



This is the 1st Affidavit  
of Donald Bergman in this case  
and was made on November/ 7 /2017.

NO. S1710393  
VANCOUVER REGISTRY

**IN THE SUPREME COURT OF BRITISH COLUMBIA**

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,  
R.S.C. 1985, c. C-36, AS AMENDED

AND

IN THE MATTER OF THE *BUSINESS CORPORATIONS ACT*,  
S.B.C. 2002, c. 57, AS AMENDED

AND

IN THE MATTER OF THE *CANADA BUSINESS CORPORATIONS ACT*,  
R.S.C. 1985, c. C-44, AS AMENDED

AND

IN THE MATTER OF A PLAN OF COMPROMISE AND ARRANGEMENT OF  
ALL CANADIAN INVESTMENT CORPORATION

**AFFIDAVIT**

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I, Donald Bergman, of Suite 2-781 Marine Park Drive, Salmon Arm, British Columbia, Businessman,  
SWEAR (OR AFFIRM) THAT:

1. I am the sole director and the president of the Petitioner, All Canadian Investment Corporation, and as such have personal knowledge of the facts hereinafter deposed, except where such facts are stated to be based upon information and belief and where so stated I do verily believe the same to be true.
2. I have read the Petition dated November 7, 2017, a true copy of which is attached hereto as **Exhibit "A"** to this my Affidavit. I have personal knowledge of the facts set out in paragraphs 1 to 71 of Part 2 of the Petition and I confirm that they are true.
3. Capitalized terms not defined in this Affidavit shall have the same meaning ascribed to them in the Petition.

4. The Petitioner is a mortgage investment corporation which has been in business since 1998. For the reasons described in paragraphs 1 to 71 in the Petition, the Petitioner is required to restructure its affairs and, if permitted and required, amend its Articles. I believe this will allow the Petitioner to pay and resolve its debts, including the claims of the Petitioner's preferred shareholders, in an orderly and equitable manner.

5. As of October 31, 2017, the Petitioner has a total of approximately \$29,914,702 in claims against it as follows:

- (i) \$1,785,702 in secured claims;
- (ii) approximately \$3.96 million in unsecured claims; and
- (b) \$24,229,000 in equity claims arising from the Equity Redemption Notices received from its preferred shareholders.

6. I believe that the Petitioner has sufficient assets to cover its obligations to its secured and unsecured creditors, however the Petitioner requires time to continue to realize on the Loan Portfolio and the Real Property in order to maximize returns to all of its stakeholders, particularly to its preferred shareholders.

7. As described in the Petition, the Borrowers have been delayed in making payments pursuant to the Loans. I believe that the Loan Portfolio will have greater value to stakeholders if the Petitioner is given time to realize on the Loan Portfolio as the Borrowers continue with their projects, rather than having an immediate "as is" liquidation of the Loan Portfolio.

8. I further believe that sale of the Real Property will be of greater value if a sufficient period of time is afforded to allow an orderly liquidation, as opposed to a quick sale which would result in a lower sale price.

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9. I believe that the stay pursuant to the proposed Initial Order will also allow the Petitioner to deal with the redemption requests from debentures holders and preferred shareholders, and outstanding payments to creditors in a fair and equitable manner.

10. I expect that if the Petitioner is afforded the requested relief under the CCAA, the Petitioner will be able to develop a reorganization and orderly wind-down that will receive the support of the required majority of the stakeholders, including the preferred shareholders.

11. Attached hereto as **Exhibit "B"** to this my Affidavit is a true copy of the Petitioner's corporate summary from the British Columbia Registry Services.

12. Attached hereto as **Exhibit "C"** to this my Affidavit is a true copy of the Petitioner's Articles of Incorporation.

13. Attached hereto as **Exhibit "D"** to this my Affidavit is a true copy of the Petitioner's Redemption Policy.

14. Attached hereto as **Exhibit "E"** to this my Affidavit is a true copy of the Petitioner's management agreement with AFDI.

15. Attached hereto as **Exhibit "F"** to this my Affidavit is a true copy of the Petitioner's Amended & Restated Offering Memorandum dated June 22, 2015.

16. The Petitioner's primary asset is the Loan Portfolio. The total amount of outstanding debt owed to the Petitioner in the Loan Portfolio is approximately \$37.8 million. Attached hereto as **Exhibit "G"** to this my Affidavit is a summary which reflects the status of the Petitioner's Loan Portfolio as of September 30, 2017.

17. The Petitioner also owns five (5) properties registered in its name (the **"Real Property"**).

18. Attached hereto as **Exhibit "H"** to this my Affidavit is a true copy of the appraisal by Grover, Elliot & Co. Ltd. dated October 18, 2017 for the Packalen Boulevard Properties.

19. Attached hereto as **Exhibit "I"** to this my Affidavit is a true copy of the 2017 B.C. Assessment Notice for the Packalen Boulevard Properties.

20. The three (3) lots that comprise the Packalen Boulevard Properties are currently listed for sale, for a total list price of \$3.98 million.

21. Attached hereto as **Exhibit "J"** to this my Affidavit is a true copy of the 2017 B.C. Assessment Notice for the Garden Bay Properties.

22. PID 026-169-436 is currently listed for a price of \$99,000 and PID 027-093-387 is currently listed for a price of \$629,000, for a total list price of \$728,000.

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23. Attached hereto as **Exhibit "K"** to this my Affidavit is a true copy of the Amended Petition filed by Fisgard on October 12, 2017 with respect to its foreclosure proceeding and enforcement of security.

24. Boale, Wood & Company Ltd. has consented to be appointed monitor in these proceedings (the **"Monitor"**). Attached hereto as **Exhibit "L"** is a true copy of Monitor's consent to act.

25. I, with the assistance of the Monitor, have prepared cash flow projections for the period of November 5 to December 31, 2017 during the anticipating restructuring of the entities (the **"Cash-Flow Statement"**). Attached hereto and marked as **Exhibit "M"** to this my Affidavit is a true copy of the Cash Flow Statement.

26. Attached hereto as **Exhibit "N"** to this my Affidavit is a true copy of the Petitioner's most recent financial statements as of September 30, 2016.

27. The Petitioner believes that the Administration Charge in the amount of \$250,000 is fair and reasonable in the circumstances. The nature of the Petitioner's business and operations requires the

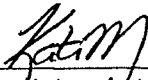
expertise, knowledge and continuing participation of the proposed beneficiaries of the Administration Charge in order to complete a successful restructuring.

28. The Petitioner believes that the Administration Charge is necessary to ensure the continued participation of the beneficiaries of the Administration Charge.


29. Currently, there is no director and office liability insurance in place.

30. For the reasons set out above and in the Petition, I verily believe that it is in the interest of the Petitioner and all of its stakeholders that the relief sought by the Petitioner is granted.

SWORN (OR AFFIRMED) BEFORE ME )  
at Vancouver, British Columbia, )  
on November/ 7 /2017 )

  
\_\_\_\_\_  
A Commissioner for taking Affidavits for British Columbia )

\_\_\_\_\_  
[Name of Commissioner (please print)] )  
CLARK WILSON LLP )  
604.687.5700 )

  
\_\_\_\_\_  
DONALD BERGMAN

**KATIE G. MAK**  
*Barrister & Solicitor*  
**CLARK WILSON LLP**  
900 - 885 WEST GEORGIA STREET  
VANCOUVER, BC V6C 3H1  
T. 604.687.5700

NO. \_\_\_\_\_  
VANCOUVER REGISTRY

**IN THE SUPREME COURT OF BRITISH COLUMBIA**  
IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,  
R.S.C. 1985, c. C-36, AS AMENDED  
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AND  
IN THE MATTER OF A PLAN OF COMPROMISE AND ARRANGEMENT OF  
ALL CANADIAN INVESTMENT CORPORATION

**PETITION TO THE COURT**

This is Exhibit A referred to in the affidavit of  
Donald L. Bergin sworn (or affirmed)  
before me on 7 Nov 2017. [dd/mm/yyyy]  
A Commissioner for taking Affidavits  
within British Columbia

This proceeding is brought by the Petitioner for the relief set out in Part 1 below.

If you intend to respond to this Petition, you or your lawyer must

- (a) file a Response to Petition in Form 67 in the above-named registry of this court within the time for response to Petition described below, and
- (b) serve on the Petitioner
  - (i) 2 copies of the filed Response to Petition, and
  - (ii) 2 copies of each filed Affidavit on which you intend to rely at the hearing.

Orders, including orders granting the relief claimed, may be made against you, without any further notice to you, if you fail to file the Response to Petition within the time for response.

**Time for Response to Petition**

A Response to Petition must be filed and served on the Petitioner,

- (a) if you were served with the Petition anywhere in Canada, within 21 days after that service,
- (b) if you were served with the Petition anywhere in the United States of America, within 35 days after that service,
- (c) if you were served with the Petition anywhere else, within 49 days after that service, or

(d) if the time for Response has been set by order of the court, within that time.

(1)	The address of the registry is:	800 Smithe Street Vancouver, BC, V6Z 2E1
(2)	The ADDRESS FOR SERVICE of the Petitioner is:  Fax number address for service (if any) of the Petitioner:  E-mail address for service (if any) of the Petitioner:	Christopher J. Ramsay and Katie G. Mak <b>Clark Wilson LLP</b> 900 – 885 West Georgia Street Vancouver, BC V6C 3H1 (Direct Number: 604.643.3176)  604.687.6314  N/A
(3)	The name and office address of the Petitioner’s lawyer is:	Christopher J. Ramsay, and Katie G. Mak <b>Clark Wilson LLP</b> 900 – 885 West Georgia Street Vancouver, BC V6C 3H1 (Direct Number: 604.643.3176)

**CLAIM OF THE PETITIONER**

**PART 1: ORDER SOUGHT**

1. The Petitioner makes an application for an order substantially in the form attached as Schedule “A” hereto (the “Initial Order”), for certain relief, including, *inter alia*, the following:

- (a) A declaration that the Petitioner is a corporation to which the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “CCAA”) applies;
- (b) a stay of all proceedings and remedies taken or that might be taken in respect of the Petitioner or any of its property, except as otherwise set forth in the Initial Order or otherwise permitted by law;
- (c) authorizing the Petitioner to carry on business in a manner consistent with the preservation of its property and business and to make certain payments in connection with its business proceedings therein;
- (d) appointing Boale, Wood & Company Ltd. as monitor in these proceedings;
- (e) authorizing the Petitioner to file with the Court a plan or plans of compromise and arrangement (the “CCAA Plan”); and

- (f) such further and other relief as this Honourable Court may deem necessary.

**PART 2: FACTUAL BASIS**

**CORPORATE AND CAPITAL STRUCTURE**

1. The Petitioner is a company duly incorporated under the laws of the province of British Columbia, with a registered and records office of 900-885 West Georgia St., Vancouver, B.C.
2. The Petitioner is a mortgage investment corporation ("**MIC**") which has been in business since 1998. Its business is to provide loans to owners and developers of single and multi-family residential, commercial, office and industrial real estate properties (the "**Borrowers**"), which are secured by registered, unregistered and equitable mortgages on the properties (the "**Mortgage Loans**").
3. In addition, the Petitioner also makes other loans and investments from time to time, which may include equity loans, advance loans and non-mortgage loans to its existing Borrowers for construction, development, redevelopment or renovation (the "**Other Loans**", and together with the Mortgage Loans, hereinafter referred to as the "**Loans**"). Due to the nature of the loans and/or the fact that they may be advanced prior to the Borrower completing the acquisition of properties that would be subject to the Mortgage Loans, the Other Loans may be unsecured.
4. The Petitioner's lending rates range from 6% to 12% for the Loans.
5. As of the date of this Petition, the total value of the Petitioner's portfolio of Loans (the "**Loan Portfolio**") is approximately \$37.8 million.
6. In some instances where a Mortgage Loan has been non-performing, the Petitioner has taken title to the property subject to the Mortgage Loan in satisfaction of the debt owed to the Petitioner.
7. ~~The Petitioner's primary objective as a MIC is to provide its preferred shareholders with dividend payments. The Petitioner has two classes of shareholders: (1) common shares, and (2) preferred shares.~~
8. To date, the Petitioner has issued a total of four (4) common shares, held by four (4) shareholders, including to its sole director and president, Donald Bergman.
9. To date, the Petitioner has issued a total of 37,277 preferred shares and 15,647 warrants, for an aggregate capital of approximately \$37,277,000.
10. Pursuant to the Petitioner's Articles of Incorporation (the "**Articles**") and Redemption Policy, preferred shares are redeemable by the Petitioner in certain circumstances upon written notice (the "**Equity Redemption Notice**"). The Petitioner cannot redeem any preferred shares if at the time of the redemption the Petitioner is insolvent, if the redemption will render the Petitioner insolvent, or if the Petitioner is not able to generate cash reserves sufficient for the redemption.
11. From 2005 to 2014, shareholders received between 6.25% to 8% annual returns on their Preferred Shares. Dividends to shareholders were decreased to 2.75% in 2015 and to 1.0% in 2016. The Petitioner has not paid any dividends in 2017.

12. The Petitioner ceased raising capital as of January 2016. The Petitioner's most recent offering was made in 2015 pursuant to an Amended & Restated Offering Memorandum dated June 22, 2015 (the "2015 Offering Memorandum").

13. The Petitioner is managed by ACIC Financial Development Inc. ("AFDI"), which is a company incorporated under the laws of the province of British Columbia. AFDI is not a Petitioner in these CCAA proceedings. Mr. Bergman is the sole director and officer of AFDI. AFDI and the Petitioner are not subsidiaries of one another, although Donald Bergman is a director and officer of each. AFDI holds preferred shares in the Petitioner. The Petitioner does not hold any shares in AFDI.

14. As compensation for its services, AFDI receives an annual fee (the "Management Fee") equal to 2% of the Petitioner's assets and 15% of the Petitioner's gross annual revenues. The Management Fee is payable to AFDI on a monthly basis.

15. On occasion, AFDI provides funding by way of unsecured loans to the Petitioner when it faces shortfalls in operating funds. AFDI does not currently have a profit interest in any of the Mortgage Loans, nor does it currently receive compensation from any investment ventures involving the Petitioner. Previously, as set out in the 2015 Offering Memorandum, AFDI had an interest in a real estate joint venture with a Borrower that was financed by the Petitioner. The Petitioner's involvement ended when the loan was paid out on February 9, 2016.

#### FINANCIAL DIFFICULTIES AND ANTICIPATED RESTRUCTURING

16. In most cases, the Loans provided by the Petitioner do not meet conventional financing criteria for institutional lenders. Accordingly, the Loans are higher risk and therefore carry an interest rate of between 6% to 12%, which is generally higher than the interest rates charged by conventional providers of similar loans.

17. As an equity lender, the Petitioner accrues and capitalizes interest payment from Borrowers until their particular development project has been completed and sold out. The Petitioner's cash flow planning is dependent on the Borrowers completing their projects in a timely manner. The majority of the Borrowers' development activity has been in the Lower Mainland. Although the real estate market in British Columbia has been robust, the high level of development activity in the Lower Mainland has led to excessive delays in construction and development, particularly with respect to obtaining permits from the municipalities. For example, while it would have previously taken one to two years to obtain a permit, it now takes three to four years.

18. Unfortunately, the delays described above have resulted in delays on timely interest payments and payouts of the Loans. This has negatively affected the Petitioner's cash flow and its ability to meet its obligations to its creditors, including to its preferred shareholders.

19. Due to the decrease in cash flow from the Loans, the Petitioner turned to raising additional funds from investors to meet its cash flow requirements. Unfortunately, the Petitioner has been unsuccessful in that regard due to the decline in investor interest in mortgage investment corporations. Due to the strength of the real estate market in the Lower Mainland, more investors are investing in ownership where they might see higher returns than in mortgages.

20. Further, the Petitioner's ability to raise additional capital was also hindered by the sudden resignation of its auditors, BDO Canada LLP ("BDO"). On or about March 29, 2016, which was six (6) months after the Petitioner's year end, BDO resigned without advance warning and without



completing the Petitioner's audited financial statement for 2015 or filing the Petitioner's tax return. Due to the timing of BDO's resignation, the Petitioner was unable to retain another auditor in a timely manner. The Petitioner's endeavours to raise further capital had to cease as the Petitioner was unable to provide audited financial statements to complete an offering memorandum.

21. The Petitioner has since retained Sandyke & Company, who have completed review engagement financial statements for 2015 and 2016 and have filed the Petitioner's tax returns. Sandyke & Company have been retained to complete audited financial statements through 2017. This is expected to be completed by the end of 2017.

22. As a result of its inability to raise additional capital, the Petitioner had no choice but to borrow funds from third party financiers in order to advance loans and loan commitment obligations with the Borrowers. Such loans had high interest rates which caused further strain to the Petitioner's cash flow. At least one of these loans is in default, which has resulted in foreclosure proceedings being commenced against the Petitioner. These loans are described in further detail in subsequent sections of this Petition.

23. Historically, the Petitioner borrowed funds through the issuance of debentures (the "Debentures"). A number of these Debentures have now either matured or the holders of the Debentures have made redemption requests (the "Debenture Redemption Notices"). The Debentures are described in further detail in subsequent sections of this Petition.

24. The foregoing has resulted in a decrease in dividend payments to the preferred shareholders in 2015 and 2016. The Petitioner has not been in a position to make any dividend payments to the preferred shareholders in 2017. This has led to over 65% of the preferred shareholders sending Equity Redemption Notices.

25. To date, of the \$37,277,000 capital in preferred shares issued, the total amount of Equity Redemption Notices that have been received is approximately \$24,229,000.

26. ~~In light of the Petitioner's inability to meet the demands from its creditors, the Petitioner requires a stay of proceedings to stabilize its operations and implement an orderly restructuring for the benefit of all of its stakeholders.~~

27. The Petitioner's purpose for seeking the initial order is to develop a plan of compromise or arrangement to present to its stakeholders as part of these CCAA proceedings that would involve a fair, controlled and orderly wind-down of its business operations.

28. The Petitioner believes that given a reasonable period of time to realize on its Loan Portfolio, the Loan Portfolio will have greater value to stakeholders, as opposed to an immediate "as is" liquidation of the Loan Portfolio.

29. The Petitioner's plan will likely involve a sale or partial sale of the Loan Portfolio and Real Property to pay its stakeholders.

ASSETS

Loan Portfolio

30. The Petitioner's primary asset is the Loan Portfolio. The total amount of outstanding debt owed to the Petitioner in the Loan Portfolio is approximately \$37.8 million.

31. The Mortgage Loans are secured by registered, unregistered and equitable mortgages against the property subject to the Mortgage Loan or on other property belonging to the Borrowers or related parties to the Borrowers. A number of the Mortgage Loans are also secured by general security agreements from the Borrower or parties related to the Borrower and/or unlimited guarantees from principals of the Borrower.

32. The Other Loans are unsecured loans.

Land and Other Investments

33. The Petitioner owns five (5) properties registered in its name (the "Real Property"), the details of which are described below.

34. In or about July 2000, the Petitioner had advanced a Mortgage Loan to a Borrower with respect to the development of residential lots in Pender Harbour, B.C. In or about August 2015, the remaining six (6) lots were transferred from the Borrower to the Petitioner as repayment for the outstanding loan of \$2.7 million owed to the Petitioner at that time. On or about April 20, 2017, the Petitioner sold one (1) of the six (6) lots for a purchase price of \$85,000.

35. The Real Property is managed by AFDI.

36. As part of these CCAA proceedings, the Petitioner plans to sell the Real Property to pay its creditors. As all of the Real Property is ideally situated to be used as recreational properties, it is expected that they will sell for higher purchase prices leading up to and in the summer months. The Petitioner believes that allowing for more time to properly market the Real Property will result in increased benefit to all stakeholders.

*The Packalen Boulevard Properties*

37. Three (3) of the remaining five (5) lots are ocean view and waterfront properties located on Packalen Boulevard, Pender Harbour, B.C., on PIDs 026-192-993, 026-193-001 and 026-193-019 and are hereinafter collectively referred to as the "Packalen Boulevard Properties".

38. As of October 13, 2017, the appraised market value of the Packalen Boulevard Properties is \$3.1 million. As per the 2017 B.C. Assessment Notice, the total assessed value of the Packalen Boulevard Properties is \$2,543,000.

39. The Packalen Boulevard Properties are subject to a first mortgage in favour of Fisgard Capital Corporation ("Fisgard") and a second mortgage in favour of Van Maren Financial Ltd. ("Van Maren"). The details with respect to these mortgages are described in subsequent sections of this Petition.

40. The three (3) lots that comprise the Packalen Boulevard Properties are currently listed for sale, for a total list price of \$3.98 million.

***The Garden Bay Properties***

41. The remaining two (2) of the five (5) lots owned by the Petitioner are located on or near Lee Road, Garden Bay, Pender Harbour, B.C., on PIDs 027-093-387 and 026-169-436 and are hereinafter collectively referred to as the "Garden Bay Properties".

42. As per the 2017 B.C. Assessment Notice, PID 027-093-387 has an assessed value of \$549,000, and PID 026-169-436 has an assessed value of \$66,200, for total assessed value for both lots of \$615,200.

43. The Garden Bay Properties are subject to a mortgage in favour of Van Maren the details of which are described in subsequent sections of this Petition.

44. PID 026-169-436 is currently listed for a price of \$99,000 and PID 027-093-387 is currently listed for a price of \$629,000, for a total list price of \$728,000.

**LIABILITIES**

45. As of October 31, 2017, the Petitioner has a total of approximately \$29,914,702 in claims against it as follows:

- (a) \$1,785,702 in secured claims;
- (b) approximately \$3.96 million in unsecured claims; and
- (c) \$24,229,000 in equity claims arising from the Equity Redemption Notices received from its preferred shareholders.

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**Secured Indebtedness**

***Fisgard Loan***

46. As described earlier in this Petition, as a result of the Petitioner's inability to raise additional capital, the Petitioner borrowed funds from Fisgard in order to advance loans and continue with its loan commitment obligations to the Borrowers.

47. Pursuant to a commitment letter dated October 21, 2015, as extended by letter dated December 19, 2016, between the Petitioner, as borrower, and Fisgard as lender, Fisgard agreed to lend to the Petitioner the total sum of \$1,250,000 (the "Fisgard Loan"). The Fisgard Loan has an interest rate of 8.5% per annum calculated daily, compounded monthly.

48. The Fisgard Loan is secured by a mortgage registered against the Packalen Boulevard Properties and a general security agreement between the Petitioner and Fisgard.

49. The Fisgard Loan matured on June 15, 2017. As of September 30, 2017, the outstanding indebtedness to Fisgard pursuant to the Fisgard Loan is \$1,285,702.

50. On August 4, 2017, Fisgard commenced foreclosure proceedings seeking to enforce its security against the Petitioner pursuant to the mortgage and the general security agreement. Fisgard has registered a certificate of pending litigation against the Packalen Boulevard Properties and crystallized floating charges against the Garden Bay Properties and six (6) properties on which the Petitioner holds registered mortgages pursuant to the Loan Portfolio.

51. As of the date of filing of this Petition, Fisgard has not yet obtained an Order Nisi.

***Van Maren Loans***

52. To meet its commitments to the Borrowers, the Petitioner required funds in addition to the Fisgard Loan. Pursuant to a loan agreement dated August 22, 2016, Van Maren agreed to lend to the Petitioner the total sum of \$3,500,000 (the "First Van Maren Loan"). The First Van Maren Loan had an interest rate of 3% per month, paid monthly.

53. The First Van Maren Loan was secured by, *inter alia*, second mortgages on the Real Property and a general security agreement in favour of Van Maren from the Petitioner.

54. The Petitioner paid out the First Van Maren Loan on September 20, 2017 using the proceeds of sale from a payout of a Loan from a Borrower. This has resulted in a reduction in the interest burn of the Petitioner but has contributed to further stress to the Petitioner's ability to meet its current obligations to its stakeholders.

55. Pursuant to a further loan agreement with Van Maren dated October 11, 2017, Van Maren advanced \$500,000 to the Petitioner (the "Second Van Maren Loan"), which funds were used by the Petitioner to meet its commitment to a Borrower. The funds advanced under the Second Van Maren Loan is secured by, *inter alia*, Van Maren's second mortgages on the Real Property and a general security agreement.

**Unsecured Indebtedness**

***Hancock Loan***

56. Pursuant to the terms of a promissory note dated January 30, 2013, the Petitioner is indebted to James Hancock in the principal amount of \$1,000,000 (the "Hancock Loan"). The Hancock Loan is unsecured.

57. The Hancock Loan matured on May 1, 2013 and interest on the Hancock Loan is payable at the rate of 6% per annum. As of October 31, 2017, the principal balance of \$1,015,123.29 is outstanding on the Hancock Loan.

***AFDI Loan***

58. Since 2012, the Petitioner has borrowed funds from AFDI when the Petitioner has faced shortfalls in operating funds, including for the payment of property taxes on the property owned by the Petitioner and with respect to legal fees relating to the Petitioner's shareholder matters. These loans do not accrue interest. As of October 31, 2017, the Petitioner is indebted to AFDI in the total of approximately \$459,265.

***ACIC CJ Properties Ltd.***

59. Since 2015, the Petitioner has borrowed funds from ACIC CJ Properties Ltd. ("CJ Properties") to meet the Petitioner's operating shortfalls. CJ Properties and the Petitioner are not subsidiaries of one another. Mr. Bergman is the sole shareholder of CJ Properties. These loans do not accrue interest. As of October 31, 2017, the Petitioner is indebted to CJ Properties in the total of \$24,000.

***Debentures***

60. The Petitioner has issued Series A Debentures and Series B Debentures to borrow funds in order to advance loans and loan commitment obligations to Borrowers. Interest on the debentures are due monthly. As of October 31, 2017, the total debt from the Debentures is \$2,350,000, with a total of approximately \$60,000 outstanding in accrued interest as follows:

- (a) Four (4) outstanding Series A Debentures for a total amount of \$950,000. A Series A Debenture has an 8% per annum yield, with maturity dates ranging from May 2017 to May 2018. There is a total of approximately \$28,666.05 owing in interest on the Series A Debentures. With respect to the Series A Debentures, a total of two (2) Debenture Redemption Notices have been received for a total redemption amount of \$180,000; and
- (b) Nine (9) outstanding Series B Debentures for a total amount of \$1.4 million. A Series B Debenture has a 7% or 8% per annum yield, with maturity dates ranging from November 2015 to November 2017. There is a total of \$37,333.32 owing in interest on the Series B Debentures. With respect to the Series B Debentures, a total of five (5) Debenture Redemption Notices have been received for a total redemption amount of \$785,000.

***Other Unsecured Creditors***

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61. As of October 31, 2017, the Petitioner has a total amount of approximately \$32,272.83 outstanding to other creditors not described above.

**Property Taxes**

62. There is an outstanding amount of \$11,705.92 owing on account of property taxes in relation to the Packalen Boulevard Properties.

**Shareholders**

63. As described in previous sections of this Petition, as of October 31, 2017, the Petitioner has issued a total of 37,277 preferred shares and 15,647 warrants, for total capital of approximately \$37,277,000.

64. As of the date of this Petition, there have been three (3) actions commenced in the British Columbia Supreme Court by preferred shareholders against the Petitioner and others, including AFDI, Mr. Bergman and Wayne Blair (an officer of the Petitioner) with respect to their shares and Equity Redemption Notices. To date, the claims against the Petitioner pursuant to these actions are in the total amount of approximately \$1,425,000.

Canada Revenue Agency

65. As of the date of this Petition, there are no known amounts owing to Canada Revenue Agency with respect to GST and source deductions.

APPOINTMENT OF MONITOR AND CHARGES

66. Boale, Wood & Company Ltd. has consented to be appointed monitor in these CCAA proceedings (the "Monitor").

67. It is contemplated that the proposed Monitor, counsel to the proposed Monitor and counsel to the Petitioner would be granted a first priority Court-ordered charge on the assets, property and undertaking of the Petitioner in priority to all claims up to the maximum amount of \$250,000 in respect of their respective fees and disbursements, incurred at standard rates and charges (the "Administration Charge").

68. The nature of the Petitioner's business and operations requires the expertise, knowledge and continuing participation of the proposed beneficiaries of the Administration Charge in order to complete a successful restructuring.

69. Mr. Bergman is the sole director and president of the Petitioner and Mr. Blair is an officer (secretary). During the CCAA proceeding, both Mr. Bergman and Mr. Blair will continue in the day-to-day operations of the Petitioner's business and will remain on the company's books and records as a director and officers. Both individuals have specialized knowledge and relationships with the stakeholders and Borrowers.

70. Currently, there is no director and officer liability insurance in place. The proposed Initial Order provides for a charge on the assets of the Petitioners ranking behind the Administration Charge but in priority to all other claims as security for the Petitioner's indemnification obligations for the potential obligations and liabilities the director and officers may incur during the pendency of these CCAA proceedings.

71. In consideration of the extent of the Petitioner's business and liabilities, a directors and officer's charge in the amount of \$50,000 is proposed, over all of the Petitioner's assets, property and undertaking (the "Directors' Charge").

**PART 3: LEGAL BASIS**

1. The Petitioner relies upon the CCAA, and the *Business Corporations Act*, S.B.C. 2002, c. 57 (the "BCA"), the *Supreme Court Civil Rules*, B.C. Reg. 241/2010, as amended, and the inherent jurisdiction of this Honourable Court.

2. The Petitioner is seeking protection under the CCAA as it is insolvent and would like to effect an orderly restructuring for the benefit of its stakeholders. It is contemplated that such a restructuring will involve an orderly wind-down of the Petitioner's operations and presentation of a plan of compromise and arrangement to its creditors.

3. The CCAA applies to a "debtor company" where the total of claims against the debtor exceeds \$5,000,000. Pursuant to section 2 of the CCAA, a "debtor company" means, *inter alia*, a company that is insolvent.

4. Whether a company is insolvent for the purposes of this CCAA involves a consideration of the definition of "insolvent person" under the *Bankruptcy and Insolvency Act* (the "BIA"), which defines "insolvent person" as, *inter alia*, a person whose liabilities to creditors provable as claims under the BIA, who is for any reason unable to meet his obligations as they generally become due, or who has ceased paying his current obligations in the ordinary course of business as they generally become due.

5. At this time, the Petitioner is unable to meet its obligations to its creditors. The Petitioner is therefore insolvent and is a debtor company to which the CCAA applies.

6. As of October 31, 2017, the Petitioner has a total of approximately \$29,914,702 in claims against it as follows:

- (a) \$1,785,702 in secured claims;
- (b) approximately \$3.96 million in unsecured claims; and
- (c) \$24,229,000 in equity claims arising from the Equity Redemption Notices received from its preferred shareholders.

7. Pursuant to section 11.02 of the CCAA, this Honourable Court may, on an initial application in respect of a debtor company, grant a stay if the applicant satisfies the Court that circumstances exist that make the order appropriate.

8. The CCAA can be used for an orderly wind-down of a company.

*Re Target Canada Co.*, 2015 ONAC 303 (Ont. S.C.J.)

9. Further, the CCAA has been utilized to restructure mortgage investment corporations where the primary debt has been equity claims, as was the case in the CCAA proceedings of *CMIC Mortgage Investment Corporation*.

*See In the Matter of CMIC Mortgage Investment Corporation*,  
BCSC No. S-151241, Petition filed February 13, 2015 and  
Initial Order granted February 13, 2015

10. In accordance with section 6(8) of the CCAA, any plan that the Petitioner may propose will provide that all claims that are not equity claims will be paid in full before the equity claims are to be paid. The Petitioner is not attempting to affect the priority of payment to the Petitioner's other creditors who are not preferred shareholders.

11. The Petitioner's only secured creditors, Fisgard and Van Maren, are fully secured for the amounts owing to them, by their mortgages on the Real Property and their general security agreements. Further, the Petitioner believes that it has sufficient assets to meet its obligations to its unsecured creditors. The only stakeholders that will ultimately be affected by the restructuring will be the preferred shareholders.

12. The order for a stay under the Initial Order is appropriate in the circumstances. The controlled wind-down of the Petitioner's business will allow it to provide more value to its stakeholders, particularly the preferred shareholders, than an immediate "as is" liquidation which will destroy value.

13. Pursuant to section 11 of the CCAA, this Honourable Court may make any order that it considers appropriate in the circumstances with or without notice to any person as this Honourable Court may see fit.

14. Pursuant to section 11.51 of the CCAA, the debtor company may apply, on notice to the secured creditors who are likely to be affected by the security or charge, for an order that all or part of the company's property is subject to a security or charge, in an amount that the court considers appropriate, in favour of any director or officer of the company to indemnify the director or officer against obligations and liabilities that they may incur as a director or officer of the company after the commencement of CCAA proceedings. The court may order that the Directors' Charge rank in priority over the claim of any secured creditor.

15. Pursuant to section 11.52 of the CCAA, on notice to the secured creditors who are likely to be affected by the security or charge, the court may make an order declaring that all or part of the property of a debtor company is subject to a security or charge, in an amount that the court considers appropriate, in respect of the fees and expenses of the monitor, including the fees of the monitor's legal advisors, and the company's legal counsel. The court may order that the Administration Charge rank in priority over the claim of any secured creditor.

16. The only parties to be potentially affected by the charges sought in the proposed Initial Order are the secured creditors, Fisgard and Van Maren. Given that the total amount of their secured claims is approximately \$1,785,702, which are secured against the Petitioner's assets which have a value that exceeds the amount of the secured claims, it is unlikely that the secured creditors will be affected by the charges. Per the 2017 B.C. Assessment Notices, the total assessed value for the Real Property is approximately \$3,158,200. Fisgard and Van Maren are further secured by the additional security they have taken, including but not limited to, the amounts owing to the Petitioner pursuant to the Loans.

17. Both the Administration Charge and the Directors' Charge are appropriate in the circumstances and will ensure the continued engagement of the advisors, directors and officers needed to achieve the orderly wind-down and restructuring for the benefit of the stakeholders.


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**PART 4: MATERIAL TO BE RELIED ON**

1. Affidavit #1 of Donald Bergman, made November 7, 2017.
2. Such further and other material as counsel may advise and this Honourable Court may allow.

The Petitioner estimate that the hearing of the Petition will take 1 hour.

Date: November 7, 2017.

  
\_\_\_\_\_  
Signature of Lawyer for Petitioner  
Lawyer: Katie G. Mak

This PETITION TO THE COURT is prepared by Katie G. Mak of the firm of **Clark Wilson LLP** whose place of business is 900 – 885 West Georgia Street, Vancouver, British Columbia, V6C 3H1 (Direct #: 604.643.3105, Fax #: 604.687.6314, Email: KMak@cwilson.com) (File #: 45211-0001).



**To be completed by the court only:**

Order made

in the terms requested in paragraphs \_\_\_\_\_ of Part 1 of this  
Petition

with the following variations and additional terms:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Date: \_\_\_\_\_

[dd/mmm/yyyy]

Signature of  Judge  Master

No. \_\_\_\_\_  
Vancouver Registry

**IN THE SUPREME COURT OF BRITISH COLUMBIA**

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,  
R.S.C. 1985, c. C-36, AS AMENDED

AND

IN THE MATTER OF THE *BUSINESS CORPORATIONS ACT*,  
S.B.C. 2002, c. 57, AS AMENDED

AND

IN THE MATTER OF THE *CANADA BUSINESS CORPORATIONS ACT*,  
R.S.C. 1985, c. C-44, AS AMENDED

AND

IN THE MATTER OF A PLAN OF COMPROMISE AND ARRANGEMENT OF  
ALL CANADIAN INVESTMENT CORPORATION

**ORDER MADE AFTER APPLICATION**

BEFORE THE HONOURABLE

)  
)  
)

\_\_\_\_\_/ Nov/2017

THE APPLICATION of the Petitioner coming on for hearing without notice at Vancouver, British Columbia, on the \_\_\_\_ day of November, 2017 (the "Order Date"); AND ON HEARING Christopher J. Ramsay and Katie G. Mak, counsel for the Petitioner and those other counsel listed on Schedule "A" hereto; AND UPON READING the material filed, including the First Affidavit of Donald Bergman sworn November \_\_\_\_, 2017 and the consent of Boale, Wood & Company Ltd. to act as Monitor; AND UPON BEING ADVISED that the [secured creditors] who are likely to be affected by the charges created herein were given notice; AND pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985 c. C-36 as amended (the "CCAA"), the British Columbia Supreme Court Civil Rules and the inherent jurisdiction of this Honourable Court;

THIS COURT ORDERS AND DECLARES THAT:

#### JURISDICTION

1. The Petitioner is a company to which the CCAA applies.

#### SUBSEQUENT HEARING DATE

2. The hearing of the Petitioner's application for an extension of the Stay Period (as defined in paragraph 14 of this Order) and for any ancillary relief shall be held at the Courthouse at 800 Smithe Street, Vancouver, British Columbia at            .m. on           , the        day of December 2017 or such other date as this Court may order.

#### PLAN OF ARRANGEMENT

3. The Petitioner shall have the authority to file and may, subject to further order of this Court, file with this Court a plan of compromise or arrangement (hereinafter referred to as the "Plan").

#### POSSESSION OF PROPERTY AND OPERATIONS

4. Subject to this Order and any further Order of this Court, the Petitioner shall remain in possession and control of its current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof (the "Property"), and continue to carry on its business (the "Business") in the ordinary course and in a manner consistent with the preservation of the Business and the Property. The Petitioner shall be authorized and empowered to continue to retain and employ the employees, consultants, agents, experts, accountants, counsel and such other persons (collectively, "Assistants") currently retained or employed by it, with liberty to retain such further Assistants as it deems reasonably necessary or desirable in the ordinary course of business or for carrying out the terms of this Order.

5. The Petitioner shall be entitled, but not required, to pay the following expenses which may have been incurred prior to the Order Date:

- (a) all outstanding wages, salaries, employee and pension benefits (including long and short term disability payments), vacation pay and expenses (but excluding

severance pay) payable before or after the Order Date, in each case incurred in the ordinary course of business and consistent with the relevant compensation policies and arrangements existing at the time incurred (collectively "Wages"); and

- (b) the fees and disbursements of any Assistants retained or employed by the Petitioner which are related to the Petitioner's restructuring, at their standard rates and charges, including payment of the fees and disbursements of legal counsel retained by the Petitioner, whenever and wherever incurred, in respect of:
  - (i) these proceedings or any other similar proceedings in other jurisdictions in which the Petitioner or any subsidiaries or affiliated companies of the Petitioner are domiciled;
  - (ii) any litigation in which the Petitioner is named as a party or is otherwise involved, whether commenced before or after the Order Date; and
  - (iii) any related corporate matters.

6. Except as otherwise provided herein, the Petitioner shall be entitled to pay all expenses reasonably incurred by the Petitioner in carrying on the Business in the ordinary course following the Order Date, and in carrying out the provisions of this Order, which expenses shall include, without limitation:

- 
- (a) all expenses and capital expenditures reasonably incurred and which are necessary for the preservation of the Property or the Business including, without limitation, payments on account of insurance (including directors' and officers' insurance), maintenance and security services, provided that any capital expenditure exceeding \$50,000 shall be approved by the Monitor;
  - (b) all obligations incurred by the Petitioner after the Order Date, including without limitation, with respect to goods and services actually supplied to the Petitioner following the Order Date (including those under purchase orders outstanding at the Order Date but excluding any interest on the Petitioner's obligations incurred prior to the Order Date); and
  - (c) fees and disbursements of the kind referred to in paragraph 5(b) which may be incurred after the Order Date.

7. The Petitioner is authorized to remit, in accordance with legal requirements, or pay:
- (a) any statutory deemed trust amounts in favour of the Crown in right of Canada or of any Province thereof or any other taxation authority which are required to be deducted from Wages, including, without limitation, amounts in respect of (i) employment insurance, (ii) Canada Pension Plan, (iii) Quebec Pension Plan, and (iv) income taxes or any such claims which are to be paid pursuant to Section 6(3) of the CCAA;
  - (b) all goods and services or other applicable sales taxes (collectively, "Sales Taxes") required to be remitted by the Petitioner in connection with the sale of goods and services by the Petitioner, but only where such Sales Taxes accrue or are collected after the Order Date, or where such Sales Taxes accrued or were collected prior to the Order Date but not required to be remitted until on or after the Order Date; and
  - (c) any amount payable to the Crown in right of Canada or of any Province thereof or any political subdivision thereof or any other taxation authority in respect of municipal property taxes, municipal business taxes or other taxes, assessments or levies of any nature or kind which are entitled at law to be paid in priority to claims of secured creditors.
8. Until such time as a real property lease is disclaimed in accordance with the CCAA, the Petitioner shall pay all amounts constituting rent or payable as rent under real property leases (including, for greater certainty, common area maintenance charges, utilities and realty taxes and any other amounts payable as rent to the landlord under the lease) based on the terms of existing lease arrangements or as otherwise may be negotiated between the Petitioner and the landlord from time to time ("Rent"), for the period commencing from and including the Order Date, twice-monthly in equal payments on the first and fifteenth day of the month in advance (but not in arrears). On the date of the first of such payments, any Rent relating to the period commencing from and including Order Date shall also be paid.
9. Except as specifically permitted herein, the Petitioner is hereby directed, until further Order of this Court:
- (a) to make no payments of principal, interest thereon or otherwise on account of amounts owing by the Petitioner to any of its creditors as of the Order Date except as authorized by this Order;

- (b) to make no payments in respect of any financing leases which create security interests;
- (c) to grant no security interests, trust, mortgages, liens, charges or encumbrances upon or in respect of any of its Property, nor become a guarantor or surety, nor otherwise become liable in any manner with respect to any other person or entity except as authorized by this Order;
- (d) to not grant credit except in the ordinary course of the Business only to its customers for goods and services actually supplied to those customers, provided such customers agree that there is no right of set-off in respect of amounts owing for such goods and services against any debt owing by the Petitioner to such customers as of the Order Date; and
- (e) to not incur liabilities except in the ordinary course of Business.

#### RESTRUCTURING

10. Subject to such requirements as are imposed by the CCAA, the Petitioner shall have the right to:

- (a) permanently or temporarily cease, downsize or shut down all or any part of its Business or operations and commence marketing efforts in respect of any of its redundant or non-material assets and to dispose of redundant or non-material assets not exceeding \$100,000 in any one transaction or \$300,000 in the aggregate;
- (b) terminate the employment of such of its employees or temporarily lay off such of its employees as it deems appropriate; and
- (c) pursue all avenues of refinancing for its Business or Property, in whole or part;

all of the foregoing to permit the Petitioner to proceed with an orderly restructuring of the Business (the "Restructuring").

11. The Petitioner shall provide each of the relevant landlords with notice of the Petitioner's intention to remove any fixtures from any leased premises at least seven (7) days prior to the date of the intended removal. The relevant landlord shall be entitled to have a representative present in the leased premises to observe such removal and, if the landlord disputes the Petitioner's entitlement to remove any such fixture under the provisions of the lease, such fixture shall remain on the premises and shall be dealt with as agreed between any applicable

secured creditors who claim a security interest in the fixtures, such landlord and the Petitioner, or by further Order of this Court upon application by the Petitioner, the landlord or the applicable secured creditors on at least two (2) clear days' notice to the other parties. If the Petitioner disclaims the lease governing such leased premises in accordance with Section 32 of the CCAA, it shall not be required to pay Rent under such lease pending resolution of any dispute concerning such fixtures (other than Rent payable for the notice period provided for in Section 32(5) of the CCAA), and the disclaimer of the lease shall be without prejudice to the Petitioner's claim to the fixtures in dispute.

12. If a notice of disclaimer is delivered pursuant to Section 32 of the CCAA, then: (a) during the period prior to the effective time of the disclaimer, the landlord may show the affected leased premises to prospective tenants during normal business hours on giving the Petitioner and the Monitor 24 hours' prior written notice; and (b) at the effective time of the disclaimer, the landlord shall be entitled to take possession of any such leased premises without waiver of or prejudice to any claims the landlord may have against the Petitioner, or any other rights the landlord might have, in respect of such lease or leased premises and the landlord shall be entitled to notify the Petitioner of the basis on which it is taking possession and gain possession of and re-lease such leased premises to any third party or parties on such terms as the landlord considers advisable, provided that nothing herein shall relieve the landlord of its obligation to mitigate any damages claimed in connection therewith.

13. Pursuant to Section 7(3)(c) of the *Personal Information Protection and Electronics Documents Act*, S.C. 2000, c. 5 and Section 18(1)(o) of the *Personal Information Protection Act*, S.B.C. 2003, c. 63, and any regulations promulgated under authority of either Act, as applicable (the "Relevant Enactment"), the Petitioner, in the course of these proceedings, is permitted to, and hereby shall, disclose personal information of identifiable individuals in its possession or control to stakeholders, its advisors, prospective investors, financiers, buyers or strategic partners (collectively, "Third Parties"), but only to the extent desirable or required to negotiate and complete the Restructuring or to prepare and implement the Plan or transactions for that purpose; provided that the Third Parties to whom such personal information is disclosed enter into confidentiality agreements with the Petitioner binding them in the same manner and to the same extent with respect to the collection, use and disclosure of that information as if they were an organization as defined under the Relevant Enactment, and limiting the use of such information to the extent desirable or required to negotiate or complete the Restructuring or to prepare and implement the Plan or transactions for that purpose, and attorning to the jurisdiction of this Court for the purposes of that agreement. Upon the completion of the use of personal information for the limited purposes set out herein, the Third Parties shall return the personal information to the Petitioner or destroy it. If the Third Parties acquire personal

information as part of the Restructuring or the preparation and implementation of the Plan or transactions in furtherance thereof, such Third Parties may, subject to this paragraph and any Relevant Enactment, continue to use the personal information in a manner which is in all respects identical to the prior use thereof by the Petitioner.

#### **STAY OF PROCEEDINGS, RIGHTS AND REMEDIES**

14. Until and including December \_\_\_\_, 2017, or such later date as this Court may order (the "**Stay Period**"), no action, suit or proceeding in any court or tribunal (each, a "**Proceeding**") against or in respect of the Petitioner or the Monitor, or affecting the Business or the Property, shall be commenced or continued except with the written consent of the Petitioner and the Monitor or with leave of this Court, and any and all Proceedings currently under way against or in respect of the Petitioner or affecting the Business or the Property are hereby stayed and suspended pending further Order of this Court.

15. During the Stay Period, all rights and remedies of any individual, firm, corporation, governmental body or agency, or any other entities (all of the foregoing, collectively being "**Persons**" and each being a "**Person**") against or in respect of the Petitioner or the Monitor, or affecting the Business or the Property, are hereby stayed and suspended except with the written consent of the Petitioner and the Monitor or leave of this Court.

16. Nothing in this Order, including paragraphs 14 and 15, shall: (i) empower the Petitioner to carry on any business which the Petitioner is not lawfully entitled to carry on; (ii) affect such investigations, actions, suits or proceedings by a regulatory body as are permitted by Section 11.1 of the CCAA; (iii) prevent the filing of any registration to preserve or perfect a mortgage, charge or security interest (subject to the provisions of Section 39 of the CCAA relating to the priority of statutory Crown securities); or (iv) prevent the registration or filing of a lien or claim for lien or the commencement of a Proceeding to protect lien or other rights that might otherwise be barred or extinguished by the effluxion of time, provided that no further step shall be taken in respect of such lien, claim for lien or Proceeding except for service of the initiating documentation on the Petitioner.

#### **NO INTERFERENCE WITH RIGHTS**

17. During the Stay Period, no Person shall discontinue, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal right, contract, agreement, licence or permit in favour of or held by the Petitioner, except with the written consent of the Petitioner and the Monitor or leave of this Court.



### **CONTINUATION OF SERVICES**

18. During the Stay Period, all Persons having oral or written agreements with the Petitioner or mandates under an enactment for the supply of goods and/or services, including without limitation all computer software, communication and other data services, centralized banking services, payroll services, insurance, transportation, services, utility or other services to the Business or the Petitioner, are hereby restrained until further Order of this Court from discontinuing, altering, interfering with, or terminating the supply of such goods or services as may be required by the Petitioner, and that the Petitioner shall be entitled to the continued use of its current premises, telephone numbers, facsimile numbers, internet addresses and domain names, provided in each case that the normal prices or charges for all such goods or services received after the Order Date are paid by the Petitioner in accordance with normal payment practices of the Petitioner or such other practices as may be agreed upon by the supplier or service provider and the Petitioner and the Monitor, or as may be ordered by this Court.

### **NON-DEROGATION OF RIGHTS**

19. Notwithstanding any provision in this Order, no Person shall be prohibited from requiring immediate payment for goods, services, use of leased or licensed property or other valuable consideration provided on or after the Order Date, nor shall any Person be under any obligation to advance or re-advance any monies or otherwise extend any credit to the Petitioner on or after the Order Date. Nothing in this Order shall derogate from the rights conferred and obligations imposed by the CCAA.

### **PROCEEDINGS AGAINST DIRECTORS AND OFFICERS**

20. During the Stay Period, and except as permitted by subsection 11.03(2) of the CCAA, no Proceeding may be commenced or continued against the directors or officers of the Petitioner with respect to any claim against the directors or officers that arose before the date hereof and that relates to any obligations of the Petitioner whereby the directors or officers are alleged under any law to be liable in their capacity as directors or officers for the payment or performance of such obligations, until a compromise or arrangement in respect of the Petitioner, if one is filed, is sanctioned by this Court or is refused by the creditors of the Petitioner or this Court. Nothing in this Order, including in this paragraph, shall prevent the commencement of a Proceeding to preserve any claim against a director or officer of the Petitioner that might otherwise be barred or extinguished by the effluxion of time, provided that no further step shall be taken in respect of such Proceeding except for service of the initiating documentation on the applicable director or officer.

## DIRECTORS AND OFFICERS INDEMNIFICATION AND CHARGE

21. The Petitioner shall indemnify its directors and officers against obligations and liabilities that they may incur as directors or officers of the Petitioner after the commencement of the within proceedings, except to the extent that, with respect to any director or officer, the obligation or liability was incurred as a result of the director's or officer's gross negligence or wilful misconduct.

22. The directors and officers of the Petitioner shall be entitled to the benefit of and are hereby granted a charge (the "Directors' Charge") on the Property, which charge shall not exceed an aggregate amount of \$50,000, as security for the indemnity provided in paragraph 21 of this Order. The Directors' Charge shall have the priority set out in paragraphs 33 and 35 herein.

23. Notwithstanding any language in any applicable insurance policy to the contrary, (a) no insurer shall be entitled to be subrogated to or claim the benefit of the Directors' Charge, and (b) the Petitioner's directors and officers shall only be entitled to the benefit of the Directors' Charge to the extent that they do not have coverage under any directors' and officers' insurance policy, or to the extent that such coverage is insufficient to pay amounts indemnified in accordance with paragraph 21 of this Order.

## APPOINTMENT OF MONITOR

24. Boale, Wood & Company Ltd. is hereby appointed pursuant to the CCAA as the Monitor, an officer of this Court, to monitor the business and financial affairs of the Petitioner with the powers and obligations set out in the CCAA or set forth herein, and that the Petitioner and its shareholders, officers, directors, and Assistants shall advise the Monitor of all material steps taken by the Petitioner pursuant to this Order, and shall co-operate fully with the Monitor in the exercise of its powers and discharge of its obligations and provide the Monitor with the assistance that is necessary to enable the Monitor to adequately carry out the Monitor's functions.

25. The Monitor, in addition to its prescribed rights and obligations under the CCAA, is hereby directed and empowered to:

- (a) monitor the Petitioner's receipts and disbursements;

- (b) report to this Court at such times and intervals as the Monitor may deem appropriate with respect to matters relating to the Property, the Business, and such other matters as may be relevant to the proceedings herein;
- (c) advise the Petitioner in its development of the Plan and any amendments to the Plan;
- (d) assist the Petitioner, to the extent required by the Petitioner, with the holding and administering of creditors' or shareholders' meetings for voting on the Plan;
- (e) have full and complete access to the Property, including the premises, books, records, data, including data in electronic form, and other financial documents of the Petitioner, to the extent that is necessary to adequately assess the Petitioner's business and financial affairs or to perform its duties arising under this Order;
- (f) be at liberty to engage independent legal counsel or such other persons as the Monitor deems necessary or advisable respecting the exercise of its powers and performance of its obligations under this Order; and
- (g) perform such other duties as are required by this Order or by this Court from time to time.

26. The Monitor shall not take possession of the Property and shall take no part whatsoever in the management or supervision of the management of the Business and shall not, by fulfilling its obligations hereunder, or by inadvertence in relation to the due exercise of powers or performance of duties under this Order, be deemed to have taken or maintained possession or control of the Business or Property, or any part thereof, and nothing in this Order shall be construed as resulting in the Monitor being an employer or a successor employer, within the meaning of any statute, regulation or rule of law or equity, for any purpose whatsoever.

27. Nothing herein contained shall require or allow the Monitor to occupy or to take control, care, charge, possession or management (separately and/or collectively, "Possession") of any of the Property that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination including, without limitation, the *Canadian*

*Environmental Protection Act, the Fisheries Act, the British Columbia Environmental Management Act, the British Columbia Fish Protection Act and regulations thereunder (the "Environmental Legislation")*, provided however that nothing herein shall exempt the Monitor from any duty to report or make disclosure imposed by applicable Environmental Legislation. For greater certainty, the Monitor shall not, as a result of this Order or anything done in pursuance of the Monitor's duties and powers under this Order, be deemed to be in Possession of any of the Property within the meaning of any Environmental Legislation, unless it is actually in possession.

28. The Monitor shall provide any creditor of the Petitioner with information provided by the Petitioner in response to reasonable requests for information made in writing by such creditor addressed to the Monitor. The Monitor shall not have any responsibility or liability with respect to the information disseminated by it pursuant to this paragraph. In the case of information that the Monitor has been advised by the Petitioner is confidential, the Monitor shall not provide such information to creditors unless otherwise directed by this Court or on such terms as the Monitor and the Petitioner may agree.

29. In addition to the rights and protections afforded the Monitor under the CCAA or as an officer of this Court, the Monitor shall incur no liability or obligation as a result of its appointment or the carrying out of the provisions of this Order, save and except for any gross negligence or wilful misconduct on its part. Nothing in this Order shall derogate from the rights and protections afforded the Monitor by the CCAA or any applicable legislation.

#### **ADMINISTRATION CHARGE**

30. The Monitor, counsel to the Monitor, if any, and counsel to the Petitioner shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges, by the Petitioner as part of the cost of these proceedings. The Petitioner is hereby authorized and directed to pay the accounts of the Monitor, counsel to the Monitor and counsel to the Petitioner on a periodic basis and, in addition, the Petitioner is hereby authorized to pay to the Monitor and counsel to the Petitioner, retainers in the amounts of \$50,000 to each to be held by them as security for payment of their respective fees and disbursements outstanding from time to time.

31. The Monitor and its legal counsel shall pass their accounts from time to time, and for this purpose the accounts of the Monitor and its legal counsel are hereby referred to a judge of the British Columbia Supreme Court who may determine the manner in which such accounts

are to be passed, including by hearing the matter on a summary basis or referring the matter to a Registrar of this Court.

32. The Monitor, counsel to the Monitor, if any, and counsel to the Petitioner shall be entitled to the benefit of and are hereby granted a charge (the "Administration Charge") on the Property, which charge shall not exceed an aggregate amount of \$250,000, as security for their respective fees and disbursements incurred at the standard rates and charges of the Monitor and such counsel, both before and after the making of this Order which are related to the Petitioner's restructuring. The Administration Charge shall have the priority set out in paragraphs 33 and 35 hereof.

#### **VALIDITY AND PRIORITY OF CHARGES CREATED BY THIS ORDER**

33. The priorities of the Administration Charge and the Directors' Charge, as among them, shall be as follows:

First – Administration Charge (to the maximum amount of \$250,000); and

Second – Directors' Charge (to the maximum amount of \$50,000).

34. Any security documentation evidencing, or the filing, registration or perfection of, the Administration Charge and the Directors' Charge (collectively, the "Charges") shall not be required, and that the Charges shall be effective as against the Property and shall be valid and enforceable for all purposes, including as against any right, title or interest filed, registered or perfected subsequent to the Charges coming into existence, notwithstanding any failure to file, register or perfect any such Charges.

35. Each of the Charges shall constitute a mortgage, security interest, assignment by way of security and charge on the Property and such Charges shall rank in priority to all other security interests, trusts, liens, mortgages, charges and encumbrances and claims of secured creditors, statutory or otherwise (collectively, "Encumbrances"), in favour of any Person, save and except those claims contemplated by section 11.8(8) of the CCAA.

36. Except as otherwise expressly provided herein, or as may be approved by this Court, the Petitioner shall not grant or suffer to exist any Encumbrances over any Property that rank in priority to, or *pari passu* with the Charges, unless the Petitioner obtains the prior written consent of the Monitor, and the beneficiaries of the Administration Charge and the Directors' Charge.

37. The Administration Charge and the Directors' Charge shall not be rendered invalid or unenforceable and the rights and remedies of the chargees entitled to the benefit of the Charges (collectively, the "Chargees") shall not otherwise be limited or impaired in any way by (a) the pendency of these proceedings and the declarations of insolvency made herein; (b) any application(s) for bankruptcy order(s) issued pursuant to the BIA, or any bankruptcy order made pursuant to such applications; (c) the filing of any assignments for the general benefit of creditors made pursuant to the BIA; (d) the provisions of any federal or provincial statutes; or (e) any negative covenants, prohibitions or other similar provisions with respect to borrowings, incurring debt or the creation of Encumbrances, contained in any existing loan documents, lease, mortgage, security agreement, debenture, sublease, offer to lease or other agreement (collectively, an "Agreement") which binds the Petitioner; and notwithstanding any provision to the contrary in any Agreement:

- (a) the creation of the Charges shall not create or be deemed to constitute a breach by the Petitioner of any Agreement to which it is a party;
- (b) none of the Chargees shall have any liability to any Person whatsoever as a result of any breach of any Agreement caused by the creation of the Charges; and
- (c) the payments made by the Petitioner pursuant to this Order and the granting of the Charges, do not and will not constitute preferences, fraudulent conveyances, transfers at undervalue, oppressive conduct, or other challengeable or voidable transactions under any applicable law.

38. THIS COURT ORDERS that any Charge created by this Order over leases of real property in Canada shall only be a Charge in the Petitioner's interest in such real property leases.

#### **SERVICE AND NOTICE**

39. The Monitor shall (i) without delay, publish in the Vancouver Sun a notice containing the information prescribed under the CCAA, (ii) within five days after Order Date, (A) make this Order publicly available in the manner prescribed under the CCAA, (B) send, in the prescribed manner, a notice to every known creditor who has a claim against the Petitioner of more than \$1000, and (C) prepare a list showing the names and addresses of those creditors and the estimated amounts of those claims, except for the names, addresses and amount of claims of the Petitioner's preferred shareholders, and make it publicly available in the prescribed manner, all in accordance with Section 23(1)(a) of the CCAA and the regulations made thereunder.

40. The Petitioner and the Monitor are at liberty to serve this Order, any other materials and orders in these proceedings, any notices or other correspondence, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery or electronic transmission to the Petitioner's creditors or other interested parties at their respective addresses as last shown on the records of the Petitioner and that any such service or notice by courier, personal delivery or electronic transmission shall be deemed to be received on the next business day following the date of forwarding thereof, or if sent by ordinary mail, on the third business day after mailing.

41. Any Person that wishes to be served with any application and other materials in these proceedings must deliver to the Monitor by way of ordinary mail, courier, personal delivery or electronic transmission a request to be added to a service list (the "Service List") to be maintained by the Monitor. The Monitor shall post and maintain an up to date form of the Service List on its website at: [INSERT WEBSITE ADDRESS].

42. Any party to these proceedings may serve any court materials in these proceedings by emailing a PDF or other electronic copy of such materials to counsels' email addresses as recorded on the Service List from time to time, and the Monitor shall post a copy of all prescribed materials on its website at: [INSERT WEBSITE ADDRESS].

43. Notwithstanding paragraphs 40 and 42 of this Order, service of the Petition,, any affidavits filed in support of the Petition and this Order shall be made on the Federal and British Columbia Crowns in accordance with the *Crown Liability and Proceedings Act*, R.S.C. 1985, c. C-50, and regulations thereto, in respect of the Federal Crown, and the *Crown Proceeding Act*, R.S.B.C. 1996, c. 89, in respect of the British Columbia Crown.

#### GENERAL

44. The Petitioner or the Monitor may from time to time apply to this Court for directions in the discharge of its powers and duties hereunder.

45. Nothing in this Order shall prevent the Monitor from acting as an interim receiver, a receiver, a receiver and manager, or a trustee in bankruptcy of the Petitioner, the Business or the Property.

46. THIS COURT REQUESTS the aid and recognition of other Canadian and foreign Courts, tribunal, regulatory or administrative bodies, including any Court or administrative tribunal of any federal or State Court or administrative body in the United States of America, to act in aid of and to be complementary to this Court in carrying out the terms of this Order where

required. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Petitioner and to the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status to the Monitor in any foreign proceeding, or to assist the Petitioner and the Monitor and their respective agents in carrying out the terms of this Order.

47. Each of the Petitioner and the Monitor be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order and the Monitor is authorized and empowered to act as a representative in respect of the within proceedings for the purpose of having these proceedings recognized in a jurisdiction outside Canada, including acting as a foreign representative of the Petitioner to apply to the United States Bankruptcy Court for relief pursuant to Chapter 15 of the *United States Bankruptcy Code*, 11 U.S.C. §§ 101-1330, as amended.

48. The Petitioner may (subject to the provisions of the CCAA and the BIA) at any time file a voluntary assignment in bankruptcy or a proposal pursuant to the commercial reorganization provisions of the BIA if and when the Petitioner determines that such a filing is appropriate.

49. The Petitioner is hereby at liberty to apply for such further interim or interlocutory relief as it deems advisable within the time limited for Persons to file and serve Responses to the Petition.

50. Leave is hereby granted to hear any application in these proceedings on two (2) clear days' notice after delivery to all parties on the Service List of such Notice of Application and all affidavits in support, subject to the Court in its discretion further abridging or extending the time for service.

51. Any interested party (including the Petitioner and the Monitor) may apply to this Court to vary or amend this Order on not less than seven (7) days' notice to all parties on the Service List and to any other party or parties likely to be affected by the order sought or upon such other notice, if any, as this Court may order.

52. Endorsement of this Order by counsel appearing on this application is hereby dispensed with.

53. This Order and all of its provisions are effective as of 12:01 a.m. local Vancouver time on the Order Date.



THE FOLLOWING PARTIES APPROVE THE FORM OF THIS ORDER AND CONSENT TO EACH OF THE ORDERS, IF ANY, THAT ARE INDICATED ABOVE AS BEING BY CONSENT:

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

Party  Lawyer for the Petitioners

\_\_\_\_\_  
Christopher J. Ramsay / Katie G. Mak

BY THE COURT

\_\_\_\_\_  
REGISTRAR

Schedule "A"


This is Exhibit B..... referred to in the affidavit of  
Donald Becaman..... sworn (or affirmed)  
before me on 7/Nov/2017..... [dd/mmm/yyyy]  
Kat M  
.....  
A Commissioner for taking Affidavits  
within British Columbia



BC Company Summary

For

ALL CANADIAN INVESTMENT CORPORATION

Date and Time of Search: August 09, 2017 01:02 PM Pacific Time
Currency Date: July 12, 2017

ACTIVE

Incorporation Number: BC0570425
Name of Company: ALL CANADIAN INVESTMENT CORPORATION
Recognition Date: Incorporated on August 19, 1998
Last Annual Report Filed: August 19, 2016
In Liquidation: No
Receiver: No

COMPANY NAME INFORMATION

Previous Company Name: ALL CANADIAN MORTGAGE INVESTMENT CORPORATION
Date of Company Name Change: December 21, 2000
570425 B.C. LTD. November 13, 1998

REGISTERED OFFICE INFORMATION

Mailing Address: 800 - 885 WEST GEORGIA STREET VANCOUVER BC V6C 3H1 CANADA
Delivery Address: 800 - 885 WEST GEORGIA STREET VANCOUVER BC V6C 3H1 CANADA

RECORDS OFFICE INFORMATION

Mailing Address: 800 - 885 WEST GEORGIA STREET VANCOUVER BC V6C 3H1 CANADA
Delivery Address: 800 - 885 WEST GEORGIA STREET VANCOUVER BC V6C 3H1 CANADA

DIRECTOR INFORMATION

Last Name, First Name, Middle Name: BERGMAN, DONALD F.

Mailing Address: SUITE 2 - 781 MARINE PARK DRIVE SALMON ARM BC V1E 2W7 CANADA
Delivery Address: SUITE 2 - 781 MARINE PARK DRIVE SALMON ARM BC V1E 2W7 CANADA

---

**OFFICER INFORMATION AS AT August 19, 2016****Last Name, First Name, Middle Name:**

Bergman, Donald F.

**Office(s) Held:** (President)**Mailing Address:**SUITE 2 - 781 MARINE PARK DRIVE  
SALMON ARM BC V1E 2W7  
CANADA**Delivery Address:**SUITE 2 - 781 MARINE PARK DRIVE  
SALMON ARM BC V1E 2W7  
CANADA

---

**Last Name, First Name, Middle Name:**

Blair, J. Wayne

**Office(s) Held:** (Secretary)**Mailing Address:**SUITE 2 781 MARINE PARK DRIVE  
SALMON ARM BC V1E 2W7  
CANADA**Delivery Address:**SUITE 2 781 MARINE PARK DRIVE  
SALMON ARM BC V1E 2W7  
CANADA

FORM 19

DEC 21 2000

(Section 348)

COMPANY ACT

*John S. Powell*  
12  
JOHN S. POWELL  
REGISTRAR OF COMPANIES  
PROVINCE OF BRITISH COLUMBIA

Certificate of  
Incorporation No. 570425

**SPECIAL RESOLUTION**

The following special resolution was passed by the undermentioned company on the date stated:

Name of Company: **ALL CANADIAN MORTGAGE INVESTMENT CORPORATION**

Date resolution passed: **December 13, 2000**

Resolution:

**RESOLVED** as a Special Resolution that:

1. The name of the Company be changed from ALL CANADIAN MORTGAGE INVESTMENT COPRORATION to ALL CANADIAN INVESTMENT CORPORATION.
2. The Memorandum of the Company, as altered by these resolutions, be in the form attached hereto as Schedule "A" so that the Memorandum as altered shall, at the time of filing, comply with the *Company Act* (British Columbia).

Certified a true copy the 13th day of December, 2000.

*[Signature]*  
\_\_\_\_\_  
Director

This is Exhibit C referred to in the affidavit of  
Donald Bergman sworn (or affirmed)  
before me on 7/Nov/2017 [dd/mm/yyy]  
*[Signature]*  
A Commissioner for taking Affidavits  
within British Columbia

SCHEDULE "A"

FORM 1  
(Section 5)

COMPANY ACT

MEMORANDUM

OF

ALL CANADIAN INVESTMENT CORPORATION

(as altered by Special Resolution dated December 13, 2000)

1. The name of the Company is "ALL CANADIAN INVESTMENT CORPORATION".
2. The authorized capital of the Company consists of 2,000,000,000 shares without par value divided into:
  - (i) 1,000,000,000 common shares without par value; and
  - (ii) 1,000,000,000 preferred shares without par value and having thereto the special rights and restrictions set forth in the Articles of the Company.

REGISTRATION  
SECTION

NOV 13 1998

FORM 19  
(Section 348)

COMPANY ACT

10  
JENNIFER POWELL  
REGISTRAR OF COMPANIES  
PROVINCE OF BRITISH COLUMBIA

SPECIAL RESOLUTION

Certificate of Incorporation  
No. 570425

The following special resolution was passed by the company referred to below on the date stated:

Name of company: 570425 B.C. Ltd.

Date resolution passed: November 12, 1998

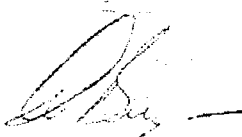
"BE IT RESOLVED, as a special resolution, that:

1. the name of the Company be changed from 570425 B.C. LTD. to ALL CANADIAN MORTGAGE INVESTMENT CORPORATION;
2. paragraph 1 of the Memorandum of the Company be altered to read:
  - "1. The name of the company is "All Canadian Mortgage Investment Corporation"."
3. the authorized capital of the Company be increased from 1,000,000,000 common shares without par value, of which 1 share is issued, to 2,000,000,000 shares without par value divided into 1,000,000,000 shares designated as common shares without par value of which 1 share is issued, and 1,000,000,000 unissued shares designated as preferred shares without par value and having attached thereto the special rights and restrictions set forth in the Articles of the Company;
4. paragraph 2 of the Memorandum of the Company be altered to read:
  - "2. The authorized capital of the Company consists of 2,000,000,000 shares without par value divided into:
    - (i) 1,000,000,000 common shares without par value; and
    - (ii) 1,000,000,000 preferred shares without par value and having attached thereto the special rights and restrictions set forth in the Articles of the Company."



5. the Memorandum as altered by this resolution be in the form attached hereto and marked as Schedule "A" so that the Memorandum, as altered, shall at the time of filing comply with the *Company Act*; and
6. the Articles as filed with the Registrar of Companies, be altered by deleting them in their entirety and replacing them with the Articles which are attached hereto and marked as Schedule "B".

Certified a true copy November 12, 1998.



\_\_\_\_\_  
Signature

\_\_\_\_\_  
President and Director  
Relationship to Company

**Schedule "A"****Altered Memorandum**

(As altered by Special Resolution passed: November 12, 1998)

FORM 1  
(Section 5)

COMPANY ACT

**MEMORANDUM**

I wish to be formed into a company with limited liability under the Company Act in pursuance of this memorandum

1. The name of the company is "All Canadian Mortgage Investment Corporation".
2. The authorized capital of the Company consists of 2,000,000,000 shares without par value divided into:
  - (i) 1,000,000,000 common shares without par value; and
  - (ii) 1,000,000,000 preferred shares without par value and having attached thereto the special rights and restrictions set forth in the Articles of the Company.

## SCHEDULE "B"

### ALL CANADIAN MORTGAGE INVESTMENT CORPORATION

#### ARTICLES

#### TABLE OF CONTENTS

This Table of Contents is for reference purposes only and is not intended to form part of the Articles of the Company.

Part	Article	Subject	Page
1.		INTERPRETATION .....	1
	1.1.	Definitions.....	1
	1.2.	Reference to "Writing" .....	1
	1.3.	Construction of Words.....	2
	1.4.	<i>Company Act</i> and <i>Interpretation Act</i> Definitions Applicable.....	2
2.		SHARES AND SHARE CERTIFICATES .....	2
	2.1.	Authorized Capital .....	2
	2.2.	Form of Certificate.....	2
	2.3.	Member Entitled to Certificate .....	2
	2.4.	Certificate Available within Month.....	3
	2.5.	Delivery by Post.....	3
	2.6.	Replacement of Lost or Defaced Certificate .....	3
	2.7.	Recognition of Trusts.....	3
	2.8.	Execution of Certificates.....	4
3.		ISSUE OF SHARES .....	4
	3.1.	Commencement of Business.....	4
	3.2.	Directors Authorized .....	4
	3.3.	Conditions of Allotment.....	4
	3.4.	Commissions .....	4
	3.5.	Brokerage.....	5
	3.6.	Conditions of Issue.....	5

Part	Article	Subject	Page
	3.7.	Price of Shares With and Without Par Value.....	5
	3.8.	Share Purchase Warrants and Rights.....	5
4.		SHARE REGISTERS .....	5
	4.1.	Register of Transfers and Allotments .....	5
	4.2.	Branch Registers .....	6
	4.3.	Closing Register .....	6
5.		SHARE TRANSFERS.....	6
	5.1.	Transferability and Instrument of Transfer.....	6
	5.2.	Submission of Instruments of Transfer.....	6
	5.3.	Execution of Instrument of Transfer .....	7
	5.4.	Enquiry as to Title Not Required .....	7
	5.5.	Transfer Fee .....	7
6.		TRANSMISSION OF SHARES.....	7
	6.1.	Personal Representative Recognized on Death.....	7
	6.2.	Persons in Representative Capacity.....	8
	6.3.	By Statute or Court Order .....	8
7.		ALTERATION OF CAPITAL .....	8
	7.1.	Ordinary Resolution Required .....	8
	7.2.	Articles Apply to New Capital.....	8
	7.3.	Class Meetings of Members .....	9
8.		PURCHASE AND REDEMPTION OF SHARES.....	9
	8.1.	Company Authorized to Purchase Shares in its Capital .....	9
	8.2.	Directors to Decide on Shares to be Redeemed .....	9
	8.3.	Sale and Voting of Purchased or Redeemed Shares .....	9
9.		BORROWING POWERS .....	10
	9.1.	Powers of Directors .....	10
	9.2.	Issue and Assignment of Bonds and Debentures .....	10
	9.3.	Registers and Branch Registers of Debentureholders .....	10
	9.4.	Execution of Debt Obligation Documents.....	10

Part	Article	Subject	Page
10.		GENERAL MEETINGS.....	11
	10.1.	Annual General Meetings.....	11
	10.2.	Waiver of Annual General Meeting.....	11
	10.3.	Calling of General Meetings.....	11
	10.4.	Notice for General Meetings.....	11
	10.5.	Waiver of Notice and Record Date.....	12
	10.6.	Notice of Special Business at General Meeting.....	12
11.		PROCEEDINGS AT GENERAL MEETINGS.....	12
	11.1.	Special Business.....	12
	11.2.	Quorum.....	13
	11.3.	Requirement of Quorum.....	13
	11.4.	Lack of Quorum.....	13
	11.5.	Chairman.....	13
	11.6.	Selection of Alternate Chairman.....	14
	11.7.	Adjournments.....	14
	11.8.	Decisions by Show of Hands or Poll.....	14
	11.9.	Motion Need Not be Seconded.....	14
	11.10.	Casting Vote.....	14
	11.11.	Manner of Taking Poll.....	15
	11.12.	Casting of Votes.....	15
	11.13.	Demand for Poll.....	15
	11.14.	Demand for Poll Not to Prevent Continuance of Meeting.....	15
	11.15.	Retention of Ballots and Proxies.....	15
	11.16.	Action by Ordinary Resolution.....	15
12.		VOTES OF MEMBERS.....	16
	12.1.	Number of Votes by Member or by Shares.....	16
	12.2.	Votes of Persons in Representative Capacity.....	16
	12.3.	Votes by Joint Holders.....	16
	12.4.	Representative of a Corporate Member.....	16
	12.5.	Votes by Committee of a Member.....	17

Part	Article	Subject	Page
	12.6.	Appointment of Proxyholders .....	17
	12.7.	Execution of Proxy Instruments.....	17
	12.8.	Deposit of Proxy .....	17
	12.9.	Validity of Proxy Vote.....	18
	12.10.	Form of Proxy .....	18
	12.11.	Revocation of Proxy.....	18
	12.12.	Production of Evidence of Authority to Vote .....	19
13.		DIRECTORS .....	19
	13.1.	Number of Directors .....	19
	13.2.	Share Qualifications of Directors .....	19
	13.3.	Remuneration and Expenses of Directors .....	19
14.		ELECTION AND REMOVAL OF DIRECTORS.....	20
	14.1.	Election at Annual General Meeting .....	20
	14.2.	Eligibility for Election.....	20
	14.3.	Failure to Hold Annual Meeting .....	20
	14.4.	Places of Retiring Directors Not Filled .....	20
	14.5.	Casual Vacancies .....	21
	14.6.	Additional Directors .....	21
	14.7.	Alternate Directors .....	21
	14.8.	Vacating Office of Director.....	21
	14.9.	Removal of Director.....	21
15.		POWERS AND DUTIES OF DIRECTORS.....	22
	15.1.	Powers of Management.....	22
	15.2.	Appointment of Attorney of Company.....	22
16.		DISCLOSURE OF INTEREST OF DIRECTORS.....	22
	16.1.	Declaration of Interest .....	22
	16.2.	Restrictions on Voting by Reason of Interest.....	22
	16.3.	Director Holding Office in Company .....	23
	16.4.	Director Acting in Professional Capacity.....	24
	16.5.	Director or Officer in Other Corporations .....	24

Part	Article	Subject	Page
17.		PROCEEDINGS OF DIRECTORS .....	24
	17.1.	Chairman of Meetings .....	24
	17.2.	Voting at Meetings.....	24
	17.3.	Meetings by Conference Telephone.....	24
	17.4.	Calling and Notice of Meetings.....	25
	17.5.	Waiver of Notice of Meetings .....	25
	17.6.	Quorum .....	25
	17.7.	Continuing Directors Power to Act.....	25
	17.8.	Validity of Meeting Where Appointment Defective .....	25
	17.9.	Consent Resolutions in Writing .....	26
18.		EXECUTIVE AND OTHER COMMITTEES .....	26
	18.1.	Appointment and Powers of Executive Committee.....	26
	18.2.	Appointment and Powers of Other Committees .....	26
	18.3.	Meetings and Consent Resolutions of Committees.....	27
19.		OFFICERS .....	27
	19.1.	President and Secretary Required.....	27
	19.2.	Qualification and Remuneration .....	27
	19.3.	Disclosure of Conflicting Interests .....	28
	19.4.	Officer Acting in Professional Capacity .....	28
20.		INDEMNIFICATION OF DIRECTORS, OFFICERS AND EMPLOYEES .....	28
	20.1.	Party to Legal Proceedings .....	28
	20.2.	Officers and Employees .....	28
	20.3.	Non-Compliance with <i>Company Act</i> .....	29
	20.4.	Company May Purchase Insurance.....	29
21.		DIVIDENDS AND RESERVES .....	29
	21.1.	Declaration of Dividends.....	29
	21.2.	Basis and Payment.....	30
	21.3.	Reserves .....	30
	21.4.	Receipt by Joint Registered Holders .....	30

Part	Article	Subject	Page
	21.5.	Dividend Bears No Interest.....	30
	21.6.	Payment of Dividends.....	30
	21.7.	Capitalization of Undistributed Surplus.....	31
22.		DOCUMENTS, RECORDS AND REPORTS.....	31
	22.1.	Keeping Documents, Minutes, etc.....	31
	22.2.	Keeping Books of Account.....	31
	22.3.	Inspection of Accounting Records.....	31
	22.4.	Preparation and Presentation of Financial Statements.....	31
	22.5.	Members Entitlement to Financial Statements.....	32
23.		NOTICES.....	32
	23.1.	Method of Giving Notice.....	32
	23.2.	Notice to Joint Registered Holders.....	32
	23.3.	Notice to Personal Representative.....	32
	23.4.	Persons to Receive Notice.....	32
24.		RECORD DATES.....	33
	24.1.	Fixing Record Date.....	33
	24.2.	Where No Record Date Fixed.....	33
25.		SEAL.....	33
	25.1.	Custody and Use of Seal.....	33
	25.2.	Mechanical Reproduction of Seal.....	34
	25.3.	Official Seal.....	34
26.		RESTRICTIONS.....	34
	26.1.	Sale of Shares and Debt Obligations to Public.....	34
	26.2.	Transfer of Shares.....	34
27.		THE PREFERRED SHARES.....	35
	27.1.	Definitions:.....	35
	27.2.	Priority Over Common Shares.....	35
	27.3.	Voting Rights.....	36
	27.4.	Redemption of Preferred Shares.....	36



Part	Article	Subject	Page
	27.5.	Winding Up or Liquidation of the Company.....	36
	27.6.	Clarification of Rights and Restrictions.....	36
	27.7.	Equal Ranking with Common Shares.....	37

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**COMPANY ACT**

**ARTICLES  
OF  
ALL CANADIAN MORTGAGE INVESTMENT CORPORATION  
(THE "COMPANY")**

---

**PART 1**

**1. INTERPRETATION**

**1.1. Definitions**

In these Articles, unless the context otherwise requires:

- (a) "Board of Directors", "Directors" and "Board" mean the directors or sole director of the Company for the time being;
- (b) "*Company Act*" means the *Company Act* (British Columbia) from time to time in force and all amendments thereto and includes all regulations and amendments thereto made pursuant to that Act;
- (c) "Month" means calendar month;
- (d) "Register" means the register of members to be kept pursuant to the *Company Act*;
- (e) "Registered Owner" and "Registered Holder", when used with respect to a share in the authorized capital of the Company, mean the person registered in the Register in respect to that share;
- (f) "Registered Address" of a member means his address as recorded in the Register;
- (g) "Registered Address" of a director means his address as recorded in the Company's register of Directors to be kept pursuant to the *Company Act*;
- (h) "Seal" means the common seal of the Company, if any.

**1.2. Reference to "Writing"**

Expressions referring to writing shall be construed as including references to printing, lithography, typewriting, photography, photocopying and other modes of representing or reproducing words in a visible form.

### **1.3. Construction of Words**

Words importing the singular include the plural and vice versa; and words importing a male person include a female person and a corporation.

### **1.4. *Company Act* and *Interpretation Act* Definitions Applicable**

The definitions in the *Company Act* and the definitions and rules of construction in the *Interpretation Act* shall, with the necessary changes, so far as applicable, and unless the context requires otherwise, apply to these Articles. If there is a conflict between a definition in the *Company Act* and a definition or rule in the *Interpretation Act*, the definition in the *Company Act* shall prevail.

## **PART 2**

### **2. SHARES AND SHARE CERTIFICATES**

#### **2.1. Authorized Capital**

The authorized capital of the Company shall consist of shares of a class or classes, which may be divided into one or more series, as described in the Memorandum of the Company and each class of issued shares shall be evidenced by a distinct form of certificate.

#### **2.2. Form of Certificate**

Every share certificate issued by the Company shall be in such form as the Directors approve and shall comply with the *Company Act*.

#### **2.3. Member Entitled to Certificate**

Every member is entitled, without charge, to one certificate for each class of shares registered in his name; provided that:

- (a) in respect of a share held jointly by several persons, the Company shall not be bound to issue more than one certificate, and delivery of a certificate for a share to one of several joint Registered Holders or to his duly authorized agent shall be sufficient delivery to all; and
- (b) the Company shall not be bound to issue certificates representing redeemable shares, if such shares are to be redeemed within one month of the date on which they were allotted.

#### **2.4. Certificate Available within Month**

Certificates shall be available for delivery by the Company within one month after the allotment of and payment in full for any of its shares, or within one month after the delivery to the Company of a share certificate and an instrument of transfer, unless the conditions of the share otherwise provide, or where the Company has issued shares with a special right to convert attached thereto, within one month after receipt by the Company of the share certificate for the share to be converted properly tendered for conversion.

#### **2.5. Delivery by Post**

Any certificate may be delivered by the Company by mailing the same by registered prepaid post to the member entitled thereto at his Registered Address and the Company shall not be liable for any loss occasioned by the member owing to any such share certificate so sent being lost in the post or stolen.

#### **2.6. Replacement of Lost or Defaced Certificate**

If a share certificate:

- (a) is worn out or defaced, the Directors shall, upon production to them of that certificate and upon such other terms, if any, as they may think fit, order the certificate to be cancelled and they may issue a new certificate in lieu thereof;
- (b) is lost, stolen or destroyed, then upon proof thereof to the satisfaction of the Directors and upon such indemnity, if any, as the Directors deem adequate being given, a new share certificate in place thereof shall be issued to the person entitled to the lost, stolen or destroyed certificate; or
- (c) represents more than one share and the Registered Owner thereof surrenders it to the Company with a written request that the Company issue, registered in his name, two or more certificates each representing a specified number of shares and in the aggregate representing the same number of shares as the certificate so surrendered, the Company shall cancel the certificate so surrendered and issue in place thereof certificates in accordance with the request.

A sum, as the Directors deem fit and not exceeding that permitted by the *Company Act*, shall be paid to the Company for each certificate issued under this Article.

#### **2.7. Recognition of Trusts**

Except as required by law or statute or these Articles, no person shall be recognized by the Company as holding any share upon any trust, and the Company shall not be bound by or compelled in any way to recognize (even when having notice thereof) any equitable, contingent, future or partial interest in any share or any interest in any fractional part of a share (except as by

law or statute or these Articles provided or as ordered by a court of competent jurisdiction) or any other rights in respect of any share except an absolute right to the entirety thereof in the Registered Holder.

## **2.8. Execution of Certificates**

Every share certificate shall be signed manually by at least one officer or Director of the Company, or by or on behalf of a registrar, branch registrar, transfer agent or branch transfer agent of the Company.

## **PART 3**

### **3. ISSUE OF SHARES**

#### **3.1. Commencement of Business**

The Company may commence business forthwith upon its incorporation notwithstanding that any part of the capital of the Company may remain unallotted or unsubscribed.

#### **3.2. Directors Authorized**

Subject to the *Company Act* and any provision contained in a resolution passed at a general meeting authorizing any alteration of the capital of the Company, the unissued shares of the Company together with any shares of the Company purchased or redeemed by the Company and not cancelled shall be under the control of the Directors who may, subject to the rights of the holders of the shares of the Company for the time being issued, issue, allot, sell, grant options on or otherwise dispose of such shares to such persons, including Directors, in such manner, upon such terms and conditions and at such price or for such consideration, as the Directors, in their absolute discretion, may determine.

#### **3.3. Conditions of Allotment**

If the Company is, or becomes, a company which is not a reporting company and the Directors are required by the *Company Act* before allotting any shares to offer them pro rata to the members, the Directors shall, before allotting any shares, comply with the applicable provisions of the *Company Act*.

#### **3.4. Commissions**

The Company, or the Directors on behalf of the Company, may at any time, subject to the *Company Act*, pay a commission or allow a discount to any person in consideration of his subscribing or agreeing to subscribe, or procuring or agreeing to procure subscriptions, whether absolutely or conditionally, for any shares in the capital of the Company, which commission or

discount, except where the Company is a specially limited company, shall not, in the aggregate, exceed 25% of the subscription price. Where the Company is a specially limited company, such discount or commission shall not exceed 95% of the subscription price or the par value, whichever is the greater.

### **3.5. Brokerage**

The Company may pay such brokerage fee or other consideration as may be lawful for or in connection with the sale or placement of its securities.

### **3.6. Conditions of Issue**

Except as provided for by the *Company Act*, no share may be issued until it is fully paid by the receipt by the Company of the full consideration therefor in cash, property or past services actually performed for the Company. A document evidencing indebtedness of the person to whom the shares are allotted is not property for the purpose of this Article. The value of property or services shall be an amount set by resolution of the Directors, that is, in all circumstances of the transaction, no greater than fair market value.

### **3.7. Price of Shares With and Without Par Value**

The Directors may determine the price or consideration at or for which shares without par value may be issued and the price including any premium at which shares with par value may be issued.

### **3.8. Share Purchase Warrants and Rights**

The Company may, subject to the *Company Act*, issue share purchase warrants and rights upon such terms and conditions as the Directors shall determine, which share purchase warrants and rights may be issued alone or in conjunction with debentures, debenture stock, bonds, shares or any other security issued or created by the Company from time to time.

## **PART 4**

### **4. SHARE REGISTERS**

#### **4.1. Register of Transfers and Allotments**

As required by the *Company Act*, the Company shall keep or cause to be kept within British Columbia Registers, registers of transfers and registers of allotments or a combination of one or more of such registers. If the Company's capital shall consist of more than one class of shares, separate Registers, registers of transfers and registers of allotments may be kept in respect of each class of shares. The Directors, on behalf of the Company, may appoint a trust company to

maintain and keep the Registers, registers of transfers or registers of allotments or, if there is more than one class of shares, the Directors may appoint a trust company, which need not be the same trust company, to keep the Registers, registers of transfers or registers of allotments for each class of shares. The Directors, on behalf of the Company, may also appoint one or more trust companies, including the trust company which keeps the Register or any other such register, as transfer agent for its shares or any class thereof, as the case may be, and the same or another trust company or companies as registrar for its shares or such class thereof, as the case may be. The Directors may terminate such appointment of any trust company at any time and may appoint another trust company in its place.

#### **4.2. Branch Registers**

Unless prohibited by the *Company Act*, the Company may keep or cause to be kept one or more branch Registers at such place or places as the Directors may from time to time determine.

#### **4.3. Closing Register**

The Company shall not at any time close its Register.

### **PART 5**

## **5. SHARE TRANSFERS**

### **5.1. Transferability and Instrument of Transfer**

Subject to any restrictions set forth in these Articles, any member may transfer his shares by instrument in writing executed by or on behalf of such member and delivered to the Company or its transfer agent. The instrument of transfer of any share of the Company shall be in the form, if any, on the back of the Company's form of share certificate or in any other form which the Directors in their discretion may approve. If the Directors so require, each instrument of transfer shall be in respect of only one class of share.

### **5.2. Submission of Instruments of Transfer**

Every instrument of transfer shall be executed by the transferor and left at the registered office of the Company or at the office of its transfer agent or registrar for registration together with the share certificate for the shares to be transferred and such other evidence, if any, as the Directors or the transfer agent or registrar may require to prove the title of the transferor or his right to transfer the shares and the right of the transferee to have the transfer registered. If the transfer is registered, all instruments of transfer shall be retained by the Company or its transfer agent or registrar. If the transfer is not registered, the instrument of transfer together with a notice of refusal to register and the share certificate which was delivered with the instrument of transfer

upon application for registration shall be returned to the applicant within one month of the delivery of the instrument of transfer.

### **5.3. Execution of Instrument of Transfer**

The signature of the Registered Owner of any shares, or of his duly authorized attorney, upon the instrument of transfer constitutes an authority to the Company to register the shares specified in the instrument of transfer in the name of the person named in that instrument of transfer as transferee or, if no person is so named, then in any name designated in writing by the person depositing the share certificate and the instrument of transfer with the Company or its agent.

### **5.4. Enquiry as to Title Not Required**

Neither the Company nor any Director, officer or agent thereof shall be bound to inquire into the title of the person named in the form of transfer as transferee or, if no person is named therein as transferee, of the person on whose behalf the certificate is deposited with the Company for the purpose of having the transfer registered or be liable for any claim related to registering the transfer by such Registered Owner or by any intermediate owner or holder of the certificate or of any of the shares represented thereby or any interest therein.

### **5.5. Transfer Fee**

A sum, as the Directors deem fit and not exceeding that permitted by the *Company Act*, shall be paid to the Company in respect to the registration of any transfer.

## **PART 6**

### **6. TRANSMISSION OF SHARES**

#### **6.1. Personal Representative Recognized on Death**

In case of the death of a member, not being one of several joint Registered Holders, the representative as set out in the *Company Act* of the deceased shall be the only person recognized by the Company as having any title to the shares registered in the name of such member and in the case of the death of any one or more of the joint Registered Holders of any share, the survivor or survivors shall be the only person or persons recognized by the Company as having any title to or interest in such share, but nothing herein contained shall release the estate of a deceased joint holder from any liability in respect of any share that had been jointly held by him with other persons.



## **6.2. Persons in Representative Capacity**

The guardian, committee, trustee, curator, tutor, personal representative or trustee in bankruptcy of any member who becomes entitled to a share as a result of the death or bankruptcy of any member shall be registered as holder of such share upon production of such documents as may be required by the *Company Act* to the registered office of the Company or to its transfer agent.

## **6.3. By Statute or Court Order**

Any person who becomes entitled to a share by operation of statute or as a result of an order of a court of competent jurisdiction shall, upon production of such evidence as is required by the *Company Act* or by any other statute or by court order, be registered as holder of such share.

# **PART 7**

## **7. ALTERATION OF CAPITAL**

### **7.1. Ordinary Resolution Required**

The Company may by ordinary resolution filed with the Registrar alter its Memorandum to increase its authorized capital by:

- (a) creating shares with par value or shares without par value or both; and where the Company has shares with par value and shares without par value, the shares with par value shall be a class or classes of shares distinct from the shares without par value, and shall have attached thereto special rights in respect of capital or dividends or both capital and dividends;
- (b) increasing the number of shares with par value or shares without par value, or both; or
- (c) increasing the par value of a class of shares with par value, if no shares of that class are issued.

### **7.2. Articles Apply to New Capital**

Except as otherwise provided by conditions imposed at the time of creation of any new shares or by these Articles, any addition to the authorized capital resulting from the creation of new shares shall be subject to the provisions of these Articles.

### **7.3. Class Meetings of Members**

Unless these Articles specifically otherwise provide, the provisions of these Articles relating to general meetings shall apply, with the necessary changes and so far as they are applicable, to a meeting of members holding a particular class of shares being a class meeting. A quorum for a class meeting of members shall be one person holding shares of that class present in person at the commencement of the meeting and holding or representing by proxy not less than one-third of the class of shares affected, and one person, if he is a quorum, may constitute a class meeting.

## **PART 8**

### **8. PURCHASE AND REDEMPTION OF SHARES**

#### **8.1. Company Authorized to Purchase Shares in its Capital**

Subject to the special rights and restrictions attached to any class of shares, the Company may, by a resolution of the Directors and in compliance with the *Company Act*, purchase or otherwise acquire any of its shares at the price and upon the terms specified in such resolution and the Company may redeem any class or series of its shares in accordance with the special rights and restrictions attaching thereto. No such purchase, acquisition or redemption shall be made if the Company is insolvent at the time of the proposed purchase, acquisition or redemption or if the proposed purchase, acquisition or redemption would render the Company insolvent. Unless the purchase is of such a nature that the *Company Act* exempts such purchase from the requirement of making the offer to purchase pro rata to every member who holds shares of the class or series to be purchased, the Company shall make its offer to purchase pro rata to every member who holds shares of the class or series to be purchased.

#### **8.2. Directors to Decide on Shares to be Redeemed**

If the Company proposes at its option to redeem some but not all of the shares of any class or series, the Directors may, subject to the special rights and restrictions attached to such class or series, decide the manner in which the shares to be redeemed shall be selected including whether or not such a partial redemption shall be made pro rata.

#### **8.3. Sale and Voting of Purchased or Redeemed Shares**

Subject to the provisions of the *Company Act*, any share purchased or redeemed by the Company may be sold by it, but, while such share is held by the Company, it shall not exercise any vote in respect of such share and shall not pay or make any dividend or other distribution in respect of such share.

## PART 9

### 9. BORROWING POWERS

#### 9.1. Powers of Directors

The Directors may from time to time on behalf of the Company:

- (a) borrow money in such manner and amount, on such security, from such sources and upon such terms and conditions as they think fit;
- (b) issue bonds, debentures and other debt obligations either outright or as security for any liability or obligation of the Company or any other person; and
- (c) mortgage, charge, whether by way of specific or floating charge, or give other security on the undertaking, or on the whole or any part of the property and assets, of the Company both present and future.

#### 9.2. Issue and Assignment of Bonds and Debentures

Any bonds, debentures or other debt obligations of the Company may be issued as a discount, premium or otherwise, and with any special privileges as to redemption, surrender, drawing, allotment of or conversion into or exchange for shares or other securities, attendance and voting at general meetings of the Company, appointment of directors or otherwise and may by their terms be assignable free from any equities between the Company and the person to whom they were issued or any subsequent holder thereof, all as the Directors may determine.

#### 9.3. Registers and Branch Registers of Debentureholders

The Company shall keep or cause to be kept within British Columbia in accordance with the *Company Act* a register of its debentures, a register of debentureholders and such other registers as may be required to be kept under the *Company Act*, which registers may be combined and, subject to the provisions of the *Company Act*, may keep or cause to be kept one or more branch registers of its debentureholders at such place or places as the Directors may from time to time determine and the Directors may by resolution, regulation or otherwise make such provisions as they think fit respecting the keeping of such branch registers.

#### 9.4. Execution of Debt Obligation Documents

Every bond, debenture or other debt obligation of the Company shall be signed manually by at least one director or officer of the Company or by or on behalf of a trustee, registrar, branch registrar, transfer agent or branch transfer agent for the bond, debenture or other obligation appointed by the Company or under any instrument under which the bond, debenture or other debt obligation is issued and any additional signatures may be printed or otherwise mechanically

reproduced thereon and, in such event, a bond, debenture or other debt obligation so signed is as valid as if signed manually notwithstanding that any person whose signature is so printed or mechanically reproduced shall have ceased to hold the office that he is stated to hold on such bond, debenture or other debt obligation at the date of the issue thereof.

## PART 10

### 10. GENERAL MEETINGS

#### 10.1. Annual General Meetings

The first annual general meeting shall be held in accordance with the provisions of the *Company Act* and thereafter an annual general meeting shall be held at least once in every calendar year and not more than 13 months after the date that the last annual general meeting was held, or was deemed under the *Company Act* to have been held, and at such time and place as the Directors shall determine.

#### 10.2. Waiver of Annual General Meeting

If the Company is not a reporting company and if all members entitled to attend and vote at the annual general meeting of the Company consent in writing to the business required to be transacted at the annual general meeting, that business shall be as valid as if transacted at an annual general meeting duly convened and held, and it is not necessary for the Company to hold that annual general meeting.

#### 10.3. Calling of General Meetings

The Directors may, whenever they think fit, call a general meeting of the Company.

#### 10.4. Notice for General Meetings

Not less than 21 days' notice of any general meeting specifying the time and place of meeting and, in case of special business, the general nature of that business shall be given in the manner mentioned in Part 23 of these Articles, or in such other manner, if any, as may be prescribed by ordinary resolution whether previous notice thereof has been given or not, to any person as may by law or under these Articles or other regulations of the Company be entitled to receive such notice from the Company; but the accidental omission to give notice of any meeting to, or the non-receipt of any such notice by, any of such persons shall not invalidate any proceedings at that meeting. If the Company is a reporting company, it shall give such advance notice of a meeting of shareholders as may be required by the *Company Act*.

## **10.5. Waiver of Notice and Record Date**

All the members of the Company entitled to attend and vote at a general meeting may, by unanimous consent in writing given before, during or after the meeting, or, if they are present at the meeting, by a unanimous vote, waive or reduce the period of notice of such meeting, and an entry in the minute book of such waiver or reduction shall be sufficient evidence of the due convening of the meeting. The Directors may, for the purpose of determining members entitled to notice of, or to vote at, any general meeting or class meeting, fix in advance a date as the record date, which date shall not be more than 49 days before the date of the meeting. Where no such record date is fixed, it shall be deemed to be the date on which the notice calling the general meeting or class meeting is mailed for the purpose of determining those members entitled to notice and to vote at such meeting.

## **10.6. Notice of Special Business at General Meeting**

Where any special business includes the presenting, considering, approving, ratifying or authorizing of the execution of any document, then the portion of any notice relating to such document shall be sufficient if the same states that a copy of the document or proposed document is or will be available for inspection by members at a place in British Columbia specified in such notice during business hours of any specified working day or days prior to the date of the meeting.

## **PART 11**

### **11. PROCEEDINGS AT GENERAL MEETINGS**

#### **11.1. Special Business**

At a general meeting the following business shall be deemed to be special business:

- (a) at a general meeting that is not an annual general meeting, all business except that relating to the conduct of and voting at such meeting;
- (b) at an annual general meeting, all business except:
  - (i) business relating to the conduct of or voting at any such meeting;
  - (ii) consideration of the financial statements of the Company presented to the meeting;
  - (iii) consideration of the respective reports of the Directors and auditor;
  - (iv) the passing of a resolution authorizing the election of two or more Directors by a single resolution;

- (v) the fixing of the number of Directors;
- (vi) the election of Directors;
- (vii) the appointment of the auditor;
- (viii) the fixing of the remuneration of the auditor;
- (ix) such other business which, under these Articles or the *Company Act*, may be transacted at a general meeting or an annual general meeting without prior notice thereof being given to the members; and
- (x) any business arising out of the report of the Directors not requiring the passing of a special resolution.

### **11.2. Quorum**

Save as herein otherwise provided, a quorum shall be two persons present and being, or representing by proxy, members holding not less than one-twentieth of the shares which may be voted at the meeting. If there is only one member, the quorum is one person present and being, or representing by proxy, such member. The Directors, the Secretary, or in his absence an Assistant Secretary, and any solicitor or other person invited by the Directors shall be entitled to attend any general meeting but no such person shall be counted in the quorum or be entitled to vote at any general meeting unless he shall be a member or proxyholder entitled to vote thereat.

### **11.3. Requirement of Quorum**

No business, other than the election of a chairman and the adjournment of the meeting, shall be transacted at any general meeting unless a quorum of members entitled to attend and vote is present at the commencement of the meeting, but such quorum need not be present throughout the meeting.

### **11.4. Lack of Quorum**

If within one-half hour from the time appointed for a general meeting, a quorum is not present, the meeting, if convened by requisition of members, shall be dissolved, but in any other case it shall stand adjourned to the same day in the next week at the same time and place. If at such adjourned meeting a quorum is not present within one-half hour from the time appointed, the person or persons present and being, or representing by proxy, a member or members entitled to attend and vote at the meeting shall constitute a quorum.

### **11.5. Chairman**

The Chairman of the Board, if any, or in his absence the President of the Company shall be entitled to preside as chairman at every general meeting of the Company.

### **11.6. Selection of Alternate Chairman**

If at any general meeting neither the Chairman of the Board, if any, nor the President is present within 15 minutes after the time appointed for holding the meeting or if neither is willing or able to act as chairman of the meeting, the Directors present shall choose one of their number to be chairman of the meeting. If no Director is present or if all the Directors present decline to take the chair or shall fail to so choose, the persons present and entitled to vote thereat shall choose a chairman.

### **11.7. Adjournments**

The chairman of the meeting may and shall, if so directed by the meeting, adjourn the meeting from time to time and from place to place, but no business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place. When a meeting is adjourned for 30 days or more, notice of the adjourned meeting shall be given as in the case of a general meeting. Save as aforesaid, it shall not be necessary to give any notice of an adjournment or of the business to be transacted at an adjourned meeting.

### **11.8. Decisions by Show of Hands or Poll**

Subject to the provisions of the *Company Act*, every motion for a resolution put to the vote of a general meeting shall be decided on a show of hands unless a poll, before or on the declaration of the result of the vote by show of hands, is directed by the chairman or demanded by at least one member entitled to vote who is present in person or by proxy. The chairman shall declare to the meeting the decision of every question in accordance with the result of the show of hands or the poll, and such decision shall be entered in the book of proceedings of the Company. A declaration by the chairman that a motion has been carried, or carried unanimously, or by a particular majority, or lost or not carried by a particular majority, and an entry to that effect in the book containing the minutes of the proceedings of the Company shall be *prima facie* evidence of the fact of the number or proportion of the votes recorded in favour of or against such motion.

### **11.9. Motion Need Not be Seconded**

No motion proposed at a general meeting need be seconded unless the chairman of the meeting rules otherwise and the chairman of any meeting shall be entitled to move or second a motion.

### **11.10. Casting Vote**

In case of an equality of votes upon a motion, the chairman shall not, either on a show of hands or on a poll, have a casting or second vote in addition to the vote or votes to which he may be entitled as a member.

### **11.11. Manner of Taking Poll**

Subject to the provisions of Article 11.13 if a poll is duly demanded as aforesaid, it shall be taken in such manner and at such place as the chairman of the meeting directs, but in no event later than seven days after the meeting. The result of the poll shall be deemed to be the decision of the meeting made at the meeting at which the poll was demanded. A demand for a poll may be withdrawn by the person demanding the same. In the case of any dispute as to the admission or rejection of a vote, the chairman of the meeting shall determine the same and such determination made in good faith shall be final and conclusive.

### **11.12. Casting of Votes**

On a poll, a person entitled to more than one vote need not, if he votes, use all his votes or cast all the votes he uses in the same way.

### **11.13. Demand for Poll**

No poll may be demanded on the election of a chairman of a meeting and a poll demanded on a question of adjournment shall be taken at the meeting without adjournment.

### **11.14. Demand for Poll Not to Prevent Continuance of Meeting**

The demand of a poll shall not prevent the continuance of a meeting for the transaction of any business other than the question on which a poll has been demanded.

### **11.15. Retention of Ballots and Proxies**

Every ballot cast upon a poll and every proxy appointing a proxyholder who casts a ballot upon a poll shall be held in safekeeping by the Secretary of the Company for three months after the meeting, or for such longer period as the *Company Act* may provide, and, during that period, shall be open to inspection at the records office of the Company during normal business hours by any member or proxyholder entitled to vote at the meeting from which the ballot and the proxy came. At the end of such period of safekeeping, the Secretary of the Company shall attend to the destruction of such ballot or proxy.

### **11.16. Action by Ordinary Resolution**

Unless the *Company Act*, the Memorandum or these Articles otherwise provide, any action to be taken by a resolution of the members may be taken by an ordinary resolution.



## PART 12

### 12. VOTES OF MEMBERS

#### 12.1. Number of Votes by Member or by Shares

Subject to any special rights or restrictions for the time being attached to any shares and the restrictions on joint Registered Holders of shares, on a show of hands every member present in person and entitled to vote shall have one vote, and on a poll every member shall have one vote for each share of which he is the Registered Holder and may exercise such vote in person or by proxyholder.

#### 12.2. Votes of Persons in Representative Capacity

Any person who is not registered as a member but is entitled to vote at any general meeting in respect of a share, may vote the share in the same manner as if he were a member; but, prior to voting such share, he shall satisfy the Directors of his right to vote the share before the time for holding the meeting or adjourned meeting, as the case may be, at which he proposes to vote.

#### 12.3. Votes by Joint Holders

In the case of joint Registered Holders of a share the vote of the senior member who exercises a vote, whether in person or by proxyholder, shall be accepted to the exclusion of the votes of the other joint Registered Holders; and for this purpose seniority shall be determined by the order in which the names stand in the register of members. Several legal personal representatives of a deceased member whose shares are registered in his sole name shall for the purpose of this Article be deemed joint Registered Holders.

#### 12.4. Representative of a Corporate Member

Any corporation, not being a subsidiary of the Company, which is a member of the Company, may authorize such person as it thinks fit to act as its representative at any general meeting or class meeting. The person so authorized shall be entitled to exercise in respect of and at such meeting the same rights on behalf of the corporation which he represents as that corporation could exercise if it were member of the Company being a natural person personally present, including, without limitation, the right to appoint a proxyholder to represent such corporation who shall be counted for the purpose of forming a quorum if present at the meeting. Evidence of the appointment of any such representative may be sent to the Company by written instrument, telegram, telex or any method of transmitting legibly recorded messages. Notwithstanding the foregoing, a corporation not being a subsidiary of the Company which is a member of the Company, may appoint a proxyholder.

## 12.5. Votes by Committee of a Member

A member for whom a committee has been duly appointed may vote, whether on a show of hands or on a poll, by his committee, *curator bonis* or other person in the nature of a committee or *curator bonis* appointed by a court, and any such committee, *curator bonis* or other person may appoint a proxyholder.

## 12.6. Appointment of Proxyholders

A member holding more than one share in respect of which he is entitled to vote shall be entitled to appoint one or more proxyholders (but not more than five) to attend, act and vote for him on the same occasion. If such a member should appoint more than one proxyholder for the same occasion he shall specify the number of shares each proxyholder shall be entitled to vote. A member may also appoint one or more alternate proxyholders to act in the place and stead of an absent proxyholder.

## 12.7. Execution of Proxy Instruments

A proxy or an instrument appointing a duly authorized representative of a corporation shall be in writing, under the hand of the appointor or of his attorney duly authorized in writing or, if such appointor is a corporation, either under its seal or under the hand of an officer or attorney so duly authorized.

## 12.8. Deposit of Proxy

A proxy and power of attorney or other authority, if any, under which it is signed or a notarially certified copy thereof shall be deposited at the registered office of the Company or at such other place as is specified for that purpose in the notice calling the meeting, not less than 48 hours (excluding Saturdays, Sundays and statutory holidays) before the time for holding the meeting in respect of which the person named in the instrument is appointed, or shall be deposited with a Director or officer or the solicitor of the Company at such meeting prior to its commencement. In addition to any other method of depositing proxies provided for in these Articles, the Directors may from time to time by resolution fix a time, not exceeding 48 hours (excluding Saturdays, Sundays and statutory holidays) preceding any meeting or adjourned meeting of members, before which time proxies to be used at the meeting must be delivered to the Company or its agent, and any period of time so fixed shall be specified in the notice calling the meeting or in the information circular relating to it. Any such resolution of the Directors may provide that particulars of such proxies may be sent to the Company or any agent of the Company in writing by letter, telegram, telex or any method of transmitting legibly recorded messages so as to arrive before the commencement of the meeting or adjourned meeting at the office of the Company or of any agent of the Company appointed for the purpose of receiving such particulars and may also provide that proxies so deposited may be acted upon as though the proxies themselves were deposited as required by this Part. Votes given in accordance with any such resolution shall be valid and shall be counted.

**12.9. Validity of Proxy Vote**

A vote given in accordance with the terms of a proxy is valid notwithstanding the previous death or insanity of the member giving the proxy or revocation of the proxy or of the authority under which the proxy is given, unless notice in writing of the death, insanity, revocation as aforesaid shall have been received at the registered office of the Company or by the chairman of the meeting or adjourned meeting for which the proxy was given before the vote is taken.

**12.10. Form of Proxy**

Unless the *Company Act* or any other statute or law which is applicable to the Company or to any class of its shares requires any other form of proxy, a proxy, whether for a specified meeting or otherwise, shall be in the form following, but may also be in any other form that the Directors or the chairman of the meeting shall approve:

(Name of Company)

The undersigned, being a member of the above named Company, hereby appoints \_\_\_\_\_ or failing him \_\_\_\_\_ as proxyholder for the undersigned to attend, act and vote for and on behalf of the undersigned at the general meeting of the Company to be held on the \_\_\_\_ day of \_\_\_\_\_, 19 \_\_\_\_, and at any adjournment thereof.

Signed this \_\_\_\_ day of \_\_\_\_\_, 19 \_\_\_\_.

\_\_\_\_\_  
(Signature of member)

\_\_\_\_\_  
(Name of member - printed)

**12.11. Revocation of Proxy**

Every proxy may be revoked by an instrument in writing:

- (a) executed by the member giving the proxy or by his attorney authorized in writing or, where the member is a corporation, by a duly authorized officer or attorney of the corporation; and
- (b) delivered either at the registered office of the Company at any time up to and including the last business day preceding the day of the meeting or any adjournment thereof at which the proxy is to be used or to the chairman of the meeting on the day of the meeting or any adjournment thereof before any vote in respect of which the proxy is to be used shall have been taken,

or in any other manner provided by law.

## **12.12. Production of Evidence of Authority to Vote**

The chairman of any general meeting or annual general meeting may, but is not under any obligation to, enquire into the authority of any person to vote at such meeting and to demand from that person production of evidence as to the existence of such authority to vote.

## **PART 13**

### **13. DIRECTORS**

#### **13.1. Number of Directors**

The first Directors are the subscribers to the Memorandum or the persons specified in the amalgamation agreement or in the instrument of continuance, as the case may be. The number of Directors and the persons named to succeed the first Directors as Directors may be determined in writing by a majority of the subscribers to the Memorandum, or the persons specified in the amalgamation agreement or in the instrument of continuance, as the case may be. The number of Directors, excluding additional Directors, may be changed from time to time by ordinary resolution, whether previous notice thereof has been given or not, but shall never be less than one while the Company is not a reporting company and three while the Company is a reporting company.

#### **13.2. Share Qualifications of Directors**

A Director shall not be required to hold a share in the capital of the Company as qualification for his office but shall be qualified as required by the *Company Act* to become, to act or continue to act as a Director.

#### **13.3. Remuneration and Expenses of Directors**

The remuneration, if any, of the Directors as such may from time to time be determined by the Directors or, if the Directors shall so decide, by the members. Such remuneration may be in addition to any salary or other remuneration paid to any officer or employee of the Company as such, who is also a Director. The Directors shall be repaid such reasonable expenses as they may incur in and about the business of the Company and if any Director shall perform any professional or other services for the Company that in the opinion of the Directors are outside the ordinary duties of a Director or shall otherwise be specially occupied in or about the Company's business, he may be paid remuneration to be fixed by the Board, or, at the option of such Director, to be fixed by the Company in general meeting, and such remuneration may be either in addition to, or in substitution for, any other remuneration that he may be entitled to receive. Unless otherwise determined by ordinary resolution, the Directors on behalf of the Company may pay a gratuity or pension or allowance on retirement to any Director who has held any salaried office or place of profit with the Company or to his spouse or dependants and may make

contributions to any fund and pay premiums for the purchase or provision of any such gratuity, pension or allowance.

## PART 14

### 14. ELECTION AND REMOVAL OF DIRECTORS

#### 14.1. Election at Annual General Meeting

At each annual general meeting of the Company all the Directors shall retire immediately prior to the election of Directors and the members entitled to vote thereat shall elect a Board of Directors consisting of the number of Directors for the time being fixed pursuant to these Articles. If the Company is or becomes a company that is not a reporting company and the business to be transacted at any annual general meeting is consented to in writing by all the members who are entitled to attend and vote thereat, such annual general meeting shall be deemed for the purpose of this Part to have been held on such written consent becoming effective.

#### 14.2. Eligibility for Election

A retiring Director shall be eligible for re-election.

#### 14.3. Failure to Hold Annual Meeting

Where the Company fails to hold an annual general meeting in accordance with the *Company Act*, the Directors then in office shall be deemed to have been elected or appointed as Directors on the last day on which the annual general meeting could have been held pursuant to these Articles and they may hold office until other Directors are appointed or elected or until the day on which the next annual general meeting is held.

#### 14.4. Places of Retiring Directors Not Filled

If at any general meeting at which there should be an election of Directors, the places of any of the retiring directors are not filled by such election, such of the retiring Directors who are not re-elected as may be requested by the newly elected Directors shall, if willing to do so, continue in office to complete the number of Directors for the time being fixed pursuant to these Articles until further new Directors are elected at a general meeting convened for that purpose. If any such election or continuance of Directors does not result in the election or continuance of the number of Directors for the time being fixed pursuant to these Articles, such number shall be fixed at the number of Directors actually elected or continued in office.

#### **14.5. Casual Vacancies**

Any casual vacancy occurring in the Board of Directors may be filled by the remaining Directors or Director.

#### **14.6. Additional Directors**

Between annual general meetings the Directors shall have power to appoint one or more additional Directors; but the number of additional Directors shall not at any time exceed one-third of the number of Directors elected at the last annual general meeting of the Company. Any Director so appointed shall hold office only until the next annual general meeting of the Company but shall be eligible for election at such meeting and so long as he is an additional Director the number of Directors shall be deemed to be increased accordingly.

#### **14.7. Alternate Directors**

Any Director may by instrument in writing delivered to the Company appoint any person to be his alternate to act in his place at meetings of the Directors at which he is not present unless the Directors shall have reasonably disapproved the appointment of such person as an alternate Director and shall have given notice to that effect to the Director appointing the alternate Director within a reasonable time after delivery of such instrument to the Company. Every such alternate shall be entitled to notice of meetings of the Directors and to attend and vote as a Director at a meeting at which the person appointing him is not personally present, and, if he is a Director, to have a separate vote on behalf of the Director he is representing in addition to his own vote. A Director may at any time by instrument, telegram, telex or any method of transmitting legibly recorded messages delivered to the Company revoke the appointment of an alternate appointed by him. The remuneration payable to such an alternate shall be payable out of the remuneration of the Director appointing him.

#### **14.8. Vacating Office of Director**

The office of Director shall be vacated if the Director:

- (a) resigns his office by notice in writing delivered to the registered office of the Company; or
- (b) is convicted of an indictable offence and the other Directors shall have resolved to remove him; or
- (c) is not, or ceases to be qualified to act as a Director pursuant to the *Company Act*.

#### **14.9. Removal of Director**

The Company may by special resolution remove any Director before the expiration of his period of office and may by an ordinary resolution appoint another person in his stead.

## PART 15

### 15. POWERS AND DUTIES OF DIRECTORS

#### 15.1. Powers of Management

The Directors shall manage, or supervise the management of, the affairs and business of the Company and shall have the authority to exercise all such powers of the Company as are not, by the *Company Act* or by the Memorandum or these Articles, required to be exercised by the Company in general meeting.

#### 15.2. Appointment of Attorney of Company

The Directors may from time to time, by power of attorney or other instrument under the Seal, appoint any person to be the attorney of the Company for such purposes, and with such powers, authorities and discretions (not exceeding those vested in or exercisable by the Directors under these Articles and excepting the powers of the Directors relating to the constitution of the Board and of any of its committees and the appointment or removal of officers and the power to declare dividends) and for such period, and with such remuneration and subject to such conditions as the Directors may think fit, and any such appointment may be made in favour of any corporation, firm or person or body of persons, and any such power of attorney may contain such provisions for the protection or convenience of persons dealing with such attorney as the Directors think fit. Any such attorney may be authorized by the Directors to sub-delegate all or any of the powers, authorities and discretions for the time being vested in him.

## PART 16

### 16. DISCLOSURE OF INTEREST OF DIRECTORS

#### 16.1. Declaration of Interest

A Director who is, in any way, directly or indirectly interested in an existing or proposed contract or transaction with the Company or who holds any office or possesses any property whereby, directly or indirectly, a duty or interest might be created to conflict with his duty or interest as a Director shall declare the nature and extent of his interest in such contract or transaction or of the conflict or potential conflict with his duty and interest as a Director, as the case may be, in accordance with the provisions of the *Company Act*.

#### 16.2. Restrictions on Voting by Reason of Interest

A Director, other than a sole Director, shall not vote in respect of any such contract or transaction with the Company in which he is interested and if he shall do so his vote shall not be counted.

but he shall be counted in the quorum present at the meeting at which such vote is taken. Subject to the provisions of the *Company Act*, the foregoing prohibitions shall not apply to:

- (a) any such contract or transaction relating to a loan to the Company, which a Director or a specified corporation or a specified firm in which he has an interest has guaranteed or joined in guaranteeing the repayment of the loan of any part of the loan;
- (b) any such contract or transaction made or to be made with, or for the benefit of, affiliated corporation of which a Director is a Director;
- (c) any such contract or transaction evidencing the exercise of a right or option granted to a Director to purchase shares in the capital of the Company or securities of the Company or to subscribe for or underwrite the issue of such shares or securities;
- (d) any such contract or transaction in which a Director is directly or indirectly interested if all the other Directors are also directly or indirectly interested in such contract or transaction;
- (e) determining the remuneration of the Directors as such;
- (f) purchasing and maintaining insurance to cover Directors against liability incurred by them as Directors; or
- (g) the indemnification of any Director by the Company.

These exceptions may from time to time be suspended or amended to any extent approved by the Company in general meeting and permitted by the *Company Act*, either generally or in respect of any particular contract or transaction or for any particular period.

### **16.3. Director Holding Office in Company**

A Director may hold any office or place of profit with the Company (other than the office of auditor of the Company) in conjunction with his office of Director for such period and on such terms (as to remuneration or otherwise) as the Directors may determine and no Director or intended Director shall be disqualified by his office from contracting with the Company either with regard to his tenure or any such other office or place of profit or as vendor, purchaser or otherwise and, subject to compliance with the provisions of the *Company Act*, no contract or transaction entered into by or on behalf of the Company in which a Director is in any way interested shall be liable to be voided by reason thereof.



#### **16.4. Director Acting in Professional Capacity**

Subject to compliance with the provisions of the *Company Act*, a Director or his firm may act in a professional capacity for the Company (except as auditor of the Company) and he or his firm shall be entitled to remuneration for professional services as if he were not a Director.

#### **16.5. Director or Officer in Other Corporations**

A Director may be or become a Director or other officer or employee of, or otherwise interested in, any corporation or firm in which the Company may be interested as a shareholder or otherwise, and, subject to compliance with the provisions of the *Company Act*, such Director shall not be accountable to the Company for any remuneration or other benefits received by him as Director, officer or employee of, or from his interest in, such other corporation or firm, unless the Company in general meeting otherwise directs.

### **PART 17**

#### **17. PROCEEDINGS OF DIRECTORS**

##### **17.1. Chairman of Meetings**

The Chairman of the Board, if any, or in his absence, the President of the Company shall preside as chairman at every meeting of the Directors or if there is no Chairman of the Board or if neither the Chairman of the Board nor such President is present within 15 minutes of the time appointed for holding the meeting or is willing to act as chairman or if the Chairman of the Board, if any, and the President of the Company have advised the Secretary of the Company that they will not be present at the meeting, the Directors present shall choose one of their number to be chairman of the meeting.

##### **17.2. Voting at Meetings**

The Directors may meet together for the dispatch of business, adjourn and otherwise regulate their meetings as they think fit. Questions arising at any meeting shall be decided by a majority of votes. In case of an equality of votes the chairman shall not have a second or casting vote. Meetings of the Board held at regular intervals may be held at such place, at such time and upon such notice (if any) as the Board may by resolution from time to time determine.

##### **17.3. Meetings by Conference Telephone**

A Director may participate in a meeting of the Board or of any committee of the Directors by means of conference telephones or other communications facilities by means of which all Directors participating in the meeting can hear each other and provided that all such Directors agree to such participation. A Director participating in a meeting in accordance with this Article

shall be deemed to be present at the meeting and to have so agreed and shall be counted in the quorum therefor and be entitled to speak and vote thereat.

#### **17.4. Calling and Notice of Meetings**

A Director may, and the Secretary or an Assistant Secretary of the Company upon request of a Director shall, call a meeting of the Board at any time. Reasonable notice of such meeting specifying the place, day and hour of such meeting shall be given by mail, postage prepaid, addressed to each of the Directors and alternate Directors at his address as it appears on the books of the Company or by leaving it at his usual business or residential address or by telephone, telegram, telex or any method of transmitting legibly recorded messages. It shall not be necessary to give notice of a meeting of Directors to any Director or alternate Director if such meeting is to be held immediately following a general meeting at which such Director shall have been elected or is the meeting of Directors at which such Director is appointed.

#### **17.5. Waiver of Notice of Meetings**

Any Director of the Company may file with the Secretary of the Company a document executed by him waiving notice of any past, present or future meeting or meetings of the Directors being, or required to have been, sent to him and may at any time withdraw such waiver with respect to meetings held thereafter. After filing such waiver with respect to future meetings and until such waiver is withdrawn, no notice need be given to such Director and, unless the Director otherwise requires in writing to the Secretary, to his alternate Director of any meeting of Directors and all meetings of the Directors so held shall be deemed not to be improperly called or constituted by reason of notice not having been given to such Director or alternate Director.

#### **17.6. Quorum**

The quorum necessary for the transaction of the business of the Directors may be fixed by the Directors and if not so fixed shall be two Directors or, if the number of Directors is fixed at one, shall be one Director.

#### **17.7. Continuing Directors Power to Act**

The continuing Directors may act notwithstanding any vacancy in their body, but, if and so long as the number is reduced below the number fixed pursuant to these Articles as the necessary quorum of Directors, the continuing Directors may act for the purpose of increasing the number of Directors to that number, or of summoning a general meeting of the Company, but for no other purpose.

#### **17.8. Validity of Meeting Where Appointment Defective**

Subject to the provisions of the *Company Act*, all acts done by any meeting of the Directors or of a committee of Directors or by any person acting as a Director, shall, notwithstanding that it be

afterwards discovered that there was some defect in the qualification, election or appointment of any such Directors or of the members of such committee or person acting as aforesaid, or that they or any of them were disqualified, be as valid as if every such person had been duly elected or appointed and was qualified to be a Director.

### **17.9. Consent Resolutions in Writing**

A resolution consented to in writing, whether by document, telegram, telex or any method of transmitting legibly recorded messages or other means, by all of the Directors shall be as valid and effectual as if it had been passed at a meeting of the Directors duly called and held. Such resolution may be in two or more counterparts which together shall be deemed to constitute one resolution in writing. Such resolution shall be filed with the minutes of the proceedings of the Directors and shall be effective on the date stated thereon or on the latest date stated on any counterpart.

## **PART 18**

### **18. EXECUTIVE AND OTHER COMMITTEES**

#### **18.1. Appointment and Powers of Executive Committee**

The Directors may by resolution appoint an executive committee (the "Committee") to consist of such member or members of their body as they think fit, which Committee shall have, and may exercise during the intervals between the meetings of the Board, the power to change the membership of, or fill vacancies in, the Committee or any other committee of the Board and such other powers, if any, as may be specified in the resolution. The Committee shall keep regular minutes of its transactions and shall cause them to be recorded in books kept for that purpose and shall report the same to the Board of Directors at such times as the Board of Directors may from time to time require. The Board shall have the power at any time to revoke or override the authority given to or acts done by the Committee except as to acts done before such revocation or overriding and to terminate the appointment or change the membership of the Committee and to fill vacancies in it. The Committee may make rules for the conduct of its business and may appoint such assistants as it may deem necessary. A majority of the members of the Committee shall constitute a quorum thereof.

#### **18.2. Appointment and Powers of Other Committees**

The Directors may by resolution appoint one or more committees consisting of such member or members of their body as they think fit and may delegate to any such committee between meetings of the Board such powers of the Board (except the power to fill vacancies in the Board and the power to change the membership of or fill vacancies in any committee of the Board and the power to appoint or remove officers appointed by the Board) subject to such conditions as may be prescribed in such resolution and all committees so appointed shall keep regular minutes

of their transactions and shall cause them to be recorded in books kept for that purpose and shall report the same to the Board of Directors at such times as the Board of Directors may from time to time require. The Directors shall also have power at any time to revoke or override any authority given to or acts to be done by any such committees except as to acts done before such revocation or overriding and to terminate the appointment or change the membership of a committee and to fill vacancies in it. Committees may make rules for the conduct of their business and may appoint such assistants as they may deem necessary. A majority of the members of a committee shall constitute a quorum thereof.

### **18.3. Meetings and Consent Resolutions of Committees**

The Committee and any other committee may meet and adjourn as it thinks proper. Questions arising at any meeting shall be determined by a majority of votes of the members of the committee present and, in case of an equality of votes, the chairman shall not have a second or casting vote. A resolution approved in writing by all the members of a committee shall be as valid and effective as if it had been passed at a meeting of such committee duly called and constituted. Such resolution may be in two or more counterparts which together shall be deemed to constitute one resolution in writing. Such resolution shall be filed with the minutes of the proceedings of the committee and shall be effective on the date stated thereon or on the latest date stated in any counterpart.

## **PART 19**

### **19. OFFICERS**

#### **19.1. President and Secretary Required**

The Directors shall, from time to time, appoint a President and a Secretary and such other officers, if any, as the Directors shall determine and the Directors may, at any time, terminate any such appointment. No officer shall be appointed unless he is qualified in accordance with the provisions of the *Company Act*.

#### **19.2. Qualification and Remuneration**

One person may hold more than one of such offices except that the offices of President and Secretary must be held by different persons unless the Company has only one member. Any person appointed as the Chairman of the Board, the President or the Managing Director shall be a Director. The other officers need not be Directors. The remuneration of the officers of the Company as such and the terms and conditions of their tenure of office or employment shall from time to time be determined by the directors; such remuneration may be by way of salary, fees, wages, commission or participation in profits or any other means or all of these modes and an officer may in addition to such remuneration be entitled to receive, after he ceases to hold such office or leaves the employment of the Company, a pension or gratuity. The Directors may

decide what functions and duties each officer shall perform and may entrust to and confer upon him any of the powers exercisable by them upon such terms and conditions and with such restrictions as they think fit and may from time to time revoke, withdraw, alter or vary all or any of such functions, duties and powers. The Secretary of the Company shall, inter alia, perform the functions pertaining to such officer specified in the *Company Act*.

### **19.3. Disclosure of Conflicting Interests**

Every officer of the Company who holds any office or possesses any property whereby, whether directly or indirectly, duties or interests might be created in conflict with his duties or interests as an officer of the Company shall, in writing, disclose to the President of the Company the fact and the nature and extent of the conflict.

### **19.4. Officer Acting in Professional Capacity**

Subject to compliance with the provisions of the *Company Act*, an officer or his firm may act in a professional capacity for the Company (except as auditor of the Company) and he or his firm shall be entitled to remuneration for professional services as if he were not an officer.

## **PART 20**

### **20. INDEMNIFICATION OF DIRECTORS, OFFICERS AND EMPLOYEES**

#### **20.1. Party to Legal Proceedings**

Subject to the provisions of the *Company Act*, the Directors shall cause the Company to indemnify a Director or former Director of the Company and the Directors may cause the Company to indemnify a Director or former Director of a corporation of which the Company is or was a shareholder and the heirs and personal representatives of any such person against all costs, charges and expenses, including an amount paid to settle an action or satisfy a judgment, actually and reasonably incurred by him or them, including an amount paid to settle an action or satisfy a judgment in a civil, criminal or administrative action or proceeding to which he is or they are made a party by reason of his being or having been a Director of the Company or a Director of such corporation, including any action brought by the Company or any such corporation. Each Director shall be deemed to have contracted with the Company on the terms of the foregoing indemnity.

#### **20.2. Officers and Employees**

Subject to the provisions of the *Company Act*, the Directors shall cause the Company to indemnify any officer, employee or agent of the Company or of a corporation of which the Company is or was a shareholder (notwithstanding that he is also a Director) and his heirs and

personal representatives against all actual and proper costs, charges and expenses whatsoever incurred by him or them and resulting from his acting as an officer, employee or agent of the Company or such corporation. In addition the Company shall indemnify the Secretary or an Assistant Secretary of the Company (if he shall not be a full-time employee of the Company and notwithstanding that he is also a Director) and his respective heirs and legal representatives against all costs, charges and expenses whatsoever incurred by him or them and arising out of the functions assigned to the Secretary by the *Company Act* or these Articles and each such Secretary and Assistant Secretary shall on being appointed be deemed to have contracted with the Company on the terms of the foregoing indemnity, provided such Secretary or Assistant Secretary has acted honestly and in good faith with a view to the best interests of the Company, or he has had reasonable grounds for believing that his conduct was lawful.

### **20.3. Non-Compliance with *Company Act***

The failure of a Director or officer of the Company to comply with the provisions of the *Company Act* or of the Memorandum or these Articles shall not invalidate any indemnity to which he is entitled under this Part.

### **20.4. Company May Purchase Insurance**

The Directors may cause the Company to purchase and maintain insurance for the benefit of any person who is or was serving as a Director, officer, employee or agent of the Company or as a director, officer, employee or agent of any corporation of which the Company is or was a shareholder and his heirs or personal representatives against any liability incurred by him as such Director, officer, employee or agent.

## **PART 21**

### **21. DIVIDENDS AND RESERVES**

#### **21.1. Declaration of Dividends**

The Directors may from time to time declare and authorize payment of such dividends, if any, as they may deem advisable and need not give notice of such declaration to any member. No dividend shall be paid otherwise than out of funds or assets properly available for the payment of dividends and a declaration by the Directors as to the amount of such funds or assets available for dividends shall be conclusive that such are properly available. The Company may pay any such dividend wholly or in part by the distribution of specific assets and in particular by paid-up shares, bonds, debentures or other securities of the Company or any other corporation, or in any one or more such ways as may be authorized by the Company or the Directors. Where any difficulty arises with regard to such a distribution the Directors may settle the same as they think expedient and, in particular, may fix the value for distribution of such specific assets or any part thereof and may determine that cash payments in substitution for all or any part of the specific

assets to which any members are entitled shall be made to any members on the basis of the value so fixed in order to adjust the rights of all parties and may vest any such specific assets in trustees for the persons entitled to the dividend as may seem expedient to the Directors.

## **21.2. Basis and Payment**

Subject to the rights, if any, of members holding shares with special rights as to dividends:

- (a) any dividend declared on shares of any class by the Directors may be made payable on such date as is fixed by the Directors;
- (b) all dividends on shares of any class shall be declared and be paid according to the number of such shares held.

## **21.3. Reserves**

The Directors may, before declaring any dividend, set aside out of the funds properly available for the payment of dividends such sums as they think proper as a reserve or reserves which shall, at the discretion of the Directors, be applicable for meeting contingencies or for equalizing dividends or for any other purpose to which such funds of the Company may be properly applied, and pending such application such funds may, in the discretion of the Directors, either be employed in the business of the Company or be invested in such investments as the Directors may from time to time think fit. The Directors may also, without placing the same in reserve, carry forward such funds which they think prudent not to divide.

## **21.4. Receipt by Joint Registered Holders**

If several persons are joint Registered Holders of any share, any one of them may give an effective receipt for any dividend, bonus or other moneys payable in respect of the share.

## **21.5. Dividend Bears No Interest**

No dividend shall bear interest against the Company. Where the dividend to which a member is entitled includes a fraction of a cent, such fraction shall be disregarded in making payment thereof and such payment shall be deemed to be payment in full.

## **21.6. Payment of Dividends**

Any dividend, bonuses or other moneys payable in cash in respect of shares may be paid by cheque or warrant sent through the post directed to the Registered Address of the Registered Holder, or in the case of joint Registered Holders, to the Registered Address of that one of the joint Registered Holders who is first named on the Register, or to such person and to such address as the Registered Holder or joint Registered Holders may direct in writing. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent. The

mailing of such cheque or warrant shall, to the extent of the sum represented thereby (plus the amount of the tax required by law to be deducted), discharge all liability for the dividend, unless such cheque or warrant shall not be paid on presentation or the amount of tax so deducted shall not be paid to the appropriate taxing authority.

## **21.7. Capitalization of Undistributed Surplus**

Notwithstanding anything contained in these Articles, the Directors may from time to time capitalize any undistributed surplus on hand of the Company and may from time to time issue as fully paid and non-assessable any unissued shares, or any bonds, debentures or debt obligations of the Company as a dividend representing such undistributed surplus on hand or any part thereof.

## **PART 22**

### **22. DOCUMENTS, RECORDS AND REPORTS**

#### **22.1. Keeping Documents, Minutes, etc.**

The Company shall keep at its records office, or at such other place as the *Company Act* may permit, the documents, copies, registers, minutes and records which the Company is required by the *Company Act* to keep at its records office or such other place, as the case may be.

#### **22.2. Keeping Books of Account**

The Company shall cause to be kept proper books of account and accounting records in respect of all financial and other transactions of the Company in order properly to record the financial affairs and condition of the Company and to comply with the *Company Act*.

#### **22.3. Inspection of Accounting Records**

Unless the Directors determine otherwise, or unless otherwise determined by an ordinary resolution, no member of the Company shall be entitled to inspect the accounting records of the Company.

#### **22.4. Preparation and Presentation of Financial Statements**

The Directors shall from time to time at the expense of the Company cause to be prepared and laid before the Company in general meeting such financial statements and reports as are required by the *Company Act*.



## **22.5. Members Entitlement to Financial Statements**

On demand, every member shall be entitled without charge, to a copy of the latest annual financial statement of the Company and, if so required by the *Company Act*, a copy of each such annual financial statement and interim financial statement shall be mailed to each member.

## **PART 23**

### **23. NOTICES**

#### **23.1. Method of Giving Notice**

A notice, statement or report may be given or delivered by the Company to any member or Director either by delivery to him personally or by sending it by mail to him to his address as recorded in the register of members. Where a notice, statement or report is sent by mail, service or delivery of the notice, statement or report shall be effected by properly addressing, prepaying and mailing the notice, statement or report and shall be deemed to have been given on the day (Saturdays, Sundays and statutory holidays excepted) following the date of mailing. A certificate signed by the Secretary or other officer of the Company or of any other corporation acting in that behalf for the Company stating that the letter, envelope or wrapper containing the notice, statement or report was so addressed, prepaid and mailed shall be conclusive evidence thereof.

#### **23.2. Notice to Joint Registered Holders**

A notice, statement or report may be given or delivered by the Company to the joint Registered Holders of a share by giving the notice to the joint holder first named in the register of members in respect of the share.

#### **23.3. Notice to Personal Representative**

A notice, statement or report may be given or delivered by the Company to the persons entitled to a share in consequence of the death, bankruptcy or incapacity of a member by sending it through the mail prepaid addressed to them by name or by the title of representatives of the deceased or incapacitated person or trustee of the bankrupt or by any like description, at the address (if any) supplied to the Company for the purpose by the persons claiming to be so entitled or (until such address has been so supplied) by giving the notice in a manner in which the same might have been given if the death, bankruptcy or incapacity had not occurred.

#### **23.4. Persons to Receive Notice**

Notice of every general meeting or meeting of members holding a class of shares shall be given in a manner hereinbefore authorized to every member holding, at the time of the issue of the notice or the date fixed for determining the members entitled to such notice, whichever is the

earlier, shares which confer the right to notice of and to attend and vote at any such meeting. No other person shall be entitled to receive notices of any such meeting except the auditor and Directors of the Company and any regulatory authority to which the Company is required by law to give any such notice.

## PART 24

### 24. RECORD DATES

#### 24.1. Fixing Record Date

The Directors may fix in advance a date, which shall not be more than the maximum number of days permitted by the *Company Act*, preceding the date of any meeting of members or any class thereof or of the payment of any dividend or of the proposed taking of any other proper action requiring the determination of members, as the record date for the determination of the members entitled to notice of, or to attend and vote at, any such meeting and any adjournment thereof, or entitled to receive payment of any such dividend or for any other proper purpose and, in such case, notwithstanding anything elsewhere contained in these Articles, only members of record on the date so fixed shall be deemed to be members for the purposes aforesaid.

#### 24.2. Where No Record Date Fixed

Where no record date is so fixed for the determination of members as provided in the preceding Article, the date on which the notice is mailed or on which the resolution declaring the dividend is adopted, as the case may be, shall be the record date for such determination.

## PART 25

### 25. SEAL

#### 25.1. Custody and Use of Seal

The Directors may provide a Seal for the Company and, if they do so, shall provide for its safe custody and it shall not be impressed on any instrument except when such impression is attested by the signature or signatures of:

- (a) any two directors;
- (b) any officer together with any director; or
- (c) such one or more directors or officers or persons as may be prescribed from time to time by resolution of the Directors.

Provided that, for the purpose of certifying under seal true copies of any resolution or other document, the Seal may be impressed on such copy attested by the signature of any Director or officer.

## **25.2. Mechanical Reproduction of Seal**

To enable the Seal to be affixed to any bonds, debentures, share certificates or other securities of the Company, whether in definitive or interim form, on which facsimiles of any of the signatures of the Directors or officers of the Company are, in accordance with the *Company Act* or these Articles, printed or otherwise mechanically reproduced, there may be delivered to the firm or company employed to engrave, lithograph or print such definitive or interim bonds, debentures, share certificates or other securities one or more unmounted dies reproducing the Seal and the Chairman of the Board, the President, the Managing Director or a Vice-President together with the Secretary, Treasurer, Secretary-Treasurer, an Assistant Secretary, an Assistant Treasurer or an Assistant Secretary-Treasurer may in writing authorize such firm or company to cause the Seal to be affixed to such definitive or interim bonds, debentures, share certificates or other securities by the use of such dies. Bonds, debentures, share certificates or other securities to which the Seal has been so affixed shall for all purposes be deemed to be under and to bear the Seal lawfully affixed thereto.

## **25.3. Official Seal**

The Company may have for use in any other province, state, territory or country an official seal which shall have on its own face the name of the province, state, territory or country where it is to be used and all of the powers conferred by the *Company Act* with respect thereto may be exercised by the Directors or by a duly authorized agent of the Company.

# **PART 26**

## **26. RESTRICTIONS**

### **26.1. Sale of Shares and Debt Obligations to Public**

If the Company is not a reporting company, no shares or debt obligations issued by the Company shall be offered for sale to the public unless any such offer for sale has been authorized by the Directors.

### **26.2. Transfer of Shares**

If the Company is not a reporting company, no shares shall be transferred without the previous consent of the Directors expressed by a resolution of the Board and the Directors shall not be required to give any reason for refusing to consent to any such proposed transfer.

## PART 27

### 27. THE PREFERRED SHARES

#### 27.1. Definitions:

The following terms have the following meanings when used in this Part 27:

- “Borrower” means a person that has received a Mortgage Investment from the Company;
- “Common Shareholders” means the persons who are the registered holders of the issued and outstanding Commons Shares;
- “Common Shares” means the common shares without par value in the capital of the Company;
- “Mortgage Investment” means an investment made by the Company that is in the form of a loan to a person such that the Company becomes a creditor of the person and such investment is secured by a mortgage, or secured otherwise as may be permitted, that is granted by the person to the Company against assets of the person;
- “Mortgage Investment Agreement” means a written agreement between the Company and a Borrower that sets out the terms and conditions pursuant to which the Company has made a Mortgage Investment with the Borrower;
- “Mortgage Investment Income” means all monies that the Company receives, directly and for its own benefit, from a Borrower under any Mortgage Investment Agreement. This includes all interest payments, principal payments and any bonus fees or interest that may be paid to the Company by a Borrower under a Mortgage Agreement;
- “Preferred Shareholder” means the persons who are the registered holders of the issued and outstanding Preferred Shares; and
- “Preferred Shares” means the preferred shares without par value in the capital of the Company.

#### 27.2. Priority Over Common Shares

Each Preferred Share will entitle its registered holder to participate on a pro rata basis with the other Preferred Shareholders, to the exclusion of the Common Shareholders, in the distribution of 100% of the Mortgage Investment Income that remains after the deduction of any management fee or fees determined by the Directors in their sole discretion. Such distributions of Mortgage Investment Income to the Preferred Shareholders, if any, will be made by way of dividends

declared on the issued and outstanding Preferred Shares. The Common Shareholders will not be entitled to participate in any dividends declared by the Directors on the Preferred Shares.

### **27.3. Voting Rights**

The Preferred Shares shall be non-voting. The Preferred Shareholders will be entitled to receive notice of and to attend, but not vote at meetings of shareholders of the Company.

### **27.4. Redemption of Preferred Shares**

A Preferred Share will be redeemed by the Company if and only if:

- (a) the Company has received written notice from the registered holder of the Preferred Share that he wishes the Company to redeem the Preferred Share;
- (b) the Directors, in their sole discretion, consent to the redemption by the Company of the Preferred Share pursuant to terms and conditions set by the Directors in their sole discretion; and
- (c) the Preferred Shareholder who requested that his Preferred Share be redeemed, accepts the terms and conditions of redemption set by the Directors.

The Directors will not be obligated to provide any reasons for not consenting to a Preferred Shareholder's request to have his Preferred Shares redeemed by the Company.

### **27.5. Winding Up or Liquidation of the Company**

Upon the winding up or dissolution or liquidation of the Company, the Company's assets will be distributed to the Preferred Shareholders in priority to the Common Shareholders as follows:

- first to the Preferred Shareholders on a pro rata basis among the Preferred Shareholders until each Preferred Shareholder has received the lesser of: (i) the original subscription price for each Preferred Share for which the Preferred Shareholder is the registered holder and all dividends that have been declared but for which the Preferred Shareholder has yet to be paid; and (ii) the book value of the Preferred Shares, for which the Preferred Shareholder is the registered holder, as determined in the upcoming year-end audited financial statements; and
- the balance to the Common Shareholders on a pro rata basis among the Common Shareholders, to the exclusion of the Preferred Shareholders.

### **27.6. Clarification of Rights and Restrictions**

The Directors may at any time clarify the rights and restrictions of the Preferred Shares that are set out in this Part 27 or elsewhere in these Articles.

**27.7. Equal Ranking with Common Shares**

Except as provided for in this Part 27, the Preferred Shares and the Common Shares shall rank equally in all respects.

DATED: November 12, 1998

(These are new Articles of the Company pursuant to a Special Resolution of the members of the Company passed on November 12, 1998. These Articles replace the Company's Articles that were filed upon its incorporation)

**ALL CANADIAN INVESTMENT CORP.**  
(the "Company")

**REDEMPTION POLICY**

**Redemption of Preferred Shares:**

The Company has adopted a policy regarding the redemption of Preferred Shares. A copy of such policy is available from the Company upon request.

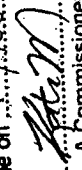
Pursuant to such policy, a Preferred Share will be redeemable by the Company in certain circumstances. **Although the Company will use its best commercial efforts to ensure that all requests for redemption are fulfilled, depending on such circumstances the Company cannot guarantee that any or all of the Preferred Shares in respect of which requests for redemption are received will be redeemed in any given fiscal year.**

Pursuant to the Company's policy regarding the redemption of Preferred Shares, a holder of Preferred Shares (a "Requesting Shareholder") may request the Company to redeem the whole or any part of his Preferred Shares by giving notice ("Notice") to the Company. The Notice must be in writing and delivered to the Company not later than the last business day of a calendar quarter (quarter ends being March 31, June 30, September 30 and December 31) in each year. The Notice must specify the number of the Preferred Shares which the Requesting Shareholder wishes to have the Company redeem (the "Requested Shares") and the address to which the Requesting Shareholder wishes payment to be delivered by the Company. Finally, the Notice must specify that the Requesting Shareholder has received, read and understood the Company's redemption policy.

The Company will not redeem any Preferred Shares if at the time of such redemption the Company is insolvent or if such redemption will render the Company insolvent, if such redemption will reduce the Company's cash reserves below a level which the Company's directors (the "Directors") determine, in their sole discretion, to be prudent, or if such redemption will cause the Company to breach the requirement that at least 50% of the cost amount of its property must consist of bank deposits or mortgage loans made in respect of residential properties.

Further, in any calendar quarter, the Company will not redeem any more than that number of Preferred Shares which is equal to 2 1/2% of the outstanding Preferred Shares at the end of the immediately preceding calendar quarter. If the Company is not able to generate cash reserves sufficient for the redemption of 2 1/2% of the outstanding Preferred Shares at the end of the immediately preceding calendar quarter, it will redeem only that number of Preferred Shares which the Directors determine in their sole discretion to be prudent. The Company will use its best commercial efforts to generate cash reserves (through the repayment of mortgage loans made by the Company or otherwise) sufficient for the redemption of all of the Requested Shares in a calendar quarter.

If the aggregate number of Requested Shares is equal to or less than 2 1/2% of the outstanding Preferred Shares at the end of a calendar quarter, then subject to the Company being able to generate sufficient cash reserves to do so it will redeem Requested Shares in respect of which Notices have been received in a calendar quarter on a day selected by the Company in the following calendar quarter (the "Redemption Date").

This is Exhibit D referred to in the affidavit of  
Donald Bergman sworn (or affirmed)  
before me on 7/25/2017 [dd/mm/yyyy]  
  
A Commissioner for taking Affidavits  
within British Columbia

The price paid for each Preferred Share which is redeemed in each calendar quarter (the "Redemption Amount") will be the fair market value thereof calculated by the Company's auditor in conjunction with the annual audit of the Company conducted as at the immediately preceding September 30th. For any Preferred Share which is being redeemed within two years after the Preferred Share was initially issued by the Company, the Company will pay to the Requesting Shareholder the Redemption Amount less 2%. For any Preferred Share which is being redeemed after two years after the Preferred Share was initially issued by the Company, the Company will pay to the Requesting Shareholder the Redemption Amount per Preferred Share. The Company will pay the Redemption Amount by cheque mailed by first class mail to the Requesting Shareholder on the Redemption Date at the address of the Requesting Shareholder set out in his, her or its Notice.

If the aggregate number of Requested Shares is more than 2 1/2% of the outstanding Preferred Shares at the end of a calendar quarter or if the Company is not able to generate cash reserves sufficient for the redemption of the aggregate number of Requested Shares, the redemption of Preferred Shares will be made *pro rata* to the number of Preferred Shares in respect of which requests for redemption have been made.

The adoption of its policy regarding the redemption of Preferred Shares does not fetter the discretion of the Directors of the Company from time to time to amend or cancel such policy in whole or in part or to adopt an alternative policy with respect to the redemption of Preferred Shares, or to refuse to consent to a Requesting Shareholder's request to have their Preferred Shares redeemed by the Company.

**There are times when redemption requests may not be processed in a timely manner and shareholders may have to wait longer than expected to receive their redemption request. The source of funds used to process redemptions may be from new capital raised and/or loans being repaid. There is no guarantee that funds will be available to meet all redemption requests.**



This is Exhibit E referred to in the affidavit of  
Donald Bergman sworn (or affirmed)  
before me on 7 / Nov / 2017 [dd/mmm/yyyy]

*K.M.*

.....  
A Commissioner for taking Affidavits  
within British Columbia

**FINANCIAL MANAGEMENT AGREEMENT**

This Agreement made as of the 18 day of September, 2003 (the "Effective Date"),

BETWEEN:

**ALL CANADIAN INVESTMENT CORPORATION**, a  
British Columbia company, of 1500 - 701 West Georgia  
Street, Vancouver, BC V7Y 1C6

(the "Company")

OF THE FIRST PART

AND:

**ACIC FINANCIAL DEVELOPMENT INC.**, a British  
Columbia company, of 1500 - 701 West Georgia Street,  
Vancouver, BC V7Y 1C6

(the Manager")

OF THE SECOND PART

WHEREAS:

A. The Company is a mortgage investment corporation and has been established for the purpose of making of or investing in loans (the "Loans") in respect of mortgages ("Mortgages") of real property;

B. By way of an Offering Memorandum dated January 6, 2003, the Company is offering its preferred shares ("Preferred Shares") for investment by investors in the Provinces of British Columbia and Alberta, and in such other jurisdictions where it may be permitted to do so, for the purposes of raising funds for the business of the Company; and

C. The Manager has agreed to provide certain ongoing management services to the Company in connection with the Loans and the business of the Company;

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

**ARTICLE 1 - DEFINITIONS**

1.1 Definitions

In this Agreement, the following terms have the meaning given to them:

- (a) "Assets" means the total assets of the Company as reflected on the Company's financial statements from time to time;
- (b) "Gross Revenue" means all interest, fees, and other amounts received by the Company and arising out of the conduct of its business from time to time;
- (c) "Offering Memorandum" means the Offering Memorandum of the Company dated January 6, 2003;
- (d) "Offering" means the offering of the Preferred Shares described in the Offering Memorandum;
- (e) "person" includes an individual, corporation or partnership, trust, joint venture, unincorporated organization, body corporate, personal representative, co-operative association or governmental or regulatory authority, agency, commission or board.

## ARTICLE 2- SERVICES

### 2.1 Appointment of the Manager

The Company hereby appoints the Manager to provide to the Company the financial, syndication, sales, administrative and management services described in this Agreement (collectively, the "Services"), and the Manager hereby accepts such appointment.

### 2.2 Syndication and Sales Services

The Manager will syndicate and implement the Offering, and in connection therewith will provide the following services to the Company:

- (a) coordinating and overseeing the offering and sale of the Preferred Shares, the printing and distribution of the Offering Memorandum and the completion of all matters related to the closing of subscriptions for Preferred Shares, including appointing, acting as liaison with and supervising financial agents, negotiating and paying referral fees and commissions to such agents, and paying other sales costs;
- (b) responding to inquiries from financial agents, investors and others as they may arise from time to time;
- (c) preparing and filing all reports required in the jurisdictions in which Preferred Shares have been sold in order to comply with applicable securities legislation; and
- (d) completing all such other tasks and matters as may be necessary in respect of the foregoing.

2.3 Loan Management Services

The Manager will administer the Company's portfolio of Loans, including without limitation:

- (a) providing instructions to legal counsel with respect to the preparation, execution, and registration of security documentation;
- (b) overseeing the receipt by the Company of interest payments on the Loans and the payment thereof by the Company to the holders of Preferred Shares;
- (c) maintaining ongoing liaison with the borrowers of the Loans;
- (d) conducting ongoing analysis of market conditions to monitor the Company's investment in Loans;
- (e) assisting the Company in taking all such actions pertaining to the Loans and the enforcement of all security granted in respect of the Loans as may be requisite and providing instructions to and liaising with the Company's legal counsel in that regard; and
- (f) advising the Company with respect to the disposition of Loans, and negotiating and carrying out the disposition of Loans on such terms and conditions and at such times as the Company may determine.

2.4 Investor Communications and Reporting

The Manager will provide the following investor communication and reporting services to the Company:

- (a) establishing and maintaining a register for all holders of Preferred Shares;
- (b) processing all documentation relating to transfers of Preferred Shares, including corresponding with former and new holders of Preferred Shares in that regard;
- (c) reporting on behalf of the Company to holders of Preferred Shares on an ongoing basis;
- (d) preparing and mailing financial and other reports to holders of Preferred Shares;
- (e) attending to all arrangements necessary for meetings of the holders of Preferred Shares;
- (f) responding to all inquiries by holders of Preferred Shares; and

- (g) providing holders of Preferred Shares with detailed statements for income tax purposes.

2.5 Service Requirements

In providing the Services, the Manager will use reasonable commercial efforts to perform its duties and responsibilities under this Agreement and will:

- (a) act in a conscientious and reasonable manner, honestly and in good faith,
- (b) comply with and observe all laws and regulations which apply to the Company, the Loans and the security granted for Loans;
- (c) comply with and observe all instructions and directions given to it by the Company;
- (d) devote sufficient time and attention to carry out its duties as required hereunder; and
- (e) engage a sufficient number of employees to carry out and fulfil the Manager's obligations to the Company under this Agreement.

2.6 Appointment as Agent

The Company confers on the Manager the authority to act as the Company's agent, for the purpose of making all agreements, signing all documents and doing all other acts and things that will be necessary for the Manager to discharge its responsibilities, duties and obligations under this Agreement. The Company agrees to be bound by all agreements, documents and acts made or taken by the Manager pursuant to the provisions of this Agreement.

2.7 Powers of the Manager

The Manager may take such actions as may be necessary or desirable in its discretion to administer the Loans. In the administration or collection or enforcement of any Loan, the Manager may, but shall not be obligated to, retain for the account of the Company solicitors, counsel and other experts and receivers and advance such funds of the Company as it considers reasonable or necessary in order to preserve, protect, defend or improve the Company's interest in any Loan. The Manager shall endeavor to collect the amount of all costs incurred or advances made from the borrower but, in all events, the Company shall indemnify the Manager for and shall pay to the Manager any such costs advanced by the Manager out of the funds of the Manager, or to the extent that the Company holds only a percentage interest in any such Loan, the Company's percentage share of such costs, within 30 business days of demand by the Manager, plus interest at the rate set out in Section 4.5, to the date of payment both before and after judgment.

2.8 Office

The Manager will provide the Company with offices within the Manager's office premises free of rent, utilities and basic telephone charges for the purposes of carrying out the Company's business.

ARTICLE 3 - TERM

3.1 Term

This Agreement will continue in full force and effect until the 10th anniversary of the Effective Date (the "Term"). Unless either party provides written notice to the other to terminate this Agreement, the Term will be automatically extended for successive terms of five years each.

3.2 Termination by the Company

This Agreement may be terminated by the Company in the event that:

- (a) a bankruptcy, receivership or liquidation order is issued against the Manager;
- (b) the Manager makes an assignment for the benefit of creditors or commits any act of bankruptcy within the meaning of the Bankruptcy and Insolvency Act (Canada);
- (c) the Manager assigns this Agreement or its rights or obligations hereunder to any person who is not an affiliate of the Manager without the prior written consent of the Company;
- (d) the Manager commits a breach or default under this Agreement not related to the payment of any money to be paid by the Manager to the Company and the same is not cured within 90 days of the Manager receiving notice thereof;
- (e) the Manager commits a breach or default under this Agreement related to the payment of any money to be paid by the Manager to the Company and the same is not cured within 15 days of the Manager receiving notice thereof; or
- (f) the Company gives the Manager one year prior written notice of intention to terminate this Agreement.

3.3 Termination by the Manager

This Agreement may be terminated by the Manager in the event that:

- (a) a bankruptcy, receivership or liquidation order is issued against the Company;
- (b) the Company makes an assignment for the benefit of the Company's creditors or commits any act of bankruptcy within the meaning of the Bankruptcy and Insolvency Act (Canada); or
- (c) the Manager gives the Company one year prior written notice of intention to terminate this Agreement.

#### 3.4 Payment on Termination

Upon the termination of this Agreement, the Company will continue to be responsible for the payment to the Manager of, and upon the Manager's demand therefor will pay to the Manager, any and all fees payable under this Agreement and all Expenses (as defined herein) incurred and paid by the Manager during the Term in accordance with the provisions of this Agreement.

### ARTICLE 4 – FEE AND EXPENSES

#### 4.1 Fees

In consideration of the provision of the Services, the Company will pay to the Manager an annual fee (the "Management Fee") in the amount which is the aggregate of:

- (a) the product of 2% multiplied by the Assets; plus
- (b) the product of 15% multiplied by the Gross Revenue.

#### 4.2 Payment of Management Fee

The Management Fee will be paid to the Manager monthly, on the last day of each month, and will be calculated based on the average daily balance of the Assets and the average daily Gross Revenue in such month, *pro rated* on a daily basis for partial months during the Term.

#### 4.3 Manager's Expenses

The Manager will pay all of its own costs of officers and employees and of its own expenses and overhead relating to the provision by the Manager of the Services.

#### 4.4 Company's Expenses

Except as set out in Section 4.3, the Company will reimburse the Manager immediately upon the request of the Manager for all costs and expenses (the "Expenses") incurred by the Manager on behalf of the Company in respect of the following:

- (a) the third party legal, accounting, audit and other consulting fees, costs and expenses incurred by the Company in connection with the preparation of the Offering Memorandum;
- (b) all legal, audit, and shareholder meeting costs, and all legal fees and disbursements of collecting or attempting to collect any amounts owing or in arrears on any of the Loans, including foreclosure or other court proceedings.

The Manager shall not be under any obligation to incur or to pay any Expenses or to spend or risk its own money or otherwise incur financial liability in the payment of the Expenses.

4.5 Interest

Any portion of the Management Fee or the Expenses payable under this Agreement which are not paid when due, or any amount referred to in Section 2.7, will bear interest from the date due to the date paid at a rate equal to the prime rate of interest charged by the Royal Bank of Canada at its main branch in Vancouver, British Columbia to its most creditworthy borrowers and designated as its "Prime Rate" plus three percent per annum, calculated and compounded monthly.

4.6 Lien in favour of the Manager

The Company does hereby grant to the Manager a lien over the Company's interest in any Loans for the payment of the Management Fee, the Expenses and any other amounts due to the Manager by the Company under this Agreement.

**ARTICLE 5 – INDEMNITY AND RELEASE**

5.1 Release

The Company will not hold the Manager liable for any loss, damages or costs arising out of a failure to collect any amount owing on any particular Mortgage after it has been acquired by the Company. The Manager and its shareholders, directors, officers, agents and employees will have no liability in respect of any act or omission regarding, respecting or relating to the services, duties, and powers performed or to be delivered or performed by it pursuant to this Agreement except to the extent such act or omission constitutes gross negligence or wilful misconduct.

5.2 Indemnity

The Company does hereby indemnify and holds harmless the Manager, its officers, directors, employees, shareholders, and agents, from and against any and all liabilities, losses, claims, damages, penalties, actions, suits, demands, costs and expenses including, without limitation, the omissions which the Manager takes under this Agreement,



provided that such action or omission is taken or not taken in good faith and without gross negligence or is taken pursuant to and is in compliance with this Agreement.

5.3 Survival

This terms of Section 5.1 and 5.2 will survive the removal or resignation of the Manager in connection with any and all of its duties and obligations under this Agreement.

**ARTICLE 6 - MISCELLANEOUS**

6.1 Headings, Etc.

The division of this Agreement into Parts, Sections and subsections and other subdivisions, the provisions of a table of contents and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation hereof.

6.2 Rules of Construction

Unless the context otherwise requires:

- (a) words importing the singular number only shall include the plural and vice versa and words importing any gender shall include all genders and shall include individuals, firms and corporations and any other incorporated or unincorporated entity; and
- (b) reference herein to any agreement, indenture or other instrument in writing means such agreement, indenture or other instrument in writing as amended, modified or supplemented from time to time to the extent permitted by the terms hereof.

6.3 Governing Law and Attornment

This Agreement shall be construed in accordance with the laws of the Province of British Columbia and shall be treated in all respects as British Columbia contracts. The parties hereby irrevocably submit to the jurisdiction of any court in the Province of British Columbia for the purposes of any legal or equitable suit, action or proceeding in connection with this Agreement.

6.4 Notices

Except as otherwise provided in this Agreement, any notice required or permitted to be given to the Manager or the Company under this Agreement shall be sufficiently given if in writing and served personally on an officer of the Manager or the Company or sent by delivery, fax or by letter, postage prepaid, addressed to the addresses as set forth on page 1 of this Agreement (unless at the time of mailing or within four days thereafter there shall be a strike, interruption or lockout in the Canadian postal service, in which case the

notice shall be given by personal delivery or fax). Any notice, if delivered or sent by fax, shall be considered to have been given on the next business day following the date of delivery or the date of sending of the fax, as the case may be or, if sent by letter, on the third business day following the date of mailing the letter in a regularly-maintained receptacle for the deposit of mail.

6.5 Enurement

This Agreement will enure to the benefit of and be binding upon the parties and their respective successors, and assigns.

6.6 Further Assurances

The parties will execute and deliver all such further documents, do or cause to be done all such further acts and things, and give all such further assurances as may be necessary to give full effect to the provisions and intent of this Agreement.

6.7 Invalidity of Provisions

Wherever there is any conflict between any provision of this Agreement and any present or future statute, law, ordinance, or regulation against which the parties have no legal right to contract, the latter will prevail; but in such event the provision of this Agreement thus affected will be curtailed and limited only to the extent necessary to bring it within the requirements of the law. If any term, provision, covenant, or condition of this Agreement or the application thereof to any person or circumstance will, at any time or to any extent, be invalid, illegal, voidable, or unenforceable, then the remainder of this Agreement or the application thereof to persons or circumstances other than those as to whom it is held invalid, illegal, voidable, or unenforceable will not be affected thereby, and each term, provision, covenants, and condition of this Agreement will be and remain valid and enforceable to the fullest extent permitted by law.

6.8 No Waiver

This Agreement may not be amended except by a writing executed by the parties.

6.9 Arbitration

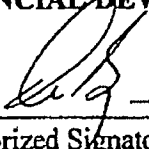
Should there be a disagreement or a dispute between the parties hereto with respect to this Agreement or the interpretation thereof, the same will be referred to a single arbitrator pursuant to the Commercial Arbitration Act (British Columbia), and the determination of such arbitrator will be final and binding upon the parties hereto. This Section 6.9 will be deemed to be a submission to arbitration in accordance with the *Commercial Arbitration Act*.

IN WITNESS WHEREOF the parties hereto have executed this Agreement as of the day and year first set out above.

**ALL CANADIAN INVESTMENT CORPORATION**

Per:  \_\_\_\_\_  
Authorized Signatory

**ACIC FINANCIAL DEVELOPMENT INC.**

Per:  \_\_\_\_\_  
Authorized Signatory

## FORM 45-106F2

*Amended & Restated Offering Memorandum for Non-Qualifying Issuers*  
(restricted to residents of British Columbia)

**ALL CANADIAN INVESTMENT CORPORATION**

Dated: June 22, 2015

**The Issuer**  
Name: **ALL CANADIAN INVESTMENT CORPORATION**  
(the "Company")

Head Office: 825 Lakeshore Drive, Salmon Arm, British Columbia V1E 1E4  
Phone: 1-866-772-2242 Fax: 250-804-0601  
Email: info@acicinvestor.ca

Currently listed or quoted: No. These securities do not trade on any exchange or market.  
Reporting issuer: No.  
SEDAR filer: No.

**The Offering**

**Securities offered:** Offering of Units of the Company. Each Unit is comprised of one preferred share of the Company (a "Preferred Share") and one warrant ("Warrant") having the rights described in this Offering Memorandum.

**Price per security:** \$1,000 per Unit.

**Minimum/Maximum offering:** There is no minimum. You may be the only purchaser. The maximum offering is \$50,000,000. Funds available under the offering may not be sufficient to accomplish our proposed objectives.

**Minimum Subscription amount:** The minimum amount each investor must invest is \$25,000.

**Payment terms:** Cheque or bank draft payable to "All Canadian Investment Corporation".

**Proposed closing dates(s):** On the 15th and last day of each month.

**Income Tax consequences:** There are important tax consequences to these securities. See ITEM 6.


**Selling agent:** Yes. See ITEM 7.

**Resale restrictions:** You will be restricted from selling your securities for an indefinite period. See ITEM 10.

**Purchaser's rights:** You have 2 business days to cancel your agreement to purchase these securities. If there is a misrepresentation in this offering memorandum, you have the right to sue either for damages or to cancel this agreement. See ITEM 11.

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

This is Exhibit ...F..... referred to in the affidavit of  
Donald Bergman..... sworn (or affirmed)  
before me on 7/Nov/2017..... [dd/mmm/yyyy]

  
A Commissioner for taking Affidavits  
within British Columbia

**TABLE OF CONTENTS**

<b>Item 1</b>	<b>Use of Available Funds .....</b>	<b>5</b>
1.1	Funds .....	5
1.2	Use of Available Funds .....	5
1.3	Reallocation.....	5
<b>Item 2</b>	<b>Business of the Company .....</b>	<b>5</b>
2.1	Structure .....	5
2.2	Our Business .....	6
2.3	Development of Business.....	8
2.4	Long Term Objectives.....	10
2.5	Short Term Objectives and How We Intend to Achieve Them.....	10
2.6	Insufficient Proceeds.....	10
2.7	Material Agreements .....	10
2.8	Related Party Transactions.....	14
<b>Item 3</b>	<b>Interests of Directors, Management, Promoters and Principal Holders.....</b>	<b>16</b>
3.1	Compensation and Securities Held.....	16
3.2	Management Experience .....	17
3.3	Penalties, Sanctions and Bankruptcy.....	17
3.4	Loans .....	18
<b>Item 4</b>	<b>Capital Structure.....</b>	<b>19</b>
4.1	Share Capital .....	19
4.2	Long Term Debt.....	19
4.3	Prior Sales .....	19
<b>Item 5</b>	<b>Securities Offered.....</b>	<b>19</b>
5.1	Terms of Securities.....	19
5.2	Subscription Procedure .....	22
<b>Item 6</b>	<b>Income Tax Consequences &amp; RRSP Eligibility .....</b>	<b>22</b>
6.1	General.....	22
6.2	Material Canadian Income Tax Consequences .....	22
6.3	RRSP Eligibility.....	28
<b>Item 7</b>	<b>Compensation Paid to Seller and Finders.....</b>	<b>29</b>
<b>Item 8</b>	<b>Risk Factors .....</b>	<b>29</b>
<b>Item 9</b>	<b>Reporting Obligations.....</b>	<b>34</b>
<b>Item 10</b>	<b>Resale Restrictions .....</b>	<b>35</b>
10.1	General Statement .....	35
10.2	Restricted Period .....	35
<b>Item 11</b>	<b>Purchaser's Rights .....</b>	<b>35</b>
11.1	Two-Day Cancellation Right.....	35
11.2	Statutory Rights of Action in the Event of a Misrepresentation .....	35
11.3	Contractual Rights of Action in the Event of a Misrepresentation .....	35

**Item 12 Financial Statements.....36**

**Item 13 Date and Certificate C-1**

### FORWARD-LOOKING STATEMENTS

Certain statements in this Offering Memorandum as they relate to the Company and its operations may constitute "forward-looking statements". Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often, but not always, using words or phrases, including, but not limited to, expects, does not expect, is expected, anticipated, does not anticipate, plans, estimate, believes, does not believe or intends stating that certain actions, events or results may, could, would, might or will be taken, occur or be achieved) are not statement of historical fact and may be forward-looking statements. Forward-looking statements are based on expectations, estimates and projections at the time the statements are made that involve a number of risks and uncertainties which could cause actual results or events to differ materially from those presently anticipated. These include, but are not limited to, the risks of the business of the Company identified under "Risk Factors". See ITEM 8.

The Company does not undertake any obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as expressly required by law.

**Item 1 Use of Available Funds****1.1 Funds**

		Assuming min. offering	Assuming max. offering
A	Amount to be raised by this offering	\$0	\$50,000,000
B	Selling commissions and fees	\$0	\$0
C	Estimated offering costs (e.g. legal, accounting, audit)	\$0	\$50,000
D	Net proceeds: $D = A - (B + C)$	\$0	\$49,950,000
E	Additional Sources of funding required	\$0	\$0
F	Working capital deficiency	\$0	\$0
G	Total: $= (D+E) - F$	\$0	\$49,950,000

**1.2 Use of Available Funds**

Intended use of available funds listed in order of priority	Assuming min. offering	Assuming max. offering
Mortgage Loans & Other Investments	\$0	\$49,950,000
Total	\$0	\$49,950,000

Funds received from subscriptions for Units pursuant to this Offering Memorandum will mostly be used in the manner described in the table above.

A portion of the proceeds raised under the current offering may be used to fund dividend payments, outstanding and future redemption requests as well as debt repayment.

The Company has borrowed and may continue to borrow funds in order to meet financing obligations. See Item 3.4 "Loans" on page 17.

**1.3 Reallocation**

We intend to spend the available funds as stated. We will reallocate funds only for sound business reasons.

**Item 2 Business of the Company****2.1 Structure**

All Canadian Investment Corporation (the "Company") was incorporated under the laws of British Columbia on August 19, 1998 under the name of 570425 BC Ltd. On November 13, 1998, the Company changed its name to All Canadian Mortgage Investment Corporation and on December 21, 2000 to All Canadian Investment Corporation. The Company was transitioned under the *Business Corporations Act* (British Columbia) on July 23, 2005. The registered office of the Company is located at 900-885 West Georgia Street, Vancouver, BC, V6C 3H1. The



Company intends to qualify as a "mortgage investment corporation" pursuant to the *Income Tax Act* (Canada) (the "Tax Act").

## 2.2 Our Business

The Company is a mortgage investment corporation ("MIC"). Its business is to provide loans ("Mortgage Loans") to owners and developers of single and multi-family residential, commercial, office and industrial real estate properties (collectively, the "Borrowers"), which are secured by mortgages ("Mortgages") of the property. In most cases, because these loans do not meet the standard financing criteria for institutional mortgages, Mortgage Loans are made to Borrowers at higher interest rates than generally charged by more conventional providers of Mortgage Loans. As such, interest charged by the Company to Borrowers on the Mortgage Loans is generally at higher rates than on conventional first mortgage loans from conventional lenders. As well, Mortgage Loans by the Company to Borrowers generally represent a higher ratio of loan to the value of the property secured by the Mortgage, leaving less of the Borrower's equity in each property than would be the case under a conventional loan.

The Company may also make other loans and investments from time to time, which may include equity loans and interim financing for construction, development, redevelopment or renovation. These loans may be unsecured and could pose a greater risk in the event of a default.

The Company's lending rates currently range from 6% to 12% for Mortgages and 10% to 12% for unsecured loans. The interest rates are set by the Company to be fair to both the Borrower and the Company. In this low interest rate environment and with more competition from other lenders, the Company may have to adjust the interest rates lower.

### Investment Guidelines – Mortgage Loans

All Mortgage Loans will be made pursuant to the following investment guidelines that have been established by the Company:

- (a) the Company will make loans so as to maintain its status as a "mortgage investment corporation" under the Tax Act;
- (b) all Mortgage Loans will be secured in favour of the Company or its agent, either as sole mortgagee or co-mortgagee, and each Mortgage will be registered in the appropriate land title office as a charge against the real property subject to the Mortgage;
- (c) the Company will make Mortgage Loans only to Borrowers which the Company approves, based on a combination of their income, net worth, credit rating and history of repayment and the value of the property or properties available as security for the Mortgage Loan. Mortgage Loans will not be made to any shareholder, director or officer of the Company;
- (d) Mortgage Loans will not be made to anyone (a "Trust Party") who is both an annuitant beneficiary or employer under a registered retirement savings plan, deferred profit sharing plan or registered retired income fund as defined under the Tax Act and a shareholder of the Company, or to any other person who is a relative of or otherwise does not deal at arm's length with the Trust Party, or to anyone else who would cause shares in the Company not to be a qualified investment under Regulation 4900(1)(c) of the Tax Act;

- (e) security for the Mortgage Loans will consist of either:
- (i) a first Mortgage against real estate having a principal amount not more than 100% of the appraised value of such real estate as at the date of initial advance of the Loan or, in the case of real estate under development or redevelopment, having a principal amount not more than 100% of the appraised value of such real estate upon completion of the development or redevelopment. Appraised value is determined by the Company at the time of the initial advance of a Mortgage Loan, based on an appraisal of the subject property from an accredited appraiser or, if such an appraisal is not available (as in the case in some remote communities) an estimate of value from a realtor who has not less than five years of relevant sales experience. Where a mortgaged property is under development, the value used is the appraised or estimated value prior to development plus the estimated cost of the improvements;
  - (ii) a subordinated Mortgage against real estate having a principal amount which, when added to the principal amount of the prior mortgages, will not exceed 100% of the appraised value of such real estate as at the date of initial advance of the Loan or, in the case of real estate under development or redevelopment, having a principal amount not more than 100% of the appraised value of such real estate upon completion of the development or redevelopment; or
  - (iii) in the case of loan renewals, a first or subordinated Mortgage, as the case may be, against real estate having either a principal amount or, in the case of a subordinated Mortgage, a principal amount which, when added to the principal amount of the prior mortgages, is not more than 100% of the estimated value of such real estate as at the date of renewal of the Loan or, in the case of real estate under development or redevelopment, having a principal amount not more than 100% of the estimated value of such real estate upon completion of the development or redevelopment. For these purposes, the Company bases the estimate of the property's value on evidence provided to the Company by the Borrower, including one or more of the initial appraised or estimated value of the property, current property tax assessment information, current third party information about the local market, financial information relating to the property and other third party estimates;
- (f) before funding any Mortgage Loan, the Company will obtain a written valuation with respect to all real property charged by the Mortgage;
- (g) the term of a Mortgage Loan will generally not exceed 24 months and the total of any renewals or extensions of the term will generally not exceed an additional 24 months;
- (h) the Company will only make investments in Canada and other jurisdictions in which the Company is lawfully authorized to make investments; and

- (i) the Company's director may waive the provisions of paragraphs (e), (f) or (g) above in relation to any Mortgage Loan, but will not otherwise deviate from the investment guidelines set out above.

#### **Investment Guidelines – Other Loans and Investments**

The Company may also make other loans and investments from time to time, to a maximum of 50% of the Company's total capital. These other loans and investments which include the following:

- (a) equity loans to provide funds to developers to supplement the amount of equity which has been provided by them and that in addition to first and second mortgage financing is necessary to complete the construction and development of new or existing residential, commercial and or industrial projects;
- (b) interim loans to finance the construction, development, redevelopment or renovation of new or existing residential, commercial, office or industrial developments; and
- (c) advance loans to finance the development of land that is suitable for development (this includes the clearing of land, road construction, installation of sewer, water and utilities and other improvements to the land). As such, the Company's investment may be made to fund bonds, plans, permits or progress advances for servicing.

The Company may also invest in term deposits, treasury bills, government bonds or corporate debentures.

The Company has made, and may continue to make mortgage loans and investments to related parties. See Item 2.8 "Related Party Transactions".

In any case, the Company will not make any such loan or investment if it would result in the Company ceasing to be a MIC under the Tax Act.

#### **2.3 Development of Business**

The Company commenced business in 1998 and established its year-end as September 30. The Company has qualified as a MIC under the Tax Act since inception.

Shareholders have received the following annual cash return on an investment in Preferred Shares over the past 10 years:

<u>Year</u>	<u>Annual Dividend Rate</u>	<u>Net Income / (Loss)</u>
2014	7.0%	\$(97,662)
2013	6.5%	\$2,094,736
2012	6.25%	\$1,513,498
2011	7.25%	\$1,913,758

2010	8.0%	\$2,171,276
2009	8.0%	\$1,591,111
2008	8.0%	\$1,103,377
2007	8.0%	\$680,998
2006	8.0%	\$480,605
2005	8.0%	\$382,452

The rate of return may fluctuate due to market demand for real estate financing, prevailing market interest rates at the time of financing and the amount of the cash reserves that earn a nominal rate of interest. Past history is no guarantee of future performance.

The source of funds used to pay dividends may come from the combination of interest income, new capital raised, debt financing or repayment of existing loans.

ACIC may provide financing on an interest accrual basis. This means the company advances funds and collects the accrued interest when the loan is paid out. Since the interest is earned but not collected dividend payments may be funded from these other sources as described above.

The following table illustrates the company's Gross Revenues, Operating Expenses, Assets and Liabilities over the past 10 years.

<u>Fiscal Year</u>	<u>Gross Revenue</u>	<u>Operating Expenses</u>	<u>Assets</u>	<u>Liabilities</u>
2014	\$3,525,734	\$1,215,145	\$37,196,826	\$4,340,451
2013	\$3,215,326	\$1,200,590	\$34,299,488	\$2,306,863
2012	\$3,013,117	\$955,498	\$28,822,974	\$1,030,500
2011	\$3,440,615	\$957,333	\$30,945,968	\$5,500
2010	\$3,006,330	\$835,054	\$33,851,492	\$5,500
2009	\$2,204,708	\$613,597	\$24,222,493	\$5,500
2008	\$1,642,242	\$538,865	\$19,002,493	\$5,500
2007	\$1,030,185	\$349,187	\$11,941,357	\$5,500
2006	\$851,083	\$370,478	\$9,010,394	\$1,558,648
2005	\$688,535	\$306,083	\$6,509,396	\$1,011,340

During the years of 2004 and 2005 the Company established a marketing program to raise capital. The results of this program are indicated in the growth of the company's assets from 2005 to 2010. In July 2010 the BCSC issued a Cease Trade Order ("CTO") and the company was not allowed to raise capital for a period of 28 months. Please refer to Item 3.3.

Due to the Company's inability to raise additional capital during this time, the company's reserves have declined and the company had to borrow funds to meet its financing obligations. In 2013 the company once again started to raise additional capital.

In 2014 the company decided to recognize impairment losses on its mortgages and loans in the amount of \$3,188,251. This decision was made after consulting with the borrower and our auditors as we pursue recovery. Please refer to Item 2.7 (d). This impairment loss was deducted from our 2014 revenue creating a net loss for year in the amount of \$97,662.

## 2.4 Long Term Objectives

The primary objective of the Company is to provide shareholders with dividend payments. The Company will continue to raise capital by offering Units to investors in order to build its corporate assets to \$50,000,000.

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

What we must do and how we will do it	Target completion date or, number of months to complete	Cost to complete
Issue 10,000 Units	12 Months	\$50,000 <sup>(1)</sup>
Place \$10,000,000 of new loans	12 Months	\$0 <sup>(2)</sup>

### Notes:

<sup>(1)</sup> The amount shown represents the estimated costs of the maximum offering, including legal, accounting and audit costs.

<sup>(2)</sup> The costs of documenting loans are paid by the Borrowers.

## 2.6 Insufficient Proceeds

Not applicable

## 2.7 Material Agreements

### a) Mortgage Portfolio Schedule as at June 1, 2015

Property Type	Location	Priority Ranking	Interest Rate	Payment Terms <sup>(1)</sup>	Due Date <sup>(2)</sup>	Balance	Property Value <sup>(3)</sup>	LTV <sup>(3)</sup>
Residential	Sunshine Coast, BC	1st	12%	IO	On demand	\$ 2,700,000 <sup>(4)</sup>	\$ 3,364,000	80.0%
Hotel/Motel	Sunshine Coast, BC	1st	6%	IO	On Demand	\$1,159,155	\$1,540,000	75.3%
Residential	Lower Mainland, BC	2nd	12%	IO	On Demand	\$973,000	\$2,550,000	67.9%

Property Type	Location	Priority Ranking	Interest Rate	Payment Terms <sup>(1)</sup>	Due Date <sup>(2)</sup>	Balance	Property Value <sup>(3)</sup>	LTV <sup>(3)</sup>
Residential	Vancouver Island, BC	2nd	12%	IO	30-Nov-16	\$600,000	\$2,190,000	82.2%
Residential	Lower Mainland, BC	2nd	12%	IO	31-Mar-17	\$8,813,863	\$47,000,000	80.3%
Residential	Estevan, Sask	1st	12%	IO	30-Sept-16	\$360,000	\$480,000	75%
Hotel/Motel	Northern AB	1st	12%	IO	10-Aug-16	\$290,000 <sup>(5)</sup>	\$575,000	54.1%
Residential	Lower Mainland, BC	2nd	12%	IO	On demand	\$5,690,892	\$18,900,000	75.8%
Commercial	Lower Mainland, BC	2nd	12%	IO	1-June-6	\$708,000	\$2,700,000	74.0%
Residential	Lower Mainland, BC	2nd	12%	IO	30-Apr-16	\$946,000	\$3,730,000	89.7%
Residential	Lower Mainland, BC	2nd	12%	IO	30-Mar-16	\$2,140,037	\$9,850,000	87.4%
<b>Total Balance</b>						<b>\$ 24,380,947</b>		

## Notes:

<sup>(1)</sup> IO refers to interest only.

<sup>(2)</sup> The Company seeks to maximize the amount of funds invested in Mortgage Loans at all times. As a result, the Company may elect to extend the terms of Mortgage Loans as they come due, rather than requiring repayment. Factors which are considered by the Company when determining whether Mortgage Loans should be extended include loan-to-value ratio, the Borrower's intended use of the property and proposed timeline, loan payment history, the length of the Borrower's working relationship with the Company and other factors.

<sup>(3)</sup> Property Value and LTV (loan to value ratio). The Company obtains an appraisal or other third party evidence of value (such as an assessment issued by the British Columbia Assessment Authority) of each property prior to or as of the date of the initial advance of each Mortgage Loan. As well, where the Company takes collateral security for the Mortgage Loan in the form of mortgage security on other property, the Company obtains an appraisal or other third party evidence of value in respect of such other property. The Property Value shown above is the aggregate value of the property taken as primary and collateral security as at the date of initial advance of the Mortgage Loan or, in the case of real estate under development or redevelopment, the value of such real estate upon completion of its development or redevelopment, as estimated at the time of the initial advance of the Mortgage Loan. The LTV shown above is the percentage obtained by dividing: (a) the outstanding amount of the Mortgage Loan as at June 1, 2015 plus the outstanding amount of any financing which has priority over the Mortgage Loan; by (b) such the aggregate value of the property taken as primary and collateral security.

<sup>(4)</sup> This Mortgage Loan was to assist the Borrower in developing ocean view and waterfront residential lots in Pender Harbour, BC. The project was designed in four phases. The loan was initially funded on July 31, 2000 with subsequent advances on an ongoing basis to a maximum of \$5,600,000. The loan was subsequently reduced to \$2,700,000 through the payment of sales proceeds by the Borrower to the Company, and as at June 1, 2015 the balance is \$2,700,000. The loan is secured by three waterfront lots on approximately 2.5 acres with a total of 1,300 feet of waterfront and three upland residential lots, with an aggregate assessed value of \$3,364,000. See Item 2.8 "Related Party Transactions" and Item 2.7(d) "Provision for non-performing loans".

(5) See Item 2.8 "Related Party Transactions".

The tables below provide additional information about the Mortgage Loans by type, province and priority:

	Amount	Count	Percentage	Avg. Rate	Avg. LTV
<b>Type</b>					
Residential	\$ 21,277,792	7	87.3%	12.0%	78.8%
Commercial	\$ 1,654,000	2	6.8%	7.6%	90.9%
Hotel/Motel	\$ 1,449,155	2	5.9%	7.2%	68.5%
<b>Total</b>	<b>\$ 24,380,947</b>	<b>11</b>	<b>100.0%</b>		
<b>Province</b>					
British Columbia	\$ 24,380,947	9	97.7%	11.7%	79.8%
Alberta	\$ 290,000	1	1.2%	12.0%	54.1%
Sask	\$360,000	1	1.1%	12.0%	80.0%
<b>Total</b>	<b>\$ 24,380,947</b>	<b>11</b>	<b>100.0%</b>		
<b>Rank</b>					
1 <sup>st</sup>	\$ 4,509,155	4	18.5%	10.4%	73.1%
2 <sup>nd</sup>	\$19,871,792	7	81.5%	12.0%	80.0%
<b>Total</b>	<b>\$ 24,380,947</b>	<b>11</b>	<b>100.0%</b>		

**b) Loan and Other Investment Schedule as at June 1, 2015**

The Company may also make other loans and investments from time to time, including equity loans, interim loans, advance loans, and non-mortgage loans to Borrowers, to a maximum of 50% of the Company's capital. For a description of these types of loans see Item 2.2 - Our Business. Such loans and other investments may not be secured by Mortgages, due to the nature of the loan, the fact that they may be advanced prior to the Borrower completing the acquisition of the respective property, or that they are intended as temporary loans. In all cases, such unsecured loans are made to regular Borrowers of the Company who at the time of advance have a history of non-defaulting loans with the Company.

Type of Loan	Location	Priority Ranking	Interest Rate	Payment Terms <sup>(1)</sup>	Due Date	Balance
P-Note	Lower Mainland, BC	Unsecured	12%	IO	On demand	\$4,012,604
P-Note	Gulf Islands, BC	Unsecured	12%	IO	On demand	\$1,655,500
P-Note	Lower Mainland, BC	Unsecured	12%	IO	On demand	\$358,748
P-Note	Lower Mainland, BC	Unsecured	10%	IO	On demand	\$1,500,000
P-Note	Lower Mainland, BC	Unsecured	12%	IO	On demand	\$3,189,414
P-Note	Lower Mainland, BC	Unsecured	10%	IO	On demand	\$700,000
P-Note	Lower Mainland, BC	Unsecured	12%	IO	On demand	\$150,000 <sup>(2)</sup>

Type of Loan	Location	Priority Ranking	Interest Rate	Payment Terms <sup>(1)</sup>	Due Date	Balance
P-Note	Lower Mainland, BC	Unsecured	12%	IO	On demand	\$100,000
P-Note	Lower Mainland, BC	Unsecured	12%	IO	On demand	\$100,000
P-Note	Lower Mainland, BC	Unsecured	12%	IO	On demand	\$10,000
P-Note	Lower Mainland, BC	Unsecured	12%	IO	On demand	\$70,000
P-Note	Lower Mainland, BC	Unsecured	12%	IO	On demand	\$64,723
P-Note	Lower Mainland, BC	Unsecured	12%	IO	On demand	\$54,800
P-Note	Lower Mainland, BC	Unsecured	12%	P&I	On Demand	\$37,856
P-Note	Vancouver Island, BC	Unsecured	12%	IO	On Demand	\$100,000
<b>Total Balance</b>						<b>11,869,411</b>

## Notes:

- (1) IO refers to interest only; P&I refers to principal and interest.  
(2) The loan noted is in default. The Company has commenced action to recover the amount due under the loan.

As of June 1, 2015 six of our Demand Loans where interest is paid quarterly are in arrears. The Company considers a loan to be in arrears if more than 3 payments have not been received. The total principle amount of our affected loans is \$658,000.

The tables below provide additional information about the loans and other investments by type, province and priority:

	Amount	Count	Percentage	Avg. Rate
<b>Type</b>				
P-Note	\$ 11,869,411	14	100.0%	11.5%
<b>Total</b>	<b>\$ 11,869,411</b>			
<b>Province</b>				
British Columbia	\$ 11,869,411	14	100.0%	11.5%
<b>Total</b>	<b>\$ 11,869,411</b>			
<b>Rank</b>				
Equity	\$ 11,869,411	14	100.0%	11.5%
<b>Total</b>	<b>\$ 11,869,411</b>			

## c) Cash Reserves

As at June 1, 2015, the Company held \$58,000 of liquid cash reserves at a Canadian chartered bank.



**d) Provision for Non-performing Loans**

The company's policy is to make an allowance for impaired loans. As of September 30, 2014 there are two loans that management considered impaired and wrote off \$550,000 in principal and \$2,220,114 in accrued interest (see Item 2.8 (d)). Management is currently negotiating with the borrowers to either re-structure the debt or sell the property. Management also made a provision of \$418,137 which represents the adjustment to the fair value of mortgages and promissory notes receivable determined by discounting future cash flows at the company's prevailing rate of return on new mortgages and promissory notes. The total amount of principle and accrued interest charged against net income as a provision for impairment is \$3,188,251.

**e) Land and Building Acquisition**

During the 2014 fiscal year the company entered into a contract to purchase land and buildings which included a non-refundable deposit of \$100,000. Subsequent to our fiscal year-end this contract was assigned to ACIC Financial Development Inc. as payment towards the deferred management fees of \$113,313.

**2.8 Related Party Transactions**

**a) Financial Management Agreement**

Pursuant to a Financial Management Agreement made as of September 18, 2003 between the Company and ACIC Financial Development Inc. (the "Financial Manager"), the Financial Manager is responsible for syndicating, coordinating and implementing the offering contemplated herein, and for all aspects of the management of the Company and its assets, including making all material business decisions, and for investor communication and investor reporting. These services include:

- providing overall management, financial, and business planning;
- reviewing potential investments in Mortgage Loans and advising the Company on the terms and conditions to attach to Mortgage Loans;
- establishing appropriate legal and accounting systems;
- liaising with Borrowers;
- conducting regular visits to the properties securing the Mortgage Loans;
- establishing and maintaining a register for holders of Preferred Shares and of the Warrants; and
- processing all documentation relating to the issuance of Units.

In consideration of these services, the Financial Manager receives an annual fee (the "Management Fee") equal to 2% of the Company's assets and 15% of the Company's gross annual revenues, with such fee to be payable monthly.

Don Bergman is a shareholder and the sole director of the Company. Mr. Bergman is also the sole shareholder and director of the Financial Manager. The Company and the Financial Manager are affiliates and negotiations between them have not been, and will not be, conducted at arm's length. Refer to Item 8 Risk Factors "Conflicts of Interest".

***b) Loan from Financial Manager***

In order to assist the Company to fulfill its obligation to make advances under an existing construction loan during the period of the cease trade order referred to under Item 3.3 – Penalties, Sanctions and Bankruptcy, in 2012, the Company borrowed the total sum of \$640,000 from the Financial Manager. As of January 21, 2014, the amount outstanding under the loan was \$530,000. Interest accrues on the outstanding balance of the loan at the rate of 8% per annum and is paid quarterly. The loan was reduced by \$200,000 in July 2014, reduced again by \$200,000 in August 2014 and paid out in full in September 2014 with a final payment of \$130,000 plus interest of \$23,658.66. A portion of the funds used to repay the loan came from funds raised through the issue of the Series A Debentures.

***c) Loans to Parties in which the Financial Manager has a Joint Venture Interest***

The Financial Manager is a participant in a real estate joint venture financed by the company. The Financial Manager is entitled to a 25% share in any profits which may arise from the sale of the joint venture property, and is responsible for a similar percentage of the costs associated with such sale. The Financial Manager does not have any interest in the annual rental income from the properties, all of which is paid to the other joint venturer, and is not obligated for any portion of the operating expenses of the properties.

The Financial Manager received its interest in the joint venture in consideration of providing financial advisory services and due to its ability to arrange mortgage financing for the joint venture. Such interests were in addition to the Management Fees payable to the Financial Manager by the Company under the Financial Management Agreement. Don Bergman arranged for financing to be provided to the joint venture by the Company, rather than through third parties. Details of the joint venture are as follows: On August 1, 2000, a joint venture in which the Financial Manager has a 25% profits interest acquired a property in High Level, AB. The purchase and upgrade of this 22 unit motel was financed in part by a second mortgage in favour of the Company in the amount of \$290,000. Interest was paid to the Company at a rate of 12% annually. The first mortgage of the property was amortized over 10 years and was paid out on August 1, 2010 leaving the Company's mortgage in first priority position. As of June 1, 2015, a total of \$476,901.82 in interest has been paid to the Company in respect of the mortgage, which currently matures on August 10, 2016. Based on its current estimated value, if the property were sold today the joint venture would receive a gain of approximately \$285,000 of which the Financial Manager's share would be approximately \$71,000. This loan is identified by Note (5) in the Mortgage Loan portfolio table under Item 2.7(a) – Mortgage Loan Portfolio as at June 1, 2015.

***d) Loans to a Non-Related Party in which the Financial Manager has a Profits Interest***

***Daniel Point, Pender Harbour, BC***

In July, 2000, the Company advanced a Mortgage Loan in respect of the development of ocean view and waterfront residential lots in Pender Harbour, BC (For additional information about this loan, see Note (4) to the Mortgage Loan Schedule as at June 1, 2015 under Item 2.7(a) and (d).

The borrower offered to the Financial Manager (a company controlled by Don Bergman as described herein), a 50% share of any net profits generated from the sale of any phase four

lots remaining after the repayment of all costs incurred in the development, including the repayment to the Company of all outstanding principle of the Mortgage Loan, together with all outstanding interest. The loan as at the date of this Offering Memorandum remains at \$2,700,000. The loan is secured by three waterfront lots on approximately 2.5 acres with a total of 1,300 feet of waterfront and three upland residential lots, with an aggregate assessed value of \$3,364,000. Management considers this loan to be impaired and has written off the accrued interest of \$1,766,917. In order to avoid the high cost of foreclosure the borrower is co-operating with management to restructure the debt or sell the properties. The Financial Manager has waived the 50% profit sharing participation so all the proceeds from the sale of the lots will go directly to the company. The Financial Manager, to date, has received no compensation from this arrangement.

*e) Land and Building Acquisition*

During the 2014 fiscal year the company entered into a contract to purchase land and buildings which included a non-refundable deposit of \$100,000. Subsequent to our fiscal year-end this contract was assigned to ACIC Financial Development Inc. as payment towards the deferred management fees of \$113,313.

**Item 3 Interests of Directors, Management, Promoters and Principal Holders**

**3.1 Compensation and Securities Held**

Name and municipality of principal residence	Position held (e.g. director, officer, promoter and/or principal holder) and the date of obtaining that position	Compensation paid by the Company in the most recently financial year (or if the Company has not completed a financial year, since inception) and the compensation anticipated to be paid in the current financial year	Number, type and percentage of securities of the Company held after completion of min. offering	Number, type and percentage of securities of the Company held after completion of max. offering
Don Bergman, Salmon Arm	President, Director	None	1 Common, 25%	1 Common, 25%
Wayne Blair, Kelowna	Secretary	None	None	None
Andrew Bennett, Delta	Shareholder	None	1 Common, 25%	1 Common, 25%
Meredith Chemerika, Lions Bay	Shareholder	None	1 Common, 25%	1 Common, 25%
Ed Robinson, Sicamous	Shareholder	None	1 Common, 25%	1 Common, 25%

Don Bergman is the sole director of the Company. Each of the other shareholders of the company are passive and do not participate in the management of the Company.

The Financial Manager provides services to the Company pursuant to the terms of the Financial Management Agreement (See Item 2.8 "Related Party Transactions"). In consideration of such services, the Company has agreed to pay to the Financial Manager the annual Management Fee in

an amount equal to 2% of the Company's assets and 15% of the Company's gross annual revenues. However, in order that income after payment of the Management Fee has been sufficient to pay dividends to preferred shareholders in an amount equal to 8% per annum from 2002 to 2010, 7% per annum from March 31, 2011 to March 31, 2012, 6% per annum from March 31, 2012 to March 31, 2013, and 7% per annum from March 31, 2013 to present, the Financial Manager has waived a portion of the Management Fee in each year.

The following table shows, for each of 2008 to 2014, inclusive, the net income from operations prior to payment of the Management Fee, the annual Management Fee calculated in accordance with the Financial Management Agreement, the Management Fee actually paid, net income after payment of the Management Fees and the amount of the Management Fee waived by the Financial Manager in such year. The net income from operations has been distributed to the shareholders by way of dividends in each year.

Year	Net Income From Operations Before Payment of Management Fee	Management Fee Entitlement	Management Fee Paid	Net Income from Operations	Management Fee Waived
2008	\$1,628,377	\$541,000	\$525,000	\$1,103,377	\$16,000
2009	\$2,179,356	\$703,000	\$588,245	\$1,591,111	\$115,000
2010	\$2,981,114	\$971,000	\$809,838	\$2,171,276	\$162,000
2011	\$3,417,620	\$1,115,000	\$934,338	\$2,483,282	\$181,000
2012	\$2,984,000	\$997,000	\$927,279	\$2,057,619	\$69,721
2013	\$3,071,099	\$1,082,000	\$1,056,363	\$2,014,736	\$25,637
2014	\$3,183,902	\$1,240,617	\$873,313	\$2,310,589	\$367,304

### 3.2 Management Experience

Name	Municipality of Residence	Principal occupation for past five years
Donald F. Bergman	Salmon Arm, BC	1998 to present: Founder, President and Director of the Company

### 3.3 Penalties, Sanctions and Bankruptcy

- (a) On July 13, 2010, the British Columbia Securities Commission (the "Commission") issued a cease trade order (the "Order") against the Company in respect of all securities of the Company, including the Preferred Shares. The Order was issued due to the Commission's finding that previous offering memoranda of the Company had not been completed in accordance with the provisions of the *Securities Act* (British Columbia).

In accordance with a settlement made between the Company and the Commission, the Company prepared and delivered a non-offering Offering Memorandum to all of its shareholders, setting out required disclosure similar to that included in this Offering Memorandum. The Company also offered to all of its shareholders the right to redeem and receive payment in respect of their Preferred Shares. The shareholders had until November 5, 2012 to elect to redeem their Preferred Shares. The Commission partially revoked the Order to

allow this offer of redemption to be made to the holders of the outstanding Preferred Shares of the Company.

A total of 53 shareholders elected to redeem for a total of 1,402 preferred shares with a total value of \$1,402,000. The redemption amount was repaid in full by February 2013.

On August 12, 2010, the Commission issued a cease trade order against ACIC Marketing Limited Partnership ("ACIC LP"). Don Bergman is the president of the general partner of ACIC LP. The Order was issued due to the Commission's finding that ACIC LP's offering memorandum had not been completed in accordance with the provisions of the *Securities Act* (British Columbia). The cease trade order remains in effect as at the date of this Offering Memorandum.

ACIC LP was wound down in 2013 with all unitholders receiving a return of their capital and an approximate 41.7% return on investment over the 5 year investment period.

- (b) There are no declarations of bankruptcy, voluntary assignment in bankruptcy, proposal under any bankruptcy or insolvency legislation, proceedings, arrangement or compromise with creditors or appointment of a receiver, receiver manager or trustee to hold assets, that has been in effect during the last 10 years with regard to any
  - (i) director, executive officer, promoter or control person of the Company, or
  - (ii) issuer of which a person referred to in (i) above was a director, executive officer or control person of that time.

### 3.4 Loans

The Company may choose to borrow funds in order to advance loans and loan commitment obligations, which funds will be borrowed on standard commercial terms. As of June 1, 2015, the Company has outstanding debt in the amount of \$2,080,000. See Item 2.8(c) for information regarding a loan from the Financial Manager which the Company borrowed in order to fulfill funding commitments.

#### Debenture Series A

On September 15, 2014 the company issued 7 Series A Debentures for a total amount of \$1,550,000. The debenture has an 8% annual yield maturing on May 31, 2015. The maturity date has subsequently been modified and now matures on May 31, 2016.

#### Debenture Series B

On January 21, 2015 the company issued 9 Series B Debentures in the amount of \$1,350,000. The debenture has a 7% yield and matures on November 30, 2015. The \$3 Million offering will close on April 30, 2015 so there is the potential for another \$1,650,000 of debentures that could be issued subsequent to the date of this Offering Memorandum.

## Item 4 Capital Structure

### 4.1 Share Capital

Description of security	Number authorized to be issued	Number outstanding as at June 1, 2015	Number outstanding assuming completing of min. offering	Number outstanding assuming completing of max. offering
Common	1,000,000,000	4	4	4
Preferred	1,000,000,000	36,639	36,639	86,639
Warrants	1,000,000,000	17,395	17,395	67,395

### 4.2 Long Term Debt

Description of long term debt (including whether secured)	Interest rate	Repayment terms	Amount outstanding at June 1, 2015
No Long Term Debt			\$0

### 4.3 Prior Sales

The Company issued the following securities within the last 15 months:

Date of Issuance	Type of security issued	Number of securities issued	Price per security	Total funds received
Feb 12, 2014 to June 1, 2015	Units (Preferred Shares and Warrants)	623	\$1,000	\$623,000
Feb 12, 2014 to June 1, 2015	Preferred Shares (from the Exercise of Warrants)	3,324	\$1,000	\$3,324,000

## Item 5 Securities Offered

### 5.1 Terms of Securities

**The Offering:** The Company hereby offers for sale up to 50,000 Units at a price of \$1,000 per Unit. Each Unit consists of one Preferred Share and one Warrant.

**The Preferred Shares:** The Preferred Shares are non-voting. Therefore, even though Preferred Shareholders will be entitled to notice of and to attend at meetings of the Company's shareholders, Preferred Shareholders will not be entitled to vote at any such meetings unless it is specifically provided for otherwise.

Each Preferred Share entitles its registered holder to participate on a *pro rata* basis with the other Preferred Shareholders, to the exclusion of the common shareholders, in the distribution of 100% of the net income of the Company that remains after the payment of expenses of the Company and the Management Fee. Such distributions to the Preferred Shareholders will be made by way

of dividend declared on the issued and outstanding Preferred Shares, subject to the *Business Corporations Act* (British Columbia). Such dividends, if any, will be declared and paid on a quarterly basis within 30 days of the end of each quarter of the Company's fiscal year. Upon the winding up or dissolution of the Company, the Company's assets will be distributed to the Preferred Shareholders in priority to the common shareholders as follows:

- (a) first to the Preferred Shareholders, on a *pro rata* basis, until each Preferred Shareholder has received the lesser of: (i) \$1,000 for each Preferred Share for which the Preferred Shareholder is the registered holder and all dividends that have been declared but for which the Preferred Shareholder has yet to be paid; and (ii) the book value of the Preferred Shares for which the Preferred Shareholder is the registered holder as determined in the audited financial statements of the Company for the most recently completed fiscal year; and
- (b) the balance to the common shareholders on a *pro rata* basis among the common shareholders to the exclusion of the Preferred Shareholders.

**The Warrants:** The Warrants are non-transferable. Each Warrant entitles the registered holder thereof to purchase up to 10 additional Preferred Shares of the Company at a price which is the lesser of: (i) \$1,000 per Preferred Share, and (ii) the book value per Preferred Share as determined by the Company's auditor's as at the fiscal year end of the Company immediately preceding the date the Warrant is exercised. Each Warrant will be exercisable at any time for a period of 10 years from the date of issuance of such Warrant. After 10 years from the date of issuance, the Warrant will expire and be of no further force or effect. The Warrants provide that they will be cancelled upon a holder of the Warrants selling or otherwise disposing of all of his, her or its Preferred Shares.

**Redemption of Preferred Shares:** The Company has adopted a policy regarding the redemption of Preferred Shares. A copy of such policy is available from the Company upon request.

Pursuant to such policy, a Preferred Share will be redeemable by the Company in certain circumstances. Although the Company will use its best commercial efforts to ensure that all requests for redemption are fulfilled, depending on such circumstances the Company cannot guarantee that any or all of the Preferred Shares in respect of which requests for redemption are received will be redeemed in any given fiscal year. See Item 8 "Risk Factors - Limited Redemption Rights".

Pursuant to the Company's policy regarding the redemption of Preferred Shares, a holder of Preferred Shares (a "Requesting Shareholder") may request the Company to redeem the whole or any part of his Preferred Shares by giving notice ("Notice") to the Company. The Notice must be in writing and delivered to the Company not later than the last business day of a calendar quarter (quarter ends being March 31, June 30, September 30 and December 31) in each year. The Notice must specify the number of the Preferred Shares which the Requesting Shareholder wishes to have the Company redeem (the "Requested Shares") and the address to which the Requesting Shareholder wishes payment to be delivered by the Company. Finally, the Notice must specify that the Requesting Shareholder has received, read and understood the Company's redemption policy.

The Company will not redeem any Preferred Shares if at the time of such redemption the Company is insolvent or if such redemption will render the Company insolvent, if such redemption will reduce the Company's cash reserves below a level which the Company's

directors (the "Directors") determine, in their sole discretion, to be prudent, or if such redemption will cause the Company to breach the requirement that at least 50% of the cost amount of its property must consist of bank deposits or mortgage loans made in respect of residential properties.

Further, in any calendar quarter, the Company will not redeem any more than that number of Preferred Shares which is equal to 2 $\frac{1}{2}$ % of the outstanding Preferred Shares at the end of the immediately preceding calendar quarter. If the Company is not able to generate cash reserves sufficient for the redemption of 2 $\frac{1}{2}$ % of the outstanding Preferred Shares at the end of the immediately preceding calendar quarter, it will redeem only that number of Preferred Shares which the Directors determine in their sole discretion to be prudent. The Company will use its best commercial efforts to generate cash reserves (through the issuance of further Preferred Shares, the receipt of repayment of mortgage loans made by the Company or otherwise) sufficient for the redemption of all of the Requested Shares in a calendar quarter.

If the aggregate number of Requested Shares is equal to or less than 2 $\frac{1}{2}$ % of the outstanding Preferred Shares at the end of a calendar quarter, then subject to the Company being able to generate sufficient cash reserves to do so it will redeem Requested Shares in respect of which Notices have been received in a calendar quarter on a day selected by the Company in the following calendar quarter (the "Redemption Date").

The price paid for each Preferred Share which is redeemed in each calendar quarter (the "Redemption Amount") will be the fair market value thereof calculated by the Company's auditor in conjunction with the annual audit of the Company conducted as at the immediately preceding September 30th. For any Preferred Share which is being redeemed within two years after the Preferred Share was initially issued by the Company, the Company will pay to the Requesting Shareholder the Redemption Amount less 2%. For any Preferred Share which is being redeemed after two years after the Preferred Share was initially issued by the Company, the Company will pay to the Requesting Shareholder the Redemption Amount per Preferred Share.

The Company will pay the Redemption Amount by cheque mailed by first class mail to the Requesting Shareholder on the Redemption Date at the address of the Requesting Shareholder set out in his, her or its Notice.

If the aggregate number of Requested Shares is more than 2 $\frac{1}{2}$ % of the outstanding Preferred Shares at the end of a calendar quarter or if the Company is not able to generate cash reserves sufficient for the redemption of the aggregate number of Requested Shares, the redemption of Preferred Shares will be made *pro rata* to the number of Preferred Shares in respect of which requests for redemption have been made.

**The adoption of its policy regarding the redemption of Preferred Shares does not fetter the discretion of the Directors of the Company from time to time to amend or cancel such policy in whole or in part or to adopt an alternative policy with respect to the redemption of Preferred Shares, or to refuse to consent to a Requesting Shareholder's request to have their Preferred Shares redeemed by the Company.**

There are times when redemption requests may not be processed in a timely manner and shareholders may have to wait longer than expected to receive their redemption request. The source of funds used to process redemptions may be from new capital raised and/or loans being repaid. There is no guarantee that funds will be available to meet all redemption requests. If liquidity is important the purchase of preferred shares may not be suitable for you. Please review



**Item 8 – Investment Risk (vii) “Limited Redemption Rights”** The following table shows the current history of redemptions honoured and deferred during the past 3 fiscal years.

<u>Fiscal year</u>	<u>Amount Requested</u>	<u>Paid Out</u>	<u>Outstanding Balance</u>
Redemptions Received Oct 1/12– Sept 30/13	\$ 3,020,000	\$ (1,907,000)	\$ 1,113,000
Redemptions Received Oct 1/13 – Sept 30/14	\$ 2,047,000	\$ (1,086,000)	\$ 2,074,000
Redemptions Received Oct 1/14 – June 1/15	\$ 2,461,000	\$ (393,000)	\$ 4,142,000

## 5.2 Subscription Procedure

A person wishing to subscribe for Units must deliver the following documents to the Company:

- (a) a signed Subscription Agreement;
- (b) two signed copies of a risk acknowledgement form (Form 45-106F4);
- (c) a signed Eligible Investor Questionnaire, if applicable;
- (d) a cheque or bank draft made payable to “All Canadian Investment Corporation” in payment of the full subscription price of the Units subscribed for; and
- (e) any other completed document reasonably requested by the Company to complete the subscription.

The Company will hold all subscription funds in trust until midnight on the second business day after the day on which the Company received the signed Subscription Agreement.

## *Item 6 Income Tax Consequences & RRSP Eligibility*

### 6.1 General

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

### 6.2 Material Canadian Income Tax Consequences

Management of the Company is of the opinion that, the following is a summary of the principal Canadian federal income tax considerations generally applicable to persons who acquire Units pursuant to this Offering Memorandum. This summary is applicable to a holder of Units who, at all relevant times, for the purpose of the Tax Act: (i) is resident of Canada, (ii) deals at arm’s length and is not affiliated with the Company within the meaning of the Tax Act, and (iii) holds the Shares (as defined below) as capital property. The summary does not take into account tax laws of the province or territory of Canada or any jurisdiction outside of Canada.

(a) **Governing Legislation And Policy**

The Company is incorporated under the *Business Corporations Act* (British Columbia), is subject to applicable legislation in British Columbia and is also subject to special rules under the Tax Act.

(b) **Tax Act**

The Tax Act imposes certain requirements in order for a company to qualify as a MIC thereunder. These requirements generally will be satisfied if it engages solely in the business of investing its funds, if it neither manages nor develops real property, if at all times it has at least twenty (20) shareholders, if no shareholder holds more than twenty-five (25%) percent of the issued common shares or Preferred shares (collectively called for the purposes of the section the "Shares") of the Company and if none of the property consists of specified types of foreign property.

(c) **Income Tax Considerations**

The income tax consequences may not be the same for all investors but may vary depending on a number of factors, including whether the investor is an individual, a trust or a corporation, the province of residence of the investor, and whether the investors' Shares are characterized as capital property. The following discussion of the income tax consequences is therefore of a general nature only, is not intended to constitute a complete analysis of all the income tax consequences and should not be interpreted as legal or tax advice to any particular investors.

This summary is based upon the current provisions of the Tax Act. There is no assurance that future legislation changes will not affect the following commentary.

(d) **Scheme of Provisions**

The Tax Act contains a number of provisions that enable investors to "pool" their funds through investing in special corporations which are treated in a manner that avoids the two-tiered taxation normally applicable to shareholders of a company in respect of distributions of that company's profits. This result is achieved by effectively treating these special corporations as a conduit so that an investor is put in the same position from an income tax perspective as if the corporation's investment had been made directly by the Investor.

A MIC is one of these special types of corporations.

(e) **Definition of a MIC**

A number of requirements must have been met throughout the year in order for a corporation to qualify as a MIC under the Tax Act for that year. If the following requirements are met throughout a particular year, a corporation will qualify for MIC status that year:

(i) **Canadian Corporation**

The corporation must have been a Canadian corporation, which generally means a corporation incorporated and resident in Canada.

**(ii) Undertaking**

The corporation's only undertaking was the "investing of funds of the corporation". The corporation cannot have managed or developed any real property.

**(iii) 50% Asset Test**

At least 50% of the "cost amount", as defined in the Tax Act, to the corporation of all of its property must have consisted of the corporation's money, debts owing to the corporation that were secured whether by mortgage or in any other manner on houses (as defined in Section 2 of the National Housing Act) or on property included within a housing project (as defined in that section) and any deposit standing to the corporation's credit in the records of a bank or other certain specified financial institutions, any of whose deposits are insured by the Canadian Deposit Insurance Corporation or a credit union.

**(iv) 25% Asset Test**

The "cost amount" to the corporation of all of its real property including leasehold interest in such property, other than real property acquired by foreclosure or otherwise after default made on a mortgage, hypothecation or agreement for sale of real property, must not have exceeded 25% of the "cost amount" to the corporation of all of its property. The limit is designed to ensure that the primary intention of the corporation's investment was directed towards residential mortgages.

**(v) Prohibited Foreign Investment**

None of the property of the corporation consists of debts owing to the corporation that were secured on real property situated outside of Canada, debts owing to the corporation by non-resident persons unless secured on real property situated in Canada, shares of the capital stock of corporations not resident in Canada, real property situated outside Canada, or any leasehold interest in real property situated outside Canada.

**(vi) Shareholder Requirements**

The number of shareholders of the corporation was not less than 20, and no one shareholder held more than 25% of any class of the issued shares of the capital stock of the corporation. For the purposes of this requirement, a registered pension plan or a deferred profit sharing plan is counted as four shareholders. A trust governed by a registered retirement savings plan is counted as one shareholder.

For the purpose of the 25% test, a person will be considered to own not only shares which that person actually owns, but also:

- (1) any shares owned by the taxpayer, their spouse, children, grandchildren and great grandchildren that are under the age of 18;
- (2) a proportionate number of shares held by a trust or partnership of which a person noted in (1) is a beneficiary or member; and
- (3) any shares held by a registered retirement savings plan of which a person noted in (1) is an annuitant.

Failure to meet the 25% share ownership limit test described above would result in the Company losing its status as a MIC, and therefore, not being an eligible investment for a registered retirement savings plan. For this reason, the Company may choose to reject requests for share subscriptions made by certain persons.

**(vii) "Common" and "Preferred" Shareholders**

Any holders of preferred shares (as defined in the Tax Act) of the corporation must have the right after payment to them of their dividends, and payment of dividends in a like amount per share to the holders of common shares of the corporation, to participate *pari passu* with the holders of the common shares in any further payment of dividends.

A common share is defined as a share the holder of which is not precluded on the reduction or redemption of the capital stock from participating in the assets of the corporation beyond the amount paid thereon plus a fixed premium and a defined rate of dividend.

**(viii) Debt to Equity Ratio**

The "liabilities" of a company (all obligations of a company to pay an amount outstanding at that time) at any time in the year must not exceed three times the excess of the "cost amount" to a company of all of its property over such liabilities, if at the time in the year the "cost amount" to a company of the properties referred to above under subheading (iii) "50% Asset Test" is less than two-thirds of the "cost amount" to a company of its property. However, where any time in the year the "cost amount" to a company of the properties referred to above under subheading (iii) "50% Asset Test" is equal to two-thirds or more of the "cost amount" to a company of all of its property, the liabilities of a company must not exceed five times the excess of the "cost amount" to a company of all of its property over such liabilities.

These restrictions may be summarized as follows: the borrowing by a company is restricted to a maximum of three times its equity capital unless at least two-thirds of the book value of its investments are mortgages secured on Canadian residential property, the company's money, and specified deposits, in which case the maximum borrowing is five times its equity capital.

**(f) Taxation of the Company**

This discussion, and the discussion that follows under subsequent headings, is based on the assumption that the Company qualifies as a MIC under the Tax Act at all relevant times.

A MIC, as a general rule, is subject to tax on the same basis as any Canadian private corporation. However, special rules relating to a MIC enable it to reduce its federal taxation income in the year if, during the year or within 90 days after the end of the year, it distributed all of its capital gains arising in the year by way of "capital gains dividends" and all of its other income by way of taxable dividends. More specifically, the Company is entitled to deduct from its federal taxable income the total of:

- (i) all taxable dividends, other than capital gains dividends, paid by the corporation during the year (to the extent not deductible in computing income of the previous year) or within 90 days after the end of the year to the extent that those dividends will not be deductible for the Company in computing its income for the preceding year; and
- (ii) one-half of all capital gains dividends paid by the corporation during the period commencing 91 days after the commencement of the year and ending 90 days after the end of the year.

If all of the Company's federal taxable income for the year is distributed in this manner, no federal tax is payable by the Company for that year. The elimination of provincial tax depends on relevant provincial legislation. For example, in British Columbia no corporate income tax would be payable if the Company's federal taxable income was zero because the Company's income taxes for British Columbia's income tax purposes is calculated by reference to its taxable income for federal tax purposes.

Because of the permitted deductions outlined above, the Company is not entitled to the deduction in respect of taxable dividends the Company receives from other taxable Canadian corporations.

The Company must elect in order to distribute its capital gains as capital gains dividends. The election must be made in a prescribed manner and by a prescribed time. The total capital gains dividends that may be paid by the Company for a year is limited to the extent of two times the Company's "taxable capital gains" for the year less its allowable capital losses for the year and any "net allowable capital losses" of prior years that are carried forward and deducted in the year. A special tax is imposed on the Company if the capital gains dividends exceed this limit. However, there is a special election procedure, whereby this tax can be avoided in certain circumstances if the excess of the dividend is elected to be treated as a separate taxable dividend.

**(g) Taxation of Shareholders****(i) Capital Gains Dividends**

A capital gains dividend received by a Canadian resident shareholder is not included as dividend income of the shareholder, but rather to be a capital gain of the shareholder for the year from "a disposition of capital property".

Thus, with respect to capital gains realized by the Company, the Company serves effectively as a conduit only interposed between the investor and the underlying investment. The result is only achieved, however, if the proper capital gains dividends are paid by the Company within the required time, and the proper elections are made by the Company in the proper manner and by the proper time. If the capital gains dividends are not paid in this manner, the capital gains realized by the Company are taxable to the Company as they would be in the case of any public company. Because the Company will have no "capital dividend account", the combined corporate and shareholder tax (when the amounts are paid out to the Investor as taxable dividends) could be significantly greater than if the conduit mechanism was used.

**(ii) Taxable Dividends (Other than Capital Gains Dividends)**

Dividends other than capital gains dividends paid by the Company are not included in the income of a shareholder as taxable dividends, but rather are deemed to have been received by the shareholder as interest income payable on a bond issued by the Company after 1971. The "gross-up/dividend tax credit" mechanism provided in the Tax Act does not apply to taxable dividends paid by the Company to Canadian resident individual shareholders. Canadian resident corporate shareholders are not entitled to deduct the amount of a taxable dividend received from a MIC in computing taxable income.

If the Company distributes all of its income, it is again effectively treated as a conduit between the investor and the underlying investment, at least with respect to rental and interest income earned.

As is the case with capital gains dividends, if the Company does not distribute all of its income within the required time by way of taxable dividends, the income remains taxable in the Company in the same manner as any other public corporation. When amounts are subsequently distributed to the shareholders through the payment of taxable dividends, the combined corporate and shareholder tax may be significantly higher than if the conduit mechanism was used.

**(iii) Disposition of Shares**

Assuming the Shares are capital property to the investor, the usual rules apply on the disposition of those Shares as would apply on similar shares of any other public corporation. Certain taxpayers, such as securities dealers and those who have acquired the Shares in the course of a business of buying and selling share or in a transaction that is an "adventure in the nature of trade", would not be considered to be holding the Shares as capital property.

Dispositions to third parties (i.e. other than a company) would yield capital gains or capital losses according to the usual rules contained in the Tax Act. A capital gain (or capital loss) will arise to the extent that the proceeds of disposition of the Shares exceed (or are exceeded by) the adjusted cost base (as defined for income tax purposes) of the shares and any disposition costs.

Redemptions or other acquisitions of the Shares by the Company (for example, on a winding up) may result in taxable capital gains or allowable capital losses or deemed taxable dividends to the shareholder/investor. The treatment for income tax purposes will depend on the paid-up capital of the Shares redeemed or otherwise acquired by the Company. If a taxable dividend results, it will likely be characterized as interest received in the hands of the shareholder. (It may not be possible for the Company to elect to treat such a deemed dividend as a capital gains dividend). Any amount that represents the payment of a declared but unpaid dividend that is distributed on the redemption or other acquisition of the share by the Company, and which is not a capital gains dividend, will be characterized as interest received by the shareholder.

One-half of any capital gain that is realized on the disposition of the Shares will be included in the shareholder's income. Any amount that is deemed to be interest or a capital gains dividend on the redemption or other acquisition of the Shares by the Company is not included in determining the proceeds of disposition of the Shares for capital gains purposes.

**(iv) Interest Expense**

Except for money borrowed for the purposes of paying a premium or making a contribution to one of the deferred income plan trusts described above to enable such a trust to hold the Shares, a reasonable amount of interest paid or payable (pursuant to a legal obligation) by an investor on money borrowed to acquire Shares should be deductible in computing income for purposes of the Tax Act.

**(v) Non-resident Shareholders**

Shareholders who are considered to be non-resident of Canada are subject to the following rule in the Tax Act:

Any taxable dividends paid from the Company to a non-resident shareholder would be subject to Canadian non-resident withholding tax at a maximum rate of 25% of the taxable dividend paid. This rate may be reduced if Canada has ratified a bilateral income tax treaty with the country in which the shareholder is resident.

### **6.3 RRSP Eligibility**

The Company qualifies as a MIC under the Income Tax Act of Canada. Therefore, except as discussed in the following paragraphs, the Preferred Shares are RRSP eligible.

The Preferred Shares are qualified investments for trusts governed by Registered Retirement Savings Plans ("RRSPs"), Deferred Profit Sharing Plans, Registered Retirement Income Funds ("RRIFs") and Tax Free Savings Accounts at the particular time if the Company qualified as a MIC under the Tax Act, and if, throughout the calendar year in which the particular time occurs, the Company does not hold as part of its property any indebtedness, whether by way of mortgage or otherwise of a person who is an annuitant, a beneficiary or an employer, as the case may be, under the governing plan trust, or of any other person who does not deal at arm's length with that person.

On March 22, 2011, the Government of Canada introduced new anti-avoidance rules for RRSPs and RRIFs. These rules are intended to prevent individuals from holding certain types of investments in their RRSPs or RRIFs. Under the new rules, individuals are prohibited from holding in their RRSP or RRIF:

- (a) investments in entities in which they or a non-arm's length person has a significant interest (generally 10% or more), whether that interest is held wholly or partially in their RRSP or RRIF; or
- (b) investments in entities with which they (or any entity in which they have a significant interest) do not deal at arm's length.

As a result, an investment in Preferred Shares will not be a qualified investment for trusts governed by RRSPs or RRIFs for investors who, on their own or together with a non-arm's length person, has a significant interest (generally 10% or more), whether that interest is held wholly or partially in their RRSP or RRIF or investors who do not deal at arm's length with the Company.

Dividends received by such deferred income plans on the Preferred Shares while the Preferred Shares are qualified investments for such plans will be exempt from taxation in accordance with the provisions of the Tax Act governing those plans. Such a deferred income plan trust is subject to a special tax under Part XI of the Tax Act, if the "cost amount" of its investment in foreign property (as defined in the Tax Act) at the end of a month exceeds a certain percentage of the "cost amount" of all property then held by it. On the assumption that the Preferred Shares do not derive their value from portfolio investments by the Company in foreign property, shares held by such a deferred income plan trust will not be subject to tax under Part XI of the Tax Act.

#### ***Item 7 Compensation Paid to Seller and Finders***

The Company does not pay any commissions or finders fees. The Financial Manager has agreed to pay, from the Management Fee, to persons who locate and introduce investors to the Company cash finder's fees equal to 2% of the gross proceeds of this offering. Directors, officers and employees of the Financial Manager will not be paid finder's fees.

#### ***Item 8 Risk Factors***

The purchase of Units involves a number of significant risk factors. Any or all of these risks, or other as yet unidentified risks, may have a material adverse effect on the Company's business, the value of the Preferred Shares and/or the return to Preferred Shareholders.

##### **(a) Investment Risk**

##### **(i) Speculative Nature of Investment**

This is a speculative offering. The purchase of Units involves a number of significant risk factors and is suitable only for Subscribers who are aware of the risks inherent in mortgage investments and the real estate industry and who have the ability and willingness to accept the risk of the total loss of their invested capital and who have no immediate need for liquidity.



**(ii) Return on Investment**

There is no assurance that sufficient revenue will be generated by the Company from which dividends can be declared by the Director of the Company and paid to the Preferred Shareholders.

**(iii) No Guaranteed Dividends**

The dividends in which the Preferred Shareholders are entitled to participate are not cumulative and will not be paid unless such dividends have been declared by the Director. The Director has the sole discretion as to whether or not any such dividends are declared. Therefore, there is no guarantee that dividends payable to Preferred Shareholders will be declared.

**(iv) No Review by Regulatory Authorities**

This Offering Memorandum constitutes a private offering of the Units by the Company only in those jurisdictions where and to those persons to whom, they may be lawfully offered for sale under exemptions in applicable securities legislation. This Offering Memorandum is not, and under no circumstances is to be construed as a prospectus, advertisement or public offering of these Units. Subscribers to this Offering Memorandum will not have the benefit of a review of the material by any regulatory authority.

**(v) Restrictions on the Transfer or Assignment of Units**

The Units cannot be transferred or assigned, unless such transfer or assignment is approved by the Directors and is in compliance with applicable securities laws.

**(vi) No Market for Units**

There is no market through which the Units may be sold and the Company does not expect that any market will develop pursuant to this offering or in the future. Accordingly, an investment in Units should only be considered by Subscribers who do not require liquidity.

**(vii) Limited Redemption Rights**

The Company will use its best commercial efforts to generate cash reserves (through the issuance of further Preferred Shares, the receipt of repayment of mortgage loans made by the Company, or otherwise) sufficient for the redemption of all of the Preferred Shares in respect of which the Company receives requests for redemption in a calendar quarter. However, the Company will not redeem any Preferred Shares if at the time of such redemption: (i) the Company is insolvent or if such redemption will render the Company insolvent; (ii) such redemption will reduce the Company's cash reserves below a level which the Directors determine, in their sole discretion, to be prudent; or (iii) such redemption will cause the Company to breach the requirement that at least 50% of the cost amount of its property must consist of bank deposits or mortgage loans made in respect of residential properties.

Further, in any calendar quarter of the Company it will not redeem any more than that number of Preferred Shares which is equal to 2½% of the outstanding Preferred Shares at the end of the immediately preceding calendar quarter. If the Company is not able to generate cash reserves sufficient for the redemption of 2½% of the outstanding Preferred Shares at the end of the immediately preceding calendar quarter, it will redeem that number of Preferred Shares which the Directors determine in their sole discretion. In that case, the redemption of Preferred Shares will be made pro rata to the number of Preferred Shares in respect of which requests for redemption have been made.

As at June 1, 2015 there were \$4,142,000 outstanding redemption requests – see page 22.

(b) **Company Risk**

(i) **No Insurance**

The Loans will not usually be insured by the Canada Mortgage and Housing Corporation nor any private mortgage insurer.

(ii) **Changes in Investments**

The information contained in this Offering Memorandum is current only as of the date of this Offering Memorandum. Therefore, any non-material changes to the Company's investments that may occur or have occurred subsequent to the date of this Offering Memorandum are not described herein.

(iii) **Payment of Management Fee**

If the income from operations is insufficient to pay the Management Fee to the Manager, then any portion of the Management Fee not paid from the income from operations may be paid from the proceeds of this Offering that have not yet been invested in a Loan. If this happens the amount of proceeds available for investment into Loans will be reduced thus reducing the amount of any potential income from operations.

(iv) **Conflicts of Interest**

Conflicts of interest may occur between the Company, Preferred Shareholders and the Director and Officer of the Company. Conflicts of interest may arise which may not be resolved in a manner most favourable to Preferred Shareholders.

Donald Bergman is the sole director and the president of the Company. As such, he has complete and sole responsibility and authority for all aspects of the operation of the Company, including the offering and issuance of Preferred Shares, the administration of the Company's funds, the determination and approval of Mortgage Loans and other investments, the monitoring of the Mortgage Loans and other investments, and the use of the Company's funds for investment, reinvestment, redemption of Preferred Shares or other uses.

Mr. Bergman is also the sole shareholder, director and officer of the Financial Manager. Pursuant to a Financial Management Agreement made as of September 18, 2003 between the Company and the Financial Manager, the Financial Manager is responsible for syndicating, coordinating and implementing the offering contemplated herein, for all aspects of the management of the Company and its assets, including making all material business decisions, and for investor communication and investor reporting. In consideration of these services, the Financial Manager receives an annual fee of 2% of the Company's assets and 15% of the Company's gross revenues, with such fee payable monthly. Neither Mr. Bergman nor the Financial Manager has any obligation to account to the Company or the preferred shareholders for the amounts received in respect of such fee. See Item 2.8 "Related Party Transactions – Financial Management Agreement".

The Company and Financial Manager are affiliates and negotiations between them have not been, and will not be, conducted at arm's length. Therefore, the Company may be subject to various conflicts of interest arising from its relationship with the Financial Manager. For example, transactions between the Company and the Financial Manager may be entered into without the benefit of arm's length bargaining. In addition, there may be situations where the interests of the Company conflict with the interests of the officers and directors of the Financial Manager. The risk exists that such conflicts will not be resolved in the best interests of the Company. However, the Financial Manager will make any decision involving the Company honestly and in good faith.

The Financial Manager and Mr. Bergman are not in any way limited or affected in their ability to carry on business ventures for their own account and for the account of others and may be engaged in the ownership, acquisition and operation of businesses, which compete with the Company. In addition, the Financial Manager and Mr. Bergman may establish in the future other investment vehicles which have or may have investment objectives that are the same as or similar to those of the Company and may act as adviser and/or manager to such vehicles.

**(v) Unsecured Loans**

The assets of the Company include unsecured loans and other investments. These loans may be subject to non-payment in the event that the Borrowers do not have sufficient funds for repayment or if other, secured, creditors of such Borrowers elect to realize on their security.

**(vi) Lack of Separate Counsel**

The Subscribers, as a group, have not been represented by separate counsel and counsel for the Company does not purport to have acted for the Subscribers or to have conducted any investigation or review on their behalf.

**(c) Industry Risk**

**(i) General Economic Risk**

Global market and economic conditions since the beginning of 2008 have been challenging with recession in the North American economy. Global economies, including those in Canada, are currently experiencing increased levels of volatility due to a combination of many factors, including increased unemployment, high levels of personal debt, limited access to credit markets, higher fuel prices, less consumer spending, fears of a "double-dip" recession, and the slow rate of recovery. Although the recession technically ended in 2009, the Canadian economy has not returned to operating at normal capacity and the effects of the current market dislocation may persist as federal and provincial governments wind down fiscal stimulus programs. Concern about the stability of the markets generally and the strength of the economic recovery may lead lenders to reduce or cease to provide funding to businesses and consumers, and force financial institutions to continue to take the necessary steps to restructure their business and capital structures. The Company cannot predict when the real estate markets will recover. The value of properties in respect of which Mortgage Loan are made may decline if current market conditions persist or worsen.

**(ii) General Risks of Real Estate Investments**

Investments in real estate are subject to many risks, including those posed by the highly competitive nature of the real estate industry, changes in general or local conditions, changes in property values, increases in interest rates, the lack of available necessary financing, increases in real estate tax rates and vacancy rates, competitive overbuilding, changes in governmental rules and fiscal policies, and other events and factors that are beyond the control of the Company.

**(iii) Higher Risk Mortgage Loans**

The potential higher returns associated with the mortgage loans reflects the greater risks associated with the mortgage loans as compared to long-term conventional mortgage loans. Such greater risks include the delay or non-completion of the construction of the Borrower's project, the inability of the Borrower to obtain necessary additional financing, and adverse changes in interest rates and the financial markets. Should any of these risks materialize, they may adversely affect any return to be received by the Company in connection with its mortgage loans and therefore may adversely affect any returns to Preferred Shareholders.

**(iv) Prior Mortgages**

A Borrower may have obtained financing from other parties, such as conventional third party lenders who generally loan a principal amount of up to 75% of the value of the particular property and who have been granted a mortgage in priority (a "Prior Mortgage") to the mortgage granted to the Company. In the event of default by a Borrower under any Prior Mortgage, the Company may be unable to recover part or all of its Loan.

**(v) High Loan Ratios**

If the Company is granted a first mortgage by the Borrower, then the ratio of the loan amount to the value of real property encumbered by the mortgage will most

likely be higher than an institutional mortgage lender would approve. In addition, Loans made by the Company in connection with a development project will be made on the assessed value of the completed development. Therefore, if a Borrower fails to complete its development project, the Company may not recover a substantial portion or any of its Loan.

**(vi) High Recovery Costs**

In the event of default by a Borrower, it may be necessary for the Company to engage in foreclosure or other legal proceedings to sell the defaulting Borrower's property and/or to make further payments to complete an unfinished project, or to pay off or maintain prior mortgages in good standing. In such cases, it is possible that the total amount recovered by the Company may be less than the total amount of the Loan granted by the Company to the defaulting Borrower.

**(vii) Potential Liability under Environmental Protection Legislation**

Environmental and ecological legislation and policies have become increasingly important in recent years. Under various laws, the Company could become liable for the costs of removal or remediation of certain hazardous or toxic substances released on, from or in one or more of the properties in respect of which Mortgage Loans are made. The Company completes environmental due diligence in respect of each such property and, where circumstances require, obtains indemnities from the borrowers in respect of environmental matters.

***Item 9 Reporting Obligations***

The Company is not a reporting issuer as that term is defined in applicable securities legislation nor will it become a reporting issuer following the completion of the offering of Units pursuant to this Offering Memorandum. As a result, the Company will not be subject to the continuous disclosure requirements of such securities legislation.

We are not required to send you any documents on an annual or ongoing basis. However the Company will provide all Preferred Shareholders with quarterly investment statements. The Company's fiscal year end is September 30 and audited financial statements are available to all Preferred Shareholders upon request.

Corporate information about the Company may be obtained from the BC Corporate Registry ([www.bconline.com](http://www.bconline.com)). Registration information may be obtained from the BC Financial Institution Commission ([www.fic.gov.bc.ca](http://www.fic.gov.bc.ca)). Securities filing information may be obtained from the BC Securities Commission ([www.bcsc.bc.ca](http://www.bcsc.bc.ca)).

The Office of the Registrar of Mortgage Brokers at the Financial Institutions Commission regulates the mortgage brokering and lending activities of Mortgage Investment Corporations (MICs) under the *Mortgage Brokers Act*. The Registrar and the *Mortgage Brokers Act* do not regulate the capital raising and investment marketing activities of MICs which are subject to securities legislation and regulation.

## ***Item 10 Resale Restrictions***

### **10.1 General Statement**

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

### **10.2 Restricted Period**

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

## ***Item 11 Purchaser's Rights***

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

### **11.1 Two-Day Cancellation Right**

You can cancel your agreement to purchase these securities. To do so, you must send a notice to us by midnight on the 2<sup>nd</sup> business day after you sign the subscription agreement to buy the securities.

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

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

- (a) All Canadian Investment Corporation to cancel your agreement to buy these securities, or
- (b) For damages against the All Canadian Investment Corporation, every person who was a director at the date of the offering memorandum and every other person who signed the offering memorandum.

This statutory right to sue is available to you whether or not you relied on the misrepresentation. However, there are various defenses available to the persons or companies that you have a right to sue. In particular, they have a defense if you knew of the misrepresentation when you purchased the securities.

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 subscription agreement within 180 days after the transaction. You must commence your action for damages within the earlier of 180 days after learning of the misrepresentation or 3 years after the transaction.

### **11.3 Contractual Rights of Action in the Event of a Misrepresentation**

If there is a misrepresentation in this offering memorandum, you have a contractual right to sue the Company:

- (a) to cancel your agreement to buy these securities, or
- (b) for damages.

This contractual 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 your securities and will not include any part of the damages that the Company proves does not represent the depreciation in value of the securities resulting from the misrepresentation. The Company has a defense if it proves that you knew of the misrepresentation when you purchased the securities.

If you intend to rely on the rights described in (a) and (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 securities. You must commence your action for damages within the earlier of 180 days after learning of the misrepresentation and 3 years after you signed the agreement to purchase the securities.

#### ***Item 12 Financial Statements***

See next page for:

- Audited Financial Statements of the Company for the year ended September 30, 2014

**ALL CANADIAN  
INVESTMENT  
CORPORATION**  
**Financial Statements**  
**For the year ended September 30, 2014**

**Contents**

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<b>Independent Auditor's Report</b>	<b>2-3</b>
<b>Financial Statements</b>	
Balance Sheet	4
Statement of Operations and Deficit	5
Statement of Cash Flows	6
Summary of Significant Accounting Policies	7-9
Notes to Financial Statements	10-17

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## Independent Auditor's Report

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To the Shareholders of  
All Canadian Investment Corporation

We have audited the accompanying financial statements of All Canadian Investment Corporation which are comprised of the balance sheet as of September 30, 2014 and the statements of operations and deficit and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Part V - pre-changeover Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. 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 All Canadian Investment Corporation as at September 30, 2014 and the results of its operations and cash flows for the year then ended in accordance with Part V - pre-changeover Canadian generally accepted accounting principles.

**Emphasis of Matter**

Without modifying our audit opinion, we draw attention to Note 9 of the financial statements which describes the credit and liquidity risks inherent in the activities of the Company.

*BDO Canada LLP*

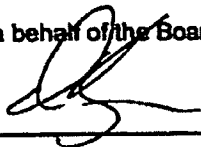
Chartered Accountants

Salmon Arm, British Columbia  
March 30, 2015

**All Canadian Investment Corporation**  
**Balance Sheet**

September 30	2014	2013
<b>Assets</b>		
<b>Current</b>		
Cash (Note 1)	\$ 443,691	\$ 329,875
Accrued interest receivable	820,316	2,184,674
Current portion of promissory notes receivable (Note 2)	11,822,467	11,013,701
Current portion of mortgages receivable (Note 3)	21,501,115	18,643,695
	<u>34,587,589</u>	<u>32,171,945</u>
Deposit on purchase of land and building (Note 13)	100,000	-
Promissory notes receivable (Note 2)	58,807	-
Mortgages receivable (Note 3)	1,460,630	1,917,543
Future income tax (Note 11)	990,000	210,000
	<u>\$ 37,196,826</u>	<u>\$ 34,299,488</u>
<b>Liabilities and Share Capital and Deficit</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 142,369	\$ 616,863
Due to related party (Note 6)	-	690,000
Short-term debt (Note 7)	2,048,082	1,000,000
Current portion of corporate debentures (Note 8)	1,550,000	-
	<u>3,740,451</u>	<u>2,306,863</u>
Corporate debentures (Note 8)	600,000	-
	<u>4,340,451</u>	<u>2,306,863</u>
<b>Share Capital and Deficit</b>		
Share capital (Note 5)	35,347,004	32,075,004
Deficit	(2,490,629)	(82,379)
	<u>32,856,375</u>	<u>31,992,625</u>
	<u>\$ 37,196,826</u>	<u>\$ 34,299,488</u>

Approved on behalf of the Board:



Director

**All Canadian Investment Corporation**  
**Statement of Operations and Deficit**

<b>For the year ended September 30</b>	<b>2014</b>	<b>2013</b>
<b>Revenue</b>		
Interest income	\$ 3,525,214	\$ 3,215,326
Redemption fees	520	-
	<u>3,525,734</u>	<u>3,215,326</u>
<b>Expenses</b>		
Bank charges and interest	2,952	1,262
Interest on short-term debt	111,949	114,427
Debenture interest	17,794	-
Management fees (Note 6)	873,313	1,056,383
Financing fees	172,334	-
Professional fees	36,803	28,538
	<u>1,215,145</u>	<u>1,200,590</u>
<b>Income from operations</b>	<b>2,310,589</b>	<b>2,014,736</b>
<b>Impairment losses (Note 4)</b>	<b>3,188,251</b>	<b>-</b>
<b>Income (loss) before income taxes</b>	<b>(877,662)</b>	<b>2,014,736</b>
<b>Future income tax benefit</b>	<b>(780,000)</b>	<b>(80,000)</b>
<b>Net income (loss) for the year</b>	<b>(97,662)</b>	<b>2,094,738</b>
<b>Deficit, beginning of year</b>	<b>(82,379)</b>	<b>(398,530)</b>
<b>Dividends paid</b>	<b>(2,310,588)</b>	<b>(1,778,685)</b>
<b>Deficit, end of year</b>	<b>\$ (2,490,629)</b>	<b>\$ (82,379)</b>

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

**All Canadian Investment Corporation**  
**Statement of Cash Flows**

<b>For the year ended September 30</b>	<b>2014</b>	<b>2013</b>
<b>Cash flows provided by (used in):</b>		
<b>Operating activities</b>		
Cash receipts from mortgage operations	\$ 937,005	\$ 1,080,382
Cash paid to suppliers	(1,589,641)	(989,052)
	<u>(652,636)</u>	<u>71,330</u>
<b>Investing activities</b>		
Issuance of new mortgages and loans receivable	(3,738,000)	(4,980,611)
Repayment of mortgages and loans receivable	974,957	1,986,820
Deposit on land and building	(100,000)	-
	<u>(2,863,043)</u>	<u>(3,003,791)</u>
<b>Financing activities</b>		
Proceeds from short-term debt	1,200,000	1,000,000
Advances from related party	-	165,000
Repayment of short-term debt	(681,917)	(100,000)
Dividends paid	(2,310,588)	(1,778,585)
Redemption of preferred shares	(1,086,000)	(3,309,000)
Proceeds from issuance of preferred shares	4,358,000	7,193,000
Proceeds from debenture offering	2,150,000	-
	<u>3,629,495</u>	<u>3,170,415</u>
<b>Increase in cash</b>	<b>113,816</b>	<b>237,954</b>
<b>Cash, beginning of year</b>	<b>329,875</b>	<b>91,921</b>
<b>Cash, end of year</b>	<b>\$ 443,691</b>	<b>\$ 329,875</b>

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

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## All Canadian Investment Corporation Summary of Significant Accounting Policies

September 30, 2014

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### Nature of Business

The Company is incorporated under the laws of British Columbia and is a mortgage investment corporation pursuant to the provisions of Section 130.1 of the *Income Tax Act* (Canada). As a mortgage investment corporation, dividends paid by the Company, during the year or within ninety days following the year end, are deductible in computing income for tax purposes. The Company provides promissory notes and mortgages to eligible borrowers from pooled investment funds of the preferred shareholders.

### Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that may affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. While management uses its best efforts to reasonably assess judgmental issues at a point in time, actual results could differ from those estimates. Estimates include the valuation of accrued interest receivable, promissory notes and mortgages receivable and the completeness of accounts payable and accrued liabilities.

### Financial Instruments

The Company recognizes and measures financial assets and financial liabilities on the balance sheet when it becomes a party to the contractual provisions of a financial instrument. Management determines the classification of financial assets and liabilities at initial recognition.

All transactions related to financial instruments are recorded on a settlement date basis.

The Company's most significant financial instruments consist of its promissory notes and mortgages receivable. In accordance with AcG-18, promissory notes and mortgages receivable are required to be recorded at fair value as defined in CICA Handbook Section 3855, Financial Instruments - Recognition and Measurement. Promissory notes and mortgages receivable are valued on the policies described under Promissory Notes and Mortgages Receivable below. The financial risks associated with the Company's promissory notes and mortgages receivable and the Company's management of those risks are discussed in Note 9.

#### Held-for-Trading

This category is comprised of cash. It is carried on the balance sheet at fair value with changes in fair value recognized in the statement of operations. Transaction costs related to instruments classified as held-for-trading are expensed as incurred.

Continued...

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## All Canadian Investment Corporation Summary of Significant Accounting Policies

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September 30, 2014

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### Financial Instruments (continued)

#### Promissory Notes and Receivables (excluding investments in promissory notes and mortgages)

This category is comprised of accrued interest receivable and amounts due from related parties. These assets are initially recognized at fair value and, subsequently, carried at amortized cost, using the effective interest rate method, less any provision for impairment. Transaction costs related to promissory notes and receivables are expensed as incurred. As the majority of the promissory notes and receivables are due on demand, the book value approximates fair value.

#### Other Financial Liabilities

This category is comprised of accounts payable and accrued liabilities, due to related party, and short-term debt. These assets are initially recognized at fair value and, subsequently, carried at amortized cost, using the effective interest rate method. Transaction costs related to other financial liabilities are expensed as incurred.

### Promissory Notes and Mortgages Receivable

Promissory notes and mortgages receivable are stated at fair value in accordance with CICA AcG-18. Any unrealized changes in the fair value of a promissory note or mortgage are recorded in the net earnings for the period. The fair value of promissory notes and mortgages receivable is determined by discounting future cash flows at the Company's prevailing rate of return on new promissory notes and mortgages of similar type, term and credit risk. A promissory note or mortgage is classified as impaired when there is reasonable doubt as to the collection of some portion of principal or interest.

### Impairment

Promissory notes and mortgages are assessed at each reporting date to determine whether there is objective evidence that they are impaired. A promissory note or mortgage is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that promissory note or mortgage that can be estimated reliably.

Objective evidence that promissory notes or mortgages are impaired can include significant financial difficulty of the borrower or issuer, default or delinquency by a borrower, restructuring of an amount due to the Company on terms that the Company would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group.

### Revenue Recognition

Interest income from mortgages and other promissory notes receivable is recorded on the accrual basis. Interest income is not recognized on promissory notes or mortgages that are impaired. Deferred revenue, if any, represents prepaid interest revenue.

Continued...

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## All Canadian Investment Corporation Summary of Significant Accounting Policies

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**September 30, 2014**

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**Revenue Recognition  
(continued)**

Redemption fee income on preferred shares that have been issued and outstanding for less than two years is recognized when the preferred shares are redeemed by the shareholder.

**Future Income Tax**

The Company follows the asset and liability method of accounting for income taxes. Under the liability method, the change in net future tax asset or liability is to be included in income. Future tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which temporary differences are expected to be recovered or settled.

**Income Taxes**

The Company is considered a mortgage investment corporation under the *Income Tax Act* (Canada). The Company distributes all of its net income to its shareholders in the form of dividends in order not to be subject to income taxes.

**New Accounting  
Pronouncements**

Recent accounting pronouncements that have been issued but are not yet effective, and have a potential implication for the Company, are as follows:

**International Financial Reporting Standards**

In February 2009, the Canadian Accounting Standards Board announced that Canadian generally accepted accounting principles for publicly accountable enterprises would be replaced by International Financial Reporting Standards (IFRS) for fiscal years beginning on or after January 1, 2011. However, as the Company is an Investment Company as defined in Accounting Guideline AcG-18, Investment Companies, it will need to adopt IFRS for its fiscal years beginning on or after January 1, 2014. Therefore, it will be required to prepare its September 30, 2015 financial statements including comparative information in compliance with IFRS.

The Company is currently assessing the potential impact of the transition to IFRS on its financial statements, disclosures, and broader financial reporting systems and controls. The key elements of the plan will include assessing the impact of adopting IFRS on:

- Accounting policies;
- Disclosure controls and procedures;
- Share capital; and
- Impairment of promissory notes and mortgages.

The changeover plan is still in the early stages of development and, as a result, the impact of adopting IFRS on the Company's financial reporting is not reasonably determinable at this time.



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**All Canadian Investment Corporation**  
**Notes to Financial Statements**

**September 30, 2014**

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**1. Cash**

The Company holds its cash in two financial institutions earning interest between zero and 1.25%.

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**2. Promissory Notes Receivable**

The promissory notes written by the Company are unsecured loans, for terms ranging from one to three years and bear interest at rates ranging from 8% to 12% per annum and are unsecured.

	2014	2013
Unsecured demand loans, evidenced by promissory notes	\$ 12,013,234	\$ 4,498,388
Unsecured loans, evidenced by promissory note, due 2014	-	6,515,313
Unsecured loans, evidenced by promissory note, due 2016	58,607	-
	12,071,841	11,013,701
Allowance for impaired loans (Note 4)	(190,767)	-
	11,881,074	11,013,701
Current portion	11,822,467	11,013,701
	\$ 58,607	\$ -

As at September 30, 2014, there are seven (2013 - three) promissory notes in arrears which totaled \$ 664,100 (2013 - \$ 314,700).

Promissory note interest totaling \$ 675,200 (2013 - \$ 1,215,000), was capitalized during the year, in line with the revised terms of the promissory notes.

As outlined in Note 9, many of the above promissory notes have been issued primarily to residential property developers to fund projects currently under construction. Final cash flows from these projects are not determinable as at the balance sheet date. Should these projects not perform as projected, the value of the promissory note related to the specific project may need to be adjusted to fair value if it is determined to be impaired as the project nears completion and estimated cash flows can be more easily determined.

**All Canadian Investment Corporation**  
**Notes to Financial Statements**

**September 30, 2014**

**3. Mortgages Receivable**

The mortgages written by the Company are for terms ranging from one to two years and bear interest at rates ranging from 6% to 12% per annum.

	2014	2013
		(Note 14)
Mortgages collateralized by commercial property	\$ 3,193,156	\$ 4,156,110
Mortgages collateralized by residential property (Note 9)	17,285,959	12,768,342
Mortgages collateralized by raw residential land (Note 9)	2,700,000	3,636,786
	23,189,115	20,561,238
Allowance for impaired loans (Note 4)	(227,370)	-
	22,961,745	20,561,238
Less: mortgages due within one year	16,695,959	4,847,135
Less: mortgages due on demand	4,805,156	13,788,580
	\$ 1,460,630	\$ 1,917,543

As at September 30, 2014, there is one mortgage (2013 - Nil) in arrears which totaled \$ 1,159,156 (2013 - \$ Nil).

Mortgage interest totaling \$ 1,444,817 (2013 - \$ 2,036,700), was capitalized during the year, in line with the revised terms of the mortgages.

As noted in Note 9, many of the above mortgages have been issued primarily to residential property developers to fund projects currently under construction. Final cash flows from these projects are not determinable as at the balance sheet date. Should these projects not perform as projected, the value of the mortgage related to the specific project may need to be adjusted to fair value if it is determined to be impaired as the project nears completion and estimated cash flows can be more easily determined.

## All Canadian Investment Corporation Notes to Financial Statements

**September 30, 2014**

### 4. Allowance for Impaired Promissory Notes and Mortgages Receivable

In determining the allowance for impaired loans, management considers factors such as the composition and credit quality of the portfolio, current economic conditions and trends and historical loss experience.

Movement in provision for impairment:

	Promissory Notes	Commercial Mortgage	Residential Mortgage	Residential Land Mortgage	Total
Balance at October 1, 2013	\$ -	\$ -	\$ -	\$ -	\$ -
Provision charged to net income	190,767	227,370	-	2,770,114	3,188,251
Loans written off	-	-	-	(2,770,114)	(2,770,114)
Balance at September 30, 2014	\$ 190,767	\$ 227,370	\$ -	\$ -	\$ 418,137
Gross principal balance of Individually impaired loans	\$ 358,748	\$ 1,688,000	\$ -	\$ -	\$ 2,046,748

The provision for commercial mortgages represents the adjustment to fair value of mortgages and promissory notes receivable determined by discounting future cash flows at the Company's prevailing rate of return on new mortgages and promissory notes.

There was no allowance for impaired promissory notes and mortgages receivable recorded in 2013 and as such no comparative information has been presented.

### 5. Share Capital

#### Authorized

1,000,000,000 Common shares without par value  
1,000,000,000 Preferred shares without par value

#### Issued

4 Common shares  
35,347 Preferred shares (2013 - 32,075)

	2014	2013
	\$ 4	\$ 4
	35,347,000	32,075,000
	<u>\$ 35,347,004</u>	<u>\$ 32,075,004</u>

Preferred share transactions for the years ended September 30:

	2014	2013
Opening balance, beginning of year	\$ 32,075,000	\$ 28,191,000
- Exercise of warrants 2,952 shares (2013 - 3,409)	2,952,000	3,409,000
- New shares sold 1,406 shares (2013 - 3,784)	1,406,000	3,784,000
- Redeemed for cash 1,086 shares (2013 - 3,309)	(1,086,000)	(3,309,000)
Closing balance, end of the year	<u>\$ 35,347,000</u>	<u>\$ 32,075,000</u>

Continued ...

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**All Canadian Investment Corporation**  
**Notes to Financial Statements**

**September 30, 2014**

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**5. Share Capital (continued)**

**Dividends**

Each preferred share entitles its registered holder to participate on a pro-rata basis with the other preferred shareholders in the distribution of 100% of the mortgage investment income that remains after the payment of expenses of the issuer and the management fee, until such time as the preferred shareholders have received an amount in each year equal to 12% of their paid up capital in the corporation. Thereafter, the common shareholders will be entitled to receive the distribution of 100% of the balance of the mortgage investment income until such time as they have received an amount in each year equal to 12% of their paid up capital. Thereafter, the balance of the mortgage investment income will be paid to the preferred and common shareholders pro-rata based on their respective paid up capital in the Company.

**Redemption of Preferred Shares**

A holder of preferred shares may request the Company to redeem the whole or any part of the preferred shares by giving notice to the Company. The Company will not redeem any preferred shares if at the time of such redemption the Company is insolvent or if such redemption will render the Company insolvent, if such redemption will reduce the Company's cash reserves below a level which the Directors determine, in their sole discretion, to be prudent, or if such redemption will cause the Company to breach the requirement that at least 50% of the cost amount of its property must consist of bank deposits or mortgage loans made in respect of residential properties.

**Share Purchase Warrants**

Pursuant to a private Offering Memorandum dated January 21, 2014, the Company has offered to issue up to 50,000 units at \$ 1,000 per unit. Each unit consists of one preferred share and one non-transferable, preferred share purchase warrant. Each warrant entitles the holder to purchase up to ten additional preferred shares of the Company at a price which is the lesser of \$ 1,000 per preferred share and the book value per preferred share as determined by the Company's auditors as at the fiscal year end of the Company immediately preceding the date the warrant is exercised. Each warrant is exercisable for a period of ten years from the date of issuance.

At September 30, 2014, there are 17,176 (2013 - 16,603) share purchase warrants outstanding.

On the issuance of the shares with attached warrants, management determined the value of the warrants to be nominal and, therefore, none of the share proceeds were allocated to the warrants.

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**6. Related Party Transactions**

**ACIC Financial Development Inc.**

The Company has contracted with ACIC Financial Development Inc., a company under common management, to manage the operations of the Company. The Management Agreement provides that, in consideration of the services provided by the Manager as described therein, the Company pay the Manager an annual fee not to exceed the sum of fifteen percent (15%) of annual gross revenues and two percent (2%) of the Company's assets, with such fee to be payable monthly. Total management fees paid to ACIC Financial Development Inc. for the year ended September 30, 2014, was \$ 873,313 (2013 - \$ 1,056,363), of this amount \$ 113,313 (2013 - \$ 611,363) is included in accounts payable and accrued liabilities.

Continued ...

**All Canadian Investment Corporation**  
**Notes to Financial Statements**

September 30, 2014

**6. Related Party Transactions (continued)**

In addition, ACIC Financial Development Inc. had advanced funds totaling \$ Nil (2013 - \$ 690,000) to All Canadian Investment Corporation. The funds were repaid during the year.

Joint Ventures

The Company has loaned a total of \$ 290,000 (2013 - \$ 290,000) bearing interest at 12%, included in mortgages receivable, to a joint venture in which ACIC Financial Development Inc. is a joint venture participant. Interest income related to the mortgages totaled \$ 34,800 (2013 - \$ 76,900) for the year and \$ Nil (2013 - \$ 8,772) is included in accounts receivable.

Daniel Point Projects

The Company has loaned \$ 2,700,000 (2013 - \$ 2,700,000) bearing interest at 12%, included in mortgages receivable, to Daniel Point Projects, a company which has entered into a profit-sharing agreement with ACIC Financial Development Inc.. Interest income related to the mortgage totaled \$ 321,980 (2013 - \$ 506,473) for the year and \$ 398,900 (2013 - \$ 1,841,837) is included in accounts receivable.

These transactions are measured at the exchange amount (the amount of consideration established and agreed to by the related parties).

**7. Short-term Debt**

	2014	2013
Demand loan, with interest at 6% per annum, interest is paid monthly, no set terms of repayment	\$ 1,000,000	\$ 1,000,000
Loan, with interest at 10.5% per annum, monthly payments of \$115,104 including interest and principal, due August 2015	1,048,082	-
	<u>\$ 2,048,082</u>	<u>\$ 1,000,000</u>

**8. Debentures**

During the year, debentures of \$2,150,000 were issued in minimum \$150,000 increments.

	2014	2013
Series A Corporate Debenture, monthly interest at 8%, maturing May 31, 2015	\$ 1,550,000	\$ -
Series B Corporate Debenture, monthly interest at 7%, maturing November 30, 2015	600,000	-
	<u>2,150,000</u>	<u>-</u>
Current portion	1,550,000	-
	<u>\$ 600,000</u>	<u>\$ -</u>

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## All Canadian Investment Corporation Notes to Financial Statements

September 30, 2014

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### 9. Financial Instruments

In accordance with Canadian generally accepted accounting principles, the Company must classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making its fair value measurements. The following hierarchy has been used in determining and disclosing fair value of financial instruments:

- Level 1: quoted prices in active markets for the same instrument (ie. without modification or repackaging);
- Level 2: quoted prices in active markets for similar assets or liabilities or other valuation techniques for which all significant inputs are based on observable market data; and
- Level 3: valuation techniques for which any significant input is not based on observable market data.

#### Interest Rate Risk

Promissory notes and mortgages receivable are valued using Level 3 measures as there are no quoted prices in an active market for the Company's mortgages. Management makes its determination of fair value for its mortgage investments based on its assessment of the current mortgage market for mortgages of same or similar terms.

The Company is exposed to interest rate risk from the possibility that cash flows could change based on changes in interest rates as well as the possibility that fair value could change due to changes in interest rates. Should there be significant changes in interest rates, the Company could incur significant changes in the fair value of the investment in promissory notes and mortgages receivable. The weighted average interest rate for the promissory notes and mortgages receivable is 11.53% (2013 - 11.43%). Promissory notes and mortgages receivable interest rates are fixed for the duration of the mortgage term thereby reducing the entity's sensitivity to changes in market interest rates.

The Company feels that no other financial instruments are subject to interest rate risk due to their short-term maturity.

#### Credit Risk

The Company is exposed to credit risk from the possibility that borrowers may default on their promissory note and mortgage obligations, the majority of which are collateralized by real property in British Columbia. Management attempts to mitigate this risk by ensuring that the position of the Company is covered by the value of property. The Company has six loans and mortgages (2013 - seven) that are individually in excess of 5% of the total portfolio. Collectively, these represent 71% (2013 - 66%) of the total portfolio. The Company is in a first priority position on 11% (2013 - 17%) of mortgage charges.

Additionally, the Company is exposed to credit risk concentration on its mortgages and promissory notes as there are four guarantors (2013 - four) that are individually in excess of 5% of the total portfolio. Collectively, these represent 94% (2013 - 93%) of the total portfolio. One of these individuals accounts for 65% (2013 - 57%) of outstanding mortgages and promissory notes receivable.

The Company is exposed to credit risk concentration on its cash balance as it is held substantially in one financial institution.

Continued ...

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**All Canadian Investment Corporation**  
**Notes to Financial Statements**

**September 30, 2014**

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**9. Financial Instruments (continued)**

**Liquidity Risk**

The Company is exposed to liquidity risk on the outstanding preferred shares since a certain number are redeemed each year at the request of the shareholder. This risk has been mitigated as the approval of the request to redeem shares is at the discretion of the Board of Directors of the Company. As well, the total amount of preferred shares to be redeemed in any quarter is not to exceed 2-1/2% of the outstanding preferred shares at the end of the immediately preceding calendar quarter.

As noted in Note 2 and 3, the Company is exposed to liquidity risk as 74% of promissory notes and mortgages are advanced for the purposes of financing residential and commercial projects under development. Interest earned on these loans are capitalized and not due until the projects are complete. This defers the cash received and exposes the Company to liquidity risk. The Company manages this risk by monitoring cash flows and limiting discretionary cash outflows such as management fees, redemption of shares and dividends if necessary.

**Fair Values**

The estimated fair values of the Company's financial instruments are based on relevant market prices and information available at the time. No fair values have been determined for any asset that is not a financial instrument.

Not all financial instruments are readily marketable. As a result, estimates of fair value are subjective and should not be considered precise. The estimated fair values of cash, accrued interest receivable, accounts payable and accrued liabilities, due to related party, and short-term debt are assumed to equal their book values, as the items are short term in nature. Management makes its determination of fair values of promissory notes and mortgages receivable by discounting their expected future cash flows at the prevailing interest rate for promissory notes and mortgages of same or similar terms. The initial terms of the promissory notes and mortgages represent their fair value at the time of promissory note and mortgage origination. When collection of principal on a particular mortgage investment is no longer reasonably assured, the fair value of the mortgage is reduced to reflect the estimated net realizable recovery from the collateral securing the loan.

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**10. Income Taxes**

The Company has non-capital losses available of approximately \$ 3,811,984 which may be applied against future taxable income. The right to claim these losses expires between 2030 and 2034.

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**11. Future Income Tax**

Future income tax reflects the net effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

The major components of future income tax are:

	2014	2013
Temporary differences relating to loss carry-forwards	\$ 990,000	\$ 210,000

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**All Canadian Investment Corporation**  
**Notes to Financial Statements**

**September 30, 2014**

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**12. Capital Disclosures**

The Company considers its capital to comprise of its share capital.

In managing its capital, the Company's primary objective is to ensure its continued ability to provide a consistent return for its shareholders through capital growth and investments in mortgages bearing an acceptable interest rate and level of risk. In order to achieve this objective, the Company seeks to balance risks and returns at an acceptable level by providing mortgage financing at an interest rate commensurately with the level of risk. In making decisions to adjust its capital structure to achieve these objectives, the Company considers both its short-term and its long-term strategic objectives.

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**13. Commitments**

The Company has entered into an agreement to purchase land and building of two properties with a closing date of July 31, 2015 for the price of \$1,100,000. A non-refundable deposit of \$100,000 has been paid.

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**14. Comparative Figures**

Certain prior year figures have been reclassified to conform to the current year's presentation.




*Item 13 Date and Certificate*

Dated June 22, 2015

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

**ALL CANADIAN INVESTMENT CORPORATION**

Per:

  
\_\_\_\_\_  
Don F. Bergman  
Director

**ALL CANADIAN INVESTMENT CORPORATION**  
**Summary of Loan Portfolio**

Loan	Location	Security	Interest Rate	Balance Owed Sept 30 2017
1	Peace River, Alberta	Interest in JV Agreement*	10%	2,287,517.81
2	Lower Mainland, B.C.	Registered 1st Mortgage	12%	6,195,809.23
3	Conklin, Alberta	Equitable Mortgage	0%	3,389,414.00
4	Lower Mainland, B.C.	Equitable Mortgage	12%	5,635,770.09
5	Lower Mainland, B.C.	Equitable Mortgage	12%	38,354.68
6	Lower Mainland, B.C.	Unregistered 3rd Mortgage	6%	943,205.39
7	N/A	Unsecured Loan	12%	13,327.12
8	Sooke, B.C.	Unregistered 2nd Mortgage	6%	759,846.20
9	Lower Mainland, B.C.	Unregistered 3rd Mortgage	12%	8,045,494.82
10	Lower Mainland, B.C.	Unregistered 2nd Mortgage	12%	1,856,324.85
11	Lower Mainland, B.C.	Unregistered 3rd Mortgage	12%	2,854,077.51
12	Lower Mainland, B.C.	Unregistered 3rd Mortgage	12%	832,014.47
13	Lower Mainland, B.C.	Equitable Mortgage	12%	504,163.70
14	N/A	Unsecured Loan	6%	90,367.75
15	Estevan, Saskatchewan	Registered 1st Mortgage	12%	870,279.97
16	Pender Island, B.C.	Equitable 1st Mortgage	6%	1,456,610.37
17	Pender Harbour, B.C.	Registered 1st Mortgage	6%	1,324,139.72
18	N/A	Unsecured Loan	6%	22,306.30
19	Kelowna, B.C.	Equitable Mortgage	0%	150,000.00
20	Salmon Arm, B.C.	Mortgage of Mortgage	12%	500,000.00
<b>Total Loans</b>				<b>37,769,023.98</b>

1) A "Registered Mortgage" refers to a loan pursuant to which ACIC holds mortgage security, which is currently registered in the applicable province's Land Title Office.

2) An "Unregistered Mortgage" refers to a loan pursuant to which ACIC holds mortgage security, which is not currently registered at the applicable province's Land Title Office.

3) An "Equitable Mortgage" refers to a charge on property that is created through a written agreement between the Borrower and ACIC which provides that the specified property stands as security for the loan amount.

\*AFDI has an interest in the properties pursuant to a joint venture agreement with a third party. ACIC has taken an interest in AFDI's interest in the properties as security for ACIC's loan to AFDI.

This is Exhibit G referred to in the affidavit of

Donald Bergman sworn (or affirmed)

before me on 7/Nov/2017 [dd/mm/yyyy]

[Signature]  
A Commissioner for taking Affidavits  
within British Columbia

An Appraisal  
of the  
Three Waterfront Properties  
located at

Lots 4, 5 and 6, Packalen Boulevard  
Garden Bay, British Columbia

for  
All Canadian Investment Corporation  
as at  
October 13, 2017  
by  
Brent McLaren, B.Comm., AACI, P.App.

Grover, Elliott & Co. Ltd.

**Grover, Elliott & Co. Ltd.**  
Real Estate Appraisers & Counsellors

1828 West Georgia Street, Suite 210, Vancouver, Canada, V6E 2E8 Telephone: 604-687-9343 Facsimile: 604-687-9342 Website: www.groverelliott.com

All Canadian Investment Corporation  
825 Lakeshore Drive SW  
Salmon Arm, BC V1E 1E4

October 18, 2017  
Our File: 2017-0944-0

Attention: Mr. Don Bergman

Dear Sir:

Re: Lots 4, 5 and 6, Packalen Boulevard  
Garden Bay, British Columbia

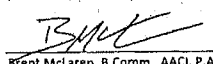
At your request, we have appraised the fee simple interest in these real properties. Our estimate of market value of the properties as at October 13, 2017 is:

THREE MILLION, ONE HUNDRED THOUSAND DOLLARS  
\$3,100,000


Our opinions considered the research, data, and analyses in the report that follows, and are subject to the assumptions and limiting conditions herein. Grover Elliott & Co. Ltd. has prepared this report at your request, exclusively for All Canadian Investment Corporation. The intent of this report is to provide market valuation information for first mortgage financing purposes; any use that a third party makes of this report, or any reliance on or decisions to be made based on it are the responsibility of such third parties. Grover Elliott & Co. Ltd. and our consultants accept no liability or responsibility for any damages that any third party might suffer or incur because of the use of, reliance on, or any decisions made based on this report.

Thank you for allowing us to be of assistance with this matter. If you have any questions or comments, please contact our office.

Respectfully submitted,  
GROVER, ELLIOTT & CO. LTD.  
per:

  
Brent McLaren, B.Comm., AACI, P.App.  
email: [brent.mclaren@groverelliott.ca](mailto:brent.mclaren@groverelliott.ca)  
direct line: (604) 638-3158

BM/ca  
Encl.

This is Exhibit H referred to in the affidavit of  
Donald Bergman sworn (or affirmed)  
before me on 7/Nov/2017 [dd/mm/yyyy]  
  
A Commissioner for Taking Affidavits  
within British Columbia

**TABLE OF CONTENTS**

<b>Introduction</b>	<b>Page</b>
Letter of Transmittal	-
Table of Contents	-
Summary	1
<b>The Assignment</b>	
Intended Use of the Appraisal	3
Purpose of the Appraisal	3
Scope of Assignment	4
Reliance Documents	4
Technical Investigations	4
Type of Analysis	5
Verification of Third Party Information	5
Hypothetical Assumptions and Extraordinary Limiting Conditions	5
<b>Property Information</b>	
Civic Address, Legal Description and Title	6
Assessments and Taxes	7
History and Use	8
The Site	9
The Improvements	15
Photographs	17
Land Use Controls	25
<b>Highest and Best Use</b>	27
<b>Valuation</b>	
Introduction	29
Valuation of Lot 6	29
Valuation of Lots 4 and 5	33
Summary and Conclusion	39
Exposure Time	40
<b>Certification</b>	41
<b>Addenda</b>	
Assumptions and Limiting Conditions	Appendix 1
Title Search Print	Appendix 2
Zoning Schedule	Appendix 3
Renovation Plans	Appendix 4
MLS Sheets – Improved Comparables	Appendix 5
MLS Sheets – Land Comparables	Appendix 6

**SUMMARY**

**Location**  
The subject properties are located at the west end of Packalen Boulevard in the Garden Bay area of Pender Harbour, within the Sunshine Coast Regional District, British Columbia.

**The Site**  
The three subject parcels are contiguous and irregular in shape, with site areas ranging from 0.703 to 1.084 acres. According to registered plan BCP15562, total site area is 2.532 acres. Total ocean frontage measures approximately 1,200 feet.

**The Improvements**  
Lot 6 is improved with an older dwelling with a gross floor area of approximately 2,240 square feet, and an attached garage/shop area of approximately 1,163 square feet. The building is approximately 50 years old but has had modest updates on the main floor in recent years.

**Land Use Controls**  
Zoning Designation: R1-A, Single Family Residential  
OCP Designation: Residential A

**Highest and Best Use**  
Development, pursuant to the applicable land use controls, as market conditions permit.

**Date of Value Estimate**  
October 13, 2017. The date of property inspection was September 4, 2015.

**Valuation**  
\$3,100,000