

## Offering Memorandum

No securities regulatory authority or regulator has assessed the merits of these securities or reviewed this Offering Memorandum. Any representation to the contrary is an offence. The information disclosed on this page is a summary only. Purchasers should read the entire Offering Memorandum for full details about the Offering. This is a risky investment. See Item 8 Risk Factors.

**Date:** September 25, 2014  
**The Issuer:** Orchard Calgary Inc. (the "Corporation")  
**Address:** 25 Brodie Drive, Suite 1  
 Richmond Hill, Ontario L4B 3K7  
**Phone:** (416) 368-5262  
**Fax:** (416) 362-1218  
**Email:** info@torontocondos.com

Currently listed or quoted? **No. These securities do not trade on any exchange or market.**  
 Reporting Issuer? **No.**  
 SEDAR filer? **No.**

### The Offering

<b>Securities Offered</b>	8% participating Bonds (referred to herein as the " <b>Bonds</b> ", the " <b>bonds</b> " or the " <b>securities</b> "). <b>See Item 5.1 Terms of Securities.</b>
<b>Price Per Security</b>	\$1,000 per Bond
<b>Minimum Offering</b>	\$100,000 (100 Bonds)
<b>Maximum Offering</b>	\$32,700,000 (32,700 Bonds)
<b>Minimum Subscription Amount Per Subscriber</b>	\$10,000 (10 Bonds)
<b>Payment Terms</b>	Payment in full by cheque or bank draft of the subscription price is to be made with the delivery of a duly executed and completed Subscription Agreement. <b>See Item 5.2 Subscription Procedure.</b>
<b>Proposed Closing Date(s)</b>	Closings will take place periodically at the Corporation's discretion, with the first closing to occur on or before March 31, 2015. In the event the first closing does not occur on or before March 31, 2015, all subscription funds will be returned to Subscribers without interest or deduction.
<b>Income Tax Consequences</b>	There are important tax consequences to these securities. <b>See Item 6 Income Tax Consequences and Deferred Plan Eligibility and Item 8 Risk Factors.</b>
<b>Purchasers' Rights</b>	<b>You have 2 business days to cancel your Subscription 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 Subscription Agreement. See Item 11 Purchasers' Rights.</b>
<b>Resale Restrictions</b>	<b>You will not be able to sell these securities except in very limited circumstances. You may never be able to resell these securities. See Item 10 Resale Restrictions.</b>
<b>Selling Commissions, Marketing and Development Fees</b>	Where allowed by applicable securities legislation, LCI intends to offer: <ul style="list-style-type: none"> <li>(i) compensation of up to 10.35% of the gross proceeds realized on the sale of Bonds under this Offering by non-registered persons, including parties related to the Corporation, employees and/or contractors of such parties; or</li> <li>(ii) commissions of up to 9% of the gross proceeds realized on the sale of Bonds under this Offering by exempt market dealers, investment dealers and/or their dealing representatives, plus a Dealer Administration Fee of up to 1.35%, if applicable;</li> <li>(iii) an amount equal to 4.65% of the proceeds raised in this Offering payable to the Wholesaler for marketing and promotional activities;</li> <li>(iv) a fee in the amount of 4% of the Total Costs of the Project payable to each of Fortress and Lamb in respect of their services; and</li> <li>(v) a Lender Fee may be paid to a Subscriber, in lieu of the Deferred Lender Fee, if the Aggregate Subscription Amount is equal or greater than \$1,000,000, at the Issuer's discretion.</li> </ul> <b>See Item 7 Selling Commissions and Marketing and Development Fees.</b>

**CORPORATION'S COPY – Please print your name, sign and date below, and submit this page with your Subscription Agreement**

Investor Name: \_\_\_\_\_ Investor Signature: \_\_\_\_\_ Date: \_\_\_\_\_

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**INVESTOR COPY – Please retain this complete copy of the Offering Memorandum for your records.**

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## NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Offering Memorandum contains forward-looking statements. These statements relate to future events or the Corporation's future performance. All statements other than statements of historical fact are forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "may", "will", "should", "expect", "plan", "anticipate", "believe", "estimate", "predict", "potential", "targeting", "intend", "could", "might", "continue", or the negative of these terms or other comparable terminology. These statements are only predictions. In addition, this Offering Memorandum may contain forward-looking statements attributed to third party industry sources. Undue reliance should not be placed on these forward-looking statements as there can be no assurance that the plans, intentions or expectations upon which they are based will occur. By its nature, forward-looking information involves numerous assumptions, known and unknown risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and other forward-looking statements will not occur and may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The forward-looking statements contained in this Offering Memorandum are expressly qualified by this cautionary statement. The Corporation is not under any duty to update any of the forward-looking statements after the date of this Offering Memorandum to conform such statements to actual results or to changes in the Corporation's expectations except as otherwise required by applicable legislation.

## GLOSSARY OF TERMS

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

"**ABCA**" means the *Business Corporations Act* (Alberta).

"**Aggregate Subscription Amount**" means the aggregate dollar amount of the subscription under the Subscription Agreement.

"**Annual Fee**" means the annual fee payable by the Corporation in cash to Target in an amount equal to: (i) \$2,500; plus (ii) one-half of one percent (being 0.5%) of the total Deferred Plan Capital outstanding on the last day of the month the Target Agreement anniversary date falls in that is in excess of \$500,000; plus (iii) applicable taxes.

"**Bond Security**" has the meaning ascribed thereto in paragraph 2.8.3(d).

"**Bondholder(s)**" means a holder of Bonds purchased by a Subscriber pursuant to this Offering Memorandum.

"**Bonds**" mean the 8% initially unsecured bonds offered by the Corporation pursuant to this Offering that will become secured on or before the Registration Date.

"**Capital Raising Fee**" means the fee payable by the Corporation to Target in cash in an amount equal to one-half of one percent (being 0.5%), plus applicable taxes, of the Deferred Plan Capital raised by the Corporation in excess of \$500,000.

"**Class A Shares**" means the Class A preferred shares of the Corporation.

"**Construction Financing Mortgage**" means the mortgage or mortgages charging the Project Lands, in an aggregate principal amount of approximately \$150,000,000, subject to change, in favour of related and/or arm's-length lenders for the construction/development of the Project, including but not limited to construction financing, deposit insurance, Tarion bond, construction mezzanine financing, capital mortgage(s) and HVAC equipment lease financing.

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

"**Dealer Administration Fee**" means the compensation of up to 1.35% of the gross proceeds realized on the sale of Bonds under this Offering by an exempt market dealer in respect of the compliance and administration costs incurred by the exempt market dealer.

"**Deferred Lender Fee**" has the meaning ascribed thereto in paragraph 2.8.3(c).

"**Deferred Plan**" means any one of or collectively a RRSP, RRIF, RESP and a TFSA.

"**Deferred Plan Capital**" means capital of any kind raised by the Corporation from a RRSP, RRIF, RESP or TFSA pursuant to this Offering.

"**First Mortgage**" means the mortgage registered against the Project Lands as of the date of this Offering Memorandum in the aggregate principal amount of \$4,300,000 in favour of Harbour Mortgage Corp. **See Item 2.6.1 Financing.**

"**Fortress**" means Fortress Real Developments Inc., a corporation owned by Mr. Jawad Rathore and Mr. Vince Petrozza, the co-developer and promoter of the Project.

"**GAAP**" means accounting principles generally accepted in Canada as recommended in the Handbook of the Canadian Institute of Chartered Accountants, at the relevant time applied on a consistent basis.

"**GFA**" means Gross Floor Area.

"**Lamb**" means Lamb Development Corporation, a diversified commercial and residential real estate development company, and its affiliates, the co-developer of the Project.

"**LCI**" means Lamb Calgary Inc., a private Alberta corporation related to the Corporation by a common director and officer being Brad J. Lamb. **See Item 2.2.1 Business of LCI and Item 2.2.5 Related Party Matters.**

"**LCI Loan**" means the loan agreement dated September 25, 2014 between the Corporation, as lender, and LCI, as borrower, advancing the proceeds raised pursuant to this Offering as a loan to LCI, as more particularly described in Item 2.8.2 LCI Loan.

"**Lender Fee**" means a fee equivalent to 16% of the Aggregate Subscription Amount payable to the Subscriber.

"**Material Breach**" means one or more of the following events:

- (a) the Corporation failing to pay the Annual Fee, the Capital Raising Fee or any amounts payable under the indemnity set out herein within sixty (60) days of such amounts being owing to Target;

- (b) the Corporation failing to deliver signed copies of the Target Release for each Subscriber of the Corporation's securities;
- (c) the Corporation failing to include in this Offering Memorandum or any future Offering Documents disclosure on such terms as required by the Target Agreement (the "**Required Disclosure**");
- (d) the Corporation failing to deliver a signed copy of the "Consent to Release Information" form as required by the Target Agreement concurrent with the execution and delivery of the Target Agreement (the "**Consent to Release Information**");
- (e) the Corporation failing to provide Target access to its books and records within thirty (30) days of receiving a written request from Target to review such documentation; and
- (f) the Corporation failing to raise any Deferred Plan Capital within 12 months from the date of the Target Agreement.

"**Maximum Offering**" means 32,700 Bonds (\$32,700,000). The Corporation may in the future amend this Offering Memorandum to increase the Maximum Offering amount.

"**Minimum Offering**" means 100 Bonds (\$100,000).

"**NI 45-106**" means National Instrument 45-106 *Prospectus and Registration Exemptions*.

"**Offering**" means the offering of up to 32,700 Bonds pursuant to the terms of this Offering Memorandum.

"**Offering Documents**" means any offering memorandum, prospectus or term sheet, and applicable subscription agreement prepared by the Corporation in connection with a distribution of its securities.

"**Offering Memorandum**" means this offering memorandum dated September 25, 2014 as amended or supplemented.

"**Operating Expenses**" means all expenses that are incurred or paid by the Corporation on behalf of, or in connection with the management or operation of the Corporation's business, including, without limitation:

- i. agent's fees, and other fees, commissions and expenses payable in connection with the organization and capitalization of the Corporation and the issue of the Bonds pursuant to this Offering or any future offerings by the Corporation including without limitation the Annual Fee and Capital Raising Fee;
- ii. all salaries, compensation and other amounts payable to consultants and other persons engaged to perform services for the Corporation;
- iii. provincial and federal taxes and assessments applicable to the Corporation or its assets;
- iv. advertising and promotional expenses, insurance premiums, rental expenses, and legal fees and expenses incurred by the Corporation in the conduct of its business;
- v. general, administrative and overhead costs and expenses incurred by the Corporation;
- vi. interest and other charges payable in connection with borrowing by the Corporation with respect to the Bonds and any other loans incurred by the Corporation;
- vii. accounting, audit, legal, professional and reporting expenses including, without limitation, costs of preparation and documentation of Corporation's financial statements and accounts, costs of preparation and documentation of federal and provincial tax returns;
- viii. expenses incurred with respect to printing and engraving expenses and taxes incurred in connection with the issuance, transfer, registration and recording of documents evidencing ownership of Bonds;
- ix. costs incurred in connection with any litigation in which the Corporation is involved or for which it is responsible, as well as any examination, investigation or other proceeding conducted by any regulatory agency, including related legal and accounting fees relating thereto; and
- x. expenses incurred in changing the form of, amending, converting or modifying the Bonds, or incurred in dissolving or winding up of the Corporation.

"**Premium**" means the additional income to be paid to the Bondholders, excluding the holders of those Bonds whose Subscribers have received or will receive a Lender Fee, by the Corporation, Pro-Rata, in the amount equal to the Deferred Lender Fee received by the Corporation from LCI pursuant to the LCI Loan, less Operating Expenses. If, pursuant to the terms of the LCI Loan, there is no Deferred Lender Fee payable to the Corporation (**see Item 2.8.2 LCI Loan**), no Premium will be paid to the Bondholders by the Corporation.

**"Pro-Rata"** at any time, means a fraction equal to the number of Bonds of which a Bondholder is the registered holder at that time divided by the total number of issued and outstanding Bonds at that time.

**"Project"** means the proposed retail, residential and parking complex to be built on the Project Lands.

**"Project Development Fees"** means a fee in the amount of 4% of the Total Costs of the Project payable to each of Fortress and Lamb in respect of their services.

**"Project Lands"** means the real property owned by LCI located in Calgary, Alberta more specifically described as: (i) Municipal Address: 606 12th Avenue SE Calgary, Alberta Legal Description: Descriptive Plan 1412005, Block 76, Lot 45, City of Calgary PIN: 141192883; (ii) Municipal Address: 620 12th Avenue SE Calgary, Alberta, Legal Description: Plan C, Block 76, Lots 32 to 38 inclusive, excepting thereout all mines and minerals out of Lots 35 and 36, City of Calgary, PIN: 101219120001; (iii) Municipal Address: 624 12th Avenue SE Calgary, Alberta, Legal Description: Plan C, Block 76, the westerly 10 feet throughout of Lot 30 and the whole of Lot 31, City of Calgary, PIN: 101219120; (iv) Municipal Address: 626 12th Avenue SE Calgary, Alberta, Legal Description: Plan C, Block 76, the westerly 21 feet throughout Lot 29 and that portion of Lot 30 which lies to the East of the westerly 10 feet throughout said Lot 30, City of Calgary, PIN: 101219120002; and (v) Municipal Address: 628 12th Avenue SE Calgary, Alberta, Legal Description: Plan C, Block 76, the westerly 6.5 feet of Lot 27, the whole of Lot 28 and that portion of Lot 29 lying to the East of the westerly 21 feet of said Lot 29, City of Calgary, PIN: 101219120005.

**"Registration Date"** means the date that is on or before 90 days of the date the Construction Financing Mortgage is registered on the Project Lands.

**"Regulations"** means the Tax Act Regulations.

**"RESP"** means a Registered Education Savings Plan as defined in the Tax Act.

**"RRIF"** means a Registered Retirement Income Fund as defined in the Tax Act.

**"RRSP"** means a Registered Retirement Savings Plan as defined in the Tax Act.

**"Subscriber"** means parties who subscribe for Bonds pursuant to this Offering.

**"Subscription Agreement"** means the Subscription Agreement entered into between a Subscriber and the Corporation with respect to the purchase of Bonds by a Subscriber under this Offering. The Subscription Agreement with respect to this Offering is attached hereto as Schedule A.

**"Syndicated Mortgage"** means the syndicated mortgage that has been offered by LCI in Ontario concurrently with this Offering and is secured against the Project Lands. The Syndicated Mortgage ranks *pari passu* to the Bond Security. **See Item 2.6.1 Financing.**

**"Target"** means Target Capital Inc., a publicly traded company listed on the TSX Venture Exchange, trading under the symbol "TCI". Target presently holds 60% of the issued and outstanding Class A Preferred shares of the Corporation.

**"Target Agreement"** means the agreement between the Corporation and Target dated March 13, 2014 the terms of which are referred to in Item 2.1.1 and Item 2.8.1 herein.

**"Target Release"** means the release to be executed by each Subscriber to this Offering in favour of Target as more particularly described in Item 2.1.2 herein.

**"Target Shares"** means the 6,000 Class A Preferred Shares of the Corporation held by Target as of the date of this Offering Memorandum.

**"Tax Act"** means the *Income Tax Act* (Canada).

**"TFSA"** means a Tax-Free Savings Account as defined in the Tax Act.

**"Total Costs"** means demolition, sitework, building costs, cost of the land, architectural and engineering costs, municipal approval costs and fees, professional fees, financing costs, marketing expenses, Wholesaler fees, Project Development Fees, commissions and other costs.

**"Trust Indenture"** means the trust indenture and mortgage between the Corporation, the Trustee, and LCI, as guarantor, dated September 25, 2014, creating a future mortgage/security interest in the Project Lands as security for LCI's obligations under the trust indenture, as more particularly described in Item 2.8.3 Trust Indenture.

**"Trustee"** means Computershare Trust Company of Canada.

**"Wholesaler"** means an entity engaged by the Corporation to provide marketing and promotional services to exempt market dealer representatives.

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



## ITEM 1: USE OF AVAILABLE FUNDS

### 1.1 Available Funds

The following table discloses the available funds of this Offering:

		Assuming Minimum Offering	Assuming Maximum Offering
A	Amount to be raised pursuant to this Offering	\$100,000	\$32,700,000 <sup>(1)</sup>
B	Selling fees and commissions	NIL <sup>(2)</sup>	NIL <sup>(2)</sup>
C	Estimated Offering Costs	NIL <sup>(3)</sup>	NIL <sup>(3)</sup>
D	Annual Fees and Capital Raising Fee	NIL <sup>(4)</sup>	NIL <sup>(4)</sup>
E	Available funds: E = A – (B + C + D)	\$100,000	\$32,700,000
F	Additional sources of funding required	NIL <sup>(5)</sup>	NIL <sup>(5)</sup>
G	Working Capital Deficiency	NIL <sup>(6)</sup>	NIL <sup>(6)</sup>
H	Total: H = (E + F) - G	\$100,000	\$32,700,000

(1) The Corporation may in the future amend this Offering Memorandum to increase the Maximum Offering amount.

(2) All selling fees and commissions for this Offering, including Dealer Administration Fees, if any, will be paid on the Corporation's behalf by LCI (\$11,700 assuming Minimum Offering, and \$3,825,900 assuming Maximum Offering.) See **ITEM 7: Selling Commissions and Marketing and Development Fees**.

(3) All estimated offering costs for this Offering will be paid on the Corporation's behalf by LCI, including 4.65% in marketing costs payable to Wholesaler.

(4) Pursuant to the terms of the Target Agreement, the Corporation is obligated to pay Target the Annual Fee and Capital Raising Fee. LCI will pay Target all Annual Fees and Capital Raising Fees incurred by the Corporation with respect to this Offering (\$2,500 assuming Minimum Offering, and \$163,500 assuming Maximum Offering). See **Item 2.8.1 Agreement with Target Capital Inc.**

(5) The Corporation does not anticipate requiring additional funds to pursue its business objectives; however, LCI will require funds beyond those advanced by the Corporation to complete the servicing and development of the Project. See **Item 2.6.1 Financing**.

(6) As of the date of this Offering, the Corporation does not have a working capital deficiency.

### 1.2 Use of Available Funds

The following table provides a detailed breakdown of how the Corporation will use the available funds of this Offering in the 12 months ensuing from the date of this Offering Memorandum:

Description of intended use of available funds listed in order of priority	Assuming Minimum Offering	Assuming Maximum Offering
The available funds of this Offering shall be loaned by the Corporation to LCI. LCI will use these funds to develop the Project as follows:		
(i) to pay project costs, including demolition, sitework, and building costs; and	NIL	\$10,464,000
(ii) to pay soft costs, including architectural and engineering costs, municipal approval costs and fees, professional fees, financing costs, marketing expenses, Wholesaler fees, Project Development Fees, commissions and other costs.	\$100,000	\$22,236,000
<b>Total</b>	\$100,000	\$32,700,000

### 1.3 Reallocation

The Corporation will use the available funds of this Offering as stated.

## 1.4 Future Cash Calls

An investor in these securities will not be required to make any funds available to the Corporation in addition to their subscription amount.

## ITEM 2: BUSINESS OF THE CORPORATION

### 2.1 Structure

The Corporation is a corporation incorporated under the ABCA pursuant to a certificate of incorporation dated March 12, 2014. The Corporation's head and registered office is located at 1700, 530 – 8<sup>th</sup> Avenue SW, Calgary, Alberta T2P 3S8. The Corporation is controlled by Target. Please see [www.sedar.com](http://www.sedar.com) for further information with respect to Target.

#### 2.1.1 Voting Control – Target Capital Inc.

Voting control of the Corporation by Target is intended to result in the Bonds issued pursuant to this Offering being qualified investments for a trust governed by a Deferred Plan under the Tax Act, but the Corporation cannot provide any assurance that the Bonds are or will be such qualified investments. **See Item 6 Income Tax Consequences and Deferred Plan Eligibility and see Item 8 Risk Factors.**

Target's control and interest in the Corporation is to earn Annual Fees and not to participate in the profits of the Corporation pursuant to the Target Agreement. **See Item 2.8.1 Agreement with Target Capital Inc.**

Specifically:

- (a) Target's shares in the Corporation are non-participating as they are not entitled to dividends;
- (b) The Target Agreement states that Target cannot acquire any additional shares in the Corporation without the approval of the majority of the minority of shareholders of the Corporation;
- (c) Target cannot increase the Annual Fee or Capital Raising Fee pursuant to the Target Agreement without the approval of the majority of the minority shareholders of the Corporation;
- (d) Target will not sell its shares of the Corporation while the Target Agreement is in force and will, at the termination of the Target Agreement, return all of its shares to the treasury of the Corporation for sixty dollars; and
- (e) Target will not benefit from its position as shareholder except as described in the Target Agreement and, should it receive any benefit in addition to the Annual Fee and the Capital Raising Fee, that benefit will be returned to the Corporation in return for the sum of ten dollars.

**An investor in the securities offered under this Offering Memorandum should understand that Target's assets and management are not in any way committed to the activities of the Corporation other than voting its shares in the Corporation at shareholder meetings of the Corporation. Target does not encourage or discourage an investment in the Corporation.**

#### 2.1.2 Release of Target Capital Inc.

As a term of this Offering, Subscribers are required to grant Target a specific release in the form attached as Appendix 5 to the Subscription Agreement (the "**Target Release**"). Pursuant to the terms of the Target Release, the Subscriber will acknowledge that:

- (a) Target's assets and management are not in any way committed to the activities of the Corporation. Further, the Subscriber acknowledges that Target has not performed any due diligence on the Corporation, its assets or its management and does not encourage or discourage an investment in the Corporation;
- (b) Target owes no fiduciary duty of care or any other duty to Subscribers in connection with the Bonds issued under this Offering;
- (c) Target shall not be liable to Subscribers for any liabilities, losses or damages suffered or incurred by Subscribers in connection with this investment, including any default by the Corporation in the payment of interest and/or repayment of the principal of the Bonds issued pursuant to this Offering; and

- (d) the Subscriber will release and forever discharge Target, together with its officers, directors, servants, employees, agents and other representatives from any and all actions, causes of action, claims, demands, or other liability of any nature or kind howsoever arising, including, without limitation, any and all claims, past or present, and which may arise in the future, in any way related to the Subscriber's investment in the Bonds of the Corporation or the acquisition of the Bonds from the Corporation.

**All Subscribers are encouraged to seek independent legal advice before executing and delivering the Target Release.**

## **2.2 Our Business**

The Corporation is in a start up phase of development and has carried out limited business prior to this Offering and has no development history. Since the date of incorporation, the Corporation has been engaged in preparation for this Offering, which has included, among other things, putting in place a management team, a board of directors and retaining legal counsel.

The Corporation is raising funds for the purpose of loaning the available funds of this Offering to LCI. LCI will then use those funds to pay overhead and certain fees and development costs associated with the Project, including (i) project costs, which include but are not limited to demolition, sitework, and building costs, and (ii) soft costs, which include but are not limited to, architectural and engineering costs, municipal approval costs and fees, professional fees, financing costs, marketing expenses, Wholesaler fees, Project Development Fees, commissions and other costs.

### **2.2.1 Business of LCI**

LCI is a private Alberta corporation incorporated on January 20, 2014 for the purpose of developing the Project. It is owned 50% by Lamb and 50% by Fortress Orchard 2014 Inc. LCI will use the funds loaned by the Corporation under the LCI Loan concurrently with the Syndicate Mortgage for the purpose set out above in Item 2.2, Our Business.

### **2.2.2 The Project**

#### *The Orchard Project*

The Project is a planned two phase, two tower condominium apartment project located in Calgary, Alberta, at the northeast corner of 3rd Street and 12th Avenue South East. The approximately 38,000 square meter land parcel is an assembly of eight properties between 602 and 628 12th Avenue South East, comprising the Project Lands. The zoning for the Project has been approved.

The first phase (East Tower) is proposed to be a 215 unit, 31-storey mid-block building with approximately 18,147 square meter of GFA intended for the east side of the site, with the second phase (The West Tower) envisioned as a 217 unit, 31-storey tower with about 18,283 square meter of GFA planned for the west side of the property. Both towers will feature a small retail component on the ground floor. The two towers will be separated by a blooming apple orchard.

This large public space will connect the project to the city making it an inviting, walkable space for both residents and the public.

Phase 1 and 2 will be designed in tandem, but will be marketed separately. The unit sales program for the first phase is expected to launch in the fall of 2014. Construction of the sales centre has commenced as of the date of this Offering Memorandum. It is expected that a project by Lamb, with a very high design aesthetic, industry-leading level of interior unit finish, will sell equally as well or better than comparable projects in the area.

#### *Calgary*

A TD Economics report from January 2014 states Alberta will lead the country in economic growth for the next two years. Alberta's annual gross domestic product growth is anticipated to be 3.3% this year and 2.8% in 2015, compared with overall anticipated Canadian growth of 2.3% and 2.4% respectively. This report attributes the province's growth to "[a] tight labour market, higher incomes and continued healthy flow of in-migration has boosted the province's fortunes."

New home prices increased 6.5% annually in Calgary in 2013 according to the Teranet-National Bank House Price Index, the highest growth among the 11 major markets in Canada.

According to Canada Mortgage and Housing Corporation, at the end of November 2013 there were just 38 completed and unsold new condominium apartment units in the Calgary CMA, the lowest level since 2007, and a decrease of 85% from the end of 2012. The condo rental vacancy rate in the Calgary CMA was just 1.0% in 2013, down from 2.1% in 2012.

### *Co-Developers*

The Project will be co-developed by Lamb and Fortress.

Lamb is a residential real estate development company founded in 2001 to directly participate in the development of stylish, urban condominium projects. Lamb has developed and completed nine projects including Zen Lofts (Toronto), OneSixNine (Toronto), glas (Toronto), and East (Toronto,) East Market Lofts (Ottawa), the Mondrian (Ottawa) and McGill Ouest (Montreal). Lamb currently has 4 projects under construction and has an additional 6 projects in development. Lamb will be responsible for developing, managing and constructing the Project.

Fortress is a Canadian real estate development company with a focus on quality projects with recognizable alpha in residential low-rise, high-rise, commercial, industrial and land servicing opportunities. Fortress will provide consulting, and operating services for the Project, including creating, tracking and monitoring proforma, and arranging financing.

Lamb and Fortress have demonstrated proven performance in the same market on a similar project in Calgary called the 6th and Tenth, which has commenced construction. This project has met the sales requirements and been approved for the Construction Financing Mortgage as of the date of this Offering Memorandum.

As co-developers of the Project, Lamb and Fortress will work together to organize and handle all publicity events, prepare site statistics and site information, liaise with city officials during the planning stages of the Project, make decisions regarding all costs throughout the Project, hiring, selling of the property or any part thereof, non-arm's length transactions and any other major decisions.

A fee in the amount of 4% of the Total Costs of the Project will be paid to each of Fortress and Lamb in respect of their services.

### *Marketing and Promotion*

In addition to the above, the Wholesaler will provide marketing and promotional services to LCI and expects to receive an amount equal to 4.65% of the proceeds raised in this Offering.

### **2.2.3 Project Lands and Project Related Images**

#### Project Lands:



Proposed Design:



#### 2.2.4 Offering Structure

The purpose of this Offering is to allow Subscribers to participate, indirectly through acquiring Bonds in the Corporation, in the LCI Loan.

Funds from Deferred Plans may be used to purchase Bonds pursuant to this Offering subject to the general comments of Grant Thornton LLP. **See Item 6 Income Tax Consequences and Deferred Plan Eligibility.**

No advance income tax ruling has been applied for or received with respect to the income tax consequences described in this Offering Memorandum. **See Item 8 Risk Factors.**

No assurance can be given that changes in the Tax Act or future court decisions or the implementation of new taxes will not adversely affect the Corporation or fundamentally alter the income tax consequences to holders of the Bonds with respect to acquiring, holding or disposing of the Bonds of the Corporation.

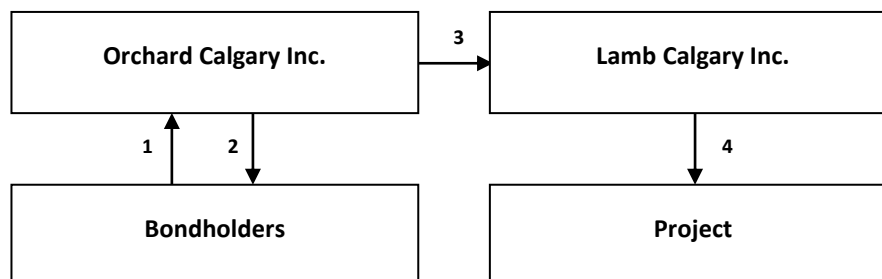
**Subscribers are strongly encouraged to consult their tax advisors as to the tax consequences of acquiring, holding and disposing of the Bonds purchased pursuant to this Offering.**

## 2.2.5 Related Party Matters

Brad J. Lamb is a director and officer of the Corporation. Brad J. Lamb is also a director and officer of LCI.

## 2.2.6 Investment Flow Chart

The following represents the proposed use of the proceeds of this Offering after the payment of the costs associated with this Offering. **See Item 1.1 Available Funds.**



1. Subscribers purchase Bonds in the Corporation.
2. The Corporation issues Bonds to Subscribers.
3. The Corporation will loan the available funds of this Offering to LCI.
4. LCI will use the available funds to further develop the Project.

## 2.3 Development of Business

The Corporation is in a start up phase of development and has carried out limited business prior to this Offering and has no development history.

## 2.4 Long Term Objectives

The Corporation's long term goal is to raise up to \$32,700,000, the available funds of which will be used for the purposes set forth in Item 2.2 Our Business.

## 2.5 Short Term Objectives and How the Corporation Intends to Achieve Them

The Corporation's goal for the next 12 months is to raise up to \$32,700,000 for the purpose of loaning the available funds to LCI and to maintain the LCI Loan.

The following outlines the Corporation's short term objectives and the methods and costs associated with the achievement thereof.

What we must do and how we will do it	Target number of months to complete	Our cost to complete
Raise up to \$32,700,000, loan the available funds to LCI and maintain the LCI Loan.	12 months	Nil <sup>(1)</sup>

(1) All costs, commissions and fees associated with this Offering will be paid by LCI.

## 2.6 Insufficient Funds and Cash Reserves

The available funds raised from this Offering will be committed to the LCI Loan. The Corporation does not intend to hold any significant cash reserves, other than those amounts necessary to pay for all administration and Operating Expenses incurred by the Corporation in the conduct of its business. The Corporation does not anticipate requiring additional funds to pursue its objectives; however, LCI will require further funds to complete the servicing and development of the Project. **See Item 2.6.1 Financing and Item 8 Risk Factors.**

## 2.6.1 Financing

The LCI Loan will not be sufficient to fund the entire development being undertaken by LCI. The Syndicated Mortgage of \$12,300,000 has been offered by LCI as of the date of this offering. The Syndicated Mortgage will rank *pari passu* as of the Registration Date to the Bond Security. LCI will also likely attempt to arrange for the Construction Financing Mortgage. The First Mortgage will be replaced by the Construction Financing Mortgage and the Construction Financing Mortgage will have priority over the Syndicated Mortgage and the Bond Security.

The mortgages below are intended to be the only registered mortgages against the Project Lands as at the date of this Offering (the terms of these mortgages are subject to change):

### First Mortgage:

Amount:	\$4,300,000
Lender:	Harbour Mortgage Corp.
Interest Rate:	6.75% per annum.
Term:	Twenty-four (24) months, until April 30, 2016.
Prepayment:	Prepayment of principle sum, in whole or part, after the 6 <sup>th</sup> month of the term of mortgage on 30 days written notice.

### Syndicated Mortgage:

Amount:	\$12,300,000 to \$32,700,000 (\$12,300,000 advanced as of September 25, 2014)
Interest Rate:	8%
Term:	4 years with an option to extend
Postponement:	150,000,000 + a 10% contingency if required
Prepayment:	Nil, with one month written notice.

## 2.6.2 Financing Flow Chart

The following represents the existing and proposed financing arrangements:

Financing	In favour of	Amount	Notes
Construction Financing Mortgage	Related and/or arm's-length lenders	\$150,000,000 + a 10% contingency if required, subject to change	Intended to be the first ranking security, when arranged
First Mortgage	Harbour Mortgage Corp.	\$4,300,000	Intended to be replaced with the Construction Financing Mortgage
Bond Security	The Trustee, for and on behalf of the holders of the Bonds	Up to \$32,700,000 <sup>(1)</sup>	Will rank <i>pari passu</i> , as of the Registration Date, to the Syndicated Mortgage
Syndicated Mortgage (if any)	Syndicated Mortgage Investors	\$12,300,000 to \$32,700,000 (\$12,300,000 advanced as of September 25, 2014)	If offered, will rank <i>pari passu</i> , as of the Registration Date, to the Bond Security



### 2.6.3 Loan to Value Ratio

As at the date of this Offering, the loan to value ratio of the Project Lands, calculated on an aggregate basis, is intended to be as follows:

First Mortgage	\$4,300,000		
Syndicated Mortgage	\$12,300,000	(\$12,300,000 advanced as of September 25, 2014)	
<u>Total Mortgages</u>	<u>\$16,600,000</u>	=	<b>64%</b>
Valuation	\$26,000,000		

Once the assembly of the parcels comprising the Project Lands and the zoning thereof is completed, the value of the property is expected to increase and the loan to value ratio is expected to decrease.

### 2.7 Valuation/Property Values

In the opinion of Legacy Global Mercantile Partners Ltd. the market value of the Project Lands as at January 30, 2014 is \$26,000,000. This value is based on two different methods of valuation: comparable and residual methods of valuation. The comparable method values the land based on a market value of \$50 to \$60 per buildable square foot of subject property, derived from the selected comparable medium to high density residential land sales. The residual valuation is based on analysis and assumptions related to pricing, construction costs, profit targets, and other market variable within the region. Similar weight was applied to both methods in estimating the approximate market value of the subject properties. The opinion of Legal Global Mercantile Partners Ltd. is available for review upon request.

### 2.8 Material Agreements

The following are the key terms of all material agreements which the Corporation has entered into, or expects to enter into, and which can reasonably be regarded as presently being material to the Corporation or a prospective purchaser of Bonds being offered pursuant to this Offering.

#### 2.8.1 Agreement with Target Capital Inc.

The Corporation entered into the Target Agreement on March 13, 2014. The material terms of the Target Agreement are as follows:

- (a) The Corporation shall pay to Target:
  - (i) the Annual Fee on the date of the Target Agreement and on each anniversary date of the Target Agreement; plus
  - (ii) a Capital Raising Fee whenever the Corporation raises Deferred Plan Capital. Notwithstanding the preceding sentence, the Corporation shall not be required to pay any Capital Raising Fee until its total Deferred Plan Capital raised exceeds of \$500,000.
- (b) **Access to Records.** If requested, the Corporation shall promptly provide Target with copies of all corporate records.
- (c) **Target Release/Required Disclosure.** The Corporation shall attach the Target Release to all Offering Documents used by the Corporation in the distribution of its securities and shall include the Required Disclosure in all such Offering Documents. The Corporation shall not sell any of its securities to any party unless such subscriber has executed and delivered an original copy of the Target Release to the Corporation. The Corporation shall promptly provide Target with the original copies of all such signed Target Releases.
- (d) **Indemnity.** The Corporation has agreed to indemnify and save harmless Target and its directors, officers and employees from and against all claims, demands, losses, actions, causes of action, costs, charges, expenses, damages and liabilities whatsoever arising out of or in connection with the Target Agreement or Target's shareholdings in the Corporation. The indemnity shall survive the expiry or termination of the Target Agreement.
- (e) **Term.** The Target Agreement shall be in effect from the date of that Agreement until the date on which Target ceases to be the majority shareholder of the Corporation. Notwithstanding the above, if the Target Agreement shall be terminated prior to the date that is two (2) years from the date of the Target Agreement, the Corporation covenants and agrees to

pay Target any Annual Fees and the Capital Raising Fees that would have otherwise been payable had Target remained the majority shareholder of the Corporation for two (2) years.

- (f) **Termination by the Corporation.** Subject to the two year minimum payment obligations set out in sub-paragraph (e) above and the survival of the indemnity set out in sub-paragraph (d) above, the Corporation may terminate the Target Agreement by providing Target with 90 days written notice.
- (g) **Termination by Target.** In the event of a Material Breach, such as failure to pay any Annual fees or Capital Raising Fees within 60 days of invoicing, of the Target Agreement by the Corporation, Target shall be entitled to immediately terminate the Target Agreement by providing written notice of such termination to the Corporation. Upon termination of the Target Agreement by Target, the Target Shares shall be deemed transferred to the Corporation in exchange for \$1.00.

**See Item 2.1.1 Voting Control for additional terms of the Target Agreement.**

### 2.8.2 LCI Loan

The Corporation entered into the LCI Loan, as lender, with LCI, as borrower, on September 25, 2014. A summary of the material terms of the LCI Loan are summarized below:

- (a) **Loan Amount:** A minimum of \$100,000 to a maximum amount of \$32,700,000. The total amount will be contingent upon the amount of proceeds raised pursuant to this Offering.
- (b) **Maturity Date:** September 25, 2018. The LCI Loan may be renewed for an additional two years at LCI's request with the Corporation's consent.
- (c) **Prepayment:** LCI may prepay all or any portion of the aggregate principal amount then outstanding at any time prior to the maturity date, together with all accrued but unpaid interest and fees thereon without notice, bonus or penalty.
- (d) **Use of Proceeds:** LCI will use the proceeds of the loan to pay overhead, and certain fees and development costs associated with the Project, including (i) project costs, including demolition, sitework, and building costs, and (ii) soft costs, including architectural and engineering costs, municipal approval costs and fees, professional fees, financing costs, marketing expenses, Wholesaler fees, Project Development Fees, commissions, and other costs.
- (e) **Interest Rate:** The loan will bear interest at a rate of 8% per annum, payable on March 31, June 30, September 30 and December 31 of each year during the term of the loan.
- (f) **Deferred Lender Fee:** In the event that the Actual Project Profit (as defined below) is equal to or exceeds \$45,000,000.01, LCI will pay to the Corporation a Deferred Lender Fee (as defined below) within sixty (60) days of the date of full disposition of the entire Project and LCI has received substantially all the revenue from the disposition of the Project.

"**Actual Project Profit**" is the amount equal to revenue received by LCI from the full disposition of the Project less Total Costs.

"**Deferred Lender Fee**" means an amount equal to 16% of the Total Loan Amount.

"**Total Loan Amount**" is the total principal amount advanced by the Corporation to LCI under the LCI Loan.

### 2.8.3 Trust Indenture

The Corporation has entered into the Trust Indenture with the Trustee and LCI, as guarantor, dated September 25, 2014. Some of the intended material terms of the Trust Indenture are summarized below:

- (a) **Limitation on Issue:** The aggregate principal amount of Bonds which may be issued and certified under the Trust Indenture shall consist of and be limited to a maximum of \$32,700,000.
- (b) **Terms of Bonds:** The Bonds shall be dated on the applicable issue date, mature on September 25, 2018, with two options to extend, each for an additional year, and bear interest from and including their respective issue date at the interest rate of 8% per annum calculated quarterly, not in advance, on the principal amount thereof from and including the issue date, payable on the Interest Payment Date for the applicable Interest Period.

Where, "**Interest Payment Date**" means, in respect of an Interest Period, the date that is 10 business days following such Interest Period; and where, "**Interest Period**" means the period beginning on (and including) the issue date and ending on (and including) the last day of December 2014, and, for each successive period, beginning on (and including) the first day of the calendar quarter subsequent to the previous Interest Period and ending on (and including) the last day of such calendar quarter; provided that the final Interest Period shall end on (but exclude) the maturity date (unless the principal

amount owing on any such Bond shall not have been repaid) and, in the event any Bond shall be partially or totally redeemed at any time prior to the maturity date, then the period-beginning on (and including) the first day of the calendar quarter in which such partial or total redemption occurs to, but excluding the date such partial or total redemption occurs, shall be an Interest Period.

- (c) **Deferred Lender Fee/ Premium:** If the Corporation receives a Deferred Lender Fee from LCI, the Corporation will distribute to the Bondholders a Premium, Pro-Rata, no later than thirty (30) days from the date on which the Corporation receives the Deferred Lender Fee from LCI. In the event that the Actual Project Profit is less than \$45,000,000.01 LCI will not pay a Deferred Lender Fee to the Corporation.
- (d) **Bond Security:** LCI shall provide to the Trustee for and on behalf of the Trustee and the Bondholders on or before the Registration Date a registered mortgage and charge of the Project Lands equal to the aggregate principal amount of the Bonds, and a guarantee of all of the Bond obligations.
- (e) **Rank of Bond Obligations:** The Bonds certified and issued under the Trust Indenture rank *pari passu* with one another, in accordance with their tenor without discrimination, preference or priority, and the Bond Security shall rank equally with the Syndicated Mortgage, as applicable.
- (f) **Redemption:** The Corporation shall have the right, at its option, to redeem the whole, or from time to time, any portion of the Bonds following the initial issue date and prior to maturity at prices equal to the principal amount thereof to be redeemed, together with accrued and unpaid interest on the principal amount of said Bond, or part thereof, so redeemed to the date fixed for redemption by the Corporation.
- (g) **Agreement to Subordinate:** The payment of the principal of, premium, if any, and interest on the Bonds is expressly subordinated, to the extent and in the manner hereinafter set forth, in right of payment to the prior payment in full of all Senior Indebtedness. Where, "Senior Indebtedness" means the principal of and the interest and premium, if any, on indebtedness outstanding in respect of the permitted encumbrances, including the Future First Mortgage and the Construction Financing Mortgage.
- (h) **Partial Discharge:** The Guarantor shall be entitled to a partial discharge of the Bond Security as it relates to the sale of each of the condominium units in the Project and all commercial and parking components in the Project to third parties, without compensation, provided that the full proceeds thereof shall be used immediately to first pay down the Construction Financing Mortgage and any other prior ranking security to the Bond Security, on the terms thereof, then to pay down other Project trade creditors, and then towards any amounts payable to the Bondholders.

The preceding is a summary only of certain intended provisions of the Trust Indenture and does not purport to be complete. Subscribers should review the executed Trust Indenture for complete details of its terms. A copy of the Trust Indenture will be available to Subscribers on request after execution.

### ITEM 3: INTERESTS OF DIRECTORS, MANAGEMENT, PROMOTERS AND PRINCIPAL HOLDERS

#### 3.1 Compensation and Securities Held

The following table provides specified information about each director, officer and promoter of the Corporation and each person who directly or indirectly beneficially owns or controls 10% or more of any class of voting securities of the Corporation (a "Principal Holder"). Where the Principal Holder is not an individual, the note to the table provides the name of any person that directly or indirectly, beneficially owns or controls more than 50% of the voting rights of the Principal Holder. The Corporation has not completed its first financial year and no compensation has been paid since its inception:

Name and municipality of principal residence	Position held	Compensation paid by the Corporation since inception and the compensation anticipated to be paid in current financial year	Number, type and percentage of securities of the Corporation held after completion of the Minimum Offering amount	Number, type and percentage of securities of the Corporation held after the completion of the Maximum Offering amount
Target Capital Inc. <sup>(1)</sup> Calgary, Alberta	Shareholder	\$2,500 <sup>(2)</sup> \$163,500 <sup>(3)</sup>	6,000 Class A Preferred Shares (60%)	6,000 Class A Preferred Shares (60%)
Fortress Orchard 2014 Inc. <sup>(4)</sup> Richmond Hill, Ontario	Shareholder	Nil	2,000 Class A Preferred Shares (20%) 100 Class B Common Shares (50%)	2,000 Class A Preferred Shares (20%) 100 Class B Common Shares (50%)

Name and municipality of principal residence	Position held	Compensation paid by the Corporation since inception and the compensation anticipated to be paid in current financial year	Number, type and percentage of securities of the Corporation held after completion of the Minimum Offering amount	Number, type and percentage of securities of the Corporation held after the completion of the Maximum Offering amount
Lamb Development Corporation Toronto, Ontario	Shareholder	Nil <sup>(5)</sup>	2,000 Class A Preferred Shares (20%) 100 Class B Common Shares (50%)	2,000 Class A Preferred Shares (20%) 100 Class B Common Shares (50%)
Wholesaler	Wholesaler	Nil <sup>(6)</sup>	Nil	Nil
Brad J. Lamb	Director and President	Nil	Nil	Nil
Brett Lamb	Secretary and Treasurer	Nil	Nil	Nil

(1) Target Capital Inc. is a public company listed on the TSX-V (TCI).

(2) Paid to Target Capital Inc. since inception.

(3) Assuming the maximum Annual Fee payable pursuant to the Target Agreement. **See Item 2.8.1 Agreement with Target Capital Inc.**

(4) Jawad Rathore owns more than 50% of the voting rights of Fortress Orchard 2014 Inc.

(5) LCI will pay, on the Corporation's behalf, a co-developer fee in the amount of 4% of the Total Costs of the Project payable to Lamb in respect of its services.

(6) LCI will pay, on the Corporation's behalf, the 4.65% in promotion costs payable to the Wholesaler.

### 3.2 Management Experience

The names and principal occupations of the directors and officers of the Corporation over the past five years are as follows:

Name and position	Principal Occupation and Related Experience
Brad J. Lamb Director and President	Mr. Lamb is a broker and president of Brad J. Lamb Realty Inc. Over the last 20 years, he has led the marketing and sales programs for dozens of condominium projects in Toronto, Ottawa and Montreal. Mr. Lamb is acknowledged in Toronto as one of the city's foremost condominium sales experts. His firm has acted as the exclusive broker at namesake developments such as The Candy Factory, Tip Top Lofts, Glas, 550 Wellington West, 75 Portland and others. To date, he has been involved in over 13,000 condo sales for over \$3.5 billion dollars.
Brett Lamb Secretary and Treasurer	Mr. Lamb is one of two partners in Lamb Development Corporation (LDC). He has been the vice president of LDC since 2007. Mr. Lamb is responsible for operations at LDC and managed the development of Glas, Parc, WorkLofts, FlatIron Lofts, The King East and Riverside Towns. He is currently working on Theatre Park, The King Charlotte and Brant Park. Mr. Lamb has been an investor in development projects and real estate holdings for 30 years. Prior to joining LDC, Mr. Lamb spent 26 years in the I.T. industry, which included IBM, the Royal Bank of Canada and the last 14 with Microsoft Canada Co.

### 3.3 Management Experience of LCI

The names and principal occupations of the directors and officers of LCI over the past five years are as follows:

Name and position	Principal Occupation and Related Experience
Brad J. Lamb Director and President	See above.
Vince Petrozza Vice President	Since 2002, Mr. Petrozza has cofounded and led the mortgage and syndicated side of Fortress Real Developments Inc., a company which markets certain real estate developments. Mr. Petrozza is a sub mortgage broker registered under the Ontario Mortgage Broker and Loan Administrators Act. He is in charge of the due diligence terms and the final adjudication of transactions to be marketed by Fortress. His family's experience in construction and development offers him unique insights into deal analysis and monitoring. He also sits on the board of directors of several projects funded by Fortress.
Brett Lamb Secretary and Treasurer	See above.

### 3.4 Penalties, Sanctions and Bankruptcy

There are no penalties or sanctions by any securities commission, stock exchange or governmental regulatory agency that have been in effect during the last ten (10) years against an officer, director or control person of the Corporation or against a company of which any of the foregoing was an officer, director or control person. No 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, has been in effect during the last ten (10) years with regard to those individuals or any companies of which any of those individuals was an officer, director or control person at that time.

In respect of the principals of the promoter, Fortress, the Ontario Securities Commission approved a settlement agreement on December 19, 2011 with Vince Petrozza, Jawad Rathore, five companies and another individual. The respondents agreed, for the purpose of the settlement, that their involvement in the trading of shares of two companies between January 2007 and June 2009 took place without meeting certain required registrations and was contrary to the public interest. They agreed to pay to the Ontario Securities Commission \$2,955,212.45 for commissions received, an administrative penalty of \$250,000 and costs of \$100,000. The individual respondents agreed to certain restrictions on trading securities (not including mortgage securities) and certain restrictions on acting as officers or directors. Vince Petrozza and Jawad Rathore are permitted to act as director or officer of any issuer that distributes, issues or trades in securities evidencing indebtedness secured or to be secured by a mortgage or charge on real property in Canada or that provides promissory notes or enters into loan agreements incidental thereto in accordance with local provincial legislative requirements.

### 3.5 Loans

As at the date of this Offering Memorandum there are no debentures or loans due to or from the Corporation, from the directors, management, promoters, or principal holders of the Corporation.

## ITEM 4: CAPITAL STRUCTURE

### 4.1 Share Capital

The following table sets out information about the Corporation's outstanding shares, including any options, warrants and other securities convertible into shares of the Corporation.

Description of Security	Number authorized to be issued	Price per security	Number outstanding as at September 25, 2014	Number outstanding assuming completion of Minimum Offering	Number outstanding assuming completion of Maximum Offering
Class A Preferred Shares	Unlimited	\$0.01	10,000	10,000	10,000
Class B Common Shares	Unlimited	\$1.00	200	200	200

#### Class A Preferred Shares and Class B Common Shares

- (a) The Corporation is authorized to issue an unlimited number of Class A Shares having attached thereto, as a class, the following rights, privileges, restrictions and conditions:

**Voting Rights** - The holders of the Class A Shares (the "**Class A Shareholders**") shall be entitled to receive notice of, to attend and to vote at all meetings of the shareholders of the Corporation. Each Class A Share shall confer on the holder thereof the right to one vote in person or by proxy at all meetings of shareholders of the Corporation.

**Dividend Entitlement** - The Class A Shareholders are not entitled to participate in the profits of the Corporation and are not entitled to receive any dividends.

**Entitlement on Dissolution or Winding-Up** - In the event of a reduction of capital or the liquidation, dissolution or winding-up of the Corporation or other distribution of property or assets of the Corporation among its shareholders for the purpose of winding-up its affairs (a "**Winding-Up Event**"):

- (i) Prior to the Class A Shareholders receiving any consideration in the occurrence of a Winding-Up Event, any Bondholders of the Corporation at the time of such Event shall be entitled to receive from the Corporation an amount equal to the face value of their Bond together with any accrued interest thereon up to the date of payment (the "**Redemption Amount**") in priority to any distribution of any of the Corporation's assets or property to the Class A Shareholders. If the Corporation does not have sufficient property or assets to pay the aggregate of the Redemption Amount then each bondholder will be entitled to their pro rata share of the Corporation's property or assets in priority to the Class A Shareholders; and
- (ii) The holders of the Class A Shares shall be entitled to receive an amount equal to the aggregate amount paid up capital on the Class A Shares held by them respectively after repayment of the aggregate Redemption Amount and in the event that there is not sufficient property or assets to return the entire amount of paid up capital thereon to all shareholders, the amount available for distribution shall be distributed to the shareholders on a pro rata basis according to the number of Class A Shares owned by each shareholder.
- (b) The Corporation is authorized to issue an unlimited number of Class B Common Shares (the "**Class B Shares**") having attached thereto, as a class, the following rights, privileges, restrictions and conditions:

**Voting Rights** - The holders of the Class B Shares shall not be entitled to receive notice of, to attend or vote at any meetings of the shareholders of the Corporation.

**Dividend Entitlement** - The right, subject to any preferential rights attaching to any other class or series of shares of the Corporation, to receive dividends as, when and if declared on the Class B Shares by the Corporation. No dividend may be declared or paid on the Class B Shares if payment of the dividend would cause the realizable value of the Corporation's assets to be less than the aggregate of its liabilities and the amount required to redeem any bonds issued by the Corporation then outstanding having attached thereto a right of redemption or retraction.

**Entitlement on Dissolution or Winding-Up** - The right, subject to any preferential rights attaching to any bonds issued by the Corporation, to share in the remaining property of the Corporation upon dissolution after all the Class A Shareholders have received payment of the aggregate amount of paid up capital held by each Class A Shareholder.

## 4.2 Long Term Debt Securities

As of September 25, 2014, the Corporation has no outstanding long term debt. In the event the Corporation is successful in raising funds pursuant to this Offering, it will have the following **debt obligations** to Subscribers through the issue of Bonds offered by the Corporation pursuant to this Offering, **which debt obligations will be initially unsecured until the Bond Security becomes enforceable on or before the Registration Date pursuant to the Trust Indenture**:

Description of Security	Number authorized to be issued	Number outstanding as at September 25, 2014	Number outstanding assuming completion of Minimum Offering	Number outstanding assuming completion of Maximum Offering
8% Bonds	32,700	Nil	100 <sup>(1)</sup> Representing a debt obligation of \$100,000 to Subscribers under this Offering plus 8% interest thereon.	32,700 <sup>(1)</sup> Representing a debt obligation of \$32,700,000 to Subscribers under this Offering plus 8% interest thereon.

(1) See Item 5.1 Terms of Securities, for the terms of the Bonds offered pursuant to this Offering.

## 4.3 Prior Sales

As of September 25, 2014, there are 10,000 Class A Preferred Shares of the Corporation and 200 Class B Common Shares of the Corporation issued and outstanding.

Date of issuance	Type of security issued	Number of securities issued	Price per security	Total funds received
March 12, 2014	Class A Preferred Shares	4,000	\$0.01	\$40
March 13, 2014	Class A Preferred Shares	6,000	\$0.01	\$60
March 12, 2014	Class B Common Shares	200	\$1.00	\$200

## ITEM 5: SECURITIES OFFERED

### 5.1 Terms of Securities

**Securities:** The securities being offered pursuant to this Offering are 8% unsecured Bonds that will become secured on or before the Registration Date pursuant to the Trust Indenture. The price of each Bond is \$1,000. The minimum number of Bonds that must be purchased by a Subscriber is twenty-five (25) Bonds requiring a minimum investment of \$25,000. There is no maximum number of Bonds allocated to any Subscriber.

**Maturity and Redemption:** Subject to the right of early redemption of the Corporation as provided for herein, a Bondholder's Bonds shall mature on September 25, 2018 (the "**Maturity Date**").

In the event that the Corporation receives written notice from a Bondholder at least 90 days prior to their applicable Maturity Date requesting that their Bonds be redeemed on the applicable Maturity Date (a "**Redemption Notice**"), the Corporation shall redeem that Bondholder's Bonds on that Maturity Date through the payment of all accrued but unpaid interest and the principal amount of the Bonds.

If the Corporation does not receive a Redemption Notice as described above, a Bondholder's Bonds will be deemed to have been renewed on a "demand" basis for an additional two years with the same interest rate conditions as the initial term.

**Early Redemption:** The Corporation may redeem a Bondholder's Bonds in part or in full at any time during the term of the Bonds by providing the Bondholder with not more than sixty (60) days and not less than twenty (20) days prior written notice of its

intention to do so, through the payment of the principal amount of the Bonds and all accrued and unpaid interest thereon to the date of payment.

**Interest:** Each Bond will entitle the holder thereof to interest of 8% per annum, calculated quarterly, not in advance, from the date of issue. The interest on the principal amount of the issued Bonds shall be payable on March 31, June 30, September 30 and December 31 of each year, as more particularly described in Item 2.8.3(b), Trust Indenture.

**Additional Income on Bonds:** The Corporation may, in its sole discretion, distribute to the Bondholders, pro-rata, the discretionary Premium, as additional income on the Bonds. Should the Corporation elect to distribute the discretionary Premium to the Bondholders, it will do so no later than thirty (30) days from the date on which the Corporation receives the Deferred Lender Fee from LCI under the LCI Loan, as more particularly described in Item 2.8.3, Trust Indenture.

**Obligations Unsecured Until the Registration Date:** The Corporation's debt obligations represented by the Bonds are unsecured obligations until the Bond Security becomes enforceable on or before the Registration Date pursuant to the terms of the Trust Indenture. The Bond Security will rank *pari passu* to the Syndicated Mortgage, as applicable.

**Funding of Redemption:** Management of the Corporation shall have sole discretion on how the Corporation will fund or finance the redemption of the Bonds. Management may decide to use its existing cash on hand if any, raise additional capital or equity in the Corporation, or borrow money to accomplish the redemption of the Bonds or use a combination of the above methods. There is no assurance that any of the above methods of funding the redemption of the Bonds will be successful or if accomplished will raise enough funds to redeem all of the Bonds. It is possible that the Corporation may not have the financial ability to redeem all or any Bonds upon maturity. In that event the provisions contained under the title "Priority on Liquidation" may apply. See Item 4.1 Share Capital.

**Limited Recourse:** Recourse under the Bonds will be limited to the principal sum of the Bonds, all interest and all other amounts due and owing pursuant to the Trust Indenture and related security. The Bondholders will have recourse for any deficiency in value of the Bonds in the event of non-payment or default by the Corporation of redemption of the Bonds only pursuant to terms of the Trust Indenture.

An investor in the securities offered under this Offering Memorandum should understand that Target's assets and management are not in any way committed to the activities of the Corporation other than voting its shares at shareholder meetings of the Corporation. Target does not encourage or discourage an investment in the Corporation.

See Item 8 Risk Factors for risk factors relating to the securities offered.

## 5.2 Subscription Procedure

### 5.2.1 Subscription Documents

Subscribers will be required to enter into a Subscription Agreement with the Corporation which will contain, among other things, representations, warranties and covenants by the Subscriber that it is duly authorized to purchase the Bonds, that it is purchasing the Bonds as principal and for investment and not with a view to resale and as to its corporate or other status to purchase the Bonds and that the Corporation is relying on an exemption from the requirements to provide the Subscriber with a prospectus and to sell securities through a person or company registered to sell securities under applicable securities laws and as a consequence of acquiring the securities pursuant to this exemption, certain protections, rights and remedies, provided by applicable securities laws, including statutory rights of rescission or damages, will not be available to the Subscriber.

Reference is made to the Subscription Agreement attached as Schedule A to this Offering Memorandum for the terms of these representations, warranties and covenants.

In order to subscribe for Bonds, Subscribers must complete, execute and deliver the following documentation to the Corporation at c/o Charene Bunnett, 25 Brodie Drive Unit #1, Richmond Hill, Ontario L4B 3K7:

- (a) one (1) completed and signed copy of the Subscription Agreement (including any schedules attached thereto);
- (b) a cheque or bank draft
  - (i) in an amount equal to the Aggregate Subscription Amount (as set forth in the Subscription Agreement), payable to "Olympia Trust Company, in trust for Orchard Calgary Inc.", with your non-registered account number noted on the cheque or bank draft, or
  - (ii) in an amount equal to the Aggregate Subscription Amount (as set forth in the Subscription Agreement) plus an RRSP administration fee, if any, if you wish to use funds from a Deferred Plan to purchase the Bonds, payable to



the financial institution that holds your RRSP account (e.g. "Olympia Trust Company") with your account number noted on the cheque or bank draft;

- (c) completed and executed copies of the appropriate investor qualification form(s). The appropriate form(s) to be completed depend on your place of residence and on the amount of your investment:
- (i) if you are resident in British Columbia, New Brunswick, Nova Scotia or Newfoundland and Labrador, you must submit two (2) completed and signed copies of the Risk Acknowledgment Form attached to the Subscription Agreement as Appendix 1A or Appendix 1B (as applicable), as applicable;
  - (ii) if you are resident in Alberta, Manitoba, Prince Edward Island, or Saskatchewan, you must submit two (2) completed and signed copies of the Risk Acknowledgment Form attached to the Subscription Agreement as Appendix 1A or Appendix 1B (as applicable), as applicable, and one (1) completed and signed copy of the Representation Letter attached to the Subscription Agreement as Appendix 2;
  - (iii) if you are resident in Ontario and you are purchasing Bonds as an "accredited investor" (as such term is defined by NI 45-106), one (1) completed and signed copy of the Accredited Investor Representation Letter attached to the Subscription Agreement as Appendix 3;
  - (iv) if you are resident in Québec and you are purchasing Bonds as an "accredited investor" (as such term is defined by NI 45-106), one (1) completed and signed copy of the Accredited Investor Representation Letter attached to the Subscription Agreement as Appendix 3, and one (1) completed and signed copy of the Representation Letter attached to the Subscription Agreement as Appendix 2; and
  - (v) if resident in Alberta, British Columbia, Manitoba and Saskatchewan and the Bonds are sold by a market participant not registered in accordance with the applicable securities regulatory authority, you must submit two (2) properly completed and duly executed Blanket Order 31-505 Risk Acknowledgements in the form attached to the Subscription Agreement as Appendix 4; and
- (d) all Subscribers must execute the Target Release attached as Appendix 5 to the Subscription Agreement.

Subject to applicable securities laws, and the purchaser's two-day cancellation right, a subscription for Bonds, evidenced by a duly completed Subscription Agreement delivered to the Corporation shall be irrevocable by the Subscriber. **See Item 11 Purchasers' Rights.**

Subscriptions for Bonds will be received, subject to rejection and allotment, in whole or in part, and subject to the right of the Corporation to close the subscription books at any time, without notice. If a subscription for Bonds is not accepted, all subscription proceeds will be promptly returned to the Subscriber without interest.

The first closing is scheduled to occur on or before March 31, 2015. If the first closing does not occur, the collected funds will be returned to the respective parties by April 30, 2015 without interest. It is expected that certificates representing the Bonds will be available for delivery within a reasonable period of time after the relevant closing date(s).

The subscription funds will be held in trust until midnight of the second business day subsequent to the date that each Subscription Agreement is signed by a Subscriber.

Upon the closing of each tranche of the Offering, in accordance with the Trust Indenture, the Trustee will issue and deliver Bond certificates representing the Bonds to Subscribers whose Subscriptions are accepted by the Corporation in accordance with the Subscription Agreement.

### **5.2.2 Distribution**

The Offering is being conducted:

- (a) in Alberta, British Columbia, Manitoba, New Brunswick, Newfoundland and Labrador, Nova Scotia, Prince Edward Island or Saskatchewan pursuant to the exemptions from the prospectus requirements afforded by Section 2.9 of NI 45-106; and
- (b) in the Province of Ontario and Québec pursuant to the exemption from the prospectus requirements afforded by Section 2.3 of NI 45-106.

The exemption pursuant to Section 2.9 of NI 45-106 is available for distributions to investors in Alberta, British Columbia, Manitoba, New Brunswick, Newfoundland and Labrador, Nova Scotia, Prince Edward Island, and Saskatchewan purchasing as principals, who receive this Offering Memorandum prior to signing the Subscription Agreement and who sign a Risk Acknowledgment Form attached to the Subscription Agreement as Appendix 1A, Appendix 1B or Appendix 4 as applicable.

In addition, Alberta, Manitoba, Prince Edward Island, Québec, and Saskatchewan investors relying on the exemption set out in Section 2.9 of NI 45-106 must also sign the Certificate of Eligible Investor attached to the Subscription Agreement as Appendix 2.

The exemption pursuant to Section 2.3 of NI 45-106 is available for distributions to investors in the Province of Ontario and Québec purchasing as principal and who are "accredited investors" as defined in NI 45-106 and that sign the Accredited Investor Representation Letter attached to the Subscription Agreement as Appendix 3.

The foregoing exemptions relieve the Corporation from the provisions of the applicable securities laws of each of Alberta, British Columbia, Manitoba, New Brunswick, Newfoundland and Labrador, Nova Scotia, Ontario, Prince Edward Island, Québec, and Saskatchewan which otherwise would require the Corporation to file and obtain a receipt for a prospectus. Accordingly, prospective subscribers for the Bonds will not receive the benefits associated with a subscription for securities issued pursuant to a filed prospectus, including the review of material by securities regulatory authorities.

The exemptions from the registration requirements contained in the applicable securities laws of each of Alberta, British Columbia, Manitoba, New Brunswick, Newfoundland and Labrador, Nova Scotia, Ontario, Prince Edward Island, Québec and Saskatchewan allow the Corporation to offer the Bonds for sale directly to the investors.

#### **ITEM 6: INCOME TAX CONSEQUENCES AND DEFERRED PLAN ELIGIBILITY**

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

The Tax Act and the Regulations thereunder provide generally that a bond or similar obligation of a Canadian corporation (as defined in the Tax Act) which is controlled directly or indirectly by one or more corporations whose shares are listed on a prescribed stock exchange in Canada will constitute a "qualified investment" for a Deferred Plan.

The Corporation is a Canadian corporation. As a result, **the Bonds will constitute a qualified investment for Deferred Plans provided the shares of Target are listed on a stock exchange designated by the Minister of Finance, which they currently are, and as long as Target controls the Corporation.** There is no agreement which restricts the ability of Target to vote its shares of the Corporation or appoint a majority of the Board of Directors of the Corporation. As such, Target should be considered to control the Corporation.

There are additional requirements for a TFSA, RRSP or RRIF in order for the Bonds not to be a "prohibited investment" which would be subject to a special tax. The Bonds will be a "prohibited investment" if the account holder does not deal at "arm's length" with the Corporation or the account holder is a "specified shareholder" of the Corporation as defined in the Tax Act, generally a person who has a 10% or greater interest in the Corporation together with non-arm's length persons. Assuming the account holder meets the above requirements, the Bonds will not be a "prohibited investment".

**There can also be additional special taxes for a TFSA, RRSP or RRIF on certain tax "advantages" that unduly exploit the attributes of a TFSA, RRSP or RRIF, including "advantages" on "prohibited investments" and on "non-qualified investments".** The rules in the Tax Act that constitute an "advantage" are quite broad, therefore, Subscribers should seek independent professional advice as to the applicability of these rules to their particular circumstances.

**The income tax information contained in this Item 6 was provided by Grant Thornton LLP, and it is based on the current provisions of the Income Tax Act, the Regulations thereunder and published administrative practices of the CRA. The comments offered do not address the possibility of any challenge to the structure by the CRA under the specific and/or general anti-avoidance rules.**

**This summary is of a general nature only and is not intended to be legal, tax or business advice to any particular prospective purchaser of Bonds. Consequently, Subscribers should seek independent professional advice regarding the income tax consequences of investing in the Bonds, based upon their own particular circumstances.**

#### **ITEM 7: SELLING COMMISSIONS AND MARKETING AND DEVELOPMENT FEES**

Where allowed by applicable securities legislation, LCI intends to offer:

- (i) compensation of up to 10.35% of the gross proceeds realized on the sale of Bonds under this Offering by non-registered persons, including parties related to the Corporation, employees and/or contractors of such parties, and officers and directors of the Corporation, for referral of subscribers or for otherwise supporting or facilitating the ultimate sale of the Bonds or securing subscriptions; or

- (ii) commissions of up to 9% of the gross proceeds realized on the sale of Bonds under this Offering by exempt market dealers, investment dealers and/or their dealing representatives, plus a Dealer Administration Fee, if applicable;
- (iii) an amount equal to 4.65% of the proceeds raised in this Offering for marketing and promotional fees to the Wholesaler.
- (iv) a fee in the amount of 4% of the Total Costs of the Project payable to each of Fortress and Lamb in respect of their services; and
- (v) a Lender Fee may be paid to a Subscriber, in lieu of the Deferred Lender Fee, if the Aggregate Subscription Amount is equal or greater than \$1,000,000, at the Issuer's discretion.

## ITEM 8: RISK FACTORS

The purchase of Bonds pursuant to this Offering should only be made after consulting with independent and qualified sources of investment and tax advice. Investment in the Bonds at this time is highly speculative. The Corporation's business involves a high degree of risk, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. Purchasers of Bonds must rely on the ability, expertise, judgement, discretion, integrity and good faith of the management of the Corporation. This Offering is suitable for investors who are willing to rely solely upon the management of the Corporation and who can afford a total loss of their investment.

In addition to factors set forth elsewhere in this Offering Memorandum, potential Subscribers should carefully consider the following factors, many of which are inherent to the ownership of the Bonds. An investment in Bonds involves various risks and uncertainties. The risks discussed in this Offering Memorandum can adversely affect the Corporation's operations, operating results, prospects and financial condition. This could cause investors to lose part or all of their investment. In addition to those set out below and elsewhere in this Offering Memorandum, other material risks and uncertainties of which the Corporation is not presently aware may also harm the Corporation's investment activities. The following is a summary only of the material risk factors involved in an investment in the Bonds. Prospective investors should review these risks with their legal and financial advisors.

### Investment and Issuer Risk

- (1) **Not Reviewed by Regulator:** Subscribers under this Offering will not have the benefit of a review of this Offering Memorandum by any securities regulatory authority or regulator.
- (2) **No Deposit Insurance:** The Bonds offered pursuant to this Offering Memorandum are not insured against loss through the Canadian Deposit Insurance Corporation or any other insurance company or program.
- (3) **Sufficiency of Security:** Although the Bonds will be, on or before the Registration Date, secured by a charge on the assets of LCI, there is risk that such security may prove insufficient to satisfy full repayment of all or any amounts of interest or principal owing under the Bonds or the LCI Loan. There will be interests of other third parties that will stand in priority to the Corporation's or the Bondholders' security. The existence of any intervening encumbrances may prevent the Corporation or the Bondholders from realizing on or enforcing some or all of its security against the assets of LCI. There may be principals at law or at equity that may prevent the Corporation or the Bondholders from enforcing some or all of its security against LCI or its assets. The assets of LCI may not have a sufficient value to satisfy any outstanding debt obligations to the Corporation. Lenders with security interests in priority to the Corporation's or the Bondholders' security will take priority over the disposition of any of LCI's assets, with the result that there may be insufficient assets to repay the indebtedness under the LCI Loan or the Bonds.
- (4) **Priority of Legislated Security:** In certain circumstances, applicable legislation provides for the granting of security over the assets of entities to secure repayment of liabilities owing by such entities to certain parties. Such legislated security sometimes is granted priority over security granted by the entity itself. An example is that certain taxation authorities (including the Canada Revenue Agency) are provided with such legislated priority security over the assets of a taxpayer with respect to certain amounts owing by the taxpayer to the taxation authority. Such priority security would have priority over the security granted to the Corporation over the collateral under a Loan Agreement.
- (5) **Highly Speculative:** The purchase of the Bonds is highly speculative. A potential Subscriber should purchase Bonds only if it is able to bear the risk of the entire loss of its investment. An investment in the Bonds should not constitute a significant portion of a Subscriber's portfolio.
- (6) **Tax Risk:** The tax consequences associated with an investment in Bonds may be subject to changes in federal and provincial tax laws. There can be no assurance that the tax laws will not be changed in a manner that will fundamentally alter the income tax consequences to investors holding or disposing of Bonds. In the event that Target ceases to control

the Corporation, ceases to be listed on a stock exchange designated by the Minister of Finance or is deemed not to control the Corporation for the purposes of the Tax Act, there may be adverse tax consequences to a subscriber for Bonds. Upon such an event occurring, the Bonds will cease to constitute qualified investments for Deferred Plan purposes unless the Corporation can arrange to contemporaneously transfer the Class A Shares of the Corporation to another corporation resident in Canada whose shares are listed on a designated Canadian stock exchange or make other suitable investment arrangements to maintain Deferred Plan eligibility for the Bonds.

If the Bonds cease to be eligible Deferred Plan investments, an annuitant under a Deferred Plan which acquires or holds Bonds may be required to include in his or her income the fair market value of the Bonds acquired by the Deferred Plan, may incur penalties, and may have the registration of the Deferred Plan revoked. There is also a risk that CRA may reassess the returns of Subscribers relating to their investments in the Bonds. **See Item 6 Income Tax Consequences and Deferred Plan Eligibility.**

- (7) **Redemption Risk:** There can be no assurance that the Corporation will be able to redeem any or all of the Bonds. If the Corporation does not have sufficient funds on hand to redeem any or all of the Bonds, it will not be able to redeem any or all of the Bonds. The redemption of the Bonds by the Corporation is dependent on LCI repaying the LCI Loan when due; however, there can be no assurances that LCI will have sufficient funds to repay the LCI Loan.
- (8) **Limited Working Capital:** The Corporation will have a limited amount of working capital as the available proceeds of this Offering will be loaned to LCI.
- (9) **Changes to the Tax Act:** No assurance can be given that changes in the Tax Act or future court decisions or the implementation of new taxes will not adversely affect the Corporation or fundamentally alter the income tax consequences to holders of Bonds with respect to acquiring, holding or disposing of Bonds. Investors are strongly encouraged to consult their tax advisors as to the tax consequences of acquiring, holding and disposing of Bonds purchased pursuant to the Offering.
- (10) **No Advance Tax Ruling:** No advance income tax ruling has been applied for or received with respect to the income tax consequences described in the Offering Memorandum. **See Item 6 Income Tax Consequences and Deferred Plan Eligibility.**
- (11) **GAAR Application:** The structuring of this Offering in general and the ownership of a majority of the Class A Preferred shares of the Corporation by Target in particular, as a means to make the Bonds eligible investments for Deferred Plans, may be challenged by the CRA under the general anti-avoidance rule ("**GAAR**"). No advance income tax ruling or other comfort has been obtained from any professional firm as to whether or not GAAR would apply in this case. The comments of Grant Thornton LLP referred to under Item 6 Income Tax Consequences and Deferred Plan Eligibility does not address GAAR.
- (12) **Change of Directors:** The issued Class A Preferred Shares (the "**Class A Shares**") of the Corporation are held collectively by Target, Fortress Orchard 2014 Inc. and Lamb Development Corporation. Pursuant to the ABCA and the constating documents of the Corporation, the holders of the Corporation's Class A Shares have the exclusive right to elect, change and remove the directors of the Corporation. Target has majority voting control of the Corporation and there is no agreement that restricts Target's ability to vote its Class A Shares of the Corporation. Consequently, Target can change the directors of the Corporation and the directors do not have a mechanism to ensure that they will remain the directors of the Corporation. There is no assurance that the directors of the Corporation will remain the same as disclosed in this Offering Memorandum.
- (13) **Director's Interest:** The directors and officers of the Corporation will not be devoting all of their time to the affairs of the Corporation, but will be devoting such time as required to effectively manage the Corporation. The directors and officers of the Corporation are engaged and will continue to be engaged in the search for business prospects on their own behalf and on behalf of others.

Brad J. Lamb, director and officer of the Corporation, is also a director and officer of LCI. As a result, there may be an inherent conflict of interest with respect to the officers and directors of the Corporation in the event of a default by LCI under the LCI Loan.

There are other potential conflicts of interest to which the directors and officers of the Corporation may be subject in connection with the operations of the Corporation. Situations may arise where the directors and officers will be in direct competition with the Corporation. Conflicts, if any, will be subject to the procedures and remedies under the ABCA.

- (14) **No Voting Rights:** The directors and officers of the Corporation and not Bondholders, will make decisions regarding the management of the Corporation's affairs. Subject to the ABCA, Bondholders will have no rights to attend meetings of shareholders or vote in any manner. Subscribers must carefully evaluate the personal experience and business performance of the directors and officers of the Corporation. In very limited circumstances, such as an insolvency proceeding, Bondholders may have a right to vote on such proceeding, but such vote would be limited in scope and at that time, a return on the investment in Bonds would likely be compromised.
- (15) **Reliance on Management:** The success of LCI depends to a certain extent, on the efforts and abilities of management of LCI and on external factors such as, among other things, the real estate market where the development is located and the general political and economic conditions that may prevail from time to time, which factors are out of the control of LCI. A return on investment for a purchaser of Bonds depends upon the net revenues received by LCI from the development of the Project. As a result, there is no guarantee that Bondholders will earn a return on their investment in the Bonds.
- (16) **LCI Material Adverse Effect:** The success of the Corporation will solely depend upon the performance of LCI and its ability to pay the principal and interest on the LCI Loan. There is a risk that the death or departure of any member of management or any key employee could have a material adverse effect on LCI.
- (17) **Independent Counsel:** No independent counsel was retained on behalf of the Subscribers with respect to this Offering. There has been no review by independent counsel on behalf of the Subscribers of the Offering Memorandum, the security to be granted by LCI or any other documentation in relation to the Offering. No due diligence has been conducted on behalf of Subscribers by counsel.
- (18) **Loan to Value Ratio:** As of the date of this Offering, the outstanding indebtedness in respect of the Project, including the First Mortgage, is lower than the market value of the Project Lands estimated at \$26,000,000 as at January 30, 2014. If the value of the Project Lands does not sufficiently increase once the assembly of the parcels comprising the Project Lands and the zoning thereof is completed, the outstanding indebtedness would remain higher than the estimated value of the Project Lands.
- (19) **Bonds May Not Be Secured Until the Registration Date:** The Corporation's debt obligations represented by the Bonds are unsecured obligations until the Bond Security becomes enforceable on or before the Registration Date pursuant to the terms of the Trust Indenture.
- (20) **Regarding Bond Maturity Extension Date:** Subscribers should assume funds will be tied up until September 2020.
- (21) **No History:** The Corporation does not have any operational history and no history of earnings. Accordingly, there is no operating history or record of achievement upon which to base an evaluation of the Corporation and its business and prospects. The Corporation is in the early stage of its business and therefore is subject to all risks associated with early stage companies, including: start up losses, uncertainty of revenues, markets and profitability, the need to raise additional funding, the evolving and unpredictable nature of the Corporation's business. There can be no assurance that the Corporation will be successful in doing what it is required to do to overcome these risks. No assurance can be given that the Corporation's business activities will be successful. The past performance of other projects developed by Lamb and its affiliates may not be indicative of the performance that Lamb and LCI will achieve in respect of the Project.
- (22) **Liquidity of Investment:** An investment in the Bonds of the Corporation is an illiquid investment. **There is currently no market through which the Bonds of the Corporation may be sold.** The Corporation is not a "reporting issuer" in any jurisdiction, and a prospectus has not qualified the issuance of the Bonds. The Bonds are subject to a number of restrictions respecting transferability and resale, including a restriction on trading imposed by applicable securities laws. Until the restriction on trading expires, you will not be able to trade the Bonds unless you comply with an exemption from the prospectus and registration requirements under securities legislation. **See Item 10 Resale Restrictions.**
- (23) **Investment Risk in Respect of LCI:** The Corporation's short and long term objectives are to raise funds to be loaned to LCI to ultimately facilitate the development of the Project. A return on investment for a purchaser of Bonds is dependent upon the ability of LCI to meet its obligations of principal and interest pursuant to the LCI Loan. As a result, there is no assurance or guarantee that the purchasers of Bonds pursuant to this Offering will earn a return of their investment in the Bonds offered hereunder. The development of the Project by LCI may be, or become, uneconomic in the event of a decline in price or demand for the type of use relating to such a development. This factor as well as other factors referred to in this Offering Memorandum could adversely affect LCI's ability to repay its LCI Loan to the Corporation.

The following are additional risk factors that are inherent to investment in and development of real estate properties. As the sole asset of the Corporation will be the LCI Loan to LCI, these factors are also inherent with respect to an investment in the Bonds. Subscribers should review these risks with their legal and financial advisors.

### **Risks of Real Property Ownership and Market Risks**

Real estate developments are generally subject to varying degrees of risk depending on the nature of the property. Such risks include highly competitive nature of the real estate industry, changes in general economic conditions (such as the availability and cost of mortgage funds), local conditions (such as the supply of competing lands in the area, or the demand for residential estate in the area), government regulation and changes therein (such as zoning, taxation of property and environmental legislation), changes in governments and the political environment in the jurisdiction in which the development is located, the attractiveness of properties to potential purchasers and competition from other available properties. In addition, each segment in the real estate development industry is capital intensive and is typically sensitive to interest rates. Any income generated by the sale of the units comprising the development, if any, is dependent upon general economic conditions. The market for real property can be affected adversely by economic factors, which may be regional, national or international in scope. This could mean that the development of the Project may not turn out as planned or that the real property may even decrease in value.

LCI will be required to make certain significant expenditures in respect of its activities including, but not limited to, the payment of property taxes, maintenance costs, mortgage payments, insurance costs and related charges which must be made regardless of whether or not the development is producing sufficient income to service such expenses. The development of a project may not be completed within the anticipated time frame, or at all, which in turn could delay payment to participants or put repayment at risk. In addition, the development may be used as security to obtain further financing for the development. If LCI is unable or unwilling to meet the payment obligations on such loans, losses could be sustained as a result of the exercise by the lenders of their rights of foreclosure or sale.

### **Revenue Shortfalls and Cost Overruns**

The development of a real estate project may not generate sales of units as rapidly as anticipated, or for the sale prices anticipated. The redesign of a real estate project may result in a material change which may result in cancellation of some or all of the existing presales. Purchasers may elect to terminate their agreements and the sale of their units may not occur as rapidly as anticipated. There is a risk that cost overruns may occur and decrease anticipated profits of LCI.

### **Investment Not Liquid**

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

### **Environmental Matters**

Under various environmental laws, ordinances and regulations, the current or previous owner or operator of real estate property may be liable for the costs of removal or remediation of hazardous or toxic substances on, under or in such property. These costs could be substantial. Such laws could impose liability whether or not LCI knew of, or was responsible for, the presence of such hazardous or toxic substances. The presence of hazardous or toxic substances, or the failure to remove or remediate such substances, if any, or restrictions imposed by environmental laws on the manner in which the property may be operated or developed, could adversely affect LCI's ability to sell such properties or to borrow using the properties as collateral and could potentially also result in claims against LCI. Environmental laws provide for sanctions for non-compliance and may be enforced by governmental agencies or, in certain circumstances, by private parties. Certain environmental laws and common law principles could be used to impose liability for release of and exposure to hazardous substances into the air. Third parties may seek recovery from real property owners or operators for personal injury or property damage associated with exposure to released hazardous substances. The cost of defending against claims of liability, of complying with environmental regulatory requirements, of remediating any contaminated property, or of paying personal injury claims could be substantial. LCI may be subject to liability for undetected pollution or other environmental hazards against which it cannot insure, or against which it may elect not to insure where premium costs are disproportionate to LCI's perception of relative risk.

### **Changes in Legislation and Policies**

There can be no assurances that provincial or municipal legislation, or policies and frameworks, which place restrictions on the ability to develop the property or which generally has the effect of significantly reducing the value, or the potential value, of the development will not be implemented by the applicable municipal bodies or other government regulators having jurisdiction over the development.

## Interest Rate Fluctuations

Financing by LCI may include indebtedness with interest rates which may fluctuate over time and which will result in fluctuations in the LCI's cost of borrowing.

## Permits and Approvals

If any of the required permits for the development of the Project to be undertaken by LCI are not obtained, LCI may be unable to complete the development and may be forced to sell the Project Lands. Failure by LCI to obtain such approvals may result in the sale price of the Project Lands being substantially less than the aggregate amount of the LCI Loan, resulting in a reduced return (or loss) of a Subscriber's investments in the Bonds offered pursuant to this Offering.

## ITEM 9: REPORTING OBLIGATIONS

### 9.1 Reporting to Bondholders

**The Corporation is not required to provide the Bondholders with any documents on an annual or ongoing basis.**

The Corporation is not, and has no intention of becoming, a reporting issuer in any jurisdiction. It is therefore not required to disclose material changes which occur in its business and affairs, nor is it required to file with the securities regulatory authorities audited interim financial statements or audited year-end financial statements.

**Financial or other information relating to the Corporation and provided to you in the future may not by itself be sufficient for you to assess the performance of your investment.**

## ITEM 10: RESALE RESTRICTIONS

**These securities are subject to a number of resale restrictions under securities legislation, including a restriction on trading. Unless or until the restriction on trading expires, you will not be able to trade the securities unless you are eligible to rely on and comply with an exemption from the prospectus and registration requirements under securities legislation. For information about these resale restrictions, you should consult a lawyer.**

### 10.1 General Statement

For trades in Alberta, British Columbia, Manitoba, New Brunswick, Newfoundland and Labrador, Nova Scotia, Ontario, Prince Edward Island, Québec and Saskatchewan:

The Bonds 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 Bonds unless you comply with an exemption from the prospectus and registration requirements under securities legislation.

### 10.2 Restricted Period

For trades in Alberta, British Columbia, Manitoba, New Brunswick, Newfoundland and Labrador, Nova Scotia, Ontario, Prince Edward Island, Québec, and Saskatchewan:

*Unless permitted under securities legislation, you cannot trade the Bonds before the date that is 4 months and a day after the date the Corporation becomes a reporting issuer in any province or territory of Canada.*

The Corporation does not intend to become a reporting issuer in any province or territory of Canada.

### 10.3 Manitoba Resale Restrictions

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

- (a) the Corporation has filed a prospectus with the regulator in Manitoba with respect to the Bonds you have purchased and the regulator in Manitoba has issued a receipt for that prospectus, or
- (b) you have held the Bonds 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 complete information about your rights, you should consult a lawyer.

### 11.1 Two Day Cancellation Right for a Subscriber

You can cancel your Subscription Agreement to purchase the Bonds. To do so, you must send a notice to the Corporation before midnight on the second (2<sup>nd</sup>) business day after you sign the Subscription Agreement to buy the Bonds.

### 11.2 Rights of Action in the Event of a Misrepresentation

Applicable securities laws in the Offering Jurisdictions provide you with a remedy to sue to cancel your Subscription Agreement to buy these securities or for damages if this Offering Memorandum, or any amendment thereto, contains a misrepresentation. Unless otherwise noted, in this section, a "**misrepresentation**" means an untrue statement or omission of a material fact that is required to be stated or that is necessary in order to make a statement in this Offering Memorandum not misleading in light of the circumstances in which it was made.

These remedies are 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 addition, these remedies, or notice with respect thereto, must be exercised or delivered, as the case may be, by you within the strict time limit prescribed in the applicable securities laws.

The applicable contractual and statutory rights are summarized below. By its execution of the Subscription Agreement, the Corporation will be deemed to have granted these rights to you. Subscribers should refer to the applicable securities laws of their respective Offering Jurisdiction for the particulars of these rights or consult with professional advisors.

### 11.3 Statutory Rights of Action for Subscribers in the Provinces of Alberta, British Columbia and Nova Scotia

If you are a resident in Alberta, British Columbia or Nova Scotia and this Offering Memorandum, together with any amendments hereto, contains a misrepresentation, you have a statutory right to sue

- (a) the Corporation to cancel your agreement to buy the Bonds, or
- (b) for damages against the Corporation, every director of the Corporation at the date of this Offering Memorandum and every person or company who signed this Offering Memorandum.

This statutory right to sue is available to you whether or not you relied on the misrepresentation. However, there are various defences available to the persons or companies that you have a right to sue. In particular, they have a defence if you knew of the misrepresentation when you purchased the Bonds. If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations. You must commence your action to cancel the agreement within 180 days after you signed the agreement to purchase the Bonds. You must commence your action for damages within the earlier of:

- (i) 180 days after learning of the misrepresentation; or
- (ii) three (3) years after you signed the agreement to purchase the Bonds.

***You should refer to the applicable provisions of the securities legislation for particulars of the rights or consult with a lawyer.***

***You should consult your own legal advisers with respect to your rights and the remedies available to you. The rights discussed above are in addition to and without derogation from any other rights or remedies, which you may have at law.***

### 11.4 Statutory Rights of Action of Purchasers in Manitoba

If you are a resident in Manitoba and there is a misrepresentation in this Offering Memorandum, together with any amendment to it, you have a statutory right to sue:

- (a) the Corporation to cancel your agreement to buy the Bonds; or
- (b) for damages against the Corporation, every person who was a director of the Corporation at the date of the Offering Memorandum, and every other person who signed this Offering Memorandum.

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



This statutory right to sue is available to you whether or not you relied on the misrepresentation. However, there are various defences available to the persons or companies that you have a right to sue. In particular, they have a defence if you knew of the misrepresentation when you purchased the Bonds. If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations. You must commence your action to cancel the agreement within 180 days after you signed the agreement to purchase the Bonds. You must commence your action for damages within the earlier of:

- (i) 180 days after learning of the misrepresentation; or
- (ii) two (2) years after you signed the agreement to purchase the Bonds.

**You should refer to the applicable provisions of the securities legislation for particulars of the rights or consult with a lawyer.**

**You should consult your own legal advisers with respect to your rights and the remedies available to you. The rights discussed above are in addition to and without derogation from any other rights or remedies, which you may have at law.**

#### **11.5 Statutory Rights of Action for Subscribers in the Province of New Brunswick**

If you are a resident in New Brunswick and this Offering Memorandum, together with any amendments hereto, contains a misrepresentation, you have a statutory right to sue

- (a) the Corporation to cancel your agreement to buy the Bonds, or
- (b) for damages against the Corporation.

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 Bonds. If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations. You must commence your action to cancel the agreement within 180 days after you signed the agreement to purchase the Bonds. You must commence your action for damages within the earlier of:

- (i) one (1) year after learning of the misrepresentation; or
- (ii) six (6) years after you signed the agreement to purchase the Bonds.

**You should refer to the applicable provisions of the securities legislation for particulars of the rights or consult with a lawyer.**

**You should consult your own legal advisers with respect to your rights and the remedies available to you. The rights discussed above are in addition to and without derogation from any other rights or remedies, which you may have at law.**

#### **11.6 Statutory Rights of Action for Subscribers in Newfoundland and Labrador**

If you are a resident in Newfoundland and Labrador and this Offering Memorandum, together with any amendments hereto, contains a misrepresentation, you have a statutory right to sue

- (a) the Corporation to cancel your agreement to buy the Bonds, or
- (b) for damages against the Corporation, every director of the Corporation at the date of this Offering Memorandum and every other person or company who signed this Offering Memorandum.

This statutory right to sue is available to you whether or not you relied on the misrepresentation. However, in an action for damages, the amount you may recover will not exceed the price that you paid for the Bonds and will not include any part of the damages that the Corporation proves does not represent the depreciation in value of your Bonds as a result of the misrepresentation.

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 Bonds. If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations. You must commence your action to cancel the agreement within 180 days after you signed the agreement to purchase the Bonds. You must commence your action for damages within the earlier of:

- (i) 180 days after learning of the misrepresentation; or
- (ii) three (3) years after you signed the agreement to purchase the Bonds.

**You should refer to the applicable provisions of the securities legislation for particulars of the rights or consult with a lawyer.**

**You should consult your own legal advisers with respect to your rights and the remedies available to you. The rights discussed above are in addition to and without derogation from any other rights or remedies, which you may have at law.**

## 11.7 Statutory Rights of Action of Purchasers in Ontario

If you are a resident of Ontario and there is a misrepresentation in this Offering Memorandum, together with any amendment to it, you have a statutory right to sue:

- (a) the Corporation to cancel your agreement to buy these Bonds; or
- (b) for damages against the Corporation.

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 Bonds. If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations.

You must commence your action to cancel the agreement within 180 days after you signed the agreement to purchase the Bonds.

You must commence your action for damages within the earlier of:

- (i) 180 days after learning of the misrepresentation; or
- (ii) three (3) years after you signed the agreement to purchase the Bonds.

The statutory right of action is not available to the purchaser that is:

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

**You should refer to the applicable provisions of the securities legislation for particulars of the rights or consult with a lawyer.**

**You should consult your own legal advisers with respect to your rights and the remedies available to you. The rights discussed above are in addition to and without derogation from any other rights or remedies, which you may have at law.**

## 11.8 Statutory Rights of Action for Subscribers in the Province of Prince Edward Island

If you are a resident in Prince Edward Island and this Offering Memorandum, together with any amendments hereto, contains a misrepresentation, you have a statutory right to sue

- (a) the Corporation to cancel your agreement to buy the Bonds, or
- (b) for damages against the Corporation, every director of the Corporation at the date of this Offering Memorandum and every other person or company who signed this Offering Memorandum.

This statutory right to sue is available to you whether or not you relied on the misrepresentation. However, there are various defences available to the persons or companies that you have a right to sue. In particular, they have a defence if you knew of the misrepresentation when you purchased the Bonds. If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations. You must commence your action to cancel the agreement within 180 days after you signed the agreement to purchase the Bonds. You must commence your action for damages within the earlier of:

- (i) 180 days after learning of the misrepresentation; or
- (ii) three (3) years after you signed the agreement to purchase the Bonds.

**You should refer to the applicable provisions of the securities legislation for particulars of the rights or consult with a lawyer.**

***You should consult your own legal advisers with respect to your rights and the remedies available to you. The rights discussed above are in addition to and without derogation from any other rights or remedies, which you may have at law.***

### **11.9 Statutory Rights of Action for Subscribers in the Province of Québec**

If you are a resident of Québec and there is a misrepresentation in this Offering Memorandum, you have a statutory right to apply to have the contract rescinded or the price revised, without prejudice to your claim for damages and you have a statutory right to sue for damages against

- (a) the Corporation and every officer or director of the Corporation;
- (b) any dealer under contract to the Corporation;
- (c) any person who is required to sign a certificate in the Offering Memorandum, in accordance with the conditions prescribed by regulations; and
- (d) any expert whose opinion, containing a misrepresentation, appeared, with his consent, in the Offering Memorandum.

This statutory right to sue is available to you whether or not you relied on the misrepresentation. However, there are various defences available to the persons or companies that you have a right to sue. In particular, they have a defence if you knew of the misrepresentation when you purchased the Bonds. If you intend to rely on the rights described in (a), (b), (c) or (d) above, you must do so within strict time limitations. No action may be commenced to enforce such right unless the right is exercised:

- (i) in the case of rescission or revision of the price, within three years from the date of the transaction; and
- (ii) in the case of damages, within three years of the date on which you acquired knowledge of the facts giving rise to the action, except upon proof that the plaintiff acquired such knowledge more than three years after the date of the transaction as a result of the negligence of the plaintiff, subject to a maximum period of five years from the date of the filing of the Offering Memorandum with the Autorité des marchés financiers.

In an action for rescission or revision of the price or damages against the Corporation, the defendant may defeat the application only if it is provided the plaintiff knew, at the time of the transaction, of the alleged misrepresentation.

### **11.10 Statutory Rights of Action for Subscribers in the Province of Saskatchewan**

If you are resident in Saskatchewan and this Offering Memorandum, together with any amendments hereto, contains a misrepresentation, subject to certain limitations, you have a statutory right to sue:

- (a) the Corporation to cancel your agreement to buy the Bonds; or
- (b) for damages against:
  - (i) the Corporation, every person who was a director or the promoter of the Corporation at the date of the Offering Memorandum;
  - (ii) every person or company whose consent has been filed respecting the Offering, but only with respect to reports, opinions or statements that have been made by them;
  - (iii) every person who, or company that, in addition to the persons or companies mentioned in clauses (i) and (ii), signed the Offering Memorandum; and
  - (iv) every person who, or company that, sells the Bonds on behalf of the Corporation under 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 Bonds. If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations.

You must commence your action to cancel the agreement within 180 days after you signed the agreement to purchase the Bonds.

You must commence your action for damages within the earlier of:

- (i) one year after learning of the misrepresentation; or
- (ii) six (6) years after you signed the agreement to purchase the Bonds.

In addition, subject to certain limitations, where any advertising or sales literature (as such terms are defined in the Saskatchewan securities legislation) disseminated in connection with the Offering contains a misrepresentation, a purchaser who purchases the Bonds referred to in that advertising or sales literature has a right of action against the Corporation, every promoter and director of the issuer, as the case may be, and every person who or company that sells the Bonds under the Offering with respect to which the advertising or sales literature was disseminated. In addition, subject to certain limitations, where an individual makes a verbal statement to a prospective purchaser that contains a misrepresentation relating to the Bonds and the verbal statement is made either before or contemporaneously with the purchase of the Bonds, the purchaser has a right of action for damages against the individual who made the verbal statement.

***You should refer to the applicable provisions of the securities legislation for particulars of the rights or consult with a lawyer.***

***You should consult your own legal advisers with respect to your rights and the remedies available to you. The rights discussed above are in addition to and without derogation from any other rights or remedies, which you may have at law.***

**THE SECURITIES LAWS OF ALBERTA, BRITISH COLUMBIA, MANITOBA, NEW BRUNSWICK, NEWFOUNDLAND AND LABRADOR, NOVA SCOTIA, ONTARIO, PRINCE EDWARD ISLAND, QUÉBEC AND SASKATCHEWAN ARE COMPLEX. THE FOREGOING IS A SUMMARY ONLY AND SUBJECT TO INTERPRETATION. REFERENCE SHOULD BE MADE TO THE APPLICABLE SECURITIES LEGISLATION, THE REGULATIONS AND THE RULES THEREUNDER FOR THE COMPLETE TEXT OF THE PROVISIONS UNDER WHICH THE FOREGOING RIGHTS ARE CONFERRED. THE FOREGOING SUMMARY IS SUBJECT TO THE EXPRESS PROVISIONS THEREOF.**

**THE RIGHTS DISCUSSED ABOVE ARE IN ADDITION TO, AND WITHOUT DEROGATION FROM, ANY OTHER RIGHTS OR REMEDIES WHICH THE SUBSCRIBERS MAY HAVE AT LAW. SUBSCRIBERS SHOULD CONSULT THEIR OWN LEGAL ADVISORS WITH RESPECT TO THEIR RIGHTS AND THE REMEDIES AVAILABLE TO THEM.**

**ITEM 12: FINANCIAL STATEMENTS**

**12.1 Audited Financial Statements of the Corporation**

Orchard Calgary Inc.  
Financial Statements  
July 31, 2014

## **Independent Auditors' Report**

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To the Shareholders of Orchard Calgary Inc.

We have audited the accompanying financial statements of Orchard Calgary Inc., which comprise the statement of financial position as at July 31, 2014, and the statements of comprehensive loss, changes in equity and cash flows for the period from incorporation on March 12, 2014 to July 31, 2014, and a summary of significant accounting policies and other explanatory information.

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

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

### **Auditor's Responsibility**

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

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of Orchard Calgary Inc. as at July 31, 2014, and its financial performance, changes in equity and cash flows for the period from incorporation on March 12, 2014 to July 31, 2014 in accordance with International Financial Reporting Standards.

**Emphasis of Matter**

We draw attention to Note 10 of the financial statements which outlines the offering that Orchard Calgary Inc. is undertaking subsequent to period end which, if unsuccessful, could have a material effect on the entity's ability to continue as a going concern. Our opinion is not qualified in respect of this matter.

*Rice & Company L.L.P.*

CHARTERED ACCOUNTANTS

Calgary, Canada  
September 25, 2014

**Orchard Calgary Inc.**  
*(Incorporated under the laws of Alberta)*  
**Statement of Financial Position**  
**July 31, 2014**

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<b>Assets</b>	<b>Notes</b>	
Current asset		
Cash		\$ <u>236</u>
Total assets		\$ <u><u>236</u></u>
<b>Equity</b>		
Share capital	7	\$ 300
Deficit		<u>(64)</u>
Total equity attributable to equity holders of the Corporation		<u>236</u>
Total liabilities and equity		\$ <u><u>236</u></u>

See accompanying notes to the financial statements.

These financial statements were approved by the Director of the Corporation on September 25, 2014.

                    (signed) "Brad J. Lamb"                    , Director



**Orchard Calgary Inc.**  
**Statement of Changes in Equity**  
**For the Period from Incorporation on March 12, 2014 to July 31, 2014**

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	<b>Notes</b>	<b>Number of Shares</b>	<b>Share Capital Stated Value</b>	<b>Deficit</b>	<b>Total Equity</b>
Preferred shares issued on incorporation	7	10,000	\$ 100	\$ -	100
Common shares issued on incorporation	7	200	200	-	200
Loss for the period		-	-	(64)	(64)
<b>Balance at July 31, 2014</b>		<u>10,200</u>	<u>\$ 300</u>	<u>\$ (64)</u>	<u>236</u>

See accompanying notes to the financial statements.

**Orchard Calgary Inc.**  
**Statement of Cash Flows**  
**For the Period from Incorporation on March 12, 2014 to July 31, 2014**

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**Cash provided by (used in):**

<b>Cash flows from operating activities</b>	
Net loss	\$ <u>(64)</u>
<b>Net cash used in operating activities</b>	<u>(64)</u>
<b>Cash flows from financing activities</b>	
Proceeds on issuance of share capital	<u>300</u>
<b>Net cash provided by financing activities</b>	<u>300</u>
<b>Change in cash, beginning cash, end of period cash</b>	<u>\$ <u>236</u></u>

See accompanying notes to the financial statements.

**Orchard Calgary Inc.**  
**Notes to the Financial Statements**  
**Period from Incorporation on March 12, 2014 to July 31, 2014**

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**1. General business description**

Orchard Calgary Inc. (the "Corporation") was incorporated pursuant to the Business Corporations Act (Alberta) on March 12, 2014. The Corporation was formed to raise funds pursuant to an offering (note 10) for the purposes of lending funds to Lamb Calgary Inc. ("LCI"), an entity related by a common officer and director of the Corporation, with the intent of using the funds to develop land, in Calgary, Alberta ("Project Lands").

The proposed business of the Corporation involves a high degree of risk and there is no assurance that the Corporation will be able to raise the amount of funds to finance its activities as disclosed in note 10.

The address of the Corporation is 25 Brodie Drive, Suite 1, Richmond Hill, Ontario, L4B 3K7.

**2. Basis of presentation**

**2.1 Statement of compliance**

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These financial statements were authorized for issue by the director of the Corporation on September 25, 2014.

**2.2 Basis of measurement**

The financial statements have been prepared on a historical cost basis except for held for trading financial assets which are measured at fair value with changes in fair value recorded to earnings.

The methods used to measure fair values are discussed in note 4.

**2.3 Functional and presentation currency**

These financial statements are presented in Canadian dollars, which is the Corporation's functional currency.

## Orchard Calgary Inc.

### Notes to the Financial Statements

#### Period from Incorporation on March 12, 2014 to July 31, 2014

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#### 2.4 Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may vary from these estimates.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Accounting estimates will, by definition, seldom equal the actual results. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future years affected.

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is valuation of financial instruments (note 4).

There were no critical estimates and assumptions in determining the value of assets, liabilities and equity as at July 31, 2014.

### 3. Significant accounting policies

#### 3.1 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

##### 3.1.1 *Financial assets*

Financial assets include any outstanding accounts receivable and cash and cash equivalents. Purchases and sale of financial assets are recognized on the settlement date, which is the date in which the asset is delivered to or by the Corporation. Financial assets are derecognized when the rights to receive cash flows have expired or are transferred and the Corporation has transferred substantially all risks and rewards of ownership. Financial assets are classified in the following categories at the time of the initial recognition based on the purpose for which the financial assets were acquired:

**Orchard Calgary Inc.**

**Notes to the Financial Statements**

**Period from Incorporation on March 12, 2014 to July 31, 2014**

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Classification

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management and its performance is evaluated on a fair value basis, in accordance with the Corporation's documented risk management or investment strategy. The Corporation has designated cash as held for trading.

Recognition and measurement

Financial assets carried at fair value through profit or loss are initially recognized, and subsequently carried, at fair value, with changes recognized in the income statement. Transaction costs are expensed when incurred.

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date, which are classified as non-current assets. Assets in this category include accounts receivable which are classified as current assets in the statement of financial position.

The Corporation did not have any accounts receivable at July 31, 2014 and, as a result, has not designated any financial assets as loans and receivables as at July 31, 2014.

Recognition and measurement

Loans and receivables are initially recognized at fair value plus transaction costs and subsequently carried at amortized cost using the effective interest method, less any impairment losses. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

## Orchard Calgary Inc.

### Notes to the Financial Statements

#### Period from Incorporation on March 12, 2014 to July 31, 2014

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##### *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They consist of investments in equity securities and certain other debt securities. They are included in other non-current financial assets unless management intends to dispose of the investments within 12 months of the balance sheet date. Available-for-sale financial assets are recorded in other comprehensive income until realized, at which time they are recorded through profit or loss. The Corporation has not designated any financial assets as available-for-sale.

##### Reclassification of financial assets

Reclassification is only permitted in rare circumstances and where the asset is no longer held for the purpose of selling in the short term. In all cases, reclassification of financial assets are limited to debt instruments. Reclassifications are accounted for at fair value of the financial asset at the date of reclassification.

##### 3.1.2 *Financial liabilities*

Financial liabilities primarily consist of bank indebtedness (if any) and accounts payable and accrued liabilities (if any). Financial liabilities are initially measured at fair value and subsequently measured at amortized cost for liabilities that are not hedged, and fair value for liabilities that are hedged. Non-performance risk, including the Corporation's own credit risk for financial liabilities, is considered when determining the fair value of financial liabilities.

##### 3.1.3 *Equity instruments*

Common shares are classified as equity. Incremental costs directly attributable to the common shares are recognized as a deduction from equity, net of any tax effects.

##### 3.1.4 *Impairment*

The Corporation addresses at each balance sheet date whether there is objective evidence that a financial asset, other than those at fair value through profit and loss, or a group of financial assets, is impaired. When an impairment has occurred, the cumulative loss is recognized in profit or loss.

**Orchard Calgary Inc.**

**Notes to the Financial Statements**

**Period from Incorporation on March 12, 2014 to July 31, 2014**

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Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. Receivables that are assessed not to be impaired are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables may include the Corporation's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 90 days, as well as observable changes in the national or local economic conditions that may default on receivables.

For financial assets carried at amortized cost, the amount of impairment loss recognized is the difference between the assets carrying amount and the present value of estimated future cash flows, discounted at the financial assets' original effective interest rate.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of accounts receivable, where the carrying amount is reduced through the use of an allowance account. When an account receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited through the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through the profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized. Any increase in fair value subsequent to an impairment loss with respect to available-for-sale equity instruments is recognized in other comprehensive income.

**Orchard Calgary Inc.**  
**Notes to the Financial Statements**  
**Period from Incorporation on March 12, 2014 to July 31, 2014**

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3.2 Income taxes

Income tax expense or recovery is comprised of current and deferred tax. Income tax expense or recovery in profit and loss except to the extent that it relates to items recognized in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, plus any adjustment to tax payable in respect of previous years.

Deferred tax is recognized using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences, including carry forward of non-capital losses, can be utilized.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they are related to income taxes levied by the same taxation authority on the same taxable entity, or on different tax entities, where the intention is to settle current tax liabilities and asset on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is not probable that the related tax benefit will be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future profit will allow the deferred tax asset to be recovered.



## **Orchard Calgary Inc.**

### **Notes to the Financial Statements**

#### **Period from Incorporation on March 12, 2014 to July 31, 2014**

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##### 3.3 Provisions and contingent liabilities

Provisions and contingent liabilities are recognized when there is a present legal or constructive obligation arising as a result of a past event for which it is probable that an outflow of economic benefits will be required to settle the obligation and where a reliable estimate can be made of the amount of the obligation. Provisions and contingent liabilities are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

##### 3.4 Related party transactions

All related party transactions must be disclosed in the financial statements which include the amount of the transactions, the amount of outstanding balances, including terms, provisions for doubtful debts related to outstanding balances and the expense recognized during the period in respect of bad or doubtful debts from related parties.

##### 3.5 Property, plant and equipment

Property, plant and equipment will be stated at cost less accumulated depreciation and recognized impairment loss. Amortization will be charged so as to write off the cost of assets, other than land or properties under construction, over the estimated useful lives, using the declining balance method, at rates to be determined.

Assets held under finance leases will be depreciated over the expected lives on the same basis as owned assets or, where shorter, over the term of the relevant lease.

The gain or loss on the disposal or retirement of an asset will be determined as a difference between the sales proceeds and the carrying amount of the asset and is recognized in the income statement.

##### 3.6 Revenue and expense recognition

Revenue and expenses will be recognized in the financial statements on an accrual basis.

## Orchard Calgary Inc.

### Notes to the Financial Statements

#### Period from Incorporation on March 12, 2014 to July 31, 2014

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##### 3.7 New accounting standards and interpretations

In addition to the foregoing accounting policies outlined, the IASB has issued certain new standards, interpretations and amendments to existing standards which are not effective until accounting periods subsequent to July 31, 2014 and which have not yet been adopted by the Corporation. These include:

On January 1, 2015, the Corporation will be required to adopt IFRS 9 "Financial Instruments", which is the result of the first phase of the International Accounting Standards Board ("IASB") project to replace IAS 39 "Financial Instruments: Recognition and measurement". The new standard replaces the current multiple classification and measurement models for financial assets and liabilities with a single model that has only two classification categories: amortized cost and fair value. Portions of the standard remain in development and the full impact of the standard on the Corporation's financial statements will not be known until the project is complete.

#### 4. Determination of fair values

Certain of the Corporation's accounting policies and disclosures require the determination of fair value for financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

The fair value of cash approximates its carrying values due to its short term to maturity.

The significance of inputs used in making fair value measurements for assets and liabilities measured at fair value are examined and classified according to a fair value hierarchy. Fair values of assets and liabilities included in Level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Assets and liabilities in Level 2 include valuations using inputs other than quoted prices for which all significant outputs are observable, either directly or indirectly and are based on valuation models and techniques where the inputs are derived from quoted indices. Level 3 valuations are based on inputs that are unobservable and significant to the overall fair value measurement.

Cash is measured at fair value based on a Level 1 designation.

**Orchard Calgary Inc.**  
**Notes to the Financial Statements**  
**Period from Incorporation on March 12, 2014 to July 31, 2014**

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**5. Financial risk management**

5.1 Overview

The Corporation's planned operations will expose it to a variety of financial risks that arise as a result of its operating and financing activities:

- credit risk;
- liquidity risk; and,
- market risk.

This note presents information about the Corporation's exposure to each of the above risks, the Corporation's objectives, policies and processes for measuring and managing risks, and the Corporation's management of capital.

The Corporation employs risk management strategies and policies to ensure that any exposure to risk is in compliance with the Corporation's business objectives and risk tolerance levels. While the Directors have the overall responsibility for the establishment and oversight of the Corporation's risk management framework, management has the responsibility to administer and monitor these risks.

5.2 Credit Risk

Credit risk is the risk of financial loss to the Corporation if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The maximum exposure to credit risk at July 31, 2014 is as follows:

	Carrying amount	
	July 31, 2014	
Cash	\$	236

*Cash*

Cash consists of cash bank balances. The Corporation manages the credit exposure related to cash by selecting financial institutions with high credit ratings. Given these credit ratings, management does not expect any counterparty to fail to meet its obligations.

**Orchard Calgary Inc.**  
**Notes to the Financial Statements**  
**Period from Incorporation on March 12, 2014 to July 31, 2014**

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5.3 Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they are due. The Corporation's approach to managing liquidity is to ensure it will have sufficient liquidity to meet its liabilities when due. The Corporation's ongoing liquidity will be impacted by various external events and conditions.

The Corporation did not have any financial liabilities at July 31, 2014.

5.4 Market risk

Market risk is the risk that changes in market prices, such as interest rates, will affect the Corporation's net income or the value of financial instruments. The objective of the Corporation is to manage and mitigate market risk exposures within acceptable limits, while maximizing returns.

*Interest rate risk*

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. As the Corporation does not currently have any interest bearing debt, the Corporation is not exposed to interest rate risk.

The Corporation had no interest rate swaps or financial contracts in place as at or during the period ended July 31, 2014.

5.5 Capital management

The Corporation's capital management policy is to maintain a strong capital base that optimizes the Corporation's ability to grow, maintain investor and creditor confidence and to provide a platform to create value for its shareholders. The Corporation intends to maintain a flexible capital structure to maximize its ability to pursue additional investment opportunities, which considers the Corporation's early stage of development and the requirement to sustain future development of the business.

## Orchard Calgary Inc.

### Notes to the Financial Statements

#### Period from Incorporation on March 12, 2014 to July 31, 2014

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#### 8. General and administrative

No personnel or general administrative expenses were incurred during the period ended July 31, 2014.

#### 9. Related party transactions

On March 13, 2014, the Corporation signed an agreement with Target Capital Inc. ("Target"), the majority shareholder of the Corporation, whereby the Corporation agrees to pay Target an annual fee equal to \$2,500 plus  $\frac{1}{2}$  of 1% of the amount of capital raised from the offering (note 10) in excess of \$500,000 through deferred plans (any one of, or collectively, a Registered Retirement Savings Plan, Registered Retirement Income Fund, Registered Education Savings Plan and Tax-Free Savings Account, all as defined under the Income Tax Act). The minimum term of the agreement is two years but is expected to be renewed until the Bonds issued as a result of the offering (note 10) either mature or are redeemed by the Corporation. These fees will be paid by LCI on the Corporation's behalf. This transaction is in the normal course of operations and is measured at the exchange amount of consideration established and agreed to by the related parties.

#### 10. Subsequent event

The Corporation has prepared an offering memorandum (the "offering"), for the offer of 8% unsecured participating bonds (the "Bonds"), of up to an aggregate maximum of 32,700 Bonds at a price of \$1,000 per Bond for total gross proceeds of \$32,700,000 and a minimum of 100 Bonds at a price of \$1,000 per Bond for total gross proceeds of \$100,000. Each Bond pays 8% interest per annum, calculated quarterly from the date of issue, and shall be payable quarterly on the last business day of every calendar quarter during the term of the Bonds, commencing on the last business day of December 2014. The Bonds shall mature, subject to early redemption by the Corporation, on September 25, 2018, subject to two options to extend, each for an additional year. All costs and fees associated with the offering will be paid on the Corporation's behalf by LCI.

The Corporation may, in its sole discretion, distribute to the bondholders, on a pro rata basis, the amount equal to the Deferred Lender Fee as described under the terms of the loan agreement with LCI.

The Bonds are unsecured obligations until the security on the Project Lands becomes enforceable, which is within ninety days of the construction financing being registered on the Project Lands, pursuant to the terms of the Trust Indenture.

## Orchard Calgary Inc.

### Notes to the Financial Statements

#### Period from Incorporation on March 12, 2014 to July 31, 2014

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Where allowed by applicable securities legislation, the Corporation intends to offer compensation of up to 10.35% of the gross proceeds realized on the sale of Bonds under this offering. If agents are retained, the Corporation will pay aggregate fees and commissions of up to 10.35% of the gross proceeds realized on the Bonds sold by such agent. The Corporation may also compensate directors, officers, employees and consultants of the Corporation up to 10.35% of the gross proceeds realized on the sale of the Bonds for soliciting subscriptions for Bonds with respect to the Bonds not sold by an agent. The Corporation may pay, in its sole discretion, an amount equal to 16% of the bondholders subscription amount ("Lender Fee"), to bondholders who subscribe to an aggregate amount equal or greater than \$1,000,000. If the bondholder receives the Lender Fee, the bondholder will not be entitled to the Deferred Lender Fee. LCI will pay all fees and commissions on the Corporation's behalf.

Closing of the offering is set to take place periodically at the Corporation's discretion with the minimum closing to occur on or before November 30, 2014. In the event the first closing does not occur on or before November 30, 2014, all subscription funds will be returned to subscribers without interest or deduction.

#### *LCI loan agreement*

The Corporation entered into a loan agreement with LCI on September 25, 2014, whereby the Corporation will loan the net proceeds from the offering to LCI (the "Loan"). The interest rate will be 8% per annum, shall be payable quarterly on the last business day of every calendar quarter during the term of the Loan, commencing on the last business day of December 2014. The maturity date of the Loan will be September 25, 2018, with two options to extend, each for an additional year. The Loan may be repaid in part or in full at any time without notice, bonus or penalty.

In the event the revenue received from the full disposition exceeds the costs related to the Project Lands ("Project Profit"), LCI will pay the Corporation a deferred lender fee (the "Deferred Lender Fee") within 60 days of the date which all the outstanding Project Lands have been sold, and substantially all of the revenue has been received. The Deferred Lender Fee will be calculated as follows: amount that the Project Profit exceeds \$45,000,000, an amount equal to 16% of the Loan amount. No Deferred Lender Fee will be payable if the Project Profit is less than \$45,000,000.

#### *Trust indenture*

On September 25, 2014, the Corporation entered into a trust indenture with Computershare Trust Company of Canada, as trustee and LCI, as guarantor, creating a security interest in the Project Lands as security of the Bonds issued by the Corporation pursuant to the offering. The Bonds will be secured by a registered mortgage and charge on the Project Lands equal to the aggregate principal amounts of the Bonds. The security is to be registered within ninety days of the construction financing being registered on the Project Lands.

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LAMB CALGARY INC.

BALANCE SHEET

PERIOD ENDED JUNE 18, 2014 - Unaudited

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ASSETS

Cash	\$	975,679
Accounts receivable & sundry		58,362
Real estate under development		8,539,669
	\$	<u>9,573,709</u>

LIABILITIES

Accounts payable	\$	112,766
Shareholders' advances		6,140,843
Loans payable		3,320,000
	\$	<u>9,573,609</u>

SHAREHOLDER'S EQUITY

Stated Capital		
Issued	\$	100
100 Common shares		
Retained Earnings		-
		<u>100</u>
	\$	<u>9,573,709</u>

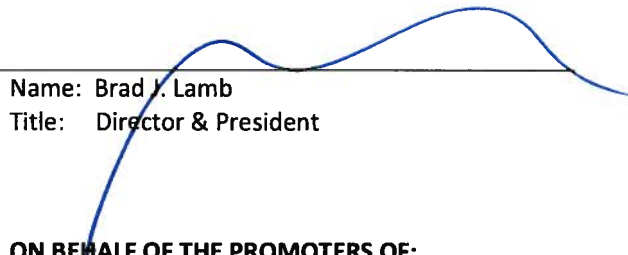
**ITEM 13: DATE AND CERTIFICATE**

Dated: September 25, 2014

**This Offering Memorandum does not contain a misrepresentation.**

**ON BEHALF OF THE DIRECTORS AND OFFICERS OF:**

**ORCHARD CALGARY INC.**

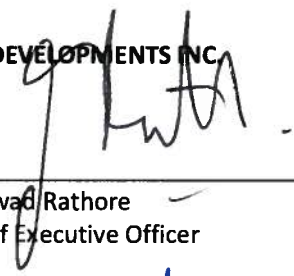


\_\_\_\_\_  
Name: Brad J. Lamb  
Title: Director & President

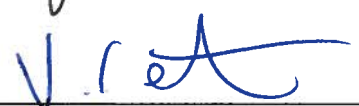
**ON BEHALF OF THE PROMOTERS OF:**

**ORCHARD CALGARY INC.**

**FORTRESS REAL DEVELOPMENTS INC.**



Per \_\_\_\_\_  
Name: Jawad Rathore  
Title: Chief Executive Officer



Per \_\_\_\_\_  
Name: Vince Petrozza  
Title: Chief Operating Officer



SCHEDULE A

SUBSCRIPTION FOR BONDS

TO: Orchard Calgary Inc. (the "Corporation")

The undersigned (hereinafter referred to as the "Subscriber") hereby irrevocably subscribes for and agrees to purchase the number of Bonds (the "Bonds") of the Corporation set forth below for the aggregate subscription amount set forth below, representing a subscription price of CDN \$1,000 per Bond, upon and subject to the terms and conditions set forth in "Terms and Conditions of Subscription for Bonds of Orchard Calgary Inc." attached hereto (the "Subscription Agreement"). In addition to this face page, the Subscriber must also complete all applicable schedules attached hereto.

Full Legal Name of Subscriber (please print)
By:
Signature of Subscriber or its Authorized Representative
Official Title or Capacity (please print)
Name of Signatory (please print name of individual whose signature appears above if different than name of Subscriber)
Subscriber's Address (including postal code)
Social Insurance Number / Business Number
Date of Execution
Telephone Number (including area code)
Email Address

Aggregate Subscription Amount: \$

Number of Bonds:

If the Subscriber is signing as agent for a principal and is not a trust corporation or, in Alberta or British Columbia, a portfolio manager in any case, purchasing as a trustee or an agent for accounts fully managed by it, complete the following and ensure that the applicable schedules attached hereto are completed in respect of such principal:
Name of Principal
Principal's address
Telephone Number
Email Address

Register the Bonds (if different from address above) as follows:
Name
Account reference, if applicable
Address (including postal code)

Deliver the Bonds (if different from address given) as follows:
Name
Account reference, if applicable
Contact Name
Address (including postal code)
Telephone Number (including area code)

FOR OFFICE USE ONLY
ACCEPTANCE: The Corporation hereby accepts the subscription as set forth above on the terms and conditions contained in this Subscription Agreement.
Orchard Calgary Inc.
Per:
Date:
No.:

(This is the first page of an agreement comprised of 9 pages (excluding the Schedules hereto))

**PLEASE MAKE SURE THAT YOUR SUBSCRIPTION INCLUDES:**

1. A signed copy of this Subscription Agreement;
2. A cheque or bank draft:
  - (a) in an amount equal to the Aggregate Subscription Amount (as set forth in the Subscription Agreement), payable to "Olympia Trust Company, in trust for Orchard Calgary Inc.", with your non-registered account number noted on the cheque or bank draft, or
  - (b) in an amount equal to the Aggregate Subscription Amount (as set forth in the Subscription Agreement) plus an RRSP administration fee, if any, if you wish to use funds from a Deferred Plan to purchase the Bonds, payable to the financial institution that holds your RRSP account (e.g. "Olympia Trust Company") with your account number noted on the cheque or bank draft;
3. A properly completed and duly executed copy of the appropriate investor qualification form(s):
  - **if you are resident in British Columbia, New Brunswick, Nova Scotia, or Newfoundland and Labrador**, you must submit two (2) copies of the Risk Acknowledgement in the form attached to this Subscription Agreement as Appendix 1A OR Appendix 1B as applicable (one copy may be retained for your records);
  - **if resident in Alberta, Manitoba, Prince Edward Island or Saskatchewan**, you must submit two (2) copies of the Risk Acknowledgement in the form attached to this Subscription Agreement as Appendix 1A OR Appendix 1B as applicable (one copy may be retained for your records), and one (1) copy of the Eligible Investor Representation Letter in the form attached to this Subscription Agreement as Appendix 2;
  - **if resident in Ontario and you are purchasing Bonds as an "accredited investor" (as such term is defined by NI 45-106)**, two (2) completed and signed copies of the Accredited Investor Representation Letter attached to the Subscription Agreement as Appendix 3;
  - **if resident in Québec and you are purchasing Bonds as an "accredited investor" (as such term is defined by NI 45-106)**, two (2) completed and signed copies of the Accredited Investor Representation Letter attached to the Subscription Agreement as Appendix 3, and one (1) copy of the Eligible Investor Representation Letter in the form attached to this Subscription Agreement as Appendix 2;
  - If resident in **Alberta, British Columbia, Manitoba and Saskatchewan** and the Bonds are sold by a market participant not registered in accordance with the applicable securities regulatory authority, two (2) properly completed and duly executed Blanket Order 31-505 Risk Acknowledgements in the form attached to this Subscription Agreement as Appendix 4 (one copy may be retained for your records); and
4. A signed copy of the Target Release attached as Appendix 5 to the Subscription Agreement.

**PLEASE DELIVER YOUR SUBSCRIPTION TO:**

**Orchard Calgary Inc.**  
c/o Bond Processing Department  
25 Brodie Drive Unit #1  
Richmond Hill, Ontario  
L4B 3K7

**TERMS AND CONDITIONS OF SUBSCRIPTION FOR  
BONDS OF ORCHARD CALGARY INC.**

**Definitions** In this Subscription Agreement:

- (a) "Aggregate Subscription Amount" means the aggregate dollar amount of the subscription under this Subscription Agreement;
- (b) "Bonds" means Bonds of the Corporation offered pursuant to the Offering Memorandum;
- (c) "Bondholder(s)" means a holder of Bonds purchased by a Subscriber pursuant to this Offering Memorandum;
- (d) "Closing Date" means the dates on which Bonds are issued by the Corporation pursuant to the Offering Memorandum;
- (e) "Corporation" means Orchard Calgary Inc., a corporation incorporated under the *Business Corporations Act* (Alberta);
- (f) "Offering" means the offering of the Corporation's Bonds pursuant to the Offering Memorandum;
- (g) "Offering Memorandum" means the offering memorandum of the Corporation dated September 25, 2014; and
- (h) "Securities" means the Bonds of the Corporation offered under the Offering Memorandum.

**Acknowledgements of the Subscriber** The Subscriber acknowledges (on its own behalf and, if applicable, on behalf of each person on whose behalf the Subscriber is contracting) that:

- (a) this subscription is subject to rejection or acceptance by the Corporation in whole or in part, and is effective only upon acceptance by the Corporation;
- (b) where allowed by applicable securities legislation, LCI intends to offer:
  - i. compensation of up to 10.35% of the gross proceeds realized on the sale of Bonds under this Offering by non-registered persons, including parties related to the Corporation, employees and/or contractors of such parties, and officers and directors of the Corporation, for referral of Subscribers or for otherwise supporting or facilitating the ultimate sale of the Bonds or securing subscriptions; or
  - ii. commissions of up to 9% of the gross proceeds realized on the sale of Bonds under this Offering by exempt market dealers, investment dealers and/or their dealing representatives, plus a Dealer Administration Fee (as defined in the Offering Memorandum), if applicable;
  - iii. an amount equal to 4.65% of the proceeds raised in this Offering for marketing and promotional fees to the Wholesaler (as defined in the Offering Memorandum);
  - iv. a fee in the amount of 4% of the Total Costs (as defined in the Offering Memorandum) of the Project payable to each of Fortress (as defined in the Offering Memorandum) and Lamb (as defined in the Offering Memorandum) in respect of their services; and
  - v. a Lender Fee (as defined in the Offering Memorandum) may be paid to a Subscriber, in lieu of the Deferred Lender Fee (as defined in the Offering Memorandum), if the Aggregate Subscription Amount is equal or greater than \$1,000,000, at the Issuer's discretion.
- (c) the Bonds subscribed for by the Subscriber hereunder form part of a larger issue and sale by the Corporation of up to 32,700 Bonds at a subscription price of \$1,000 per Bond (the "Offering");
- (d) **the following capitalized terms shall have the same meaning as provided for within the Offering Memorandum:**

**The Subscriber consents to the LCI Loan and agrees that the LCI Loan will not constitute a breach of any fiduciary or other duty of the directors and officers of the Corporation and will not give rise to any obligation by LCI, or its respective officers, directors or shareholders to account to the Corporation or its Bondholders for any profit made by LCI from the use of the LCI Loan proceeds by LCI; and**
- (e) **the Subscriber is responsible for obtaining such legal advice as it considers appropriate in connection with the execution, delivery and performance by it of this Subscription Agreement.**

**Redemption** Subject to the Corporation's right of early redemption,

- i. in the event that the Corporation receives written notice from a Bondholder at least 90 days prior to their applicable Maturity Date (as defined in the Offering Memorandum) requesting that their Bonds be redeemed on the applicable Maturity Date (a "Redemption Notice"), the Corporation shall redeem that Bondholder's Bonds on the Maturity Date through the payment of all accrued but unpaid interest and the principal amount of the Bonds; or

- ii. if the Corporation does not receive a Redemption Notice as described above, a Bondholder's Bonds will be deemed to have been renewed on a "demand" basis on the same terms and conditions with respect to interest as the initial term.

**Representations, Warranties and Covenants of the Subscriber** By executing this Subscription Agreement, the Subscriber (on its own behalf and, if applicable, on behalf of each person on whose behalf the Subscriber is contracting) represents, warrants and covenants to the Corporation (and acknowledges that the Corporation and its counsel are relying thereon) that:

- (a) if the Subscriber is an individual, the Subscriber is of the full age of majority in the jurisdiction in which this Subscription Agreement is executed and is legally competent to execute and deliver this Subscription Agreement, to perform all of its obligations hereunder, and to undertake all actions required of the Subscriber hereunder;
- (b) if the Subscriber is not an individual, the Subscriber has the requisite power, authority, legal capacity and competence to execute and deliver this Subscription Agreement, to perform all of its obligations hereunder, and to undertake all actions required of the Subscriber hereunder, and all necessary approvals of its directors, partners, Shareholders, trustees or otherwise with respect to such matters have been given or obtained;
- (c) if the Subscriber is a body corporate, the Subscriber is duly incorporated and validly subsisting under the laws of its jurisdiction of incorporation;
- (d) this Subscription Agreement has been duly and validly authorized, executed and delivered by, and constitutes a legal, valid, binding and enforceable obligation of, the Subscriber;
- (e) if the Subscriber is acting as agent or trustee for a principal, the Subscriber is duly authorized to execute and deliver this Subscription Agreement and all other necessary documents in connection with such subscription on behalf of such principal, and this Subscription Agreement has been duly authorized, executed and delivered by or on behalf of, and constitutes a legal, valid, binding and enforceable obligation of, such principal;
- (f) the execution, delivery and performance by the Subscriber of this Subscription Agreement and the completion of the transactions contemplated hereby do not and will not result in a violation of any law, regulation, order or ruling applicable to the Subscriber, and do not and will not constitute a breach of or default under any of the Subscriber's constating documents (if the Subscriber is not an individual) or any agreement to which the Subscriber is a party or by which it is bound;
- (g) the Subscriber confirms that if the Subscriber (and, if the Subscriber is not purchasing as principal, each beneficial purchaser for whom the Subscriber is acting) is:
  - (i) **resident in or otherwise subject to the applicable securities laws of British Columbia, New Brunswick, Nova Scotia or Newfoundland and Labrador**, it is purchasing the Bonds as principal for its own account and not for the benefit of any other person and it has received or been provided with a copy of the Offering Memorandum **and has duly completed and executed two (2) copies of the Risk Acknowledgement in the form attached hereto as Appendix 1A OR Appendix 1B as applicable (one copy for each of the Corporation and the Subscriber);**
  - (ii) **resident in or otherwise subject to the applicable securities laws of Alberta, Manitoba, Prince Edward Island, or Saskatchewan**, it is purchasing the Bonds as principal for its own account and not for the benefit of any other person and it has received or been provided with a copy of the Offering Memorandum **and has duly completed and executed two (2) copies of the Risk Acknowledgement in the form attached hereto as Appendix 1A OR Appendix 1B as applicable (one copy for each of the Corporation and the Subscriber), and has duly completed and executed copy of the Representation Letter in the form attached hereto as Appendix 2;**
  - (iii) **resident in or otherwise subject to the applicable securities laws of Ontario**, it is purchasing the Bonds as principal for its own account and not for the benefit of any other person and is an "**accredited investor**", as such term is defined in National Instrument 45-106- "Prospectus and Registration Exemptions" ("**NI 45-106**"), **and has concurrently executed and delivered a Representation letter in the form attached as Appendix 3 to this Subscription Agreement with Appendix A to Appendix 3 completed;**
  - (iv) **resident in or otherwise subject to the applicable securities laws of Québec**, it is purchasing the Bonds as principal for its own account and not for the benefit of any other person and is an "**accredited investor**", as such term is defined in National Instrument 45-106- "Prospectus and Registration Exemptions" ("**NI 45-106**"), **and has concurrently executed and delivered a Representation letter in the form attached as Appendix 3 to this Subscription Agreement with Appendix A to Appendix 3 completed, and has duly completed and executed copy of the Representation Letter in the form attached hereto as Appendix 2;**
  - (v) **resident in Alberta, British Columbia, Manitoba and Saskatchewan** and the Bonds are sold by a market participant not registered in accordance with the applicable securities regulatory authority, it **has duly completed and executed two (2) properly completed and duly executed Blanket Order 31-505 Risk**

**Acknowledgements in the form attached to this Subscription Agreement as Appendix 4** (one copy may be retained for your records)

- (h) has such knowledge in financial and business affairs as to be capable of evaluating the merits and risks of its investment in the Bonds;
  - (i) is capable of assessing the proposed investment in the Bonds as a result of the Subscriber's own experience or as a result of advice received from a person registered under applicable securities legislation; and
  - (ii) is able to bear the economic risk of loss of its investment in the Bonds;
- (i) the Subscriber understands that no securities commission, stock exchange, governmental agency, regulatory body or similar authority has made any finding or determination or expressed any opinion with respect to the merits of investing in the Bonds;
- (j) the Subscriber acknowledges that no prospectus has been filed by the Corporation with any securities commission or similar regulatory authority in any jurisdiction in connection with the issuance of the Bonds and the issuance is exempted from the prospectus requirements available under the provisions of applicable securities laws and as a result:
  - (i) the Subscriber may be restricted from using some of the civil remedies otherwise available under applicable securities laws;
  - (ii) the Subscriber may not receive information that would otherwise be required to be provided to it under applicable securities laws; and
  - (iii) the Corporation is relieved from certain obligations that would otherwise apply under applicable securities laws;
- (k) the Subscriber confirms that neither the Corporation or any of its representative directors, employees, officers or affiliates, have made any representations (written or oral) to the Subscriber:
  - (i) regarding the future value of the Bonds;
  - (ii) that any person will resell or repurchase the Bonds;
  - (iii) that the Bonds will be listed on any stock exchange or traded on any market; or
  - (iv) that any person will refund the purchase price of the Bonds other than as provided in this Subscription Agreement;
- (l) the Subscriber confirms that it has been advised to consult its own legal and financial advisors with respect to the suitability of the Bonds as an investment for the Subscriber, the tax consequences of purchasing and dealing with the Bonds, and the resale restrictions and "hold periods" to which the Bonds are or may be subject under applicable securities legislation or stock exchange rules, and has not relied upon any statements made by or purporting to have been made on behalf of the Corporation with respect to such suitability, tax consequences, and resale restrictions;
- (m) except for the Subscriber's knowledge regarding its subscription for Bonds hereunder, the Subscriber has no knowledge of a "material fact" or a "material change" (as those terms are defined in the *Securities Act* (Alberta)) in the affairs of the Corporation that has not been generally disclosed;
- (n) the Subscriber is resident in the jurisdiction indicated on the face page of this Subscription Agreement as the "Subscriber's Address" and the purchase by and sale to the Subscriber of the Bonds, and any act, solicitation, conduct or negotiation directly or indirectly in furtherance of such purchase and sale (whether with or with respect to the Subscriber or any beneficial purchaser) has occurred only in such jurisdiction;
- (o) the Subscriber acknowledges that it and/or the Corporation may be required to provide applicable securities regulatory authorities or stock exchanges with information concerning the identities of the beneficial purchasers of the Bonds and the Subscriber agrees that, notwithstanding that the Subscriber may be purchasing the Bonds as agent for an undisclosed principal, the Subscriber will provide to the Corporation, on request, particulars as to the identity of such undisclosed principal as may be required by the Corporation in order to comply with the foregoing;
- (p) the Subscriber understands that it will not resell the Bonds except in accordance with limited exemptions available under applicable securities legislation, regulatory policy and stock exchange rules, and that the Subscriber is solely responsible for (and the Corporation is not in any way responsible for) the Subscriber's compliance with applicable resale restrictions;
- (q) the Subscriber acknowledges that it is aware that there is no market upon which the Bonds trade and there is no assurance that any of the Bonds will be listed and posted for trading on a stock exchange or dealer network in the future;
- (r) the Subscriber understands that the sale of the Bonds is conditional upon such sale being exempt from the requirements to file and obtain a receipt for a prospectus, and the requirement to sell securities through a registered dealer, or upon the issuance of such orders, consents or approvals as may be required to enable such sale to be made without complying

with such requirements, and that as a consequence of acquiring the Bonds pursuant to such exemptions, certain protections, rights and remedies provided by applicable securities legislation, including statutory rights of rescission or damages in the event of a misrepresentation may not be available to the Subscriber in connection with the purchase and sale of the Bonds;

- (s) the Subscriber understands that any certificates representing the Bonds will bear a legend indicating that the resale of such securities is restricted;
- (t) the Subscriber is not a "U.S. Person" (as that term is defined by Regulation S under the U.S. Securities Act, which definition includes, but is not limited to, an individual resident in the United States, an estate or trust of which any executor or administrator or trustee, respectively, is a U.S. Person and any partnership or corporation organized or incorporated under the laws of the United States) and is not acquiring the Bonds for the account or benefit of a U.S. Person or a person in the United States;
- (u) the Bonds have not been Offered to the Subscriber in the United States, and the individuals making the order to purchase the Bonds and executing and delivering this Subscription Agreement on behalf of the Subscriber were not in the United States when the order was placed and this Subscription Agreement was executed and delivered;
- (v) the Subscriber undertakes and agrees that it will not offer or sell any of the Bonds in the United States unless such Securities are registered under the U.S. Securities Act and the securities laws of all applicable states of the United States, or an exemption from such registration requirements is available;
- (w) the Subscriber acknowledges that, in addition to any other requirements under applicable securities legislation to which a disposition of any of the Bonds by the Subscriber may be subject, the Subscriber may, depending on the nature of the disposition, be required to file a report of exempt trade within ten (10) days of a disposition by the Subscriber of the Bonds;
- (x) if required by applicable securities legislation, regulations, rules, policies or orders or by any securities commission, stock exchange or other regulatory authority, the Subscriber will execute, deliver, file and otherwise assist the Corporation in filing such reports, undertakings and other documents with respect to the issue of the Bonds;
- (y) except as disclosed in writing to the Corporation, the Subscriber does not act jointly or in concert with any other person or company for the purposes of acquiring securities of the Corporation;
- (z) the Subscriber is not a non-resident for the purposes of the *Income Tax Act* (Canada);
- (aa) the Subscriber is not a "control person" of the Corporation, as that term is defined in the *Securities Act* (Alberta), will not become a "control person" of the Corporation by purchasing the number of Bonds subscribed for under this Subscription Agreement and does not intend to act jointly or in concert with any other person to form a control group in respect of the Corporation;
- (bb) the Subscriber has not relied upon any verbal or written representation as to fact or otherwise made by or on behalf of the Corporation except as expressly set forth herein or in the Offering Memorandum;
- (cc) the funds representing the Aggregate Subscription Amount which will be advanced by the Subscriber to the Corporation hereunder will not represent proceeds of crime for the purposes of the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (Canada) (the "PCMLTFA") and the Subscriber acknowledges that the Corporation may in the future be required by law to disclose the Subscriber's name and other information relating to this Subscription Agreement and the Subscriber's subscription hereunder, on a confidential basis, pursuant to the PCMLTFA. To the best of its knowledge:
  - (i) none of the subscription funds to be provided by the Subscriber: (A) have been or will be derived from or related to any activity that is deemed criminal under the law of Canada, the United States of America, or any other jurisdiction; or (B) are being tendered on behalf of a person or entity who has not been identified to the Subscriber; and (ii) it shall promptly notify the Corporation if the Subscriber discovers that any of such representations ceases to be true, and to provide the Corporation with appropriate information in connection therewith;
- (dd) the Subscriber acknowledges that the Corporation may complete additional financings in the future in order to develop the proposed business of the Corporation and to fund its ongoing development. There is no assurance that such financing will be available and if available, on reasonable terms. Any such future financings may have a dilutive effect on current shareholders or security holders, including the Subscriber;
- (ee) **the Subscriber acknowledges that an investment in the Bonds is subject to a number of risk factors. In particular, the Subscriber acknowledges that the Corporation is not a reporting issuer in any province of Canada and, as such, the applicable hold period may never expire. Accordingly, there is currently no market for any of the Bonds and one may never develop. It may be difficult or even impossible for a Subscriber to sell any of the Bonds. Resale of such Bonds will require the availability of exemptions from the prospectus requirements of applicable Securities legislation, or the application for a discretionary order of the securities commission or similar regulatory authority in the subscriber's**

province of residence permitting the trade. The Subscriber covenants and agrees to comply with relevant securities legislation, orders or policies concerning the purchase, holding of, and resale of the Bonds;

- (ff) the Subscriber acknowledges that the Corporation is not representing that the Bonds are qualified investments for a trust governed by a Deferred Plan; and
- (gg) the Subscriber warrants and represents that it has been encouraged by the Corporation to obtain independent professional advice regarding the income tax consequences of investing in the Bonds, has obtained such advice or has had the opportunity to do so, and has read and is aware of the tax risk factors set out in the Offering Memorandum.

**Timeliness of Representations, etc.** The Subscriber agrees that the representations, warranties and covenants of the Subscriber herein will be true and correct both as of the execution of this Subscription Agreement and as of the Closing Time (as defined herein), and will survive the completion of the distribution of the Bonds and any subsequent disposition by the Subscriber of any of the securities.

**Indemnity** The Subscriber acknowledges that the Corporation and its counsel are relying upon the representations, warranties and covenants of the Subscriber set forth herein in determining the eligibility (from a Securities law perspective) of the Subscriber (or, if applicable, the eligibility of another on whose behalf the Subscriber is contracting hereunder to subscribe for Bonds) to purchase Bonds under the Offering, and hereby agrees to indemnify the Corporation and its directors, officers, employees, advisers, affiliates, Shareholders and agents (including their respective legal counsel) against all losses, claims, costs, expenses, damages or liabilities that they may suffer or incur as a result of or in connection with their reliance on such representations, warranties and covenants. The Subscriber undertakes to immediately notify the Corporation at c/o Lorie Wheeler, Gowling Lafleur Henderson LLP, 1600, 421 - 7 Avenue SW, Calgary, Alberta, T2P 4K9 of any change in any statement or other information relating to the Subscriber set forth herein that occurs prior to the Closing Time. For purposes of the Tax Act, the Subscriber further acknowledges and agrees to indemnify the Corporation and its directors, officers, employees, advisers, affiliates, Shareholders and agents (including their respective legal counsel) against all losses, claims, costs, expenses, damages or liabilities that they may suffer or incur as a result of or in connection with their reliance on the comments herein regarding the income tax considerations of the Bonds, and in particular, the eligibility of the Bonds as qualified investments for a trust governed by a Deferred Plan.

**Deliveries by Subscriber prior to Closing** The Subscriber agrees to deliver to the Corporation not later than 5:00 p.m. (Mountain Standard Time) on the day that is two business days before any Closing Date of which the Subscriber receives notice:

- (a) this duly completed and executed Subscription Agreement;
- (b) a cheque or bank draft
  - a. in an amount equal to the Aggregate Subscription Amount (as set forth in the Subscription Agreement), payable to "Olympia Trust Company, in trust for Orchard Calgary Inc.", with your non-registered account number noted on the cheque or bank draft, or
  - b. in an amount equal to the Aggregate Subscription Amount (as set forth in the Subscription Agreement) plus an RRSP administration fee, if any, if you wish to use funds from a Deferred Plan to purchase the Bonds, payable to the financial institution that holds your RRSP account (e.g. "Olympia Trust Company") with your account number noted on the cheque or bank draft;
- (c) properly completed and duly executed copies of the appropriate investor qualification form(s) as described on page 2 of this Subscription Agreement; and
- (d) such other documents as may be requested by the Corporation as contemplated by this Subscription Agreement.

**Consent to Collection of Personal Information.** If the Subscriber is an individual, the Subscriber acknowledges that the Subscriber has provided, in this Subscription Agreement, to the Corporation information (the "**Personal Information**") of a personal nature that may or may not be protected under applicable privacy legislation. This information is being collected, used and may be disclosed by the Corporation for the following purposes (the "**Purposes**"):

- (a) in order to complete the Offering;
- (b) to be kept in the corporate records of the Corporation, on its securities registers and Bondholders lists, maintained by the Corporation and/or the Corporation's transfer agent;
- (c) to be disclosed to securities/tax regulatory authorities or other government bodies as required and in accordance with applicable securities laws and tax laws;
- (d) as long as the Subscriber is a Shareholder of the Corporation, to be disclosed to other third parties held to an obligation of confidentiality to the Corporation such as its legal counsel, its accountants, transfer agent, securities depository, or any other entity for: (i) the purpose of sending financial statements and other disclosure documentation required to be sent

by law to the Shareholders of the Corporation, and/or (ii) in the context of a proposed merger, business combination, acquisition, takeover bid or such other major transaction involving the Corporation and such other third party; and

- (e) to enforce the obligations contemplated by this Subscription Agreement.

The Subscriber or the person subscribing for the Bonds on behalf of a disclosed beneficial purchaser hereby consents to the collection, use and disclosure by the Corporation of the Personal Information for the Purposes.

Certain securities commissions have been granted the authority to indirectly collect this personal information pursuant to securities legislation and this personal information is also being collected for the purpose of administration and enforcement of securities legislation. In Ontario, the Administrative Assistant to the Director of Corporate Finance, Suite 1903, Box 5520 Queen Street West, Toronto, Ontario M5H 3S8, Telephone (416) 593-8086, Facsimile: (416) 593-8252 is the public official who can answer questions about the indirect collection of personal information. The Subscriber's personal information may be disclosed by the Corporation or its counsel to: (a) stock exchanges, securities commissions or securities regulatory authorities; (b) the Corporation's registrar and transfer agent; (c) taxation authorities; (d) any of the other parties involved in the offering, including legal counsel. By executing this Subscription Agreement, the Subscriber is deemed to be authorizing and consenting to the foregoing collection (including the indirect collection of personal information), use and disclosure of the Subscriber's personal information as set forth above. The Subscriber also consents to the filing of copies or originals of any of the Subscriber's documents described in this Subscription Agreement as may be required to be filed with any stock exchange, securities commission or securities regulatory authority in connection with the transactions contemplated hereby.

**Partial Acceptance or Rejection of Subscription** The Corporation may, in its absolute discretion, accept or reject the Subscriber's subscription for Bonds as set forth in this Subscription Agreement, in whole or in part, and the Corporation reserves the right to allot to the Subscriber less than the amount of Bonds subscribed for under this Subscription Agreement.

- (a) Notwithstanding the foregoing, the Subscriber acknowledges and agrees that the acceptance of this Subscription Agreement will be conditional upon among other things, the sale of the Bonds to the Subscriber being exempt from any prospectus and Offering Memorandum requirements of applicable securities laws. The Corporation will be deemed to have accepted this Subscription Agreement upon the delivery at Closing of the certificates representing the Bonds to the Subscriber or upon the direction of the Subscriber in accordance with the provisions hereof.
- (b) If this Subscription Agreement is rejected in whole, any cheque(s) or bank draft(s) delivered by the Subscriber to the Corporation on account of the Aggregate Subscription Amount for the Bonds subscribed for will be promptly returned to the Subscriber without interest. If this Subscription Agreement is accepted only in part, a cheque representing the amount by which the payment delivered by the Subscriber to the Corporation exceeds the subscription price of the number of Bonds sold to the Subscriber pursuant to a partial acceptance of this Subscription Agreement, will be promptly delivered to the Subscriber without interest.

**Time and Place of Closing** The sale of the Bonds will be completed at the office of Gowling Lafleur Henderson LLP, 1600, 421 - 7 Avenue SW, Calgary, Alberta, T2P 4K9 at 11:00 a.m. (Mountain Standard Time) or such other time as the Corporation may determine (the "**Closing Time**") on the Closing Date. The Corporation reserves the right to close the Offering in multiple tranches, so that one or more closings may occur after the initial closing.

**Subject to Regulatory Approval** The obligations of the parties hereunder are subject to all required regulatory approvals being obtained.

**Representations and Warranties of the Corporation** The Corporation hereby represents and warrants to the Subscriber (and acknowledges that the Subscriber is relying thereon) that:

- (a) the Corporation has the full corporate right, power and authority to execute and deliver this Subscription Agreement and to issue the Bonds to the Subscriber;
- (b) the Corporation is duly incorporated and validly subsisting, and is qualified to carry on business in each jurisdiction in respect of which the carrying out of the activities contemplated hereby make such qualification necessary;
- (c) the Corporation has complied or will comply with all applicable corporate and Securities laws in connection with the Offer and sale of the Bonds;
- (d) upon acceptance by the Corporation, this Subscription Agreement shall constitute a binding obligation of the Corporation enforceable in accordance with its terms subject to applicable bankruptcy, insolvency, reorganization and other laws of general application limiting the enforcement of creditors' rights generally and to the general principles of equity including the fact that specific performance is available only in the discretion of the court;
- (e) the execution, delivery and performance of this Subscription Agreement by the Corporation and the issue of the Bonds to the Subscriber pursuant hereto does not and will not constitute a breach of or default under the constating documents of the Corporation, or any law, regulation, order or ruling applicable to the Corporation, or any agreement to which the Corporation is a party or by which it is bound; and



(f) it makes no representation or warranty as to whether the Bonds are qualified investments for a trust governed by a Deferred Plan.

**No Partnership** Nothing herein shall constitute or be construed to constitute a partnership of any kind whatsoever between the Subscriber and the Corporation.

**Governing Law** The contract arising out of acceptance of this Subscription Agreement by the Corporation shall be governed by and construed in accordance with the laws of the Province of Alberta and the federal laws of Canada applicable therein. The parties irrevocably attorn to the exclusive jurisdiction of the courts of the Province of Alberta.

**Time of Essence** Time shall be of the essence of this Subscription Agreement.

**Entire Agreement** This Subscription Agreement represents the entire agreement of the parties hereto relating to the subject matter hereof, and there are no representations, covenants or other agreements relating to the subject matter hereof except as stated or referred to herein.

**Facsimile Copies** The Corporation shall be entitled to rely on delivery of a facsimile copy of executed subscriptions, and acceptance by the Corporation of such facsimile subscriptions shall be legally effective to create a valid and binding agreement between the Subscriber and the Corporation in accordance with the terms hereof.

**Counterpart** This Subscription Agreement may be executed in one or more counterparts each of which so executed shall constitute an original and all of which together shall constitute one and the same agreement.

**Severability** The invalidity, illegality or unenforceability of any provision of this Subscription Agreement shall not affect the validity, legality or enforceability of any other provision hereof.

**Survival** The covenants, representations and warranties contained in this Subscription Agreement shall survive the closing of the transactions contemplated hereby, and shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, executors, administrators, successors and permitted assigns.

**Interpretation** The headings used in this Subscription Agreement have been inserted for convenience of reference only and shall not affect the meaning or interpretation of this Subscription Agreement or any provision hereof. In this Subscription Agreement, all references to money amounts are to Canadian dollars.

**Amendment** Except as otherwise provided herein, this Subscription Agreement may only be amended by the parties hereto in writing.

**Costs** The Subscriber acknowledges and agrees that all costs incurred by the Subscriber (including any fees and disbursements of any special counsel retained by the Subscriber) relating to the sale of the Bonds to the Subscriber shall be borne by the Subscriber.

**Withdrawal** The Subscriber, on its own behalf and, if applicable, on behalf of others for whom it is contracting hereunder, agrees that this subscription is made for valuable consideration and may not be withdrawn, cancelled, terminated or revoked by the Subscriber, on its own behalf and, if applicable, on behalf of others for whom it is contracting hereunder.

**Assignment** Neither party may assign all or part of its interest in or to this Subscription Agreement without the consent of the other party in writing.

**Language** The Subscriber acknowledges that it has consented to and requested that all documents evidencing or relating in any way to the sale of the Bonds be drawn up in the English language only, other than any documents prepared in English and French, in the Corporation's sole discretion. **Le souscripteur reconnaît par les présentes avoir consenti et exigé que tous les documents faisant foi ou se rapportant de quelque manière à la vente des obligations soient rédigés en anglais seulement, à l'exception de tout autre document rédigé en anglais et en français, à l'entière discrétion de la Société.**

APPENDIX 1A

To be executed where the party selling the Bonds is not registered under National Instrument 31-103

FORM 45-106F4

TO BE COMPLETED BY ALBERTA, BRITISH COLUMBIA, MANITOBA, NEW BRUNSWICK, NOVA SCOTIA, PRICE EDWARD ISLAND, NEWFOUNDLAND AND LABRADOR, AND SASKATCHEWAN RESIDENTS

RISK ACKNOWLEDGEMENT

- I acknowledge that this is a risky investment.
- I am investing entirely at my own risk.
- No securities regulatory authority or regulator has evaluated or endorsed the merits of these securities or the disclosure in the Offering Memorandum.
- The person selling me these securities is not registered with a securities regulator authority or regulator and has no duty to tell me whether this investment is suitable for me.
- The Bonds offered pursuant to this Offering Memorandum are not insured against loss through the Canadian Deposit Insurance Corporation or any other insurance company or program.
- I will not be able to sell these securities except in very limited circumstances. I may never be able to sell these securities.
- I could lose all the money I invest.

I am investing \$\_\_\_\_\_ in total; this includes any amount I am obliged to pay in future.

Where allowed by applicable securities legislation, Orchard Calgary Inc., intends to offer compensation of up to 10.35% of the gross proceeds realized on the sale of Bonds under this Offering by non-registered persons, including parties related to the Corporation, employees and/or contractors of such parties, and officers and directors of the Corporation, for referral of Subscribers or for otherwise supporting or facilitating the ultimate sale of the Bonds or securing subscriptions.

**I acknowledge that this is a risky investment and that I could lose all the money I invest.**

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature of Purchaser

\_\_\_\_\_  
Print name of Purchaser

Sign 2 copies of this document. Keep one copy for your records.

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**You have 2 business days to cancel your purchase**

To do so, send a notice to Orchard Calgary Inc., stating that you want to cancel your purchase. You must send the notice before midnight on the 2<sup>nd</sup> business day after you sign the agreement to purchase the securities. You can send the notice by fax or email or deliver it in person to Orchard Calgary Inc., at its business address. Keep a copy of the notice for your records.

**The Issuer:** Orchard Calgary Inc.  
 Address: 25 Brodie Drive, Suite 1  
 Richmond Hill, Ontario L4B 3K7  
 Phone: (416) 368-5262  
 Fax: (416) 362-1218  
 Email: info@torontocondos.com

## **You are buying Exempt Market Securities**

They are called exempt market securities because two parts of securities law do not apply to them. If an issuer wants to sell exempt market securities to you:

- the issuer does not have to give you a prospectus (a document that describes the investment in detail and gives you some legal protections), and
- the securities do not have to be sold by an investment dealer registered with a securities regulatory authority or regulator.

There are restrictions on your ability to resell exempt market securities. Exempt market securities are more risky than other securities.

## **You will receive an Offering Memorandum**

Read the Offering Memorandum carefully because it has important information about the issuer and its securities. Keep the Offering Memorandum because you have rights based on it. Talk to a lawyer for details about these rights.

## **You will not receive advice**

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

## **The securities you are buying are not listed**

The securities you are buying are not listed on any stock exchange, and they may never be listed.

You may never be able to sell these securities.

## **The issuer of your securities is a non-reporting issuer**

A non-reporting issuer does not have to publish financial information or notify the public of changes in its business. You may not receive ongoing information about this issuer.

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

### **Alberta Securities Commission**

600, 250 – 5 Street SW  
Calgary, AB T2P 0P4  
Ph: (403) 297-6454  
Fax: (403) 297-6156  
[www.albertasecurities.com](http://www.albertasecurities.com)

### **British Columbia Securities Commission**

701 West Georgia Street,  
P.O. Box 10142, Pacific Centre  
Vancouver, BC V7Y 1L2  
Ph : (604) 899-6500  
Fax: (604) 899-6506  
[www.bcsc.bc.ca](http://www.bcsc.bc.ca)

### **Manitoba Securities Commission**

1130 – 405 Broadway Avenue  
Winnipeg, MB R3C 3L6  
Ph: (204) 945-2548  
Fax: (204) 945-0330

### **New Brunswick Securities Commission**

85 Charlotte Street, Suite 300  
Saint John, New Brunswick E2L 2J2  
Telephone: (506) 658-3060  
Toll Free in New Brunswick 1-866-933-2222  
Facsimile: (506) 658-3059

### **Nova Scotia Securities Commission**

Suite 400, 5251 Duke Street  
Halifax, Nova Scotia B3J 1P3  
Telephone: (902) 424-7768  
Facsimile: (902) 424-4625

### **Prince Edward Island Securities Office**

95 Rochford Street, 4th Floor Shaw Building  
P.O. Box 2000  
Charlottetown, Prince Edward Island C1A 7N8  
Telephone: (902) 368-4569  
Facsimile: (902) 368-5283

### **Government of Newfoundland and Labrador Financial Services Regulation Division**

P.O. Box 8700  
Confederation Building  
2nd Floor, West Block  
Prince Philip Drive  
St. John's, NFLD A1B 4J6  
Attention: Director of Securities  
Telephone: (709) 729-4189  
Facsimile: (709) 729-6187

### **Saskatchewan Financial Services Commission**

6<sup>th</sup> Floor, 1919 Saskatchewan Drive  
Regina, SK S4P 3V7  
Ph: (306) 787-5879  
Fax: (306) 787-5899  
[www.sfs.gov.sk.ca](http://www.sfs.gov.sk.ca)

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

FORM 45-106F4

TO BE COMPLETED BY ALBERTA, BRITISH COLUMBIA, MANITOBA, NEW BRUNSWICK, NOVA SCOTIA, PRICE EDWARD ISLAND, NEWFOUNDLAND AND LABRADOR, AND SASKATCHEWAN RESIDENTS

RISK ACKNOWLEDGEMENT

- I acknowledge that this is a risky investment.
- I am investing entirely at my own risk.
- No securities regulatory authority or regulator has evaluated or endorsed the merits of these securities or the disclosure in the Offering Memorandum.
- The person selling me these securities is not registered with a securities regulator authority or regulator and has no duty to tell me whether this investment is suitable for me.
- The Bonds offered pursuant to this Offering Memorandum are not insured against loss through the Canadian Deposit Insurance Corporation or any other insurance company or program.
- I will not be able to sell these securities except in very limited circumstances. I may never be able to sell these securities.
- I could lose all the money I invest.

I am investing \$\_\_\_\_\_ in total; this includes any amount I am obliged to pay in future.

Where allowed by applicable securities legislation, Orchard Calgary Inc., intends to offer compensation of up to 10.35% of the gross proceeds realized on the sale of Bonds under this Offering by non-registered persons, including parties related to the Corporation, employees and/or contractors of such parties, and officers and directors of the Corporation, for referral of Subscribers or for otherwise supporting or facilitating the ultimate sale of the Bonds or securing subscriptions.

**I acknowledge that this is a risky investment and that I could lose all the money I invest.**

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature of Purchaser

\_\_\_\_\_  
Print name of Purchaser

Sign 2 copies of this document. Keep one copy for your records.

WARNING

**You have 2 business days to cancel your purchase**

To do so, send a notice to Orchard Calgary Inc., stating that you want to cancel your purchase. You must send the notice before midnight on the 2<sup>nd</sup> business day after you sign the agreement to purchase the securities. You can send the notice by fax or email or deliver it in person to Orchard Calgary Inc., at its business address. Keep a copy of the notice for your records.

**The Issuer:** Orchard Calgary Inc.  
 Address: 25 Brodie Drive, Suite 1  
 Richmond Hill, Ontario L4B 3K7  
 Phone: (416) 368-5262  
 Fax: (416) 362-1218  
 Email: info@torontocondos.com

## **You are buying Exempt Market Securities**

They are called exempt market securities because two parts of securities law do not apply to them. If an issuer wants to sell exempt market securities to you:

- the issuer does not have to give you a prospectus (a document that describes the investment in detail and gives you some legal protections), and
- the securities do not have to be sold by an investment dealer registered with a securities regulatory authority or regulator.

There are restrictions on your ability to resell exempt market securities. Exempt market securities are more risky than other securities.

## **You will receive an Offering Memorandum**

Read the Offering Memorandum carefully because it has important information about the issuer and its securities. Keep the Offering Memorandum because you have rights based on it. Talk to a lawyer for details about these rights.

## **You will not receive advice**

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

## **The securities you are buying are not listed**

The securities you are buying are not listed on any stock exchange, and they may never be listed.

You may never be able to sell these securities.

## **The issuer of your securities is a non-reporting issuer**

A non-reporting issuer does not have to publish financial information or notify the public of changes in its business. You may not receive ongoing information about this issuer.

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

### **Alberta Securities Commission**

600, 250 – 5 Street SW  
Calgary, AB T2P 0P4  
Ph: (403) 297-6454  
Fax: (403) 297-6156  
[www.albertasecurities.com](http://www.albertasecurities.com)

### **British Columbia Securities Commission**

701 West Georgia Street,  
P.O. Box 10142, Pacific Centre  
Vancouver, BC V7Y 1L2  
Ph : (604) 899-6500  
Fax: (604) 899-6506  
[www.bcsc.bc.ca](http://www.bcsc.bc.ca)

### **Manitoba Securities Commission**

1130 – 405 Broadway Avenue  
Winnipeg, MB R3C 3L6  
Ph: (204) 945-2548  
Fax: (204) 945-0330

### **New Brunswick Securities Commission**

85 Charlotte Street, Suite 300  
Saint John, New Brunswick E2L 2J2  
Telephone: (506) 658-3060  
Toll Free in New Brunswick 1-866-933-2222  
Facsimile: (506) 658-3059

### **Nova Scotia Securities Commission**

Suite 400, 5251 Duke Street  
Halifax, Nova Scotia B3J 1P3  
Telephone: (902) 424-7768  
Facsimile: (902) 424-4625

### **Prince Edward Island Securities Office**

95 Rochford Street, 4th Floor Shaw Building  
P.O. Box 2000  
Charlottetown, Prince Edward Island C1A 7N8  
Telephone: (902) 368-4569  
Facsimile: (902) 368-5283

### **Government of Newfoundland and Labrador Financial Services Regulation Division**

P.O. Box 8700  
Confederation Building  
2nd Floor, West Block  
Prince Philip Drive  
St. John's, NFLD A1B 4J6  
Attention: Director of Securities  
Telephone: (709) 729-4189  
Facsimile: (709) 729-6187

### **Saskatchewan Financial Services Commission**

6<sup>th</sup> Floor, 1919 Saskatchewan Drive  
Regina, SK S4P 3V7  
Ph: (306) 787-5879  
Fax: (306) 787-5899  
[www.sfs.gov.sk.ca](http://www.sfs.gov.sk.ca)

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

APPENDIX 1B

To be executed where the party selling the Bonds is registered under National Instrument 31-103

FORM 45-106F4

TO BE COMPLETED BY ALBERTA, BRITISH COLUMBIA, MANITOBA, NEW BRUNSWICK, NOVA SCOTIA, PRICE EDWARD ISLAND, NEWFOUNDLAND AND LABRADOR, AND SASKATCHEWAN RESIDENTS

RISK ACKNOWLEDGEMENT

- I acknowledge that this is a risky investment.
- I am investing entirely at my own risk.
- No securities regulatory authority or regulator has evaluated or endorsed the merits of these securities or the disclosure in the Offering Memorandum.
- The Bonds offered pursuant to this Offering Memorandum are not insured against loss through the Canadian Deposit Insurance Corporation or any other insurance company or program.
- I will not be able to sell these securities except in very limited circumstances. I may never be able to sell these securities.
- I could lose all the money I invest.

I am investing \$\_\_\_\_\_ in total; this includes any amount I am obliged to pay in future.

Where allowed by applicable securities legislation, Lamb Calgary Inc., intends to offer to exempt market dealers, investment dealers and/or their dealing representatives commissions of up to 9% of the gross proceeds realized on the sale of Bonds under this Offering Memorandum by these parties, plus a Dealer Administration Fee (as defined in the Offering Memorandum), if applicable.

**I acknowledge that this is a risky investment and that I could lose all the money I invest.**

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature of Purchaser

\_\_\_\_\_  
Print name of Purchaser

Sign 2 copies of this document. Keep one copy for your records.

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**You have 2 business days to cancel your purchase**

To do so, send a notice to Orchard Calgary Inc., stating that you want to cancel your purchase. You must send the notice before midnight on the 2<sup>nd</sup> business day after you sign the agreement to purchase the securities. You can send the notice by fax or email or deliver it in person to Orchard Calgary Inc., at its business address. Keep a copy of the notice for your records.

**The Issuer:** Orchard Calgary Inc.  
 Address: 25 Brodie Drive, Suite 1  
 Richmond Hill, Ontario L4B 3K7  
 Phone: (416) 368-5262  
 Fax: (416) 362-1218  
 Email: info@torontocondos.com

### **You are buying Exempt Market Securities**

They are called exempt market securities because two parts of securities law do not apply to them. If an issuer wants to sell exempt market securities to you:

- the issuer does not have to give you a prospectus (a document that describes the investment in detail and gives you some legal protections), and
- the securities do not have to be sold by an investment dealer registered with a securities regulatory authority or regulator.

There are restrictions on your ability to resell exempt market securities. Exempt market securities are more risky than other securities.

### **You will receive an Offering Memorandum**

Read the Offering Memorandum carefully because it has important information about the issuer and its securities. Keep the Offering Memorandum because you have rights based on it. Talk to a lawyer for details about these rights.

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To be executed where the party selling the Bonds is registered under National Instrument 31-103

FORM 45-106F4

TO BE COMPLETED BY ALBERTA, BRITISH COLUMBIA, MANITOBA, NEW BRUNSWICK, NOVA SCOTIA, PRICE EDWARD ISLAND, NEWFOUNDLAND AND LABRADOR, AND SASKATCHEWAN RESIDENTS

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\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature of Purchaser

\_\_\_\_\_  
Print name of Purchaser

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##### **Financial Services Regulation Division**

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#### **Instruction:**

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The purchaser and the issuer must each receive a signed copy.**

REPRESENTATION LETTER – NATIONAL INSTRUMENT 45-106 ELIGIBLE INVESTOR

TO BE COMPLETED BY ALBERTA, MANITOBA, PRINCE EDWARD ISLAND, QUÉBEC AND SASKATCHEWAN RESIDENTS WHO ARE SUBSCRIBING FOR MORE THAN \$10,000 IN BONDS

The undersigned (the "Subscriber") hereby confirms and certifies to Orchard Calgary Inc. that the Subscriber is purchasing the Bonds as principal, that the Subscriber is resident in the jurisdiction set out on the execution page hereof, and that the Subscriber is: **[check appropriate boxes]**

- an "Eligible Investor", being a person or company whose **[circle one or more]**
  - (i) net assets, alone or with a spouse, exceed CDN \$400,000,
  - (ii) net income before taxes exceeded CDN \$75,000 in each of the two most recent years and who reasonably expects to exceed that income level in the current year, or
  - (iii) net income before taxes combined with that of a spouse exceeded CDN \$125,000 in each of the two most recent years and who reasonably expects to exceed that income level in the current year,
- a person or company of which a majority of the voting securities are beneficially owned by Eligible Investors or a majority of the Directors are Eligible Investors,
- a general partnership in which all of the partners are Eligible Investors,
- a limited partnership in which the majority of the general partners are Eligible Investors,
- a trust or estate in which all of the beneficiaries or a majority of the trustees or executors are Eligible Investors,
- an accredited investor (as defined in National Instrument 45-106),
- a person who is a family member, close personal friend or close business associate as described in Section 2.5 of National Instrument 45-106; or
- person or company that has obtained advice regarding the suitability of the investment and if the person or company is in a jurisdiction of Canada that advice has been obtained from an eligibility adviser (as defined in National Instrument 45-106).

EXECUTED by the Subscriber this \_\_\_\_ day of \_\_\_\_\_, 20\_\_

**If a Corporation, Partnership or other entity:**

**If an individual:**

\_\_\_\_\_  
Signature of Authorized Signatory

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Name and Position of Signatory

\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Name of Purchasing Entity

\_\_\_\_\_  
Jurisdiction of Residence

\_\_\_\_\_  
Jurisdiction of Residence

---

APPENDIX 3

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REPRESENTATION LETTER

(FOR ONTARIO OR QUÉBEC ACCREDITED INVESTORS)

**TO: Orchard Calgary Inc. (the "Corporation")**

In connection with the purchase of Bonds (the "**Bonds**") of the Corporation by the undersigned subscriber or, if applicable, the principal on whose behalf the undersigned is purchasing as agent (the "**Subscriber**" for the purposes of this Appendix 3), the Subscriber hereby represents, warrants, covenants and certifies to the Corporation that:

1. The Subscriber is resident in the jurisdiction as set forth on the face page of this Subscription Agreement or is subject to the securities laws of such jurisdiction;
2. The Subscriber is purchasing the Bonds as principal for its own account;
3. The Subscriber is an "accredited investor" within the meaning of National Instrument 45-106 entitled "Prospectus and Registration Exemptions" by virtue of satisfying the indicated criterion as set out in Appendix A to this Representation Letter;
4. The Subscriber was not created or used solely to purchase or hold securities as an "accredited investor" as described in paragraph (XIII) of the attached Appendix A of this Appendix 3; and
5. Upon execution of this Appendix 3 by the Subscriber, this Appendix 3 shall be incorporated into and form a part of the Subscription Agreement.

Dated: \_\_\_\_\_, 20\_\_.

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

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

\_\_\_\_\_  
Print name of Signatory (if different from Subscriber)

\_\_\_\_\_  
Title

**IMPORTANT: PLEASE INITIAL THE CATEGORY OR CATEGORIES  
IN APPENDIX A ON THE NEXT PAGE THAT DESCRIBES YOU.**

---

**APPENDIX A**

---

**TO APPENDIX 3**

**NOTE: THE INVESTOR MUST INITIAL BESIDE THE APPLICABLE PORTION OF THE DEFINITION BELOW.**

**Accredited Investor** - (defined in National Instrument 45-106) means:

- \_\_\_\_\_ I. a Canadian financial institution, or an authorized foreign bank named in Schedule III of the *Bank Act* (Canada); or
  - \_\_\_\_\_ II. the Business Development Bank of Canada incorporated under the *Business Development Bank of Canada Act* (Canada); or
  - \_\_\_\_\_ III. a subsidiary of any person referred to in paragraphs (I) or (II), if the person owns all of the voting securities of the subsidiary, except the voting securities required by law to be owned by Directors of that subsidiary; or
  - \_\_\_\_\_ IV. a person registered under the securities legislation of a jurisdiction of Canada, as an adviser or dealer, other than a person registered solely as a limited market dealer under one or both of the *Securities Act* (Ontario) or the *Securities Act* (Newfoundland and Labrador); or
  - \_\_\_\_\_ V. an individual registered or formerly registered under the securities legislation of a jurisdiction of Canada as a representative of a person referred to in paragraph (IV); or
  - \_\_\_\_\_ VI. the Government of Canada or a jurisdiction of Canada, or any crown corporation, agency or wholly-owned entity of the Government of Canada or a jurisdiction of Canada; or
  - \_\_\_\_\_ VII. a municipality, public board or commission in Canada and a metropolitan community, school board, the Comité de gestion de la taxe scolaire de l'île de Montréal or an intermunicipal management board in Québec; or
  - \_\_\_\_\_ VIII. any national, federal, state, provincial, territorial or municipal government of or in any foreign jurisdiction, or any agency of that government; or
  - \_\_\_\_\_ IX. a pension fund that is regulated by either the Office of the Superintendent of Financial Institutions (Canada) or a pension commission or similar regulatory authority of a jurisdiction of Canada; or
  - \_\_\_\_\_ X. an individual who, either alone or with a spouse, beneficially owns, directly or indirectly, financial assets having an aggregate realizable value that before taxes, but net of any related liabilities, exceeds \$1,000,000; or
  - \_\_\_\_\_ XI. an individual whose net income before taxes exceeded \$200,000 in each of the two most recent calendar years or whose net income before taxes combined with that of a spouse exceeded \$300,000 in each of the two most recent calendar years and who, in either case, reasonably expects to exceed that net income level in the current calendar year; or
- (Note: if individual accredited investors wish to purchase through wholly-owned holding companies or similar entities, such purchasing entities must qualify under paragraph (XX) below, which must be initialed.)
- \_\_\_\_\_ XII. an individual who, either alone or with a spouse, has net assets of at least \$5,000,000; or
  - \_\_\_\_\_ XIII. a person, other than an individual or investment fund, that has net assets of at least \$5,000,000 as shown on its most recently prepared financial statements; or

- \_\_\_\_\_ XIV. an investment fund that distributes or has distributed its securities only to
- (a) a person that is or was an accredited investor at the time of the distribution, or
  - (b) a person that acquires or acquired securities in the circumstances referred to in sections 2.10 and 2.19 of National Instrument 45-106, or
  - (c) a person described in paragraph (a) or (b) that acquires or acquired securities under section 2.18 of National Instrument 45-106; or
- \_\_\_\_\_ XV. an investment fund that distributes or has distributed securities under a prospectus in a jurisdiction of Canada for which the regulator or, in Québec, the securities regulatory authority, has issued a receipt; or
- \_\_\_\_\_ XVI. a trust company or trust corporation registered or authorized to carry on business under the *Trust and Loan Companies Act* (Canada) or under comparable legislation in a jurisdiction of Canada or a foreign jurisdiction, acting on behalf of a fully managed account managed by the trust company or trust corporation, as the case may be; or
- \_\_\_\_\_ XVII. a person acting on behalf of a fully managed account managed by that person, if that person
- (a) is registered or authorized to carry on business as an adviser or the equivalent under the securities legislation of a jurisdiction of Canada or a foreign jurisdiction, and
  - (b) in Ontario, is purchasing a security that is not a security of an investment fund; or
- \_\_\_\_\_ XVIII. a registered charity under the *Income Tax Act* (Canada) that, in regard to the trade, has obtained advice from an eligibility adviser or an adviser registered under the securities legislation of the jurisdiction of the registered charity to give advice on the securities being traded; or
- \_\_\_\_\_ XIX. an entity organized in a foreign jurisdiction that is analogous to any of the entities referred to in paragraphs (I) to (IV) or paragraph (IX) in form and function; or
- \_\_\_\_\_ XX. a person in respect of which all of the owners of interests, direct, indirect or beneficial, except the voting securities required by law to be owned by Directors, are persons that are accredited investors (as defined in National Instrument 45-106); or
- (Note: if you are purchasing as an individual, accredited investors paragraph (XI) above must be initialed rather than paragraph (XX))
- \_\_\_\_\_ XXI. an investment fund that is advised by a person registered as an adviser or a person that is exempt from registration as an adviser; or
- \_\_\_\_\_ XXII. a person that is recognized or designated by the securities regulatory authority or, except in Ontario and Québec, the regulator as
- (a) an accredited investor, or
  - (b) an exempt purchaser in Alberta or British Columbia after September 14, 2005.

**For the purposes hereof:**

- (b) **"Canadian financial institution"** means
- (i) an association governed by the *Cooperative Credit Associations Act* (Canada) or a central cooperative credit society for which an order has been made under section 473(1) of that Act, or
  - (ii) a bank, loan corporation, trust company, trust corporation, insurance company, treasury branch, credit union, caisse populaire, financial services cooperative, or league that, in each case, is authorized by an enactment of Canada or a jurisdiction of Canada to carry on business in Canada or a jurisdiction of Canada;
- (c) **"control person"** has the same meaning as in securities legislation except in Manitoba, Newfoundland and Labrador, Northwest Territories, Nova Scotia, Nunavut, Ontario, Prince Edward Island and Québec where control person means any person that holds or is one of a combination of persons that holds
- (i) a sufficient number of any of the securities of an issuer so as to affect materially the control of the issuer, or
  - (ii) more than 20% of the outstanding voting securities of an issuer except where there is evidence showing that the holding of those securities does not affect materially the control of the issuer;
- (d) **"Director"** means
- (i) a member of the board of Directors of a company or an individual who performs similar functions for a company, and
  - (ii) with respect to a person that is not a company, an individual who performs functions similar to those of a Director of a company;
- (e) **"eligibility adviser"** means
- (i) a person that is registered as an investment dealer or in an equivalent category of registration under the securities legislation of the jurisdiction of a purchaser and authorized to give advice with respect to the type of security being distributed, and
  - (ii) in Saskatchewan or Manitoba, also means a lawyer who is a practicing member in good standing with a law society of a jurisdiction of Canada or a public accountant who is a member in good standing of an institute or association of chartered accountants, certified general accountants or certified management accountants in a jurisdiction of Canada provided that the lawyer or public accountant must not
    1. have a professional, business or personal relationship with the issuer, or any of its Directors, executive Officers, founders, or control persons, and
    2. have acted for or been retained personally or otherwise as an employee, executive Officer, Director, associate or partner of a person that has acted for or been retained by the issuer or any of its Directors, executive Officers, founders or control persons within the previous 12 months;
- (f) **"executive Officer"** means, for an issuer, an individual who is
- (i) a chair, vice-chair or president,
  - (ii) a vice-president in charge of a principal business unit, division or function including sales, finance or production,
  - (iii) an Officer of the issuer or any of its subsidiaries and who performs a policy-making function in respect of the issuer, or
  - (iv) performing a policy-making function in respect of the issuer;
- (g) **"financial assets"** means
- (i) cash,
  - (ii) securities, or
  - (iii) a contract of insurance, a deposit or an evidence of a deposit that is not a security for the purposes of securities legislation;
- (h) **"foreign jurisdiction"** means a country other than Canada or a political subdivision of a country other than Canada;
- (i) **"founder"** means, in respect of an issuer, a person who,
- (i) acting alone, in conjunction, or in concert with one or more persons, directly or indirectly, takes the initiative in founding, organizing or substantially reorganizing the business of the issuer, and
  - (ii) at the time of the trade is actively involved in the business of the issuer;
- (j) **"fully managed account"** means an account of a client for which a person makes the investment decisions if that person has full discretion to trade in securities for the account without requiring the client's express consent to a transaction;

- (k) "**investment fund**" has the same meaning as in National Instrument 81-106 *Investment Fund Continuous Disclosure*;
- (l) "**jurisdiction**" means a province or territory of Canada except when used in the term foreign jurisdiction;
- (m) "**local jurisdiction**" means the jurisdiction in which the Canadian securities regulatory authority is situate;
- (n) "**non-redeemable investment fund**" means an issuer,
  - (i) whose primary purpose is to invest money provided by its security holders;
  - (ii) that does not invest;
    - 1. for the purpose of exercising or seeking to exercise control of an issuer, other than an issuer that is a mutual fund or a non-redeemable investment fund; or
    - 2. for the purpose of being actively involved in the management of any issuer in which it invests, other than an issuer that is a mutual fund or a non-redeemable investment fund; and
  - (iii) that is not a mutual fund;
- (o) "**person**" includes
  - (i) an individual,
  - (ii) a corporation,
  - (iii) a partnership, trust, fund and an association, syndicate, organization or other organized group of persons, whether incorporated or not, and
  - (iv) an individual or other person in that person's capacity as a trustee, executor, administrator or personal or other legal representative;
- (p) "**regulator**" means, for the local jurisdiction, the Executive Director as defined under securities legislation of the local jurisdiction;
- (q) "**related liabilities**" means
  - (i) liabilities incurred or assumed for the purpose of financing the acquisition or ownership of financial assets, or
  - (ii) liabilities that are secured by financial assets;
- (r) "**Schedule III bank**" means an authorized foreign bank named in Schedule III of the *Bank Act* (Canada);
- (s) "**spouse**" means, an individual who,
  - (i) is married to another individual and is not living separate and apart within the meaning of the *Divorce Act* (Canada), from the other individual,
  - (ii) is living with another individual in a marriage-like relationship, including a marriage-like relationship between individuals of the same gender, or
  - (iii) in Alberta, is an individual referred to in paragraph (i) or (ii) above, or is an adult interdependent partner within the meaning of the *Adult Interdependent Relationships Act* (Alberta); and
- (t) "**subsidiary**" means an issuer that is controlled directly or indirectly by another issuer and includes a subsidiary of that subsidiary.

**All monetary references are in Canadian Dollars.**

APPENDIX 4

If the Bonds are being sold by a person pursuant to the terms and conditions of the Alberta Securities Commission Blanket Order 31-505, then Appendix 4 must be completed.

<p><b>Risk Acknowledgement under BLANKET ORDER 31-505</b></p> <p><i>Registration Exemption for Trades in Connection with Certain Prospectus-Exempt Distributions</i></p> <p>Name of Issuer: <u>Orchard Calgary Inc.</u></p> <p>Name of Seller: _____</p> <p><b>I acknowledge that:</b></p> <ol style="list-style-type: none"><li>1. the person selling me these securities is not registered with a securities regulatory authority and is prohibited from telling me that this investment is suitable for me;</li><li>2. the person selling me these securities does not act for me;</li><li>3. this is a risky investment and I could lose all my money; and</li><li>4. I am investing entirely at my own risk.</li></ol> <p>Date: _____</p> <p>_____ Signature of Purchaser</p> <p>_____ Print name of Purchaser</p> <p>_____ Name of salesperson acting on behalf of seller</p> <p style="text-align: center;"><b>Sign two copies of this document. Keep one copy for your records.</b></p>	<p><b>W A R N I N G</b></p>
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National Instrument 45-106 *Prospectus and Registration Exemptions* may require you to sign an additional risk acknowledgement form.

If you want advice about the merits of this investment and whether these securities are a suitable investment for you, contact a registered adviser or dealer.



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RELEASE OF ANY CLAIMS BY SUBSCRIBER AGAINST CONTROLLING SHAREHOLDER

**TO: TARGET CAPITAL INC.**

In consideration for Target Capital Inc. ("**Target**") continuing to act as the controlling shareholder of Orchard Calgary Inc. (the "**Corporation**") and such other good and valuable consideration, the adequacy and sufficiency of which is hereby acknowledged and confirmed, the undersigned hereby agree as follows:

1. Prior to subscribing for securities of the Corporation (the "**Securities**"), the undersigned subscriber (the "**Subscriber**") acknowledges that it has received an offering memorandum from the Corporation (the "**Offering Memorandum**").
2. The Subscriber confirms that it has read the Offering Memorandum and understands the terms on which the Securities are being offered.
3. The Subscriber acknowledges and confirms that Target's assets and management are not in any way committed to the activities of the Corporation. Further, the Subscriber acknowledges that Target has not performed any due diligence on the Corporation, its assets or its management and does not encourage or discourage an investment in the Corporation.
4. The Subscriber hereby acknowledges that Target owes no fiduciary duty of care or any other duty to the Subscriber in connection with the Securities issued by the Corporation. Further, the Subscriber agrees that Target shall not be liable to the Subscriber for any costs, expenses, liabilities, losses or damages suffered or incurred by the Subscriber in connection with its investment in the Corporation, including any default by the Corporation in the payment of interest and/or repayment of the principal of the Securities issued by the Corporation.
5. The Subscriber hereby releases and forever discharges Target, together with its officers, directors, servants, employees, agents and other representatives from any and all actions, causes of action, claims, demands, or other liability of any nature or kind howsoever arising, including, without limitation, any and all claims, past or present, and which may arise in the future, in any way related to the Subscriber's investment in the Corporation or the acquisition of the Securities from the Corporation.
6. The Subscriber acknowledges and confirms that it was encouraged to seek independent legal advice before executing and delivering this release.
7. This release may be executed in several counterparts and by facsimile, each of which when so executed shall be deemed to be an original, and all such counterparts shall be deemed to be executed effective as of the day and year hereinafter written.

Dated as of the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

\_\_\_\_\_  
(Signature of Subscriber)

\_\_\_\_\_  
(Name of Subscriber – Please Print)