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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 Gracrop 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 RRIFs;

"**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 GWest 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>\$(30,000)</u>	<u>\$39,850,000</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>\$nil</u>	<u>\$39,850,000</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.

<b>Name</b>	<b>Principal Occupation and Related Experience</b>
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.



Name	Principal Occupation and Related Experience
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.

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>			
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 issue 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 66 $\frac{2}{3}$ % 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 66% 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)	<u>Pro forma for the 12 months ended December, 2015<sup>(1)</sup></u>	<u>Pro forma for the 12 months ended December, 2016<sup>(1)</sup></u>
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*

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Tim Heavenor, President and Chief Executive Officer

*(signed) Ashish Khulbe*

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Ashish Khulbe, Chief Financial Officer

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

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