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**CONFIDENTIAL  
PRIVATE PLACEMENT OFFERING MEMORANDUM**

**\$40,000,000 7.00% Secured Subordinated Bonds due 2022**

*No securities regulatory authority 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, "Risk Factors".*

April 15, 2015

**GRACORP CAPITAL LTD.  
("Gracorp" or the "Issuer")**

10840 - 27th Street S.E.  
Calgary, Alberta T2Z 3V9  
Phone: (403) 570-5000  
Fax: (403) 538-9188  
Email: GITinvestments@graham.ca

**Maximum Offering: \$40,000,000 (40,000 Bonds)**

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**Subscription Price: CAD\$1,000 per Bond**

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The Bonds of Gracorp offered hereunder are not listed for trading on any stock exchange or quotation network. Gracorp is not a reporting issuer in any province or jurisdiction and is not a SEDAR filer.

**THE OFFERING**

<b>Securities offered:</b>	Maximum: 40,000 Bonds
<b>Price per security:</b>	CAD\$1,000 per Bond.
<b>Minimum/maximum offering:</b>	Minimum Offering: <b>There is no Minimum Offering. You may be the only purchaser.</b> Maximum Offering: \$40,000,000
<b>Minimum subscription:</b>	CAD\$20,000 (20 Bonds)
<b>Proposed Closing Date(s):</b>	The initial Closing is scheduled for June 1, 2015 or such later dates as the Issuer shall determine, but in any event not later than June 30, 2015. Closings subsequent to the initial Closing may take place as determined by Gracorp.
<b>Payment terms:</b>	A purchaser is required to deliver to the Issuer, as soon as possible and, in any event, <b>not later than 4:00 p.m. (Calgary time) on April 24, 2015</b> or two business days before any subsequent Closing Date: (a) a duly completed and executed Subscription Agreement, in the form attached hereto as Schedule A, together with a certified cheque or bank draft to "Gracorp Capital Ltd." for the Bonds purchased or in such other manner as is acceptable to Gracorp.

***Income tax consequences:*** There are important income tax consequences to these securities. In particular, the Bonds will generally be a qualified investment for the purposes of an RRSP or a RRIF. **You should consult your own professional tax advisors to obtain advice respecting any tax consequences applicable to you.** See Item 6, "*Income Tax Consequences.*"

***Selling agent:*** The Bonds are not being offered for sale by any agent. The Bonds will only be offered for sale by the Issuer.

## **BONDS**

***Maturity:*** The Maturity Date for the Bonds is June 30, 2022 with 5 year amortized principal payments from June 30, 2017 to June 30, 2022.

***Interest:*** 7.00% per annum, payable quarterly in arrears on March 31, June 30, September 30 and December 31 in each year, commencing September 30, 2015.

GBT can elect by notice under the GBT Loan Agreement to the Issuer and the Bond Trustee (a "**Deferral Notice**") on one occasion to defer interest payments under the GBT Loan Agreement, with a similar deferral to be effective on the Bonds for a period of one year (four payments, commencing on the Bond Payment Date following the Deferral Election). If the Issuer so elects, the interest rate on the Bonds is thereafter increased to 8.00% per annum from and including the period applicable to the aforesaid Bond Payment Date to Maturity Date.

Interest compounds annually.

***Principal:*** Quarterly blended interest and principal payments will be made over the last 5 years of the Bond on an amortized schedule provided that any payments otherwise due following a Deferral Notice shall be added to the principal amounts due following the Deferral Period to be amortized and paid thereafter. Payments will be equal over the amortization period with a larger portion of payments representing interest at the beginning of the amortization period and a larger portion representing principal payments at the end of the amortization period.

***Redemption:*** The Bonds may be redeemed by the Issuer, in whole or in part, in denominations equal to the principal amount outstanding per Bond, from time to time, at the Issuer's option on not more than 60 days and not less than 30 days prior written notice at a redemption price equal to the principal amount plus accrued and unpaid interest thereon.

***Ranking:*** The Bonds will be secured obligations, with a specific priority security on the GBT Loan, equal ranking with all other secured indebtedness of the Issuer and subordination to the Gracorp Debentures with respect only to the fixed charge the Gracorp Debentures hold over the Mortgaged Units.

***Guarantee:*** The Bonds will be guaranteed by Graham Business Trust. See Item 5.1, "*Terms of Securities – Bond Guarantee*"

## **RESALE RESTRICTIONS**

You will be restricted from selling your Bonds for an indefinite period of time. For a description of the restrictions on resale, see Item 10, "*Resale Restrictions*".

### **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, "*Purchasers' Rights*".

### **RISK FACTORS**

Investing in Bonds involves certain risks. You should carefully consider the information described in the "Risk Factors" section of the Offering Memorandum. See Item 8.

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## GLOSSARY OF TERMS

*The following is a glossary of terms and abbreviations used throughout this Offering Memorandum and the Summary.*

"**ABCA**" means the *Business Corporations Act* (Alberta), as amended;

"**ACB**" means adjusted cost base within the meaning of the Tax Act;

"**AdminCo**" means GGL, as administrator under the Administration Agreement;

"**Administration Agreement**" means the agreement entered into on January 1, 2006 among the Issuer, GBT and AdminCo pursuant to which AdminCo agreed to provide certain administrative and support services to the Issuer and GBT, as from time to time amended, supplemented or restated;

"**Advisory Services and Facilitation Agreement**" means the agreement between Gracorp and GBT with respect to the advice of Gracorp provided for the structuring of this Offering and Gracorp's role through to maturity as part of the financing arrangements, as described under Item 2.1.6.2, "*Advisory Services and Facilitation Agreement*";

"**Applicable Securities Laws**" means the applicable securities legislation, rules, policies, notices and orders of each of the Offering Provinces;

"**Board**" means the board of directors of the Issuer;

"**Bond Guarantee**" means the guarantee of the Obligations made pursuant to the agreement between GBT, as guarantor, and the Bond Trustee as described under Item 5.2, "*Terms of Securities – Bond Guarantee*";

"**Bond Indenture**" means the indenture between the Issuer and the Bond Trustee governing the terms of the Bonds;

"**Bond Trustee**" means CST Trust Company and its successors and permitted assigns;

"**Bond Payment Date**" means the last day of March, June, September and December in each year, commencing on September 30, 2015;

"**Building Services LP**" means the Graham Building Services LP, a limited partnership created pursuant to the Building Services Limited Partnership Agreement;

"**Business Day**" means a day, other than a Saturday or Sunday, or a statutory holiday, on which major Canadian chartered banks are open for business in Calgary, Alberta;

"**Closing**" means the initial closing of this Offering which is expected to occur on or about the Closing Date;

"**Closing Date**" means June 1, 2015, the intended initial closing date for this Offering, unless extended by the Issuer in its sole discretion, and such other dates as determined by Gracorp, but in any event on or before June 30, 2015;

"**Construction and Engineering Limited Partnership Agreement**" means the limited partnership agreement among Graham Construction and Engineering Inc., as general partner, Graham Construction Resources LP and each person who from time to time is accepted as and becomes a limited partner, pursuant thereto, as from time to time amended, supplemented or restated;

"**Construction and Engineering LP**" means the Graham Construction and Engineering LP, a limited partnership created pursuant to the Construction and Engineering Limited Partnership Agreement;

"**Construction Resources Limited Partnership Agreement**" means Graham Construction Resources LP, a limited partnership created pursuant to the Construction Resources Limited Partnership Agreement;

"**CRA**" means the Canada Revenue Agency;

"**Declaration of Trust**" means the declaration of GIT dated as of November 22, 2005, between the settlor and the trustees, as from time to time amended, supplemented or restated;

"**Debenture**" means the 12% \$7.00 Series B Senior Secured Debentures of Gracorp issued under the Trust Indenture;

"**Debenture Trustee**" means Gracorp Holdings Ltd., as trustee under the Trust Indenture;

"**Deferral Period**" means the four calendar quarters from and including the calendar quarter in which GBT delivers a Deferral Election to Gracorp and the Bond Trustee;

"**Deferred Election**" means a written notice delivered by GBT pursuant to the GBT Loan Agreement, in which GBT elects to defer any principal and interest payments due under the GBT Loan Agreement from and including the first day of the calendar quarter in which the notice is delivered to, but excluding, the last day of the fourth calendar quarter after the election;

"**Design Builders Limited Partnership Agreement**" means the limited partnership agreement among Graham Design Builders Ltd., as general partner, Graham Construction Resources LP and each person who from time to time is accepted as and becomes a limited partner, pursuant thereto, as from time to time amended, supplemented or restated;

"**Design Builders LP**" means the Graham Design Builders LP, a limited partnership created pursuant to the Design Builders Limited Partnership Agreement;

"**Eligible Investors**" has the meaning ascribed to it in the National Instrument 45-106;

"**Exempt Plans**" means, collectively, trusts governed RRSPs and RRIFFs;

"**Financial Statements**" means the audited financial statements of the Issuer attached hereto as Schedule B;

"**GBT**" means Graham Business Trust, an unincorporated investment trust established under the laws of Alberta, all of the beneficial interests of which are owned by GIT;

"**GBT General Partner**" means, as the case may be, in respect of Construction and Engineering LP, Graham Construction and Engineering Inc., in respect of Industrial Services LP, Graham Industrial Services Ltd., in respect of Infrastructure LP, Graham Infrastructure Ltd., in respect of Design Builders LP, Graham Design Builders Ltd., in respect of Masonry LP, Brxton Construction Ltd., in respect of Building Services LP, in respect of Management Services LP, Graham Management Services Ltd., each, directly or indirectly, a corporation wholly-owned by GGL which operate as the respective general partners, and in respect of Construction Resources LP, Graham Construction Resources Ltd., a corporation wholly-owned by GBT;

"**GBT Loan**" means amounts owing to Gracorp under the GBT Loan Agreement;

"**GBT Loan Agreement**" means the loan agreement to be entered into between the Issuer and GBT on Closing, pursuant to which the Issuer will advance certain proceeds of the Offering to GBT on terms and conditions described under Item 2.1.6.1, "*GBT Loan Agreement*";

"**GBT Operating LPs**" means Construction and Engineering LP, Design Builders LP, Industrial Services LP, Infrastructure LP, Masonry LP, Construction Resources LP, the operating limited partnerships owned, directly or indirectly, by GBT and such other operating limited partnerships formed, directly or indirectly, by GBT or Holding LP, from time to time;

"**GGL**" means Graham Group Ltd.;

**"GIT"** means Graham Income Trust, an open end trust established under the laws of Alberta pursuant to the Declaration of Trust;

**"Gracorp Group"** means Gracorp Holdings Ltd. and its wholly-owned subsidiaries;

**"Graham Construction Resources Limited Partnership Agreement"** means the limited partnership agreement among Graham Construction Resources Ltd., as general partner, and GBT, and each person who from time to time is accepted as and becomes a limited partner, pursuant thereto, as from time to time amended, supplemented or restated;

**"Graham Construction Resources LP"** means Graham Construction Resources LP, a limited partnership created pursuant to the Graham Construction Resources Limited Partnership Agreement;

**"Graham US"** means Graham (US) Inc., a corporation incorporated under the laws of the State of Washington, a wholly owned subsidiary of GGL;

**"Guarantor"** means GBT;

**"Interest Obligation"** means the Issuer's obligation to pay interest on the Bonds in accordance with the Bond Indenture;

**"Industrial Services Limited Partnership Agreement"** means the limited partnership agreement among Graham Industrial Services Ltd., as general partner, Graham Construction Resources LP and each person who from time to time is accepted as and becomes a limited partner, pursuant thereto, as from time to time amended, supplemented or restated;

**"Industrial Services LP"** means Graham Industrial Services LP, a limited partnership created pursuant to the Industrial Services Limited Partnership Agreement;

**"Infrastructure Limited Partnership Agreement"** means the limited partnership agreement among Graham Infrastructure Ltd., as general partner, Graham Construction Resources LP and each person who from time to time is accepted as and becomes a limited partner, pursuant thereto, as from time to time amended, supplemented or restated;

**"Infrastructure LP"** means Graham Infrastructure LP, a limited partnership created pursuant to the Infrastructure Limited Partnership Agreement;

**"Management Services LP"** means Graham Management Services LP, a limited partnership created pursuant to the Management Services Partnership Agreement;

**"Management Services Partnership Agreement"** means the limited partnership agreement among Graham Management Services Ltd., as general partner, Graham Construction Resources LP and each person who from time to time is accepted and becomes a limited partner pursuant to thereto, as from time to time amended, supplemented, or restated;

**"Masonry LP"** means the Brxton Construction LP, a limited partnership created pursuant to the Masonry Limited Partnership Agreement;

**"Masonry Limited Partnership Agreement"** means the limited partnership agreement among Brxton Construction Ltd., as general partner, Graham Construction Resources LP and each person who from time to time is accepted and becomes a limited partner, pursuant to thereto, as from time to time amended, supplemented or restated;

**"Maturity Date"** means June 30, 2022;

**"Mortgaged Units"** means the units in Connor, Clark & Lunn GVest Traditional Infrastructure Limited Partnership acquired by Gracorp with the funds raised from the offering of the Debentures and all rights to repayments, distributions or dividends therefrom;

**"NI 45-106"** means National Instrument 45-106 of the Canadian Securities Administrators;

**"Non-Resident"** means a person (within the meaning of the Tax Act but, for greater certainty, not including a partnership) who is not resident, or not deemed to be resident, in Canada for the purposes of the Tax Act;

**"Obligations"** means collectively, the Interest Obligations and Primary Obligations due at the applicable time under the Bond Indenture;

**"Offering"** means the offering of the Bonds as contemplated hereunder;

**"Offering Provinces"** means the provinces of Alberta, British Columbia, Saskatchewan, Manitoba, Ontario, New Brunswick and Nova Scotia;

**"Primary Obligations"** means the Issuer's obligation to pay principal on the Bonds and to perform other obligations to the holders of the Bonds and the Bond Trustee, in accordance with the terms of the Bonds and the Bond Indenture;

**"Redemption Date"** means a date set for the redemption of all or a portion of the Bonds issued by the Issuer;

**"Related Parties"** means, with respect to any person or company, the promoters, officers, directors or other insiders of that person and associates or affiliates of these persons or companies;

**"Resident"** means a person who is resident, or deemed to be resident, in Canada for purposes of the Tax Act;

**"Risk Acknowledgement Form"** means the risk acknowledgement form required to be signed by purchasers pursuant to NI 45-106 which form a part of the Subscription Agreement;

**"RRIFs"** means trusts governed by registered retirement income funds as defined in the Tax Act;

**"RRSPs"** means trusts governed by registered retirement savings plans as defined in the Tax Act;

**"Securities Act"** means the *Securities Act* (Alberta), as amended;

**"Senior Indebtedness"** has the meaning attributed thereto under "*Securities Offered – Bonds – Subordination*";

**"Shareholders"** means the holders from time to time of shares in the Issuer;

**"Subordination Agreement"** means the agreement between the Bond Trustee and the Debenture Trustee with respect to subordination and sharing of security interests with respect to the obligations of Gracorp, to each of them and the security they have been granted;

**"Subscription Agreement"** means the subscription agreement for Bonds attached hereto in Schedule A;

**"Subsidiaries"** has the meaning attributed thereto under the ABCA;

**"Tax Act"** means the *Income Tax Act* (Canada), as amended, including the regulations thereunder;

**"Trust Indenture"** means the trust indenture between Gracorp, as issuer, and the Debenture Trustee, as trustee, providing for the issue of Debentures by Gracorp; and

**"Unit"** means a unit of GIT, each such Unit representing an equal undivided beneficial interest therein.



All references to "\$" herein are to the lawful currency of Canada, unless otherwise expressly stated.

Words importing the singular number only include the plural, and vice versa, and words importing any gender include all genders.

## ITEM 1 USE OF NET PROCEEDS

### 1.1 Net Proceeds

Assuming the successful completion of the Maximum Offering hereunder, the Issuer will issue 40,000 Bonds for gross proceeds of \$40,000,000. The following table sets forth the estimated net proceeds of the Offering if the Minimum Offering or Maximum Offering are completed:

	<u>Assuming Minimum Offering<sup>(2)</sup></u>	<u>Assuming Maximum Offering<sup>(2)</sup></u>
Amount to be raised by this Offering	\$nil	\$40,000,000
Selling commissions and fees	\$nil	\$nil
Estimated Offering costs	\$30,000	\$150,000 <sup>(1)</sup>
Net proceeds	<u><u>\$(30,000)</u></u>	<u><u>\$39,850,000</u></u>

Note:

- (1) Assumes Maximum Offering from subscribers in Alberta, any of which entails a fee payable to the Alberta Securities Commission of 0.25% of gross proceeds of the Offering in Alberta (\$100,000) plus professional and Bond Trustee fees.

### 1.2 Use of Net Proceeds

The following table indicates the proposed use of net proceeds by the Issuer:

	<u>Assuming Minimum Offering</u>	<u>Assuming Maximum Offering</u>
Loan to GBT	\$nil	\$39,850,000
Total	<u><u>\$nil</u></u>	<u><u>\$39,850,000</u></u>

The estimated net proceeds as shown in the table above will be used by the Issuer to make an interest-bearing unsecured subordinated loan to GBT under the GBT Loan Agreement and for general working capital purposes.

### 1.3 Reallocation

We intend to invest the net proceeds as stated. We will reallocate funds only for sound business reasons. Although it is the intention of the Issuer to apply the net proceeds of the Offering in the manner described above, the Issuer will regularly review other opportunities which may become available from time to time.

### 1.4 Working Capital Deficiency

The Issuer does not have a working capital deficiency.

## **ITEM 2**

### **BUSINESS OF THE ISSUER AND THE GUARANTOR**

#### **2.1 Business of the Issuer**

##### **2.1.1 Structure**

The Issuer is a corporation incorporated under the ABCA on February 28, 2008. The management of the Issuer are all employees, directly or indirectly, of GIT. The Issuer is not a reporting issuer in any Province of Canada and not a SEDAR filer. The Issuer distributed its common shares, preferred shares, and debentures to various persons through private placement exemptions under applicable securities legislation in various Provinces of Canada and declared itself to be a "public corporation" by election under the Tax Act on May 5, 2008.

The business of the Issuer is to invest in private investment funds, which will invest in public-private partnerships, real estate development projects, power generation infrastructure (including wind, hydro and transmission assets), design-build-lease projects and private businesses (or interests therein) located in Canada and the United States.

The head office and registered office of the Issuer is located at 10840 – 27th Street S.E., Calgary, Alberta, T2Z 3R6.

##### **2.1.2 Development of Business**

This business is based on a strategic plan and an ability to seek and invest in a diverse portfolio of projects in the asset classes we target. We strive to invest successfully in economic cycles through time diversification of our projects.

##### **2.1.3 Long Term Objectives**

The objective of Gracorp is to: (a) provide investors with above average returns, to the maximum extent reasonably possible; and (b) maximize value through the effective management of the Issuer's investments.

The Issuer's strategy to achieve these objectives is to effectively manage and maintain the existing assets of \$4.4 million (Dec 2014); and to grow the portfolio through attractive development and investment opportunities that will provide positive long-term returns to investors.

In order to achieve our operational objectives we intend to:

1. Continue to seek profitable investment opportunities; and
2. Focus on efficient management of the Issuer's financial resources.

##### **2.1.4 Short Term Objectives and How We Intend to Achieve Them**

Our operational objectives for the next 12 months are:

1. Loan to GBT of approximately \$40,000,000 from net funds raised under this Offering by way of a term loan pursuant to the GBT Loan Agreement and to earn fees relating thereto under the Advisory Services and Facilitation Agreement with GBT;
2. Generally, to deploy funds for investors in attractive private public partnership projects throughout western Canada; and
3. Continue to build a strong network of partners for the purpose of identifying investment opportunities.

### **2.1.5    *Insufficient Proceeds***

The proceeds of the Offering may not be sufficient to accomplish all of our proposed objectives and there is no assurance that alternative financing will be available.

### **2.1.6    *Material Agreements***

The Issuer is currently a party or related party to the following material agreements:

1.        Bond Indenture, see Item 5.1, "*Terms of Securities – Bonds*", and "*Terms of Securities – General*";
2.        Bond Guarantee, see Item 5.1, "*Terms of Securities – Bond Guarantee*";
3.        GBT Loan Agreement; and
4.        Advisory Service and Facilitation Agreement between Gracorp and GBT.

#### **2.1.6.1   *GBT Loan Agreement***

Gracorp intends to utilize substantially all of the net proceeds under the Offering as an advance to GBT (the GBT Loan) under the GBT Loan Agreement. The GBT Loan Agreement will reflect substantially the same principal terms and conditions and repayment obligations incurred under the Bond Indenture to holders of the Bonds, and will require interest and principal repayments to match those specific obligations as to amount and timing so as to accommodate satisfaction of the Issuer's Obligations under the Bond Indenture. In addition, the GBT Loan Agreement will contain provisions pursuant to which GBT may elect to defer for one year principal and interest payments due under the GBT Loan Agreement, provided GBT is not then in default, for amounts due on the next succeeding four Bond Payment Dates. On delivery of a Deferral Notice, the interest rate under the GBT Loan Agreement will be increased to 8% per annum for the period from the beginning of that calendar quarter, through to the maturity date of the GBT Loan. On delivery of a Deferral Notice by GBT, a similar deferral shall automatically come into effect under the Bond Indenture such that the interest rate on the Bonds through to the Maturity Date will be 8% per annum, deferred interest will be paid at the end of the Deferral Period and deferred principal will be added to the amortized payments for the term of the Bonds through to the Maturity Date. GBT will also be permitted to prepay any amounts owing under the GBT Loan Agreement to Gracorp on or after June 30, 2020, designate that such amounts be utilized by Gracorp to effect a redemption of Bonds under the Bond Indenture, and Gracorp shall utilize such amounts to effect such redemptions of Bonds. The GBT Loan Agreement will be an unsecured obligations of GBT and rank ahead of GBT equity.

#### **2.1.6.2   *Advisory Services and Facilitation Agreement***

Gracorp and GBT have entered into an advisory services and facilitation agreement, pursuant to which Gracorp has agreed to advise and implement a structured financing, including its commitments with respect to the Offering and the GBT Loan Agreement, in exchange for the payment of a fee of \$250,000 by GBT to Gracorp on Closing of the Offering and the initial advance of the GBT Loan. In addition, for making the GBT Loan available and administering such arrangements, Gracorp will be paid an annual fee of \$75,000 on each anniversary of the initial advance under the GBT Loan Agreement, for so long as funds remain owing thereunder, and be reimbursed for any and all administration costs and disbursements associated with the GBT Loan Agreement.

## **2.2 Business of the Guarantor**

### **2.2.1 Structure**

GBT is an unincorporated open ended investment trust governed by the laws of Alberta and created pursuant to the Declaration of Trust. The head and principal office of the Guarantor is located at 10840 – 27th Street S.E., Calgary, Alberta, T2Z 3R6. Pursuant to the Administration Agreement, AdminCo provides certain administrative and supportive services to GBT.

### **2.2.2 Operational Structure of Guarantor**

The Guarantor carries on business, directly or indirectly, through GGL and GBT Operating LP's. GBT General Partners manage GBT Operating LPs.

The Guarantor also indirectly owns the Gracorp Group, which develops public infrastructure and purpose-built facilities.

### **2.2.3 General**

GBT's business has a long history of profitable growth and has successfully positioned the business to continue to grow in the future. This success is based on a solid strategic plan supported by diversity and an ability to succeed not only in a thriving marketplace but also during a market downturn. Throughout the recent changes in the economy, GBT has effectively executed its strategic plans in preparation for the future.

GBT is well positioned as it moves forward both in terms of financial strength and increased capabilities to perform larger, more complex projects. As the economy, along with the North American construction market, is almost entirely driven by world commodity prices, healthy consumer spending, and a stable manufacturing sector, GBT is optimistic that it will be able to maintain revenues in most, if not all, of GBT's operating locations.

In 2011, GBT made the decision to develop its next generation Toolbox operating system platform using SAP as a foundation. SAP was activated on January 1, 2013 and is currently being refined to best fit the GBT's long-term operational and financial accounting requirements. In 2011, GBT also established permanent operations in Winnipeg, Manitoba.

In 2012, GBT consolidated its US operations. US commercial revenues were reduced with a shift in focus towards niche markets such as North Dakota and strategic clients. Infrastructure transitioned its strategy in the US from smaller regional work to select major projects, culminating in the 2013 award of the North Metro LRT project in Denver, Colorado. GBT's Industrial division launched a major expansion into the oil sands section, more than doubling GBT's workforce in northern Alberta.

In 2013, GBT introduced a margin variance reduction program intended to improve project performance through the use of more sophisticated earned value management practices. GBT also implemented an overhead productivity program, aimed at achieving significant profitability gains through cost reductions and increased salaried productivity. In 2013, Gracorp Group assumed general management responsibility for Masonry LP. GBT executed a significant volume of work for a one of the largest operators in Canada's oil sands industry, resulting in the strongest performance from GBT's industrial division in the history of GBT's business.

In 2014, GBT saw a return to profitability in all of its divisions. Gracorp Group and the Major Commercial group secured the North Island Hospital project on Vancouver Island. Despite challenges arising from low commodity prices for potash and uranium, GBT's self-performing mechanical and electrical capability in Saskatchewan generated strong results. GBT's industrial division secured a long term contracting arrangement with a major Canadian pipeline company, which is building a platform for growing GBT's industrial mechanical and electrical capability in Alberta.

#### **2.2.4 Material Agreements**

GBT is currently a party or related party to the following material agreements:

1. The Construction and Engineering Limited Partnership Agreement dated December 29, 2005 among Graham Construction and Engineering Inc., as general partner, GBT and each person who from time to time is accepted and becomes a limited partner;
2. The Design Builders Limited Partnership Agreement dated December 29, 2005 among Graham Design Builders Ltd., as general partner, GBT and each person who from time to time is accepted and becomes a limited partner;
3. The Industrial Services Limited Partnership Agreement dated December 29, 2005 among Graham Industrial Services Ltd., as general partner, GBT and each person who from time to time is accepted and becomes a limited partner;
4. The Masonry Limited Partnership Agreement dated December 29, 2005 among Brxton Construction Ltd., as general partner, GBT and each person who from time to time is accepted and becomes a limited partner;
5. The Infrastructure Limited Partnership Agreement dated January 2, 2007 among Graham Infrastructure Ltd., as general partner, GBT and each person who from time to time is accepted and becomes a limited partner;
6. The Construction Resources Limited Partnership Agreement dated December 28, 2011 among Graham Construction Resources Ltd., as general partner, GBT and each person who from time to time is accepted and becomes a limited partner;
7. The Management Services Limited Partnership Agreement dated September 20, 2012 among Graham Management Services Ltd., as general partner, Graham Construction Resources LP and each person who from time to time is accepted and becomes a limited partner;
8. Term loan in the aggregate amount of \$18,333,000 bearing an interest at rate of prime + 0.5% and maturing August 2017;
9. Capital leases in the aggregate amount of \$78,073,000 bearing interest at rates ranging from 3.26% to 6.12%, payable in blended monthly installments maturing between May 2015 and December 2018;
10. Mortgage bridge loan in the aggregate amount of \$57,000,000 bearing interest at prime + 0.5% and maturing August 2015; and
11. Revolving credit facility in the aggregate amount of \$900,000 bearing interest at prime + 1.66% to 2.35% and maturing August 2017

In the normal course of business, some of GBT's Subsidiaries are party to a number of joint venture arrangements. These Subsidiaries have provided joint and several guarantees for the due and punctual performance of obligations of all joint venture partners under the construction contracts, and the payment of any obligation under the guarantee of GBT's Subsidiaries. As at December 31, 2014, GBT's aggregate guarantees amounted to \$986,160,000, of which \$nil has been recorded as outstanding in respect of the guarantees. These guarantees expire at various dates between 2015 and 2017.

#### **2.2.5 Capital Structure of Guarantor**

The following table sets out the capitalization of GBT as at March 31, 2015 both before and after giving effect to the Offering, assuming completion of the Maximum Offering.

Description of security	Authorized	Outstanding as at March 31, 2015, prior to giving effect to the Offering	Outstanding as at March 31, 2015, after giving effect to the Maximum Offering
<b>Debt:</b>			
Credit Facilities <sup>(1)</sup>	\$180,000,000	\$900,000	\$900,000
Other debt <sup>(2)</sup>	\$80,000,000	\$75,333,000	\$75,333,000
Loan from Gracorp <sup>(3)</sup>	\$40,000,000	\$nil	\$40,000,000
<b>Equity:</b>			
Units	Unlimited	\$167,903 (1,710,274 Units)	\$167,903 (1,710,274 Units)

Notes:

- (1) Credit facilities are short-term secured revolving facility of \$130,000,000 bearing interest of prime plus 1.66% to 2.35% subject to limits based on 75% of GBT's eligible accounts receivable. Through an accordion provision, GBT has the option to increase the facility by up to \$50,000,000. The revolving facility is secured by way of a general security agreement over specific assets and property of GBT and its Subsidiaries.
- (2) Other debt represent a term loan of \$18,333,000 bearing interest of prime plus 0.5% and real estate bridge loan of \$57,000,000 bearing interest of prime plus 0.5% per annum. The bridge loan is secured by certain land and buildings, and the term loan is secured by way of a general security agreement over specific assets and property of GBT and its Subsidiaries.
- (3) Unsecured loan, repayable to Gracorp on the same terms as to interest and principal, as are the Bonds. To be provided by Gracorp to GBT from proceeds of this Offering, approximately to the extent of net Offering proceeds.

## 2.2.6 Long Term Debt of Guarantor

The external long-term debt of Guarantor, as at March 31, 2015, includes the following:

Description of Long Term Debt	Interest Rate	Repayment Terms	Amount Outstanding at December 31, 2014	Amount Due Within 12 Months
Mortgage Bridge Loan, collateralized by related property	3.50%	Due August 20, 2015	\$57,000,000	\$57,000,000
Capital leases; collateralized by certain equipment	3.26% to 6.12%	Blended monthly instalments maturing between May 2015 and December 2018	\$78,073,000	\$44,624,000
Revolving Credit Facility, secured by a General Security Agreement	2.75%	Interest only payments maturing August 20, 2017	\$900,000	\$nil
Term Loan; secured by a General Security Agreement	3.50%	Interest and payments, maturing August 20, 2017	\$18,333,000	\$1,333,000

## ITEM 3 DIRECTORS, MANAGEMENT, PROMOTERS AND PRINCIPAL HOLDERS OF ISSUER

### 3.1 Compensation and Securities Held

Until otherwise determined, directors are not compensated for attending Board, committee or management meetings or other agreed upon meetings for each Director. The directors are entitled to be reimbursed for reasonable traveling

and other expenses properly incurred by them in attending meetings of the Board or any committee thereof or in connection with their services as directors.

The following table provides information in relation to the compensation paid by the Issuer, in its most recently completed fiscal year 2014, to each director or officer and promoter of the Issuer, and each person who, directly or indirectly, beneficially owns or controls 10% or more of the voting securities of the Issuer.

Name and Municipality of principal residence	Position held with Issuer	Compensation <sup>(2)</sup>		Number of Shares Held	Percentage of Voting Securities Held	
		Most Recently Completed Financial Year Salary/Fees /Bonuses	Anticipated for Current Financial Year		Before Giving Effect to the Maximum Offering	After Giving Effect to the Maximum Offering
Tim Heavenor Cochrane, Alberta	Chairman, Director, President and CEO	nil	nil	1,700 <sup>(1)</sup>	0.61%	0.61%
Lyle Edwards Calgary, Alberta	Director	nil	nil	nil	nil	nil
Patrick Bieleny Edmonton, Alberta	Director	nil	nil	nil	nil	nil
Ashish Khulbe Calgary, Alberta	Chief Financial Officer	nil	nil	nil	nil	nil
Adam Burk Toronto, Ontario	Officer	nil	nil	nil	nil	nil
Matt Dekkers DeWinton, Alberta	Officer	nil	nil	nil	nil	nil
Barry Poffenroth Calgary, Alberta	Officer	nil	nil	nil	nil	nil

Note:

(1) Represents 850 Common Shares owned directly and 850 Common Shares owned by Mr. Heavenor's spouse.

No directors or officers are compensated directly by the Issuer. Officers are all employees of Gracorp Group which earns a fee through a management service agreement with the Issuer. Management fees for 2014 were \$23,712.

### 3.2 Management Experience

The following table sets out the principal occupations of the senior officers and directors of Gracorp over the past 5 years and any relevant experience they have in the business similar to the Issuer.

Name	Principal Occupation and Related Experience
Tim Heavenor Cochrane, Alberta	Tim Heavenor has been Chief Financial Officer of GIT since December 2014 and President of GIT subsidiary, Gracorp Capital Advisors Ltd., since 2007. Tim contributes nearly 30 years of experience in major project development, team building, strategic planning, private equity, business development and corporate finance. Tim is also a founding Director of the Connor Clark & Lunn GVest Traditional Infrastructure LP and the GVest Private Equity LP. Gracorp-managed funds have attracted investment commitments from over 300 employees of GIT and its Subsidiaries as well as Canadian institutional asset management firms. Previously, Tim was one of three executives that led Manvest Inc., a private investment company, to top-quartile returns over a 10-year period. In that capacity, Tim served on numerous private company boards, including roles as chair, and on audit and compensation committees. Tim also has investment and commercial banking experience.

Name	Principal Occupation and Related Experience
Lyle Edwards Calgary, Alberta	Lyle Edwards is a Chartered Accountant who has been involved in a number of business ventures. Mr. Edwards is currently the Chairman of the Calgary Municipal Land Corporation. He is formerly President of Highfield Corporation Ltd., a real estate development company that had assets of \$500,000,000. Lyle is the founder, developer, and owner of Cottonwood Golf and Country Club. He continues to be involved in several real estate ventures, and is actively involved in a number of community organizations.
Patrick Bieleny Edmonton, Alberta	Patrick Bieleny is Chief Financial Officer of the Nilsson Bros. Group of Companies ("Nilsson") a privately owned, vertically integrated agribusiness involved in all facets of the cattle and beef value chain. Patrick is also a director of several related entities of Nilsson including Canadian Farm Insurance Corp., a Canadian insurance company, Canadian Livestock Insurance Company Ltd., a Cayman Islands insurance company and Provost Livestock Exchange Ltd., an Alberta livestock marketing company. Prior to joining Nilsson in 2002, Patrick was a Senior Vice President and Senior Principal at KPMG LLP, a global professional services firm. Patrick is a Chartered Accountant, a Chartered Insolvency and Restructuring Professional, a Licensed Trustee in Bankruptcy and he has a Bachelor of Commerce degree from the University of Alberta.
Ashish Khulbe Calgary, Alberta	Ashish Khulbe joined Gracorp Group in 2014 and has 10 years of experience in accounting and finance. Ashish is responsible for overseeing Gracorp Group's financial reporting and compliance programs as well as assisting in arranging financing solutions for P3 projects. Ashish spent the prior three years as an Associate in the Private Investments group at Alberta Teachers Retirement Fund Board ("ATRF"), where he focused on making fund and principal investments in private equity and infrastructure and was responsible for portfolio monitoring and performance measurement. Prior to ATRF, Ashish spent five years in the audit and assurance group of PwC's Edmonton and Cayman Islands offices. Ashish has a Master of Professional Accounting from the University of Saskatchewan, earned his CA designation in 2009 and CFA charter in 2013.
Adam Burk Toronto, Ontario	Adam Burk joined Gracorp Group in 2013 and leads the finance team after being with Canada Life since 2009, where he structured, negotiated and placed approximately \$800 million annually of debt, specifically including \$600 million of P3 debt. Canada Life is one of Canada's largest buyers of P3 debt in both the private placement and bond markets. Adam was responsible for senior level relationship management with both sponsors and underwriters and is well known to these market players. He has seen most of the P3 transactions that have occurred in Canada since 2009 and is intimately familiar with structuring and pricing issues. Prior to joining Canada Life, Adam was in the Debt Capital Markets group at RBC Capital Markets. In this capacity, he was advising clients on both bond and bank funding alternatives, including associated derivative products. He led and participated on deal teams to structure both public and private debt offerings. For a portion of his time at RBC, he was with the Fixed Income Origination group in London England. Adam has a Masters Degree in Finance and another in European Studies.
Matt Dekkers De Winton, Alberta	Matt Dekkers is responsible for all P3 project developer activities of Gracorp Group, including both bidding and project delivery. Matt worked with Adam Burk in successfully closing the North Island Hospitals Project and is currently the General Manager for the Tandem Health Partners project company for the design and construction phase. Matt was previously Senior Project Director for EllisDon, where he led the developer team that won and delivered the Surrey Memorial Hospital Critical Care Tower Project. He is a lawyer by training, a graduate of Drake University School of Law in Iowa, and has worked in the construction industry for over 15 years.



<b>Name</b>	<b>Principal Occupation and Related Experience</b>
Barry Poffenroth Calgary, Alberta	Barry Poffenroth is the Director, Real Estate of the Manager for Gracorp Group. He has over 30 of years of experience in various facets of the real estate industry. Barry was Senior Vice President at Urbco Inc., a TSX-listed development and property company, where he was responsible for land development activities, investor relations, acquisitions and divestitures and corporate finance. Following a strategic acquisition of a number of companies based in the North West Territories and Nunavut Urbco Inc. transformed into Northern Property REIT. Barry has extensive experience in the development and financing of residential housing development projects which he gained while working with Shelter Corporation and a large national home builder. Barry also served on the board of directors or as advisor to several technology related companies while working with SpringBank TechVentures, a venture capital company.

### 3.3 Penalties, Sanctions and Bankruptcy

No director or officer of Gracorp, or control person of Gracorp has been a director, senior officer or control person of any issuer that, while such person was acting in that capacity, was subject to any penalty or sanction including any declaration of bankruptcy, voluntary assignment in bankruptcy, proposal under any bankruptcy or insolvency legislation, proceedings, arrangement or compromise with creditors or appointment of a receiver, receiver-manager or trustee to hold assets, that has been initiated during the last 10 years, whether currently in effect or not.

## ITEM 4 CAPITAL STRUCTURE OF THE ISSUER

### 4.1 Capitalization

The following table sets out the capitalization of the Issuer as at March 31, 2015 both before and after giving effect to the Offering, assuming completion of the Maximum Offering.

<b>Description of security</b>	<b>Authorized</b>	<b>Outstanding as at March 31, 2015, prior to giving effect to the Offering</b>	<b>Outstanding as at March 31, 2015, after giving effect to the Maximum Offering</b>
<b>Debt:</b>			
Debentures <sup>(1)</sup>	\$2,702,336	\$2,702,336	\$2,702,336
Bonds	\$40,000,000 (40,000)	\$nil	\$40,000,000 (40,000)
<b>Equity:</b>			
Preferred Shares <sup>(2)</sup>	10,000,000	\$1,158,144 (386,048)	\$1,158,144 (386,048)
Common Shares	Unlimited	\$137,511 (278,800)	\$137,511 (278,800)

Note:

- (1) Represents 386,048 \$700 senior secured debentures with face value \$2,702,336 that carry a 12% interest rate per annum and 10 year maturity to June 12, 2024.
- (2) 386,048 non-voting preferred shares issued by the Issuer that are entitled to receive dividends tied to certain investments held by the Issuer.

## 4.2 Long Term Debt

The external long-term debt of the Issuer, as March 31, 2015, includes the following:

Description of Long Term Debt	Interest Rate	Repayment Terms	Amount Outstanding at December 31, 2014	Amount Due Within 12 Months
Debentures	12%	June 12, 2024	\$2,702,336	\$181,242
Preferred Shares	nil	nil	\$1,158,144	nil

## 4.3 Prior Sales

### Issuer

The following table sets out details of all securities issued by the Issuer within the last 12 months.

Date of Issuance	Type of Security Issued	Number of Securities Issued	Price Per Security
June 12, 2014	Debentures	386,048	\$7.00
June 12, 2014	Preferred Shares	386,048	\$3.00

## ITEM 5 SECURITIES OFFERED

### 5.1 Terms of Securities

#### Bonds

The Bonds will be issued under and pursuant to the provisions of the Bond Indenture. The following description of the Bonds is a summary of their material attributes and characteristics and is subject to the detailed provisions of the Bond Indenture and is qualified in its entirety by reference to the Bond Indenture. The Bond Indenture is available for inspection at the offices of the Issuer.

#### General

The Bonds will be limited to an aggregate principal amount of \$40,000,000. The Issuer may, however, from time to time, without the consent of the holders of any outstanding Bonds, issue bonds in addition to the Bonds offered hereby.

The Bonds will be dated as of the Closing Date. The Bonds will be issuable only in denominations of \$1,000 and integral multiples thereof, with a minimum subscription of \$20,000. The Bonds have a maturity date of June 30, 2022 and on that date, the holders shall be entitled to receive the balance of the principal amount of the Bonds at par together with all accrued and unpaid interest thereon. The Bonds will be repaid commencing June 30, 2017 in equal quarterly installments of amortized principal over the balance of the five year term to the Maturity Date.

The Bonds will be issued in registered form described under "*Securities Offered – Bonds – Delivery and Form*".

The Bonds will bear interest, compounded annually, from the date of issue at 7% per annum, which will be payable quarterly on each Bond Payment Date (March 31, June 30, September 30 and December 31 in each year, commencing on September 30, 2015), computed on the basis of a 365-day year. The first payment will represent accrued interest for the period from the Closing Date up to, but not including, September 30, 2015.

Interest and principal payments on the Bonds will be deferred by the Bond Trustee on the delivery by GBT under the GBT Loan Agreement of a Deferral Election. On delivery by GBT of a Deferral Election the interest rate on the Bonds will be increased from the beginning of the calendar quarter in which the Election Notice is delivered through to the Maturity Date, to 8.00% per annum, and deferred interest will be due and payable on the Bond Payment Date

at the end of the Deferral Period. Deferred principal will be added to the principal due through to the Maturity Date from the Bond Payment Date at the end of the Deferral Period, and amortized payments will be recalculated for the balance of the term to the Maturity Date so that the Bonds will be fully repaid by the Maturity Date.

The Bond Indenture will not contain a requirement for the Issuer to increase the amount of interest or other payments to holders of Bonds should the Issuer be required to withhold amounts in respect of income or similar taxes on payment of interest or other amounts.

Principal and interest on the Bonds will be payable in lawful money of Canada, as further described under "*Securities Offered – Bonds – Payment upon Redemption or over Term and at Maturity*" and "*Securities Offered – Bonds – Redemption and Purchase*".

The Bonds will be the Issuer's direct obligation and will be secured by a specific charge on the GBT Loan and a general security interest over Gracorp's assets. In accordance with the Subordination Agreement with the Debenture Trustee, the Bonds will be subordinated to the Senior Indebtedness, as described under "*Securities Offered – Bonds – Subordination*". In this case the Bond Indenture will be subordinate to the security against the Mortgaged Units in favour of the Trust Indenture, and the Bond Indenture and Trust Indenture will rank equally against Gracorp assets other than those against which they respectively have specific security, and each ahead of the Gracorp unsecured creditors. The Bond Indenture will not restrict Gracorp or its Subsidiaries from incurring additional indebtedness for borrowed money or from mortgaging, pledging or charging its assets to secure any indebtedness.

The Bonds will be transferable in accordance with applicable securities laws, but subject to the prior consent of the Issuer and GBT.

Under the Bond Indenture, an original purchaser of Bonds under the Offering will have a contractual right of rescission to receive the amount paid for the Bonds if this Offering Memorandum and any amendment contains a misrepresentation or is not delivered to such purchaser, provided such remedy for rescission is exercised within 180 days of Closing of the Offering. See Item 11, "*Purchasers' Rights - Statutory Rights of Action in the Event of a Misrepresentation*" and "*Purchasers' Rights – Contractual Rights of Action in the Event of a Misrepresentation*".

### ***Principal Payments***

The indebtedness represented by the Bonds will be amortized over the last five years of the term such that quarterly repayments of principal will commence on June 30, 2017 on an amortized basis and, subject to a Deferral Election by GBT, will be payable thereafter on each Bond Payment Date.

### ***Redemption and Purchase***

The Bonds may not be redeemed by the Issuer before June 30, 2020. On or after June 30, 2020 and prior to the Maturity Date, the Bonds may be redeemed in denominations of \$1,000 by the Issuer, with respect to all or a part of the outstanding Bonds, from time to time, at the Issuer's option on not more than 60 days and not less than 30 days prior written notice at a redemption price equal to the principal amount then outstanding plus accrued and unpaid interest thereon, if any.

In the case of redemption of less than all of the Bonds, the Bonds to be redeemed will be selected by the Bond Trustee on a *pro rata* basis or in such other manner as the Bond Trustee deems equitable, subject to regulatory approvals.

The Issuer will have the right to purchase Bonds for cancellation, by tender or by private contract, at any time, subject to regulatory requirements.

### ***Payment upon Redemption or at Maturity***

On any Redemption Date, including the Maturity Date, the Issuer will repay the indebtedness represented by the Bonds by paying to the Bond Trustee in lawful money of Canada an amount equal to the principal amount of the

outstanding Bonds, together with accrued and unpaid interest thereon, if any, up to but not including the Maturity Date.

### ***Cancellation***

All Bonds redeemed or purchased will be cancelled and may not be reissued or resold.

### ***Rank***

The Bonds will be direct, secured obligations of Gracorp, but will be subordinated to all Senior Indebtedness, including to specific assets against which the Trust Indenture has priority, as more particularly described below under "*Subordination*". The Bonds will rank *pari passu* with one another and will rank *pari passu* with all other existing and future unsecured subordinated indebtedness of the Issuer to the extent subordinated on the same terms. The Bond Indenture will not restrict the ability of Gracorp or its subsidiaries from incurring additional indebtedness, including Senior Indebtedness, or from mortgaging, pledging or charging their respective properties to secure any indebtedness or liabilities, including Senior Indebtedness. The Bonds will rank ahead of equity.

### ***Subordination***

The payment of the principal and premium, if any, of, and interest on, the Bonds may be subordinated and postponed, and subject in right of payment in the circumstances referred to below and more particularly as set forth in the Bond Indenture, to the full and final payment of certain Senior Indebtedness of the Issuer or to priorities over certain assets. "Senior Indebtedness" of the Issuer will be defined in the Bond Indenture and will include obligations, liabilities and indebtedness of the Issuer which would, in accordance with Canadian Generally Accepted Accounting Principles, be classified upon a consolidated balance sheet of the Issuer as liabilities of the Issuer expressly agreed by the Issuer and Bond Trustee to rank in priority, as to amount or, to assets secured, or both, to obligations under the Bond Indenture which may include (without duplication): (a) indebtedness of the Issuer or its subsidiaries for borrowed money; (b) obligations of the Issuer evidenced by bonds, notes or other similar instruments; (c) obligations of the Issuer or its subsidiaries arising pursuant or in relation to bankers' acceptances, letters of credit, letters of guarantee, performance bonds and surety bonds (including payment and reimbursement obligations in respect thereof) or indemnities issued in connection therewith; (d) obligations of the Issuer under any swap, hedging or other similar contracts or arrangements; (e) obligations of the Issuer under guarantees, indemnities, assurances, legally binding comfort letters or other contingent obligations relating to the Senior Indebtedness or other obligations of any other person which would otherwise constitute Senior Indebtedness within the meaning of this definition; (f) indebtedness of the Issuer representing the deferred purchase price of any property including, without limitation, purchase money mortgages; (g) renewals, extensions and refinancing of any of the foregoing; and (h) costs and expenses incurred by or on behalf of the holder of any Senior Indebtedness in enforcing payment or collection of any such Senior Indebtedness, including enforcing any security interest securing the same; but may be restricted in its priority to specific assets of Gracorp. "Senior Indebtedness" shall not include any indebtedness that would otherwise be Senior Indebtedness if it is expressly stated to be subordinate to or rank *pari passu* with the Bonds.

The Bond Indenture will provide that in the event of any insolvency or bankruptcy proceedings, or any receivership, liquidation, reorganization or other similar proceedings relative to the Issuer, or to its property or assets, or in the event of any proceedings for voluntary liquidation, dissolution or other winding-up of the Issuer, whether or not involving insolvency or bankruptcy, or any marshalling of the assets and liabilities of the Issuer, then holders of Senior Indebtedness will receive payment in full derived from their security before the holders of Bonds will be entitled to receive any payment of any kind or character, whether in cash, property or securities, which may be payable or deliverable in any such event in respect of any of the Bonds or any unpaid interest accrued thereon. The Bond Indenture will also provide that the Issuer will not make any payment, and the holders of the Bonds will not be entitled to demand, institute proceedings for the collection of, or receive any payment or benefit (including, without any limitation, by set-off, combination of accounts or realization of security or otherwise in any manner whatsoever) on account of indebtedness represented by the Bonds: (a) in a manner inconsistent with the terms (as they exist on the date of issue) of the Bonds; or (b) at any time when a default or an event of default has occurred, or would occur as a result of such payment, under the Senior Indebtedness and is continuing or upon the acceleration of Senior Indebtedness, unless the Senior Indebtedness has been repaid in full.

The Bond Trustee and the Issuer will also be authorized (and obligated upon a request from the Issuer) under the Bond Indenture to enter into subordination agreements on behalf of the holders of Bonds with any holder of Senior Indebtedness.

### ***Modification***

The rights of the holders of Bonds may be modified in accordance with the terms of the Bond Indenture. For that purpose, among others, the Bond Indenture will contain certain provisions which make binding on all holders of outstanding Bonds, resolutions passed at meetings of the holders of outstanding Bonds by votes cast thereat by holders of not less than 66⅔% of the principal amount of the then-outstanding Bonds present at the meeting or represented by proxy, or rendered by instruments in writing signed by the holders of not less than 66⅔% of the principal amount of the then-outstanding Bonds. Under the Bond Indenture, certain amendments of a technical nature or which are not prejudicial to the rights of the holders of the Bonds may be made to the Bond Indenture without the consent of the holders of the Bonds.

### ***Consolidation, Mergers or Sales of Assets***

The Bond Indenture will provide that the Issuer may not, without the consent of the holders of the Bonds, consolidate or amalgamate with or merge into any person or sell, convey, transfer or lease all or substantially all of the Issuer's properties and assets to another person (other than the Issuer's direct or indirect wholly-owned subsidiaries) unless:

- (a) the resulting, surviving, continuing or transferee person expressly assumes all of the Issuer's obligations under the Bonds and Bond Indenture;
- (b) if such resulting, surviving, continuing or transferee person is organized otherwise than under the laws of Canada, any province or territory thereof, the United States or any state or district thereof, it attorns to the jurisdiction of the courts of Alberta;
- (c) the Bonds will be valid and binding obligations of the resulting, surviving, continuing or transferee person entitling the holders thereof, as against such person, to all the rights of holders of Bonds under the Bond Indenture;
- (d) after giving effect to the transaction, no Event of Default, and no event that, after notice or lapse of time, or both, would become an Event of Default, will occur;
- (e) consent of Guarantor, together with confirmation of the Guarantee; and
- (f) such other conditions as may be described in the Bond Indenture are met,

provided, however, that the sale, conveyance, transfer or lease (in a single transaction or a series of related transactions) of the properties or assets of one or more subsidiaries (other than to the Issuer or another direct or indirect wholly-owned subsidiary) which, if such properties or assets were directly owned by the Issuer, would constitute all or substantially all of the properties and assets of the Issuer on a consolidated basis, shall be deemed to be a sale, conveyance, transfer or lease of all or substantially all of the properties and assets of the Issuer.

An assumption of the Issuer's obligations under the Bonds and the Bond Indenture by such resulting, surviving, continuing or transferee person of the Issuer might be deemed for Canadian federal income tax purposes to be an exchange of the Bonds for new Bonds by the holders thereof, resulting in recognition of gain or loss for such purposes and possibly other adverse tax consequences to the holders. Holders should consult their own tax advisors regarding the tax consequences of such an assumption.

### ***Events of Default***

The Bond Indenture will provide that an event of default ("**Event of Default**") in respect of the Bonds will occur if certain events described in the Bond Indenture occur, including if any one or more of the following described events has occurred and is continuing: (i) failure for 90 days to pay interest on the Bonds when due; (ii) failure to pay principal or premium, if any (whether by payment in cash or delivery of Units), on the Bonds when due, whether at maturity, upon redemption, on a Change of Control, by declaration or otherwise; (iii) default in the observance or performance of any other covenant or condition of the Bond Indenture and the failure to cure (or obtain a waiver for) such default for a period of 90 days after notice in writing has been given by the Bond Trustee or from holders of not less than 25% of the aggregate principal amount of the Bonds specifying such default and requiring the Issuer to rectify or obtain a waiver for same; and (iv) certain events of bankruptcy, insolvency or reorganization of the Issuer under bankruptcy or insolvency laws.

If an Event of Default has occurred and is continuing, the Bond Trustee may, in its discretion, and will, upon the request of holders of not less than 25% in principal amount of the then-outstanding Bonds declare the principal of (and premium, if any) and interest on all outstanding Bonds to be immediately due and payable. In certain cases, the holders of more than 50% of the principal amount of the Bonds then-outstanding may, on behalf of the holders of all Bonds, waive any Event of Default and/or cancel any such declaration upon such terms and conditions as such holders shall prescribe.

### ***Offers for Bonds***

The Bond Indenture will contain provisions to the effect that if an offer is made for the Bonds which is a take-over bid for Bonds within the meaning of MI 62-104 and in Ontario, the *Securities Act* (Ontario) and OSC Rule 62-504 if the Bonds were considered equity securities, and not less than 90% of the principal amount of the then-outstanding Bonds (other than Bonds held at the date of the take-over bid by or on behalf of the offeror or associates or affiliates of the offeror) are taken up and paid for by the offeror, the offeror will be entitled to acquire the Bonds held by those who did not accept the offer on the terms offered by the offeror.

### ***Discharge of the Bond Indenture***

The Issuer may satisfy and discharge the Issuer's obligations under the Bond Indenture in certain circumstances, including by delivering to the Bond Trustee for cancellation all outstanding Bonds or by depositing with the Bond Trustee, or the paying agent, if applicable, after the Bonds have become due and payable, whether at stated maturity or any redemption date, or any purchase date, or a Change of Control Purchase Date (to the extent applicable), or otherwise, cash sufficient to pay the principal and premium of and all accrued and unpaid interest owing under all of the outstanding Bonds and paying all other sums payable under the Bond Indenture.

### ***Calculations in Respect of Bonds***

The Issuer is responsible for making all calculations called for under the Bond Indenture. The Issuer will make all these calculations in good faith and, absent manifest error, the Issuer's calculations are final and binding on holders of Bonds, the Issuer, and the Bond Trustee. The Issuer will provide a schedule of the Issuer's calculations to the Issuer and Bond Trustee and the Bond Trustee is entitled to conclusively rely upon the accuracy of the Issuer's calculations without independent verification.

### ***No Personal Liability of Directors, Officers, Employees, subsidiaries and Shareholders***

No past, present or future director, officer, employee or shareholder of the Issuer or any successor, as such, shall have any liability for any of the obligations of the Issuer under the Bonds or the Bond Indenture or for any claim based on, in respect of or by reason of, such obligations or their creation. Each holder of Bonds by accepting a Bond waives and releases all such liability. The waiver and release are part of the consideration for the issuance of the Bonds.

### ***Delivery and Form***

The Bonds will be issued in registered, definitive form.

### ***Transfer and Exchange of Bonds***

Only with prior written consent of GBT and the Issuer, registered holders of Bonds may transfer Bonds upon payment of taxes or other charges incidental thereto, if any, and by executing and delivering a form of transfer and evidence of compliance with applicable securities laws, required by the Issuer or registrar for the Bonds, together with the Bonds to the registrar for the Bonds at its principal offices in Calgary, Alberta or such other city or cities as may from time to time be designated by the Issuer, whereupon new Bonds will be issued in authorized denominations in the same aggregate principal amount as the Bonds so transferred, registered in the names of the transferees. No transfer of a Bond will be registered on any Bond Payment Date or during the five Business Days preceding the Bond Payment Date or on any date of redemption or during the five Business Days preceding a date of redemption.

### ***Payments***

Payments of interest on each Bond will be made by electronic funds transfer, if agreed to by the holder of the Bond, or by cheque dated the Bond Payment Date and mailed to the address of the holder appearing in the register maintained by the Bond Trustee at least one Business Day prior to the applicable Bond Payment Date.

### ***Governing Laws***

The Bond Indenture and Bonds will be governed by, and construed in accordance with, the laws of the Province of Alberta and the federal laws of Canada applicable therein.

### **Bond Guarantee**

Under the Bond Guarantee, the Guarantor fully, absolutely, unconditionally and irrevocably guarantees, to each holder of a Bond, and to the Bond Trustee, as trustee on behalf of holders of Bonds and in its own capacity, the punctual payment and performance when due of all Obligations and agrees to indemnify and hold harmless each Bond holder and the Bond Trustee from all losses, damages, costs, expenses and liabilities suffered or incurred by the Bond holders and the Bond Trustee resulting or arising from or relating to any failure by Gracorp to unconditionally and irrevocably pay in full or fully perform the Obligations as and when due provided that the amount of such indemnification shall not exceed the amount of such Obligations. The Guarantor's liability shall extend to all amounts that constitute part of the Obligations and would be owed by Gracorp to such Bond holder or the Bond Trustee under the Bonds or the Bond Indenture but for the fact that they are unenforceable, reduced, limited, suspended or not allowable due to the existence of a bankruptcy, reorganization or similar proceeding involving Gracorp.

## **5.2 Subscription Procedure**

A person can subscribe for Bonds by:

- (a) completing the Subscription Agreement attached hereto in Schedule A, including the Exhibits, by April 24, 2015 or within two Business Days of a Closing Date following the June 1, 2015 Closing Date; and
- (b) issuing a certified cheque or bank draft or such other manner of funding as is acceptable to the Issuer in an amount equal to the product of \$1,000 multiplied by the number of Bonds subscribed for;

and delivering (a) and (b) to Gracorp Capital Ltd. at 10840 - 27th Street S.E., Calgary, Alberta T2Z 3V9. The funds tendered by each person will be held in Issuer for a period of two days during which time the person may request a return of the tendered consideration by delivering a notice to the Issuer not later than midnight on the second business day after the person signs the Subscription Agreement.

### 5.3 Earning Coverages

After giving pro forma effect to the Offering and other changes in indebtedness subsequent to the respective calculation periods as if the Bond issuance had occurred at the beginning of the respective calculation periods, and all servicing costs that have been, or are expected to be, incurred in connection therewith and after giving effect to this Offering and assuming the retirement of certain other indebtedness, our pro forma interest requirements for the 12 months ended December 31, 2015 and the 12 months ended December 31, 2016 were \$2.80 million and \$2.88 million, respectively, and our net income before deducting interest and income taxes for such periods was \$3.21 million and \$3.07 million, respectively, being approximately 1.15 and 1.07 times our pro forma interest requirements for such periods, respectively.

The following tables sets out the pro forma earnings coverage ratios discussed above.

(\$, except Earnings Coverage Ratio)	Pro forma for the 12 months ended December, 2015 <sup>(1)</sup>	Pro forma for the 12 months ended December, 2016 <sup>(1)</sup>
Interest Expense	3,070,000	3,150,000
Capitalized Interest	270,000	270,000
<b>Denominator for Earnings Coverage Ratio</b>	<b>2,800,000</b>	<b>2,880,000</b>
Net Income	295,000	120,000
Non-Controlling Interest	nil	nil
Income Taxes	155,000	200,000
Interest Income	3,070,000	3,150,000
<b>Numerator for Earnings Coverage Ratio</b>	<b>3,520,000</b>	<b>3,470,000</b>
<b>Earnings Coverage Ratio</b>	1.26 times	1.21 times

Note:

- (1) Includes a full 12 months of pro forma interest expense on indebtedness incurred as if the indebtedness was incurred at the beginning of the calculation period and includes income derived from the associated use of proceeds.

## ITEM 6 INCOME TAX CONSEQUENCES AND EXEMPT PLAN ELIGIBILITY

You should consult your own professional advisors to obtain advice on the tax consequences applicable to you.

The following summary describes certain Canadian federal income tax considerations under the Tax Act for those who purchase Bonds; it does not address United States federal or state income tax considerations that may be applicable to a holder subject to United States federal or state taxation. This summary is applicable to a holder who, for all purposes of the Tax Act, deals at arm's length (and is not deemed by the Tax Act not to deal at arm's length) with and is not affiliated with the Issuer and will hold Bonds as capital property. Generally, Bonds will be considered to be capital property to a holder provided the holder does not use or hold the Bonds in the course of carrying on a business of buying or selling securities and did not acquire them in one or more transactions considered to be an adventure or concern in the nature of trade. Certain holders who are Resident Holders (as described below) and who might not otherwise be considered to hold their Bonds as capital property may, in certain circumstances, be entitled to have them, and any other "Canadian security" (as defined in the Tax Act), treated as capital property by making the irrevocable election permitted by subsection 39(4) of the Tax Act. Holders contemplating making such an election should first consult their own tax advisors. This summary is not applicable to: a holder that is a "financial institution", a "specified financial institution", a holder an interest in which would be a "tax shelter investment", a holder whose "functional currency" is the currency of a country other than Canada, or a holder that has entered into, or will enter into, a "derivative forward agreement" in respect of the Bonds, all as defined in the Tax Act.

The Issuer has advised its counsel that it has validly filed the necessary election under the Tax Act to deem it to be a "public corporation" for purposes of the Tax Act.



This summary is based upon the facts set out herein, provisions of the Tax Act in force as of the date hereof, relevant specific proposals to amend the Tax Act that have been publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof ("**Proposed Amendments**") and current published administrative and assessing policies of the CRA. This summary is not exhaustive of all possible Canadian federal income tax consequences and, except for the Proposed Amendments, does not take into account or anticipate any changes in the law, whether by legislative, governmental or judicial actions or changes in the administrative and assessing practices of the CRA. This summary does not take into account provincial, territorial or foreign tax considerations, which may differ significantly from those discussed herein. No assurance can be given that the Proposed Amendments will be enacted as currently proposed or at all.

**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 or representations to any particular holder. Holders of Bonds and prospective holders should consult their own tax advisors in respect of the consequences to them having regard to their particular circumstances.**

### **Resident of Canada**

The following portion of the summary is generally applicable to a holder who, at all relevant times, for the purposes of the Tax Act, is or is deemed to be, resident in Canada (a "**Resident Holder**").

#### ***Taxation of Interest on Bonds***

A Resident Holder of 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 Bonds: (i) that accrues or that is deemed to accrue to it to the end of the particular taxation year; or (ii) that has become receivable by or is received by the Resident Holder before the end of that taxation year, except to the extent that such interest was included in computing the Resident Holder's income for a preceding taxation year.

Any other Resident Holder of Bonds (including an individual, other than certain trusts) should be required to include in computing income for a taxation year all interest on the Bonds that is received or receivable by the Resident Holder in that taxation year (depending upon the method regularly followed by the Resident Holder in computing income), except to the extent that the interest was included in the Resident Holder's income for a preceding taxation year. In addition, if at any time a Bond should become an "investment contract" (as defined in the Tax Act) in relation to a Resident Holder, such Resident Holder should be required to include in computing income for a taxation year any interest that accrues to the Resident Holder on the Bond 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 Resident Holder's income for that year or a preceding taxation year.

Upon redemption or repayment at maturity of a Bond, interest accrued thereon to the date of conversion, redemption or repayment and that would otherwise be payable after that date will be included in computing the Resident Holder's income, except to the extent such amount was included in computing the Resident Holder's income for that or a previous taxation year.

A Resident Holder that is throughout the year a "Canadian-controlled private corporation" (as defined in the Tax Act) may be liable to pay an additional refundable tax at a rate of 6 2/3% on certain investment income, including interest income.

#### ***Disposition of Bonds***

A disposition or deemed disposition of a Bond by a Resident Holder, including a redemption, payment at maturity or purchase for cancellation, will result in the Resident Holder realizing a capital gain (or, subject to certain rules in the Tax Act, a capital loss) equal to the amount by which the proceeds of disposition, net of any amount otherwise required to be included in the Resident Holder's income as interest, exceed (or are less than) the aggregate of the adjusted cost base to the Resident Holder thereof and any reasonable costs of disposition. Such capital gain (or

capital loss) will be subject to the tax treatment described below under "*Residents of Canada – Taxation of Capital Gains and Capital Losses*".

Upon a disposition or deemed disposition of a Bond, interest accrued thereon to the date of disposition and not yet due will be included in computing the income of the Resident Holder as described above under "*Residents of Canada – Taxation of Interest on Bonds*", except to the extent such amount was otherwise included in the Resident Holder's income, and will be excluded in computing the Resident Holder's proceeds of disposition of the Bond.

### ***Taxation of Capital Gains and Capital Losses***

One-half of any capital gain (the "**taxable capital gain**") realized by a Resident Holder on a disposition of a Bond will generally be included in the Resident Holder's income for the year and one-half of any capital loss realized by the Resident Holder on the disposition of a Bond (the "**allowable capital loss**") may generally be deducted by such Resident Holder against taxable capital gains for the year. Any excess of allowable capital losses over taxable capital gains of the Resident Holder may be carried back up to three taxation years or forward indefinitely and deducted against net taxable capital gains in those other years subject to the detailed provisions of the Tax Act.

A Resident Holder that is a Canadian-controlled private corporation (as defined in the Tax Act) may be liable to pay an additional refundable tax of  $6\frac{2}{3}\%$  on certain investment income, including taxable capital gains.

### ***Minimum Tax***

Net income of the Issuer that is paid or payable to a Resident Holder that is designated as taxable dividends or as net taxable capital gains, as well as capital gains realized on the disposition of capital property such as Bonds may increase the holder's liability for minimum tax if the holder is an individual, including a trust.

### **Non-Residents of Canada**

The following portion of this summary generally is applicable to a Non-Resident who does not use or hold, and is not deemed to use or hold, Bonds in connection with carrying on a business in Canada, to whom the Bond is not "designated insurance property" as defined in the Tax Act and who is a resident of the United States and beneficially entitled to benefits under the Treaty (a "**Non-Resident Holder**").

### ***Taxation of Interest on Bonds***

A Non-Resident Holder will not be subject to Canadian withholding tax in respect of amounts paid or deemed to have been paid or credited by the Corporation as, on account or in lieu of, or in satisfaction of, interest or principal on the Bonds.

### ***Disposition of Bonds***

A Non-Resident Holder generally will not be subject to tax under the Tax Act in respect of any capital gain realized on a disposition or deemed disposition of a Bond unless the Bond constitutes "taxable Canadian property" for purposes of the Tax Act of the Non-Resident Holder at the time of disposition and no relief is available to the Non-Resident Holder under the Treaty. A Bond that is not convertible into shares of a corporation, an interest in a partnership, or an interest in a trust will generally not be considered to be taxable Canadian property of a Non-Resident Holder.

## **6.1 Eligibility for Investment**

Provided the Issuer qualifies as a public corporation, the Bonds should be qualified investments under the Tax Act for Exempt Plans. As discussed above, the Issuer has advised its counsel that it has validly filed the necessary election under the Tax Act to deem it to be a "public corporation" for purposes of the Tax Act.

Notwithstanding that the Bonds may be qualified investments as discussed above, if the Bonds are "prohibited investments" for an annuitant under an Exempt Plan which holds such Bonds, such annuitant will be subject to a penalty tax. Provided that the annuitant deals at arm's length with the Issuer for the purposes of the Tax Act and does not have a "significant interest" (within the meaning of the Tax Act) in the Issuer then the Bonds should not be "prohibited investments" for the purposes of the Tax Act. **Prospective investors who intend to hold the Bonds in their Exempt Plan should consult their own tax advisors as to whether the Bonds would constitute a prohibited investment for their particular Exempt Plan.**

If the Issuer ceases to qualify as a public corporation, the Bonds will cease to be qualified investments for Exempt Plans. **Adverse tax consequences may apply to an Exempt Plan, or an annuitant thereunder, if the Exempt Plan acquires or holds property that is not a qualified investment for the Exempt Plan. Accordingly, Exempt Plans that own Bonds should consult their own advisors before deciding to purchase Bonds.**

See Item 8, "*Risk Factors*", below.

## ITEM 7 COMPENSATION PAID TO SELLERS AND FINDERS

No person or company will receive any compensation as a seller or finder in connection with the Offering.

## ITEM 8 RISK FACTORS

An investment in the Bonds of the Issuer should be considered highly speculative due to the nature of the Issuer's activities, including the investment of proceeds of the Offering in the GBT Loan Agreement, the business of the Issuer and the present stage of its development. The following is a summary of certain risk factors relating to the activities of the Issuer and the Guarantor and the ownership of Bonds which Subscribers should carefully consider before making a decision to invest. A Subscriber should consider carefully all such risk factors.

In addition there are a number of risks associated with the business conducted by GBT, the GBT Operating LPs, GBT General Partners, and GGL.

### Investment Risks

#### Credit Risk

The likelihood that purchasers of the Bonds will receive payments owing to them under the terms of the Bonds will depend on the Issuer's financial health, dependent in large part on fulfillment of obligations by GBT under the GBT Loan Agreement, and creditworthiness of the Issuer at the time of such payments.

#### Market for Bonds

There is currently no market through which the Bonds may be sold and purchasers may not be able to resell Bonds purchased under this Offering Memorandum. No market for Bonds is expected to develop after completion of the Offering, or if developed, that such a market will be sustained at the price level of the Offering.

#### Resale of Bonds

Since Gracorp is not a reporting issuer in any jurisdiction, unless permitted under securities legislation, holders of Bonds must not trade Bonds before the date that is four months and a day after the later of the Closing under which the Bonds were acquired and the date Gracorp becomes a reporting issuer in any province or territory in Canada. As a result, the restricted or hold period may never expire. See "*Resale Restrictions*", below.

### Existing and Prior Ranking Indebtedness

The Bonds will be subordinate to Senior Indebtedness of the Issuer. The Debentures, amounting to approximately \$2.7 million of Gracorp debt, are subordinate to the Bonds as against the GBT Loan, but have a secured priority as against the Mortgaged Units. In the event of the Issuer's insolvency, bankruptcy, liquidation, reorganization, dissolution or winding up, its assets would be made available to satisfy the obligations of the creditors of any Senior Indebtedness before being available to pay the Issuer's obligations to the holders of the Bonds. However, as noted, the Bond Trustee will have a specific charge against the GBT Loan Agreement and proceeds therefrom. Accordingly, all or a substantial portion of the Issuer's assets could be unavailable to satisfy the claims of the holders of the Bonds.

The Issuer's ability to meet its debt-service requirements will depend on its ability to generate cash in the future, which depends on many factors, including the Issuer's financial performance, debt-service obligations, working capital and future capital-expenditure requirements. In addition, the Issuer's ability to borrow funds in the future and to make payments on outstanding debt will depend on the satisfaction of covenants in then existing credit agreements and other agreements. A failure to comply with any covenants or obligations under the Issuer's consolidated indebtedness could result in a default, which, if not cured or waived, could result in the acceleration of the relevant indebtedness. If such indebtedness were to be accelerated, there can be no assurance that the Issuer's assets would be sufficient to repay such indebtedness in full. There can also be no assurance that the Issuer will generate cash flow in amounts sufficient to pay outstanding indebtedness or to fund any other liquidity needs.

### Coverage Ratios

See "Earnings Coverage", above, which is relevant to an assessment of the risk that Gracorp may be unable to pay interest or principal when Bonds when due.

### Repayment of the Bonds

The Issuer may not be able to refinance the principal amount of the Bonds in order to repay the principal outstanding or may not have generated enough cash from operations to meet this obligation. There is no guarantee that the Issuer will be able to repay the outstanding principal amount in of the Bonds when payments become due.

### Absence of Covenant Protection

The Bond Indenture will not restrict the Issuer or any of its Subsidiaries from incurring additional indebtedness or from mortgaging, pledging or charging its assets to secure any indebtedness. The Bond Indenture will not contain any provisions specifically intended to protect holders of the Bonds in the event of a future leveraged transaction involving the Issuer or any of its Subsidiaries.

### Redemption Prior to Maturity

The Bonds may be redeemed, at the option of the Issuer, on or after June 30, 2020 prior to the Maturity Date at any time and from time to time, at par, together with any accrued and unpaid interest. See Item 5.1, "Securities Offered – Bonds – Redemption and Purchase". Holders of Bonds should assume that this redemption option will be exercised if the Issuer is able to refinance at a lower interest rate or it is otherwise in the interest of the Issuer to redeem the Bonds.

### Change in Tax Laws

The Bond Indenture will not contain a requirement that the Issuer increase the amount of interest or other payments to holders of Bonds 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 Bonds. At present, no amount is required to be withheld from such payments to holders of Bonds resident in Canada or a non-resident of Canada who deal at arm's length with the Issuer, but no assurance can be given that applicable income tax laws or treaties will not be changed in a manner that may require the Issuer to withhold amounts in respect of tax payable on such amounts.

### Changes in Legislation

There can be no assurance that laws, including tax laws, policies and assessing practices of the Canada Revenue Agency, which have an impact on the Issuer, the Guarantor, Bondholders, and Exempt Plans.

### Investment Eligibility

If the Issuer ceases to qualify as a "public corporation" under the Tax Act, the Bonds will cease to be qualified investments for Exempt Plans which will have adverse tax consequences to Exempt Plans or their annuitants or beneficiaries.

## **Issuer Risks**

### Debt Service and Principal Repayment

The Issuer will be relying on the unsecured payment obligations of GBT under the GBT Loan Agreement and the assurance provided by the Bond Guarantee to meet its Obligations under the Bonds and Bond Indenture. See "Guarantor Risks", below. If GBT should be unable to fulfill its obligations to Gracorp, it is unlikely that Gracorp will be able to then meet its Obligations to the Bond Trustee and the holders of Bonds

### Taxation of Issuer and Unitholders

If the Issuer ceases to qualify as a "public corporation" under the Tax Act, the income tax considerations described under the heading "Certain Canadian Federal Income Tax Considerations" would be materially and adversely different in certain respects.

### Speculative Investment

This Offering should be considered highly speculative due to the nature of the Issuer's investments.

### Management

Due to the nature of the Issuer, as an investor of funds, GBT, and GBT's business and its involvement in the construction industry, purchasers of Bonds must rely on the ability, expertise, judgment and integrity of the GBT trustee, management of GGL, and GBT General Partners.

### Dependence on Key Personnel

The success of the Issuer is largely dependent on the performance of its key employees. Failure to retain key employees and to attract and retain additional key employees with necessary skills could have a material adverse impact upon the growth and profitability of the Issuer. Gracorp's progress to date has been dependent to a significant extent on the skills of Gracorp's senior management. The departure or death of members of the executive team could have a material adverse affect upon the Issuer and GBT.

## **Industry Risks**

### Risks Specific to Business of Gracorp

There is no assurance that Gracorp will be able to maintain profitable operations in the future.

### Asset Class Diversification

The Issuer's investments will not be widely diversified by asset class. Substantially all of the Issuer's investments will be in the GBT Loan. A lack of asset class diversification increases risk because each class is subject to its own set of risks; in this case the risks associated with GBT's ability to make scheduled interest and principal payments.

### Competition

Gracorp competes with other entities that have greater financial resources and larger marketing departments. Competition generally places pressure on market opportunities, availability of capital and profit margins. Intense competition is expected to continue which will present challenges to the ability to maintain strong growth rates and profit margins.

### Conflicts of Interest

The Issuer and its directors or officers may become engaged in business interests on their own behalf and on behalf of other entities and situations may arise where its Issuer and the directors and officers will be in direct competition with the Issuer. Conflicts, if any, will be subject to the procedures and, to the extent applicable, remedies available under the ABCA. The ABCA provides that in the event that a director has an interest in a contract or a proposed contract, the director shall disclose his interest in such contract or proposed contract and shall refrain from voting on any matter in respect of such contract or proposed contract unless otherwise provided for by the ABCA.

### Financial Resources

There can be no assurance that the proceeds of this Offering and the current working capital of the Issuer will be sufficient to enable the Issuer to implement its business plans. There can be no assurance that, if, as and when the Issuer seeks additional equity or debt financing, the Issuer will be able to obtain the additional financial resources required to successfully compete in its markets on favourable commercial terms or at all.

### No Prior Market, No Liquidity

There is currently no market through which the Bonds can be sold and there can be no assurance that any active public market will develop. The Bonds are currently not listed or quoted for trading on any stock exchange or quotation network nor do we have current plans to list the Bonds.

### **GBT Risks**

There are a number of risks to an investment in the Bonds offered hereunder associated with GBT, in its capacity as Guarantor and as borrower under the GBT Loan Agreement. These risks include:

#### GBT Loan Agreement and Guarantor Obligations

The obligations of GBT to make interest and principal payments to Gracorp under the GBT Loan Agreement, or to respond to the Bond Trustee under the Bond Guarantee, are unsecured, and thus will rank behind secured creditors of GBT and equal to other unsecured creditors in the event of a default by GBT. In the context of the current business of Gracorp, the inability of GBT to meet its obligations under the GBT Loan Agreement will almost certainly translate to the same inability of Gracorp to meet its Obligations under the Bond Indenture.

### **Industry Risks of GBT**

#### Risks Specific to Business of GBT

There is no assurance that GBT will be able to maintain profitable operations in the future. There is no assurance that the construction services offered by GBT will continue to receive market acceptance or that GBT and its Subsidiaries will be successful in obtaining new construction contracts. The construction industry is cyclical and subject to significant fluctuations in demand for the construction services offered by GBT and its Subsidiaries which can have an adverse effect on the profitability of GBT.

#### Geographic Concentration- Economic and Political Climate

50% of the consolidated GBT business activity is in Alberta, 18% of that total is in Saskatchewan, 15% of that total is in British Columbia, 10% in Manitoba and Ontario, and 7% in the United States. The provinces and states in which GBT is active, present social, economic and political conditions that are reasonably stable. Recent declines in economic conditions in western Canada and other regions in which GBT operates could adversely affect the operations and profitability of GBT and the ability of GBT to make payments on the GBT Loan Agreement or the Guarantee.

#### Volatility of Industry Conditions

The demand, pricing and terms construction, engineering, design, general contracting and construction management services largely depends upon the level of industry activity and infrastructure development. This would include local, provincial or state and federal government agencies and public and private developers. Industry conditions are influenced by numerous factors in various geographic regions over which the Corporation has no control, including commodity prices (in particular, oil and natural gas and mineral prices); demand for oil and natural gas and minerals; weather conditions; political, military, regulatory and economic conditions; and the ability of governments and developers to raise equity capital or debt financing for construction and infrastructure.

Any prolonged substantial reduction in resource prices would likely affect financial resources available to governments in western Canada and therefore affect the demand for services of GBT. A material decline in resource prices or Canadian or United States industry activity could have a material adverse effect on GBT's business, financial condition, results of operations and cash flows.

#### Economic Downturns

The demand for the services offered by GBT and its Subsidiaries is expected to fluctuate significantly as a consequence of economic downturns and government actions with respect to economic stimulation. During times of economic downturns, the ability of government entities and the private sector to make significant capital expenditure declines, the results of which could have a significant adverse affect on revenue and profitability.

#### Fixed-Price Contracts

Construction services undertaken by GBT and its Subsidiaries include fixed-price contracts, for which the costs to complete may be affected by an array of factors, including site conditions, access, changes by the client and subtrade performance issues. In particular, a Subsidiary of GBT has a 45% interest in a joint venture with another party for the design and construction of a project. The project is not expected to be completed until the second half of 2015. The joint venture has reserved for potential losses, having already funded over \$100mm to cover revenue shortfalls. While the joint venture will assert claims for the recovery of losses sustained on the project, there is no assurance that such claims will be recovered in whole or in part, or that the joint venture will not require additional working capital to complete the project.

#### Debt Service

Each of the GBT Operating LPs and their respective affiliates may, from time to time, finance a significant portion of its operations through debt raised by GIT, GBT or GGL. Amounts paid in respect of interest and principal on debt incurred by each of the GBT Operating LPs and their affiliates may impair GBT and the GBT Operating LPs' and their affiliates' ability to satisfy obligations under their debt instruments, including GBT's obligations under the GBT Loan Agreement. Variations in interest rates and scheduled principal repayments could result in significant changes in the amount required to be applied to debt service before required payment on debt.

#### Material Prices

The prices of building and construction materials are subject to fluctuation based on external factors over which GBT and its Subsidiaries have no control, including changing demand, available supply, and governmental

restrictions. GBT and its Subsidiaries currently do not use a hedging strategy with respect to building materials and do not intend to implement such a strategy. Any increase in the price of building and construction materials could have a material adverse effect on market demand and on the growth and profitability of GBT and its Subsidiaries.

#### *Surety Obligations*

GBT and the GBT Operating LPs require bonds to be issued by a surety company for many of the projects they undertake. They must indemnify the surety company, make certain customary covenants and maintain sufficient working capital to obtain these bonds. Satisfying these requirements could affect the ability to undertake projects and the amounts available to satisfy the payment on debt.

#### *Weather Conditions*

Weather conditions can have an adverse effect on the ability of GBT and its Subsidiaries to satisfy their contract commitments on a timely basis and such conditions effect the profitability of the operations of GBT and its Subsidiaries.

#### *Competition*

GBT and its Subsidiaries compete with other entities that have greater financial resources and larger marketing departments. Competition generally places pressure on contract prices and profit margins. Intense competition is expected to continue which will present challenges to the ability to maintain strong growth rates and profit margins. Market share could be lost to competition and GBT and its Subsidiaries could experience a reduction in profits. GBT and its Subsidiaries may not be successful in meeting competition, and competition may cause GBT and its Subsidiaries to lose customers, increase expenditures or reduce pricing, any one or more of which could have a material adverse effect on growth and profitability.

#### *Conflicts of Interest*

The GBT trustee, the GBT General Partners, the GBT Operating LPs and their respective directors or officers may become engaged in business interests on their own behalf and on behalf of other entities and situations may arise where one or more of the GBT trustee, the GBT General Partners, the GBT Operating LPs or any of their respective directors and officers will be in direct competition with the Issuer and GBT or the Issuer and one or more of GBT, the GBT General Partners, the GBT Operating LPs will be in direct competition. Conflicts, if any, will be subject to the procedures and, to the extent applicable, remedies available under the ABCA. The ABCA provides that in the event that a director has an interest in a contract or a proposed contract, the director shall disclose his interest in such contract or proposed contract and shall refrain from voting on any matter in respect of such contract or proposed contract unless otherwise provided for by the ABCA.

#### *New Business*

GBT and its Subsidiaries directly or indirectly, intend to enter new fields of business in the construction industry, while expanding the geographic scope of its present business. In addition, models through which GBT and its Subsidiaries provides services are changing due to market demands, including participation in P3s (public-private section partnerships). There is no assurance that these new ventures or models will be successful.

#### *Future Acquisitions and Reliance upon Management*

Neither Gracorp nor holders of Bonds, as such, will have an advance opportunity to evaluate the merits and risks of any future acquisitions by GBT or its Subsidiaries or the entering into by GBT or its Subsidiaries of joint ventures, partnerships or other similar relationships. There can be no assurance that any such acquisitions or other arrangements will be successfully completed or, if successfully completed, will be successfully implemented in a profitable manner. The future profitability of GBT or its Subsidiaries may depend to some degree upon the ability of the GBT trustee and GBT management to identify and complete commercially viable acquisitions and to successfully integrate acquired businesses with its own operations.



### Financial Resources

There can be no assurance that the current working capital or access to additional working capital by GBT (including advances under the GBT Loan Agreement) will be sufficient to enable GBT to implement its business plans. There can be no assurance that, if, as and when GBT seeks additional equity or debt financing, GBT will be able to obtain the additional financial resources required to successfully compete in its markets on favourable commercial terms or at all.

### Reliance on Suppliers and Subcontractors

GBT and its Subsidiaries rely on third party suppliers and subcontractors. The loss of, or inability to maintain, any of these relationships, or the failure of such third parties to execute or effectively manage their own business plans, and deliver on their contract commitments can have a material adverse affect upon the business, operating results and financial condition of GBT and its Subsidiaries.

### Industry Growth

The overall market for construction services is cyclical in nature. There can be no assurance that the market for GBT's or its Subsidiaries' construction services will continue to grow, or that GBT or its Subsidiaries will be successful in retaining existing customers or in establishing new customer markets and contracts. If the various markets in which GBT and its Subsidiaries compete fails to grow, or grows more slowly than currently anticipated, or if GBT and its Subsidiaries are unable to obtain new contracts, the business, operating results, and financial condition of GBT would be materially adversely affected.

### Control by GIT and its Trustee and Management

GIT currently owns all of the units of GBT. As a result, GIT and its trustees and management, acting together, exercise a significant influence over all matters of governance and operations of GBT.

## **LEGAL PROCEEDINGS**

The Issuer is not currently a party to any legal proceedings; however, the Guarantor, GBT Operating LPs, GBT General Partners and GGL are parties to a number of legal proceedings and lien claims arising in the ordinary course of the construction business. The Board of Gracorp does not believe that any of the current proceedings or claims will have a material effect on the business, financial conditions or operations of the Issuer, GBT, the GBT Loan or the Guarantee.

## **AUDITORS, REGISTRAR AND TRANSFER AGENT**

The auditors of the Issuer are Deloitte LLP, Chartered Accountants, 700, 850 - 2nd Street SW, Calgary, Alberta, T2P 0R8.

The registrar and transfer agent of the Bonds is CST Trust Company, 608, 337 – 7<sup>th</sup> Avenue SW, Calgary, Alberta, T2P 2Z1.

## **ITEM 9 REPORTING OBLIGATIONS**

**We are not required to send you any documentation on an annual or ongoing basis.**

The Issuer is not a "reporting issuer" or equivalent under the *Securities Act* (Alberta) or similar legislation in any other jurisdiction. Accordingly, the Issuer is not subject to the "continuous disclosure" requirements of any securities legislation and there is therefore no requirement that the Issuer make ongoing disclosure of its affairs including, without limitation, the disclosure of financial information on a quarterly basis or the disclosure of material changes

in the business or affairs of the Issuer. The Issuer will, however, provide to registered holders of Bonds annual audited financial statements within 120 days of its year end.

## **ITEM 10 RESALE RESTRICTIONS**

### **10.1 General**

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

### **10.2 Restricted Period**

Unless permitted under securities legislation, you cannot trade the Bonds 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.

### **10.3 Manitoba Resale Restrictions**

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

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

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

## **ITEM 11 PURCHASERS' RIGHTS**

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

**Two Day Cancellation Right** - You can cancel your agreement to purchase the Bonds. To do so, you must send us a cancellation notice to the Issuer by midnight on the 2nd business day after you sign your Subscription Agreement.

The following summaries are subject to the express provisions of the securities legislation applicable in each of the noted provinces of Canada and the regulations, rules and policy statements thereunder. Subscribers should refer to the securities legislation applicable in their province along with the regulations, rule and policy statements thereunder for the complete text of their provisions or should consult with their legal advisor. The contractual and statutory rights of action described in this Offering Memorandum are in addition to and without derogation from any other right or remedy a Subscriber may have at law.

**Statutory Rights of Action in the Event of a Misrepresentation** - If there is a misrepresentation in this Offering Memorandum, you have a statutory right to sue:

- (a) the Issuer to cancel the Subscription Agreement to buy the Bonds offered hereunder; or
- (b) for damages against the Issuer and the Directors at the date of the Offering Memorandum, who signed the Offering Memorandum.

This statutory right to sue is available to you whether or not you relied on the misrepresentation. However, there are various defences available to the persons or companies that you have a right to sue. In particular, they have a defence if you knew of the misrepresentation when you purchased the securities. In action for damages, the amount Subscribers may recover will not exceed the price that Subscribers paid for their Bonds and will not include any part of the damages that the defendant proves does not represent the depreciation in value of the Bonds resulting from the misrepresentation.

If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations. Subscribers resident in Alberta, British Columbia, Saskatchewan, Manitoba and Ontario must commence their action to cancel the agreement within 180 days from the purchase of the Bonds. You must commence your action for damages within: (i) 180 days from the day that such Subscriber had knowledge of facts giving rise to an action for damages; or (ii) three years (two years if you live in Manitoba and six years if you live in Saskatchewan) from the day that such Subscribers signed the agreement to purchase the Bonds.

Each Director at the date hereof and each person who signed the Offering Memorandum is not liable for damages if the person proves that:

1. the Offering Memorandum was delivered to Subscribers without the person's knowledge or consent and that, on becoming aware of its delivery, the person gave written notice to the Issuer that it was delivered without the person's knowledge or consent;
2. on becoming aware of any misrepresentation in the Offering Memorandum, the person withdrew the person's consent to the Offering Memorandum and gave written notice to the Issuer of the withdrawal and the reason for it; or
3. with respect to any part of the Offering Memorandum purporting:
  - (a) to be made on the authority of an expert; or
  - (b) to be a copy of, or an extract from, a report, an opinion or a statement of an expert;

the person had no reasonable grounds to believe and did not believe that there had been a misrepresentation, or the relevant part of the Offering Memorandum did not fairly represent the report, opinion or statement of the expert, or was not a fair copy of, or an extract from, the report, opinion or statement of the expert.

The liability of all defendants is joint and several as between themselves with respect to the same cause of action. A defendant who is found liable to pay a sum in damages may recover a contribution, in whole or in part, from a person who is jointly and severally liable to make the same payment in the same cause of action, unless, in all the circumstances of the case, the court is satisfied that it would not be just and equitable.

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

**Contractual Rights of Action in the Event of a Misrepresentation** - If there is a misrepresentation in this Offering Memorandum, you have a contractual right to sue:

1. the Issuer to cancel the Subscription Agreement to buy the Bonds offered hereunder, or
2. for damages against the Issuer.

This contractual right to sue is available to you whether or not you relied on the misrepresentation. However, there are various defences available to the persons or companies that you have a right to sue. In particular, they have a defence if you knew of the misrepresentation when you purchased the securities. In action for damages, the amount

you may recover will not exceed the price that you paid for your Bonds and will not include any part of the damages that the Issuer proves does not represent the depreciation in value of the Bonds resulting from the misrepresentation.

Subscribers who intend to rely on the rights described above must do so within strict time limitations. Subscribers must commence their action to cancel the Subscription Agreement within 180 days from the purchase of the Bonds. Subscribers must commence their action for damages with the earlier of: (i) 180 days after such Subscribers had knowledge of the facts giving rise to the cause of action; and (ii) three years after you signed the agreement to purchase the securities (two years if you live in Manitoba and six years if you live in Saskatchewan).

## **ITEM 12 FINANCIAL STATEMENTS**

The Audited Financial Statements of Gracorp for the period ended December 31, 2014 are included as Schedule "B" to this Offering Memorandum. The Issuer prepares its financial statements in accordance with IFRS.

## **ITEM 13 DATE AND CERTIFICATE**

Dated this 15 day of April, 2015.

*This Offering Memorandum does not contain a misrepresentation.*

## **GRACORP CAPITAL LTD.**

(signed) Tim Heavenor

Tim Heavenor, President and Chief Executive Officer

(signed) Ashish Khulbe

Ashish Khulbe, Chief Financial Officer

**SCHEDULE A**  
**SUBSCRIPTION AGREEMENT FOR BONDS**

## SUBSCRIPTION AGREEMENT FOR BONDS

**TO: Gracorp Capital Ltd. ("Gracorp")**

The undersigned (hereinafter referred to as the "**Subscriber**") hereby irrevocably subscribes for and agrees to purchase the number of 7% secured, redeemable bonds of Gracorp ("**Bonds**") set forth below for the aggregate subscription price set forth below (the "**Aggregate Subscription Price**"), representing a subscription price of CAD \$1,000 per Bond, upon and subject to the terms and conditions set forth in "Terms and Conditions of Subscription for Bonds of Gracorp Capital Ltd." attached hereto (together with this page and the attached Exhibits, the "**Subscription Agreement**").

**In addition to this face page, the Subscriber must all applicable Exhibits attached hereto.**

### Subscriber's Particulars

(Name of Subscriber - please print)

By: \_\_\_\_\_  
(Authorized Signature)

(Subscriber's Address)

(Telephone Number)

(E-Mail Address)

(Social Insurance Number or BIN)

Number of Bonds: \_\_\_\_\_

Aggregate Subscription Price: \$ \_\_\_\_\_

(Minimum subscription: CAD \$20,000 or 20 Bonds)

**If the Subscriber is signing as agent for a principal (a "Disclosed Principal") and is not deemed to be purchasing as principal pursuant to NI 45-106 (as defined herein) by virtue of being either (i) a trust company or trust corporation acting on behalf of a fully managed account managed by the trust company or trust corporation, as the case may be, or (ii) a person acting on behalf of a fully managed account managed by it, and in each case satisfying the criteria set forth in NI 45-106, complete the following:**

(Name of Principal)

(Principal's Address)

(Telephone Number)

(E-Mail Address)

### **Register and deliver the Bonds as set forth below (only complete if different from above):**

(Name)

(Account reference, if applicable)

(Address)

### **Deliver the Bonds as set forth below (only complete if different than registration instructions):**

(Name)

(Account Reference, if applicable)

(Contact Name)

(Address)

*(This is the first page of an agreement comprised of 10 pages (not including Exhibits 1 and 2).)*

**ACCEPTANCE:** Gracorp hereby accepts the subscription as set forth above on the terms and conditions contained in this Subscription Agreement.

\_\_\_\_\_, 2015.

**GRACORP CAPITAL LTD.**

By: \_\_\_\_\_

Subscription No:

## TERMS AND CONDITIONS OF SUBSCRIPTION FOR BONDS OF GRACORP CAPITAL LTD.

### Terms of the Offering

1. The Subscriber acknowledges (on its own behalf and, if applicable, on behalf of each person on whose behalf the Subscriber is contracting) that this subscription is subject to rejection or allotment by Gracorp in whole or in part.
2. The Subscriber acknowledges (on its own behalf and, if applicable, on behalf of each person on whose behalf the Subscriber is contracting) that the Bonds subscribed for by it hereunder form part of a larger issuance and sale by Gracorp of up to 40,000 Bonds, subject to the discretion of the board of directors of Gracorp to increase the size of the offering (the "**Offering**").
3. Each Bond entitles the holder thereof to a \$1,000 principal amount 7% secured, redeemable bond of Gracorp. The Bonds will be duly and validly created and issued pursuant to, and governed by, the terms and conditions of a bond indenture (the "**Bond Indenture**") to be dated the Closing Date (as defined herein) between Gracorp and CST Trust Company, as trustee, which Bond Indenture shall include the following terms:
  - (a) the Bonds will be limited in the aggregate principal amount of \$40,000,000, will be issuable only in denominations of CAD \$1,000 or multiples thereof and will mature on June 30, 2022 (the "**Maturity Date**");
  - (b) the Bonds will bear interest from the date of issue at 7% per annum, which will be payable quarterly on March 31, June 30, September 30 and December 31 (each a "**Bond Payment Date**") in each year, commencing on September 30, 2015, computed on the basis of a 365-day year;
  - (c) interest payments may be deferred on one (1) occasion by Gracorp for a period of one (1) year (the "**Interest Deferral Election**") if Gracorp is not otherwise in default of obligations under the Bond Indenture. Upon making the Interest Deferral Election:
    - (i) the Bonds shall thereafter bear interest at 8% per annum until the Maturity Date; and
    - (ii) deferred interest shall be due and payable on the fourth Bond Payment Date after the Interest Deferral Election occurred, and such deferred interest shall be calculated from the period commencing at the beginning of the quarter during which the Interest Deferral Election was made, to, but excluding, the fourth Bond Payment Date, after which the Interest Deferral Election was made;
  - (d) quarterly blended interest and principal payments will be made over the last five (5) years of the Bond, commencing June 30, 2017, on an amortized schedule. Payments will be equal over the amortization period with a larger portion of payments representing interest at the beginning of the amortization period and a larger portion representing principal payments at the end of the amortization period;
  - (e) the Bonds may be redeemed by Gracorp, in whole or in part, in \$1,000 (or such lesser amount as may represent the principal outstanding at the effective time of redemption) denominations from time to time at Gracorp's option on not more than 60 days' and not less than 30 days' prior written notice at a redemption price equal to the principal amount plus accrued and unpaid interest thereon;
  - (f) the net proceeds of the Offering will be used to make an unsecured loan to Graham Business Trust (the "**GBT Loan**");
  - (g) the Bonds will be secured obligations of Gracorp with a specific priority on the GBT Loan proceeds, will be subordinate to certain specific obligations of Gracorp under previously issued Debentures, and will

otherwise rank equally with current secured indebtedness of Gracorp and subordinate in right of payment of principal and interest to other senior obligations of Gracorp from time to time; and

- (h) the Bonds will be guaranteed by Graham Business Trust.

#### **Representations, Warranties and Covenants by Subscriber**

4. The Subscriber (on its own behalf and, if applicable, on behalf of each person on whose behalf the Subscriber is contracting) (and for the purpose of the following representations, warranties and covenants, any reference to "it" or the "Subscriber" includes the Subscriber and any Disclosed Principal for whom it is contracting hereunder, as applicable) represents, warrants and covenants to Gracorp and their counsel (and acknowledges that Gracorp, and their counsel, are relying thereon) that both at the date hereof and at the Closing Time (as defined herein) that:

- (a) it has been independently advised as to restrictions with respect to trading in the Bonds imposed by applicable securities legislation in the jurisdiction in which it resides; it confirms that no representation has been made to it by or on behalf of Gracorp with respect thereto; it acknowledges that it is aware of the characteristics of the Bonds, the risks relating to an investment therein and of the fact that it may not be able to resell the Bonds except in accordance with limited exemptions under applicable securities legislation and regulatory policy until expiry of the applicable restricted period and compliance with the other requirements of applicable law; and **it agrees that any certificates representing the Bonds will bear a legend indicating that the resale of such securities is restricted and the Subscriber further acknowledges that it has been advised to consult its own legal counsel in its jurisdiction of residence for full particulars of the resale restrictions applicable to it;** and
- (b) other than a confidential offering memorandum of Gracorp dated April 15, 2015 (the "OM"), it has not received or been provided with, nor has it requested, nor does it have any need to receive any offering memorandum, any prospectus, sales or advertising literature or any other document (other than documents, the content of which is prescribed by statute or regulation) describing or purporting to describe the business and affairs of Gracorp which has been prepared for delivery to, and review by, prospective purchasers in order to assist it in making an investment decision in respect of the Bonds; and
- (c) it has not become aware of any advertisement in printed media of general and regular paid circulation (or other printed public media), radio, television or telecommunications or other form of advertisement (including electronic display, such as the Internet) with respect to the distribution of the Bonds; and
- (d) unless it is purchasing under subparagraph 4(e), it is purchasing the Bonds as principal for its own account, not for the benefit of any other person, for investment only and not with a view to the resale or distribution of all or any of the Bonds, it is resident in or otherwise subject to applicable securities laws of the jurisdiction set out as the "Subscriber's Address" on the face page hereof and unless it is purchasing under subparagraph 4(e), it is purchasing the Bonds pursuant to the "**Offering Memorandum Exemption**" under National Instrument 45-106 – *Prospectus and Registration Exemptions* ("**NI 45-106**") - and
  - (i) has acknowledged that investing in the Bonds is a risky investment by correctly completing and delivering an original copy of Form 45-106F4 – Risk Acknowledgement Form attached hereto as **Exhibit 1**; and
  - (ii) if it is resident of Alberta, Manitoba, Northwest Territories, Nunavut, Prince Edward Island, Quebec or Saskatchewan, it acknowledges it is an "eligible investor" (as such term is defined in **Appendix A to Exhibit 2**) and has received a copy of the OM, and specifically represents and warrants that one or more of the categories set forth in the Eligible Investor Status Certificate attached hereto as **Exhibit 2** correctly, and in all respects, describes the Subscriber and the Subscriber has so indicated by marking the box next to the category which so describes it and executing and delivering a copy of the Eligible Investor Status Certificate with this Subscription



Agreement and the Subscriber has also retained a correctly completed and original copy of the Eligible Investor Status Certificate for its records;

- (e) if it is not purchasing as a principal, 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 Bonds, it acknowledges that Gracorp is required by law to disclose to certain regulatory authorities the identity of each Disclosed Beneficial Purchaser of Bonds for whom it may be acting, and it is resident in the jurisdiction set out as the "*Subscriber's Residential Address*" and, subject to securities laws applicable to the Subscriber, it is acting as agent for one or more Disclosed Beneficial Purchasers, each of whom is resident in the jurisdiction set out as the "*Disclosed Beneficial Purchaser's Residential Address*", is purchasing as principal for its own account, not for the benefit of any other person, for investment only and not with a view to the resale or distribution of any or all of the Bonds and each such Disclosed Beneficial Purchaser complies with the criterion set forth in paragraph 4(d) hereof; and
- (f) in the case of the purchase by the Subscriber of the Subscriber's Bonds as agent or trustee for a Disclosed Principal, whether their identity is disclosed or undisclosed or identified by the account number only, each beneficial subscriber of the Subscriber's Bonds for whom the Subscriber is acting is purchasing its Subscriber's Bonds as principal for its own account, and not for the benefit of any other person, for investment only and not with a view to resale or distribution, is a resident of the jurisdiction as set out under "*Subscriber's Address*" on page 1 above, and the Subscriber complies with and meets one of the criterion set forth in subparagraph 4(d) hereof, and the Subscriber has due and proper authority to act as agent or trustee for and on behalf of such beneficial subscriber in connection with the transactions contemplated hereby and this Subscription Agreement has been duly authorized, executed and delivered by or on behalf of, and constitutes a legal, valid and binding agreement of, such beneficial subscriber, and the Subscriber is acting as agent for one or more disclosed principals, each of which principal is purchasing as a 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 Bonds, and each of which principals complies with subparagraph 4(d) hereof; and
- (g) if it is a resident of or otherwise subject to applicable securities laws of a Province of Canada but not purchasing thereunder, it is purchasing pursuant to an exemption from prospectus and registration requirements (particulars of which are enclosed herewith) available to it under applicable securities legislation and shall deliver to Gracorp such further particulars of the exemption(s) and the Subscriber's qualifications thereunder as Gracorp or their counsel may request; and
- (h) if it is a resident of or otherwise subject to applicable securities laws of any jurisdiction other than a Province of Canada, it complies with the requirements of all applicable securities legislation in the jurisdiction of its residence and will provide such evidence of compliance with all such matters as Gracorp or their counsel may request; and
- (i) it acknowledges that:
  - (i) no securities commission or similar regulatory authority has reviewed or passed on the merits of the Bonds; and
  - (ii) there is no government or other insurance covering the Bonds; and
  - (iii) there are risks associated with the purchase of the Bonds; and
  - (iv) there are restrictions on the Subscriber's ability to resell the Bonds and it is the responsibility of the Subscriber to find out what those restrictions are and to comply with them before selling the Bonds; and

- (v) Gracorp has advised the Subscriber that Gracorp is relying on an exemption from the requirements to provide the Subscriber with a prospectus under the *Securities Act* (Alberta) and other applicable securities laws and, as a consequence of acquiring Bonds pursuant to this exemption, certain protections, rights and remedies provided by the *Securities Act* (Alberta) and other applicable securities laws, including statutory rights of rescission or damages, will not be available to the Subscriber; and
- (vi) the Bonds shall not be resold until after the expiry of the applicable "hold" or "restricted" period attaching to the Bonds and the certificates evidencing the Bonds which it shall receive will bear a legend referring to such restrictions on resale and neither Gracorp nor any transfer agent of Gracorp will register any transfer of such Bonds not made in compliance with such restrictions on resale; and
- (j) it is aware that the Bonds have not been and will not be registered under the United States *Securities Act of 1933*, as amended ("**U.S. Securities Act**") or the securities laws of any state of the United States and that these 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 the applicable laws of all applicable states and acknowledges that Gracorp have no present intention of filing a registration statement under the U.S. Securities Act in respect of the Bonds; and
- (k) it is aware that the Bonds have not been offered to the Subscriber in the United States, and the individuals making the order to purchase the Bonds 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; and
- (l) it is not a U.S. Person (as defined in 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 purchasing the Bonds on behalf of, or for the account or benefit of, a person in the United States or a U.S. Person; and
- (m) it undertakes and agrees that it will not offer or sell the Bonds 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 Bonds, except in accordance with the provisions of applicable securities legislation, regulations, rules, policies and orders and stock exchange rules; and
- (n) if a corporation, partnership, unincorporated association or other entity, it has the legal capacity to enter into and be bound by this Subscription Agreement and take all action pursuant hereto and further certifies that all necessary approvals of directors, shareholders or otherwise have been given and obtained; and
- (o) if an individual, it is of the full age of majority and is legally competent to execute this Subscription Agreement and take all action pursuant hereto; and
- (p) 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; and
- (q) in the case of a subscription by it for Bonds acting as agent for a Disclosed Principal, it is duly authorized to execute and deliver this Subscription Agreement and all other necessary documentation in connection with such subscription on behalf of such Disclosed Principal and this Subscription Agreement has been duly authorized, executed and delivered by or on behalf of, and constitutes a legal, valid, binding and enforceable agreement of, such Disclosed Principal; and

- (r) it has such knowledge in financial and business affairs as to be capable of evaluating the merits and risks of its investment and is able to bear the economic risk of loss of its investments or, where it is not purchasing as principal, each Disclosed Principal is able to bear the economic risk of loss of its investment; and
- (s) it has relied solely upon the OM and publicly available information relating to Gracorp and not upon any verbal or written representation as to fact or otherwise made by or on behalf of Gracorp, such publicly available information having been delivered to the Subscriber without independent investigation or verification by Gracorp, and agrees that Gracorp assumes no responsibility or liability of any nature whatsoever for the accuracy, adequacy or completeness of the publicly available information or as to whether all information concerning Gracorp required to be disclosed by Gracorp has been generally disclosed and acknowledges that Gracorp's counsel is acting as counsel to Gracorp and not as counsel to the Subscriber; and
- (t) it understands, acknowledges and is aware that the sale and delivery of the Bonds is conditional upon such sale being exempt from the requirements under applicable securities legislation as to the filing of a prospectus or delivery of an offering memorandum or upon the issuance of such orders, consents or approvals as may be required to permit such sale without the filing of a prospectus or delivering an offering memorandum and, as a consequence: (i) it is restricted from using most of the civil remedies available under securities legislation; (ii) it may not receive information that would otherwise be required to be provided to it under securities legislation; and (iii) Gracorp is relieved from certain obligations that would otherwise apply under securities legislation; and
- (u) 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 Gracorp in filing, such reports, undertakings and other documents with respect to the issue of the Bonds; and
- (v) it will not resell the Bonds except in accordance with the provisions of applicable securities legislation and stock exchange rules, if applicable and it acknowledges that it has the sole responsibility to determine and comply with any restrictions on resale; and
- (w) it is aware that no stock exchange or governmental agency, authority, regulatory body, securities commission or other entity has made any finding or determination as to the merit of investment in, nor has any such governmental agency, authority, regulatory body, securities commission, or other entity made any recommendation or endorsement with respect to the Bonds; and
- (x) the Subscriber acknowledges that no person has made to the Subscriber any written or oral representations that any person will resell or repurchase the Bonds, that any person will refund the Aggregate Subscription Price of the Bonds or any portion thereof, or to the future price or value of the Bonds. In addition, the Subscriber has relied solely upon publicly available information relating to Gracorp and not upon any verbal or written representation as to fact or otherwise made by or on behalf of Gracorp; and
- (y) the acquisition of the Bonds hereunder by the Subscriber will not result in the Subscriber becoming a "control person", as defined under applicable securities laws; and
- (z) the entering into of this Subscription Agreement and the completion of the transactions contemplated hereby do not and will not result in a violation of any of the terms or provisions of any law applicable to the Subscriber or any agreement to which the Subscriber is a party or by which it is bound, or if the Subscriber is not a natural person, any of the Subscriber's constituting documents; and
- (aa) the Subscriber acknowledges that it has been encouraged to obtain independent legal, income tax and investment advice with respect to its subscription for the Bonds and accordingly, has had the opportunity to acquire an understanding of the meanings of all terms contained herein relevant to the Subscriber for purposes of giving representations, warranties and covenants under this Subscription Agreement.

## Closing

5. The Subscriber agrees to deliver to Gracorp not later than 4:00 p.m. (Calgary time) on April 24, 2015 or two (2) business days before any subsequent Closing Date: (a) this duly completed and executed Subscription Agreement; (b) a certified cheque or bank draft payable to "Gracorp Capital Ltd." for the Bonds purchased by the Subscriber or payment in such other manner as is acceptable to Gracorp (which certified cheque or bank draft or other manner of payment will equal the Aggregate Subscription Price); (c) a completed and duly signed copy of Form 45-106F4 – Risk Acknowledgement Form attached hereto as **Exhibit 1**; and (d) if the Subscriber is a resident of Alberta, Manitoba, Northwest Territories, Nunavut, Prince Edward Island, Quebec or Saskatchewan, a completed and duly signed copy of Eligible Investor Status Certificate attached hereto as **Exhibit 2**, including a duly completed copy of **Appendix A** thereto.

6. The sale of the Bonds pursuant to this Subscription Agreement will be completed at Gracorp's offices at 10840 – 27<sup>th</sup> Street S.E., Calgary, Alberta, T2V 3B9 on June 1, 2015 or such later dates as Gracorp shall determine (the "**Closing Date**"), but in any event not later than June 30, 2015, and at such time (the "**Closing Time**") as Gracorp may choose, in their sole discretion. Closings subsequent to the initial Closing Date may take place as determined by Gracorp.

7. Gracorp shall be entitled to rely on delivery of a facsimile copy of executed Subscription Agreements, and acceptance by Gracorp of such facsimile subscriptions shall be legally effective to create a valid and binding agreement between the Subscriber and Gracorp in accordance with the terms hereof. Notwithstanding the foregoing, the Subscriber shall deliver an originally executed copy of the Subscription Agreement and if applicable, such required Exhibits listed in Section 5 hereof to Gracorp two (2) business days prior to the Closing Time. In addition, this Subscription Agreement may be executed in counterparts, each of which shall be deemed to be an original and all of which shall constitute one and the same document.

8. Gracorp may, in its absolute discretion, accept or reject the Subscriber's subscription for Bonds as set forth in this Subscription Agreement, in whole or in part, and Gracorp reserves the right to allot to the Subscriber less than the amount of the Bonds 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 Bonds to the Subscriber being exempt from any prospectus requirements of applicable securities laws. Gracorp will be deemed to have accepted this Subscription Agreement upon delivery on the Closing Date of the certificates representing the Bonds to the Subscriber or upon the direction of the Subscriber in accordance with the provisions hereof.

9. If this Subscription Agreement is rejected in whole, any certified cheque(s) or bank draft(s) delivered by the Subscriber to Gracorp on account of the Aggregate Subscription Price for the Bonds subscribed for will be promptly returned to the Subscriber without interest. If this Subscription Agreement is accepted only in part, a cheque representing the amount by which the payment delivered by the Subscriber to Gracorp exceeds the subscription price of the number of Bonds sold to the Subscriber pursuant to a partial acceptance of this Subscription agreement will be promptly delivered to the Subscriber without interest.

## General

10. The Subscriber agrees 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 and will survive the completion of the issuance of the Bonds. The representations, warranties and covenants of the Subscriber herein are made with the intent that they will be relied upon by Gracorp and their counsel in determining the eligibility of a purchaser of Bonds and the Subscriber agrees to indemnify and hold harmless Gracorp and its directors, trustees, affiliates, officers, partners, employees, agents and advisors, from and against all losses, claims, costs, expenses and damages or liabilities whatsoever which any of them may suffer or incur which are caused or arise from a breach thereof. The Subscriber undertakes to immediately notify Gracorp at 10840 – 27<sup>th</sup> Street S.E., Calgary, Alberta, T2V 3B9, Attention: Chief Financial Officer, of any change in any statement or other information relating to the Subscriber set forth herein which takes place prior to the Closing Time.

11. The Subscriber hereby irrevocably authorizes Gracorp: (a) to act as its representative at the Closing and to execute in its name and on its behalf all closing receipts and documents required; (b) to complete or correct any errors or omissions in any form or document, including this Subscription Agreement, provided by the Subscriber; (c) to receive on its behalf certificates representing the Bonds purchased under this Subscription Agreement; and (d) to approve any opinions, certificates or other documents addressed to the Subscriber.

12. The Subscriber acknowledges that this Subscription Agreement and the Exhibits hereto require the Subscriber to provide certain personal information to Gracorp. Such information is being collected by Gracorp for the purposes of completing the Offering, which includes, without limitation, determining the Subscriber's eligibility to purchase the Bonds under applicable securities legislation, preparing and registering certificates representing the Bonds to be issued to the Subscriber and completing filings required by any stock exchange or securities regulatory authority. The Subscriber's personal information may be disclosed by Gracorp to: (a) stock exchanges or securities regulatory authorities, (b) Gracorp's registrar and transfer agent, (c) the Canada Revenue Agency; and (d) any of the other parties involved in the Offering, including legal counsel, and may be included in record books in connection with the Offering. By executing this Subscription Agreement, the Subscriber is deemed to be consenting to the foregoing collection, use and disclosure of the Subscriber's personal information. The Subscriber also consents to the filing of copies or originals of any of the Subscriber's documents described in Section 5 hereof as may be required to be filed with any stock exchange or securities regulatory authority in connection with the transactions contemplated hereby.

13. Furthermore, the Subscriber is hereby notified that:

- (a) Gracorp may deliver to the Ontario Securities Commission certain personal information pertaining to the Subscriber, including such Subscriber's full name, residential address and telephone number, the number of Bonds purchased by the Subscriber and the total purchase price paid for such Bonds, the prospectus exemption relied on by Gracorp and the date of distribution of the Bonds;
- (b) such information is being collected indirectly by the Ontario Securities Commission under the authority granted to it in securities legislation;
- (c) such information is being collected for the purposes of the administration and enforcement of the securities legislation of Ontario;
- (d) by signing this Subscription Agreement, the Subscriber hereby authorizes the indirect collection of the information by the Ontario Securities Commission; and
- (e) the Subscriber may contact the following public official in Ontario with respect to questions about the Ontario Securities Commission's indirect collection of such information at the following address and telephone number:

Administrative Assistant to the Director of Corporate Finance  
Ontario Securities Commission  
Suite 1903, Box 55, 20 Queen Street West  
Toronto, Ontario M5H 3S8  
Telephone: (416) 593-8086

14. Furthermore, if the Subscriber is resident in or otherwise subject to the applicable securities laws of the Province of British Columbia, the Subscriber is hereby notified that:

- (a) Gracorp may deliver to the British Columbia Securities Commission certain personal information pertaining to the Subscriber, including such Subscriber's full name, residential address and telephone number, whether the Subscriber is an insider of Gracorp or a registrant, the number of Bonds purchased by the Subscriber and the total purchase price paid for such Bonds, the prospectus exemption relied on by Gracorp and the date of distribution of the Bonds;

- (b) such information is being collected indirectly by the British Columbia Securities Commission under the authority granted to it in securities legislation;
- (c) such information is being collected for the purposes of the administration and enforcement of the securities legislation of British Columbia;
- (d) certain information pertaining to the Subscriber will be available for public inspection at the British Columbia Securities Commission during normal business hours, including the Subscriber's full name, whether the Subscriber is an insider of Gracorp or a registrant, the number of Bonds purchased by the Subscriber, and the total purchase price paid for such Bonds, and, if the Subscriber is an insider or promoter of Gracorp, the number, type and total consideration paid for all securities of Gracorp beneficially owned or directly or indirectly controlled, on the Closing Date, by such insider or promoter; and
- (e) the Subscriber may contact the following public official in British Columbia with respect to questions about the British Columbia Securities Commission's indirect collection of such information at the following address and telephone number:

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) 899-6581

15. The Subscriber represents and warrants that the funds representing the Aggregate Subscription Price which will be advanced by the Subscriber to Gracorp hereunder will not represent proceeds of crime for the purposes of the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (Canada) (the "**PCMLTFA**") and the Subscriber acknowledges that Gracorp 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 PCMLTFA. To the best of its knowledge: (a) none of the subscription funds to be provided by the Subscriber (i) have been or will be derived from or related to any activity that is deemed criminal under the law of Canada, the United States of America, or any other jurisdiction, or (ii) are being tendered on behalf of a person or entity who has not been identified to the Subscriber; and (b) it shall promptly notify Gracorp if the Subscriber discovers that any of such representations ceases to be true, and will provide Gracorp with appropriate information in connection therewith.

16. The obligations of the parties hereunder are subject to acceptance of the terms of the Offering by all required regulatory approvals.

17. 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 Bonds to the Subscriber shall be borne by the Subscriber.

18. The contract arising out of this Subscription Agreement and all documents relating thereto 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 jurisdiction of the courts of the Province of Alberta. Time shall be of the essence hereof.

19. 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.

20. The terms and provisions of this Subscription Agreement shall be binding upon and enure to the benefit of the Subscriber and Gracorp and their respective heirs, executors, administrators, successors and assigns; provided that, except for the assignment by a Subscriber who is acting as nominee or agent for the Disclosed Principal and as

otherwise herein provided, this Subscription Agreement shall not be assignable by any party without prior written consent of the other parties.

21. 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.

22. Subject to Section 11, neither this Subscription Agreement nor any provision hereof shall be modified, changed, discharged or terminated except by an instrument in writing signed by the party against whom any waiver, change, discharge or termination is sought.

23. The Subscriber agrees to indemnify and hold harmless Gracorp and its directors, trustees, affiliates, officers, partners, employees, agents and advisors from and against any and all loss, liability, claim, damage and expense whatsoever (including, but not limited to, any and all fees and expenses whatsoever reasonably incurred in investigating, preparing or defending against any claim, lawsuit, administrative proceeding or investigation whether commenced or threatened) arising out of or based upon any representation or warranty of the Subscriber contained herein or in any document furnished by the Subscriber to Gracorp in connection herewith being untrue in any material respect or any breach or failure by the Subscriber to comply with any covenant or agreement made by the Subscriber herein or in any document furnished by the Subscriber to Gracorp in connection herewith.

24. Nothing herein shall constitute or be construed to constitute a partnership of any kind whatsoever between the Subscriber and Gracorp.

25. 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.

26. 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.

27. The covenants, representations and warranties contained herein shall survive the closing of the transactions contemplated hereby.

28. In this Subscription Agreement (including Exhibits), references to "\$" or money amounts are to Canadian dollars.

29. The parties hereto acknowledge and confirm that they have requested that this Subscription Agreement as well as all notices and other documents contemplated hereby be drawn up in the English language. **Les parties aux présentes reconnaissent et confirment qu'elles ont convenu que la présente convention de souscription ainsi que tous les avis et documents qui s'y rattachent soient rédigés dans la langue anglaise.**

30. Words importing the singular number shall include the plural and vice versa and words importing the masculine, feminine or neuter genders shall include the other genders.

## EXHIBIT 1

### FORM 45-106F4

#### Risk Acknowledgement

- I acknowledge that this is a risky investment.
- I am investing entirely at my own risk.
- No securities regulatory authority has evaluated or endorsed the merits of these securities or the disclosure in the offering memorandum.
- The person selling me these securities is not registered with a securities regulatory authority and has no duty to tell me whether this investment is suitable for me.
- I will not be able to sell these securities except in very limited circumstances. I may never be able to sell these securities.
- I could lose all the money I invest.

I am investing \$\_\_\_\_\_ in total; this includes any amount I am obliged to pay in future. Gracorp Capital Ltd. ("**Gracorp**") may retain agents in connection with the sale and distribution of these securities, in which case such agents may receive a commission on the gross proceeds raised in connection with the sale of these Securities.

**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 Gracorp stating that you want to cancel your purchase. You must send the notice before midnight on the 2<sup>nd</sup> 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 Gracorp at its business address. Keep a copy of the notice for your records.

Gracorp Capital Ltd.  
10840 – 27<sup>th</sup> Street S.E.  
Calgary, Alberta, T2Z 3V9  
Attention: Chief Financial Officer  
Fax: (403) 538-9188  
Email: GITinvestments@graham.ca

#### **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.

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.

**You will not receive advice**

You will not get professional advice about whether the investment is suitable for you. But you can still seek that advice from a registered adviser or investment dealer. In Alberta, Manitoba, Northwest Territories, Prince Edward Island, Quebec and Saskatchewan to qualify as an eligible investor, you may be required to obtain that advice.

**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 may not receive ongoing information about this issuer.

For more information on the *exempt market*, call your local securities regulatory authority.

<b>Alberta Securities Commission</b> Suite 600, 250 – 5th Street SW Calgary, AB T2P 0R4 Telephone: (403) 297-6454 Facsimile: (403) 297-6156	<b>Saskatchewan Financial Services Commission</b> Suite 601 - 1919 Saskatchewan Drive Regina, Saskatchewan S4P 4H2 Telephone: (306) 787-5879 Facsimile: (306) 787-5899
<b>The Manitoba Securities Commission</b> 500 – 400 St Mary Avenue Winnipeg, Manitoba R3C 4K5 Telephone: (204) 945-2548 Toll free in Manitoba 1-800-655-5244 Facsimile: (204) 945-0330	<b>Ontario Securities Commission</b> Suite 1903, Box 55 20 Queen Street West Toronto, Ontario M5H 3S8 Telephone: (416) 593- 8314 Toll free in Canada: 1-877-785-1555 Facsimile: (416) 593-8122
<b>Autorité des marchés financiers</b> 800, Square Victoria, 22e étage C.P. 246, Tour de la Bourse Montréal, Québec H4Z 1G3 Telephone: (514) 395-0337 Or 1-877-525-0337 Facsimile: (514) 873-6155 (For filing purposes only) Facsimile: (514) 864-6381 (For privacy requests only)	<b>New Brunswick Securities Commission</b> 85 Charlotte Street, Suite 300 Saint John, New Brunswick E2L 2J2 Telephone: (506) 658-3060 Toll Free in New Brunswick 1-866-933-2222 Facsimile: (506) 658-3059
<b>Nova Scotia Securities Commission</b> Suite 400, 5251 Duke Street Halifax, Nova Scotia B3J 1P3 Telephone: (902) 424-7768 Facsimile: (902) 424-4625	<b>Prince Edward Island Securities Office</b> 95 Rochford Street, 4th Floor Shaw Building P.O. Box 2000 Charlottetown, Prince Edward Island C1A 7N8 Telephone: (902) 368-4569 Facsimile: (902) 368-5283

<b>Government of Newfoundland and Labrador Financial Services Regulation Division</b> P.O. Box 8700 Confederation Building 2nd Floor, West Block Prince Philip Drive St. John's, NFLD A1B 4J6 Attention: Director of Securities Telephone: (709) 729-4189 Facsimile: (709) 729-6187	<b>Government of Yukon Office of the Yukon Superintendent of Securities Government of Yukon Department of Community Services</b> 307 Black Street, 1st Floor PO Box 2703 (C-6) Whitehorse, Yukon Y1A 2C6 Telephone: (867) 667-5466 Facsimile: (867) 393-6251
<b>Government of Northwest Territories Department of Justice Securities Registry</b> 1st Floor, Stuart M. Hodgson Building 5009 – 49th Street Yellowknife, Northwest Territories X1A 2L9 Telephone: (867) 920-3318 Facsimile: (867) 873-0243	<b>Government of Nunavut Department of Justice Legal Registries Division</b> P.O. Box 1000, Station 570 1st Floor, Brown Building Iqaluit, Nunavut X0A 0H0 Telephone: (867) 975-6590 Facsimile: (867) 975-6594

*The purchaser must sign 2 copies of this form. The purchaser and the issuer must each receive a signed copy.*

## EXHIBIT 2

### ELIGIBLE INVESTOR CERTIFICATE

**MUST BE COMPLETED BY INVESTORS RESIDING IN ALBERTA, MANITOBA, NORTHWEST TERRITORIES, NUNAVUT, PRINCE EDWARD ISLAND, QUEBEC OR SASKATCHEWAN SUBSCRIBING UNDER THE OFFERING MEMORANDUM EXEMPTION**

TO: **Gracorp Capital Ltd. ("Gracorp")**

In connection with the purchase under the Offering Memorandum by the undersigned purchaser (the "**Subscriber**") of that number of 7% secured, redeemable bonds of Gracorp ("**Bonds**") as set out in the attached subscription agreement (the "**Subscription Agreement**"), the Subscriber hereby represents, warrants, covenants and certifies to Gracorp that:

1. The Subscriber is purchasing the Bonds pursuant to the Offering Memorandum Exemption (as defined in the Subscription Agreement) and Subscriber is an "eligible investor" within the meaning of National Instrument 45-106 – *Prospectus and Registration Exemptions* entitled "Prospectus and Registration Exemptions" by virtue of satisfying the indicated criterion as set out in **Appendix A** to this **Exhibit 2**; and
2. The above representations, warranties and covenants will be true and correct both as of the execution of the Subscription Agreement and as of the Closing Time (as defined in the Subscription Agreement) and will survive the completion of the issuance of Bonds; and

The foregoing representations, warranties and covenants are made by the undersigned with the intent that they be relied upon in determining its suitability as a purchaser of Bonds and the undersigned agrees to indemnify Gracorp and its directors and officers against all losses, claims, costs, expenses and damages or liabilities which any of them may suffer or incur caused or arising from reliance thereon. The undersigned undertakes to immediately notify Gracorp at 10840 – 27<sup>th</sup> Street S.E., Calgary, Alberta, T2Z 3V9, Attention: Chief Financial Officer, of any change in any statement or other information relating to the Subscriber set forth herein which takes place prior to the Closing Time.

Dated: \_\_\_\_\_, 2015

\_\_\_\_\_  
Print name of Subscriber

By: \_\_\_\_\_  
Signature

\_\_\_\_\_  
Title

**IMPORTANT: PLEASE INITIAL APPENDIX A ON THE NEXT PAGE.**

**APPENDIX A TO EXHIBIT 2**  
**(Please place a checkmark or initial below the appropriate category)**

- ☐ 1. A person (an "eligible investor") whose:
- (i) net assets, alone or with a spouse, in the case of an individual, exceed \$400,000;
  - (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.
- ☐ 2. 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.
- ☐ 3. A general partnership of which all of the partners are eligible investors.
- ☐ 4. A limited partnership of which the majority of the general partners are eligible investors.
- ☐ 5. A trust or estate in which all of the beneficiaries or a majority of the trustees are eligible investors.
- ☐ 6. An accredited investor (as described in section 2.3 of National Instrument 45-106 – *Prospectus and Registration Exemptions* ("NI 45-106")).

NOTE: IF ITEM 6 HEREOF IS APPLICABLE, THE INVESTOR MUST INITIAL OR PLACE A CHECK MARK BESIDE THE APPLICABLE PORTION OF THE ACCREDITED INVESTOR DEFINITION BELOW.

\_\_\_\_\_ (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; or

\_\_\_\_\_ (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; or

*(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 initialled.)*

\_\_\_\_\_ (l) an individual who, either alone or with a spouse, has net assets of at least \$5,000,000; or

\_\_\_\_\_ (m) a person, other than an individual or investment fund, that has net assets of at least \$5,000,000 as shown on its most recently prepared financial statements; or

...

\_\_\_\_\_ (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 (as defined in NI 45-106); or

- ☐ 7. A person described in section 2.5 of National Instrument 45-106 – *Prospectus and Registration Exemptions*.
- ☐ 8. A person that has obtained advice regarding the suitability of the investment and, if the person is resident in a jurisdiction of Canada, that advice has been obtained from an eligibility advisor

**SCHEDULE B**  
**FINANCIAL STATEMENTS OF ISSUER**

Financial statements of

**Gracorp Capital Ltd.**

December 31, 2014

# Gracorp Capital Ltd.

December 31, 2014

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## **INDEPENDENT AUDITOR'S REPORT**

To the Shareholders of Gracorp Capital Ltd.

We have audited the accompanying financial statements of Gracorp Capital Ltd. (the "Company"), which comprise the statement of financial position as at December 31, 2014 and the statements of income and comprehensive income, statement of changes in equity, and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 in our audit 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 Gracorp Capital Ltd. as at December 31, 2014 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

*Deloitte LLP*

Chartered Accountants  
April 9, 2015

# Gracorp Capital Ltd.

## Statement of financial position as at December 31, 2014

	2014	2013
	\$	\$
<b>Assets</b>		
Current assets		
Cash	392,987	1,312,742
Prepaid expenses	1,881	-
	394,868	1,312,742
Non-current assets		
Investment at fair value - GVest Infrastructure and Development Fund 1 (Note 4)	45,071	3,907,046
Investment at fair value - Connor, Clark & Lunn GVest Traditional Infrastructure Limited Partnership (Note 5)	4,056,317	2,510,103
Investment in GVest GP Inc.	100	100
Deferred taxes (Note 6)	260,000	43,000
	4,756,356	7,772,991
<b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued liabilities	29,942	20,255
GVest Infrastructure and Development Fund 1 Advances payable (Note 4)	-	3,861,975
Connor, Clark & Lunn GVest Traditional Infrastructure Limited Partnership Note Payable (Note 5)	-	2,327,960
Interest payable (Note 7)	181,242	-
	211,184	6,210,190
Non-current liabilities		
Debentures payable (Note 7)	2,702,336	-
Preferred shares (Note 8)	1,158,144	498,660
	4,071,664	6,708,850
<b>Shareholders' equity</b>		
Share capital (Note 9)	137,511	137,511
Retained earnings	547,181	926,630
	684,692	1,064,141
	4,756,356	7,772,991

APPROVED BY THE BOARD

"Signed" Tim Heavenor

Tim Heavenor, Director

The accompanying notes to the financial statements are an integral part of this financial statement.

# Gracorp Capital Ltd.

## Statement of income and comprehensive income year ended December 31, 2014

	2014	2013 (Restated - Note 8)
	\$	\$
<b>Investment income</b>		
Interest	2,131	-
Expenses		
Administration fees	2,293	257
Insurance	3,844	4,732
Interest on debentures payable (Note 7)	181,242	258,719
Preferred share dividend (Note 8)	422,173	266,505
Interest on notes payable	-	1,790
Management fees (Note 10)	23,712	25,516
Other	1,027	1,304
Professional fees	44,331	29,915
	678,622	588,738
Loss before share of associate net income and income taxes	(676,491)	(588,738)
Change in fair value of investment in GVest Infrastructure and Development Fund 1 (Note 4)	-	24,616
Change in fair value of investment in Connor, Clark & Lunn GVest Traditional Infrastructure Limited Partnership (Note 5)	80,042	755,059
Income (loss) before income taxes	(596,449)	190,937
Income taxes		
Deferred tax expense (recovery)	(217,000)	69,000
	(379,449)	121,937

The accompanying notes to the financial statements are an integral part of this financial statement.

# Gracorp Capital Ltd.

## Statement of changes in equity year ended December 31, 2014

	Share capital	Retained earnings	Total
	\$	\$	\$
<b>Balance, December 31, 2012</b>	137,511	804,693	942,204
Net income and total comprehensive income (Restated - Note 8)	-	121,937	121,937
Balance, December 31, 2013	137,511	926,630	1,064,141
Net income and total comprehensive income	-	(379,449)	(379,449)
<b>Balance, December 31, 2014</b>	<b>137,511</b>	<b>547,181</b>	<b>684,692</b>

The accompanying notes to the financial statements are an integral part of this financial statement.

# Gracorp Capital Ltd.

## Statement of cash flows year ended December 31, 2014

	2014	2013
	\$	\$
<b>Operating activities</b>		
Net (loss) income for the year	(379,449)	121,937
Adjusted for		
Connor, Clark & Lunn GVest Traditional Infrastructure Limited Partnership equity income	(80,042)	(755,059)
GVest Infrastructure and Development Fund 1 equity income	-	(24,616)
Preferred share dividend	422,173	266,505
Deferred income tax (recovery) expense	(217,000)	69,000
	(254,318)	(322,233)
Decrease in accounts receivable	-	4,733
Increase in prepaid expenses	(1,881)	-
(Decrease) increase in accounts payable and accrued liabilities	9,687	(124,232)
Interest on debentures	181,242	-
	(65,270)	(441,732)
<b>Financing activities</b>		
Repayment of preferred shares	(498,660)	(146,317)
Payment of preferred share dividend	(422,173)	(266,505)
Payment of interest on debentures	-	(676,460)
Repayment of debentures	-	(4,088,995)
Proceeds on issuance of debentures	2,702,336	-
Proceeds on issuance of preferred shares	1,158,144	-
	2,939,647	(5,178,277)
<b>Investing activities</b>		
Receipt of Founder Unit loan from GVest Infrastructure and Development Fund 1	-	2,092
Receipt of advances from GVest Infrastructure and Development Fund 1	-	3,861,975
Receipt of distributions from GVest Infrastructure and Development Fund 1		
Proceeds from sale of investment in GVest Infrastructure and Development Fund 1	-	2,092
Investment in Connor Clark & Lunn GVest Traditional Infrastructure Limited Partnership	(3,851,092)	-
Receipt of promissory note from Connor, Clark & Lunn GVest Traditional	-	2,327,960
Receipt of Distributions from Connor Clark & Lunn GVest Traditional Infrastructure Limited Partnership	56,960	621,089
	(3,794,132)	6,815,208
(Decrease) increase in cash during the year	(919,755)	1,195,199
Cash, beginning of the year	1,312,742	117,543
<b>Cash, end of the year</b>	<b>392,987</b>	<b>1,312,742</b>

The accompanying notes to the financial statements are an integral part of this financial statement.

# Gracorp Capital Ltd.

## Notes to the financial statements

December 31, 2014

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### 1. Nature of operations

Gracorp Capital Ltd. (the "Company") is a private company established under the laws of the province of Alberta on February 28, 2008 with its principal business office located at 10840 - 27 Street S.E. Calgary, Alberta, Canada.

The business of the Company is to invest in private investment funds, which will invest in public-private partnerships, real estate development projects, power generation infrastructure (including wind, hydro and transmission assets), design-build-lease projects and private businesses (or interests therein) located in Canada and the United States.

### 2. Significant accounting policies

#### a) *Statement of compliance*

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), effective as of December 31, 2014.

#### b) *Basis of presentation*

These financial statements have been prepared on a going concern basis and an historical cost basis, except for certain financial instruments that have been measured at fair value.

#### c) *Investments in subsidiaries and investee companies*

The Company records its investments in subsidiaries and investee companies at fair value through profit or loss ("FVTPL").

#### d) *Financial instruments*

Financial assets and financial liabilities are initially recognized at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities other than financial assets and financial liabilities at FVTPL are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

Financial assets are classified into the following specified categories: financial assets at FVTPL, held-to-maturity investments, available-for-sale financial assets, and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. Financial liabilities are classified as at FVTPL or other financial liabilities.

An instrument is classified as at FVTPL if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated as at FVTPL if the Company makes purchase and sale decisions based on their fair value in accordance with the Company's risk management strategy. Financial instruments at FVTPL are measured at fair value, and changes therein are recognized in profit or loss. Realized gains or losses on the sale of investments are accounted for on the settlement date.

Cash and accounts receivable have been classified as loans and receivables. Accounts payable and accrued liabilities and interest payable have been classified as other financial liabilities. Loans and receivables and other financial liabilities are recognized initially at fair value and then measured at amortized cost using the effective interest method, less any impairment losses. The debentures payable and preferred shares are classified as at FVTPL.

# Gracorp Capital Ltd.

## Notes to the financial statements

December 31, 2014

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### 2. Significant accounting policies (continued)

#### e) *Impairment*

For financial assets other than those classified as at FVTPL, an assessment is made each period by management as to whether any objective evidence of impairment exists. Factors considered in determining such objective evidence include the length of time and the extent of unrealized loss, the financial condition and near-term prospects of the issuer, and the Company's ability and intent to hold the investment for a period of time sufficient to allow for any anticipated recovery.

For financial assets carried at amortized cost, if, in subsequent periods, the amount of the loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognized, the loss is reversed in the statement of income and comprehensive income. The reversal is limited to the amortized amount of the financial asset had there been no impairment recognized in a prior period.

The Company reviews non-financial assets annually for impairment. If the net carrying amount of an asset, which is considered impaired, exceeds the estimated recoverable amount, the excess is charged to the statement of income and comprehensive income as an impairment loss.

Management also assesses annually whether there is any indication that an impairment loss recognized in a prior period may no longer exist or may have decreased. If such indication exists, the estimated recoverable amount is compared to the carrying amount and, if the recoverable amount exceeds the carrying amount, the prior impairment loss is reversed, to bring the carrying amount to a maximum of the carrying amount that would have been determined (net of amortization) had no impairment loss been recognized in a prior period.

#### f) *Provisions*

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

#### g) *Revenue recognition*

Management has considered the detailed criteria for the recognition of revenue set out in International Accounting Standard ("IAS") 18, Revenue. Management is satisfied that the amount of revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Company and the recognition of the revenue is appropriate.

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.



# Gracorp Capital Ltd.

## Notes to the financial statements

December 31, 2014

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### 2. Significant accounting policies (continued)

#### *h) Income tax*

Tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from income or loss as reported in the statement of income and comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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 profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

#### *i) Use of estimates and judgments*

In the application of the Company's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

# Gracorp Capital Ltd.

## Notes to the financial statements

December 31, 2014

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### 2. Significant accounting policies (continued)

#### i) *Use of estimates and judgments (continued)*

Information about significant areas of estimation, uncertainty and critical judgments in the applying accounting policies that have the most significant effect on the amounts recognized in the financial statements relate to the following:

#### i. Critical judgments in applying accounting policies

##### Valuation of deferred taxes

The Company applies judgment in determining the tax rate applicable for the year of operations and identifying temporary differences in respect to the Company. Deferred taxes related to temporary differences arising from the Company's operations are measured based on the tax rates that are expected to apply in the year when the asset is realized or the liability is settled. Temporary differences are differences that are expected to reverse in the future and arise from differences between accounting and tax asset values.

##### Financial instruments

The Company's accounting policies relating to financial instruments are described in Note 2(d). Critical judgments inherent in these policies related to applying the criteria set out in IAS 39, Financial Instruments: Recognition and Measurement, to designate financial instruments into categories (at FVTPL, held-to-maturity investments, available-for-sale financial assets, loans and receivables and other financial liabilities).

#### ii. Key sources of management uncertainty

##### Fair value of investments

Investments at FVTPL are initially recognized through the statement of income and comprehensive income as gains or losses on investments at cost. They are subsequently recognized at fair value on each reporting date with any difference recognized in profit or loss.

##### Accounting for acquisitions

Management must assess whether the acquisition of an investment should be accounted for as an asset purchase or business combination. This assessment impacts the treatment of transactions costs, the allocation of acquisition costs and whether or not goodwill is recognized.

### 3. Accounting standards and amendments issued but not yet adopted

Unless otherwise noted, the following revised standards and amendments are effective for annual periods beginning on or after January 1, 2014, with earlier application permitted. The Company has not yet assessed the impact of these standards and amendments or determined whether it will early adopt them.

In July 2014, the International Accounting Standards Board ("IASB") completed the final phase of its project to replace IAS 39, the current standard on the recognition and measurement of financial instruments. IFRS 9 is now the new standard which sets out the recognition and measurement requirements for financial instruments and some contracts to buy or sell non-financial items. IFRS 9 proposes a single model of classifying and measuring financial assets and liabilities and provides for only two classification categories: amortized cost and fair value. Hedge accounting requirements have also been updated in the new standard and are now more aligned with the risk management activities of an entity. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Early adoption is permitted; however, if an entity elects to apply this standard early, it must disclose that fact and apply all of the requirements in this standard at the same time.

# Gracorp Capital Ltd.

## Notes to the financial statements

December 31, 2014

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### 3. Accounting standards and amendments issued but not yet adopted (continued)

Beginning January 1, 2016, amendments to IFRS 11 will take effect requiring entities acquiring an interest in a joint operation to apply, for its share of the business, all of the principles of a business combination set out in IFRS 3 on a prospective basis. The amendments clarify that for the acquisition of an additional interest in a joint operation in which the activity of the joint operation constitutes a business, the acquirers of such interests are to apply the relevant accounting principles of IFRS 3, Business Combinations and other standards, as well as disclosing the relevant information specified in these standards for business combinations.

IFRS 15, Revenue from Contracts with Customers, was issued by the IASB in May 2014 to replace IAS 15, Construction Contracts, IAS 18, Revenue, International Financial Reporting Interpretations Committee ("IFRIC") 13, Customer Loyalty Programs, IFRIC 15, Agreements for the Construction of Real Estate, IFRIC 18, Transfers of Assets from Customers, and SIC-31, Revenue - Barter Transactions Involving Advertising Services. IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers, replacing the multiple rules in IAS 15, IAS 18, IFRIC 13, IFRIC 15 and Standard Interpretations Committee ("SIC") 31. The Company continues to monitor this project and the financial reporting implications.

On January 1, 2016, the Company will be required to adopt amendments to IAS 1 which involve applying professional judgment in determining what information to disclose in the financial statements. Furthermore, the amendments state that professional judgment should be used in determining where and in what order information is presented in the financial disclosures.

The Company is currently assessing the impact of these standards on the financial statements.

### 4. Investment at fair value in GVest Infrastructure and Development Fund 1

The Company held an investment in GVest Infrastructure and Development Fund 1 ("GVest Fund 1"), which was accounted for as an investment at FVTPL. In 2013, GVest Fund 1 sold its only remaining investment and made a limited partner advance of \$3,861,975 to the Company. The limited partner advance was repaid by the Company in 2014. GVest Fund 1 is now dormant and is expected to be de-registered in 2015. The remaining carrying value of the Company's investment in GVest Fund 1 represents residual cash that is expected to be distributed in 2015.

### 5. Investment at fair value in Connor, Clark & Lunn GVest Traditional Infrastructure Limited Partnership

The Company holds a 21.77% (2013 - 19.82%) investment in Connor, Clark & Lunn GVest Traditional Infrastructure Limited Partnership ("CCL/GVest"), which has been accounted for as an investment at FVTPL. CCL/GVest's principal activity is to invest, directly or indirectly, in the equity and/or debt of entities that contract with governmental authorities for the provision of privately financed public infrastructure facilities in North America.

The Company has signed a subscription agreement to make an aggregate capital commitment to CCL/GVest of \$8,100,000. As at December 31, 2014, the Company has invested \$5,503,770 in exchange for 5,390,393 limited partnership units (2013 - \$1,652,678 for 150,909). The balance of \$2,596,230 will be paid via calls for capital contributions by CCL/GVest.

# Gracorp Capital Ltd.

## Notes to the financial statements

December 31, 2014

### 5. Investment at fair value in Connor, Clark & Lunn GWest Traditional Infrastructure Limited Partnership (continued)

			2014
	Units owned	Cost per unit	Cost total
		\$	\$
Security			
Limited partnership units	5,390,393	0.74-14.80	5,503,770
			2013
	Units owned	Cost per unit	Cost total
		\$	\$
Security			
Limited partnership units	150,909	10.00-14.80	1,652,678

The change in fair value of CCL/GWest is shown below:

	\$
Reconciliation of investment at fair value in CCL/GWest	
Balance, January 1, 2013	2,376,133
Distributions	(621,089)
Change in fair value	755,059
Balance, December 31, 2013	2,510,103
Distributions	(2,384,920)
Investment	3,851,092
Change in fair value	80,042
Balance, December 31, 2014	4,056,317

During 2013, CCL/GWest sold a portfolio investment and made a limited partner promissory note to the Company of \$2,327,960. The limited partner promissory note was repaid in 2014.

### 6. Income taxes

The net deferred taxes consist of the following:

	2014	2013
	\$	\$
Cumulative eligible capital	4,423	4,752
Timing differences on investments	5,030	36,081
Losses carried forward	250,547	2,167
	260,000	43,000

The Company has losses that can be carried forward and applied against future taxable income aggregating \$1,009,228.

# Gracorp Capital Ltd.

## Notes to the financial statements

December 31, 2014

### 7. Debentures payable

	2014	2013
	\$	\$
Series B Senior Secured Debentures, bearing interest at 12% per annum payable each February 28, maturing the earlier of 10 years less a day on the date of issuance and on the date of dissolution of CCL/GVest and final distribution on the units. The debentures are secured by the limited partnership units of CCL/GVest	2,702,336	-
Accrued interest on Series B Senior Secured Debentures	181,242	-
	2,883,578	-
Less: current portion	(181,242)	-
	2,702,336	-

During the year, the Company issued 386,048 Series B Senior Secured Debentures for total proceeds of \$2,702,336. Of the total debentures payable, \$571,760 is held by a related party through common ownership at December 31, 2014.

### 8. Preferred shares

#### Authorized

The Company is authorized to issue 10,000,000 First Preferred Shares, GVest Fund 1 Series ("GVest Preferred Shares"). The GVest Preferred Shares are non-voting and entitle the holder to receive dividends in priority to holders of common shares. The holders of the GVest Preferred Shares are entitled to receive a dividend equal to the distribution received by the Company, net of any tax payable on the Common Units of GVest Fund 1.

The Company is also authorized to issue 10,000,000 First Preferred Shares, CCL/GVest Series ("CCL/GVest Preferred Shares"). The CCL/GVest Preferred Shares are non-voting and entitle the holder to receive dividends in priority to holders of common shares. The holders of the CCL/GVest Preferred Shares are entitled to require the Company to retract any CCL/GVest Preferred Shares, at a price equal to the retraction price, together with all accrued and unpaid dividends up to the retraction date. The holders of the CCL/GVest Preferred Shares are entitled to receive a dividend equal to the distribution received by the Company on the units of CCL/GVest, net of any tax payable, outstanding interest payable on the debentures and a reasonable allocation of the Company's operating expenses.

#### Issued and outstanding

	2014		2013	
	Issued and outstanding	Amount	Issued and outstanding	Amount
	#	\$	#	\$
GVest Preferred Shares	669,382	-	669,382	-
CCL/GVest Preferred Shares	386,048	1,158,144	166,220	498,660
	1,055,430	1,158,144	835,602	498,660

The holders of the GVest Preferred Shares are entitled to receive a dividend equal to the distribution received by the Company on the Common Units of GVest Fund 1, net of any tax payable, accrued and unpaid interest on the debentures, repayment of notes and a reasonable allocation of operating costs. The holders of the CCL/GVest Preferred Shares receive a dividend equal to the distribution received by the Company on the units of CCL/GVest, net of any tax payable, outstanding interest payable on the debentures and a reasonable allocation of Company operating expenses. The common shareholders receive dividends subsequent to the holders of the GVest Preferred Shares and CCL/GVest Preferred Shares. During the year, \$Nil (2013 - \$146,317) was repaid to the holders of the GVest Preferred Shares.

# Gracorp Capital Ltd.

## Notes to the financial statements

December 31, 2014

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### 8. Preferred shares (continued)

During the year, the Company repaid and redeemed the CCL/GVest Preferred Shares stated capital of \$498,660 and paid a preferred share dividend of \$422,173. Of the total preferred shares, \$245,040 is held by a related party through common ownership at December 31, 2014

#### *Restatement*

These financial statements have been adjusted to correct the presentation of dividends in prior year. Previously, preferred share dividends were reflected as a direct charge to retained earnings. However, to be consistent with the classification of preferred shares as a liability, the dividends should be charged to income as an expense.

### 9. Share capital

#### *Authorized*

An unlimited number of common shares has been authorized, which entitle the holders to receive dividends subsequent to the GVest Preferred Shares and the CCL/GVest Preferred Shares. The common shares entitle the holder to receive notice of and attend and vote at all meetings of shareholders of the Company, except meetings of holders of another class of shares.

#### *Issued*

	2014	2013
	\$	\$
278,800 common shares	137,511	137,511

### 10. Related party transactions

During the year, the Company had related party transactions as follows:

	2014	2013
	\$	\$
Management services paid to Gracorp Capital Advisors Ltd.	23,712	25,516

The Company has entered into a management services agreement with Gracorp Capital Advisors Ltd. Gracorp Capital Advisors Ltd. is considered a related party as it is the manager of GVest Fund 1 in which the Company has significant influence. Under the terms of the management services agreement, Gracorp Capital Advisors Ltd. is entitled to receive a fee calculated and payable quarterly in advance of 0.25% of the face value of the outstanding debentures and the book value of the preferred shares outstanding.

These transactions are in the normal course of operations and are measured at the exchange amount. The exchange amount is the amount of consideration established and agreed to by the related parties at the time of the transactions.

### 11. Financial instruments and risk management

The Company is exposed to a variety of financial risks. The Company's exposure to financial risks is concentrated in its investment holdings. The Company's risk management practice includes oversight by the Company's board of directors. Gracorp Capital Advisors Ltd. manages the potential effects of financial risks on the Company's performance by regularly monitoring the Company's investments and market events.

# Gracorp Capital Ltd.

## Notes to the financial statements

December 31, 2014

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### 11. Financial instruments and risk management (continued)

#### a) Risk management

##### Market risk

Market risk is the risk that the fair value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or factors affecting all similar financial instruments traded in a market.

As at December 31, 2014, 86% (2013 - 83%) of the Company's assets were held in privately held limited partnerships that are not traded in an active market.

##### Credit risk

Credit risk is the risk that a loss could arise from an investor or counterparty to a financial instrument not being able to meet its financial obligation. To date, no significant risk of default has been identified for any of the Company's accounts receivable.

Credit risk also arises from cash held at banks. The maximum exposure to credit risk is the carrying value of financial instruments as disclosed in the statement of financial position. Cash balances are held on deposit with a bank that has a AAA credit rating.

##### Interest rate risk

The Company is subject to interest rate risk arising from fluctuations in interest rates on its cash held with a Canadian chartered bank.

##### Currency risk

Currency risk is the risk that the value of investments denominated in foreign currencies will fluctuate due to changes in exchange rates. The Company's exposure to currency risk is not significant.

##### Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial liabilities. Liquidity risk may result from an inability to sell an investment quickly at close to its fair value. Given the private nature of the Company's investments, there can be no assurances that the Company will readily be able to sell the investments. Sufficient cash balances are maintained to cover the operating expenses of the Company.

##### Capital management

The Company's capital comprises debentures and shareholders' equity. The Company's objective in managing capital is to maximize returns to debenture holders and shareholders while maintaining sufficient liquidity and resources to fund day-to-day operations and meet long-term growth objectives. There are no externally imposed restrictions on capital.

#### b) Fair values

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 - fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 - fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

# Gracorp Capital Ltd.

## Notes to the financial statements

December 31, 2014

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### 11. Financial instruments and risk management (continued)

#### b) Fair values (continued)

The carrying values of cash, accounts payable and accrued liabilities, and interest payable approximates their fair value due to the immediate or short term maturity of these financial instruments.

There are no Level 1 or Level 2 financial instruments.

	<b>2014</b>		<b>2013</b>	
	<b>Total carrying value</b>	<b>Total fair value</b>	<b>Total carrying value</b>	<b>Total fair value</b>
	\$	\$	\$	\$
Level 3 fair value measurements				
Investments in				
GVest GP Inc.	<b>100</b>	<b>100</b>	100	100
GVest Infrastructure and Development Fund 1	<b>45,071</b>	<b>45,071</b>	3,907,046	3,907,046
Connor, Clark & Lunn GVest Traditional Infrastructure Limited Partnership	<b>4,056,317</b>	<b>4,056,317</b>	2,510,103	2,510,103

The Company's policy is to recognize transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. As at December 31, 2014, all of the Company's investments were Level 3 inputs. There were no transfers in or out of Level 3 fair value measurements during the year. See Notes 5 and 6 for a reconciliation of these Level 3 (investment) fair value measurements.

Fair values have been determined by management and are subjective in nature and involve estimates and matters of judgment. The fair value measurements for investments are primarily driven by the underlying fair value of GVest Fund 1 and the CCL/GVest as derived from their financial statements. A change to reasonably possible alternative estimates and assumptions used in the valuation of non-public investments may have a significant impact on the fair values calculated for these financial assets. A change in the valuation of the underlying investments may have an impact on the Company's financial statements and that impact is dependent on the method of accounting used for that investment and the funds within which that investment is held.

### 12. Approval of financial statements

These financial statements were approved by the board of directors and authorized for issue on April 9, 2015.