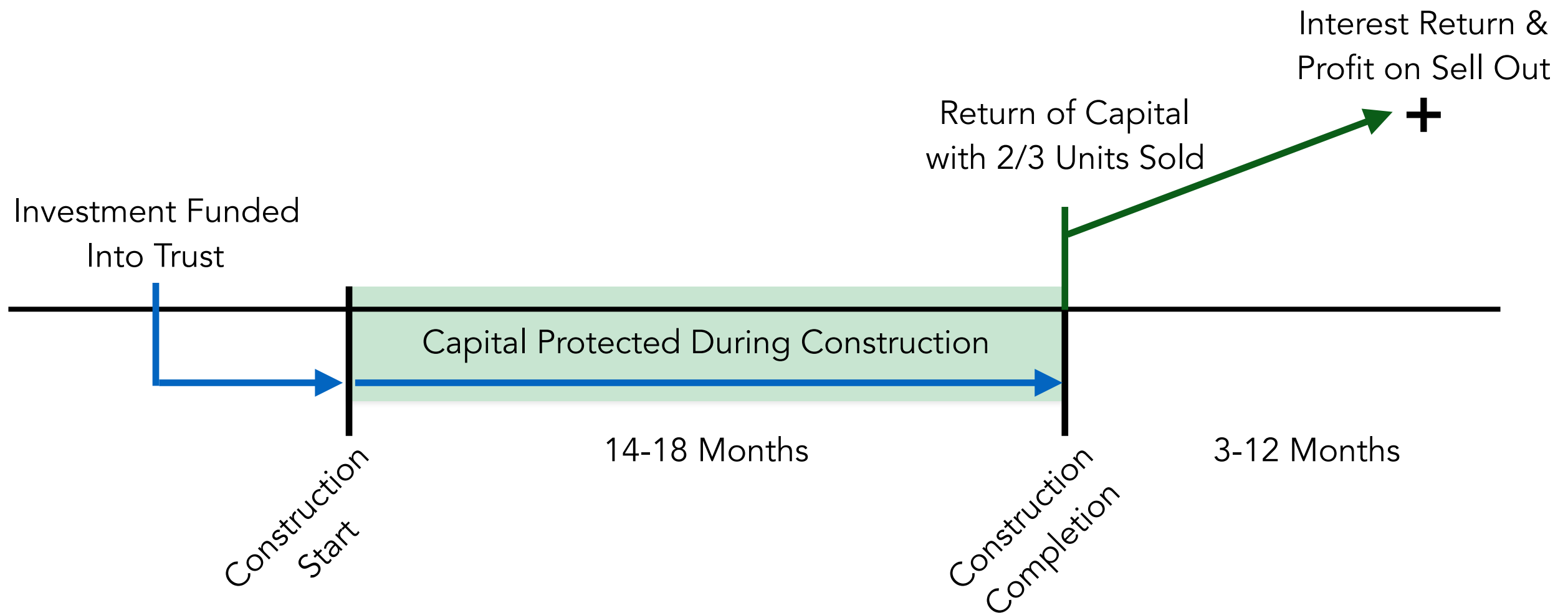
Development Risk Eliminated

HomeBuild Bond Funding Security



Timing of Capital Return & Profit

HomeBuild Bond Investment Cash Flow



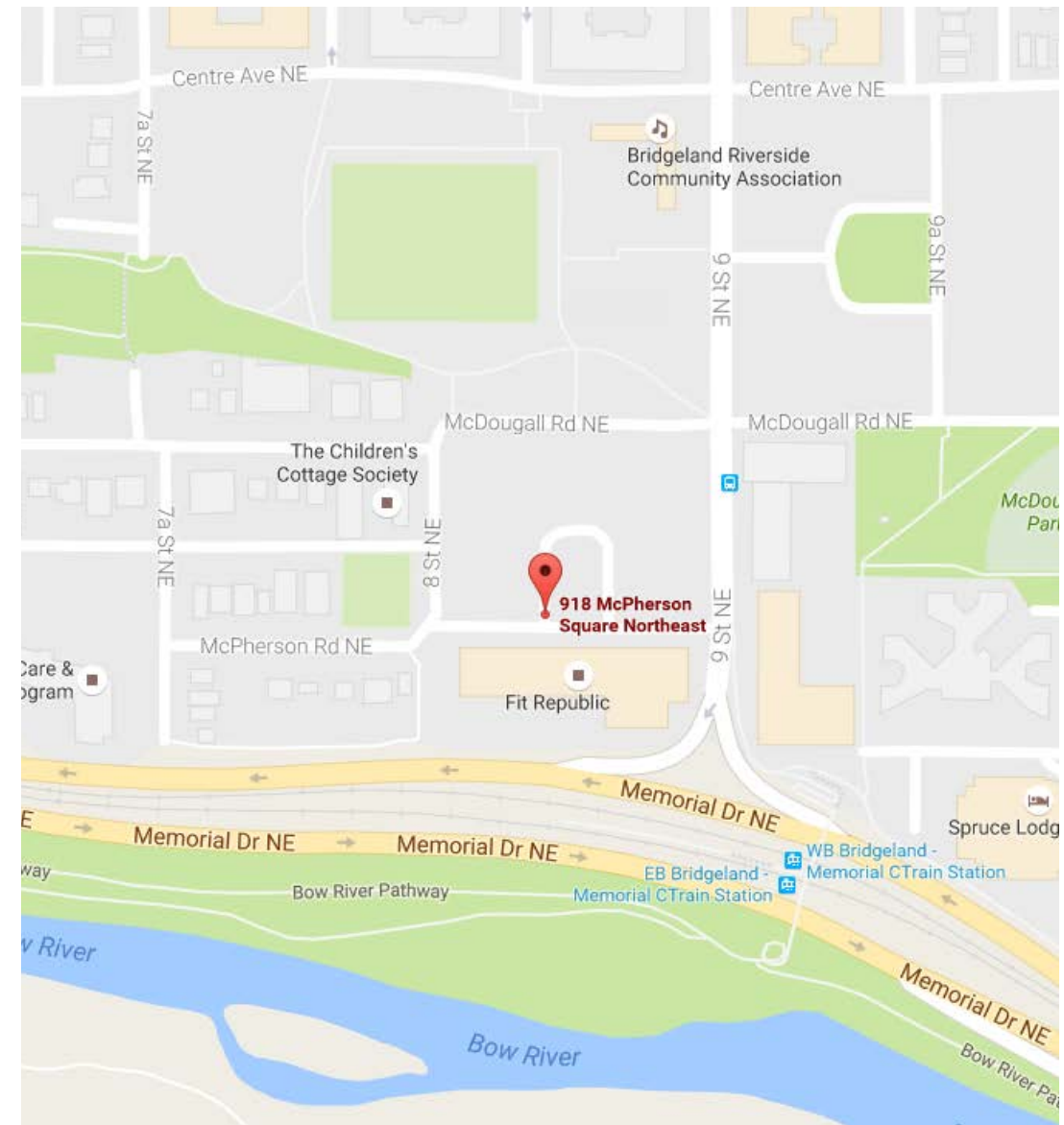
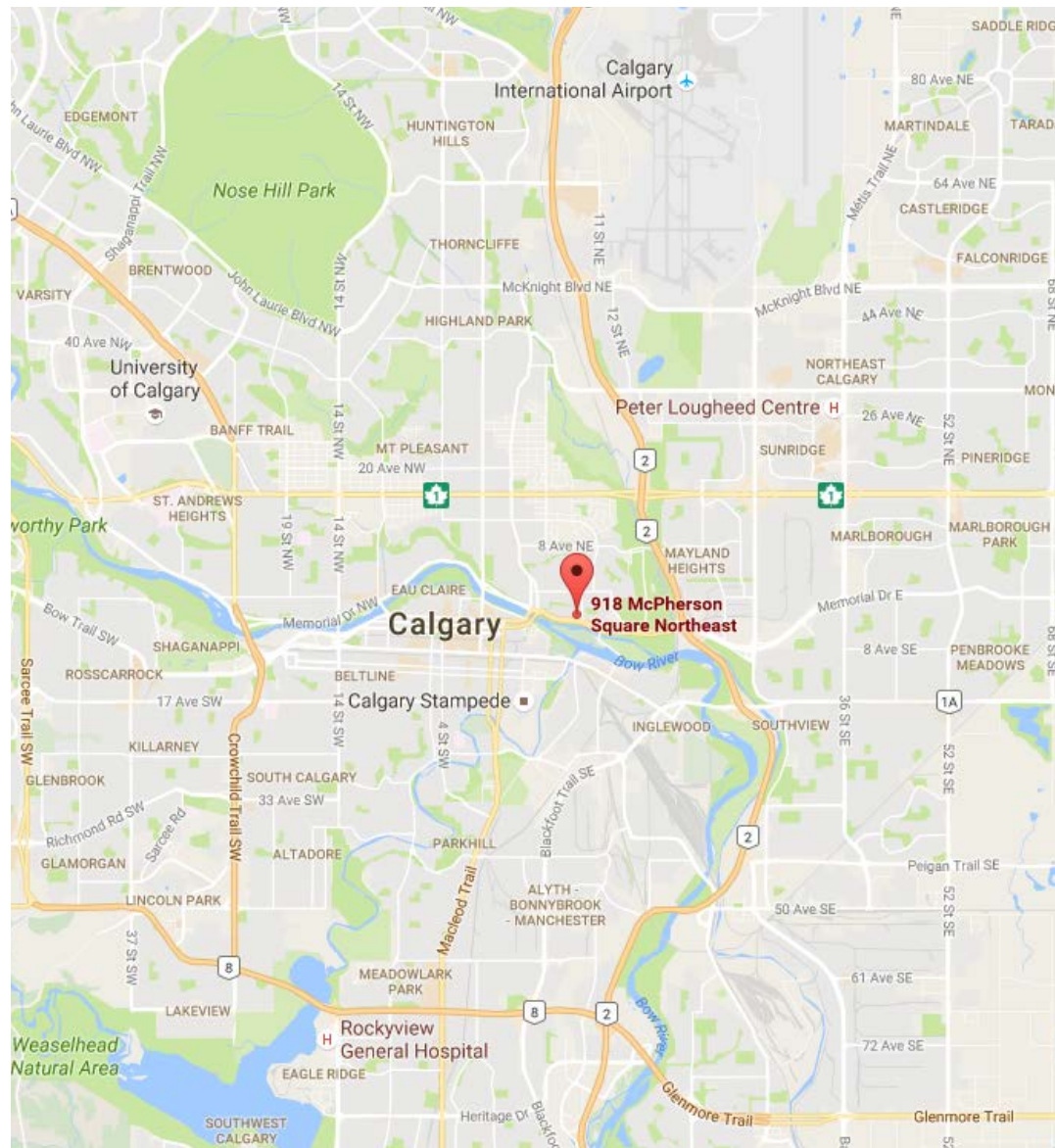
Calgary Development

Contracts Covering Multiple Units

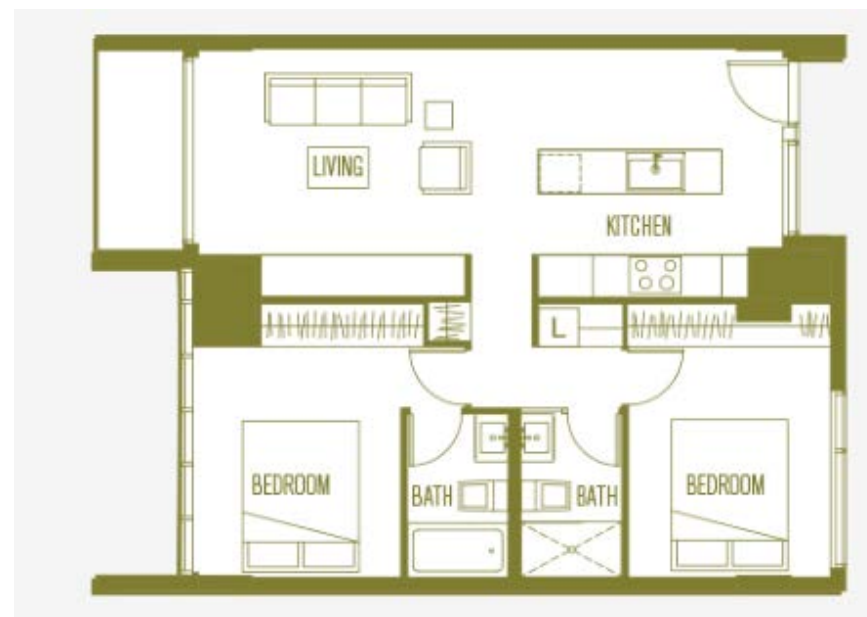


Project Location

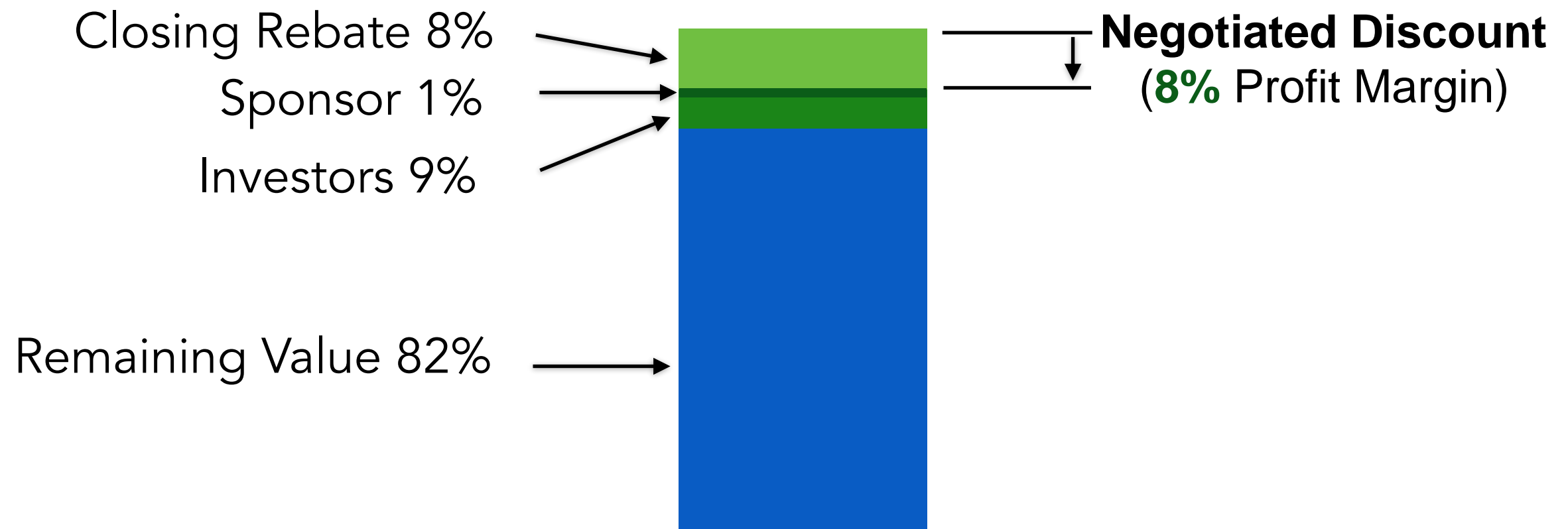
Located North of Downtown



Sample Units



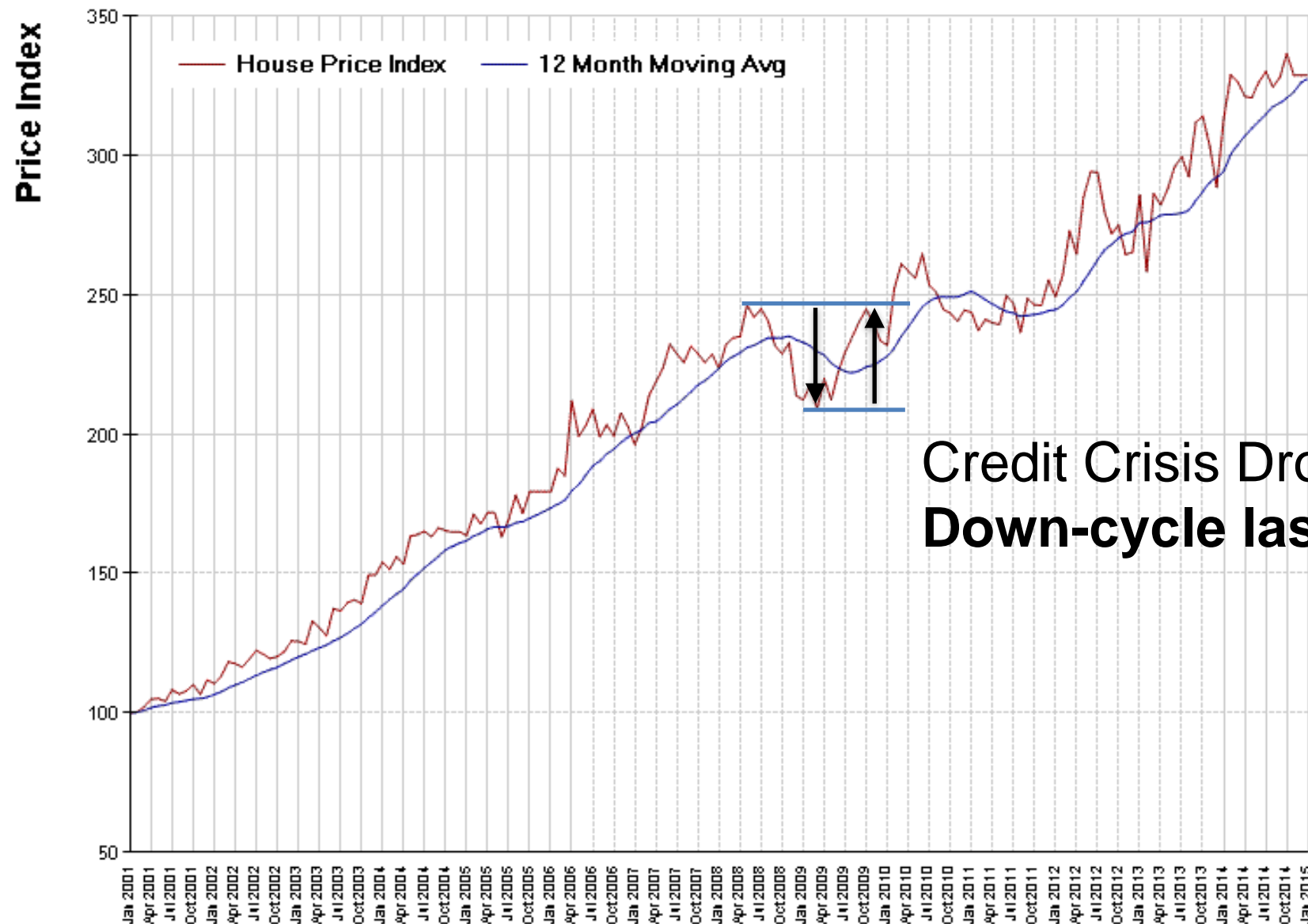
Profit Without Appreciation



Following the auto-dealer industry approach to taking inventory from the "manufacturer" (developer) and receiving a rebate on final sale to the home owner.

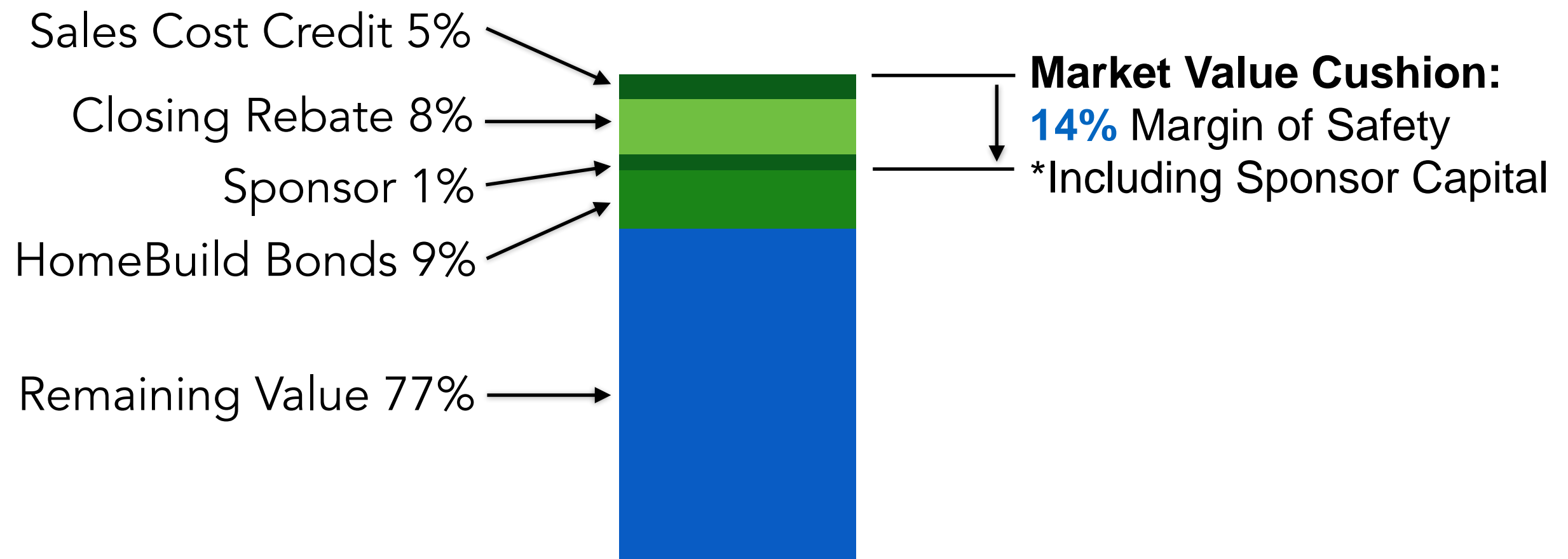
Market History

Sample Residential Price Index



Credit Crisis Drop **16.13%**
Down-cycle lasted 11 months

Market Value Buffer



Investment ROI

ROI Outcomes

1. **Units sold with the minimum return & profit realized:**

Principal and the 7.75% minimum return is realized along with the additional profit. Profit paid after the minimum return and capital are received.

2. **Interest reserve ensures return** (if project doesn't complete):

The funds are paid back by the surety company and the interest reserve covers the minimum return on investment.

Enhanced Security

Proceeds from Sales

- $\frac{2}{3}$ units sold fully cashes out investors' capital
- Provides profit participation interest

Skin in the Game

Sponsor Capital is Subordinated

- Investors' principal and minimum 7.75% return is paid before sponsor's capital is returned.
- Sponsor is at risk first and is paid back last on its investment.

Investment Timeline & Terms

- ★ **Construction planned for 14 months**
- ★ **Multiple sales channels are used
including the developer's**

Total Return Potential

- ★ **7.75% priority return assured by an interest reserve funded by the developer.**
- ★ **Profits share distributed once all capital is paid out.**

Investment Purpose

Financing Which Increases Home Ownership

This investment program provides great security, two positive ROI outcomes, and makes a difference for real estate buyers by providing new ways for people to own or invest.

**SCHEDULE "I" TO THE
OFFERING MEMORANDUM OF
NORTH AMERICA HOME FINANCE INC.**

Powerpoint Presentation for the RE Bonds

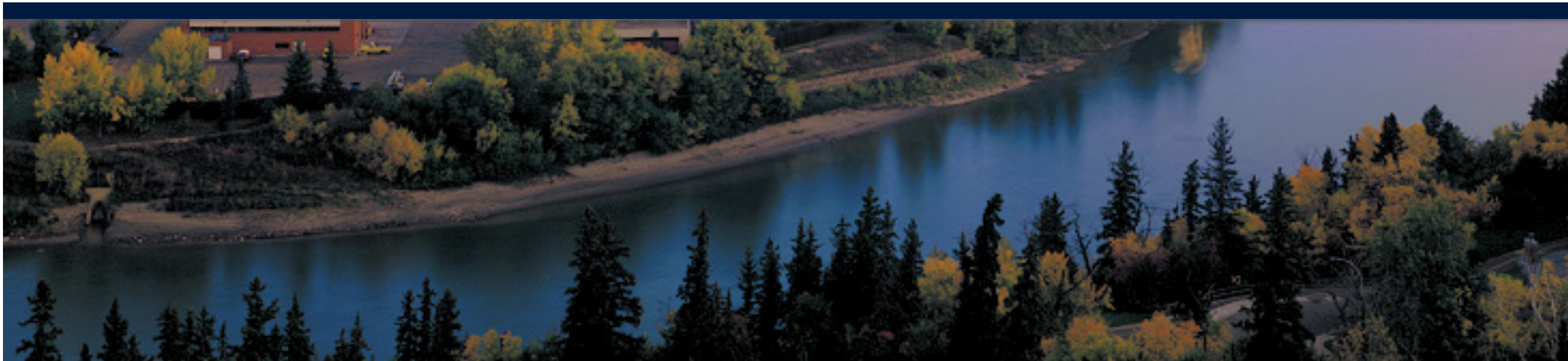


NORTH AMERICA

HOME FINANCE INC.

RealEquity Bonds

Schedule I



Notice to Reader

This management presentation is intended to provide an overview of RealEquity Bonds (“RE Bond”). It has been prepared for informational purposes only.

The presentation contains statements that, to the extent that they are not historical fact, may constitute “forward-looking statements” within the meaning of applicable securities legislation. Forward-looking statements in this presentation include but are not limited to statements regarding RE Bond’s potential returns, management’s beliefs regarding the future prospects for residential development investment strategies. In addition to these statements, any statements regarding future plans, objectives or economic performance of the RE Bonds, or the assumption underlying any of the foregoing, constitute forward-looking information. This presentation uses words such as “may”, “would”, “could”, “will”, “likely”, “expect”, “anticipate”, “believe”, “intend”, “plan”, “forecast”, “project”, “estimate”, “outlook”, and other similar expressions to identify forward-looking statements. Actual results, performance or achievement could differ materially from that expressed in, or implied by, any forward-looking statements in this presentation, and, accordingly, readers should not place undue reliance on any such forward-looking statements. Forward-looking information involves significant risks, assumptions, uncertainties and other factors that may cause actual future results or anticipated events to differ materially from those expressed or implied in any forward-looking statements and accordingly, should not be read as guarantees of future performance or results. These risks and uncertainties include the business of funding, developing, and selling residential property including: government regulation and environmental matters; illiquidity; uninsured losses; investment concentration; competition; funding strategy; absorption rates; reliance on key personnel; integration of additional properties; debt financing; interest rates; litigation; restrictive covenants; joint venture investments; potential undisclosed liabilities associated with acquisitions; reliance on external sources of capital and other factors. Due to the potential impact of these factors, any forward-looking statements speak only as of the date on which such statement is made and North America Home Finance Inc. disclaims any intention or obligation to update or revise any forward-looking information, as a result of new information, future events or otherwise, unless required by applicable law. New factors emerge from time to time, and it is not possible for management to predict all of such factors and to assess in advance the impact of each such factor on the business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. This presentation forms a schedule to the Offering Memorandum and is not a stand alone document. The Offering Memorandum should be reviewed and read fully before making an investment decision.

Better Financial Design

Secured Principal Protection Without Sacrificing Growth:

1. Mortgage collateral registered against the property
2. Fixed minimum return and payout priority
3. Proportionate share of equity growth

Where can one invest in real estate in a way that secures their equity ahead of all unsecured creditors, trade payables, and shareholders' return... but still provides growth of capital?

Solution

RealEquity Bonds are the Answer

RealEquity Bonds administered by Alliance Trust are secured with mortgage charge against commercial real estate.

- This security provides protection and priority repayment of principal invested.
- The security also provides a minimum priority interest return.

In addition, the Bonds also come with a growth participation right providing a share in the appreciation of the property.

Old Way vs. New Way

How the Two Methods Compare

Old Way: **LP, Trust, or Corporate Syndication**

- Normally a real estate manager will negotiate to acquire a property in a Limited Partnership, a Real Estate Investment Trust or Corporation and issue units or shares to investors for their stake in the property. These units or shares are last in line for any payout of principal or return and their value can drop significantly in relationship to the originally invested amount.

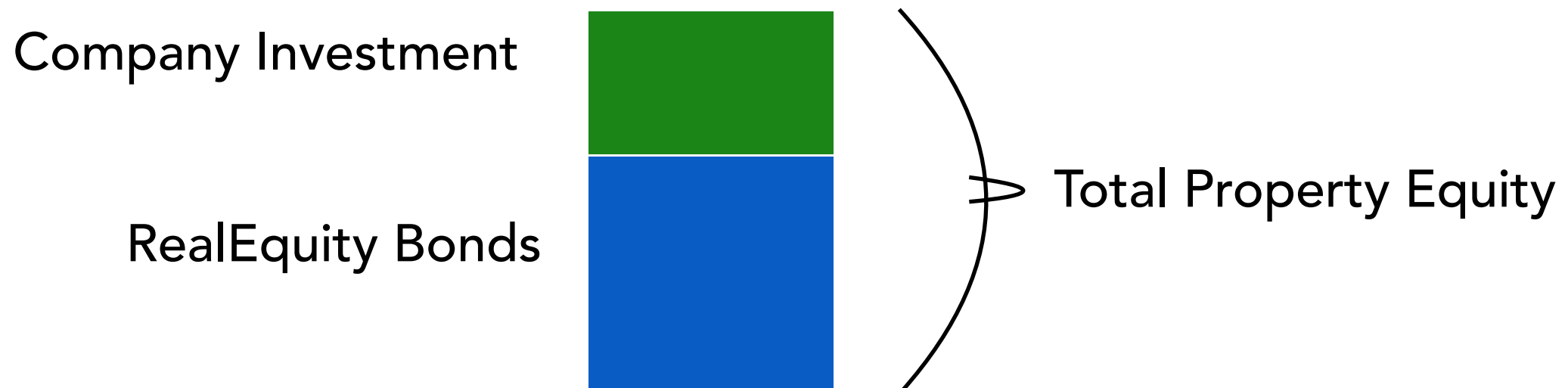
New Way: **Mortgage Secured Bond with Growth Participation**

- This approach provides the investor with security for their original investment which is registered against the title to the property. This provides a priority payout on both the returns generated from the property as well as the principal amount invested.

Investment Structure

RealEquity Bonds Come First

The approach to funding the investment uses two tranches of capital including “skin in the game” from the sponsor. The bondholder’s investment and minimum return are paid out before any return is realized by the company.



RealEquity Bond Asset

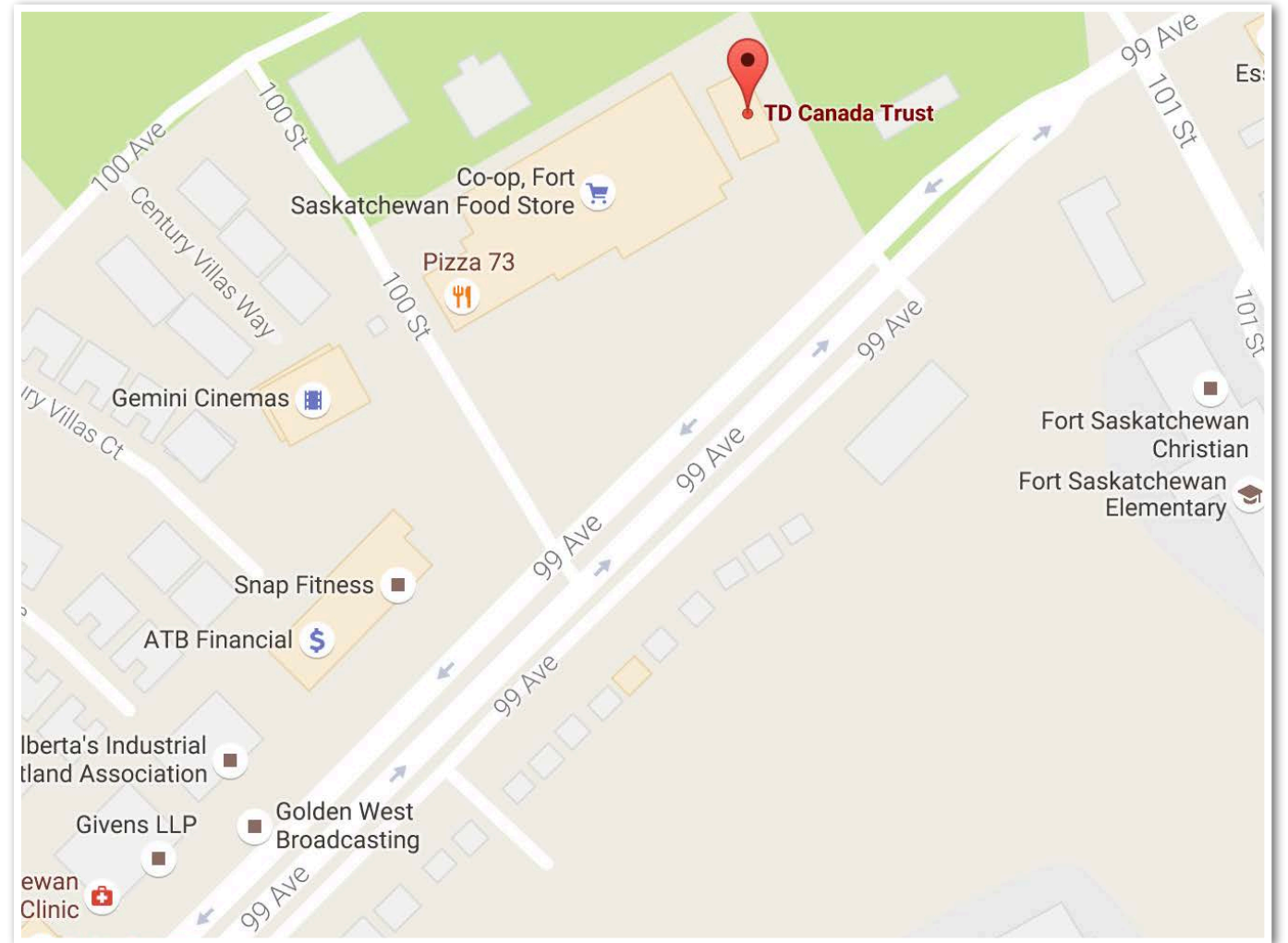
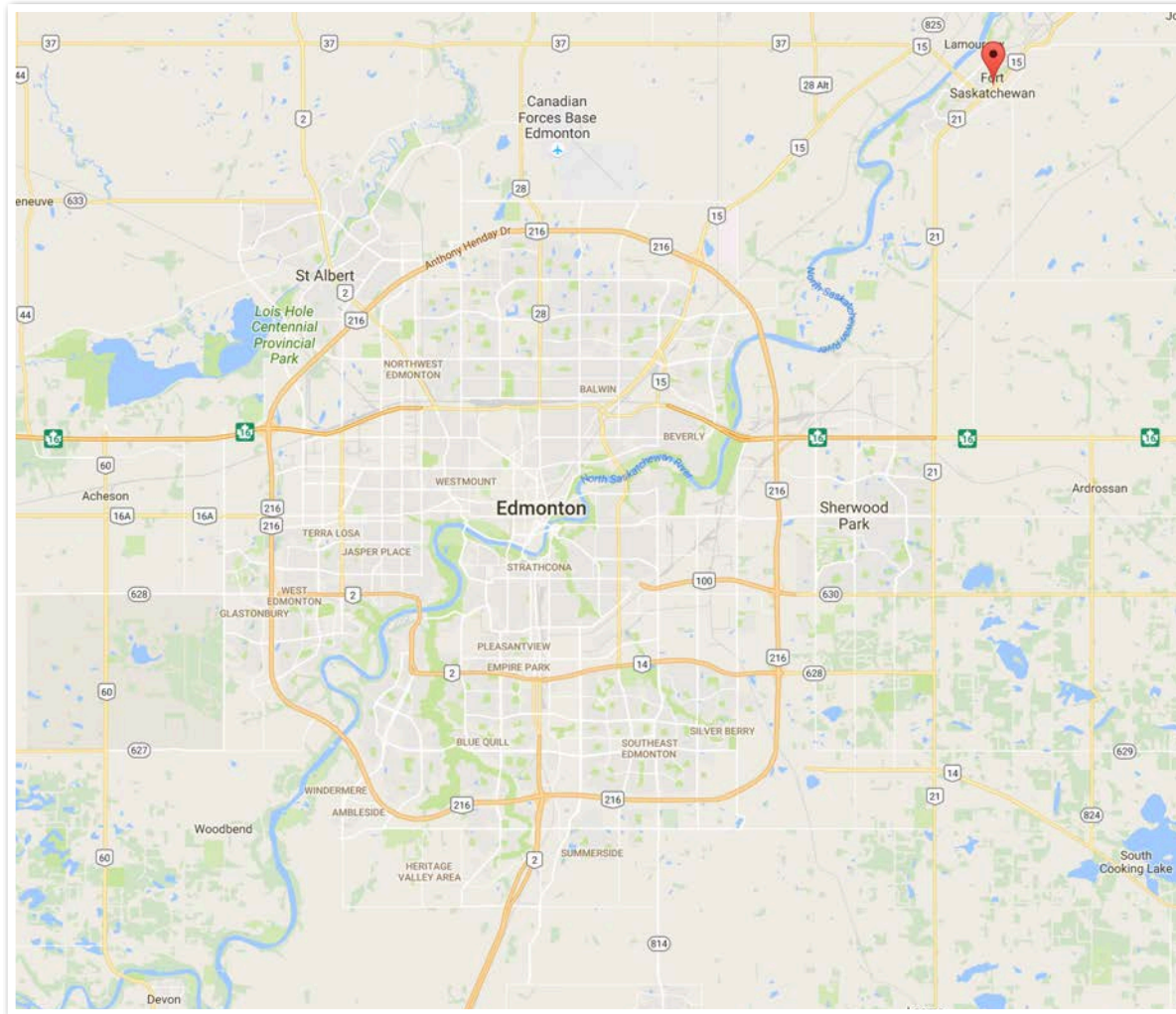


Station Square Retail Centre



The Location

Located North-East of Edmonton



Site Layout



Key Tenants

Station Square is 98.1% leased to the following four tenants.

- **CO-OP Grocery/Pharmacy** (44,145 square feet, \$18.15 psf, until Oct.-2022)

The CO-OP lease includes a provision for a base rent increase to \$19.15 psf payable starting in 2017. This lease has six, five-year renewal options.



- **TD Bank** (5,100 square feet, \$41.25 psf, until Nov.-2018)

This free standing TD Bank building also includes a drive0thru ATM which is harder for the bank to replace giving the property a better competitive position. This lease has four, five-year renewal options.



- **Pizza Pizza Limited** (1,867 square feet, \$20.50 psf, until June 2018)

This Pizza Pizza location has a corporate covenant and the list initiated in February of 2009. The lease currently has two five, year renewal options.



- **Station Square Liquor Store** (3,952 square feet, \$22.00 psf, until Jan.-2025)

This lease includes a base rate escalation clause which increases the annual rent by \$1.00 psf every other year to a maximum of \$28.00 psf prior to the next renewal option. The lease currently has three, five-year renewal options.

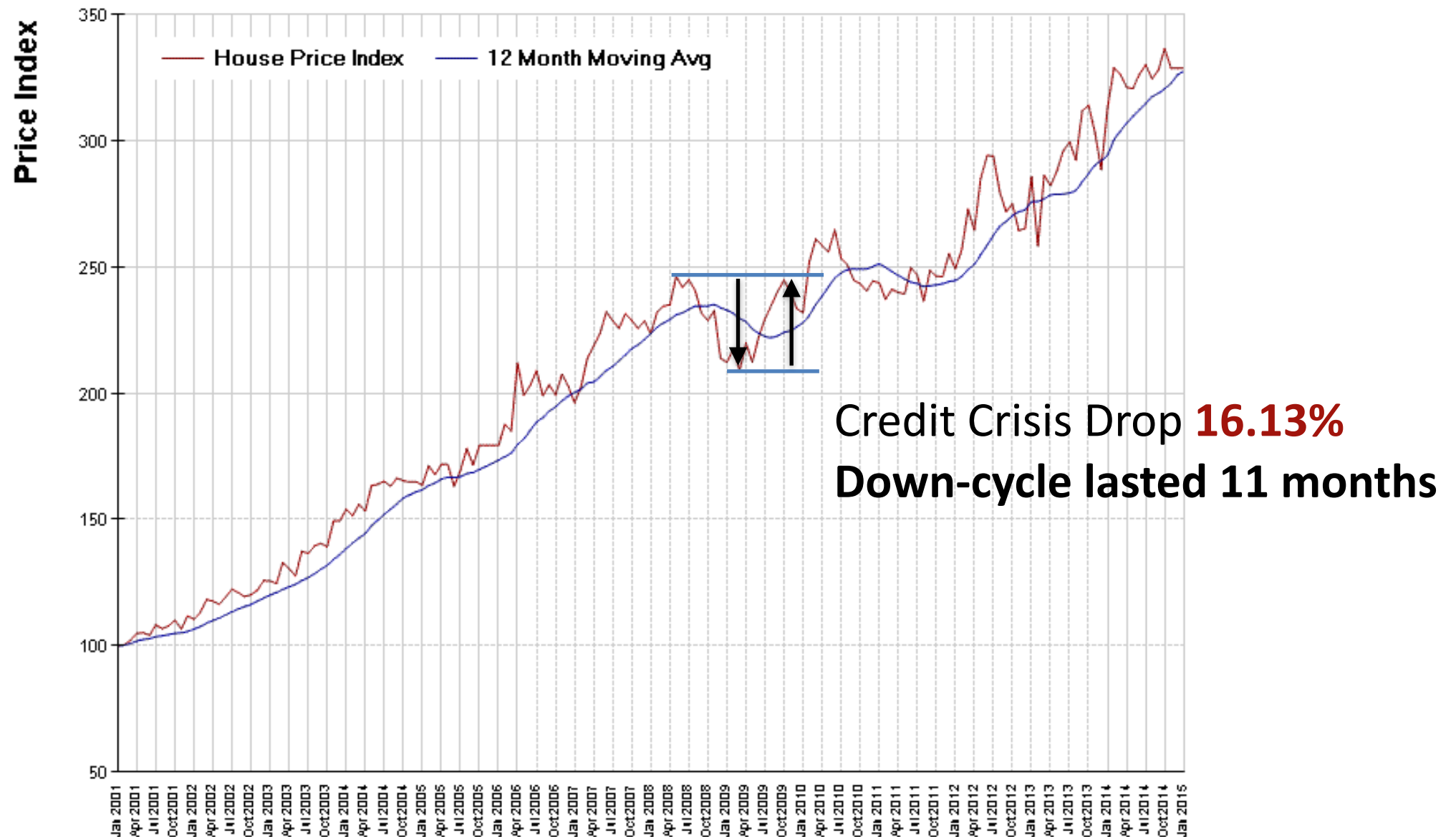
- Operating costs and taxes are being recovered on a 100% basis.

Key Investment Numbers

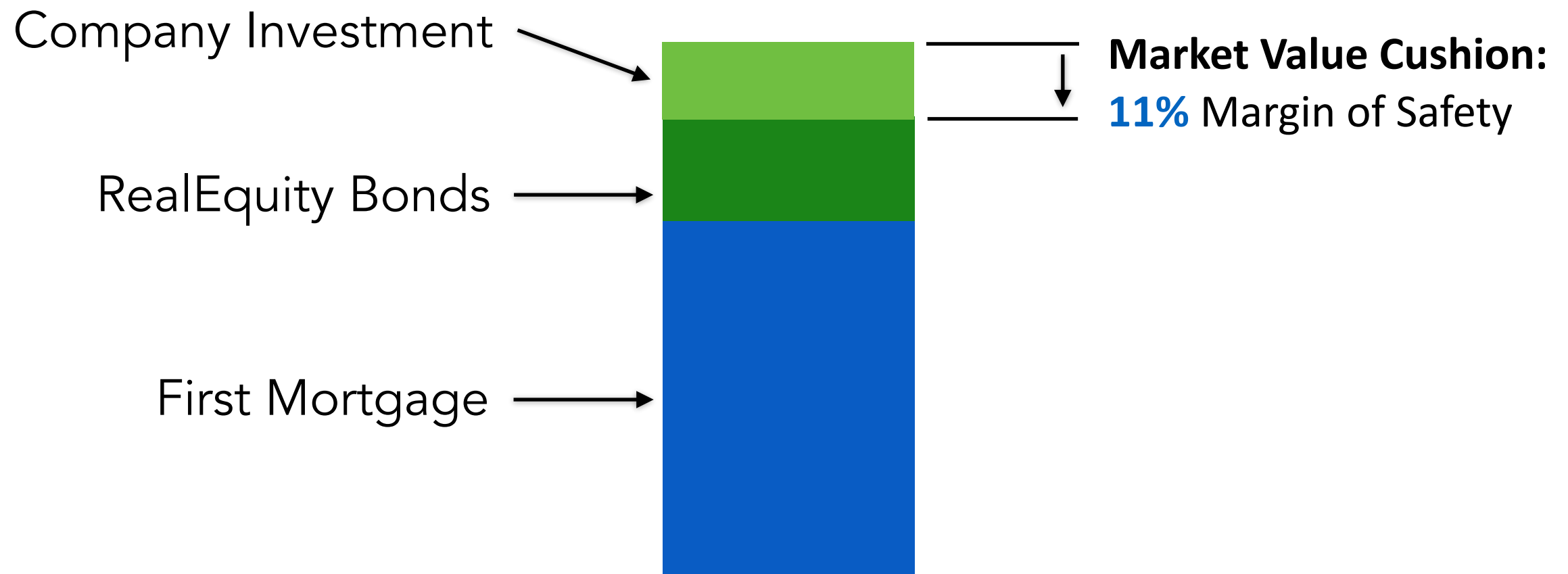
Property Numbers		
Investors		\$3,700,000
Company Equity		\$1,905,000
Total Investment	Capital to acquire the asset plus a \$90,000 reserve	\$5,605,000
First Mortgage	70% of property Value	\$12,075,000
Total Contract Price plus Closing Costs		\$17,590,000

Market History

Sample Real Estate Price Index



Market Value Buffer



Physical Value Improvement

Additional Sq.Ft. potential with a free standing retail building with drive through to be built at the front corner of the property.



Investment Timeline & Terms

- Hold time planned for 3-4 years with a bond term of 5 years.
- Multiple value added strategies considered including building a free-standing retail unit, releasing vacancy and moving existing tenants within the property to extend leases
- **Total Investment Capital: \$3,700,000**

Skin in the Game

Sponsor Capital is Subordinated

- Investors' principal and minimum 7.25% return is paid before company's return is earned.
- Company's equity is at risk first and is paid back last.

Investment ROI

ROI Outcomes

1. **Existing leases provide income and potential for growth:**

Principal and the 7.25% minimum return are secured by a mortgage charge against title. The minimum return is paid in priority to any other dividend or distribution.

2. **Growth Participation Right:** Provides a share of the appreciation in the equity of the property proportional to invested amount to be realized and treated as a capital gain for tax purposes.

Growth Participation Example

ROI Outcomes

Example Participation Right Payout:

Total Amount of Bonds: \$3,700,000

Total Invested Equity in the Property over time: \$5,850,000

Potential Gain in Property Value \$1,920,000

$$\frac{\$3,700,000}{\$5,850,000} \times \$1,920,000 \times \frac{4}{5} = \$971,487 \text{ (26.2\%)}$$

Or \$262 for every \$1000 bond

Investment Purpose

Financing Which Improves Home Ownership

This investment program provides great security, two positive ROI outcomes, and for only this property, will provide an opportunity to share in the company share value growth too.

ITEM 13 - DATE AND CERTIFICATE

DATED: December 5, 2016.

This Offering Memorandum does not contain a misrepresentation.

NORTH AMERICA HOME FINANCE INC., by its sole director, chief financial officer and chief executive officer, GEORGE LAWTON

(signed) "*George Lawton*"

**Director, Chief Financial Officer and Chief
Executive Officer**