

No securities regulatory authority or regulator has assessed the merits of the Offered Securities or this Offering or reviewed this offering memorandum. Any representation to the contrary is an offence. This is a risky investment. You could lose all the money you invest. See Item 8 – Risk Factors. This offering memorandum is for the confidential use of only those persons to whom it is transmitted in connection with this Offering for the purpose of evaluating the securities offered hereby. Prospective Note Investors should only rely on the information in this offering memorandum. No person has been authorized to give any information or make any representation in respect of the Issuer, the CBI Group or the securities offered herein and any such information or representation must not be relied upon. Any such information or representation that is given or received must not be relied upon. By accepting this offering memorandum, recipients agree that they will not transmit, reproduce or make available to anyone, other than their professional advisors, this offering memorandum or any information contained herein.

Private Placement of Securities

May 1, 2009

(as amended and restated December 20, 2010)

CONFIDENTIAL OFFERING MEMORANDUM

THE ISSUER

CBI PROPERTY INCOME CORP. (the "Issuer")

1716 – 10th Ave. SW, Calgary, Alberta T3C 0J8
Phone: 403.237.8898
Fax: 403.244.9419
Email: steves@cbigroupinvestments.com

Currently listed or quoted: **No, these securities do not trade on any exchange or market.**
Reporting Issuer: No.
SEDAR filer: No.

THE OFFERING

Notes

Class B Shares

Securities Offered:	Series 1 unsecured 11% interest instalment Notes of the Issuer due as of the Maturity Date. See Item 5.1.1 – Series 1 Notes Series 2 unsecured 11% Notes of the Issuer due as of the Maturity Date. See Item 5.1.2 – Series 2 Notes Series 3 unsecured 11% Notes of the Issuer due as of the Maturity Date. See Item 5.1.3 – Series 3 Notes	Class B non-voting common shares. See Item 5.1.4 – Class B Shares
Price Per Security:	\$100 per \$100 principal amount of Notes	\$1.00 per Class B Share
Maximum Offering:	Up to \$10,000,000 principal amount of Notes. To date, the Issuer has issued and sold Notes in the aggregate principal amount of \$7,582,500 under the Offering	May exceed 75,000 Class B Shares, in Issuer's discretion. To date, the Issuer has issued and sold a total of 87,500 Class B Shares (\$87,500) under the Offering
Minimum Offering:	\$250,000 principal amount of Notes (completed June 15, 2009)	\$75,000 in aggregate Class B Share Proceeds
Minimum Subscription Amount:	\$5,000 principal amount of Notes, subject to the Issuer waiving the minimum subscription requirement, in whole or in part. Funds available under the Offering may not be sufficient to accomplish the Issuer's proposed objectives.	\$500 (500 Class B Shares) from each Class B Share subscriber, where the Issuer requires a subscription for Class B Shares.
Payment Terms:	Note Investors and Class B Share subscribers, as the case may be, must pay the subscription price in full by certified cheque, bank draft or such other manner as may be accepted by the Issuer in its sole discretion at the time of delivering fully executed subscription documents. See Item 5.2 – Subscription Procedure .	
Proposed Closing Date:	On or about January 12, 2011. Additional Closings may be held up to and including June 30, 2011 until the Maximum Note Offering is reached.	
Resale Restrictions:	You will be restricted from selling your Notes or Class B Shares for an indefinite period. See Item 10 – Resale Restrictions .	
Investor's Rights:	You have two Business Days to cancel your agreement to purchase the Offered Securities. If there is a misrepresentation in this offering memorandum, you have the right to sue either for damages or to cancel the agreement. See Item 11 – Investors' Rights .	
Tax Consequences:	There are important tax considerations relating to the ownership of these securities. See Item 6 – Certain Canadian Federal Income Tax Considerations .	
Selling Agents:	Yes. Such agents or sub-agents (including (i) Frank Capital Partners Inc., an exempt market dealer registered under applicable securities laws in Canada, (ii) other exempt market dealers registered under applicable securities laws, and (iii) members of the Investment Industry Regulatory Organization of Canada) as may be appointed from time to time will offer the Offered Securities for sale pursuant to this offering memorandum. The Issuer is an affiliate of CBI. Frank Capital Partners Inc., whose operations are funded by CBI, is an affiliate of CBI and the Issuer. In connection with the distribution of Offered Securities, the Issuer will be considered to be a "related issuer" of Frank Capital Partners Inc. under applicable Canadian securities laws. See Item 7 – Compensation Paid to Sellers and Finders and Item 2.1.3 - CBI Group.	

ELIGIBILITY FOR INVESTMENT

Provided that the Issuer has satisfied and continues to satisfy the requirements under the Tax Act in order for it to qualify as a “public corporation” thereunder and makes certain elections in connection therewith, and, based on the provisions of the Tax Act and the regulations thereunder in force as of the date hereof and the proposals to amend the Tax Act and the regulations thereunder publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof, the Class B Shares and the Notes if issued on the date hereof, would be “qualified investments” under the Tax Act and the regulations thereunder for trusts governed by RRSPs, RRIF, RDSPs, DPSPs, RESPs and TFSAs (other than DPSPs to which the Issuer or a person with whom the Issuer does not deal at arm's length within the meaning of the Tax Act made contributions for the benefit of their respective employees). Notwithstanding that the Class B Shares and the Notes may be a qualified investment for a trust governed by a TFSA, the holder of a TFSA will be subject to a penalty tax on the Class B Shares and the Notes held in the TFSA if such Class B Shares and the Notes are a “prohibited investment” for the purposes of section 207.01 of the Tax Act. The Class B Shares and the Notes will generally be a “prohibited investment” if the holder of the TFSA does not deal at arm's length with the Issuer for the purposes of the Tax Act or the holder of the TFSA has a “significant interest” within the meaning of the Tax Act in the Issuer or a corporation, partnership or trust with which the Issuer does not deal at arm's length for the purposes of the Tax Act. See **Item 6 – Certain Canadian Federal Income Tax Considerations**.

INVESTMENT NOT LIQUID

The Offered Securities offered hereunder will be subject to a number of resale restrictions, including a restriction on trading. Until the restriction on trading expires, if ever, a Securityholder will not be able to trade Offered Securities unless it complies with very limited exemptions from the prospectus and registration requirements under applicable securities legislation. As the Issuer has no intention of becoming a reporting issuer (or the equivalent) in any jurisdiction in Canada, these trading restrictions will not expire. Consequently, Securityholders may not be able to liquidate their Offered Securities in a timely manner, if at all, or pledge their Notes or Class B Shares as collateral for loans. See **Item 10 – Resale Restrictions**.

TABLE OF CONTENTS

FORWARD-LOOKING INFORMATION	2	ITEM 4 - CAPITAL STRUCTURE	63
GLOSSARY	5	4.1 Share Capital.....	63
SUMMARY	12	4.2 Long-Term Debt	64
ITEM 1 - USE OF AVAILABLE FUNDS	22	4.3 Prior Sales	65
1.1 Funds.....	22	ITEM 5 - SECURITIES OFFERED	66
1.2 Use of Net Proceeds.....	24	5.1 Terms of Offered Securities	66
1.3 Reallocation	27	5.1.1 Series 1 Notes.....	66
ITEM 2 - BUSINESS OF THE ISSUER	27	5.1.2 Series 2 Notes.....	69
2.1 Structure	27	5.1.3 Series 3 Notes.....	72
2.1.1 The Issuer.....	27	5.1.4 Class B Shares.....	76
2.1.2 CBI Investments Ltd.	28	5.2 Subscription Procedure	77
2.1.3 CBI Group.....	30	ITEM 6 - CERTAIN CANADIAN FEDERAL	
2.2 Our Business and Its Development	31	INCOME TAX CONSIDERATIONS	78
2.2.1 General.....	31	ITEM 7 - COMPENSATION PAID TO SELLERS	
2.2.2 CBI Group's Business Model.....	34	AND FINDERS	81
2.2.3 The Properties	35	ITEM 8 - RISK FACTORS	83
2.2.4 Support from CBI.....	44	8.1 Issuer and Investment Risks	83
2.3 Long-Term Objectives	46	8.2 Industry Risks	91
2.4 Short-Term Objectives.....	47	ITEM 9 - REPORTING OBLIGATIONS	95
2.5 Insufficient Proceeds	48	ITEM 10 - RESALE RESTRICTIONS	96
2.6 Material Agreements.....	50	ITEM 11 - INVESTORS' RIGHTS	96
2.6.1 Notes	50	11.1 Two Day Cancellation Right for All Note	
2.6.2 Loan Agreement.....	51	Investors and Class B Share subscribers	96
2.6.3 Management Agreement.....	56	11.2 Statutory Rights in the Event of a	
2.6.4 Assignment of Lancaster Mortgage..	57	Misrepresentation	97
2.6.5 DKH Mortgage.....	57	ITEM 12 - FINANCIAL STATEMENTS	F-1
2.6.6 Keystone Mortgage	58	ITEM 13 - DATE AND CERTIFICATE	C-1
ITEM 3 - DIRECTORS, MANAGEMENT,			
PROMOTERS AND PRINCIPAL HOLDERS	58		
3.1 Compensation and Securities Held	58		
3.2 Management's Experience	60		
3.3 Penalties, Sanctions and Bankruptcy	61		
3.4 Loans	62		
SCHEDULE A - SERIES 1 NOTE CERTIFICATE			SA-1
SCHEDULE B - SERIES 2 NOTE CERTIFICATE			SB-1
SCHEDULE C - SERIES 3 NOTE CERTIFICATE			SC-1
SCHEDULE D - SUBSCRIPTION AGREEMENT FOR NOTES AND CLASS B SHARES			SD-1
Appendix A - Risk Acknowledgement Form (2 copies)			SD-10
Appendix B - Accredited Investor Form.....			SD-16
Appendix C - Alternate Eligible Investor Categories Form.....			SD-21

FORWARD-LOOKING INFORMATION

This offering memorandum contains certain statements or disclosures that may constitute forward-looking information under applicable securities laws. All statements and disclosures, other than those of historical fact, which address activities, events, outcomes, results or developments that the Issuer or anticipates or expects may or will occur in the future (in whole or in part) should be considered forward-looking information. In some cases, forward-looking information can be identified by terms such as "future", "may", "will", "intend", "expect", "anticipate", "believe", "potential", "enable", "plan", "continue", "contemplate" or other comparable terminology. Forward-looking information presented in such statements or disclosures includes the following:

- the Issuer's intentions to lend Note Proceeds to CBI, a promoter and affiliate of the Issuer, and manage its position as a secured, although potentially subordinated, creditor of CBI and certain Material Affiliates;
- the Issuer's intentions or expectations to pay quarterly interest instalments on the outstanding Series 1 Notes and expectations about CBI's payment of quarterly interest instalments on the outstanding Loan principal equal to Series 1 Note Proceeds (if any);
- the Issuer's intentions or expectations to pay monthly interest instalments on the outstanding Series 3 Notes and expectations about CBI's payment of monthly interest instalments on the outstanding Loan principal equal to Series 3 Note Proceeds (if any);
- expectations about repayment of Loan principal and accrued but unpaid interest thereon as of the Maturity Date and the Issuer's intentions to repay the Notes and accrued but unpaid interest thereon as of the Maturity Date;
- the nature of the operations and business outlook of CBI and the Material Affiliates, as more particularly described under **Item 2 – Business of the Issuer**, including uses of the Funded Amounts, strategies for acquiring, refinancing, using, developing, renovating or disposing of Properties, sources of funds (in addition to the Secured Account), forecasts of capital expenditures;
- long-term or short-term plans and objectives of the Issuer and CBI for future operations, including repayment of the Notes, repayment of the Loan, and the issue and sale of Offered Securities;
- expected consequences of the Issuer or CBI not meeting its obligations under the Notes or the Loan, as applicable;
- intentions or expectations about the ability of the Issuer, CBI and the Material Affiliates to raise capital;
- the Issuer's and CBI's intentions regarding payment of Selling Commissions, Offering costs and ongoing general and administrative expenses;
- intentions or expectations about the security for CBI's indebtedness under the Loan Agreement;
- intentions about winding-up and dissolving the Issuer and distributing its remaining assets (if any) following the Maturity Date; and
- forecast business results and anticipated financial performance.

Various assumptions or factors are typically applied in drawing conclusions or making the forecasts or projections set out in forward-looking information. Those assumptions and factors are based on information currently available to the Issuer or CBI, including information obtained by the Issuer or CBI from third-party industry analysts and other arm's length sources. In some instances, material assumptions and factors are presented or discussed elsewhere in this offering memorandum in connection with the statements or disclosure containing the forward-looking information. We caution you that the following list of material factors and assumptions is not exhaustive. The factors and assumptions include, but are not limited to:

- expectations about general economic conditions and conditions in the real estate markets where the Properties are located or in which CBI and the Material Affiliates operate or will operate and the ability of those entities to deploy capital in those markets and generate a profit therefrom;
- expectations about the current global financial crisis and that the economies and real estate and financial markets where the Properties are located or in which the Issuer, CBI and its subsidiaries (including Material Affiliates) operate will recover within a two-to-five year period and will not suffer a prolonged downturn;
- expectations about the Issuer's ability to achieve the Minimum Share Offering and qualify as a "public corporation" for the purposes of the Tax Act, including the assumption that there will be no adverse legislative changes that would affect such qualification;
- expectations about the availability of capital, including expectations about the successful completion of the maximum Offering;
- expectations about policies of the municipal and local governments in respect to the development and use of the Properties;
- a stable competitive environment; and
- no significant event occurring outside the ordinary course of business such as a natural disaster or other calamity.

The forward-looking information in statements or disclosures in this offering memorandum is based (in whole or in part) upon factors which may cause actual results, performance or achievements of the Issuer, CBI or the Material Affiliates to differ materially from those contemplated (whether expressly or by implication) in the forward-looking information. Those factors are based on information currently available to the Issuer or CBI including information obtained from third-party industry analysts and other third party sources. Actual results or outcomes may differ materially from those predicted by such statements or disclosures. While we do not know what impact any of those differences may have, the Issuer's, CBI's or the Material Affiliates' business, results of operations, financial condition and their credit stability may be materially adversely affected. Factors that could cause actual results, performance, achievements or outcomes to differ materially from the results expressed or implied by forward-looking information include, among other things:

- risks associated with general economic conditions and CBI's and its subsidiaries' ability to successfully acquire, refinance, develop, renovate, used, sell or generate a profit from the Properties;
- risks associated with the current global financial crisis and its effect on the supply and demand of real estate, consumer confidence and capital markets;
- risks associated with the Issuer's financing efforts, including that the Issuer is not able to arrange sufficient, cost-effective financing to fund capital expenditures, amounts payable under the Notes and other obligations, other than through the issue and sale of Notes;
- tax risks, as more particularly described under **Item 8 – Risk Factors**, which may affect the tax consequences to acquiring, holding and disposing of Offered Securities; and
- legislative and regulatory developments that may affect costs, revenues, the speed and degree of competition entering the market, global capital markets activity, timing and extent of changes in prevailing interest rates, changes in counterparty risk.

We caution you that the above list of risk factors is not exhaustive. Other factors which could cause actual results, performance, achievements or outcomes of the Issuer to differ materially from those contemplated (whether expressly or by implication) in the statements or disclosure containing forward-looking information are disclosed under **Item 8 – Risk Factors**, in this offering memorandum.

We are not obligated to update or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as required by applicable laws. Because of the risks, uncertainties and

assumptions contained herein, prospective Note Investors should not place undue reliance on forward-looking statements or disclosures. The foregoing statements expressly qualify any forward-looking information contained herein.

GLOSSARY

In this offering memorandum (including in the face pages hereof), unless the context otherwise requires, the following words and terms have the indicated meanings and grammatical variations of such words and terms have corresponding meanings:

"ABCA"	<i>Business Corporations Act</i> (Alberta), R.S.A. 2000, c. B-9, as amended, including the regulations promulgated thereunder
"affiliate"	<p>Has the meaning given in National Instrument 45-106 – <i>Prospectus and Registration Exemptions</i>. Without limiting that definition, an issuer is an affiliate of another issuer if:</p> <ul style="list-style-type: none">(a) one issuer is controlled, directly or indirectly, by the other issuer; or(b) two or more issuers are controlled, directly or indirectly, by the same other person (s) or issuer, <p>and in respect of such relationship, a person or issuer (first Person) is considered to "control" another issuer (second Person) if:</p> <ul style="list-style-type: none">(c) the first Person, directly or indirectly, beneficially owns or exercises direction or control over securities of the issuer carrying votes which, if exercised, entitle the first Person to elect a majority of the directors (or other similar fiduciaries) of the issuer, unless the first Person holds the voting securities only to secure an obligation; or(d) the issuer is a partnership (other than a limited partnership) and the first Person holds more than 50% of the interests of the partnership; or(e) the issuer is a limited partnership, whose general partner is the first Person
"Business Day"	A day which is not a Saturday, Sunday or a legal holiday in the City of Calgary, in the Province of Alberta
"CBI"	CBI Investments Ltd., a corporation organized and existing under the ABCA
"CBI Group"	The CBI group of companies, which includes, among other corporate entities, CBI, Frank Capital Partners Inc. and the Issuer, as more particularly described under Item 2.1.3 - CBI Group , Lancaster, Diamond Key Homes, Keystone Business Park and Chestermere Lands Development Corporation
"Class A Share"	A Class A voting common share of the Issuer
"Class A Shareholder"	A registered holder of Class A Shares
"Class B Share"	A Class B non-voting common share of the Issuer as more particularly described under Item 5.1.4 – Class B Shares
"Class B Shareholder"	A registered holder of Class B Shares, as shown on the register maintained by or on behalf of the Issuer for outstanding Class B Shares

"Class B Share Proceeds"	At any time, the aggregate gross proceeds received by the Issuer from the issue and sale of Class B Shares under the Offering
"CLDC Bridge Loan"	In connection with the \$3,500,000 loan to Chestermere Lands Development Corporation, a Material Affiliate, the Issuer's promissory note dated November 26, 2010 in the principal amount of \$3,500,000 in favour of Cadman Investments Ltd. and 744988 Alberta Ltd., as lenders, and the loan and subordination agreement dated November 26, 2010 between Cadman Investments Ltd. and 744988 Alberta Ltd., as lenders, Chestermere Lands Development Corporation, as borrower, and CBI
"Closing"	The completion of the issue and sale under the Offering of (i) Notes to Note Investors, or (ii) Class B Shares to Class B Share subscribers, or both
"Closing Date"	The date of a Closing, the first of which (<i>i.e.</i> , the Closing of the Minimum Note Offering) occurred on June 15, 2009. One or more additional Closings may be held (as determined by the Issuer in its sole discretion) up to and including June 30, 2011 until the Maximum Note Offering is achieved or the Offering is terminated
"Collateral"	As security for the repayment of CBI's indebtedness under the Loan, the mortgage, charge or security interest (or the reasonable equivalent thereof in the jurisdiction where the Property is located) granted in: <ul style="list-style-type: none"> (a) the funds deposited in the Secured Account, from time to time; (b) the Properties being acquired, refinanced, developed or renovated by CBI or its Material Affiliates using funds from the Secured Account, in whole or in part, and the proceeds from the sale of those Properties, in an amount equal to aggregate Loan principal attributed to the Properties; and (c) all personal property related to or used in connection with the Properties.
"CRA"	Has the meaning given thereto in Item 6 – Certain Canadian Federal Income Tax Consideration
"Diamond Key Homes"	Diamond Key Homes Ltd., an ABCA corporation affiliated with CBI and the Issuer
"DKH Mortgage"	In connection with Loan proceeds of up to \$1,000,000 attributed to Diamond Key Homes, a Material Affiliate, from time to time: <ul style="list-style-type: none"> (a) Diamond Key Homes' promissory notes dated April 15, 2010 (\$250,000) and June 30, 2010 (\$150,000) and additional promissory notes as may be issued thereafter, from time to time, made payable to CBI, as lender; and (b) the mortgage dated April 15, 2010 (\$250,000), the mortgage June 30, 2010 (\$150,000) and additional mortgages as may be granted thereafter, from time to time, granted by Diamond Key Homes, as mortgagor, in favour of the Issuer, as mortgagee, as security for Diamond Key Homes' obligations to CBI under the promissory notes, whereby Diamond Key Homes has mortgaged all its estate, property and interest in certain Properties owned by Diamond Key Homes to the Issuer.

See **Item 2.2.3.2 – DKH Properties** and **Item 2.6.5 – DKH Mortgage**

"DPSP"	A "deferred profit sharing plan", as defined in the Tax Act
"Exempt Person"	A holder of Class B Shares or Notes that is a person described in section 149 of the Tax Act not subject to tax under Part I therein and includes a trust governed by a Registered Plan
"Frank Capital Partners Inc."	Frank Capital Partners Inc., an affiliate of CBI and of the Issuer, being one of the agents that may be appointed in the conduct of the Offering on behalf of the Issuer
"Funded Amount"	The funds taken from the Secured Account and used by CBI or a Material Affiliate to acquire or refinance a Property or interest therein or, thereafter, develop or renovate such Property
"Insider of the Issuer"	A person who would be an "insider of a corporation" as defined in subsection 4803(1) of regulations under the Tax Act, if the references therein to "corporation" were read as references to the Issuer
"Interest Instalment Dates"	The dates established by the Issuer: <ul style="list-style-type: none"> (a) as of the Closing of the Minimum Note Offering for the Issuer's payment of quarterly interest instalments on Series 1 Notes, which dates are March 15, June 15, September 15 and December 15 of each year prior to the Maturity Date, commencing September 15, 2009, as set out in the Series 1 Note Certificates; or (b) as of the first Closing at which Series 3 Notes are issued and sold for the Issuer's payment of monthly interest instalments on Series 3 Notes, which dates are the last day of each calendar month during each year prior to the Maturity Date, commencing as of last day of the complete calendar month following the first Closing for Series 3 Notes, as more particularly set out in the Series 3 Note Certificates
"Issuer"	CBI Property Income Corp., a corporation organized and existing under the ABCA
"Keystone Business Park"	Keystone Business Park Inc., an ABCA corporation affiliated with CBI and the Issuer
"Keystone Mortgage"	In connection with Loan proceeds of up to \$2,000,000 attributed to Keystone Business Park, a Material Affiliate, Keystone Business Park's promissory note dated July 15, 2010 and the loan agreement dated July 15, 2010 between CBI, as lender, and Keystone Business Park, as borrower, pursuant to which up to \$2,000,000 may be borrowed by Keystone Business Park from CBI, together with the mortgage dated July 15, 2010 granted by Keystone Business Park, as mortgagor, in favour of the Issuer, as mortgagee, as security for Keystone Business Park's obligations to CBI under the promissory note and loan agreement, whereby Keystone Business Park has mortgaged all its estate, property and interest in certain Property owned by Keystone Business Park to the Issuer See Item 2.2.3.3 – Keystone Business Park Property and Item 2.6.6 – Keystone Mortgage
"Lancaster"	Lancaster Developments Ltd., an ABCA corporation affiliated with CBI and the Issuer

"Lancaster Mortgage"	In connection with Loan proceeds of up to \$7,500,000 attributed to Lancaster, a Material Affiliate, the amended and restated loan agreement dated September 17, 2010, as may be amended and restated from time to time thereafter in connection with any increase in Loan principal attributed to Lancaster, between CBI, as lender, and Lancaster, as borrower, pursuant to which up to approximately \$7.5 million may be borrowed by Lancaster from CBI, together with the amended and restated mortgage dated September 17, 2010, as may be amended and restated from time to time thereafter in connection with any increase in Loan principal attributed to Lancaster, granted by Lancaster, as mortgagor, in favour of CBI, as mortgagee, as security for Lancaster's obligations to CBI under the loan agreement, whereby Lancaster has mortgaged all its estate, property and interest in certain Properties owned by Lancaster to CBI. See Item 2.2.3.1 – Lancaster Mortgage and Item 2.6.4 – Assignment of Lancaster Mortgage
"Loan Agreement"	An agreement between CBI and the Issuer entered into on the Closing Date for the Minimum Note Offering, as amended and restated as of June 8, 2010, whereby the Issuer has agreed to provide the Loan to CBI and CBI has agreed to certain covenants regarding use of funds from the Secured Account, servicing and repayment of the Loan, and the Collateral. See Item 2.6.2 – Loan Agreement
"Loan"	The principal indebtedness of CBI to the Issuer pursuant to the Loan Agreement, which principal amount is to be, at any time and from time to time, equal to the aggregate principal amount of outstanding Notes (less any amount repaid by CBI to the Issuer) at such time. At any time, the outstanding Loan principal is intended to equal the aggregate of the Secured Account, the Funded Amounts and the Selling Commissions, Offering costs and general and administrative costs paid using Note Proceeds, less amounts that have been repaid by CBI to the Issuer
"Management Agreement"	The agreement entered into as of the Closing Date for the Minimum Note Offering between CBI and the Issuer, whereby CBI will provide certain administrative and other services to the Issuer and, in consideration for receiving the Loan, CBI will agree to pay (subject to a specified maximum amount and the ability of CBI to terminate its funding obligations in certain circumstances) the costs of the Issuer, including Offering costs and ongoing administrative and operating expenses of the Issuer, which the Issuer is unable to finance from its Working Capital (as funded with Note Proceeds upon CBI's direction under the Loan Agreement). See Item 1.1 – Funds , Item 2.2.4 – Support from CBI , and Item 2.6.3 – Management Agreement
"Material Affiliate"	Any affiliate of CBI, which owns, acquires or refinances a Property utilizing funds from the Secured Account, in whole or in part
"Maturity Date"	The date on which: <ul style="list-style-type: none"> (a) the Notes mature and as of which outstanding amounts of principal and accrued but unpaid interest (if any) are to be repaid; and (b) the Loan matures and as of which outstanding amounts of principal and accrued but unpaid interest (if any) are to be repaid, <p>which date, in either case, is June 15, 2012, being the third anniversary of the Closing Date for the Minimum Note Offering (<i>i.e.</i>, June 15, 2009)</p>

"Maximum Note Offering"	The maximum principal amount of \$10,000,000 in Notes that may be issued and sold under the Offering
"Minimum Note Offering"	The minimum principal amount of \$250,000 in Notes that may be issued and sold under the Offering
"Minimum Share Offering"	The issue and sale under the Offering of at least 75,000 Shares (held by 150 Class B Share subscribers, who are not Insiders of the Issuer, each holding a minimum of 500 Shares) for Class B Share Proceeds of at least \$75,000
"Note"	Individually, an outstanding Series 1 Note, Series 2 Note or Series 3 Note, as applicable; "Notes" are, collectively, the outstanding Series 1 Notes, Series 2 Notes or Series 3 Notes
"Note Certificate"	A certificate representing outstanding Notes of at least \$100 principal amount, substantially in the form attached as Schedule A (for Series 1 Notes), Schedule B (for Series 2 Notes) or Schedule C (for Series 3 Notes). A "Series 1 Note Certificate" represents one or more outstanding Series 1 Notes. A "Series 2 Note Certificate" represents one or more outstanding Series 2 Notes. A "Series 3 Note Certificate" represents one or more outstanding Series 3 Notes
"Noteholder"	A registered holder of one or more Notes, as shown on the register maintained by or on behalf of the Issuer for outstanding Notes
"Note Investors"	Persons subscribing for and purchasing Notes pursuant to the Offering
"Note Proceeds"	At any time, the aggregate gross proceeds received by the Issuer from the issue and sale of Notes under the Offering
"Note Retraction Commencement Date"	The first Business Day that is 18 months after the Closing Date for the Minimum Note Offering. The Closing Date for the Minimum Note Offering was June 15, 2009
"Offered Securities"	Collectively, the Notes and the Class B Shares
"Offering"	The offering for issue and sale of (i) Notes, and (ii) Class B Shares, on the basis described in this offering memorandum
"offering memorandum"	This confidential offering memorandum pertaining to the Offering, including any amendment, restatement or update hereto
"Permitted Investments"	Permitted investments for the Issuer's use of the Class B Shares Proceeds, which are: <ul style="list-style-type: none"> (a) interest bearing accounts of Canadian chartered banks and the Alberta Treasury Branch; (b) obligations issued or guaranteed by the Government of Canada or any province of Canada or any agency or instrumentality thereof; or (c) term deposits, guaranteed investment certificates, certificates of deposit or bankers' acceptances of or guaranteed or accepted by any Canadian chartered bank or other financial institution the short term debt or deposits of which have an approved rating (within the meaning attributed thereto under applicable securities laws) of at least "A" by Standard & Poor's

Rating Services, a division of The McGraw Hill Companies Inc., or the equivalent by another rating organization (within the meaning attributed thereto under applicable securities laws)

"Principal Holder"	Has the meaning given thereto in Item 3 – Directors, Management, Promoters and Principal Holders
"Property"	Real property situate in North America that CBI and its Material Affiliates, in CBI's sole discretion, purchase or refinance from time to time using funds from the Secured Account, which real property is to be encumbered with a mortgage or fixed, specific financial charge or security interest (or the reasonable equivalent thereof in the jurisdiction where the Property is located) in favour of the Issuer in accordance with the terms of the Loan Agreement, subject to CBI, in its discretion, subordinating such mortgage or fixed, specific charge or security interest to one or more other arm's length secured creditors
"Property Value"	The purchase price paid for a Property to an arm's length seller
"RDSP"	A "registered disability savings plan" as defined in the Tax Act
"Register"	The register of Class B Shareholders or Noteholders, as applicable, maintained by or on behalf of the Issuer in accordance with the requirements therefor
"Registered Plan"	A trust governed by a RRSP, RRIF, RESP, DPSP, RDSP or TFSA
"Resident"	A person (other than a partnership) resident in Canada for the purposes of the Tax Act, or a "Canadian partnership" as defined in the Tax Act
"RESP"	A "registered education savings plan" as defined in the Tax Act
"RRIF"	A "registered retirement income fund" as defined in the Tax Act
"RRSP"	A "registered retirement savings plan" as defined in the Tax Act
"Secured Account"	A separate bank account to be maintained by CBI for all net Note Proceeds received from the Issuer from time to time (see Item 1.1 – Net Proceeds and Available Funds) or such portion thereof that is not used by CBI and its Material Affiliates to purchase or refinance and, thereafter, develop or renovate Properties from time to time, which bank account is not to be commingled with any of CBI's other funds and which will be assigned to and encumbered in favour of the Issuer as Collateral under the terms of the Loan Agreement
"Securityholder"	A holder of Notes or Class B Shares, as shown on the registers maintained for those outstanding securities.
"Selling Commissions"	The commissions, fees and other compensation payable to CBI, Frank Capital Partners Inc., and other agents or sub-agents who sell or assist in selling Notes under the Offering and who are not precluded from receiving such commissions, fees or other compensation under applicable securities law. See Item 7 – Compensation Paid to Sellers and Finders
"Series 1 Notes"	Unsecured 11% notes of the Issuer due as of the Maturity Date, having the commercial terms more particularly described in this offering memorandum in Item 5.1.1 – Series 1 Notes

"Series 2 Notes"	Unsecured 11% notes of the Issuer due as of the Maturity Date, having the commercial terms more particularly described in this offering memorandum in Item 5.1.2 – Series 2 Notes
"Series 3 Notes"	Unsecured 11% notes of the Issuer due as of the Maturity Date, having the commercial terms more particularly described in this offering memorandum in Item 5.1.3 – Series 3 Notes
"Subscription Agreement"	A subscription agreement to be executed by each Note Investor providing for the purchase of Notes by such Note Investor or Class B Shares by a Class B Share Subscriber in the form provided by the Issuer. The current form of Subscription Agreement for Notes and Class B Shares is attached as Schedule C to this Offering Memorandum
"Tax Act"	The <i>Income Tax Act</i> (Canada) and the regulations thereunder, as amended from time to time
"TFSA"	A "tax-free savings account" as defined in the Tax Act
"U.S." or "United States"	The United States of America
"VENU Project"	Has the meaning given thereto in Item 2.2.3.1– Lancaster Mortgage
"Working Capital"	The current assets of the Issuer less the current liabilities of the Issuer as determined under generally accepted accounting principles, excluding the Class B Share Proceeds or Permitted Investments acquired with the Class B Share Proceeds together with all income earned therefrom

In this offering memorandum (including on the face page hereof), unless the context otherwise requires, grammatical variations of the words and terms in this Glossary have meanings corresponding to the meanings given in this Glossary. Without limiting the generality of the foregoing, words and terms in the Glossary that give the singular number only include the plural and vice versa, and words and terms importing the masculine, feminine or neuter gender include the other genders.

In this offering memorandum (including in the face page hereof), references to "dollars" and "\$" are to the currency of Canada, unless otherwise indicated. All financial information presented in this offering memorandum is expressed in Canadian dollars (\$) and has been prepared in accordance with Canadian GAAP, except where otherwise indicated.

In this offering memorandum (including in the face page hereof), unless the context otherwise requires, terms such as "we", "us" and "our" are meant to refer to the Issuer, and terms such as "you" are meant to refer to Investors who purchase Offered Units under the Offering thereupon becoming Shareholders.

In this offering memorandum, unless expressly modified by the words "only" or "solely", the words "include", "includes" or "including", when following any general term or statement, are not to be construed as limiting the general term or statement to the specific items or matters set forth or to similar items or matters but rather are to be construed as meaning "include(s) without limitation" or "including without limitation" (as the context requires) and permitting such general term or statement to refer to all other items or matters that could reasonably fall within its broadest possible scope.

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

SUMMARY

CBI PROPERTY INCOME CORP.

This summary does not constitute an offering of securities, and cannot be relied upon for making your investment decision. It is qualified in its entirety by the offering memorandum. Please read the offering memorandum thoroughly before investing. There may be fees or expenses involved in investing in the Class B Shares or the Notes. No investment in Notes or Class B Shares is guaranteed or insured, and its value changes depending, among other things, on economic factors and market trends.

The Issuer was incorporated to conduct the Offering (including the issue and sale of Notes) and, having issued and sold Notes, manage its position as a secured, although potentially subordinated, creditor of CBI by lending CBI the Note Proceeds under the Loan Agreement. Having completed the Minimum Note Offering and as Notes are issued and sold, the Issuer intends, on CBI's direction under the Loan Agreement, to continue using Note Proceeds to pay Offering costs and other expenses (by establishing a Working Capital reserve account in the maximum amount of \$365,000 to provide capital for the Issuer to meet its ongoing obligations as anticipated or by paying such expenses separately from such reserve account) and to pay Selling Commissions. Thereafter, the net Note Proceeds will be available to CBI pursuant to the Loan Agreement. The Minimum Note Offering was completed on June 15, 2009. The Issuer intends to invest the Class B Share Proceeds in Permitted Investments, pay Series 1 Noteholders, on a quarterly basis, interest calculated at the simple annual rate of 11% on the outstanding principal amount of the Series 1 Notes, and pay the Notes (together with accrued but unpaid interest on the Loan, if any) as of the Maturity Date. CBI and its Material Affiliates intend to use funds available under the Loan on a revolving basis, from time to time and in CBI's sole discretion, to purchase or refinance and, thereafter, develop or renovate Properties. CBI intends to pay the Issuer: (i) quarterly, interest calculated at the simple annual rate of 11.5% on the outstanding portion of the Loan that equals the gross Series 1 Note Proceeds; (ii) interest at the Maturity Date at the annual rate of 11.5%, calculated daily and compounded annually, not in advance, on the outstanding portion of the Loan that equals Series 2 Note Proceeds; and (iii) monthly, interest calculated at the simple annual rate of 11.5% on the outstanding portion of the Loan that equals the gross Series 3 Note Proceeds (if any). The provisions of the Loan Agreement operate such that unpaid interest on the Loan, in whole or in part, becomes part of the Loan principal as of the applicable Interest Instalment Date(s). See **Item 2.6.2 – Loan Agreement**.

	<u>Notes</u>	<u>Class B Shares</u>
Securities Offered:	Series 1 unsecured 11% interest instalment Notes of the Issuer due as of the Maturity Date. See Item 5.1.1 – Series 1 Notes Series 2 unsecured 11% Notes of the Issuer due as of the Maturity Date. See Item 5.1.2 – Series 2 Notes Series 3 unsecured 11% Notes of the Issuer due as of the Maturity Date. See Item 5.1.3 – Series 3 Notes	Class B non-voting common shares. See Item 5.1.4 – Class B Shares
Price Per Security:	\$100 per \$100 principal amount of Notes	\$1.00 per Class B Share
Maximum Offering:	Up to \$10,000,000 principal amount of Notes. To date, the Issuer has issued and sold Notes in the aggregate principal amount of \$7,582,500 under the Offering	May exceed 75,000 Class B Shares, in Issuer's discretion. To date, the Issuer has issued and sold a total of 87,500 Class B Shares (\$87,500) under the Offering
Minimum Offering:	\$250,000 principal amount of Notes	\$75,000 in aggregate Class B Share Proceeds
Minimum Subscription Amount:	\$5,000 principal amount of Notes, subject to the Issuer waiving the minimum subscription requirement, in whole or in part	\$500 (500 Class B Shares) from each Class B Share subscriber, where the Issuer requires a subscription for Class B Shares.

Eligibility for Investment

Based on the representations made by the Issuer to counsel, subject to completion of the Minimum Share Offering, and provided that the Issuer has satisfied and continues to satisfy the requirements under the Tax Act in order for it to qualify as a "public corporation" thereunder, the Notes and Class B Shares will be "qualified investments" under the Tax Act for trusts governed by Registered Plans (including RRSPs, RRIFs, RESPs, DPSPs, RDSPs and TFSA), except that Notes will not be qualified investments for a DPSP for which any employer is the Issuer or a corporation that does not deal at arm's length with the Issuer. If Class B Shares constitute a "prohibited investment" of a TFSA (generally applicable in certain non-arm's length circumstances), tax may be imposed under Part XI.01 of the Tax Act. **See Item 6 – Certain Canadian Federal Income Tax Considerations.** While this offering memorandum contains a general description of "Certain Canadian Federal Income Tax Considerations", it is not tax advice. Consult your tax advisor with respect to this investment.

Proposed Closings

On or about January 12, 2011. Closings may be held up to and including June 30, 2011 until the Maximum Note Offering is reached.

Payment Terms

Note Investors and Class B Share subscribers, as the case may be, must pay the applicable subscription price in full by certified cheque, bank draft or such other manner as may be accepted by the Issuer, in its sole discretion, at the time of delivering fully executed subscription documents. **See Item 5.2 – Subscription Procedure.**

Loan to CBI

Following the issue and sale of Notes, the Issuer intends, among other things, to loan the Note Proceeds to CBI pursuant to the Loan Agreement. As Notes are issued and sold and Note Proceeds are loaned to CBI under the Loan Agreement, CBI will direct the Issuer to pay Selling Commissions and other expenses (by funding the Working Capital reserve for such expenses or otherwise) from the Note Proceeds. **See Item 1.1 – Net Proceeds and Available Funds and Item 2.6.2 – Loan Agreement.** Pursuant to the Loan Agreement, CBI will place all net Note Proceeds received from the Issuer from time to time in the Secured Account. The Secured Account and the funds contained in it are to be assigned to and encumbered in favour of the Issuer as part of the security for repayment of the Loan. **See Item 2.3 – Long-Term Objectives.** CBI and its Material Affiliates intend to use funds from the Secured Account on a revolving basis, in whole or in part from time to time and in CBI's sole discretion, to acquire or refinance and, thereafter, develop or renovate, Properties in accordance with the terms of the Loan Agreement. Similarly, CBI and its Material Affiliates will cause such Properties to be encumbered with mortgages or fixed, specific charges or security interests (or the reasonable equivalent thereof in the jurisdiction(s) where the Properties are located) in favour of the Issuer as part of the security for repayment of the Loan, subject always to CBI's discretionary right to subordinate one or more of such mortgages or fixed charges or security interests. However, CBI or Material Affiliates are permitted under the Loan Agreement to use funds from the Secured Account in circumstances where no security interest or charge over any Collateral is made in favour of the Issuer, including payment of non-refundable deposits by or in favour of CBI or the applicable Material Affiliate in connection with a possible acquisition of Property. **See Item 2.6.2 – Loan Agreement.** CBI (or its Material Affiliates) intend to hold such Properties until it is commercially opportune to sell or otherwise dispose of them, which dispositions might be, in some cases, to other CBI affiliates. Upon the sale or other disposition of all or a portion of a Property, cash sale proceeds equal to the Funded Amount for that Property are to be placed back in the Secured Account and may be used again by CBI and its Material Affiliates to acquire, refinance, develop or renovate other Properties, from time to time and in CBI's sole discretion, in accordance with the Loan Agreement until the Loan is repaid by CBI under the terms thereof.

The Loan Agreement also contemplates CBI paying an amount less than the Funded

Amount back to the Secured Account. If, for example, CBI (or its Material Affiliate) sells only part of a Property, then sale proceeds less than the Funded Amount for that Property will be repaid to the Secured Account and the existing mortgage (or other fixed, specific charge or security interest, as the case may be) security on the balance of the Property will be maintained in the amount equal to the difference between the pre-sale amount of such Collateral and the amount repaid to the Secured Account as a result of the partial disposition of the Property. Under the Loan Agreement, there is no limit on the number of times that CBI may use funds from the Secured Account to purchase or refinance Properties (or, thereafter, develop or renovate) until the Maturity Date. Under the terms of the Loan Agreement, funds from the Secured Account used by CBI or a Material Affiliate to acquire or refinance a Property cannot exceed 100% of the Property Value to CBI or the Material Affiliate for that Property.

As of the date hereof, the Issuer has realized Note Proceeds of \$7,582,500 under the Offering and, as discussed herein, the amount of CBI's principal indebtedness under the Loan is \$7,620,472. To date, the Issuer has advanced net Note Proceeds of \$6,115,422 to CBI under the Loan.

CBI has attributed Loan proceeds of \$6,257,132 to Lancaster, a Material Affiliate, under the Lancaster Mortgage in connection with the refinancing of certain Properties owned by Lancaster that are part of the VENU Project, Phase 1, and CBI has assigned and will continue to assign all its right, title and interest in the Properties mortgaged under the Lancaster Mortgage to the Issuer and has guaranteed and will continue to guarantee CBI's obligation to the Issuer under the Loan Agreement to the extent that Loan proceeds are attributed to Lancaster. The Lancaster Mortgage is subordinate to the security interests over the same Collateral granted to arm's length creditors of Lancaster. See **Item 2.2.3.1 – Lancaster Mortgage** and **Item 2.6.4 – Assignment of Lancaster Mortgage**.

CBI has attributed Loan proceeds of \$499,984 to Diamond Key Homes, a Material Affiliate, under the DKH Mortgage in connection with the refinancing of certain properties. Diamond Key Homes has encumbered and will continue to encumber the subject Collateral mortgaged under the DKH Mortgage to the Issuer and has guaranteed and will continue to guarantee CBI's obligation to the Issuer under the Loan Agreement to the extent that Loan proceeds are attributed to Diamond Key Homes. CRA has registered a \$1,226,509 security interest against certain Collateral (five lots) mortgaged under the DKH Mortgage as a result of Diamond Key Homes' goods and services tax remittances that remain outstanding at the date of this offering memorandum in the amount of approximately \$584,375. The CRA lien takes priority over the security interest against the Collateral granted in favour of the Issuer under the DKH Mortgage. See **Item 2.2.3.2 – DKH Properties** and **Item 2.6.5 – DKH Mortgage**.

CBI has attributed Loan proceeds of \$542,676 to Keystone Business Park, a Material Affiliate, under the Keystone Mortgage in connection with the development of certain Property. Keystone Business Park has encumbered and will continue to encumber the subject Collateral mortgaged under the Keystone Mortgage in favour of the Issuer (to be registered as soon as practicable) and has guaranteed and will continue to guarantee CBI's obligation to the Issuer under the Loan Agreement to the extent that Loan proceeds are attributed to Keystone Business Park. The Keystone Mortgage has been postponed and subordinated to the security interest in the subject Collateral granted to an arm's length creditor in connection with the CLDC Bridge Loan. See **Item 2.2.3.3 – Keystone Business Park Property** and **Item 2.6.6 – Keystone Mortgage**.

CBI has attributed Loan proceeds of \$187,501 to the direction of Chestermere Lands Development Corporation, a Material Affiliate, as a deposit in connection with the acquisition of an undivided interest in certain real estate located in Chestermere,

Alberta, The attributed amount will continue as outstanding principal under the Loan until repaid but is not secured in favour of the Issuer by a security interest or charge over any of Chestermere Lands Development Corporation's assets. See **Item 2.6.2 – Loan Agreement**. Chestermere Lands Development Corporation intends to provide a promissory note in favour of CBI in connection with the advance of Loan proceeds and guarantee CBI's obligation to the Issuer under the Loan Agreement to the extent that Loan proceeds are attributed to Keystone Business Park. Given that Chestermere Lands Development Corporation acquired an undivided interest in real estate, it is not anticipated that any security interest in the subject lands will be granted in favour of the Issuer or that the Issuer will hold a security interest in any Collateral of Chestermere Lands Development Corporation.

CBI has used Loan proceeds of \$133,143 for its own purposes, which amount will continue as outstanding principal under the Loan until repaid but is not secured in favour of the Issuer by a security interest or charge over any of CBI's assets. See **Item 2.6.2 – Loan Agreement**.

Under the Loan Agreement, CBI will pay the Issuer: (i) quarterly prior to the Maturity Date, interest calculated at the simple annual rate of 11.5% on the portion of the outstanding Loan equal to the gross Series 1 Note Proceeds; (ii) interest at the Maturity Date at the annual rate of 11.5%, calculated daily and compounded annually, not in advance, on the outstanding portion of the Loan that equals Series 2 Note Proceeds; and (iii) monthly prior to the Maturity Date, interest calculated at the simple annual rate of 11.5% on the portion of the outstanding Loan equal to the gross Series 3 Note Proceeds (if any).

As of the date of this offering memorandum, CBI is indebted under the Loan in the principal amount of \$7,620,472, which represents the principal amount of \$7,582,500 corresponding to the Issuer's aggregate principal indebtedness under the Notes (*i.e.*, the Note Proceeds) plus unpaid interest on the Loan (approximately 0.5%) that has been capitalized and is treated as principal under the Loan. The provisions of the Loan Agreement operate such that unpaid interest on the Loan, in whole or in part, becomes part of the Loan principal as of the applicable Interest Instalment Date(s). See **Item 2.6.2 – Loan Agreement**. Accordingly, CBI is not in violation or default under the Loan Agreement. As of the date of this offering memorandum, sufficient interest payments have been made to the Issuer to enable it to meet its interest payment obligations under the outstanding Notes.

The Issuer's security for CBI's satisfaction of its obligations under the Loan Agreement, including CBI's payment of interest and repayment of principal on the Loan, and the obligations of CBI and the Material Affiliates regarding the Collateral, are limited in recourse to the Collateral. See **Item 2.3 – Long-Term Objectives** and **Item 2.6.2 – Loan Agreement**.

As of the date hereof, CBI and the Material Affiliates have provided Collateral in the aggregate amount of approximately \$6,115,422 on the basis described in this offering memorandum. See **Item 2.2.3 – The Properties** and **Item 2.6 – Material Agreements**. In view of the outstanding Loan principal balance as of the date of this offering memorandum, the Material Affiliates will increase the amount of Collateral and associated indebtedness (including Loan guarantees and increased mortgage principal in favour of the Issuer) in support of the Loan by approximately \$1,505,050, which Collateral and associated indebtedness may be increased from time to time as the outstanding Loan principal increases but is subject to amounts advanced under the Loan for which no Collateral will be taken by the Issuer (as disclosed herein).

Terms of the Notes

The Series 1 Notes, Series 2 Notes and Series 3 Notes contain commercial terms that are substantially similar. The primary distinction between Series 1 Notes, Series 2 Notes and Series 3 Notes is with respect to the accrual and payment of interest, as

described below. The descriptions of Notes in this offering memorandum are summaries only and are qualified entirely by reference to terms and conditions governing the Notes as contained in the Series 1 Note Certificates, Series 2 Note Certificates and Series 3 Note Certificates, as applicable.

At the Closing of the Minimum Note Offering on June 15, 2009, the Issuer established, the Maturity Date for all Notes, irrespective of their date of issue, as June 15, 2012, being the third anniversary of the Closing Date for the Minimum Note Offering. Accordingly, Notes issued and sold after that Closing will have an effective term to maturity of less than three years.

Series 1 Notes issued pursuant to the Offering are unsecured Notes of the Issuer, bearing interest at the simple annual rate of 11%, payable quarterly on the Interest Instalment Dates of each year until the Maturity Date, and mature on the Maturity Date. The first such interest payment is to be paid as of September 15, 2009, the first scheduled Interest Instalment Date following Closing of the Minimum Note Offering, which occurred on June 15, 2009. Thereafter, interest payments on outstanding Series 1 Notes are to occur on the scheduled Interest Instalment Dates.

Series 2 Notes issued pursuant to the Offering are unsecured Notes of the Issuer, which mature as of the Maturity Date and bear interest at the annual rate of 11%, calculated daily and compounded annually, not in advance which interest is payable as of the Maturity Date. Series 2 Notes held outside a Registered Plan may require the Noteholder to report the annual portion of accrued but unpaid interest on the Loan as taxable income.

Series 3 Notes issued pursuant to the Offering are unsecured Notes of the Issuer, bearing interest at the simple annual rate of 11%, payable monthly on the Interest Instalment Dates of each year until the Maturity Date, and mature on the Maturity Date. The first such interest payment is to be paid as of the last day of the complete calendar month following the first Closing at which Series 3 Notes are issued and sold. Thereafter, interest payments on outstanding Series 3 Notes are to occur on the scheduled Interest Instalment Dates.

The Issuer also has the right to retire or repay its indebtedness under all or some of the Notes, from time to time in whole or in part, prior to maturity in certain circumstances, without penalty or bonus. In addition, a Noteholder may require the Issuer to retract the holder's Notes, subject to legal limitation, prior to the Maturity Date in certain circumstances and subject to certain penalties and limitations.

The forms of the certificates to be issued evidencing the Notes will be substantially in the forms attached as Schedules A, B and C to this offering memorandum.

For a more detailed description of the Notes, see **Item 5.1.1 – Series 1 Notes, Item 5.1.2 – Series 2 Notes and Item 5.1.3 – Series 3 Notes.**

Management Agreement

Effective as of the Closing of the Minimum Note Offering, CBI and the Issuer intend to enter into the Management Agreement, whereby CBI will provide certain administrative and other services to the Issuer and, in consideration for receiving the Loan, CBI will agree to pay (subject to a specified maximum amount and the ability of CBI to terminate its funding obligations in certain circumstances) costs of the Issuer, including Offering costs and ongoing general and administrative expenses, that the Issuer is unable to finance from its Working Capital (as funded with Note Proceeds upon CBI's direction under the Loan Agreement). See **Item 1.1 – Funds, Item 2.2.4 – Support from CBI and Item 2.6.3 – Management Agreement.** The Issuer is not required to reimburse CBI for any payment of such costs or other expenses. The maximum amount CBI is obligated to fund under the Management Agreement is \$100,000. If the Issuer is in default under the Management Agreement, CBI can withhold payment of

costs, and terminate its obligations thereunder.

CBI is an affiliate of the Issuer and, for the purposes of the Offering, the promoter of the Issuer. The Issuer does not deal at arm's length with CBI, its promoter for the Offering, or other entities in the CBI Group, since all the outstanding voting shares of the Issuer (Class A Shares) are owned and controlled, indirectly, by Travis Cadman and Ron Cadman, the sole directors and officers of the Issuer, through Cadman Investments Ltd. and 744988 Alberta Ltd., Principal Holders of the Issuer and principal shareholders of CBI, making them affiliates, and lenders to the Issuer under the CLDC Bridge Loan. Travis Cadman and Ron Cadman are also directors and officers of CBI, promoter of the Issuer for the Offering. Frank Capital Partners Inc., or employees or other registered representatives thereof, may receive Selling Commissions in connection with the Offering. All the outstanding shares of Frank Capital Partners Inc., are owned and controlled, indirectly, by Travis Cadman and Ron Cadman, the sole directors and officers of the Issuer, through Cadman Investments Ltd. and 744988 Alberta Ltd., making CBI, the Issuer and Frank Capital Partners Inc. affiliates. See **Item 2.2 – Our Business and its Development, Item 3 – Directors, Management, Promoters and Principal Holders, and Item 7 – Compensation Paid to Sellers and Finders.**

Rights of Class B Shareholders

Class B Shareholders are entitled to receive dividends as and when declared by the Issuer's board of directors, to participate proportionately in any distribution of the remaining assets (including Class B Share Proceeds and interest or other return received on the Permitted Investments using the Class B Share Proceeds, if any) of the Issuer on a liquidation or winding-up of the Issuer. Subject to the ABCA, Class B Shareholders are not entitled to vote at or attend any meetings of the shareholders of the Issuer. In particular, Class B Shareholders will not have the right to vote on any acquisition or disposition of Properties, none of which will be held by the Issuer. CBI holds all of the voting shares of the Issuer.

The Issuer intends to invest the Class B Share Proceeds in Permitted Investments prior to the Maturity Date. It is currently intended that Class B Shareholder approval will be sought for the winding-up and dissolution of the Issuer. Class B Shares will participate in the distribution of the remaining assets of the Issuer (if any) in connection with such winding-up and dissolution. There is no assurance that, in participating in the distribution of the remaining assets (if any) of the Issuer, Class B Shareholders will receive any amount. Because the Permitted Investments are issued and administered by a third party, there is no guarantee that the Class B Share Proceeds will remain intact or that there will be any income or return on the Permitted Investments sufficient to distribute any remaining assets, whether in an amount for each outstanding Class B Share that approximates the issue cost, or at all. CBI may, in its discretion and subject always to applicable laws, provide funds (as a loan or otherwise) to enable the Issuer to distribute its remaining assets in an amount for each outstanding Class B Share that approximates the issue cost, or greater; however, there is no assurance that CBI will, and CBI is under no obligation to provide any amount to the Issuer for this or any other purpose, except pursuant to the Loan Agreement or the Management Agreement.

For a more detailed description of the Class B Shares, see **Item 5.1.4 – Class B Shares.**

Tax Consequences

There are important tax considerations relating to the Offered Securities. Prospective Note Investors and Class B Share subscribers should seek independent professional advice based upon their own particular circumstances. See **Item 6 – Certain Canadian Federal Income Tax Considerations.**

Risk Factors

The purchase of the Offered Securities is highly speculative. A potential investor should purchase Offered Securities only if it is able to bear the risk of the entire loss of

its investment and has no need for immediate liquidity.

The Issuer's operations are subject to all the risks inherent in the establishment of a new business enterprise. The Issuer has been incorporated for a limited purpose and will carry on no business other than for that limited purpose. There is no certainty that the Issuer's business strategy will be successful.

An investment in the Offered Securities is an illiquid investment. There is currently no market through which the Offered Securities may be sold and it is very unlikely that one will develop. The Offered Securities will not be listed or posted for trading on a recognized stock exchange or other trading or quotation system. The Offered Securities will be subject to an indefinite hold period under securities laws and may only be transferred under limited exemptions under applicable securities laws. See **Item 10 – Resale Restrictions**.

The Offered Securities are not an investment in Properties or other real estate, but an investment in debt securities, namely the Notes and an investment in equity non-voting securities, namely the Class B Shares. The Issuer will not be investing in Properties or other real estate but will be providing the Loan to CBI.

Noteholders will not be represented by a note trustee. Noteholders will not be offered a mechanism to hold meetings or vote on any decisions of the Issuer. Noteholders are NOT shareholders and do not enjoy the rights and privileges offered to shareholders under corporate statutes.

The Offered Securities offered pursuant to this offering memorandum are not insured against loss through the Canadian Deposit Insurance Corporation or any other insurance company or program.

The Issuer does not anticipate carrying on an active business and will have limited sources of Working Capital. There is no assurance that the Issuer will have adequate Working Capital to meet the anticipated requirements described in this offering memorandum.

Certain transactions contemplated by the Offering, the Loan Agreement and the Management Agreement involve non-arm's length parties. As such, certain contractual terms usually contained in documentation that is negotiated at arm's length are not necessarily included in the Loan Agreement, the security registered against the Collateral of the Material Affiliates and in support of CBI's indebtedness under the Loan, and the Management Agreement as those terms would not have the same effect as they would have in transactions between unrelated parties. No independent counsel has been or will be retained to represent the interests of the Issuer, Note Investors or Class B Share subscribers with respect to those agreements or instruments.

There can be no assurance that Canadian federal income tax laws or the judicial interpretation thereof or the administrative or assessing practices of the CRA will not be changed or enforced in a manner that adversely affects Securityholders.

Prospective Note Investors or Class B Share subscribers are urged to consult their own tax advisors, prior to investing in the Offered Securities, with respect to the specific tax consequences to them from the acquisition of Offered Securities.

In holding Notes, Noteholders are unsecured creditors of the Issuer. At any time when quarterly or monthly interest payments are due on the Series 1 Notes or Series 3 Notes (as applicable) or repayment of the Notes (including the payment of accrued but unpaid interest on the Loan thereon as of the Maturity Date) is required, the Issuer may have other creditors, some of whom may have a registered security interest

against the Issuer or its assets in priority to any Noteholder. If the Issuer is unable to satisfy its quarterly or monthly interest payments on the Series 1 Notes or Series 3 Notes (as applicable) when due or repay the Notes in full or at all upon maturity (including the payment of accrued but unpaid thereon as of the Maturity Date), Noteholders will proportionately share with other unsecured creditors in the remaining assets of the Issuer, if any, subject to the priority of the claims of secured creditors, if any.

The Issuer will not have any available funds to pay the Selling Commissions under the Offering or to pay the costs of the Offering. The interest payments received from CBI pursuant to the Loan may not be sufficient to pay the ongoing costs of the Issuer. As a result, (in conjunction with the Closing of the Minimum Note Offering), the Issuer and CBI will enter into the Management Agreement. If, for any reason, CBI is unable or unwilling to continue to provide funding under the Management Agreement to the Issuer or the obligations of CBI under the Management Agreement terminate, the Issuer will need to find other sources of financing to pay for its ongoing costs and expenses, which other sources of financing may not be available or may not be available under terms that are acceptable to the Issuer.

Under the terms of the Loan Agreement, CBI and its Material Affiliates may purchase or refinance the Properties as they see fit and as is commercially opportune in their sole discretion. As such Properties may not yet be identified, there is no guarantee that the Properties will be of sufficient value to fully secure the Loan by the Issuer to CBI.

The Loan Agreement provides that the obligations of CBI under the Loan including the obligation to pay principal and interest under the Loan, and the obligations of CBI and the Material Affiliates under the Loan Agreement and the mortgages or fixed, specific charges or security interests on the Properties (or the reasonable equivalent thereof in the jurisdiction(s) where the Properties are located) granted by them, are limited in recourse to the Collateral, which means that if CBI defaults under any of these obligations the only remedy available to the Issuer under its mortgage security is to realize on the Collateral pursuant to the security granted thereon. The Issuer cannot sue on or seize or obtain the other assets of CBI or the Material Affiliates. If CBI defaults, for whatever reason, on its obligations under the Loan Agreement and if the proceeds from realizing on the Collateral are insufficient, the Issuer will likely be unable to pay the interest on, or repay, the Notes.

Class B Shareholders should not expect significant growth in the Class B Share Proceeds or, in some circumstances, to receive a return of the Class B Share Proceeds.

If the Issuer is required to enforce upon the security granted to it by CBI and realize on the Collateral, a lengthy period of time may be required in order for the Issuer to do so, including to sell the Properties. If that occurs, the Issuer may default on its obligations under the Notes before it is able to realize on the Collateral. Further, there is no guarantee that the proceeds from the sale of the Collateral by the Issuer will be adequate to enable the Issuer to fully repay the amounts that will be owing under the Notes.

As part of any acquisition by CBI and its Material Affiliates, funds from the Secured Account may be used as deposits on the purchase price of one or more Properties. If CBI or a Material Affiliate uses funds from the Secured Account as a deposit on the purchase price of a Property, such funds will be at risk, whether such deposit is refundable or non-refundable, despite any security interest or charge granted by CBI or a Material Affiliate in connection with the Loan as those deposit funds will be held by a third party who, generally, will not have granted any security interest or charge over any Collateral in favour of the Issuer or CBI. It is anticipated that, if the acquisition of

such Property is completed, CBI or the applicable Material Affiliate would encumber the subject Property as Collateral in the manner contemplated under the Loan Agreement. However, to the extent the deposit is non-refundable and the proposed acquisition is not completed, such deposit amount may not be repaid to the Secured Account and none of the Issuer, CBI or the applicable Material Affiliate would have recourse to any Collateral in respect of such deposit amount. There can be no assurance that repayment of the Loan will not be adversely affected or compromised in such case.

The directors and officers of the Issuer, are also directors, officers or employees of CBI or one or more other entities in the CBI Group. The directors and officers of the Issuer will not be devoting all of their time to the affairs of the Issuer, but will be devoting such time as required to effectively manage the Issuer. The directors and officers of the Issuer are engaged and will continue to be engaged in the search for business prospects on their own behalf and on behalf of others. Consequently, there exists the possibility for such directors and officers to be in a position of conflict.

It is anticipated that the Note retraction right will not be the primary mechanism for Noteholders to liquidate their investment. Noteholders' rights to retract their Notes are limited and only available in certain circumstances. In addition, while the term of the Notes is anticipated to be approximately three years, the Issuer reserves the right to, at any time and from time to time (i) retire its indebtedness under or redeem any Note, in whole or in part. As a result, the term of the Notes may be materially shorter than the anticipated three-year term.

Note Investors or Class B Share subscribers under this Offering will not have the benefit of a review of this offering memorandum by any regulatory authorities.

Note Investors are advised that their names and other specified information will be disclosed to the relevant Canadian securities regulatory authorities and may become available to the public in accordance with the requirements of applicable securities and freedom of information laws.

CBI is exposed to a variety of industry risks, which may affect CBI's ability to repay the Loan, and, consequently, the Issuers' ability to repay the Notes. Those risks include risks associated with real property ownership, the highly competitive nature of the real estate industry, economic conditions, government regulations, market risks including the current global economic downturn, relative illiquidity of real estate, acquisition risks, credit risks, uninsured losses, environmental matters, debt financing, foreign currency and interest rate risks, secured financing and rent control risks.

Other material risks applicable to an investment in the Offer Securities are set out in the offering memorandum under the heading **Item 8 – Risk Factors**.

**Directors and
Officers of the Issuer**

The directors and officers of the Issuer are:

Travis Cadman - Chief Executive Officer, President and Director
Ron Cadman - Chief Financial Officer, Secretary and Director

**Commissions to
Sellers and Finders**

Such agents or sub-agents (including (i) Frank Capital Partners Inc., an exempt market dealer registered under applicable securities laws in Canada, (ii) other registered exempt market dealers registered under applicable securities laws, and (iii) members of the Investment Industry Regulatory Organization of Canada) as may be appointed from time to time will offer the Offered Securities for sale pursuant to the Offering. The Issuer is an affiliate of CBI and Frank Capital Partners Inc., an affiliate of CBI whose operations are funded by CBI. All the outstanding shares of Frank Capital Partners Inc., are owned and controlled, indirectly, by Travis Cadman and Ron Cadman, the sole directors and officers of the Issuer, through Cadman Investments Ltd. and 744988

Alberta Ltd., making CBI, the Issuer and Frank Capital Partners Inc. affiliates. See **Item 2.1.3 - CBI Group**.

Frank Capital Partners Inc. or employees or other registered representatives thereof may receive Selling Commissions of up to 6.0% of the Note Proceeds from Notes they sell, except where the payment of commissions to them is prohibited. Other agents or sub-agents may receive Selling Commissions of up to 6.0% of the Note Proceeds from Notes sold by them, except where the payment of commissions to them is prohibited. Provided that the total Selling Commissions paid to Frank Capital Partners Inc., or employees or other registered representatives Frank Capital Partners Inc. and all other agents or sub-agents does not exceed 6.0% of the total Note Proceeds raised under the Offering at such time, (1) Selling Commissions paid in respect of a particular sale of Notes may exceed 6.0% of the Note Proceeds for that sale, and (2) where or Frank Capital Partners Inc. assists another agent or sub-agent with the Note sale, CBI, Frank Capital Partners Inc. or employees or other registered representatives of Frank Capital Partners Inc. may receive an additional percentage of Selling Commissions in respect of that sale. In connection with prior Note sales, the Issuer has paid or has incurred obligations to pay a total of \$453,569 for Selling Commissions or other compensation, of which it has paid or incurred obligations to pay Selling Commissions totaling \$59,700 to Frank Capital Partners Inc. or employees or other registered representatives of Frank Capital Partners Inc. or CBI. The maximum amount of Selling Commissions payable under the Maximum Offering is \$600,000. See **Item 7 – Compensation Paid to Sellers and Finders**. The Issuer intends, on CBI's direction under the Loan Agreement, to pay Selling Commissions from Note Proceeds as Notes are issued and sold before CBI deposits any amount into the Secured Account. See **Item 1.1 – Net Proceeds and Available Funds**.

ITEM 1 - USE OF AVAILABLE FUNDS

1.1 Funds

	Assuming Minimum Note Offering (completed)	Assuming Maximum Note Offering (partly completed)
A. Amount to be raised by this Offering ⁽¹⁾	\$325,000	\$10,075,000
B. Selling Commissions ⁽²⁾	\$15,000	\$600,000
C. Offering costs (including legal, accounting, audit, etc.) ⁽³⁾⁽⁵⁾	\$220,000	\$510,000
D. Available Funds: $D = A - (B+C)$ ⁽⁴⁾	\$90,000	\$8,965,000
E. Additional sources of funding required ⁽⁴⁾⁽⁵⁾	nil	nil
F. Working Capital Deficiency ⁽³⁾⁽⁴⁾⁽⁵⁾	\$145,200 ⁽⁶⁾	nil
G. Total: $G = (D+E) - F$	<u>(\$55,200) ⁽⁶⁾</u>	<u>\$8,965,000</u>

Notes:

- (1) To date, the Issuer has issued and sold Notes in the aggregate principal amount of \$7,582,500, including completion of the Minimum Note Offering on June 15, 2009, pursuant to which the Issuer issued and sold Notes having a minimum aggregate principal amount of \$250,000. Having completed the Minimum Note Offering, the Issuer may complete the issue and sale of additional Notes (or other Offered Securities) at any time and from time to time at one or more Closings until the Maximum Note Offering is reached or the Offering is otherwise terminated. There is no assurance that the Maximum Note Offering amount will be achieved. Under the Maximum Note Offering, the Issuer will issue and sell Notes having an aggregate principal amount of \$10,000,000. The Issuer determined the pricing under the Offering for the Offered Securities. The Issuer completed the Minimum Share Offering on May 21, 2010 by the issue and sale of 500 Class B Shares to a minimum of 150 Class B Shareholders (who are not also Insiders of the Issuer). See **Item 6.5 – Eligibility for Investment**. The Issuer, in its discretion, may issue and sell more Class B Shares. To date, the Issuer has issued and sold a total of 87,500 Class B Shares for Class B Share Proceeds of \$87,500.
- (2) Such other agents or sub-agents (including (i) Frank Capital Partners Inc., an exempt market dealer registered under applicable securities laws in Canada, (ii) other exempt market dealers registered under applicable securities laws, and (iii) members of the Investment Industry Regulatory Organization of Canada), as appointed from time to time, will offer the Offered Securities for sale pursuant to this offering memorandum. The Issuer is an affiliate of CBI and Frank Capital Partners Inc., whose operations are funded by CBI. See **Item 2.1.3 - CBI Group**. Frank Capital Partners Inc., or employees or other registered representatives of Frank Capital Partners Inc., may receive Selling Commissions of up to 6.0% of the Note Proceeds from Notes they sell, except where the payment of commissions to them is prohibited. Other agents or sub-agents may receive Selling Commissions of up to 6.0% of the Note Proceeds from Notes sold by them, except where the payment of commissions to them is prohibited. Provided that the total Selling Commissions paid to Frank Capital Partners Inc., or employees or other registered representatives of Frank Capital Partners Inc. and all other agents or sub-agents does not exceed 6.0% of the total Note Proceeds raised under the Offering at such time, (i) Selling Commissions paid in respect of a particular sale of Notes may exceed 6.0% of the Note Proceeds for that sale, and (ii) where Frank Capital Partners Inc. assists another agent or sub-agent with the Note sale, CBI, Frank Capital Partners Inc. or employees or other registered representatives of Frank Capital Partners Inc. may receive an additional percentage of Selling Commissions in respect of that sale. In connection with prior Note sales, the Issuer has paid or has incurred obligations to pay a total of \$453,569 for Selling Commissions. The maximum amount of Selling Commissions payable under the Maximum Offering is \$600,000. The Issuer intends, on CBI's direction under the Loan Agreement, to continue using Note Proceeds to pay Selling Commissions as Notes are issued and sold.

- (3) Costs associated with the Offering include legal, consulting and accounting costs and costs in connection with establishing the Collateral in favour of the Issuer. Costs totalling approximately \$505,542 (excluding Selling Commissions) have been paid or incurred in connection with the Offering to date. The Issuer has incurred and, prior to reaching the Maximum Offering, will incur costs associated with the Offering that CBI has agreed to pay, including legal, consulting and accounting costs, costs in connection with incorporating and organizing the Issuer and organizing the business associated with the Loan (subject to a limit). As Notes are issued and sold and Note Proceeds are loaned to CBI under the Loan Agreement, CBI will direct the Issuer to pay such amounts from the Note Proceeds.
- (4) The Issuer was incorporated to conduct the Offering (including the issue and sale of Notes) and, once Notes have been issued and sold, manage its position as a secured, although potentially subordinated, creditor of CBI by lending CBI the Note Proceeds under the Loan Agreement. The business of the Issuer is described in **Item 2.2 – Our Business and its Development**. While the Issuer does not anticipate carrying on an active business and will have limited sources of Working Capital, it anticipates, accordingly, having minimal Working Capital requirements, except in connection with (1) ongoing costs of the Offering, including accounting and audit fees, legal fees, registry and transfer agent fees and expenses, and various general and administrative costs, (2) payment to Series 1 Noteholders, prior to the Maturity Date on a quarterly basis, of interest calculated at the simple annual rate of 11% on the outstanding principal amount of the Series 1 Notes, (3) payment to Series 3 Noteholders, prior to the Maturity Date on a monthly basis, of interest calculated at the simple annual rate of 11% on the outstanding principal amount of the Series 3 Notes, (4) any retirement, repayment, retraction or other redemption of Notes prior to the Maturity Date, (4) repayment of the principal amount and accrued but unpaid interest on the outstanding Notes as of the Maturity Date, and (5) distribution of the remaining assets of the Issuer (if any) connection with the winding-up and dissolution of the Issuer.

Having completed the Minimum Note Offering (as of June 15, 2009) and as Notes are issued and sold over time, the Issuer intends, on CBI's direction under the Loan Agreement, to continue using Note Proceeds to pay Offering costs (by establishing a Working Capital reserve account in the maximum amount of \$365,000 to provide capital for the Issuer to meet its ongoing obligations as anticipated or by paying such expenses separately from such reserve account) and to pay Selling Commissions. Thereafter, the net Note Proceeds will be available to CBI pursuant to the Loan Agreement. See **Item 2.6.2 – Loan Agreement**. Apart from such Working Capital reserve and the Class B Share Proceeds (or the Permitted Investments in which such equity capital is invested), the Issuer does not intend to maintain any significant cash or near-cash assets. There is no assurance that the Issuer will have adequate Working Capital to meet the anticipated requirements described in this offering memorandum, including those described in the preceding paragraph. Effective as of the completion of the Minimum Note Offering (*i.e.*, June 15, 2009), the Issuer and CBI entered into the Management Agreement, whereby CBI will provide ongoing administrative and management services to the Issuer and will agree to pay costs of the Offering and ongoing general and administrative expenses incurred by the Issuer to the extent that the Issuer is unable to pay such amounts from its Working Capital, subject to a specified maximum amount and to CBI terminating its financing obligations in certain circumstances. The Issuer will not be required to reimburse CBI for such payment of costs. See **Item 2.2.4 – Support from CBI** and **Item 2.6.3 – Management Agreement**.

The Issuer intends to fund payments to Series 1 Noteholders, prior to the Maturity Date on a quarterly basis, of interest calculated at the simple annual rate of 11% on the outstanding principal amount of the Series 1 Notes, using the interest that it receives from CBI under the Loan. In addition, the Issuer intends to fund payments to Series 3 Noteholders, prior to the Maturity Date on a monthly basis, of interest calculated at the simple annual rate of 11% on the outstanding principal amount of the Series 3 Notes, using the interest that it receives from CBI under the Loan. Similarly, the Issuer intends to use the Loan principal and the accrued interest that it receives from CBI on the repayment of the Loan as of the Maturity Date to repay the principal amount and accrued and unpaid interest of the Notes as of the Maturity Date. Where the Issuer wishes to retire or repay any or all of the Notes, in whole or in part, pursuant to the terms thereof or, if a Noteholder, in the limited circumstances provided by the terms of the Notes, validly requests that the Issuer retract such holder's Notes (see **Item 5.1.1 – Series 1 Notes**, **Item 5.1.2 – Series 2 Notes** and **Item 5.1.3 – Series 3 Notes**), the Issuer intends to use its right under the Loan to demand repayment of all or a portion thereof to obtain the funds required to complete any such retirement, repayment, retraction or other redemption.

- (5) As of December 14, 2010, the Issuer had a working capital surplus of approximately \$64,010. Having completed the Minimum Note Offering (as of June 15, 2009) and as Notes are issued and sold over time, the Issuer intends, on CBI's direction under the Loan Agreement, to use Note Proceeds to provide Working Capital for the Issuer to meet its ongoing obligations as anticipated, including costs referred to in Note 3, or by paying such expenses separately from such reserve account) and to pay Selling Commissions. The Issuer intends to establish a Working Capital reserve account in the maximum amount of \$365,000 to pay such costs. Thereafter, the net Note Proceeds will be available to CBI pursuant to the Loan Agreement.

See **Item 2.6.2 – Loan Agreement**. Apart from such Working Capital reserve and the Class B Share Proceeds (or the Permitted Investments in which such equity capital is invested), the Issuer does not intend to maintain any significant cash or near-cash assets because it intends to maximize net Note Proceeds from the Offering that it advances to CBI under the Loan that are placed into the Secured Account. While the Issuer currently intends to continue lending Note Proceeds to CBI under the Loan Agreement, the Issuer's primary asset due as of the Maturity Date, amounts received on repayment of the Loan will be used to repay the Issuer's indebtedness under the Notes and will not be available for Working Capital purposes. Further, the Issuer does not carry on an active business and does not intend to rely on cash flow from operations to fund its Working Capital requirements. Consequently, the maximum Working Capital reserve account may be funded from Note Proceeds prior to reaching the Maximum Note Offering, if at all. There is no assurance that the Issuer will have adequate Working Capital to meet the anticipated requirements described in this offering memorandum, including those described in the preceding paragraph. Effective as of the completion of the Minimum Note Offering (*i.e.*, June 15, 2009), the Issuer and CBI entered into the Management Agreement, whereby CBI will provide ongoing administrative and management services to the Issuer and will agree to pay costs of the Offering and ongoing general and administrative expenses incurred by the Issuer to the extent that the Issuer is unable to pay such amounts from its Working Capital, subject to a specified maximum amount and to CBI terminating its financing obligations in certain circumstances. The Issuer will not be required to reimburse CBI for such payment of costs. See **Item 2.2.4 – Support from CBI** and **Item 2.6.3 – Management Agreement**.

The Issuer intends to invest the Class B Share Proceeds in Permitted Investments prior to the Maturity Date. The Issuer intends to distribute the remaining assets of the Issuer (if any) to the Class B Shareholders, using the Class B Share Proceeds plus any income or return earned from the Permitted Investments less taxes and the reasonable costs and expenses of the dissolution for such purposes. However, the Permitted Investments are issued and administered by a third party and, as a consequence, there is no guarantee that the Class B Share Proceeds will remain intact or that there will be any additional Working Capital available to the Issuer from the Permitted Investments or otherwise to distribute any remaining assets, whether in an amount for each outstanding Class B Share that approximates the issue cost, or at all. There is no assurance that, in participating in the distribution of the remaining assets (if any) of the Issuer, Class B Shareholders will receive any amount. CBI may, in its discretion and subject always to applicable laws, provide funds (as a loan or otherwise) to enable the Issuer to distribute its remaining assets in an amount for each outstanding Class B Share that approximates the issue cost, or greater; however, there is no assurance that CBI will, and CBI is under no obligation to provide any amount to the Issuer for this or any other purpose, except pursuant to the Loan Agreement or the Management Agreement. See **Item 8 – Risk Factors**.

- (6) The Issuers' working capital deficiency as of May 1, 2009, prior to completion of the Minimum Note Offering, was approximately \$145,200.

1.2 Use of Net Proceeds

The Issuer intends to use the Note Proceeds and Class B Share Proceeds as follows:

Description of intended use of available funds listed in order or priority	Assuming Minimum Note Offering	Assuming Maximum Note Offering
Loan to CBI (Note Proceeds) ⁽¹⁾⁽³⁾	\$250,000 ⁽¹⁾	\$10,000,000 ⁽¹⁾
Invest in Permitted Investments (Class B Share Proceeds) ⁽²⁾⁽³⁾	\$75,000	\$75,000
Total	\$325,000⁽¹⁾	\$10,075,000⁽¹⁾

Notes:

- (1) The Issuer intends, on CBI's direction under the Loan Agreement, to continue using Note Proceeds to pay Selling Commissions as Notes are sold (see Item 1.1(B) above), to pay costs incurred from time to time in connection with the Offering (see Item 1.1(C) above) by establishing a Working Capital reserve (see **Item 1.1 - Funds** above) or otherwise. Thereafter, the net Note Proceeds will be available to CBI pursuant to the Loan Agreement. CBI is an affiliate of the Issuer and, for the purposes of this Offering, a promoter of the Issuer. See **Item 2.1.3 - CBI Group**, **Item 2.2 – Our Business and its Development** and **Item 2.6.2 –**

Loan Agreement. To date, the Issuer has realized Note Proceeds of \$7,582,500 and has paid Selling Commissions of \$453,569 in connection with the Offering.

- (2) The Class B Share Proceeds indicated in the table assume completion of the Minimum Share Offering. The Issuer may, in its discretion, issue and sell additional Class B Shares. The Issuer intends to invest all Class B Share Proceeds in Permitted Investments. See **Item 2.2 – Our Business and its Development**. To date, the Issuer has issued and sold a total of 87,500 Class B Shares (for Class B Share Proceeds of \$87,500).
- (3) The Issuer was incorporated to conduct the Offering (including the issue and sale of Notes) and, once Notes have been issued and sold, manage its position as a secured, although potentially subordinated, creditor of CBI by lending CBI the Note Proceeds under the Loan Agreement. Having completed the Minimum Note Offering as of June 15, 2009) and as Notes are issued and sold, the Issuer intends, on CBI's direction under the Loan Agreement, to continue using Note Proceeds to pay Offering costs and general and administrative expenses (by establishing a Working Capital reserve account to provide capital for the Issuer to meet its ongoing obligations as anticipated or by paying expenses separately from such reserve account) and to pay Selling Commissions. Thereafter, the net Note Proceeds will be available to CBI pursuant to the Loan Agreement. See **Item 1.1 – Funds** and **Item 2.6.2 – Loan Agreement**. CBI intends to pay the Issuer: (i) quarterly, interest calculated at the simple annual rate of 11.5% on the outstanding portion of the Loan that equals the gross Series 1 Note Proceeds (if any); (ii) interest at the Maturity Date at the annual rate of 11.5%, calculated daily and compounded annually, not in advance, on the outstanding portion of the Loan that equals Series 2 Note Proceeds (if any); and (iii) monthly, interest calculated at the simple annual rate of 11.5% on the outstanding portion of the Loan that equals the gross Series 3 Note Proceeds (if any). The Issuer intends to use the interest that it receives from the Loan (in respect of Series 1 Note Proceeds) to pay Series 1 Noteholders, prior to the Maturity Date on a quarterly basis, interest calculated at the simple annual rate of 11% on the outstanding principal amount of the Series 1 Notes. The Issuer intends to use the interest that it receives from the Loan (in respect of Series 3 Note Proceeds) to pay Series 3 Noteholders, prior to the Maturity Date on a monthly basis, interest calculated at the simple annual rate of 11% on the outstanding principal amount of the Series 3 Notes. Thereafter, the Issuer intends to use the amounts it receives from CBI's repayment of the Loan as of the Maturity Date (being the Loan principal plus accrued but unpaid interest thereon) to pay the outstanding principal plus accrued and unpaid interest that it will owe on the Notes as of the Maturity Date. Where the Issuer wishes to retire any or all of the Notes pursuant to the terms thereof or if a Noteholder, in the limited circumstances provided by the terms of the Notes, validly requests that the Issuer retract all or a portion of the Notes (see **Item 5.1.1 – Series 1 Notes**, **Item 5.1.2 – Series 2 Notes** and **Item 5.1.3 – Series 3 Notes**), the Issuer intends to use its right under the Loan to demand repayment of all or a portion thereof to obtain the funds required to complete such Note retirement or to make such repayments. The Issuer intends to use the Loan principal and interest that it receives from CBI on the repayment of the Loan as of the Maturity Date to pay Noteholders the principal amount of the Notes and accrued but unpaid interest on the Notes as of the Maturity Date.

Pursuant to the Loan Agreement, CBI will place all net Note Proceeds received from the Issuer from time to time in the Secured Account. The Secured Account and the funds contained in it are to be assigned to and encumbered in favour of the Issuer as part of the security for repayment of the Loan. CBI and its Material Affiliates intend to use funds from the Secured Account on a revolving basis, in whole or in part from time to time and in CBI's sole discretion, to acquire or refinance and, thereafter, develop or renovate the Properties in accordance with the terms of the Loan Agreement. Similarly, CBI and its Material Affiliates will cause such Properties to be encumbered as Collateral with mortgages or fixed, specific charges or security interests (or the reasonable equivalent thereof in the jurisdiction(s) where the Properties are located) in favour of the Issuer as part of the security for repayment of the Loan, subject always to CBI's discretionary right to subordinate one or more of such mortgages, fixed charges or security interests. However, CBI or Material Affiliates are permitted under the Loan Agreement to use funds from the Secured Account in circumstances where no security interest or charge over any assets or property is made in favour of the Issuer, including payment of non-refundable deposits by or in favour of CBI or the applicable Material Affiliate in connection with a possible acquisition of Property. If CBI or a Material Affiliate uses funds from the Secured Account as a deposit on the purchase price of a Property, such funds will be at risk, whether such deposit is refundable or non-refundable, despite any security interest or charge granted by CBI or a Material Affiliate in connection with the Loan as those deposit funds will be held by a third party who, generally, will not have granted any security interest or charge over any Collateral in favour of the Issuer or CBI. It is anticipated that, if the acquisition of such Property is completed, CBI or the applicable Material Affiliate would encumber the subject Property as Collateral in the manner contemplated under the Loan Agreement. However, to the extent the deposit is non-refundable and the proposed acquisition is not completed, such deposit amount may not be repaid to the Secured Account and none of the Issuer, CBI or the applicable Material Affiliate would have recourse to any Collateral in respect of such deposit amount. There can be no assurance that repayment of the Loan will not be adversely affected or compromised in

such case. See **Item 2.6.2 – Loan Agreement** CBI and the applicable Material Affiliate(s) intend to hold such Properties until it is commercially opportune to sell or otherwise dispose of them, which dispositions might be, in some cases, to other CBI affiliates. Upon the sale or other disposition of a Property, cash sale proceeds equal to the Funded Amount are to be placed back in the Secured Account and may be used again by CBI and its Material Affiliates to acquire, refinance, develop or renovate other Properties, from time to time, in their sole discretion, in accordance with the Loan Agreement until the Loan is repaid by CBI under the terms thereof. The Issuer's security for CBI's satisfaction of its obligations under the Loan Agreement, including CBI's payment of interest and repayment of principal on the Loan, are limited in recourse to the Collateral. See **Item 2.3 – Long-Term Objectives** and **Item 2.6.2 – Loan Agreement**. The Loan Agreement also contemplates CBI paying an amount less than the Funded Amount back to the Secured Account. If, for example, CBI (or its Material Affiliate) sells only part of a Property, then sale proceeds less than the Funded Amount will be returned to the Secured Account and the existing mortgage security (or other fixed, specific charge or security interest, as the case may be) on the balance of the Property will be maintained in the amount equal to the difference between the pre-sale amount of the security for that Property (being the amount of Loan principal allocated to such Collateral) and the amount repaid to the Secured Account as a result of the partial disposition of the Property. Under the Loan Agreement, there is no limit on the number of times that CBI may use funds from the Secured Account to purchase or refinance Properties (and sell them) until the Maturity Date. Under the Loan Agreement, funds from the Secured Account used by CBI or a Material Affiliate to acquire or refinance of a Property cannot exceed 100% of the Property Value.

As of the date hereof, the Issuer has realized Note Proceeds of \$7,582,000 under the Offering and, as discussed herein, the amount of CBI's principal indebtedness under the Loan is \$7,620,472. To date, the Issuer has advanced net Note Proceeds of \$6,115,422 to CBI under the Loan. CBI has attributed Loan proceeds of \$6,257,132 to Lancaster, a Material Affiliate, under the Lancaster Mortgage in connection with the refinancing of certain Properties owned by Lancaster that are part of the VENU Project, Phase 1. CBI has assigned and will continue to assign all its right, title and interest in the Properties mortgaged under the Lancaster Mortgage to the Issuer, Lancaster has guaranteed and will continue to guarantee CBI's obligation to the Issuer under the Loan Agreement to the extent that Loan proceeds are attributed to Lancaster. The Lancaster Mortgage has been subordinated to the Security Interests over the same Collateral granted in favour of arm's length creditors of Lancaster.

CBI has attributed Loan proceeds of \$499,984 to Diamond Key Homes, a Material Affiliate, under the DKH Mortgage in connection with the refinancing of certain property. Diamond Key Homes has encumbered and will continue to encumber the Collateral mortgaged under the DKH Mortgage in favour of the Issuer and has guaranteed and will continue to guarantee CBI's obligation to the Issuer under the Loan Agreement to the extent that Loan proceeds are attributed to Diamond Key Homes. CRA has registered a \$1,226,509 security interest against certain Collateral (five lots) mortgaged under the DKH Mortgage as a result of Diamond Key Homes' goods and services tax remittances that remain outstanding at the date of this offering memorandum in the amount of approximately \$584,375. The CRA lien takes priority over the security interest against the Collateral granted in favour of the Issuer under the DKH Mortgage. See **Item 2.2.3.2 – DKH Properties** and **Item 2.6.5 – DKH Mortgage**.

CBI has attributed Loan proceeds of \$542,676 to Keystone Business Park, a Material Affiliate, under the Keystone Mortgage in connection with the development of certain Properties. Keystone Business Park has encumbered and will continue to encumber the subject Collateral mortgaged under the Keystone Mortgage in favour of the Issuer (to be registered as soon as practicable) and has guaranteed and will continue to guarantee CBI's obligation to the Issuer under the Loan Agreement to the extent that Loan proceeds are attributed to Keystone Business Park. The Keystone Mortgage has been postponed and subordinated to the security interest over the same Collateral granted to an arm's length creditor in connection with the CLDC Bridge Loan. See **Item 2.2.3.3 – Keystone Business Park Property** and **Item 2.6.6 – Keystone Mortgage**.

CBI has advanced Loan proceeds of \$187,501 to the direction of Chestermere Lands Development Corporation, a Material Affiliate, as a deposit in connection with the acquisition of an undivided interest in certain real estate located in Chestermere, Alberta. The advanced amount will continue as outstanding principal under the Loan until repaid but is not secured in favour of the Issuer by a security interest or charge over any of Chestermere Lands Development Corporation's assets. See **Item 2.6.2 – Loan Agreement**. Chestermere Lands Development Corporation intends to provide a promissory note in favour of CBI in connection with the advance of Loan proceeds and guarantee CBI's obligation to the Issuer under the Loan Agreement to the extent that Loan proceeds are attributed to Chestermere Lands Development Corporation. Given that Chestermere Lands Development Corporation acquired an undivided interest in real estate, it is not anticipated that any security interest in the subject lands will be granted in favour of the Issuer or that the Issuer will hold a security interest in any Collateral of Chestermere Lands Development Corporation.

CBI has used Loan proceeds of \$133,143 for its own purposes, which amount will continue as outstanding principal under the Loan until repaid but is not secured in favour of the Issuer by a security interest or charge over any of CBI's assets. See **Item 2.6.2 – Loan Agreement**.

As of the date of this offering memorandum, the Issuer has realized Note Proceeds of \$7,582,500 and CBI is indebted under the Loan in the principal amount of \$7,620,472, which represents the principal amount of \$7,582,500 corresponding to the Issuer's aggregate principal indebtedness under the Notes (i.e., the Note Proceeds) plus unpaid interest on the Loan (approximately 0.5%) that has been capitalized and is treated as principal under the Loan. The provisions of the Loan Agreement operate such that unpaid interest on the Loan, in whole or in part, becomes part of the Loan principal as of the applicable Interest Instalment Date(s). See **Item 2.6.2 – Loan Agreement**. Accordingly, CBI is not in violation or default under the Loan Agreement. As of the date of this offering memorandum, sufficient interest payments have been made to the Issuer to enable it to meet its interest payment obligations under the outstanding Notes.

As of the date of this offering memorandum, CBI and the Material Affiliates have provided Collateral in the aggregate amount of approximately \$6,115,422 on the basis described in this offering memorandum. See **Item 2.2.3 – The Properties** and **Item 2.6 – Material Agreements**. In view of the outstanding Loan principal balance as of the date of this offering memorandum, the Material Affiliates will increase the amount of Collateral and associated indebtedness (including Loan guarantees in favour of the Issuer) in support of the Loan by approximately \$1,505,050, which Collateral and associated indebtedness may be increased from time to time as the outstanding Loan principal increases but is subject to amounts advanced under the Loan for which no Collateral will be taken by the Issuer (as disclosed herein).

The Issuer has invested the Class B Share Proceeds in Permitted Investments, and intends to maintain such investment thereof prior to the Maturity Date. It is currently intended that Class B Shareholder approval will be sought for the winding-up and dissolution of the Issuer. Class B Shares will participate in the distribution of the remaining assets of the Issuer (if any) in connection with such winding-up and dissolution. There is no assurance that, in participating in the distribution of the remaining assets (if any) of the Issuer, Class B Shareholders will receive any amount. Because the Permitted Investments are issued and administered by a third party, there is no guarantee that the Class B Share Proceeds will remain intact or that there will be any income or return on the Permitted Investments sufficient to distribute any remaining assets, whether in an amount for each outstanding Class B Share that approximates the issue cost, or at all. CBI may, in its discretion and subject always to applicable laws, provide funds (as a loan or otherwise) to enable the Issuer to distribute its remaining assets in an amount for each outstanding Class B Share that approximates the issue cost, or greater; however, there is no assurance that CBI will, and CBI is under no obligation to, provide any amount to the Issuer for this or any other purpose, except pursuant to the Loan Agreement or the Management Agreement.

1.3 Reallocation

The Issuer intends to spend the Note Proceeds and Class B Share Proceeds as stated in this offering memorandum. The Issuer will reallocate funds only for sound business reasons.

ITEM 2 - BUSINESS OF THE ISSUER

2.1 Structure

2.1.1 The Issuer

The Issuer was incorporated on March 20, 2009 pursuant to the ABCA to conduct the Offering (including the issue and sale of Notes) and, Notes having been issued and sold, manage its position as a secured, although potentially subordinated, creditor of CBI by lending CBI the Note Proceeds under the Loan Agreement. Having completed the Minimum Note Offering (as of June 15, 2009) and as Notes are issued and sold, the Issuer intends, on CBI's direction under the Loan Agreement, to continue using Note Proceeds to pay Offering costs and general and administrative expenses (by establishing a Working Capital reserve account to provide capital for the Issuer to meet its ongoing obligations as anticipated or by paying expenses separately from such reserve account) and to pay Selling Commissions. Thereafter, the net Note Proceeds will be available to CBI pursuant to the Loan Agreement. The Issuer intends to invest the Class B Share Proceeds in Permitted Investments. If any Series 1 Notes are issued and sold, the Issuer will pay Series 1 Noteholders, on a quarterly basis, interest calculated at the simple annual rate of 11% on the outstanding principal amount of the Series 1 Notes. If any Series 3 Notes are issued and

sold, the Issuer will pay Series 3 Noteholders, on a monthly basis, interest calculated at the simple annual rate of 11% on the outstanding principal amount of the Series 3 Notes. In addition, the Issuer will pay the Notes (together accrued but unpaid interest, if any) as of the Maturity Date and, thereafter, distribute the remaining assets in connection with the winding-up and dissolution of the Issuer. The Issuer intends to complete the Minimum Share Offering as soon as possible, which Class B Shares will participate in such distribution of the Issuer's remaining assets (if any). To date, the Issuer has issued and sold a total of 87,500 Class B Shares.

CBI will place all Note Proceeds received under the Loan from the Issuer, after payment of Selling Commissions and Offering costs and general and administrative expenses (by establishing a Working Capital reserve account to provide capital for the Issuer to meet its ongoing obligations as anticipated or by paying expenses separately from such reserve account) in the Secured Account. CBI and its Material Affiliates intend to use funds from the Secured Account on a revolving basis, from time to time and in CBI's sole discretion, to purchase or refinance and, thereafter, develop or renovate Properties. CBI intends to pay the Issuer: (i) quarterly, interest calculated at the simple annual rate of 11.5% on the outstanding portion of the Loan that equals the gross Series 1 Note Proceeds; (ii) interest at the Maturity Date at the annual rate of 11.5%, calculated daily and compounded annually, not in advance, on the outstanding portion of the Loan that equals Series 2 Note Proceeds; and (iii) monthly, interest calculated at the simple annual rate of 11.5% on the outstanding portion of the Loan that equals the gross Series 3 Note Proceeds (if any). Pursuant to the Loan Agreement, unpaid interest on the Loan, in whole or in part, becomes part of the Loan principal as of the applicable Interest Instalment Date(s). See **Item 2.2 – Our Business and Its Development** and **Item 2.6.2 – Loan Agreement**.

Under the Management Agreement, CBI will provide ongoing administrative and managerial services to the Issuer and agree to pay the costs of the Offering and ongoing general and administrative expenses incurred by the Issuer to the extent that the Issuer is unable to finance such amounts from its Working Capital (as funded with Note Proceeds upon CBI's direction under the Loan Agreement), subject to a specified maximum and to CBI terminating its financing obligations in certain circumstances. The Issuer will not be required to reimburse CBI for such payment of costs. See **Item 2.6.3 – Management Agreement**.

The Issuer's head office is located at 1716 – 10th Ave. SW, Calgary, Alberta T3C 0J8. The Issuer's registered office is 1000, 400 – 3rd Avenue SW, Calgary, Alberta T2P 4H2.

All the Class A Shares are held by CBI. CBI is an affiliate of the Issuer and, for the purposes of the Offering, the promoter of the Issuer. The Issuer does not deal at arm's length with CBI, its promoter for the Offering, the Material Affiliates or other entities in the CBI Group, since (i) all the outstanding voting shares of the Issuer (Class A Shares) are owned and controlled, indirectly, by Ron Cadman and Travis Cadman through 744988 Alberta Ltd. and Cadman Investments Ltd., Principal Holders of the Issuer and principal shareholders of CBI, making them affiliates, and (ii) Ron Cadman and Travis Cadman, the directors and officers of the Issuer, are also directors, officers or employees of CBI or one or more other entities in the CBI Group.

2.1.2 CBI Investments Ltd.

CBI was incorporated under the ABCA on March 21, 2005 under the corporate name of "Keystone Real Estate Investment Corp.". On August 19, 2008 CBI's articles were amended to provide for the change of its corporate name to "CBI Investments Ltd.". CBI's head office is located at 1716 – 10th Ave. SW, Calgary, Alberta T3C 0J8. CBI's registered office is 600, 4911 – 51 Street, Red Deer, AB T4N 6V4. CBI holds all the outstanding voting shares of the Issuer and is an affiliate of the Issuer, a promoter of the Issuer for the Offering, and will be the borrower under the Loan Agreement.

CBI will enter into the Management Agreement with the Issuer whereby CBI, will provide administrative and other services to the Issuer and, in consideration for receiving the Loan, CBI will agree to pay (subject to a specified maximum amount and to CBI terminating its funding obligations in certain circumstances) the costs of the Issuer, including Offering costs and ongoing general and administrative expenses that the Issuer is unable to finance from its Working Capital (as funded with Note Proceeds

upon CBI's direction under the Loan Agreement). See **Item 1.1 – Funds**, **Item 2.2.4 – Support from CBI**, and **Item 2.6.2 – Loan Agreement**.

CBI intends to borrow a principal amount equal to the aggregate Note Proceeds from the Issuer pursuant to the terms of the Loan Agreement. In conjunction with each Closing at which Notes are issued and sold, the Issuer will advance the net Note Proceeds to CBI, after payment of Selling Commissions and Offering costs and general and administrative expenses (by establishing a Working Capital reserve account to provide capital for the Issuer to meet its ongoing obligations as anticipated or by paying expenses separately from such reserve account). See **Item 1.1 – Net Proceeds and Available Funds** and **Item 2.6.2 – Loan Agreement**. Pursuant to the Loan Agreement, CBI will place all net Note Proceeds received from the Issuer from time to time in the Secured Account. The Secured Account and the funds contained in it are to be assigned to and encumbered in favour of the Issuer as part of security for repayment of the Loan. CBI and its Material Affiliates intend to use funds from the Secured Account on a revolving basis, in whole or in part from time to time and in CBI's sole discretion, to acquire or refinance and, thereafter, develop or renovate, Properties in accordance with the terms of the Loan Agreement. Similarly, CBI and its Material Affiliates will cause such Properties to be encumbered with mortgages or fixed, specific charges or security interests (or the reasonable equivalent thereof in the jurisdiction(s) where the Properties are located) in favour of the Issuer as part of the security for repayment of the Loan, subject always to CBI's right to subordinate one or more of such mortgages or fixed charges or security interests. However, CBI or Material Affiliates are permitted under the Loan Agreement to use funds from the Secured Account in circumstances where no security interest or charge over any assets or property is made in favour of the Issuer, including payment of non-refundable deposits by or in favour of CBI or the applicable Material Affiliate in connection with a possible acquisition of Property. See **Item 2.6.2 – Loan Agreement**. CBI or the Material Affiliate intend to hold such Properties until it is commercially opportune to sell or otherwise dispose of them, which dispositions might be, in some cases, to other CBI affiliates. Upon the sale or other disposition of a Property, cash sale proceeds equal to the Funded Amount for that Property are to be placed back in the Secured Account and may be used again by CBI and its Material Affiliates to acquire, refinance or develop other Properties, from time to time, in their sole discretion, in accordance with the Loan Agreement until the Loan is repaid by CBI under the terms thereof.

The Loan Agreement also contemplates CBI paying less than the Funded Amount for a Property back to the Secured Account. If, for example, CBI (and its Material Affiliates) sells only part of a Property, then sale proceeds less than the Funded Amount for that Property will be repaid to the Secured Account and the existing mortgage (or other fixed, specific charge or security interest as the case may be) security on the balance of the Property will be maintained in the amount equal to the difference between the pre-sale amount of the security for that Property (being the amount of Loan principal allocated to such Collateral) and the amount repaid to the Secured Account as a result of the partial disposition of the relevant Property. Under the Loan, there is no limit on the number of times that CBI may use funds from the Secured Account to purchase or refinance Properties (or, thereafter, develop or renovate them) until the Maturity Date. Under the Loan Agreement, funds from the Secured Account used by CBI or a Material Affiliate to acquire or refinance a Property cannot exceed 100% of the Property Value for that Property.

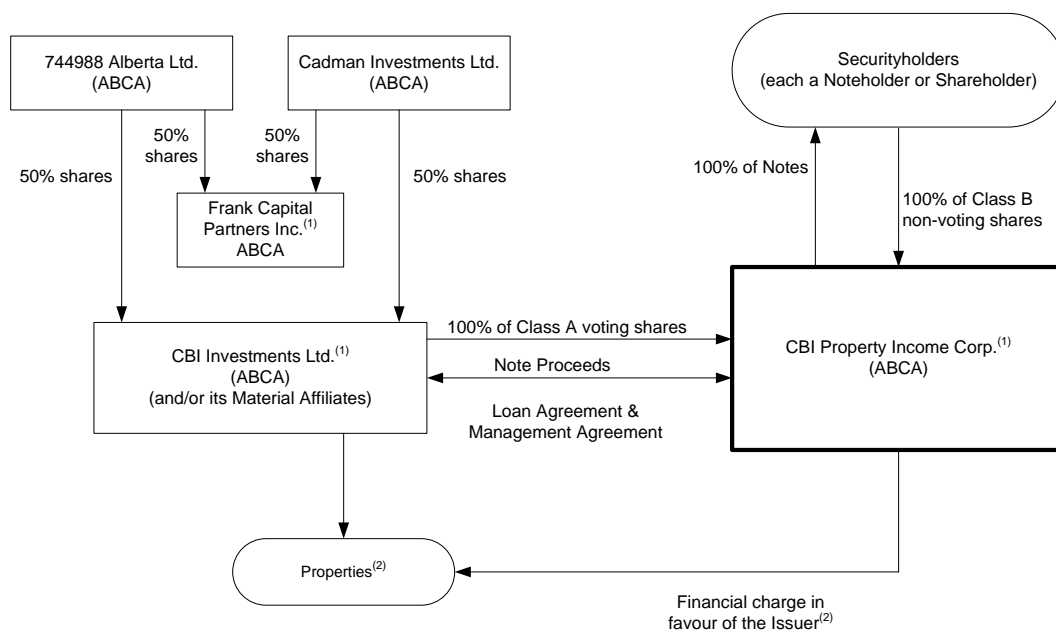
Under the Loan Agreement, CBI will pay the Issuer: (i) quarterly prior to the Maturity Date, interest calculated at the simple annual rate of 11.5% on the portion of the outstanding Loan equal to the gross Series 1 Note Proceeds; (ii) interest at the Maturity Date at the annual rate of 11.5%, calculated daily and compounded annually, not in advance, on the outstanding portion of the Loan that equals Series 2 Note Proceeds; and (iii) monthly prior to the Maturity Date, interest calculated at the simple annual rate of 11.5% on the portion of the outstanding Loan equal to the gross Series 3 Note Proceeds (if any). Pursuant to the Loan Agreement, unpaid interest on the Loan, in whole or in part, becomes part of the Loan principal as of the applicable Interest Instalment Date(s).

The Issuer's security for CBI's satisfaction of its obligations under the Loan Agreement, including CBI's payment of interest and repayment of principal on the Loan, and the obligations of CBI and the Material Affiliates regarding the Collateral, are limited in recourse to the Collateral. See **Item 2.3 – Long-Term Objectives** and **Item 2.6.2 – Loan Agreement**.

CBI owns all the Class A Shares and is an affiliate of the Issuer. Having taken the initiative to establish the Issuer, CBI is considered to be a promoter of the Issuer for the Offering. In addition to the Loan, CBI or Frank Capital Partners Inc., or employees thereof, may receive Selling Commissions in connection with the Offering. See **Item 2.2 – Our Business and its Development** and **Item 7 – Compensation Paid to Sellers and Finders**. The Issuer does not deal at arm's length with CBI, its promoter for the Offering, the Material Affiliates or other entities in the CBI Group, since (i) all the outstanding voting shares of the Issuer (Class A Shares) are owned and controlled, indirectly, by Ron Cadman and Travis Cadman through 744988 Alberta Ltd. and Cadman Investments Ltd., Principal Holders of the Issuer and principal shareholders of CBI, making them affiliates, and (ii) Ron Cadman and Travis Cadman, the directors and officers of the Issuer, are also directors, officers or employees of CBI or one or more other entities in the CBI Group.

2.1.3 CBI Group

The structure of the relevant entities in the CBI Group that are or may be involved in the Offering and use of the Note Proceeds (including the acquisition or disposition of the Properties) is outlined below. This diagram assumes the completion of the Minimum Note Offering and the Minimum Share Offering.



Notes

- (1) All the Class A Shares are held by CBI. CBI is an affiliate of the Issuer and, for the purposes of the Offering, the promoter of the Issuer. The Issuer does not deal at arm's length with CBI, its promoter for the Offering, CBI, the Material Affiliates or other entities in the CBI Group, since (i) all the outstanding voting shares of the Issuer (Class A Shares) are owned and controlled, indirectly, by Travis Cadman and Ron Cadman, the directors and officers of the Issuer and directors and officers of CBI and various Material Affiliates, through Cadman Investments Ltd. and 744988 Alberta Ltd., Principal Holders of the Issuer and principal shareholders of CBI and various Material Affiliates that have provided Collateral in support of CBI's indebtedness to the Issuer under the Loan, making them affiliates, and borrowers from the Issuer under the Loan, and (ii) Ron Cadman and Travis Cadman, the directors and officers of the Issuer, are also directors, officers, shareholders (directly or indirectly), creditors (directly or indirectly) or employees of CBI or one or more other entities in the CBI Group, including various Material Affiliates that have provided Collateral in support of CBI's indebtedness to the Issuer under the Loan.
- (2) CBI or Material Affiliates are permitted under the Loan Agreement to use funds from the Secured Account in circumstances where no security interest or charge over any Collateral has been granted in favour of the Issuer, including payment(s) of non-refundable deposits by or in favour of CBI or the applicable Material Affiliate in connection with a possible acquisition of Property. It is anticipated that, if the acquisition is

completed, CBI or the applicable Material Affiliate would encumber the subject Property as Collateral in the manner contemplated under the Loan Agreement; however, to the extent the deposit is non-refundable and the proposed acquisition is not completed, such deposit amount may not be repaid to the Secured Account and none of the Issuer, CBI or the applicable Material Affiliate would have recourse against any Collateral in respect of the deposit amount. There can be no assurance that repayment of the Loan will not be adversely affected or compromised in such case.

2.2 Our Business and Its Development

2.2.1 General

The Issuer was incorporated to conduct the Offering (including the issue and sale of the Notes) and, Notes having been issued and sold, manage its position as a secured, although potentially subordinated, creditor of CBI by lending CBI the Note Proceeds under the Loan Agreement. Having completed the Minimum Note Offering (on June 15, 2009) and as Notes are issued and sold, the Issuer intends, on CBI's direction under the Loan Agreement, to continue using Note Proceeds to pay Offering costs and general and administrative expenses (by establishing a Working Capital reserve account to provide capital for the Issuer to meet its ongoing obligations as anticipated or by paying expenses separately from such reserve account) and to pay Selling Commissions. Thereafter, the net Note Proceeds will be available to CBI pursuant to the Loan Agreement. See **Item 1.1 – Net Proceeds and Available Cash** and **Item 2.6.2 – Loan Agreement**.

CBI will place all net Note Proceeds received under the Loan from the Issuer in the Secured Account. CBI and its Material Affiliates intend to use funds from the Secured Amount on a revolving basis, from time to time and in CBI's sole discretion, to purchase or refinance and, thereafter, develop or renovate Properties. CBI intends to pay the Issuer quarterly, interest calculated at the simple annual rate of 11.5% on the outstanding portion of the Loan that equals the gross Series 1 Note Proceeds and monthly, interest calculated at the simple annual rate of 11.5% on the outstanding portion of the Loan that equals the gross Series 3 Note Proceeds. Pursuant to the Loan Agreement, unpaid interest on the Loan, in whole or in part, becomes part of the Loan principal as of the applicable Interest Instalment Date(s). See **Item 2.6.2 – Loan Agreement**. The Issuer intends to use the interest that it receives from the Loan to pay Series 1 Noteholders and Series 3 Noteholders, prior to the Maturity Date on a quarterly or monthly basis (as applicable), interest calculated at the annual simple rate of 11% on the outstanding principal amount of the Series 1 Notes or Series 3 Notes, as applicable. The Issuer intends to use the repaid Loan principal and the accrued and unpaid interest that it receives from CBI on the repayment of the Loan as of the Maturity Date to repay the principal amount of, and accrued but unpaid interest on, the Notes as of the Maturity Date.

Where the Issuer wishes to retire or repay any or all of the Notes, in whole or in part, pursuant to the terms thereof or, if a Noteholder, in the limited circumstances provided by the terms of the Notes, validly requests that the Issuer retract such holder's Notes (see **Item 5.1.1 – Series 1 Notes, Item 5.1.2 – Series 2 Notes and Item 5.1.3 – Series 3 Notes**), the Issuer intends to use its right under the Loan to demand repayment of all or a portion thereof to obtain the funds required to complete such debt retirement, repayment or retraction.

Pursuant to the Loan Agreement, CBI will place all net Note Proceeds received from the Issuer from time to time in the Secured Account. The Secured Account and the funds contained in it are to be assigned to and encumbered in favour of the Issuer as part of the security for repayment of the Loan. CBI and its Material Affiliates intend to use funds from the Secured Account on a revolving basis, in whole or in part from time to time and in CBI's sole discretion, to acquire or refinance and, thereafter, develop or renovate, Properties in accordance with the terms of the Loan Agreement. Under the Loan Agreement, the Issuer has the right on written request to require CBI to engage a trustee to administer the Secured Amount. Similarly, CBI and its Material Affiliates will cause such Properties to be encumbered with mortgages or fixed, specific charges or security interests (or the reasonable equivalent thereof in the jurisdiction(s) where the Properties are located) in favour of the Issuer as part of the security for repayment of the Loan, subject always to CBI's right to subordinate one or more of such mortgages or fixed charges or security interests. However, CBI or Material Affiliates are permitted under the Loan Agreement to use funds from the Secured Account in circumstances where no security interest or charge over any Collateral is made in

favour of the Issuer, including payment of non-refundable deposits by or in favour of CBI or the applicable Material Affiliate in connection with a possible acquisition of Property. See **Item 2.6.2 – Loan Agreement**. CBI and the applicable Material Affiliate(s) intend to hold such Properties until it is commercially opportune to sell or otherwise dispose of them, which dispositions might be, in some cases, to other CBI affiliates. Upon the sale or other disposition of a Property, cash sale proceeds equal to the Funded Amount for that Property are to be placed back in the Secured Account and may be used again by CBI and its Material Affiliates to acquire, refinance, develop or renovate other Properties, from time to time, in their sole discretion, in accordance with the Loan Agreement until the Loan is repaid by CBI under the terms thereof. The Issuer's security for CBI's satisfaction of its obligations under the Loan Agreement, including CBI's payment of interest and repayment of principal on the Loan, and the obligations of CBI and the Material Affiliates regarding the Collateral, are limited in recourse to the Collateral. See **Item 2.3 – Long-Term Objectives** and **Item 2.6.2 – Loan Agreement**.

The Loan Agreement also contemplates CBI paying less than the Funded Amount for a Property back to the Secured Account. If, for example, CBI (and its Material Affiliates) sells only part of a Property, then sale proceeds less than the Funded Amount will be returned to the Secured Account and the existing mortgage (or other fixed, specific charge on security interest, as the case may be) security on the balance of the Property will be maintained in the amount equal to the difference between the pre-sale amount of the security for that Property (being the amount of Loan principal allocated to such Collateral) and the amount repaid to the Secured Account as a result of the partial disposition of the relevant Property. Under the Loan Agreement, there is no limit on the number of times that CBI may use funds from the Secured Account to purchase or refinance Properties (and sell them) until the Maturity Date.

Under the Loan Agreement, funds from the Secured Account used by CBI or a Material Affiliate to acquire or refinance a Property cannot exceed 100% of the Property Value to CBI or the Material Affiliate for that Property. The remaining costs associated with the purchase of a Property, such as transfer fees, title insurance and closing costs, will be funded by CBI or the Material Affiliate or from other sources, including from lenders to CBI or the Material Affiliate.

As of the date hereof, the Issuer has realized Note Proceeds of \$7,582,500 under the Offering and, as discussed herein, the amount of CBI's principal indebtedness under the Loan is \$7,620,472. To date, the Issuer has advanced net Note Proceeds of \$6,115,422 to CBI under the Loan. CBI has attributed Loan proceeds of \$6,257,132 to Lancaster, a Material Affiliate, under the Lancaster Mortgage in connection with the refinancing of certain Properties owned by Lancaster that are part of the VENU Project, Phase 1. CBI has assigned and will continue to assign all its right, title and interest in the Properties mortgaged under the Lancaster Mortgage to the Issuer, and Lancaster has guaranteed and will guarantee CBI's obligation to the Issuer under the Loan Agreement to the extent that Loan proceeds are attributed to Lancaster. The Lancaster Mortgage is subordinate to the security interests over the same Collateral granted in favour of arm's length creditors of Lancaster. See **Item 2.2.3.1 – Lancaster Mortgage** and **Item 2.6.4 – Assignment of Lancaster Mortgage**.

CBI has attributed Loan proceeds of \$499,984 to Diamond Key Homes, a Material Affiliate, under the DKH Mortgage in connection with the refinancing of certain property. Diamond Key Homes has encumbered and will continue to encumber the Collateral mortgaged under the DKH Mortgage in favour of the Issuer and has guaranteed and will continue to guarantee CBI's obligation to the Issuer under the Loan Agreement to the extent that Loan proceeds are attributed to Diamond Key Homes. CRA has registered a \$1,226,509 security interest against certain Collateral (five lots) mortgaged under the DKH Mortgage as a result of Diamond Key Homes' goods and services tax remittances that remain outstanding at the date of this offering memorandum in the amount of approximately \$584,375. The CRA lien takes priority over the security interest against the Collateral granted in favour of the Issuer under the DKH Mortgage. See **Item 2.2.3.2 – DKH Properties** and **Item 2.6.5 – DKH Mortgage**.

CBI has attributed Loan proceeds of \$542,676 to Keystone Business Park, a Material Affiliate, under the Keystone Mortgage in connection with the development of certain Property. Keystone Business Park has encumbered and will continue to encumber the subject Collateral mortgaged under the Keystone Mortgage in favour of the Issuer (to be registered as soon as practicable) and has guaranteed and will continue to guarantee CBI's obligation to the Issuer under the Loan Agreement to the extent that Loan

proceeds are attributed to Keystone Business Park. The Keystone Mortgage has been postponed and subordinated to the security interest over the same Collateral granted to an arm's length creditor in connection with the CLDC Bridge Loan. See **Item 2.2.3.3 – Keystone Business Park Property** and **Item 2.6.6 – Keystone Mortgage**.

CBI has advanced Loan proceeds of \$187,501 to the direction of Chestermere Lands Development Corporation, a Material Affiliate, as a deposit in connection with the acquisition of an undivided interest in certain real estate located in Chestermere, Alberta. The advanced amount will continue as outstanding principal under the Loan until repaid but is not secured in favour of the Issuer by a security interest or charge over any of Chestermere Lands Development Corporation's assets. See **Item 2.6.2 – Loan Agreement**. Chestermere Lands Development Corporation intends to provide a promissory note in favour of CBI in connection with the advance of Loan proceeds and guarantee CBI's obligation to the Issuer under the Loan Agreement to the extent that Loan proceeds are attributed to Chestermere Lands Development Corporation. Given that Chestermere Lands Development Corporation acquired an undivided interest in real estate, it is not anticipated that any security interest in the subject lands will be granted in favour of the Issuer or that the Issuer will hold a security interest in any Collateral of Chestermere Lands Development Corporation.

CBI has used Loan proceeds of \$133,143 for its own purposes, which amount will continue as outstanding principal under the Loan until repaid but is not secured in favour of the Issuer by a security interest or charge over any of CBI's assets. See **Item 2.6.2 – Loan Agreement**.

As of the date of this offering memorandum, CBI is indebted under the Loan in the principal amount of \$7,620,472, which represents the principal amount of \$7,582,500 corresponding to the Issuer's aggregate principal indebtedness under the Notes (i.e., the Note Proceeds) plus unpaid interest on the Loan (approximately 0.5%) that has been capitalized and is treated as principal under the Loan. The provisions of the Loan Agreement operate such that unpaid interest on the Loan, in whole or in part, becomes part of the Loan principal as of the applicable Interest Instalment Date(s). See **Item 2.6.2 – Loan Agreement**. Accordingly, CBI is not in violation or default under the Loan Agreement. As of the date of this offering memorandum, sufficient interest payments have been made to the Issuer to enable it to meet its interest payment obligations under the outstanding Notes.

As of the date of this offering memorandum, CBI and the Material Affiliates have provided Collateral in the aggregate amount of approximately \$6,115,422 on the basis described in this offering memorandum. See **Item 2.2.3 – The Properties** and **Item 2.6 – Material Agreements**. In view of the outstanding Loan principal balance as of the date of this offering memorandum, the Material Affiliates will increase the amount of Collateral and associated indebtedness (including Loan guarantees in favour of the Issuer) in support of the Loan by approximately \$1,505,050, which Collateral and associated indebtedness may be increased from time to time as the outstanding Loan principal increases but is subject to amounts advanced under the Loan for which no Collateral will be taken by the Issuer (as disclosed herein).

Effective as of the Closing for the Minimum Note Offering, CBI and the Issuer have entered into the Management Agreement, whereby CBI will provide ongoing administrative and management services to the Issuer and will agree to pay costs of the Offering and the ongoing general and administrative expenses incurred by the Issuer to the extent that the Issuer is unable to finance such amounts from its Working Capital (as funded with Note Proceeds upon CBI's direction under the Loan Agreement), subject to a specified maximum amount and CBI terminating its financing obligations in certain circumstances. The Issuer will not be required to reimburse CBI for such payment of costs. See **Item 1.1 – Funds** and **Item 2.2.4 – Support from CBI**.

As of the Maturity Date, the Issuer will use the funds that it receives on the repayment of the Loan (i.e., the outstanding Loan principal together with all accrued but unpaid interest) to repay the outstanding Note principal plus accrued but unpaid interest on the outstanding Notes. After the repayment of the Loan to the Issuer and the repayment of the principal amount and interest under the outstanding Notes as of the Maturity Date, it is currently intended that after the Maturity Date, the Issuer will be wound-up and dissolved.

The Issuer intends to invest the Class B Share Proceeds in Permitted Investments prior to the Maturity Date. It is currently intended that Class B Shareholder approval will be sought for the winding-up and dissolution of the Issuer after the Maturity Date. **Class B Shareholder approval for the winding-up and dissolution of the Issuer requires a special resolution under the ABCA. If the winding-up and dissolution of the Issuer is so approved, the Issuer will discharge its liabilities and distribute its remaining assets (if any) to those Class B Shareholders in accordance with the ABCA.** Class B Shares will participate in the distribution of the remaining assets of the Issuer (if any) in connection with such winding-up and dissolution. There is no assurance that, in participating in the distribution of the remaining assets (if any) of the Issuer, Class B Shareholders will receive any amount. Because the Permitted Investments are issued and administered by a third party, there is no guarantee that the Class B Share Proceeds will remain intact or that there will be any interest or return on the Permitted Investments sufficient to enable the Issuer to distribute any remaining assets, whether in an amount for each outstanding Class B Share that approximates the issue cost, or at all. CBI may, in its discretion and subject always to applicable laws, provide funds (as a loan or otherwise) to enable the Issuer to distribute its remaining assets in an amount for each outstanding Class B Share that approximates the issue cost, or greater; however, there is no assurance that CBI will, and CBI is under no obligation to provide any amount to the Issuer for this or any other purpose, except pursuant to the Loan Agreement or the Management Agreement. See **Item 8 – Risk Factors**.

The effect of (i) the operation of the terms of the Notes, including the interest payment obligations thereunder and the payment of the principal thereof as of the Maturity Date, (ii) the fact that the only material assets of the Issuer (other than the Class B Share Proceeds or the Permitted Investments and unused Working Capital reserve, if any) are rights and benefits of the Issuer, as a creditor, pursuant to the Loan Agreement (including the right to receive payments of principal and interest on account of the Loan), and (iii) the ongoing payment of Offering costs, Selling Commissions and general and administrative expenses, is that there will be little or no funds or tangible assets available for distribution to the Class B Shareholders. Since Class B Share Proceeds are to be invested in Permitted Investments, the original amount paid by the Class B Shareholders for their Class B Shares under the Offering is subject to the performance of the Permitted Investments. See **Item 2.2.4 – Support from CBI and Item 8 - Risk Factors**.

The Issuer does not generally intend to declare or pay any dividends on the Class B Shares prior to CBI repaying the principal amount of the Loan and accrued interest thereon, or the Issuer repaying the aggregate principal amount of the Notes and accrued but unpaid interest thereon as of the Maturity Date. However, the Issuer may, from time to time in its discretion and subject always to applicable laws, declare and pay dividends on Class B Shares prior to the winding-up and dissolution of the Issuer. CBI may, from time to time in its discretion and subject always to applicable laws, provide funds to the Issuer (as a loan or otherwise) to enable the Issuer to pay dividends on outstanding Class B Shares; however, there is no assurance that CBI will, and CBI is under no obligation to, provide any amount to the Issuer for this or any other purpose, except pursuant to the Loan Agreement or the Management Agreement. See **Item 8 – Risk Factors**.

It is intended that the Issuer will carry on no business other than as described in this offering memorandum. The Issuer is not a "mortgage investment corporation" as defined in the Tax Act and has no intention of becoming qualified as such.

See also **Item 2.2.4 – Support from CBI, Item 2.6 – Material Agreements, Item 5 – Securities Offered and Item 8 – Risk Factors**.

2.2.2 CBI Group's Business Model

Formed in 2005 to provide institutional grade investment opportunities to investors, CBI Investments Ltd. (www.cbigroupinvestments.com) utilizes its knowledge of economic indicators and real estate markets to identify strategic real estate investment opportunities throughout North America. CBI is an affiliate of Diamond Key Homes Ltd., one of central Alberta's largest residential homebuilders. CBI continually discovers high yielding real estate investment opportunities in a range of distressed asset acquisition, residential, multi-family, land banking, retail, early-stage commercial and industrial sectors in attractive

markets throughout North America. With a broad range of investment offerings, CBI aims to build investor wealth by offering attractive strategic assets through efficient investment vehicles in economically viable markets.

CBI's team includes property acquisition, project development, investor relations, client communications, education, marketing, compliance and legal departments. Each department is linked to a network of experts in their respective field outside of CBI. CBI's roster of consultants and industry experts provide external insight for each project that CBI takes into consideration as an investment opportunity. While researching potential real estate investments, CBI analyzes such factors as economic forecasts and trends, population forecasts, growth patterns, government policy and infrastructure proposals. In addition, CBI's focus will often involve feasibility studies, which may include meeting with prospective sellers, land brokers, developers, and government representatives.

CBI's due diligence process is designed to ascertain the risks and growth upside potential of the target asset. Only if the asset meets CBI's investment criteria, will CBI begin formulating the acquisition process.

CBI owns all the Class A Shares and is an affiliate of the Issuer. Having taken the initiative to establish the Issuer, CBI is considered to be a promoter of the Issuer for the Offering. In addition to the Loan, Frank Capital Partners Inc., or employees or other registered representatives thereof, may receive Selling Commissions in connection with the Offering. See **Item 2.2 – Our Business and its Development** and **Item 7 – Compensation Paid to Sellers and Finders**. The Issuer does not deal at arm's length with CBI, its promoter for the Offering, the Material Affiliates or other entities in the CBI Group, since (i) all the outstanding voting shares of the Issuer (Class A Shares) are owned and controlled, indirectly, by Travis Cadman and Ron Cadman, the directors and officers of the Issuer and directors and officers of CBI and various Material Affiliates, through Cadman Investments Ltd. and 744988 Alberta Ltd., Principal Holders of the Issuer and principal shareholders of CBI and various Material Affiliates that have provided Collateral in support of CBI's indebtedness to the Issuer under the Loan, making them affiliates, and borrowers from the Issuer under the Loan, and (ii) Ron Cadman and Travis Cadman, the directors and officers of the Issuer, are also directors, officers, shareholders (directly or indirectly), creditors (directly or indirectly) or employees of CBI or one or more other entities in the CBI Group, including various Material Affiliates that have provided Collateral in support of CBI's indebtedness to the Issuer under the Loan. Accordingly, none of the terms of the Loan Agreement, the Management Agreement and any agreements or security instruments securing the Loan are or will be the result of arm's length negotiations. Some or all of the management, directors, consultants, employees, promoters, solicitors, accountants, appraisers, developers and others that represent CBI may be the same as for the Issuer.

2.2.3 The Properties

Under the Loan Agreement, CBI and its Material Affiliates can use funds from the Secured Account to acquire or refinance or, thereafter, develop or renovate Properties. Additionally, CBI or one or more Material Affiliates is permitted under the Loan Agreement to use funds from the Secured Account in circumstances where no security interest or charge over any Collateral is made in favour of the Issuer, including payment of non-refundable deposits by or in favour of CBI or the applicable Material Affiliate in connection with a possible acquisition of Property. CBI, through its property acquisition team as detailed above, will, in its sole discretion without notice to or approval from any Securityholders, analyze and select Properties from time to time. CBI has full discretion and authority in respect of any acquisition, refinancing, development, renovation or disposition of any Property, in whole or in part, and in respect of use of funds from the Secured Account, in whole or in part, which discretionary authority may be exercised at any time and from time to time without notice to or approval or consent from any Securityholders. Properties might be located anywhere in several different areas or regions of North America based on the CBI acquisition team's assessment and selection criteria and selection process at that time and in respect of the type of property being assessed. In conjunction with the assessment, selection and acquisition or refinancing of a Property by CBI or a Material Affiliate, CBI intends to determine the form of structured investment or other holding that will ultimately own or use that Property. In such determination, CBI may, in its sole discretion without notice to or approval from any Securityholders, conclude that disposition or transfer of the Property, in whole or in part, to another

structured investment is in its best interests or represents the best utilization of funds from the Secured Account, in whole or in part, at the time. Where it is determined that the Property is to be transferred to, disposed of or held by, in whole or in part, an entity other than CBI or the Material Affiliate that used funds from the Secured Account to acquire or refinance the Property, whether as part of a structured investment offering that has been fully or partially completed or otherwise, CBI or the Material Affiliate may so transfer or dispose of the Property to such other entity (which may be another CBI affiliate) in conjunction with that structured offering transaction. CBI or the Material Affiliate will use the proceeds from such disposition or transfer to return the Funded Amount used (a portion thereof) by CBI or the Material Affiliate in initially acquiring or refinancing that Property to be returned to the Secured Account and the security in favour of the Issuer against that Property will be discharged. The Loan Agreement also contemplates the provision of less than the Funded Amount for a Property back to the Secured Account in circumstances where a partial discharge is sought. In such circumstances, the existing mortgage (or other fixed, specific charge or security interest, as the case may be) security on the balance of the Property will be maintained in the amount equal to the difference between the pre-sale amount of the security for that Property (being the amount of Loan principal allocated to such Collateral) and the amount repaid to the Secured Account as a result of the partial disposition of the relevant Property.

CBI's objectives for the Properties and its use of funds from the Secured Account prior to the Maturity Date are to: (i) establish a portfolio of Properties that sufficiently meet CBI's and the applicable Material Affiliates' investment guidelines; (ii) generate sufficient cash flow from the utilization or disposition of the Properties over the period leading up to the maturity of the Loan (and, concurrently, the Notes) through effective and efficient management of the asset portfolio in order to satisfy CBI's ongoing obligations under the Loan Agreement and the Management Agreement; and (iii) liquidate the Properties portfolio, in whole or in part from time to time, when market conditions are able to support sales prices in excess of acquisition, refinancing, development and renovation costs in view of its financial obligations to the Issuer, including its obligations to pay quarterly interest to the Issuer on the portion of the Loan principal that is equal to the aggregate Series 1 Note Proceeds and, thereafter, repay the Loan principal and accrued but unpaid interest thereon as of the Maturity Date.

CBI and the applicable Material Affiliates may, in CBI's discretion, seek to enhance the value of the Properties portfolio and maximize long-term value (for rental or disposition, ultimately) through developing, renovating or upgrading one or more Properties or through replacement of one or more of the properties within the Properties portfolio. CBI anticipates incurring costs in developing, repairing, renovating or upgrading one or more of the Properties and other costs in connection with managing and marketing the Properties, which costs might be funded from various sources, in whole or in part, including revenues generated by the Properties, the Loan, arm's length financing (if any) available to and used by CBI and the applicable Material Affiliates for such purposes, or a combination thereof. While CBI has not fully developed its current business strategy for acquiring, refinancing, developing or renovating, any Properties or, thereafter, the utilization or disposition strategy for any Properties, in whole or in part, and have not currently developed a budget in connection with any costs to accurately quantify them, CBI currently anticipates paying various costs associated with the Properties without accessing funds from the Secured Account (using revenues generated through the use of the Properties, although payment of some or all such costs may be made using funds from other sources, including funds available under the Loan, arm's length, third party financing, if available, or a combination of such sources of capital). Funding to pay development, renovation or other costs associated with one or more Properties might require CBI and the applicable Material Affiliates to encumber their assets, including one or more of the Properties, which encumbrance may involve subordination of the security for the Loan.

CBI or Material Affiliates are permitted under the Loan Agreement to use funds from the Secured Account in circumstances where no security interest or charge over any Collateral has been granted in favour of the Issuer, including payment(s) of non-refundable deposits by or in favour of CBI or the applicable Material Affiliate in connection with a possible acquisition of Property. It is anticipated that, if the acquisition is completed, CBI or the applicable Material Affiliate would encumber the subject Property as Collateral in the manner contemplated under the Loan Agreement. However, to the extent the deposit is non-refundable and the proposed acquisition is not completed, such deposit amount may not be repaid to the Secured Account and none of the Issuer, CBI or the applicable Material Affiliate would have recourse

against any Collateral in respect of the deposit amount. There can be no assurance that repayment of the Loan will not be adversely affected or compromised in such case.

The successful development, use or disposition of any or all the Properties will depend upon a large number of factors applicable to real estate speculation and development, many of which are beyond CBI's and the applicable Material Affiliates' control or influence. Where the successful sale or other disposition of all or some of the Properties on a timely basis is unavailable, CBI and the applicable Material Affiliates might pursue other strategies, including using the Properties in a manner that generates revenue for CBI and the applicable Material Affiliates. Revenue generating strategies will expectedly result in operating costs in addition to any incurrence of development, renovation or upgrading costs in connection with such use for the Properties. CBI and the applicable Material Affiliates have no current intention to use the Properties in this way, have not developed strategies or budgets in connection with any such use for the Properties, and is unable to accurately quantify costs (including development, renovation or upgrading costs) for such use for the Properties.

The Offered Securities do not represent an investment in Properties but are an investment in non-voting shares of the Issuer, namely the Class B Shares, or in unsecured debt securities of the Issuer, namely the Notes. Further, the Issuer does not and will not own any Properties. All Properties are and will be owned by CBI or the Material Affiliates (pending dispositions thereof); the Issuer will be a secured creditor of CBI or one or more of the Material Affiliates at any given time. See **Item 2.2 – Our Business and Its Development, Item 2.3 – Long-Term Objectives and Item 8 – Risk Factors.**

As of the date hereof, the Issuer has realized Note Proceeds of \$7,582,500 under the Offering and, as discussed herein, the amount of CBI's principal indebtedness under the Loan is \$7,620,472. To date, the Issuer has advanced net Note Proceeds of \$6,115,422 to CBI under the Loan. CBI has attributed Loan proceeds of \$6,257,132 to Material Affiliates under the Lancaster Mortgage, which is subordinate to the security interests over the same Collateral granted in favour of arm's length creditors of Lancaster. CBI has attributed Loan proceeds of \$499,984 to its Material Affiliate under the DKH Mortgage (CRA has registered a priority security interest against certain Collateral mortgaged in favour of the Issuer under the DKH Mortgage). CBI has attributed Loan proceeds of \$542,676 to its Material Affiliate under the Keystone Mortgage, which has been postponed and subordinated to the security interest over the same Collateral granted in favour of an arm's length creditor in connection with the CLDC Bridge Loan. CBI has advanced Loan proceeds of \$187,501 to the direction of its Material Affiliate as a deposit in connection with the acquisition of an undivided interest in certain real property, which amount will continue as outstanding principal under the Loan until repaid but is not secured in favour of the Issuer by a security interest or charge over any of the Material Affiliate's assets or other Collateral. CBI has used Loan proceeds of \$133,143 for its own purposes, which amount will continue as outstanding principal under the Loan until repaid but is not secured in favour of the Issuer by a security interest or charge over any of CBI's assets or other Collateral. See **Item 2.6.2 – Loan Agreement.**

As of the date of this offering memorandum, CBI is indebted under the Loan in the principal amount of \$7,620,472, which represents the principal amount of \$7,582,500 corresponding to the Issuer's aggregate principal indebtedness under the Notes (i.e., the Note Proceeds) plus unpaid interest on the Loan (approximately 0.5%) that has been capitalized and is treated as principal under the Loan. The provisions of the Loan Agreement operate such that unpaid interest on the Loan, in whole or in part, becomes part of the Loan principal as of the applicable Interest Instalment Date(s). See **Item 2.6.2 – Loan Agreement.** Accordingly, CBI is not in violation or default under the Loan Agreement. As of the date of this offering memorandum, sufficient interest payments have been made to the Issuer to enable it to meet its interest payment obligations under the outstanding Notes.

As of the date of this offering memorandum, CBI and the Material Affiliates have provided Collateral in the aggregate amount of approximately \$6,115,422 on the basis described in this offering memorandum. See **Item 2.2.3 – The Properties and Item 2.6 – Material Agreements.** In view of the outstanding Loan principal balance as of the date of this offering memorandum, the Material Affiliates will increase the amount of Collateral and associated indebtedness (including Loan guarantees in favour of the Issuer) in support of the Loan by approximately \$1,505,050, which Collateral and associated indebtedness may be

increased from time to time as the outstanding Loan principal increases but is subject to amounts advanced under the Loan for which no Collateral will be taken by the Issuer (as disclosed herein).

2.2.3.1 Lancaster Mortgage

CBI has, as lender and mortgagee, entered into the Lancaster Mortgage with its Material Affiliate, Lancaster, as borrower and mortgagor. CBI and Lancaster intend that Loan proceeds of up to \$7.5 million may be attributed to Lancaster, from time to time, under the Lancaster Mortgage. The purpose of the Lancaster Mortgage loan is primarily to provide Lancaster with funds in connection with the construction of Phase 1 of the seven-acre apartment and townhouse development located at 2660 22nd Street in Red Deer, Alberta known as "VENU Urban Residences" (the "**VENU Project**"). CBI may fund some or all of the amounts attributed under the Lancaster Mortgage using Loan proceeds.

As of the date hereof, CBI has attributed Loan proceeds of \$6,257,132 to Lancaster and other Material Affiliates under the Lancaster Mortgage but, as of the date of this offering memorandum, and Lancaster has provided CBI or the Issuer promissory notes and Loan guarantees, and has mortgaged the VENU Project, in the amount of approximately \$5 million. In view of the outstanding Loan principal as of the date of this offering memorandum, Lancaster will increase the amount of Collateral and associated indebtedness (including Loan guarantees and increased mortgage principal in favour of the Issuer) in support of the Loan, which Collateral and associated indebtedness may further increase as the outstanding Loan principal increases.

The VENU Project has three phases. Lancaster has substantially completed construction of Phase 1, a development consisting of: (1) 100-unit condominium apartment complex encompassing a footprint area of 34,033 square feet, with a total of 136,074 square feet on all four levels; (2) a 160-stall parkade below the main level of the apartment complex, covering 192,526 square feet; and (3) a seven-unit complex of two-storey townhouses, encompassing a footprint area of 6,469 square feet. Lancaster has completed the sale of or sold, subject to providing clear title, three townhouses, 32 apartments and 48 accompanying parking stalls.

The unsold portion of the VENU Project, Phase 1 consists of:

- 68 apartment units, including 30 two-storey loft units (ranging in size from 1,132 to 2,327 square feet) and 38 single-level apartments (ranging in size from 679 to 2,327 square feet), of which 13 units still need to be completed;
- 112 parking stalls in the apartment parkade;
- four townhouses (averaging 1,550 square feet above grade, with full basements and detached, double garages); and
- a common area with amenities that include a demonstration kitchen providing a take-out meal service, a 28-seat theatre, an internet/games room, wireless internet area, full-service gymnasium, a lounging library and lobby area, and several multi-sided fireplaces.

Lancaster has mortgaged substantially all of the remainder of the VENU Project, Phase 1 together with two unimproved, multi-family residential parcels of land on which the VENU Project, Phases 2 and 3 are to be situated, covering an aggregate of approximately 4.57 acres (the "**VENU Phase 2 and 3 Lands**") under the Lancaster Mortgage. Lancaster intends to use funds available to it under the Lancaster Mortgage loan to complete construction on Phase 1 of the VENU Project (estimated to cost approximately \$696,310), including the completion of approximately 13 apartment units, and to remove the encumbrances on the mortgaged Properties so that those Properties can be marketed and sold. It is intended that proceeds from the disposition of the Phase 1 Properties will be used to repay, in whole or in part, the Lancaster Mortgage loan and, indirectly, the portion of the Loan secured by the Lancaster Mortgage.

As of the date hereof, CBI has attributed Loan proceeds of \$6,257,132 to Lancaster under the Lancaster Mortgage. The Lancaster Mortgage matures September 22, 2010. Lancaster's outstanding principal indebtedness under the Lancaster Mortgage bears interest at the annual, simple rate of 14.0%, calculated monthly not in advance as well after as before maturity until paid. Under the Lancaster Mortgage, Lancaster will pay CBI:

- (a) monthly instalments of interest only on the last day of each and every month from and including October 31, 2009 to and including September 22, 2010 and until the whole of the monies hereby secured is fully paid;
- (b) a non-refundable administration fee of \$45,000, which is to be deducted from the gross amount of the loan;
- (c) an administration fee of \$250 in connection with each VENU Project apartment or townhouse unit (Phase 1) mortgaged under the Lancaster Mortgage that is subsequently sold; and
- (d) the balance of monies due under the Lancaster Mortgage loan on maturity.

As security for its obligations under the Lancaster Mortgage, Lancaster has granted a second mortgage in favour of CBI of all its estate, property and interest (as registered fee simple owner) in the real property, including the buildings and improvements thereon, comprised in Phase 1 of the VENU Project. The Properties mortgaged in favour of CBI under the Lancaster Mortgage are described under Condominium Plan 0926323 registered with the Alberta Land Titles Office and consist of:

- 68 apartment units (some of which remain unfinished as of the date hereof); and
- 112 parking stalls; and
- four residential townhouse units.

CBI's security interest under the Lancaster Mortgage, as registered against the mortgaged Properties, is subject to certain security interests and encumbrances granted by Lancaster, as follows (excluding various utilities rights-of-way and certain other permitted encumbrances):

- a mortgage in favour of a Canadian chartered bank securing an amount of \$25 million (the "**VENU Construction Mortgage**"). As at November 30, 2010, Lancaster had outstanding principal indebtedness with the chartered bank, which is underlying the VENU Construction Mortgage, of approximately \$14,694,041, including accrued but unpaid interest thereon;
- a security interest in respect of a trades forbearance agreement in the amount of approximately \$1,612,653, which amount was owed (as of the date of this offering memorandum) to certain trade creditors of Lancaster; and
- a mortgage in favour of Keystone Communities Ltd., a corporation affiliated with CBI, Lancaster and the Issuer, securing a principal amount of \$5.3 million. Keystone Communities Ltd. has subordinated its mortgage to the Lancaster Mortgage.

Lancaster was in default under the construction loan for the VENU Project with the Canadian chartered bank that is the lender and mortgagee under the VENU Construction Mortgage. As of the date hereof, Lancaster has entered into an agreement with the chartered bank, whereby the bank has agreed to forbear its rights under the VENU Project construction loan and the VENU Construction Mortgage until August 31, 2011, subject to certain terms and conditions. Lancaster has submitted to the bank its plan demonstrating how additional funds are to be made available to Lancaster (including the Lancaster Mortgage loan) and builder's liens and other encumbrances registered against the mortgaged Phase 1 Properties are to be discharged (including Lancaster's trade forbearance agreement dated as of February 10, 2010 regarding the forbearance of claims by, and settlement of amounts owed to, certain trade

creditors in connections with the VENU Project), and including a cash flow model illustrating how Lancaster's debt obligations to the bank are to be reduced in an orderly fashion over a reasonable period.

Despite forbearance arrangements with various creditors, Lancaster may not be able to remain in compliance with the financial covenants contained in certain of its revolving credit facilities and other financing agreements, which could result in a default and permit its lenders to declare all amounts to be due and payable and terminate all commitments to extend further credit. The future operations of Lancaster depend on the continuing support of its construction loan creditor to continue as a going concern. Lancaster incurred a substantial loss for the year ended December 31, 2009 and the interim period ended June 30, 2010, and has a substantial working capital deficit as of the date hereof. Lancaster's ability to fulfill its financial commitments requires that it access additional capital or sell assets to support its activities and meet its obligations as they become due. To address these matters, Lancaster management will continue its efforts to restructure its borrowing arrangements with its construction loan creditor and trade creditors, and raise additional capital through the sale of assets, the issue and sale of securities (debt or equity), or borrowing under the Lancaster Mortgage. There can be no assurance that Lancaster will be able to do so. Lancaster's inability to raise additional capital, sell off assets or restructure its debts with its construction loan creditor or trade creditors may result in a material adverse affect on the business, results of operations or financial covenants of the company. In addition, if Lancaster is unable to meet certain existing covenants or restructure its debts with its construction loan creditor, such chartered bank would be in a position to demand the immediate repayment of its credit facilities and enforce on its security.

Lancaster is and may continue to be materially adversely affected by current real estate market conditions in Red Deer, Alberta. Continued negative economic conditions will continue to have a negative impact on Lancaster's business, results of operations and financial condition and its ability to raise additional capital, sell off assets or restructure its debts with its construction loan creditor or trade creditors, and may cause a number of the risks that Lancaster currently faces to increase in likelihood, magnitude and durations.

Lancaster may not have sufficient funds available to meet its obligations. Lancaster has a significant amount of debt, which could adversely affect its financial condition.

As security for its obligations under the Loan Agreement, CBI has assigned to the Issuer all of its right, title and interest in the mortgaged Properties under the Lancaster Mortgage. See **Item 2.6.4 – Assignment of Lancaster Mortgage.**

Lancaster commissioned an independent, accredited member of the Appraisal Institute of Canada, to appraise the market value of the four unsold townhouses, 68 unsold apartment units in the VENU Project, Phase 1 (on an as-completed basis), and 112 unsold parking stalls in the apartment parkade. Lancaster received an independent appraisal report dated January 14, 2010, estimating the aggregate market value of the four unsold townhouses, 68 unsold apartment units in the VENU Project, Phase 1 (on an as-completed basis), and 112 unsold parking stalls in the apartment parkade (on an as-completed basis) as at January 4, 2010 at \$22,997,000, subject to certain assumptions and limitations as set out therein (the "**VENU Project, Phase 1 Appraisal**"). The VENU Project, Phase 1 Appraisal estimated an aggregate market value using the "Direct Comparison Approach", whereby the subject property is compared to similar developments recently sold in the marketplace. The major premise of this appraisal technique is that the market value of a property is directly related to the price of comparable and competitive properties. The advantage of the Direct Comparison Approach is that it reflects the actions of buyers and sellers in the marketplace; the approach is most valid when truly comparable sales or offerings from the same general area are available. Since no two properties are identical, adjustments for differences are applied to the sales prices to provide a correlation of values between the comparable properties and the property being appraised.

Lancaster also commissioned an independent, accredited member of the Appraisal Institute of Canada, to appraise the market value of the VENU Phase 2 and 3 Lands. Lancaster received an independent appraisal report dated September 11, 2010, estimating the aggregate market value as at January 1, 2009 of the VENU Phase 2 and 3 Lands at \$4,700,000, subject to certain assumptions and limitations as set

out therein (the "**VENU Phase 2 and 3 Land Appraisal**"). The VENU Phase 2 and 3 Land Appraisal estimated an aggregate market value using the "Direct Comparison Approach", whereby the subject property is compared to similar developments recently sold in the marketplace. The major premise of this appraisal technique is that the market value of a property is directly related to the price of comparable and competitive properties. The advantage of the Direct Comparison Approach is that it reflects the actions of buyers and sellers in the marketplace; the approach is most valid when truly comparable sales or offerings from the same general area are available. Since no two properties are identical, adjustments for differences are applied to the sales prices to provide a correlation of values between the comparable properties and the property being appraised. The VENU Phase 2 and 3 Land Appraisal assumes that, as advised by Lancaster, a full set of services (including all deep and shallow services) has been 100% installed and completed on the VENU Phase 2 and 3 Lands.

Lancaster has advised the Issuer that it has incurred site preparation costs totalling approximately \$1,515,067 in connection with the installation and completion of services on the VENU Phase 2 and 3 Lands.

2.2.3.2 DKH Properties

CBI has, as lender and mortgagee, entered into the DKH Mortgage with its Material Affiliate, Diamond Key Homes, as borrower and mortgagor. CBI and Diamond Key Homes intend that Loan proceeds of up to \$1,000,000 may be attributed to Diamond Key Homes, from time to time, under the DKH Mortgage.

As of the date hereof, CBI has attributed Loan proceeds of \$499,984 to Diamond Key Homes under the DKH Mortgage promissory notes; the advanced amount has been funded with Loan proceeds available to CBI under the Loan Agreement. Diamond Key Homes has used \$152,345 of the advanced funds to complete the acquisition of the certain real property interests (which property is not encumbered under the DKH Mortgage). The remaining funds have been or will be used for various working capital requirements. Diamond Key Homes has encumbered or will encumber the following Properties as Collateral in favour of the Issuer under the DKH Mortgage:

<u>Civic Address</u>	<u>Legal Description</u>	<u>Price</u>	<u>Prior Encumbrance</u>
5804 68 th Avenue Close Rocky Mountain House, AB	Lot 33, Block 2, Plan 0723036 ⁽²⁾⁽⁵⁾	\$ 85,000.00	Note 1
5808 68 th Avenue Close Rocky Mountain House, AB	Lot 35, Block 2, Plan 0723036 ⁽²⁾⁽⁵⁾	\$ 83,000.00	Note 1
5809 68 th Avenue Close Rocky Mountain House, AB	Lot 36, Block 2, Plan 0723036 ⁽²⁾⁽⁵⁾	\$ 83,000.00	Note 1
5803 68 th Avenue Close Rocky Mountain House, AB	Lot 39, Block 2, Plan 0723036 ⁽⁴⁾⁽⁵⁾	\$ 77,500.00	Note 1
6803 58 th Street Rocky Mountain House, AB	Lot 55, Block 1, Plan 0723036 ⁽⁴⁾⁽⁵⁾	\$ 77,000.00	Note 1
5013 54 th Avenue Close Rocky Mountain House, AB	Lot 43, Block 16, Plan 0824952 ⁽³⁾	\$ 273,000.00	Note 1
5011 54 th Avenue Close Rocky Mountain House, AB	Lot 44, Block 16, Plan 0824952 ⁽³⁾	\$ 273,000.00	Note 1

<u>Civic Address</u>	<u>Legal Description</u>	<u>Price</u>	<u>Prior Encumbrance</u>
5009 54 th Avenue Close Rocky Mountain House, AB	Lot 45, Block 16, Plan 0824952 ⁽³⁾	\$ 273,000.00	Note 1

Notes:

- (1) The Issuer's security interest under the DKH Mortgage, as registered or to be registered against the mortgaged Properties, is subject to various utilities rights-of-way and a restrictive covenant that limits the drilling and development of water wells on various sections of the land.
- (2) Property is encumbered in favour of the Issuer, as mortgagee, pursuant to DKH's mortgage dated April 15, 2010.
- (3) Property is encumbered in favour of the Issuer, as mortgagee, pursuant to DKH's mortgage dated June 30, 2010.
- (4) Property is to be encumbered in favour of the Issuer, as mortgagee, pursuant to a DKH's mortgage to be entered into and registered against the subject Property as soon as is practicable.
- (5) CRA has registered a lien that has priority over the security interest in favour of the Issuer under the DKH Mortgage for this Collateral.

CBI has attributed Loan proceeds of \$499,984 to Diamond Key Homes under the DKH Mortgage but, as of the date of this offering memorandum, Diamond Key Homes has provided promissory notes and Loan guarantees to the Issuer in the amount of approximately \$400,000. In view of the outstanding Loan principal attributed to Diamond Key Homes as of the date of this offering memorandum, Diamond Key Homes will increase the amount of Collateral and associated indebtedness (including Loan guarantees and additional mortgages in favour of the Issuer) in support of the Loan, which Collateral and associated indebtedness may further increase as the outstanding Loan principal increases.

Diamond Key Homes intends that proceeds from its disposition of the Collateral will be used to repay, in whole or in part, Diamond Key Homes' indebtedness to CBI under the DKH Mortgage loan and, indirectly, the portion of the Loan secured by the DKH Mortgage. See **Item 2.6.5 – DKH Mortgage**. CRA has registered a \$1,226,509 security interest against certain Collateral (five lots identified above) mortgaged under the DKH Mortgage as a result of Diamond Key Homes' goods and services tax remittances that remain outstanding at the date of this offering memorandum in the amount of approximately \$584,375. The CRA lien takes priority over the security interest against the Collateral granted in favour of the Issuer under the DKH Mortgage.

2.2.3.3 Keystone Business Park Property

CBI has, as lender and mortgagee, entered into the Keystone Mortgage with its Material Affiliate, Keystone Business Park, as borrower and mortgagor. CBI and Keystone Business Park intend that Loan proceeds of up to \$2,000,000 may be attributed to Keystone Business Park, from time to time, under the Keystone Mortgage.

As of the date hereof, CBI has attributed Loan proceeds of \$542,676 to Keystone Business Park under the Keystone Mortgage promissory note(s) and loan agreement(s); the advanced amount has been funded with Loan proceeds available to CBI under the Loan Agreement. Keystone Business Park has used the advanced funds for various working capital requirements. Under the Keystone Mortgage, Keystone Business Park has encumbered and will continue to encumber as Collateral in favour of the Issuer a total of 140 acres of certain raw lands located in Rocky View County adjacent to the southern city limits of the City of Airdrie, Alberta). The legal description of this Collateral is Meridian 5, Range 1, Township 26, Section 24, Quarter North West, containing 64.7 hectares (approximately 160 acres) more or less, excepting the east half of legal subdivision 14 containing 8.09 hectares (approximately 20 acres) more or less; and excepting thereout all mines and minerals.

Keystone Business Park intends that proceeds from its disposition of the Collateral will be used to repay, in whole or in part, Keystone Business Park's indebtedness to CBI under the Keystone Mortgage loan and, indirectly, the portion of the Loan secured by the Keystone Mortgage. See **Item 2.6.6 – Keystone Mortgage**. Keystone Business Park's ability to market and dispose of the subject Property is impacted by municipal regulatory requirements and approvals and environmental considerations which affect planning, engineering, zoning, development, subdivision or use of such Property. The lands that have been encumbered as Collateral are subject to inclusion in the Balzac West Area Structure Plan (the "**Balzac West ASP**"), adopted as of April 3, 2007 by the Department of Planning and Community Services of Rocky View County and forming part of Rocky View County Bylaw C-6433-2007. A copy of the Balzac West ASP is available at www.rockyview.ca/Uploaded/BalzacWestASP.pdf.

There are registered against Keystone Business Park's title to the subject Property the following encumbrances:

- 1028IG - Restrictive Covenant
- 751 047 236 - Utility Right of Way
- 771 147 064 - Zoning Regulations
- 101 266 330 – Keystone Mortgage
- 101 343 598 – Mortgage (\$3,500,000) in favour of arm's length creditor
- 101 343 599 – Assignment of Rents & Leases in favour of arm's length creditor
- 101 346 619 – Postponement of Keystone Mortgage

KBP Capital Corp., a company affiliated with CBI, Keystone Business Park and the Issuer will also have a secured interest registered against the subject Property in the amount of approximately \$19.2 million but it is intended that such interest will remain subordinate to the Issuer's interest in the Collateral under the Keystone Mortgage.

In connection with the CLDC Bridge Loan, the Issuer has agreed to subordinate and postpone its security interest(s) in the Collateral under the Keystone Mortgage to the security interest over the same Collateral granted by Keystone Business Park to lender under the CLDC Bridge Loan, which lender is at arm's length to Keystone Business Park, the Issuer and CBI, in the amount of \$3,500,000. It is intended that the Keystone Mortgage remain subordinated and postponed to the extent that the CLDC Bridge Loan remains unpaid. The CLDC Bridge Loan matures October 1, 2011.

CBI has attributed Loan proceeds to Keystone Business Park under the Keystone Mortgage in the amount of \$542,676 but, as of the date of this offering memorandum, Keystone Business Park has provided promissory notes and Loan guarantees to the Issuer, in the amount of approximately \$397,707. In view of the outstanding Loan principal as of the date of this offering memorandum, Keystone Business Park will increase the amount of Collateral and associated indebtedness (including Loan guarantees in favour of the Issuer) in support of the Loan, which Collateral and associated indebtedness may be further increased from time to time as the outstanding Loan principal increases.

Prior to completing its acquisition of the mortgaged Property, Keystone Business Park commissioned an independent, accredited member of the Appraisal Institute of Canada, to appraise the Lands. Keystone Business Park received an independent appraisal report dated January 15, 2008, estimating the market value of the mortgaged Property as at December 14, 2007 (the "**December 14, 2007 Appraisal**"), being a date relatively contemporaneous with the Keystone Business Park's acquisition thereof. The December 14, 2007 Appraisal estimated a market value using the "Direct Comparison Approach" based on the Principle of Substitution, which maintains that a prudent purchaser would not pay more for a property than it would cost to purchase a suitable alternative property that exhibits similar characteristics and functional

utility, etc. Using this approach, the mortgaged Property was compared to four similar properties that, as of the date of the appraisal (*i.e.*, December 14, 2007), were sold recently or currently offered for sale and appraised with the following assumptions taken into consideration:

- The City of Airdrie growth study approves the annexation of the subject property into the south city limits of the City of Airdrie.
- The Airdrie Area Structure Plan indicates the density for the subject property, with a Concept Plan, Land Use Guidelines Amendment and Subdivision Plan with Development Permit in place.
- All the City of Airdrie Utility Services and City Standard Road Infrastructure are available to the subject property line.
- The Balzac West ASP.

The estimated market value of the lands that have been encumbered as Collateral was determined in the December 14, 2007 Appraisal by using the sale price(s) per acre of the chosen comparable lands (after adjusting for time factors) to arrive at an estimated market value for the Lands of \$133,500 per acre (\$18,690,000) for the entire 140 acres. Keystone Business Park has not obtained an independent appraisal or estimate of the market value of the mortgaged Property that is more recent than the December 14, 2007 Appraisal. The estimated value for the mortgaged Property in the December 14, 2007 Appraisal was an estimate only. There is no assurance that the estimated value for the subject Property in the December 14, 2007 Appraisal is representative of the current market value of the Lands or that current market has not decreased. The amount that Keystone Business Park might actually receive if the mortgaged Property were sold may vary materially from this value because the value of real estate is inherently volatile and is subject to numerous market conditions.

Keystone Business Park has re-evaluated the market value of the mortgaged Property in connection with various financing initiatives. In compliance with generally acceptable accounting principals, Keystone Business Park carries the mortgaged Property at the lower of cost and net realizable value. Determination of the current net realizable value of the mortgaged Property involves the estimation by Keystone Business Park management of expected selling prices in the ordinary course of business, and estimates of costs of completion and costs required to make the sale. The economic downturn subsequent to Keystone Business Park's acquisition of the mortgaged Property had a significant impact on the value of the mortgaged Property. As a result of its assessment of the market value, Keystone Business Park reduced the carrying value of the mortgaged Property in its financial statements by \$8,548,453 to \$5,030,743 (approximately \$35,934 per acre). Keystone Business Park's current value for the mortgaged Property is an estimate only based on factors and assumptions that Keystone Business Park considers applicable in assessing current net realizable value, including recent selling prices for similar lands in the area. Uncertainty in the current economic environment makes it reasonably possible that estimates of net realizable value may change materially in the near term and the amount that Keystone Business Park might actually receive if and when the mortgaged Property are sold may vary materially from current estimate because the value of real estate is inherently volatile and is subject to numerous market conditions.

2.2.4 Support from CBI

The business of the Issuer is described in **Item 2.2 – Our Business and its Development**. The Issuer does not contemplate conducting any other business and, accordingly, anticipates that it will have minimal Working Capital requirements, except in connection with:

- ongoing general and administrative expenses and costs of the Offering, including accounting and audit fees, legal fees, and registry and transfer agent fees and expenses,

- payment to Series 1 Noteholders, prior to the Maturity Date on a quarterly basis, of interest calculated at the annual simple rate of 11% on the outstanding principal amount of the Series 1 Notes,
- payment to Series 3 Noteholders, prior to the Maturity Date on a monthly basis, of interest calculated at the annual simple rate of 11% on the outstanding principal amount of the Series 3 Notes,
- any retirement or repayment of Notes prior to the Maturity Date,
- repayment of the principal amount and accrued but unpaid interest on the outstanding Notes as of the Maturity Date,
- distribution of the remaining assets of the Issuer (if any) in connection with the winding-up and dissolution of the Issuer.

See **Item 1.1 – Funds.**

Following the Minimum Note Offering (which was completed on June 15, 2009) and as Notes are issued and sold, the Issuer intends, on CBI's direction under the Loan Agreement, to continue using Note Proceeds to pay Offering costs and general and administrative expenses (by establishing a Working Capital reserve account to provide capital for the Issuer to meet its ongoing obligations as anticipated or by paying expenses separately from such reserve account) and to pay Selling Commissions. Thereafter, the net Note Proceeds will be available to CBI pursuant to the Loan Agreement. See **Item 1.1 – Net Proceeds and Available Funds** and **Item 2.6.2 – Loan Agreement.**

However, the Issuer does not anticipate carrying on an active business, will have limited sources of Working Capital, and will be dependent on CBI for payment of some or all such expenses. **There is no assurance that the Issuer will have adequate Working Capital to meet the anticipated requirements described in this offering memorandum, including those described in this sub-item.** In conjunction with the Closing of the Minimum Note Offering, the Issuer and CBI will enter into the Management Agreement, whereby CBI will agree, among other things, to pay costs of the Offering and the ongoing general and administrative expenses incurred by the Issuer to the extent that the Issuer is unable to finance such amounts from its Working Capital (as funded with Note Proceeds upon CBI's direction under the Loan Agreement), subject to a specified maximum amount and to CBI terminating its financing obligations in certain circumstances. The Issuer will not be required to reimburse CBI for such payment of costs.

The maximum amount that CBI is obligated to fund under the Management Agreement is \$100,000; however, CBI may, at its sole option and discretion, elect to pay any amount in excess of that maximum. In consideration for such obligation, CBI will receive the Loan.

CBI intends to pay the Issuer: (i) quarterly, interest calculated at the simple annual rate of 11.5% on the outstanding portion of the Loan that equals the gross Series 1 Note Proceeds; (ii) interest at the Maturity Date at the annual rate of 11.5%, calculated daily and compounded annually, not in advance, on the outstanding portion of the Loan that equals Series 2 Note Proceeds; and (iii) monthly, interest calculated at the simple annual rate of 11.5% on the outstanding portion of the Loan that equals the gross Series 3 Note Proceeds (if any). The provisions of the Loan Agreement operate such that unpaid interest on the Loan, in whole or in part, becomes part of the Loan principal as of the applicable Interest Instalment Date(s). As well, the Issuer intends to establish a Working Capital reserve from Note Proceeds for paying such costs. Selling Commissions are to be deducted from Note Proceeds received at each Closing at which Notes are issued and sold (see **Item 7 – Compensation Paid to Sellers and Finders**). The Issuer intends to use the interest that it receives from the Loan (in respect of Series 1 Note Proceeds) to pay Series 1 Noteholders, prior to the Maturity Date on a quarterly basis, interest calculated at the simple annual rate of 11% on the outstanding principal amount of the Series 1 Notes. The Issuer intends to use the interest that it receives from the Loan (in respect of Series 3 Note Proceeds) to pay Series 3

Noteholders, prior to the Maturity Date on a monthly basis, interest calculated at the simple annual rate of 11% on the outstanding principal amount of the Series 3 Notes.

The Issuer intends to use the Loan principal and the accrued and unpaid interest thereon that it receives from CBI on the repayment of the Loan as of the Maturity Date to repay the principal amount of, and accrued but unpaid interest on, the Notes as of the Maturity Date. Where the Issuer wishes to retire any or all of the Notes, in whole or in part, pursuant to the terms thereof or, if a Noteholder, in the limited circumstances provided by the terms of the Notes, validly requests that the Issuer repay all or a portion of the Notes (see **Item 5.1.1 – Series 1 Notes**, **Item 5.1.2 – Series 2 Notes** and **Item 5.1.3 – Series 3 Notes**), the Issuer intends to use its right under the Loan to demand repayment of all or a portion thereof to obtain the funds required to complete such debt retirement or repayments.

CBI owns all the Class A Shares and is an affiliate of the Issuer. Having taken the initiative to establish the Issuer, CBI is considered to be a promoter of the Issuer for the Offering. In addition to the Loan, CBI or Frank Capital Partners Inc., or employees thereof, may receive Selling Commissions in connection with the Offering. See **Item 2.2 – Our Business and its Development** and **Item 7 – Compensation Paid to Sellers and Finders**. The Issuer does not deal at arm's length with CBI, its promoter for the Offering, the Material Affiliates or other entities in the CBI Group, since (i) all the outstanding voting shares of the Issuer (Class A Shares) are owned and controlled, indirectly, by Travis Cadman and Ron Cadman, the directors and officers of the Issuer and directors and officers of CBI and various Material Affiliates, through Cadman Investments Ltd. and 744988 Alberta Ltd., Principal Holders of the Issuer and principal shareholders of CBI and various Material Affiliates that have provided Collateral in support of CBI's indebtedness to the Issuer under the Loan, making them affiliates, and borrowers from the Issuer under the Loan, and (ii) Ron Cadman and Travis Cadman, the directors and officers of the Issuer, are also directors, officers, shareholders (directly or indirectly), creditors (directly or indirectly) or employees of CBI or one or more other entities in the CBI Group, including various Material Affiliates that have provided Collateral in support of CBI's indebtedness to the Issuer under the Loan. Accordingly, none of the terms of the Loan Agreement, the Management Agreement and any agreements or security instruments securing the Loan are or will be the result of arm's length negotiations. Some or all of the management, directors, consultants, employees, promoters, solicitors, accountants, appraisers, developers and others that represent CBI may be the same as for the Issuer. See **Item 3 – Directors, Management, Promoters and Principal Holders**.

The Issuer intends to invest the Class B Share Proceeds in Permitted Investments prior to the Maturity Date. It is currently intended that Class B Shareholder approval will be sought for the winding-up and dissolution of the Issuer after the Maturity Date. In connection with such winding-up or dissolution, the Issuer intends to distribute the remaining assets of the Issuer (if any) to the Class B Shareholders, using the Class B Share Proceeds plus any income or return earned from the Permitted Investments less taxes and the reasonable costs and expenses of the dissolution for such purposes. However, the Permitted Investments are issued and administered by a third party and, as a consequence, there is no guarantee that the Class B Share Proceeds will remain intact or that there will be any additional Working Capital available to the Issuer from the Permitted Investments or otherwise to distribute any remaining assets, whether in an amount for each outstanding Class B Share that approximates the issue cost, or at all. There is no assurance that, in participating in the distribution of the remaining assets (if any) of the Issuer, Class B Shareholders will receive any amount. CBI may, in its discretion and subject always to applicable laws, provide funds (as a loan or otherwise) to enable the Issuer to distribute its remaining assets in an amount for each outstanding Class B Share that approximates the issue cost, or greater; however, there is no assurance that CBI will, and CBI is under no obligation to provide any amount to the Issuer for this or any other purpose, except pursuant to the Loan Agreement or the Management Agreement. See **Item 8 – Risk Factors**.

2.3 Long-Term Objectives

The Issuer's long-term objectives are to:

- conduct the Offering (including the issue and sale of Notes and completion of the Minimum Share Offering);

- following the Minimum Note Offering (which was completed on June 15, 2009), lend Note Proceeds to CBI pursuant to the Loan Agreement and, once Notes have been issued and sold, manage its position as a secured, although potentially subordinated, creditor of CBI;
- invest the Class B Share Proceeds in Permitted Investments;
- pay Series 1 Noteholders, on a quarterly basis, interest calculated at the annual simple rate of 11% on the outstanding principal amount of the Series 1 Notes;
- pay Series 3 Noteholders, on a monthly basis, interest calculated at the annual simple rate of 11% on the outstanding principal amount of the Series 3 Notes;
- pay the Notes (together with accrued but unpaid interest, if any) as of the Maturity Date; and
- effect the winding-up and dissolution of the Issuer following the Maturity Date.

CBI's long-term objectives are to use funds from the Secured Account on a revolving basis, from time to time and in CBI's sole discretion, to: (i) purchase or refinance and, thereafter, develop or renovate Properties; (ii) pay the Issuer, quarterly, interest calculated at the simple annual rate of 11.5% on the outstanding portion of the Loan that equals the gross Series 1 Note Proceeds; (iii) pay the Issuer, monthly, interest calculated at the simple annual rate of 11.5% on the outstanding portion of the Loan that equals the gross Series 3 Note Proceeds (if any); (iv) pay the Issuer interest at the Maturity Date at the annual rate of 11.5%, calculated daily and compounded annually, not in advance, on the outstanding portion of the Loan that equals Series 2 Note Proceeds (if any); and (v) repay the Loan principal together with accrued but unpaid interest thereon as of the Maturity Date. The provisions of the Loan Agreement operate such that unpaid interest, in whole or in part, becomes part of the Loan principal as of the applicable Interest Instalment Date(s). See **Item 2.6.2 – Loan Agreement**. CBI will also provide ongoing administrative and other services to the Issuer and, in consideration for receiving the Loan, CBI will agree to pay (subject to a specified maximum amount and the ability of CBI to terminate its funding obligations in certain circumstances) the costs of the Issuer, including Offering costs and ongoing general and administrative expenses of the Issuer that the Issuer is unable to finance from its Working Capital (as funded with Note Proceeds upon CBI's direction under the Loan Agreement). See **Item 2.6.2 – Management Agreement**.

The Issuer is and will be a secured, although potentially subordinated, creditor of CBI and the applicable Material Affiliates in respect of CBI's (and the applicable Material Affiliates') indebtedness to the Issuer under the Loan. The Loan is the Issuer's primary asset. The Issuer's long-term goals involve managing its position as a secured, subordinated creditor of CBI and the applicable Material Affiliates through the maturity of the Loan, managing the collection of principal and interest from the Loan both before and as of the Maturity Date, and repaying the Issuer's indebtedness (principal and accrued interest) under the Notes from time to time through the Maturity Date. CBI's and the applicable Material Affiliates' principal indebtedness under the Loan will depend on the Note Proceeds raised under the Offering but will not exceed \$10,000,000 (plus accrued interest) upon the Issuer reaching the Maximum Note Offering. The ability of the Issuer to repay the Notes is dependent upon CBI, the promoter of the Issuer, repaying the Loan on a timely basis in accordance with the Loan Agreement. CBI's ability to repay the Loan on a timely basis is significantly dependent upon its and the applicable Material Affiliates' long-term strategy for the Properties. CBI has full discretion and authority in respect of any acquisition, refinancing, development, renovation or disposition of any Property, in whole or in part, and in respect of use of funds from the Secured Account, in whole or in part, which discretionary authority may be exercised at any time and from time to time without notice to or approval or consent from any Securityholders. See also **Item 2.2.3 – The Properties**.

2.4 Short-Term Objectives

The Issuer's objectives for the 12 months following the commencement of the Offering in May 2009 and the achievement thereof are discussed below.

What we must do and how we will do it	Target completion date or, number of months to complete	Our cost to complete
Raise up to \$10,000,000 under the Maximum Note Offering	Before June 30, 2011	\$1,075,000 ⁽¹⁾
Enter into the Loan Agreement, lend Note Proceeds under the Loan Agreement pursuant to the Loan to CBI, put in place the security for repayment of the Loan, and enter into the Management Agreement	Upon Closing of the Minimum Note Offering and at each subsequent Closing at which Notes are issued and sold	\$25,000 ⁽¹⁾⁽²⁾
Pay quarterly interest to Series 1 Noteholders	On each quarterly Interest Instalment Date	\$1,500 ⁽¹⁾⁽³⁾
Pay monthly interest to Series 3 Noteholders	On each monthly Interest Instalment Date	\$1,500 ⁽¹⁾⁽³⁾
Complete the Minimum Share Offering	Effective December 31, 2009	\$3,000 ⁽¹⁾⁽⁴⁾

Notes:

- (1) Costs associated with the Offering include legal, consulting and accounting and audit costs and costs in connection with establishing the Collateral in favour of the Issuer. The Issuer intends to establish a Working Capital reserve account for payment of, among other expenses, such Offering costs (including costs of establishing the Collateral in favour of the Issuer) and ongoing general and administrative costs. CBI will enter into the Management Agreement with the Issuer, whereby, in consideration for receiving the Loan, CBI will agree to pay (subject to a specified maximum amount and to CBI terminating its funding obligations in certain circumstances) the costs of the Issuer, including Offering costs and such ongoing general and administrative expenses of the Issuer, which the Issuer is unable to finance from its Working Capital (as funded with Note Proceeds upon CBI's direction under the Loan Agreement). See **Item 1.1 – Funds, Item 2.2.4 – Support from CBI, and Item 2.6.3 – Management Agreement**. As well, Selling Commissions of up to \$600,000 are payable in connection with the Maximum Note Offering. The Issuer completed the Minimum Note Offering (\$250,000) as of June 15, 2009. To date, the Issuer has realized Note Proceeds in the aggregate principal amount of \$7,582,500 and has paid Selling Commissions of \$453,569 in connection with the issue and sale of Notes.
- (2) Represents the costs that the Issuer anticipates incurring in connection with finalizing the Management Agreement, Loan Agreement and establishing the security for repayment of the Loan in favour of the Issuer, but excludes a regulatory or registration fees associated with such collateral. See **Item 2.6.2 – Loan Agreement and Item 2.6.3 – Management Agreement**.
- (3) Represents the administrative costs that the Issuer anticipates incurring in connection with each interest instalment on the Series 1 Notes or Series 3 Notes, as the case may be. The Issuer intends to fund all quarterly and monthly interest instalments on the outstanding Series 1 Notes and Series 3 Notes and administrative costs associated therewith from the interest instalments paid by CBI under the Loan Agreement.
- (4) The Issuer has completed the Minimum Share Offering (\$75,000). To date, the Issuer has issued and sold 87,500 Class B Shares.

2.5 Insufficient Proceeds

The proceeds of the Offering may not be sufficient to accomplish all of the Issuer's proposed objectives and there is no assurance that alternative financing to pay for such objectives will be available. See **Item 2.2 – Our Business and its Development and Item 8 – Risk Factors**.

The Issuer intends to advance the Note Proceeds under the Loan. The Issuer does not intend to hold any significant cash reserves for an extended period, other than the Class B Share Proceeds (or Permitted Investments in which Class B Share Proceeds are invested) and the Working Capital reserve to be established with Note Proceeds for payment of ongoing Offering costs and general and administrative expenses incurred by the Issuer. The Issuer's short- and long-term objectives involve raising funds to loan to CBI to facilitate the purchase or refinancing of Properties and, thereafter, the use or disposition of

such Properties. A return on investment for a Note Investor is dependant upon CBI's ability to meet its obligations of principal and interest pursuant to the Loan.

The Note Proceeds loaned to CBI by the Issuer might not, by themselves, be sufficient to accomplish the proposed objectives of CBI, including that such funds may be insufficient to allow CBI to successfully purchase, refinance, develop or renovate the Properties for successful utilization or, ultimately, sale. CBI may, to the extent available on acceptable terms, obtain institutional financing or other arm's length, third party financing to fund, in part, the purchase, refinancing, development or renovation of the Properties. There is no assurance that alternative financing will be available on acceptable terms or at all.

Neither a Noteholder nor a Class B Shareholder is required to contribute any additional funds to the Issuer over and above the applicable subscription amount for those Offered Securities.

The Issuer's ability to repay indebtedness under the Notes upon maturity or at all (including the quarterly payment of interest on the outstanding Series 1 Notes, if any and the monthly payment of interest on the outstanding Series 3 Notes, if any) is directly dependent on CBI repaying its indebtedness under the Loan on a timely basis. The Issuer's obligations to pay interest quarterly and monthly to Series 1 Noteholders and Series 3 Noteholders (as applicable) has been designed to correspond to CBI's obligation to pay interest quarterly or monthly under the Loan on the Loan principal that is equal to Series 1 Note Proceeds or Series 3 Note Proceeds (as applicable); however, there is no assurance that CBI will be able to satisfy its quarterly interest obligations on a timely basis or at all. Similarly, the maturity of the Notes has been designed to correspond to the Loan maturity; however, there is no assurance that CBI will be able to repay the Loan at that time or, consequently, that the Issuer will be able to repay the Notes at that time (or the payment of accrued but unpaid interest as of the Maturity Date). CBI's repayment of the Loan will depend substantially on (a) its ability to generate on a timely basis proceeds from the use or disposition of the Properties sufficient to discharge prior encumbrances and meet the debt service and repayment obligations of the Loan, or (b) the availability of alternative financing. The Issuer might also seek alternate financing to fund, in whole or in part, quarterly interest payments on the outstanding Series 1 Notes, monthly interest payments on the Series 3 Notes or its repayment of the Notes (or the payment of accrued but unpaid interest as of the Maturity Date) at any time, including where CBI has not satisfied its quarterly or monthly interest obligations under the Loan or repaid the Loan in part or at all. There is no assurance that sufficient funds will be available to the Issuer, whether from CBI or from alternative sources, for quarterly interest or monthly payments on the outstanding Series 1 Notes or Series 3 Notes (as applicable) or its repayment of the Notes (or the payment of accrued but unpaid interest as of the Maturity Date). As a result, there is no assurance or guarantee that the Issuer and, correspondingly, the Note Investors will earn a return on their investment.

The Loan Agreement provides that the Issuer's sole recourse where CBI has been unable to meet its obligations under the Loan is to realize on the Collateral. This means that if CBI defaults under any of its obligations under the Loan Agreement or under the terms of the Collateral established in favour of the Issuer by CBI or the Material Affiliates on the Properties, the Issuer will have a very restricted cause of action against CBI or its affiliates to enforce its security, even as a secured creditor of CBI or the Material Affiliate(s). The only remedy available to the Issuer against CBI or the Material Affiliates to recover the amounts owing to it by CBI under the Loan Agreement is to enforce the security granted to the Issuer and realize on the Collateral. The Issuer cannot try to sue on or seize or obtain the other assets of CBI or of the Material Affiliate.

In holding Notes, Noteholders are unsecured creditors of the Issuer. At any time when quarterly or monthly interest payments are due on the Series 1 Notes or Series 3 Notes (as applicable) or repayment of the Notes (including the payment of accrued but unpaid interest thereon as of the Maturity Date) is required, the Issuer may have other creditors, some of whom may have a registered security interest against the Issuer or its assets in priority to any Noteholder. If the Issuer is unable to satisfy its quarterly or monthly interest payments on the Series 1 Notes or Series 3 Notes (as applicable) when due or repay the Notes in full or at all upon maturity (including the payment of accrued but unpaid thereon as of the Maturity Date), Noteholders will proportionately share with other unsecured creditors in the remaining assets of the Issuer, if any, subject to the priority of the claims of secured creditors, if any.

There is no assurance that realization on the Collateral will be sufficient to repay indebtedness under the Loan or, consequently, the Notes, in whole or in part. There may be intervening encumbrances or interests of other creditors or interested persons that may stand in priority to the Issuer's security for the Loan, which may prevent or restrict the Issuer (or, consequently, Noteholders) from realizing on the Properties or any of the Secured Account. There may be principles at law or equity that prevent or restrict the Issuer (or, consequently, Noteholders) from realizing on the Properties or any of the Secured Account.

2.6 Material Agreements

The following summarizes all formal, written agreements or commercial instruments that can be reasonably be regarded as material, currently or upon being entered into, to the Issuer, its promoter, CBI or the Material Affiliates in connection with Offering or the use of the Note Proceeds.

2.6.1 Notes

The Series 1 Notes, Series 2 Notes and Series 3 Notes contain commercial terms that are substantially similar. The primary distinction between Series 1 Notes, Series 2 Notes and Series 3 Notes is with respect to the accrual and payment of interest, as described below. The description below is a summary only and is qualified entirely by reference to terms and conditions governing the Notes as contained in the Series 1 Note Certificates, Series 2 Note Certificates and Series 3 Note Certificates, as applicable.

Series 1 Notes issued pursuant to the Offering are unsecured debt securities of the Issuer, bearing interest at the simple annual rate of 11%, payable quarterly on the Interest Instalment Dates established by the Issuer and set forth in the Series 1 Note Certificate of each year until the Maturity Date, and mature on the Maturity Date. The first such interest payment is to be paid on the first scheduled Interest Instalment Date following Closing of the Minimum Note Offering. Thereafter, interest payments on outstanding Series 1 Notes are to occur on the scheduled basis.

Series 2 Notes issued pursuant to the Offering are unsecured debt securities of the Issuer due as of the Maturity Date, bearing interest at the compounded annual rate of 11%, which interest is payable as of the Maturity Date.

Series 3 Notes issued pursuant to the Offering are unsecured debt securities of the Issuer, bearing interest at the simple annual rate of 11%, payable monthly on the Interest Instalment Dates established by the Issuer and set forth in the Series 3 Note Certificate of each year until the Maturity Date, and mature on the Maturity Date. The first such interest payment is to be paid on the first scheduled Interest Instalment Date following the first Closing at which Series 3 Notes are issued and sold. Thereafter, interest payments on outstanding Series 3 Notes are to occur on the scheduled basis.

At the Closing of the Minimum Note Offering, the Issuer established the Maturity Date for all Notes, irrespective of their date of issue, as June 15, 2012, being the third anniversary of the Closing Date for the Minimum Note Offering. Accordingly, Notes issued and sold after that Closing will have an effective term to maturity of less than three years.

The Issuer also has the right to retire its indebtedness under all or some of the Notes, from time to time in whole or in part, prior to maturity in certain circumstances, without bonus or penalty. In addition, a Noteholder may require the Issuer to repay such holder's Notes, prior to the Maturity Date in certain circumstances and subject to certain penalties and legal limitations.

The forms of the certificates to be issued to evidence the Notes will be substantially in the forms attached as Schedule A (for Series 1 Notes), Schedule B (for Series 2 Notes) and Schedule C (for Series 3 Notes) to this offering memorandum. Prospective Note Investors are advised to review the applicable Note Certificates in detail with their own legal, tax and investment advisors and should not rely on the summary of the terms of the Notes in this offering memorandum. For a more detailed description of the Notes, see **Item 5.1.1 – Series 1 Notes, Item 5.1.2 – Series 2 Notes and Item 5.1.3 – Series 3 Notes**

2.6.2 Loan Agreement

Effective as of the completion of the Minimum Note Offering (*i.e.*, June 15, 2009), the Issuer, as lender, and CBI, as borrower, intend to enter into the Loan Agreement. Among other things, the Loan Agreement governs the relationship between the parties as it relates to the Loan, the Secured Account and the use by CBI and its Material Affiliates of funds from the Secured Account to purchase or refinance and, thereafter, develop or renovate Properties, and the Collateral. CBI's principal indebtedness under the Loan will equal at any time the aggregate Note Proceeds, subject to the capitalization of any interest not paid on the applicable Interest Installment Date, whereupon the Loan principal will be increased. The Loan is: (a) payable on demand in certain circumstances; (b) bears interest on the outstanding Loan principal that equals the Series 1 Note Proceeds (if any) calculated at a simple annual rate of 11.5%, payable quarterly prior to the Maturity Date on the third day prior to each quarterly Interest Instalment Date; (c) bears interest on the outstanding Loan principal that equals the aggregate Series 2 Note Proceeds (if any) calculated at an annual rate of 11.5%, calculated daily and compounded annually, not in advance and payable along with the applicable principal as of the Maturity Date; (d) bears interest on the outstanding Loan principal that equals the Series 3 Note Proceeds (if any) calculated at a simple annual rate of 11.5%, payable monthly prior to the Maturity Date on the third day prior to each monthly Interest Instalment Date, provided that the first monthly interest payment on any Series 3 Notes issued at the first Closing where Series 3 Notes are issued is not due until three days prior to the first Interest Instalment Date, being the last day of the complete calendar month following the first Closing at which Series 3 Notes are issued and sold ; and (e) matures and becomes repayable by CBI to the Issuer on the Maturity Date (June 15, 2012, being the third anniversary of the Closing Date for the Minimum Note Offering). Pursuant to the Loan Agreement, unpaid interest, in whole or in part, becomes part of the Loan principal as of the applicable Interest Instalment Date(s).

CBI intends to borrow from the Issuer a principal amount equal to the aggregate Note Proceeds pursuant to the terms of the Loan Agreement. Following the Minimum Note Offering and as Notes are issued and sold, the Issuer intends, on CBI's direction under the Loan Agreement, to continue using Note Proceeds to pay Offering costs and general and administrative expenses (by establishing a Working Capital reserve account to provide capital for the Issuer to meet its ongoing obligations as anticipated or by paying expenses separately from such reserve account) and to pay Selling Commissions. Thereafter, the net Note Proceeds will be available to CBI and Material Affiliates pursuant to the Loan Agreement. See **Item 1.1 – Net Proceeds and Available Funds**. Pursuant to the Loan Agreement, CBI will place all net Note Proceeds received from the Issuer from time to time in the Secured Account. The Secured Account and the funds contained in it are to be assigned to, and encumbered in favour, of the Issuer as part of the security for repayment of the Loan. CBI and its Material Affiliates intend to use funds from the Secured Account, in whole or in part from time to time and in CBI's sole discretion, to acquire or refinance and, thereafter, develop or renovate, from time to time Properties in accordance with the Loan Agreement. CBI is only able to withdraw funds out of the Secured Account:

- (a) to repay all or any part of the principal amount of, or interest owing on the Loan, from time to time, under the terms thereof; or
- (b) to fund the acquisition or refinancing by CBI or a Material Affiliate and, thereafter, the development or renovation (if any), from time to time, and in CBI's sole discretion, of one or more Properties, provided that CBI or the Material Affiliates encumber those Properties with mortgages or fixed, specific charges or security interests (or the reasonable equivalent thereof in the jurisdiction where the Property is located) in an aggregate amount equal to the Loan principal allocated to the Properties in favour of the Issuer as part of the security for repayment of the Loan, subject always to CBI's right to subordinate one or more of such mortgages, fixed charges or security interests.

As general and continuing security for payment of its indebtedness under the Loan Agreement, CBI or the Material Affiliates, as applicable, will grant to the Issuer a mortgage, fixed charge or security interest in the Collateral. The mortgage or other fixed, specific financial charge or security interest placed against a specific Property (or the reasonable equivalent thereof in the jurisdiction where the Property is located) is intended to secure in favour of the Issuer an amount equal to the gross Note Proceeds (or Loan principal)

that are allocated to acquiring, refinancing, developing or renovating that Property and will not necessarily secure the whole Loan principal. The mortgages or other fixed, specific financial charge or security interests on the Properties will secure an amount equal the total Loan principal (by approximately the balance of the Secured Account) and, consequently, such Collateral will be less than the aggregate principal amount of the Notes (less the balance of the Secured Account). The balance of the Collateral, being the Secured Account, will be also assigned to and encumbered in favour of the Issuer. CBI or Material Affiliates are permitted under the Loan Agreement to use funds from the Secured Account in circumstances where no security interest or charge over any Collateral has been granted in favour of the Issuer, including payment(s) of non-refundable deposits by or in favour of CBI or the applicable Material Affiliate in connection with a possible acquisition of Property. It is anticipated that, if the acquisition is completed, CBI or the applicable Material Affiliate would encumber the subject Property as Collateral in the manner contemplated under the Loan Agreement. However, to the extent the deposit is non-refundable and the proposed acquisition is not completed, such deposit amount may not be repaid to the Secured Account and none of the Issuer, CBI or the applicable Material Affiliate would have recourse against any Collateral in respect of the deposit amount. There can be no assurance that repayment of the Loan will not be adversely affected or compromised in such case.

Under the Loan Agreement, funds from the Secured Account used by CBI or the Material Affiliate to fund the acquisition or refinancing of a Property cannot exceed 100% of the Property Value of that Property. The remaining costs associated with the purchase or refinance of a Property, such as transfer fees, title insurance and closing costs are funded by CBI or the Material Affiliates, or from other sources, including CBI or the Material Affiliate or from other lenders of CBI or the Material Affiliate.

Under the Loan Agreement, (i) concurrent with the sale or other disposition by CBI or a Material Affiliate of a Property, or any portion thereof or any interest (undivided or otherwise) therein, that was acquired or refinanced or, thereafter, developed or renovated using funds from the Secured Account, or (ii) where CBI or the Material Affiliate requests that the Issuer discharge its mortgage or other fixed, specific financial charge or security interest on the Property without the sale or disposition of the Property (in whole or in part) by CBI or the Material Affiliate, the Issuer will discharge such part of its security in respect of the entire Property, subject to and conditional upon payment to, and deposit in, the Secured Account by CBI or the Material Affiliate of an amount equal to the Funded Amount used by CBI or the Material Affiliate to acquire, refinance, develop or renovate the Property. The Loan Agreement also contemplates CBI paying an amount less than the Funded Amount back to the Secured Account, which will result in a partial discharge of the Issuer's security on that Property. If, for example, CBI (and its Material Affiliates) sells only part of a Property, then sale proceeds less than the Funded Amount will be repaid to the Secured Account and the existing mortgage or other fixed, specific financial charge or security interest on the balance of the Property will be maintained in the amount equal to the difference between the pre-sale amount of the security for that Property (being the amount of Loan principal allocated to such Collateral) and the amount repaid to the Secured Account as a result of the partial disposition of the relevant Property. CBI or any Material Affiliate can use funds from the Secured Account, including funds repaid to the Secured Account in this circumstance, to acquire or refinance or, thereafter, develop or renovate other Properties in accordance with the Loan Agreement until the Maturity Date, when the full Loan principal (together with accrued but unpaid interest) must be repaid by CBI to the Issuer. Under the terms of the Loan, there is no limit on the number of times that CBI may use funds from the Secured Account to purchase or refinance, or, thereafter, develop or renovate Properties (and sell them) until the Maturity Date.

Pursuant to the Loan Agreement, in addition to standard covenants, CBI will agree (and to the necessary extent cause the Material Affiliate to act in compliance with CBI's obligations) to:

- (a) keep the Collateral free of all encumbrances other than certain stated permitted encumbrances (including such other encumbrances as the Issuer may approve at that time), except where CBI determines, in its discretion, acting reasonably, that the mortgage or other fixed, specific financial charge or security interest encumbering the Property in favour of the Issuer is to be subordinated to another creditor's mortgage, charge or security interest on that Property; and

- (b) not transfer or dispose of the Collateral except in accordance with the terms of the Loan Agreement, and will give notice to the Issuer of any actual or potential material claims in respect of itself or its assets.

Where CBI determines that the mortgage or other fixed, specific financial charge or security interest encumbering the Property (or the reasonable equivalent thereof in the jurisdiction where the Property is located) in favour of the Issuer is to be subordinated to another creditor's mortgage, charge or security interest on that Property, the Issuer will subordinate its rights under such part of its security in respect of the entire Property, without any payment to, and deposit in, the Secured Account by CBI or the Material Affiliate.

Under the Loan Agreement, the Issuer has the right on written request to require CBI to engage an independent trustee to administer the Secured Account.

Notwithstanding the demand nature of the Loan, the occurrence of certain stated events will constitute an "Event of Default", whereby CBI is obliged to repay the Loan immediately. An Event of Default includes (i) the nonpayment of any amounts due under the Loan Agreement not otherwise remedied in seven Business Days; (ii) an order of a court declaring CBI or a Material Affiliate bankrupt or insolvent or approving a petition seeking the reorganization, arrangement or winding-up of CBI or a Material Affiliate; (iii) a resolution approving the winding-up, dissolution or liquidation of CBI or a Material Affiliate, or if CBI or a Material Affiliate institutes bankruptcy or like proceedings; or (iv) if CBI or a Material Affiliate neglects to observe or perform any of its obligations under the Loan Agreement and fails to rectify such default within 60 days.

The Loan Agreement further provides that, notwithstanding anything else contained in the Loan Agreement, the Issuer's rights pursuant to the mortgages or other fixed, specific financial charges or security interests (or the reasonable equivalent thereof in the jurisdiction(s) where the Properties are located) encumbering the Properties in favour of the Issuer are limited in recourse to the Collateral. This means that if CBI defaults under any of its obligations under the Loan Agreement or under the terms of the mortgages or other fixed, specific financial charges or security interests on the Properties granted to the Issuer by CBI or the Material Affiliates, the Issuer will have a very restricted cause of action against CBI or its affiliates to enforce its security, even as a secured creditor of CBI or the Material Affiliate(s). The only remedy available to the Issuer against CBI or the Material Affiliates to recover the amounts owing to it by CBI under the Loan Agreement is to enforce the security granted to the Issuer and realize on the Collateral. The Issuer cannot sue on or seize or obtain the other assets of CBI or the applicable Material Affiliate or any other CBI affiliate.

There is no assurance that any realization on the Collateral will be sufficient to repay indebtedness under the Loan, in whole or in part. There may be intervening encumbrances or other interests of other creditors that stand in priority to the Issuer's security, which may prevent the Issuer from realizing on or enforcing some or all of its collateral security. There may be principles at law or at equity that prevent or hinder the Issuer from enforcing some or all of its security against the Collateral. The Collateral may not have a sufficient value to satisfy all or any outstanding debt obligations to the Issuer. See also **Item 1.1 – Funds**, **Item 2.3 – Long-Term Objectives** and **Item 2.5 – Insufficient Proceeds**.

Noteholders are unsecured creditors of the Issuer, who will have no security interest in any property or assets, whether present or after-acquired, of the Issuer. At any time when quarterly or monthly interest payments are due on the Series 1 Notes or Series 3 Notes (as applicable) or repayment of the Notes (including the payment of accrued but unpaid interest thereon as of the Maturity Date) is required, the Issuer may have other creditors, some of whom may have a registered security interest against the Issuer or its assets in priority to any Noteholder. If the Issuer is unable to satisfy its quarterly or monthly interest payments on the Series 1 Notes or Series 3 Notes (as applicable) when due or repay the Notes in full or at all upon maturity (including the payment of accrued but unpaid thereon as of the Maturity Date), Noteholders will proportionately share with other unsecured creditors in the remaining assets of the Issuer, if any, subject to the priority of the claims of secured creditors, if any. The Issuer's material asset is the Loan making the Issuer a secured but potentially subordinated, creditor of CBI, an affiliate and a promoter of the Issuer, and its Material Affiliates that own the Properties. There is no assurance that any

realization on the Collateral will be sufficient to repay indebtedness under the Loan or, consequently, the Notes, in whole or in part. There may be intervening encumbrances or interests of other creditors or interested persons that may stand in priority to the Issuer's security for the Loan, which may prevent or restrict the Issuer (or, consequently, Noteholders) from realizing on the Properties or any of the Secured Account. There may be principles at law or equity that prevent or restrict the Issuer (or, consequently, Noteholders) from realizing on the Properties or any of the Secured Account.

CBI owns all the Class A Shares and is an affiliate of the Issuer. Having taken the initiative to establish the Issuer, CBI is considered to be a promoter of the Issuer for the Offering. In addition to the Loan, CBI or Frank Capital Partners Inc., or employees thereof, may receive Selling Commissions in connection with the Offering. See **Item 2.2 – Our Business and Its Development** and **Item 7 – Compensation Paid to Sellers and Finders**. The Issuer does not deal at arm's length with CBI, its promoter for the Offering, the Material Affiliates or other entities in the CBI Group, since (i) all the outstanding voting shares of the Issuer (Class A Shares) are owned and controlled, indirectly, by Travis Cadman and Ron Cadman, the directors and officers of the Issuer and directors and officers of CBI and various Material Affiliates, through Cadman Investments Ltd. and 744988 Alberta Ltd., Principal Holders of the Issuer and principal shareholders of CBI and various Material Affiliates that have provided Collateral in support of CBI's indebtedness to the Issuer under the Loan, making them affiliates, and borrowers from the Issuer under the Loan, and (ii) Ron Cadman and Travis Cadman, the directors and officers of the Issuer, are also directors, officers, shareholders (directly or indirectly), creditors (directly or indirectly) or employees of CBI or one or more other entities in the CBI Group, including various Material Affiliates that have provided Collateral in support of CBI's indebtedness to the Issuer under the Loan. Accordingly, none of the terms of the Loan Agreement and any agreements or security instruments securing the Loan are or will be the result of arm's length negotiations. Some or all of the management, directors, consultants, employees, promoters, solicitors, accountants, appraisers, developers and others that represent CBI may be the same as for the Issuer. No independent counsel has been or will be retained to represent the interests of the Issuer with respect to those agreements or instruments.

The terms and conditions of the Loan are contained in the Loan Agreement. The foregoing description of Loan Agreement and the descriptions set out elsewhere in this offering memorandum are a summary only of the material terms and conditions of the Loan Agreement, which remains subject to the specific terms and conditions governing the Loan in the Loan Agreement. **The Issuer and CBI may, without prior notice to Noteholders or Class B Shareholders, prospective or otherwise, make changes to the terms and conditions of Loan Agreement that are different than as summarized in this offering memorandum, provided such changes would not reasonably be considered materially adverse to the Issuer. Prospective Note Investors and Share Subscribers are advised to discuss the Loan and related matters in detail with their own legal and investment advisors and should not rely solely on the summary of the terms and conditions of the Loan in this offering memorandum alone.**

As of the date hereof, the Issuer has realized Note Proceeds of \$7,582,500 under the Offering and, as discussed herein, the amount of CBI's principal indebtedness under the Loan is \$7,620,472. To date, the Issuer has advanced net Note Proceeds of \$6,115,422 to CBI under the Loan. CBI has attributed Loan proceeds of \$6,257,132 to Lancaster, a Material Affiliate, under the Lancaster Mortgage in connection with the refinancing of certain Properties owned by Lancaster that are part of the VENU Project, Phase 1. CBI has assigned and will continue to assign all its right, title and interest in the Properties mortgaged under the Lancaster Mortgage to the Issuer, and Lancaster has guaranteed and will continue to guarantee CBI's obligation to the Issuer under the Loan Agreement to the extent that Loan proceeds are attributed to Lancaster. The Lancaster Mortgage is subordinate to the security interests over the same Collateral granted in favour of arm's length creditors in the aggregate amount of approximately \$16,306,693. See **Item 2.2.3.1 – Lancaster Mortgage** and **Item 2.6.4 – Assignment of Lancaster Mortgage**.

CBI has attributed Loan proceeds of \$499,984 to Diamond Key Homes, a Material Affiliate, under the DKH Mortgage in connection with the refinancing of certain property. Diamond Key Homes has encumbered and will continue to encumber the Collateral mortgaged under the DKH Mortgage in favour of the Issuer and has guaranteed and will continue to guarantee CBI's obligation to the Issuer under the

Loan Agreement to the extent that Loan proceeds are attributed to Diamond Key Homes. CRA has registered a \$1,226,509 security interest against certain Collateral (five lots) mortgaged under the DKH Mortgage as a result of Diamond Key Homes' goods and services tax remittances that remain outstanding at the date of this offering memorandum in the amount of approximately \$584,375. The CRA lien takes priority over the security interest against the Collateral granted in favour of the Issuer under the DKH Mortgage. See **Item 2.2.3.2 – DKH Properties** and **Item 2.6.5 – DKH Mortgage**.

CBI has attributed Loan proceeds of \$542,676 to Keystone Business Park, a Material Affiliate, under the Keystone Mortgage in connection with the development of certain Property. Keystone Business Park has encumbered and will continue to encumber the subject Collateral mortgaged under the Keystone Mortgage in favour of the Issuer (to be registered as soon as practicable) has guaranteed and will continue to guarantee CBI's obligation to the Issuer under the Loan Agreement to the extent that Loan proceeds are attributed to Keystone Business Park. The Keystone Mortgage has been postponed and subordinated to the security interest over the same Collateral granted to an arm's length creditor in connection with the CLDC Bridge Loan in the amount of \$3,500,000. The Keystone Mortgager has been postponed and subordinated to the security interest over the same Collateral granted in favour of an arm's length creditor in connection with CLDC Bridge Loan. See **Item 2.2.3.3 – Keystone Business Park Property** and **Item 2.6.6 – Keystone Mortgage**.

CBI has advanced Loan proceeds of \$187,501 to the direction of Chestermere Lands Development Corporation, a Material Affiliate, as a deposit in connection with the acquisition of an undivided interest in certain real estate located in Chestermere, Alberta. The advanced amount will continue as outstanding principal under the Loan until repaid but is not secured in favour of the Issuer by a security interest or charge over any of Chestermere Lands Development Corporation's assets. See **Item 2.6.2 – Loan Agreement**. Chestermere Lands Development Corporation intends to provide a promissory note in favour of CBI in connection with the advance of Loan proceeds and guarantee CBI's obligation to the Issuer under the Loan Agreement to the extent that Loan proceeds are attributed to Chestermere Lands Development Corporation. Given that Chestermere Lands Development Corporation acquired an undivided interest in real estate, it is not anticipated that any security interest in the subject lands will be granted in favour of the Issuer or that the Issuer will hold a security interest in any Collateral of Chestermere Lands Development Corporation.

CBI has used Loan proceeds of \$133,143 for its own purposes, which amount will continue as outstanding principal under the Loan until repaid but is not secured in favour of the Issuer by a security interest or charge over any of CBI's assets or other Collateral. See **Item 2.6.2 – Loan Agreement**.

As of the date of this offering memorandum, CBI is indebted under the Loan in the principal amount of \$7,620,472, which represents the principal amount of \$7,582,500 corresponding to the Issuer's aggregate principal indebtedness under the Notes (*i.e.*, the Note Proceeds) plus unpaid interest (approximately 0.5%) that has been capitalized and is treated as principal under the Loan. The provisions of the Loan Agreement operate such that unpaid interest, in whole or in part, becomes part of the Loan principal as of the applicable Interest Instalment Date(s). See **Item 2.6.2 – Loan Agreement**. Accordingly, CBI is not in violation or default under the Loan Agreement. As of the date of this offering memorandum, sufficient interest payments have been made to the Issuer to enable it to meet its interest payment obligations under the outstanding Notes.

As of the date of this offering memorandum, CBI and the Material Affiliates have provided Collateral in the aggregate amount of approximately \$6,115,422 on the basis described in this offering memorandum. See **Item 2.2.3 – The Properties** and **Item 2.6 – Material Agreements**. In view of the outstanding Loan principal balance as of the date of this offering memorandum, the Material Affiliates will increase the amount of Collateral and associated indebtedness (including Loan guarantees in favour of the Issuer) in support of the Loan by approximately \$1,505,050, which Collateral and associated indebtedness may be increased from time to time as the outstanding Loan principal increases but subject to amounts advanced under the Loan for which no Collateral will be taken by the Issuer (as disclosed herein).

2.6.3 Management Agreement

Effective as of the completion of the Minimum Note Offering (*i.e.*, June 15, 2009), the Issuer and CBI intend to enter into the Management Agreement, whereby CBI will provide administrative and management services to the Issuer and, in consideration for receiving the Loan, CBI will agree to pay (subject to a specified maximum amount and the ability of CBI to terminate its funding obligations in certain circumstances) the costs of the Issuer, including Offering costs and ongoing general and administrative expenses that the Issuer is unable to finance from its Working Capital (as funded with Note Proceeds upon CBI's direction under the Loan Agreement), subject to a specified maximum amount and CBI terminating its financing obligations in certain circumstances. The Issuer will not be required to reimburse CBI for such payment of costs.

The maximum amount that CBI is obligated to pay under the Management Agreement is \$100,000; however, CBI may, at its sole option and discretion, elect to pay any amount in excess of that maximum.

The term of the Management Agreement will continue until terminated by:

- (a) mutual agreement of the Issuer and CBI;
- (b) an event of a default under the Management Agreement, at the option of the party that is not in default; or
- (c) any other event that makes it unlawful or otherwise prohibited to carry out the transactions contemplated by the Management Agreement.

CBI owns all the Class A Shares and is an affiliate of the Issuer. Having taken the initiative to establish the Issuer, CBI is considered to be a promoter of the Issuer for the Offering. In addition to the Loan, CBI or Frank Capital Partners Inc., or employees thereof, may receive Selling Commissions in connection with the Offering. See **Item 2.2 – Our Business and its Development** and **Item 7 – Compensation Paid to Sellers and Finders**. The Issuer does not deal at arm's length with CBI, its promoter for the Offering, the Material Affiliates or other entities in the CBI Group, since (i) all the outstanding voting shares of the Issuer (Class A Shares) are owned and controlled, indirectly, by Ron Cadman and Travis Cadman through Cadman Investments Ltd. and 744988 Alberta Ltd., Principal Holders of the Issuer and principal shareholders of CBI and various Material Affiliates that have provided Collateral in support of CBI's indebtedness to the Issuer under the Loan, making them affiliates, and borrowers from the Issuer under the Loan, and (ii) Travis Cadman and Ron Cadman, the directors and officers of the Issuer, are also directors, officers, shareholders (directly or indirectly), creditors (directly or indirectly) or employees of CBI or one or more other entities in the CBI Group, including various Material Affiliates that have provided Collateral in support of CBI's indebtedness to the Issuer under the Loan. Accordingly, none of the terms of the Loan Agreement, the Management Agreement and any agreements or security instruments securing the Loan are or will be the result of arm's length negotiations. Some or all of the management, directors, consultants, employees, promoters, solicitors, accountants, appraisers, developers and others that represent CBI may be the same as for the Issuer. No independent counsel has been or will be retained to represent the interests of the Issuer with respect to those agreements or instruments.

The terms and conditions governing CBI's provision of administrative and management services to the Issuer and payment of costs incurred by the Issuer are contained in the Management Agreement. The foregoing description of the Management Agreement and the descriptions set out elsewhere in this offering memorandum are a summary only of the material terms and conditions of the Management Agreement, which remains subject to the specific terms and conditions governing the Loan in the Management Agreement. **The Issuer and CBI may, without prior notice to Noteholders or Class B Shareholders, prospective or otherwise, make changes to the terms and conditions of Management Agreement that are different than as summarized in this offering memorandum, provided such changes would not reasonably be considered materially adverse to the Issuer. Prospective Noteholders and Class B Share subscribers are advised to discuss the Loan and related matters in detail with their own legal and investment advisors and should not rely solely on the summary of the terms and conditions of the Loan in this offering memorandum alone.**

2.6.4 Assignment of Lancaster Mortgage

CBI has attributed Loan proceeds of \$6,257,132 to Lancaster, a Material Affiliate, under the Lancaster Mortgage in connection with the refinancing of certain Properties owned by Lancaster that are part of the VENU Project, Phase 1, and CBI has assigned and will assign all its right, title and interest in the Lancaster Mortgage to the Issuer. Lancaster has guaranteed and will continue to guarantee CBI's obligation to the Issuer under the Loan Agreement to the extent that Loan proceeds are attributed to Lancaster. The Lancaster Mortgage is subordinate to the security interests over the same Collateral granted in favour of arm's length creditors of Lancaster in the amount of approximately \$16,306,693. See **Item 2.2.3.1 – Lancaster Mortgage**.

In view of the outstanding Loan principal as of the date of this offering memorandum, Lancaster will increase the amount of Collateral and associated indebtedness (including Loan guarantees and increased mortgage principal in favour of the Issuer) in support of the Loan by, which Collateral and associated indebtedness may further increase as the outstanding Loan principal increases. To the extent that any security interest or other Collateral is granted to CBI in connection with Loan proceeds attributed to Lancaster, CBI will assign such security interest and Collateral to the Issuer.

2.6.5 DKH Mortgage

CBI, as lender and mortgagee, has entered into the DKH Mortgage with its Material Affiliate, Diamond Key Homes, as borrower and mortgagor. CBI and Diamond Key Homes intend that Loan proceeds of up to \$1,000,000 may be attributed to Diamond Key Homes, from time to time, under the DKH Mortgage promissory notes. The DKH Mortgage is a revolving line of credit mortgage. Diamond Key Homes, as borrower, has issued in favour of CBI, as lender, (i) a demand promissory note effective April 15, 2010, whereby Diamond Key Homes has borrowed \$250,000 from CBI, and (ii) a demand promissory note effective June 30, 2010, whereby Diamond Key Homes has borrowed \$150,000 from CBI. In connection with additional borrowing, Diamond Key Homes will issue one or more additional demand promissory notes in favour of CBI, as lender, from time to time, whereby Diamond Key Homes may borrow up to an additional \$600,000 from CBI. Diamond Key Homes' outstanding principal indebtedness under the DKH Mortgage bears interest at the annual, simple rate of 14.0%, calculated and payable monthly not in advance as well after as before maturity until paid. Under the DKH Mortgage, Diamond Key Homes will pay CBI the balance of monies due under the DKH Mortgage loan on demand.

As security for CBI's obligations under the Loan Agreement, Diamond Key Homes has mortgaged and will continue to mortgage in favour of the Issuer all its estate, property and interest (as registered fee simple owner) in certain Properties in Rocky Mountain House, Alberta. See **Item 2.2.3.2 – DKH Properties**. It is intended that Diamond Key Homes register the Issuer's security interest against all the Properties mortgaged under the DKH Mortgage. Diamond Key Homes has also granted a security interests in favour of the Issuer for personal property on the mortgaged Properties. CRA has registered a \$1,226,509 security interest against certain Collateral (five lots) mortgaged under the DKH Mortgage as a result of Diamond Key Homes' goods and services tax remittances that remain outstanding at the date of this offering memorandum in the amount of approximately \$584,375. The CRA lien takes priority over the security interest against the Collateral granted in favour of the Issuer under the DKH Mortgage.

Additionally, as part of the commercial documentation pertaining to the DKH Mortgage, Diamond Key Homes has guaranteed and will continue to guarantee CBI's obligation to the Issuer under the Loan Agreement to the extent that Loan proceeds are attributed to Diamond Key Homes.

CBI has attributed Loan proceeds of \$499,984 to Diamond Key Homes under the DKH Mortgage but, as of the date of this offering memorandum Diamond Key Homes has provided promissory notes and Loan guarantees to the Issuer in the amount of approximately \$400,000. In view of the outstanding Loan principal as of the date of this offering memorandum, Diamond Key Homes will increase the amount of Collateral and associated indebtedness (including additional promissory notes, Loan guarantees and mortgages in favour of the Issuer) in support of the Loan, which Collateral and associated indebtedness may further increase as the outstanding Loan principal increases.

2.6.6 Keystone Mortgage

As of the July 15, 2010, CBI has, as lender, entered into the Keystone Mortgage with its Material Affiliate, Keystone Business Park, as borrower and mortgagor, whereby Keystone Business Park may borrow a maximum principal sum of \$2,000,000 from CBI under the Keystone Mortgage promissory note and loan agreement. The Keystone Mortgage is a revolving line of credit mortgage. Keystone Business Park, as borrower, has issued in favour of CBI, as lender, a demand promissory note effective July 15, 2010, and has entered into a loan agreement dated July 15, 2010 with CBI (as lender), whereby Keystone Business Park will borrow up to \$2,000,000 from CBI. Keystone Business Park's outstanding principal indebtedness under the Keystone Mortgage bears interest at the annual, simple rate of 14.0%, calculated and payable monthly not in advance as well after as before maturity until paid. Under the Keystone Mortgage, Keystone Business Park will pay CBI the balance of monies due under the Keystone Mortgage loan on demand. As of the date of this offering memorandum, CBI has attributed Loan proceeds of \$542,676 to Keystone Business Park under the Keystone Mortgage in connection with the development of certain Property.

As security for CBI's obligations under the Loan Agreement, Keystone Business Park has mortgaged in favour of the Issuer all its estate, property and interest (as registered fee simple owner) in certain Property located in Rocky View County adjacent to Airdrie, Alberta. It is intended that Keystone Business Park will register the Issuer's security interest against the Properties mortgaged under the Keystone Mortgage, which Property is or will be subject to certain prior encumbrances. See **Item 2.2.3.3 – Keystone Business Park Property**. Keystone Business Park has also granted a security interest in favour of the Issuer for personal property on the mortgaged Property.

Additionally, as part of the commercial documentation pertaining to the Keystone Mortgage, Keystone Business Park has guaranteed CBI's obligation to the Issuer under the Loan Agreement to the extent that Loan proceeds are attributed to Keystone Business Park.

In view of the outstanding Loan principal as of the date of this offering memorandum, Keystone Business Park will increase the amount of Collateral and associated indebtedness (including Loan guarantees in favour of the Issuer) in support of the Loan, which Collateral and associated indebtedness may further increase as the outstanding Loan principal increases.

In connection with the CLDC Bridge Loan, the Issuer has agreed to postpone and subordinate its security interest(s) in the Collateral under the Keystone Mortgage to the security interest over the same Collateral granted by Keystone Business Park in connection with the CLDC Bridge Loan to a mortgagee at arm's length to Keystone Business Park, the Issuer and CBI, in the amount of \$3,500,000. It is intended that the Keystone Mortgage remain postponed and subordinated to the extent that the CLDC Bridge Loan remains unpaid. The CLDC Bridge Loan matures October 1, 2011.

ITEM 3 - DIRECTORS, MANAGEMENT, PROMOTERS AND PRINCIPAL HOLDERS

3.1 Compensation and Securities Held

The following table sets out information about each of the directors and officers of the Issuer, promoter of the Issuer and each person who, directly or indirectly, beneficially owns or controls 10% or more of any class of the Issuer's voting securities, being the Class A Shares (a "**Principal Holder**"):

<u>Name and Municipality of Principal Residence</u>	<u>Position held and the date of obtaining that position</u>	<u>Compensation paid by the Issuers or related party in most recently completed financial year and the compensation anticipated to be paid in current financial year</u>	<u>Number, type and percentage of securities held after completion of the minimum Offering</u>	<u>Number, type and percentage of securities held after completion of the maximum Offering</u>
TRAVIS CADMAN ⁽¹⁾ Red Deer, Alberta	Chief Executive Officer, President and Director ⁽¹⁾	Note 2	Note 2	Note 2
RON CADMAN ⁽¹⁾ Red Deer, Alberta	Chief Financial Officer, Secretary and Director ⁽¹⁾	Note 2	Note 2	Note 2
CBI INVESTMENTS LTD. ⁽³⁾ Calgary, Alberta	Promoter	Notes 4 & 5	1,000 Class A Shares (100%)	1,000 Class A Shares (100%)
CADMAN INVESTMENTS LTD. ⁽⁶⁾ Red Deer, Alberta	Principal Holder ⁽⁶⁾	Nil	Note 3	Note 3
744988 ALBERTA LTD. ⁽⁷⁾ Red Deer, Alberta	Principal Holder ⁽⁷⁾	Nil	Note 3	Note 3

Notes:

(1) Travis Cadman and Ron Cadman have held the indicated appointments, as directors and officers, since September 17, 2010. The Issuer intends to enter into indemnity agreements with its directors and officers, whereby it will indemnify each such individual in respect of the discharge of his duties, provided that the director or officer seeking indemnity acted honestly and in good faith with a view to the best interests of the Issuer or, in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, where the director or officer seeking indemnity had reasonable grounds for believing that his or her conduct was lawful.

(2) None of the directors or officers of the Issuer directly holds any Class A Shares. All the outstanding voting shares of the Issuer (Class A Shares) are owned and controlled, indirectly, by Ron Cadman and Travis Cadman through Cadman Investments Ltd. and 744988 Alberta Ltd., Principal Holders of the Issuer and principal shareholders of CBI and various Material Affiliates that have provided Collateral in support of CBI's indebtedness to the Issuer under the Loan, making them affiliates, and borrowers from the Issuer under the Loan. Travis Cadman owns 100% of the issued and outstanding shares in Cadman Investments Ltd. and Ron Cadman owns 100% of the issued and outstanding shares in 744988 Alberta Ltd.

Similarly, none of the directors or officers of the Issuer holds any Notes or Class B Shares. Directors or officers of the Issuer do not intend on acquiring any Class B Shares under the Offering. Directors or officers of the Issuer may acquire Notes under the Offering.

Travis Cadman is compensated as an employee of CBI. CBI paid him \$42,680 during the most recently completed financial year and anticipates paying him \$42,680 during the current financial year, which compensation is of direct benefit to the Issuer and represents approximately 10% of his CBI compensation.

Ron Cadman is compensated as an employee of CBI. CBI paid him \$42,680 during the most recently completed financial year and anticipates paying him \$42,680 during the current financial year, which compensation is of direct benefit to the Issuer and represents approximately 10% of his CBI compensation.

(3) CBI is the promoter of the Issuer for the purposes of the Offering, having taken the initiative in founding, organizing or substantially reorganizing the business of the Issuer. All the outstanding shares of CBI are owned by 744988 Alberta Ltd. and Cadman Investments Ltd., who are Principal Holders of the Issuer principal shareholders of CBI and various Material Affiliates that have provided Collateral in support of CBI's indebtedness to the Issuer under the Loan, making them affiliates. See **Item 2.1.3 - CBI Group**. Travis Cadman owns 100% of the issued and outstanding shares in Cadman Investments Ltd. Ron Cadman owns 100% of the issued and outstanding shares in 744988 Alberta Ltd.

- (4) CBI, Frank Capital Partners Inc. and employees or other registered representatives thereof have been involved in the prior sales of Notes on behalf of the Issuer and have received Selling Commissions with respect thereto. In connection with prior Note sales, the Issuer has paid or has incurred obligations to pay a total of \$59,700 for Selling Commissions to CBI, Frank Capital Partners Inc. or their respective employees. Frank Capital Partners Inc. is an agent of the Issuer retained to offer the Offered Units for sale on behalf of the Issuer under the Offering. As a result, Frank Capital Partners Inc. and employees or other registered representatives thereof will be involved in the sale of the Offered Units on behalf of the Issuer and will receive Selling Commissions with respect thereto. All the outstanding shares of Frank Capital Partners Inc., are owned and controlled, indirectly, by Travis Cadman and Ron Cadman, the directors and officers of the Issuer, through Cadman Investments Ltd. and 744988 Alberta Ltd., making the Issuer, CBI and Frank Capital Partners Inc. affiliates. See **Item 7 – Compensation Paid to Sellers and Finders**. The maximum amount of Selling Commissions payable under the Maximum Note Offering is \$600,000.
- (5) Having completed the Minimum Note Offering, the Issuer intends to lend the Note Proceeds to CBI as part of the principal under the Loan. The extent of CBI's indebtedness to the Issuer will depend on the amount of Note Proceeds raised under the Offering. To date, the Issuer has raised Note Proceeds of \$7,582,500 pursuant to the Offering, which is the amount of CBI's principal indebtedness under the Loan. Effective as of the completion of the Minimum Note Offering, the Issuer and CBI intend to enter into the Loan Agreement and the Management Agreement. The Issuer intends, on CBI's direction under the Loan Agreement, to continue using Note Proceeds to pay Offering costs and other expenses (by establishing a Working Capital reserve account to provide capital for the Issuer to meet its ongoing obligations as anticipated or by paying such expenses separately from such reserve account) and to pay Selling Commissions. Thereafter, the net Note Proceeds will be available to CBI under the Loan Agreement. As well, CBI has agreed to pay under the Management Agreement, without reimbursement, but in return for receiving the Loan, subject to a specified maximum amount and CBI terminating its financing obligations in certain circumstances, general and administrative costs of the Issuer and Offering costs, to the extent that the Issuer is unable to do so from Working Capital. The maximum amount CBI is obligated to fund under this agreement (other than for Selling Commissions) is \$100,000. If the Issuer is in default under the Management Agreement, CBI can withhold payment of such expenses, and terminate its obligations thereunder. The Issuer does not deal at arm's length with its promoter for the Offering, CBI, the Material Affiliates or other entities in the CBI Group, since (i) all the outstanding voting shares of the Issuer (Class A Shares) are owned and controlled, indirectly, by Ron Cadman and Travis Cadman through Cadman Investments Ltd. and 744988 Alberta Ltd., Principal Holders of the Issuer and principal shareholders of CBI and various Material Affiliates that have provided Collateral in support of CBI's indebtedness to the Issuer under the Loan, making them affiliates, and borrowers from the Issuer under the Loan, and (ii) Travis Cadman and Ron Cadman, the directors and officers of the Issuer, are also directors, officers, shareholders (directly or indirectly), creditors (directly or indirectly) or employees of CBI or one or more other entities in the CBI Group, including various Material Affiliates that have provided Collateral in support of CBI's indebtedness to the Issuer under the Loan.

Under the Lancaster Mortgage, which has been completely funded to date by Loan proceeds received by CBI from the Issuer, CBI will receive (a) a non-refundable administration fee of \$45,000 to be deducted from the gross amount of the Lancaster Mortgage loan, and (b) an administration fee of \$250 in connection with each VENU Urban Residences condominium unit (Phase 1) mortgaged under the Lancaster Mortgage that is subsequently sold. See **Item 2.2.3.1 – Lancaster Mortgage**.

CBI has used Loan proceeds of \$133,143 for its own purposes, which amount will continue as outstanding principal under the Loan until repaid but is not secured in favour of the Issuer by a security interest or charge over any of CBI's assets or other Collateral. See **Item 2.6.2 – Loan Agreement**.

- (6) Travis Cadman owns 100% of the issued and outstanding shares in Cadman Investments Ltd.
- (7) Ron Cadman owns 100% of the issued and outstanding shares in 744988 Alberta Ltd.

3.2 Management's Experience

The names and principal occupations of each of the directors, officers and promoters of the Issuer over the past five years are as follows:

Name	Principal Occupations and Related Experience
TRAVIS CADMAN Chief Executive Officer, President and Director tcadman@cbigroupinvestments.com	CBI is wholly owned, indirectly, by Travis Cadman and Ron Cadman. Travis Cadman and Ron Cadman are directors and officers of CBI Investments Ltd. Travis Cadman and Ron Cadman have spent over 25 years in real estate, focused on residential housing, property and land development. Since 1985, the Cadmans have participated in multiple real estate projects and investments, on an individual or joint venture basis, with a focus on properties and developments in Canada and the United States. The Cadmans founded Diamond Key Homes Ltd. in 2000, which became one of central Alberta's largest residential home builders. Diamond Key Homes Ltd. has won multiple awards in the Province of Alberta, including Best Single Family Dwelling, Best Marketing, and the Alberta Awards of Excellence in Housing Award of Merit. In 2005, the Cadmans co-founded CBI Investments Ltd. (formerly, Keystone Real Estate Investment Corp.), which has prepared and offered multiple investment opportunities to Canadian investors.
RON CADMAN Chief Financial Officer and Director rcadman@cbigroupinvestments.com	
CBI INVESTMENTS LTD. Promoter	

3.3 Penalties, Sanctions and Bankruptcy

- (a) To the knowledge of management of the Issuer, no penalty or sanction has been in effect during the last 10 years against (i) a director, executive officer or control person of the Issuer, or (ii) an issuer of which any of the persons or companies referred to in (i) was a director, executive officer or control person, at the time, other than the following:
- On July 23, 2008, Ron Cadman and Travis Cadman, principal shareholders of the promoter of the Issuer, CBI Investments Ltd. (formerly, Keystone Real Estate Investment Corp., a corporation owned and controlled, directly or indirectly, by Ron Cadman and Travis Cadman) entered into a Settlement Agreement and Undertaking (the "**SAU**") with the Alberta Securities Commission (the "**ASC**"). The SAU provided that the Cadmans had made misrepresentations in past real estate projects and offering memoranda, had rendered advice without registration, failed to file complete and accurate information in offering memoranda and had breached certain sections of the *Securities Act* (Alberta). In the SAU, the Cadmans acknowledged their failure to comply with Alberta securities laws and agreed to take steps to rectify all breaches of Alberta securities laws as outlined in the SAU, including promptly removing contravening advertising materials and making all delinquent filings. Pursuant to the SAU, the Cadmans paid an aggregate amount of \$260,000 in settlement of the allegations against them and undertook to the Executive Director of the ASC to resign all positions that they each held as a director or officer (or both) of any issuer for a period of two years from the date of the SAU.
 - On October 22, 2008, the British Columbia Securities Commission (the "**BCSC**") issued an order under sections 161(1) and 161(6)(d) of the *Securities Act* (British Columbia). The order provided that, until July 22, 2010, each of Ron Cadman and Travis Cadman:
 - o resign any position he holds as, and is prohibited from becoming or acting as, a director or officer of any issuer, registrant or investment fund manager,
 - o is prohibited from becoming or acting as registrant, investment fund manager or promoter,
 - o is prohibited from acting in a management or consultative capacity in connection with activities in the securities market, and
 - o is prohibited from engaging in investor relations activities.

- (b) To the knowledge of management of the Issuer, no declaration of bankruptcy, voluntary assignment in bankruptcy, proposal under any bankruptcy or insolvency legislation, proceedings, arrangement or comprise with creditors or appointment of a receiver, receiver manager or trustee to hold assets have been in effect during the last 10 years with regards to (i) a director, executive officer, or control person of the Issuer, or (ii) an issuer in which a person or company referred to in (i) was an executive officer, director or control person at the time.

3.4 Loans

Other than as disclosed below and elsewhere herein, there is no outstanding indebtedness between the Issuer and its director(s), management, promoters or principal holders.

As of the date hereof, the Issuer has realized Note Proceeds of \$7,582,500 under the Offering and, as discussed herein, the amount of CBI's principal indebtedness under the Loan is \$7,620,472. To date, the Issuer has advanced net Note Proceeds of \$6,115,422 to CBI under the Loan. See **Item 2.2 – Our Business and its Development; Item 2.6.2 – Loan Agreement** and **Item 4.2 – Long-Term Debt**.

CBI has attributed Loan proceeds of \$6,257,132 to Lancaster, a Material Affiliate, under the Lancaster Mortgage in connection with the refinancing of certain Properties owned by Lancaster that are part of the VENU Project, Phase 1, and CBI has assigned and will continue to assign all its right, title and interest in the Properties mortgaged under the Lancaster Mortgage to the Issuer, and Lancaster has guaranteed and will continue to guarantee CBI's obligation to the Issuer under the Loan Agreement to the extent that Loan proceeds are attributed to Lancaster. The Lancaster Mortgage is subordinate to the security interests over the same Collateral granted in favour of arm's length creditors of Lancaster. See **Item 2.2.3.1 – Lancaster Mortgage** and **Item 2.6.4 – Assignment of Lancaster Mortgage**.

CBI has attributed Loan proceeds of \$499,984 to Diamond Key Homes, a Material Affiliate, under the DKH Mortgage in connection with the refinancing of certain property, Diamond Key Homes has encumbered the Collateral mortgaged under the DKH Mortgage in favour of the Issuer and has guaranteed CBI's obligation to the Issuer under the Loan Agreement to the extent that Loan proceeds are attributed to Diamond Key Homes. CRA has registered a \$1,226,509 security interest against certain Collateral (five lots) mortgaged under the DKH Mortgage as a result of Diamond Key Homes' goods and services tax remittances that remain outstanding at the date of this offering memorandum in the amount of approximately \$584,375. The CRA lien takes priority over the security interest against the Collateral granted in favour of the Issuer under the DKH Mortgage. See **Item 2.2.3.2 – DKH Properties** and **Item 2.6.5 – DKH Mortgage**.

CBI has attributed Loan proceeds of \$542,676 to Keystone Business Park, a Material Affiliate, under the Keystone Mortgage in connection with the development of certain Property. Keystone Business Park has encumbered the subject Collateral mortgaged under the Keystone Mortgage in favour of the Issuer (to be registered as soon as practicable) and guaranteed CBI's obligation to the Issuer under the Loan Agreement to the extent that Loan proceeds are attributed to Keystone Business Park. The Keystone Mortgage has been postponed and subordinated to the security interest over the same Collateral granted in favour of an arm's length creditor in connection with the CLDC Bridge Loan. See **Item 2.2.3.3 – Keystone Business Park Property** and **Item 2.6.6 – Keystone Mortgage**.

CBI has advanced Loan proceeds of \$187,501 to the direction of Chestermere Lands Development Corporation, a Material Affiliate, as a deposit in connection with the acquisition of an undivided interest in certain real estate located in Chestermere, Alberta, The advanced amount will continue as outstanding principal under the Loan until repaid but is not secured in favour of the Issuer by a security interest or charge over any of Chestermere Lands Development Corporation's assets. See **Item 2.6.2 – Loan Agreement**. Chestermere Lands Development Corporation intends to provide a promissory note in favour of CBI in connection with the advance of Loan proceeds and guarantee CBI's obligation to the Issuer under the Loan Agreement to the extent that Loan proceeds are attributed to Chestermere Lands Development Corporation. Given that Chestermere Lands Development Corporation acquired an undivided interest in real estate, it is not anticipated that any security interest in the subject lands will be

granted in favour of the Issuer or that the Issuer will hold a security interest in any Collateral of Chestermere Lands Development Corporation.

CBI has used Loan proceeds of \$133,143 for its own purposes, which amount will continue as outstanding principal under the Loan until repaid but is not secured in favour of the Issuer by a security interest or charge over any of CBI's assets or other Collateral. See **Item 2.6.2 – Loan Agreement**.

As of the date of this offering memorandum, CBI is indebted under the Loan in the principal amount of \$7,620,472, which represents the principal amount of \$7,582,500 corresponding to the Issuer's aggregate principal indebtedness under the Notes (*i.e.*, the Note Proceeds) plus unpaid interest (approximately 0.5%) that has been capitalized and is treated as principal under the Loan. The provisions of the Loan Agreement operate such that unpaid interest, in whole or in part, becomes part of the Loan principal as of the applicable Interest Instalment Date(s). See **Item 2.6.2 – Loan Agreement**. Accordingly, CBI is not in violation or default under the Loan Agreement. As of the date of this offering memorandum, sufficient interest payments have been made to the Issuer to enable it to meet its interest payment obligations under the outstanding Notes.

As of the date of this offering memorandum, CBI and the Material Affiliates have provided Collateral in the aggregate amount of approximately \$6,115,422 on the basis described in this offering memorandum. See **Item 2.2.3 – The Properties** and **Item 2.6 – Material Agreements**. In view of the outstanding Loan principal balance as of the date of this offering memorandum, the Material Affiliates will increase the amount of Collateral and associated indebtedness (including Loan guarantees in favour of the Issuer) in support of the Loan by approximately \$1,505,050, which Collateral and associated indebtedness may be increased from time to time as the outstanding Loan principal increases but is subject to amounts advanced under the Loan for which no Collateral will be taken by the Issuer (as disclosed herein).

ITEM 4 - CAPITAL STRUCTURE

4.1 Share Capital

The following table sets out the outstanding share capital of the Issuer:

Description of Security	Number authorized to be issued	Number outstanding as at the date hereof	Number outstanding after Minimum Note Offering	Number outstanding after Maximum Note Offering
Class A Shares ⁽¹⁾	unlimited	1,000	1,000	1,000
Class B Shares ⁽²⁾⁽³⁾	unlimited	87,500 ⁽³⁾	7,000 ⁽³⁾	87,500 ⁽³⁾

Notes:

- (1) Class A Shareholders are entitled to vote but are not entitled to dividends or to share in the remaining assets of the Issuer (if any) available for distribution on voluntary or involuntary liquidation, dissolution or winding-up. All outstanding Class A Shares are held by CBI Investments Ltd. and it is expected that they will continue to be so held.
- (2) Class B Shareholders are not entitled to vote but are entitled to dividends and to share in the remaining assets of the Issuer (if any) available for distribution on voluntary or involuntary liquidation, dissolution or winding-up.
- (3) The issuer completed, as of May 21, 2010, the Minimum Share Offering of 500 Shares to each of, at least, 150 Class B Share subscribers (who are not also Insiders of the Issuer). See **Item 2.4 – Short-Term Objectives**. The Issuer has, in its discretion, issued and sold additional Class B Shares and, in its discretion, may continue its distribution of Class B Shares at any time or from time to time but is not required to do so. The Issuer intends to have at least 150 Class B Shareholders (who are not also Insiders of the Issuer) each holding 500 Class B Shares until it is wound-up and dissolved. See **Item 5.1.4 – Class B Shares**. Class B Shareholders are not required to be Note Investors.

4.2 Long-Term Debt

As of the date hereof, the Issuer has the following outstanding long-term debt:

Description of Long-Term Debt	Interest Rate	Repayment Terms	Amount outstanding as at the date hereof	Amount outstanding after Minimum Note Offering	Amount outstanding after Maximum Note Offering
Notes ⁽¹⁾	Note 1	Note 2	\$7,582,500 ⁽³⁾	\$250,000 ⁽³⁾	\$10,000,000 ⁽³⁾

Notes:

- (1) The Notes issued pursuant to the Offering will be unsecured and will be due as of the Maturity Date. Series 1 Notes bear interest calculated at the simple annual rate of 11% from the date of issue, payable quarterly on the Interest Instalment Dates of each year until the Maturity Date. See **Item 5.1.1 – Series 1 Notes**. Series 2 Notes bear interest at the annual rate of 11%, calculated daily and compounded annually, not in advance, from the date of issue, payable as of the Maturity Date. See **Item 5.1.2 – Series 2 Notes**. Series 3 Notes bear interest calculated at the simple annual rate of 11% from the date of issue, payable monthly on the Interest Instalment Dates of each year until the Maturity Date. See **Item 5.1.3 – Series 3 Notes**.
- (2) Following the issue and sale of Notes, the Issuer intends, among other things, to continue advancing Note Proceeds to CBI pursuant to the Loan Agreement. The Issuer intends, on CBI's direction under the Loan Agreement, to continue using Note Proceeds to pay Offering costs and other expenses (by establishing a Working Capital reserve account to provide capital for the Issuer to meet its ongoing obligations as anticipated or by paying such expenses separately from such reserve account) and to pay Selling Commissions. See **Item 2.6.2 – Loan Agreement**. CBI intends to pay the Issuer quarterly, interest calculated at the simple annual rate of 11.5% on the outstanding portion of the Loan that equals the gross Series 1 Note Proceeds and monthly, interest calculated at the simple annual rate of 11.5% on the outstanding portion of the Loan that equals the gross Series 3 Note Proceeds. The provisions of the Loan Agreement operate such that unpaid interest, in whole or in part, becomes part of the Loan principal as of the applicable Interest Instalment Date(s). See **Item 2.6.2 – Loan Agreement**. The Issuer intends to use the interest that it receives from the Loan to pay Series 1 Noteholders and Series 3 Noteholders, prior to the Maturity Date on a quarterly or monthly basis (as applicable), interest calculated at the annual simple rate of 11% on the outstanding principal amount of the Series 1 Notes or Series 3 Notes, as applicable. The Issuer intends to use the repaid Loan principal and the accrued and unpaid interest that it receives from CBI on the repayment of the Loan as of the Maturity Date to repay the principal amount of, and accrued but unpaid interest on, the Notes as of the Maturity Date. Where the Issuer proposes to retire, repay or otherwise redeem any or all of the Notes pursuant to the terms thereof or if a Noteholder, in the limited circumstances provided by the terms of the Notes, in whole or in part, validly requests that the Issuer repay such holder's Notes, the Issuer intends to use its right under the Loan to demand repayment of all or a portion thereof to obtain the funds required to complete such redemption or to make such repayments. See **Item 5.1.1 – Series 1 Notes, Item 5.1.2 – Series 2 Notes and Item 5.1.3 – Series 3 Notes**.
- (3) The Issuer achieved the Minimum Note Offering on June 15, 2009 through the issue and sale of Series 1 Notes and Series 2 Notes. See **Item 4.3 – Prior Sales**. Having completed the Minimum Note Offering, the Issuer may complete the issue and sale of Series 1 Notes, Series 2 Notes, or Series 3 Notes, at any time at one or more Closings until the Maximum Note Offering is reached or the Offering is otherwise terminated. Closings at which Notes are issued and sold may be held up to and including June 30, 2011 until the Maximum Note Offering is reached. There is no assurance that the Maximum Note Offering amount will be achieved. Under the Maximum Note Offering, the Issuer intends to issue and sell an aggregate principal amount of \$10,000,000 in Notes. CBI's principal indebtedness to the Issuer under the Loan corresponds to the amount of Note Proceeds raised under the Offering. As of the date hereof, the Issuer has realized Note Proceeds of \$7,582,500 under the Offering and, as discussed herein, the amount of CBI's principal indebtedness under the Loan is \$7,620,472 which represents the principal amount of \$7,582,500 corresponding to the Issuer's aggregate principal indebtedness under the Notes (*i.e.*, the Note Proceeds) plus unpaid interest (approximately 0.5%) that has been capitalized and is treated as principal under the Loan. Accordingly, CBI is not in violation or default under the Loan Agreement. As of the date of this offering memorandum, sufficient interest payments have been made to the Issuer to enable it to meet its interest payment obligations under the outstanding Notes. To date, the Issuer has advanced net Note Proceeds of \$6,115,422 to CBI under the Loan. The provisions of the Loan Agreement operate such that unpaid interest, in whole or in part, becomes part of the Loan principal as of the applicable Interest Instalment Date(s). See **Item 2.6.2 – Loan Agreement**.

4.3 Prior Sales

Since inception, the Issuer has issued and sold the following Offered Securities:

<u>Date of Issuance</u>	<u>Type of Security issued</u>	<u>Number or Principal Amount issued</u>	<u>Price per Security</u>	<u>Total Funds received</u>
June 15, 2009	Series 1 Notes	\$214,000 principal amount	\$100 per \$100 principal amount	\$214,000
June 15, 2009	Series 2 Notes	\$106,100 principal amount	\$100 per \$100 principal amount	\$106,100
June 15, 2009	Class B Shares	7,000 shares	\$1.00	\$7,000
July 10, 2009	Series 1 Notes	\$294,000 principal amount	\$100 per \$100 principal amount	\$294,000
July 10, 2009	Series 2 Notes	\$203,700 principal amount	\$100 per \$100 principal amount	\$203,700
July 10, 2009	Class B Shares	9,000 shares	\$1.00	\$9,000
September 18, 2009	Series 1 Notes	\$585,800 principal amount	\$100 per \$100 principal amount	\$585,800
September 18, 2009	Series 2 Notes	\$125,500 principal amount	\$100 per \$100 principal amount	\$125,500
September 18, 2009	Class B Shares	9,000 shares	\$1.00	\$9,000
September 27, 2009	Series 1 Notes	\$109,500 principal amount	\$100 per \$100 principal amount	\$109,500
September 27, 2009	Series 2 Notes	\$25,000 principal amount	\$100 per \$100 principal amount	\$25,000
September 27, 2009	Class B Shares	3,500 shares	\$1.00	\$4,000
November 24, 2009	Series 1 Notes	\$768,400 principal amount ⁽¹⁾	\$100 per \$100 principal amount	\$768,400 ⁽¹⁾
November 24, 2009	Series 2 Notes	\$293,800 principal amount	\$100 per \$100 principal amount	\$293,800
November 24, 2009	Class B Shares	9,500 shares ⁽²⁾	\$1.00	\$9,000 ⁽²⁾
December 23, 2009	Series 1 Notes	\$372,900 principal amount	\$100 per \$100 principal amount	\$372,900
December 23, 2009	Series 2 Notes	\$28,500 principal amount	\$100 per \$100 principal amount	\$28,500
December 23, 2009	Class B Shares	7,000 shares	\$1.00	\$7,000
February 17, 2010	Series 1 Notes	\$385,500 principal amount	\$100 per \$100 principal amount	\$385,500
February 17, 2010	Series 2 Notes	\$79,000 principal amount	\$100 per \$100 principal amount	\$79,000
February 17, 2010	Series 3 Notes	\$255,000 principal amount	\$100 per \$100 principal amount	\$255,000
February 17, 2010	Class B Shares	4,500 shares	\$1.00	\$4,500
April 13, 2010	Series 1 Notes	\$65,500 principal amount	\$100 per \$100 principal amount	\$65,500
April 13, 2010	Series 2 Notes	\$358,400 principal amount	\$100 per \$100 principal amount	\$358,400
April 13, 2010	Series 3 Notes	\$635,600 principal amount	\$100 per \$100 principal amount	\$635,600
April 13, 2010	Class B Shares	23,500 shares	\$1.00	\$23,500
May 21, 2010	Series 1 Notes	\$69,200 principal amount	\$100 per \$100 principal amount	\$69,200
May 21, 2010	Series 2 Notes	\$458,900 principal amount	\$100 per \$100 principal amount	\$458,900
May 21, 2010	Series 3 Notes	\$223,000 principal amount	\$100 per \$100 principal amount	\$223,000
May 21, 2010	Class B Shares	14,000 shares	\$1.00	\$14,000
July 15, 2010	Series 1 Notes	\$5,000 principal amount	\$100 per \$100 principal amount	\$5,000

<u>Date of Issuance</u>	<u>Type of Security issued</u>	<u>Number or Principal Amount issued</u>	<u>Price per Security</u>	<u>Total Funds received</u>
July 15, 2010	Series 2 Notes	\$397,200 principal amount	\$100 per \$100 principal amount	\$397,200
July 15, 2010	Series 3 Notes	\$310,500 principal amount	\$100 per \$100 principal amount	\$310,500
July 15, 2010	Class B Shares	500 shares	\$1.00	\$500
August 30, 2010	Series 2 Notes	\$457,000 principal amount	\$100 per \$100 principal amount	\$457,000
August 30, 2010	Series 3 Notes	\$183,500 principal amount	\$100 per \$100 principal amount	\$183,500
November 4, 2010	Series 1 Notes	\$10,000 principal amount	\$100 per \$100 principal amount	\$10,000
November 4, 2010	Series 2 Notes	\$218,000 principal amount	\$100 per \$100 principal amount	\$218,000
November 4, 2010	Series 3 Notes	\$317,000 principal amount	\$100 per \$100 principal amount	\$317,000
November 12, 2010	Series 2 Notes	\$27,000 principal amount	\$100 per \$100 principal amount	\$27,000

Notes:

- (1) \$25,800 principal amount of Series 1 Notes were redeemed by the Issuer on August 18, 2010.
- (2) 500 Class B Shares were redeemed by the Issuer on August 18, 2010.

ITEM 5 - SECURITIES OFFERED

5.1 Terms of Offered Securities

5.1.1 Series 1 Notes

The terms and conditions of the Series 1 Notes held by a Series 1 Noteholder are contained in the applicable Note Certificate (s) issued by the Issuer to the Note Investor. There will not be a Series 1 Note trustee to represent Series 1 Noteholders and none of the terms or conditions of the Series 1 Notes will be contained in any instrument other than the applicable Note Certificate. The intended form of Series 1 Note Certificate is attached as a schedule to this offering memorandum. Prospective Note Investors are advised that any description of the Series 1 Notes in this offering memorandum is a summary only and remains subject to the terms and conditions attaching to each Series 1 Note contained in the applicable Note Certificate. Prospective Series 1 Note Investors are advised to review the applicable Note Certificate in detail with their own legal, tax and investment advisors and should not rely on the summary descriptions in this offering memorandum alone.

Series 1 Noteholders will not have a mechanism for calling or holding meetings and have no right to vote on any decisions of the Issuer or in respect of the Properties or any Collateral. Series 1 Noteholders are NOT shareholders and do not enjoy the rights and privileges available to shareholders under the ABCA.

In addition, there is no trustee being used in connection with the Loan to hold the security (including the Collateral) granted thereunder. Series 1 Noteholders must rely on the Issuer to pay the Notes and, if necessary, to enforce its security granted by CBI to it (including realizing on the Collateral) as provided in the Loan Agreement. If CBI defaults on its payments to the Issuer under the Loan Agreement, Noteholders do not have recourse against CBI or the Material Affiliates. Furthermore, Noteholders will have no claim against CBI for payment of the Notes. Noteholders will have recourse only against the Issuer and not against CBI, directly. The security for repayment of the Loan in favour of the Issuer is limited in recourse to the Collateral. See **Item 2.5 – Insufficient Proceeds, Item 2.6.2 – Loan Agreement and Item 8 – Risk Factors.**

Each Series 1 Note has a face value of \$100 and any Series 1 Note Certificate representing Series 1 Notes will have a stated principal amount that is a whole-number multiple of \$100. The Series 1 Notes

issued pursuant to the Offering will be unsecured and will be due on the Maturity Date. At the Closing of the Minimum Note Offering, the Issuer established the Maturity Date for all Series 1 Notes, irrespective of their date of issue and whether or not any Series 1 Notes are issued and sold at that Closing, as June 15, 2012, being the third anniversary of the Closing Date for the Minimum Note Offering. Accordingly, Series 1 Notes issued and sold after that Closing Date have an effective term to maturity of less than three years. Series 1 Notes, irrespective of their date of issue, will bear interest calculated at the simple annual rate of 11%, payable quarterly on Interest Instalment Dates of March 15, June 15, September 15 and December 15 of each year until the Maturity Date, which commenced September 15, 2009.

The Issuer may, in its discretion at any time and from time to time prior to maturity, retire or repay its indebtedness under any or all of the Series 1 Notes, in whole or in part, without penalty or bonus (a Note redemption) on at least 30 days' prior written notice to the applicable Series 1 Noteholder(s) by repaying all or a portion of the principal amount outstanding under the selected Series 1 Notes together with the proportional amount of quarterly interest on the applicable principal amount accrued but unpaid since the latest interest payment until the actual repayment date thereof. The Issuer's retirement or repayment of indebtedness prior to maturity in the foregoing manner under one or more Series 1 Note(s), in whole or in part, does not obligate the Issuer to retire, repay or retract any other Note indebtedness, in whole or in part.

A Noteholder may, at any time following the Note Retraction Commencement Date, require the Issuer to retract all but not less than all such Noteholder's Notes prior to the Maturity Date (a Note retraction) upon the Noteholder:

- (a) giving at least 90 days' prior written notice of such retraction to the Issuer, provided that the amount required to be paid by the Issuer to that Noteholder to fully retire the Issuer's indebtedness under such holder's Notes in such retraction is:
 - (i) 95% of the principal amount owing under the holder's Notes if the actual repayment date is on or prior to the second anniversary of the Closing Date for the Minimum Note Offering; or
 - (ii) 98% of the principal amount owing under its Notes if the actual repayment date is after the second anniversary of the Closing Date for the Minimum Note Offering and prior to the Maturity Date,

plus, in each case, the proportional amount of instalment interest on the principal amount of the Noteholder's Notes, if any, accrued but unpaid since the latest Interest Instalment Date to the actual repayment date thereof; and

- (b) at the Issuer's request, surrendering to the Issuer (for no attributed value) all the Class B Shares that the Noteholder holds or beneficially owns or controls, directly or indirectly, by delivering to the Issuer at the time and place determined by the Issuer all applicable Class B Share certificates duly endorsed in blank for transfer or accompanied by a duly endorsed stock transfer acceptable to the Issuer, whereupon the Noteholder is deemed to have provided the following representations, warranties and covenants to the Issuer in respect of such Class B Shares:
 - (i) the surrendered Class B Share certificates represent all the Class B Shares owned or controlled, directly or indirectly, legally or beneficially by the Noteholder or any affiliate or associate (as defined under applicable securities laws) of the Noteholder, and the Noteholder has sufficient right, title and interest in and full power, authority and control over those Class B Shares, and all necessary approvals and consents have been obtained, to fully surrender all right, title and interest therein to and in favour of the Issuer, free and clear of all liens, charges, encumbrances, claims and equities;
 - (ii) as a result of such surrender, no person other than the Issuer has any agreement, option, right or privilege capable of becoming an agreement or option to acquire any right, title or interest in the Class B Shares or any part thereof, and none of the Noteholder or any

affiliate or associate thereof has any further right, entitlement or privilege as a Class B Shareholder; and

- (iii) at the Issuer's request, the Noteholder will and will cause its affiliates and associates to, execute any additional documents, transfers and other assurances as may be necessary or desirable to complete the surrender of the Class B Shares to the Issuer as contemplated.

For greater certainty, a Noteholder that holds more than one series of Notes is not able to retract only one series of his Notes; all Notes must be subject to the retraction notice.

Series 1 Notes are retractable on a "first come, first serve" basis. Notwithstanding a Series 1 Noteholder's right to early repayment, no Noteholder may validly give a retraction notice requiring the Issuer to retire its indebtedness under Series 1 Notes prior to 18 months after the Closing Date for the Minimum Note Offering. In addition, the Issuer is not required to retire the principal amount (or interest in respect thereof) of any Series 1 Note where the total principal amount of Notes to be retracted or retired in a particular calendar month for which the Issuer has previously received one or more valid retraction notices from the applicable Noteholders, exceeds \$50,000. Once the Issuer has received valid retraction notices from Noteholders requiring the Issuer to retract or retire its indebtedness under Notes having an aggregate principal amount of \$50,000 in a calendar month, no further or subsequent retraction notice is effective and no right of retraction thereafter exists in respect of such retraction notice. In this situation, the Series 1 Noteholder's retraction notice is deemed to have been rescinded and the Issuer and such Series 1 Noteholder are considered to have been placed back in their respective positions, each with its respective rights as if no notice had been given. For greater certainty, in such circumstances, should the Series 1 Noteholder again wish to give a written notice of retraction, it may do so.

In addition, the Issuer is not required to retract the principal amount of any Series 1 Note (or interest in respect thereof) where the total principal amount of Notes already retracted or retired together with the total principal amount of Notes for which the Issuer has received one or more valid retraction notices from the applicable Noteholders, exceeds 10% of the total aggregate principal amount of all Notes outstanding as at 11:59 p.m. (Calgary time) on the Note Retraction Commencement Date. Once the total principal amount of Notes already retracted or retired by the Issuer and the total principal amount of Notes for which the Issuer has received valid retraction notices from Noteholders exceeds 10% of the total aggregate principal amount of all Notes outstanding as at 11:59 p.m. (Calgary time) on the Note Retraction Commencement Date, no further or subsequent retraction notice is effective and no right of retraction thereafter exists. In this situation, the Series 1 Noteholder's retraction notice is deemed to have been rescinded and the Issuer and such Series 1 Noteholder are considered to have been placed back in their respective positions, each with its respective rights as if no notice had been given, except that the Series 1 Noteholder has no further rights in respect of a Series 1 Note Retraction.

If, in the circumstances of the Issuer's retirement of Series 1 Note indebtedness or a Series 1 Note retraction, a Series 1 Noteholder fails to present and surrender the applicable Note Certificate(s) at the appropriate time, or does not accept payment of the retraction amount in respect thereof, or does not give a receipt as the Issuer may reasonably require, then the accrual of interest on the principal amount to be so retracted ceases after such date and all amounts owing to the Series 1 Noteholder are to be set aside in trust for the holder and for all purposes are deemed to be payment to the holder. In the case of the retirement or repayment of a portion of the principal amount represented by a particular Series 1 Note Certificate, the Series 1 Noteholder is entitled to receive a new certificate representing the principal amount that has not been retired or repaid and remains owing, provided that the Series 1 Noteholder has presented and surrendered the applicable Series 1 Note Certificate.

Where the Issuer gives notice to one or more Series 1 Noteholders of a proposed retirement of those holders' Series 1 Notes, but subsequently fails to make payment to retire those Series 1 Notes on the last day of the 30-day notice period, the Issuer's notice is deemed to have been rescinded and the Issuer and each Series 1 Noteholder are considered to have been placed back in their respective positions with their respective rights as if no notice had been given. For greater certainty, in such circumstances, should the Issuer again wish to give a written notice of redemption, it may do so.

If, in the circumstances of a Series 1 Note retraction, the applicable Series 1 Noteholder fails to surrender the applicable Class B Shares, at the appropriate time and place as requested by the Issuer, the Series 1 Noteholder's retraction notice is deemed to have been rescinded and the Issuer and the Series 1 Noteholder are considered to have been placed back in their respective positions with their respective rights as if no retraction notice had been given.

The occurrence of certain events as summarized below will cause the Maturity Date of an affected Series 1 Note to accelerate whereby the Issuer is obliged to forthwith repay the affected Series 1 Note. An acceleration event in respect of a particular Series 1 Note includes: (i) the Issuer defaulting on payment of interest under the affected Series 1 Note when it becomes due and payable prior to the Maturity Date; (ii) the Issuer defaulting on payment of principal (to the extent required) or interest under the affected Series 1 Note on the date such amounts are due and payable prior to the Maturity Date in connection with the Series 1 Noteholder's valid exercise of its retraction rights; (iii) an order of a court declaring the Issuer bankrupt or insolvent or approving a petition seeking the reorganization, arrangement or winding-up of the Issuer; (iii) approval, as required under the ABCA, for the winding up or liquidation of the Issuer, or the Issuer instituting bankruptcy or like proceedings; (iv) if the Issuer neglects to observe or perform any other covenant or obligation in the Series 1 Note Certificate on its part to be observed or performed and, after notice in writing has been given to the Issuer specifying such default and requiring the Issuer to put an end to same; or (v) the Issuer agreeing to an amendment to the Loan Agreement if such amendment is materially prejudicial to the ability of the Issuer to comply with its obligations under the Notes, subject in each event to the Issuer's right and opportunity to rectify such default within 60 days. For clarity, the acceleration of the Maturity Date for a particular Series 1 Note does not, by itself, determine the acceleration of any other Series 1 Note.

Series 1 Notes may not be assumed by any other entity without prior written consent of the Noteholder, and may not be sold, assigned or transferred by the Noteholder, in whole or in part, without prior written consent of the Issuer. In addition, the Series 1 Notes are subject to an indefinite hold period and cannot be traded before the date that is four months and a day after the later of (i) the date of issuance of the applicable Series 1 Note, and (ii) the date that the Issuer becomes a reporting issuer under applicable securities legislation, in any province or territory of Canada, except in limited circumstances. See **Item 10 – Resale Restrictions**.

Under the terms of the Series 1 Notes, the Issuer reserves the right to, at any time and from time to time (i) retire its indebtedness under or redeem any Note, in whole or in part, prior to and without obligation for the retirement or redemption of any other Note(s), and (ii) purchase any Note(s) in the market, by tender or by private contract, without the obligation to purchase any other Note(s).

5.1.2 Series 2 Notes

The terms and conditions of the Series 2 Notes held by a Series 2 Noteholder are contained in the applicable Note Certificate(s) issued by the Issuer to the Note Investor. There will not be a Series 2 Note trustee to represent Series 2 Noteholders and none of the terms or conditions of the Series 2 Notes will be contained in any instrument other than the applicable Note Certificate. The intended form of Series 2 Note Certificate is attached as a schedule to this offering memorandum. Prospective Note Investors are advised that any description of the Series 2 Notes in this offering memorandum is a summary only and remains subject to the terms and conditions attaching to each Series 2 Note contained in the applicable Note Certificate. Prospective Series 2 Note Investors are advised to review the applicable Note Certificate in detail with their own legal, tax and investment advisors and should not rely on the summary descriptions in this offering memorandum alone.

Series 2 Noteholders will not have a mechanism for calling or holding meetings and have no right to vote on any decisions of the Issuer or in respect of the Properties or any Collateral. Series 2 Noteholders are NOT shareholders and do not enjoy the rights and privileges available to shareholders under the ABCA.

In addition, there is no trustee being used in connection with the Loan to hold the security (including the Collateral) granted thereunder. Series 2 Noteholders must rely on the Issuer to pay the Notes and, if necessary, to enforce its security granted by CBI to it (including realizing on the Collateral) as provided in

the Loan Agreement. If CBI defaults on its payments to the Issuer under the Loan Agreement, Noteholders do not have recourse against CBI or the Material Affiliates. Furthermore, Noteholders will have no claim against CBI for payment of the Notes. Noteholders will have recourse only against the Issuer and not against CBI, directly. The security for repayment of the Loan in favour of the Issuer is limited in recourse to the Collateral. See **Item 2.5 – Insufficient Proceeds, Item 2.6.2 – Loan Agreement** and **Item 8 – Risk Factors**.

Each Series 2 Note has a face value of \$100 and any Series 2 Note Certificate representing Series 2 Notes will have a stated principal amount that is a whole-number multiple of \$100. The Series 2 Notes issued pursuant to the Offering will be unsecured and will be due on the Maturity Date. At the Closing of the Minimum Note Offering, the Issuer established the Maturity Date for all Series 2 Notes, irrespective of their date of issue and whether or not any Series 2 Notes are issued and sold at that Closing, as June 15, 2012, being the third anniversary of the Closing Date for the Minimum Note Offering. Accordingly, Series 2 Notes issued and sold after that Closing Date have an effective term to maturity of less than three years. Series 2 Notes, irrespective of their date of issue, will bear interest at the annual rate of 11%, calculated daily and compounded annually, not in advance and payable as of the Maturity Date.

The Issuer may, in its discretion at any time and from time to time prior to maturity, retire or repay its indebtedness under any or all of the Series 2 Notes, in whole or in part, without penalty or bonus (a Note redemption) on at least 30 days' prior written notice to the applicable Series 2 Noteholder(s) by repaying all or a portion of the principal amount outstanding under the selected Series 2 Notes together with the proportional amount of accrued but unpaid interest on the applicable principal amount until the actual repayment date thereof. The Issuer's retirement or repayment of indebtedness prior to maturity in the foregoing manner under one or more Series 2 Note(s), in whole or in part, does not obligate the Issuer to retire, repay or retract any other Note indebtedness, in whole or in part.

A Noteholder may, at any time following the Note Retraction Commencement Date, require the Issuer to retract all but not less than all such Noteholder's Notes prior to the Maturity Date (a Note retraction) upon the Noteholder:

- (a) giving at least 90 days' prior written notice of such retraction to the Issuer, provided that the amount required to be paid by the Issuer to that Noteholder to fully retire the Issuer's indebtedness under such holder's Notes in such retraction is:
 - (i) 95% of the principal amount owing under the holder's Notes if the actual repayment date is on or prior to the second anniversary of the Closing Date for the Minimum Note Offering; or
 - (ii) 98% of the principal amount owing under its Notes if the actual repayment date is after the second anniversary of the Closing Date for the Minimum Note Offering and prior to the Maturity Date,

plus, in each case, the proportional amount of interest on the principal amount of the Noteholder's Notes, if any, accrued but unpaid to the actual repayment date thereof; and

- (b) at the Issuer's request, surrendering to the Issuer (for no attributed value) all the Class B Shares that the Noteholder holds or beneficially owns or controls, directly or indirectly, by delivering to the Issuer at the time and place determined by the Issuer all applicable Class B Share certificates duly endorsed in blank for transfer or accompanied by a duly endorsed stock transfer acceptable to the Issuer, whereupon the Noteholder is deemed to have provided the following representations, warranties and covenants to the Issuer in respect of such Class B Shares:
 - (i) the surrendered Class B Share certificates represent all the Class B Shares owned or controlled, directly or indirectly, legally or beneficially by the Noteholder or any affiliate or associate (as defined under applicable securities laws) of the Noteholder, and the Noteholder has sufficient right, title and interest in and full power, authority and control over those Class B Shares, and all necessary approvals and consents have been

obtained, to fully surrender all right, title and interest therein to and in favour of the Issuer, free and clear of all liens, charges, encumbrances, claims and equities;

- (ii) as a result of such surrender, no person other than the Issuer has any agreement, option, right or privilege capable of becoming an agreement or option to acquire any right, title or interest in the Class B Shares or any part thereof, and none of the Noteholder or any affiliate or associate thereof has any further right, entitlement or privilege as a Class B Shareholder; and
- (iii) at the Issuer's request, the Noteholder will and will cause its affiliates and associates to, execute any additional documents, transfers and other assurances as may be necessary or desirable to complete the surrender of the Class B Shares to the Issuer as contemplated.

For greater certainty, a Noteholder that holds more than one series of Notes is not able to retract only one series of his Notes; all Notes must be subject to the retraction notice.

Series 2 Notes are retractable on a "first come, first serve" basis. Notwithstanding a Series 2 Noteholder's right to early repayment, no Noteholder may validly give a retraction notice requiring the Issuer to retire its indebtedness under Series 2 Notes prior to 18 months after the Closing Date for the Minimum Note Offering. In addition, the Issuer is not required to retire the principal amount (or interest in respect thereof) of any Series 2 Note where the total principal amount of Notes to be retracted or retired in a particular calendar month for which the Issuer has previously received one or more valid retraction notices from the applicable Noteholders, exceeds \$50,000. Once the Issuer has received valid retraction notices from Noteholders requiring the Issuer to retract or retire its indebtedness under Notes having an aggregate principal amount of \$50,000 in a calendar month, no further or subsequent retraction notice is effective and no right of retraction thereafter exists in respect of such retraction notice. In this situation, the Series 2 Noteholder's retraction notice is deemed to have been rescinded and the Issuer and such Series 2 Noteholder are considered to have been placed back in their respective positions, each with its respective rights as if no notice had been given. For greater certainty, in such circumstances, should the Series 2 Noteholder again wish to give a written notice of retraction, it may do so.

In addition, the Issuer is not required to retract the principal amount of any Series 2 Note (or interest in respect thereof) where the total principal amount of Notes already retracted or retired together with the total principal amount of Notes for which the Issuer has received one or more valid retraction notices from the applicable Noteholders, exceeds 10% of the total aggregate principal amount of all Notes outstanding as at 11:59 p.m. (Calgary time) on the Note Retraction Commencement Date. Once the total principal amount of Notes already retracted or retired by the Issuer and the total principal amount of Notes for which the Issuer has received valid retraction notices from Noteholders exceeds 10% of the total aggregate principal amount of all Notes outstanding as at 11:59 p.m. (Calgary time) on the Note Retraction Commencement Date, no further or subsequent retraction notice is effective and no right of retraction thereafter exists. In this situation, the Series 2 Noteholder's retraction notice is deemed to have been rescinded and the Issuer and such Series 2 Noteholder are considered to have been placed back in their respective positions, each with its respective rights as if no notice had been given, except that the Series 2 Noteholder has no further rights in respect of a Series 2 Note Retraction.

If, in the circumstances of the Issuer's retirement of Series 2 Note indebtedness or a Series 2 Note retraction, a Series 2 Noteholder fails to present and surrender the applicable Note Certificate(s) at the appropriate time, or does not accept payment of the retraction amount in respect thereof, or does not give a receipt as the Issuer may reasonably require, then the accrual of interest on the principal amount to be so retracted ceases after such date and all amounts owing to the Series 2 Noteholder are to be set aside in trust for the holder and for all purposes are deemed to be payment to the holder. In the case of the retirement or repayment of a portion of the principal amount represented by a particular Series 2 Note Certificate, the Series 2 Noteholder is entitled to receive a new certificate representing the principal amount that has not been retired or repaid and remains owing, provided that the Series 2 Noteholder has presented and surrendered the applicable Series 2 Note Certificate.

Where the Issuer gives notice to one or more Series 2 Noteholders of a proposed retirement of those holders' Series 2 Notes, but subsequently fails to make payment to retire those Series 2 Notes on the last day of the 30-day notice period, the Issuer's notice is deemed to have been rescinded and the Issuer and each Series 2 Noteholder are considered to have been placed back in their respective positions with their respective rights as if no notice had been given. For greater certainty, in such circumstances, should the Issuer again wish to give a written notice of redemption, it may do so.

If, in the circumstances of a Series 2 Note retraction, the applicable Series 2 Noteholder fails to surrender the applicable Class B Shares, at the appropriate time and place as requested by the Issuer, the Series 2 Noteholder's retraction notice is deemed to have been rescinded and the Issuer and the Series 2 Noteholder are considered to have been placed back in their respective positions with their respective rights as if no retraction notice had been given.

The occurrence of certain events as summarized below will cause the Maturity Date of an affected Series 2 Note to accelerate whereby the Issuer is obliged to forthwith repay the affected Series 2 Note. An acceleration event in respect of a particular Series 2 Note includes: (i) the Issuer defaulting on payment of interest under the affected Series 2 Note when it becomes due and payable prior to the Maturity Date; (ii) the Issuer defaulting on payment of principal (to the extent required) or interest under the affected Series 2 Note on the date such amounts are due and payable prior to the Maturity Date in connection with the Series 2 Noteholder's valid exercise of its retraction rights; (iii) an order of a court declaring the Issuer bankrupt or insolvent or approving a petition seeking the reorganization, arrangement or winding-up of the Issuer; (iii) approval, as required under the ABCA, for the winding up or liquidation of the Issuer, or the Issuer instituting bankruptcy or like proceedings; (iv) if the Issuer neglects to observe or perform any other covenant or obligation in the Series 2 Note Certificate on its part to be observed or performed and, after notice in writing has been given to the Issuer specifying such default and requiring the Issuer to put an end to same; or (v) the Issuer agreeing to an amendment to the Loan Agreement if such amendment is materially prejudicial to the ability of the Issuer to comply with its obligations under the Notes, subject in each event to the Issuer's right and opportunity to rectify such default within 60 days. For clarity, the acceleration of the Maturity Date for a particular Series 2 Note does not, by itself, determine the acceleration of any other Series 2 Note.

Series 2 Notes may not be assumed by any other entity without prior written consent of the Noteholder, and may not be sold, assigned or transferred by the Noteholder, in whole or in part, without prior written consent of the Issuer. In addition, the Series 2 Notes are subject to an indefinite hold period and cannot be traded before the date that is four months and a day after the later of (i) the date of issuance of the applicable Series 2 Note, and (ii) the date that the Issuer becomes a reporting issuer, under applicable securities legislation, in any province or territory of Canada, except in limited circumstances. See **Item 10 – Resale Restrictions**.

Under the terms of the Series 2 Notes, the Issuer reserves the right to, at any time and from time to time (i) retire its indebtedness under or redeem any Note, in whole or in part, prior to and without obligation for the retirement or redemption of any other Note(s), and (ii) purchase any Note(s) in the market, by tender or by private contract, without the obligation to purchase any other Note(s).

5.1.3 Series 3 Notes

The terms and conditions of the Series 3 Notes held by a Series 3 Noteholder are contained in the applicable Note Certificate (s) issued by the Issuer to the Note Investor. There will not be a Series 3 Note trustee to represent Series 3 Noteholders and none of the terms or conditions of the Series 3 Notes will be contained in any instrument other than the applicable Note Certificate. The intended form of Series 3 Note Certificate is attached as a schedule to this offering memorandum. Prospective Note Investors are advised that any description of the Series 3 Notes in this offering memorandum is a summary only and remains subject to the terms and conditions attaching to each Series 3 Note contained in the applicable Note Certificate. Prospective Series 3 Note Investors are advised to review the applicable Note Certificate in detail with their own legal, tax and investment advisors and should not rely on the summary descriptions in this offering memorandum alone.

Series 3 Noteholders will not have a mechanism for calling or holding meetings and have no right to vote on any decisions of the Issuer or in respect of the Properties or any Collateral. Series 3 Noteholders are NOT shareholders and do not enjoy the rights and privileges available to shareholders under the ABCA.

In addition, there is no trustee being used in connection with the Loan to hold the security (including the Collateral) granted thereunder. Series 3 Noteholders must rely on the Issuer to pay the Notes and, if necessary, to enforce its security granted by CBI to it (including realizing on the Collateral) as provided in the Loan Agreement. If CBI defaults on its payments to the Issuer under the Loan Agreement, Noteholders do not have recourse against CBI or the Material Affiliates. Furthermore, Noteholders will have no claim against CBI for payment of the Notes. Noteholders will have recourse only against the Issuer and not against CBI, directly. The security for repayment of the Loan in favour of the Issuer is limited in recourse to the Collateral. See **Item 2.5 – Insufficient Proceeds**, **Item 2.6.2 – Loan Agreement** and **Item 8 – Risk Factors**.

Each Series 3 Note has a face value of \$100 and any Series 3 Note Certificate representing Series 3 Notes will have a stated principal amount that is a whole-number multiple of \$100. The Series 3 Notes issued pursuant to the Offering will be unsecured and will be due on the Maturity Date. The Maturity Date for all Series 3 Notes, irrespective of their date of issue is June 15, 2012, being the third anniversary of the Closing Date for the Minimum Note Offering. Accordingly, Series 3 Notes issued and sold after that Closing Date have an effective term to maturity of less than three years. Series 3 Notes, irrespective of their date of issue, will bear interest calculated at the simple annual rate of 11%, payable monthly on Interest Instalment Dates commencing as of the last day of the complete calendar month following the first Closing at which Series 3 Notes are issued and sold, as more particularly set out in the Series 3 Note Certificates.

The Issuer may, in its discretion at any time and from time to time prior to maturity, retire or repay its indebtedness under any or all of the Series 3 Notes, in whole or in part, without penalty or bonus (a Note redemption) on at least 30 days' prior written notice to the applicable Series 3 Noteholder(s) by repaying all or a portion of the principal amount outstanding under the selected Series 3 Notes together with the proportional amount of quarterly interest on the applicable principal amount accrued but unpaid since the latest interest payment until the actual repayment date thereof. The Issuer's retirement or repayment of indebtedness prior to maturity in the foregoing manner under one or more Series 3 Note(s), in whole or in part, does not obligate the Issuer to retire, repay or retract any other Note indebtedness, in whole or in part.

A Noteholder may, at any time following the Note Retraction Commencement Date, require the Issuer to retract all but not less than all such Noteholder's Notes prior to the Maturity Date (a Note retraction) upon the Noteholder:

- (a) giving at least 90 days' prior written notice of such retraction to the Issuer, provided that the amount required to be paid by the Issuer to that Noteholder to fully retire the Issuer's indebtedness under such holder's Notes in such retraction is:
 - (i) 95% of the principal amount owing under the holder's Notes if the actual repayment date is on or prior to the second anniversary of the Closing Date for the Minimum Note Offering; or
 - (ii) 98% of the principal amount owing under its Notes if the actual repayment date is after the second anniversary of the Closing Date for the Minimum Note Offering and prior to the Maturity Date,

plus, in each case, the proportional amount of instalment interest on the principal amount of the Noteholder's Notes, if any, accrued but unpaid since the latest Interest Instalment Date to the actual repayment date thereof; and

- (b) at the Issuer's request, surrendering to the Issuer (for no attributed value) all the Class B Shares that the Noteholder holds or beneficially owns or controls, directly or indirectly, by delivering to

the Issuer at the time and place determined by the Issuer all applicable Class B Share certificates duly endorsed in blank for transfer or accompanied by a duly endorsed stock transfer acceptable to the Issuer, whereupon the Noteholder is deemed to have provided the following representations, warranties and covenants to the Issuer in respect of such Class B Shares:

- (i) the surrendered Class B Share certificates represent all the Class B Shares owned or controlled, directly or indirectly, legally or beneficially by the Noteholder or any affiliate or associate (as defined under applicable securities laws) of the Noteholder, and the Noteholder has sufficient right, title and interest in and full power, authority and control over those Class B Shares, and all necessary approvals and consents have been obtained, to fully surrender all right, title and interest therein to and in favour of the Issuer, free and clear of all liens, charges, encumbrances, claims and equities;
- (ii) as a result of such surrender, no person other than the Issuer has any agreement, option, right or privilege capable of becoming an agreement or option to acquire any right, title or interest in the Class B Shares or any part thereof, and none of the Noteholder or any affiliate or associate thereof has any further right, entitlement or privilege as a Class B Shareholder; and
- (iii) at the Issuer's request, the Noteholder will and will cause its affiliates and associates to, execute any additional documents, transfers and other assurances as may be necessary or desirable to complete the surrender of the Class B Shares to the Issuer as contemplated.

For greater certainty, a Noteholder that holds more than one series of Notes is not able to retract only one series of his Notes; all Notes must be subject to the retraction notice.

Series 3 Notes are retractable on a "first come, first serve" basis. Notwithstanding a Series 3 Noteholder's right to early repayment, no Noteholder may validly give a retraction notice requiring the Issuer to retire its indebtedness under Series 3 Notes prior to 18 months after the Closing Date for the Minimum Note Offering. In addition, the Issuer is not required to retire the principal amount (or interest in respect thereof) of any Series 3 Note where the total principal amount of Notes to be retracted or retired in a particular calendar month for which the Issuer has previously received one or more valid retraction notices from the applicable Noteholders, exceeds \$50,000. Once the Issuer has received valid retraction notices from Noteholders requiring the Issuer to retract or retire its indebtedness under Notes having an aggregate principal amount of \$50,000 in a calendar month, no further or subsequent retraction notice is effective and no right of retraction thereafter exists in respect of such retraction notice. In this situation, the Series 3 Noteholder's retraction notice is deemed to have been rescinded and the Issuer and such Series 3 Noteholder are considered to have been placed back in their respective positions, each with its respective rights as if no notice had been given. For greater certainty, in such circumstances, should the Series 3 Noteholder again wish to give a written notice of retraction, it may do so.

In addition, the Issuer is not required to retract the principal amount of any Series 3 Note (or interest in respect thereof) where the total principal amount of Notes already retracted or retired together with the total principal amount of Notes for which the Issuer has received one or more valid retraction notices from the applicable Noteholders, exceeds 10% of the total aggregate principal amount of all Notes outstanding as at 11:59 p.m. (Calgary time) on the Note Retraction Commencement Date. Once the total principal amount of Notes already retracted or retired by the Issuer and the total principal amount of Notes for which the Issuer has received valid retraction notices from Noteholders exceeds 10% of the total aggregate principal amount of all Notes outstanding as at 11:59 p.m. (Calgary time) on the Note Retraction Commencement Date, no further or subsequent retraction notice is effective and no right of retraction thereafter exists. In this situation, the Series 3 Noteholder's retraction notice is deemed to have been rescinded and the Issuer and such Series 3 Noteholder are considered to have been placed back in their respective positions, each with its respective rights as if no notice had been given, except that the Series 3 Noteholder has no further rights in respect of a Series 3 Note Retraction.

If, in the circumstances of the Issuer's retirement of Series 3 Note indebtedness or a Series 3 Note retraction, a Series 3 Noteholder fails to present and surrender the applicable Note Certificate(s) at the appropriate time, or does not accept payment of the retraction amount in respect thereof, or does not give a receipt as the Issuer may reasonably require, then the accrual of interest on the principal amount to be so retracted ceases after such date and all amounts owing to the Series 3 Noteholder are to be set aside in trust for the holder and for all purposes are deemed to be payment to the holder. In the case of the retirement or repayment of a portion of the principal amount represented by a particular Series 3 Note Certificate, the Series 3 Noteholder is entitled to receive a new certificate representing the principal amount that has not been retired or repaid and remains owing, provided that the Series 3 Noteholder has presented and surrendered the applicable Series 3 Note Certificate.

Where the Issuer gives notice to one or more Series 3 Noteholders of a proposed retirement of those holders' Series 3 Notes, but subsequently fails to make payment to retire those Series 3 Notes on the last day of the 30-day notice period, the Issuer's notice is deemed to have been rescinded and the Issuer and each Series 3 Noteholder are considered to have been placed back in their respective positions with their respective rights as if no notice had been given. For greater certainty, in such circumstances, should the Issuer again wish to give a written notice of redemption, it may do so.

If, in the circumstances of a Series 3 Note retraction, the applicable Series 3 Noteholder fails to surrender the applicable Class B Shares, at the appropriate time and place as requested by the Issuer, the Series 3 Noteholder's retraction notice is deemed to have been rescinded and the Issuer and the Series 3 Noteholder are considered to have been placed back in their respective positions with their respective rights as if no retraction notice had been given.

The occurrence of certain events as summarized below will cause the Maturity Date of an affected Series 3 Note to accelerate whereby the Issuer is obliged to forthwith repay the affected Series 3 Note. An acceleration event in respect of a particular Series 3 Note includes: (i) the Issuer defaulting on payment of interest under the affected Series 3 Note when it becomes due and payable prior to the Maturity Date; (ii) the Issuer defaulting on payment of principal (to the extent required) or interest under the affected Series 3 Note on the date such amounts are due and payable prior to the Maturity Date in connection with the Series 3 Noteholder's valid exercise of its retraction rights; (iii) an order of a court declaring the Issuer bankrupt or insolvent or approving a petition seeking the reorganization, arrangement or winding-up of the Issuer; (iii) approval, as required under the ABCA, for the winding up or liquidation of the Issuer, or the Issuer instituting bankruptcy or like proceedings; (iv) if the Issuer neglects to observe or perform any other covenant or obligation in the Series 3 Note Certificate on its part to be observed or performed and, after notice in writing has been given to the Issuer specifying such default and requiring the Issuer to put an end to same; or (v) the Issuer agreeing to an amendment to the Loan Agreement if such amendment is materially prejudicial to the ability of the Issuer to comply with its obligations under the Notes, subject in each event to the Issuer's right and opportunity to rectify such default within 60 days. For clarity, the acceleration of the Maturity Date for a particular Series 3 Note does not, by itself, determine the acceleration of any other Series 3 Note.

Series 3 Notes may not be assumed by any other entity without prior written consent of the Noteholder, and may not be sold, assigned or transferred by the Noteholder, in whole or in part, without prior written consent of the Issuer. In addition, the Series 3 Notes are subject to an indefinite hold period and cannot be traded before the date that is four months and a day after the later of (i) the date of issuance of the applicable Series 3 Note, and (ii) the date that the Issuer becomes a reporting issuer under applicable securities legislation, in any province or territory of Canada, except in limited circumstances. See **Item 10 – Resale Restrictions**.

Under the terms of the Series 3 Notes, the Issuer reserves the right to, at any time and from time to time (i) retire its indebtedness under or redeem any Note, in whole or in part, prior to and without obligation for the retirement or redemption of any other Note(s), and (ii) purchase any Note(s) in the market, by tender or by private contract, without the obligation to purchase any other Note(s).

5.1.4 Class B Shares

Class B Shareholders are entitled to receive dividends as and when declared by the board of directors of the Issuer and are entitled to share proportionately with all Class B Shareholders in the remaining assets available for distribution upon the Issuer's voluntary or involuntary liquidation, dissolution or winding-up, after payment of liabilities. Subject to the ABCA, Class B Shareholders are not entitled to vote at or attend any meetings of shareholders of the Issuer. In particular, Class B Shareholders will not have the right to vote on any acquisition or disposition of the Properties, none of which will be held by the Issuer, or in respect of any discharge of Collateral from time to time. Prospective Class B Shareholders are advised that any descriptions of the Class B Share provisions in this offering memorandum are a summary only and remain subject to the designation, rights, privileges, restrictions and conditions attaching to each Class B Share contained in the Issuer's articles of incorporation, as may be amended from time to time. Prospective Class B Shareholders are advised to review those Share provisions in detail with their own legal, tax and investment advisors and should not rely on the summaries in this offering memorandum alone.

The Issuer may, in its discretion and subject always to the provisions of the ABCA and applicable laws, declare and pay dividends on the outstanding Class B Shares at any time and from time to time. The Issuer does not generally intend to declare or pay any dividends on the Class B Shares prior to CBI repaying the principal amount of the Loan and accrued interest thereon, or the Issuer repaying the aggregate principal amount of the Notes and accrued but unpaid interest thereon as of the Maturity Date. CBI may, from time to time in its discretion and subject always to applicable laws, provide funds to the Issuer (as a loan or otherwise) to enable the Issuer to pay dividends on outstanding Class B Shares, however, there is no assurance that CBI will, and CBI is under no obligation to, provide any amount to the Issuer for this or any other purpose, except pursuant to the Loan Agreement or the Management Agreement. See **Item 8 – Risk Factors**.

It is currently intended that after the Maturity Date, the Issuer will be wound-up and dissolved following its intended repayment of indebtedness under the Notes, as of the Maturity Date, using funds that it receives on the repayment of the Loan (*i.e.*, the outstanding Loan principal together with all accrued but unpaid interest) to repay the principal amount plus accrued but unpaid interest of the outstanding Notes.

The Issuer intends to invest the Class B Share Proceeds in Permitted Investments prior to the Maturity Date. It is currently intended that Class B Shareholder approval will be sought for the winding-up and dissolution of the Issuer after the Maturity Date. **Class B Shareholder approval for the winding-up and dissolution of the Issuer requires a special resolution under the ABCA. If the winding-up and dissolution of the Issuer is so approved, the Issuer will discharge its liabilities and distribute its remaining assets (if any) to those Class B Shareholders in accordance with the ABCA.**

Class B Shares will participate in the distribution of the remaining assets of the Issuer (if any) in connection with such winding-up and dissolution and the Issuer intends to distribute the remaining assets of the Issuer (if any) to the Class B Shareholders using the Class B Share Proceeds plus any income or return earned from the Permitted Investments less taxes and the reasonable costs and expenses of the dissolution for such purposes. However, the Permitted Investments are issued and administered by a third party and, as a consequence, there is no guarantee that the Class B Share Proceeds will remain intact or that there will be any additional Working Capital available to the Issuer from the Permitted Investments or otherwise to distribute any remaining assets, whether in an amount for each outstanding Class B Share that approximates the issue cost, or at all. There is no assurance that, in participating in the distribution of the remaining assets (if any) of the Issuer, Class B Shareholders will receive any amount. CBI may, in its discretion and subject always to applicable laws, provide funds (as a loan or otherwise) to enable the Issuer to distribute its remaining assets in an amount for each outstanding Class B Share that approximates the issue cost, or greater; however, there is no assurance that CBI will, and CBI is under no obligation to provide any amount to the Issuer for this purpose. **See Item 8 – Risk Factors**.

The effect of (i) the operation of the terms of the Notes, including the interest payment obligations thereunder and the payment of the principal thereof as of the Maturity Date, (ii) the fact that the only

material assets of the Issuer (other than the Class B Share Proceeds) will be the rights and benefits of the Issuer, as a creditor, pursuant to the Loan Agreement (including the right to receive payments of principal and interest on account of the Loan), (iii) the ongoing payment of Offering costs, Selling Commissions and general and administrative expenses, is that there will be little or no funds available for distribution to the Class B Shareholders other than the original amount paid by the Class B Shareholders for their Class B Shares under the Offering, subject to the performance of the Permitted Investments. See **Item 2.2.4 - Support from CBI** and **Item 8 - Risk Factors**.

5.2 Subscription Procedure

The securities being offered pursuant to this Offering are Series 1 unsecured 11% interest instalment Notes, Series 2 unsecured 11% interest Notes and Series 3 unsecured 11% interest Notes of the Issuer at a price of \$100 per Note and Class B non-voting common shares at a price of \$1.00 per Class B Share. Each Note Investor must subscribe for a minimum of \$5,000 principal amount of Notes and each Class B Share subscriber must subscribe for a minimum of \$500 (500 Class B Shares) principal amount of Class B Shares, where the Issuer requires a subscription for Class B Shares, subject to the Issuer waiving the minimum subscription requirement, in whole or in part. There is no maximum number of Notes allocated to any subscriber.

Note Investors wishing to subscribe for Notes and Class B Shares will be required to enter into a Subscription Agreement with the Issuer in the form attached as Schedule C to this Offering memorandum, containing, among other things, representations, warranties, certifications, acknowledgments and covenants by you, as the Investor. The procedure for your Note and Class B Share subscription is set out in the Subscription Agreement attached as Schedule D. Please read the instructions on page SD-2, closely. You may subscribe for Notes and Class B Shares by delivering the completed and signed subscription documents set out in Schedule D together with payment for the Notes and Class B Shares to the Issuer at the address set out in the instructions on page SD-2.

Closings may be held up to and including June 30, 2011 until the Maximum Note Offering is reached. The Issuer may, without notice to Securityholders, increase the Maximum Note Offering as described in this offering memorandum.

The Issuer may close the subscription books at any time without notice. Any subscription funds for subscriptions that the Issuer does not accept will be returned promptly after the Issuer has determined not to accept such subscription.

Upon receipt of your subscription materials, the Issuer (or Frank Capital Partners Inc., CBI, or a nominee thereof on behalf of the Issuer) will hold your Aggregate Subscription Price (defined in Schedule C) in trust until at least midnight on the second business day after the day on which your signed and dated Subscription Agreement is received by the Issuer, after which time those funds will be held in trust until the Issuer's acceptance at the applicable closing or rejection, in whole or in part. Prior to such closing, the Issuer (or Frank Capital Partners Inc., or a nominee thereof on behalf of the Issuer) may but is not required to deposit your subscription funds in a segregated account pending closing after they have been held for two business days. Deposit in this manner does not constitute acceptance of your Note or Class B Share subscription. Further, no interest will be paid to or accrued for the benefit of the Note Investor or Class B Share subscriber on any portion of your Aggregate Subscription Price held prior to closing. Any interest earned on such funds belong to the Issuer irrespective of its acceptance or rejection of your Note or Class B Share subscription.

At a Closing of the Offering, the Issuer will be provided with the subscription funds and will arrange for delivery to or as directed by each Note Investor and Class B Share subscriber a certificate(s) representing fully paid Notes and a certificate(s) representing full paid Class B Shares, provided the Aggregate Subscription Price has been paid in full. It is expected that certificates representing the Notes and certificates representing the Class B Shares will be available for delivery within a reasonable period of time after the relevant closing date(s).

By purchasing the securities pursuant to this Offering, the Note Investor or Class B Share subscriber acknowledges that it has consented to and requested that all documents evidencing or relating in any way to the sale of the Notes and Class B Shares be drawn up in the English language only. **En souscrivait aux titres en vertu de la présente offre, le souscripteur reconnaît par les présentes avoir consenti et exigé que tous les documents faisant foi ou se rapportant de quelque manière à la vente des notes et des actions de catégorie B soient rédigés en anglais seulement.**

In conducting the Offering, the Issuer is relying on exemptions from the requirements to provide the Investor with a prospectus and to sell securities through a person or company registered under applicable securities laws and, as a consequence, certain protections, rights and remedies, provided by applicable securities laws, including statutory rights of rescission or damages, will not be available to the Investor. Your subscription, as evidenced by your completed and signed Subscription Agreement delivered to the Issuer, is irrevocable but, as a result of receiving this offering memorandum and subject always to applicable securities laws, you have a two-day cancellation right. See **Item 11 – Investors' Rights**.

Provided that the Issuer has satisfied and continues to satisfy the requirements under the Tax Act in order for it to qualify as a "public corporation" thereunder, the Notes and Class B Shares will be "qualified investments" under the Tax Act for trusts governed by Registered Plans (including RRSPs, RRIFs, RESPs, DPSPs, RDSPs and TFSAAs), except that Notes will not be qualified investments for a DPSP for which any employer is the Issuer or a corporation that does not deal at arm's length with the Issuer. If Class B Shares constitute a "prohibited investment" of a TFSA (generally applicable in certain non-arm's length circumstances), tax may be imposed under Part XI.01 of the Tax Act. See **Item 6 – Certain Canadian Federal Income Tax Considerations**. While this offering memorandum contains a general description of "Certain Canadian Federal Income Tax Considerations", it is not tax advice. Consult your tax advisor with respect to this investment.

ITEM 6 - CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

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

In the opinion of Borden Ladner Gervais LLP, counsel for the Issuer, the following summary describes the principal Canadian federal income tax considerations under the Tax Act generally applicable to a person who acquires Notes or Class B Shares pursuant to the Offering and who, for purposes of the Tax Act, and at all material times is resident in Canada, holds the Notes or Class B Shares, as the case may be, as capital property and deals at arm's length and is not affiliated with the Issuer. Generally, the Notes and Class B Shares will be considered to be capital property to a person provided the person does not hold the Notes or Class B Shares in the course of carrying on a business and has not acquired the Notes or Class B Shares in one or more transactions considered to be an adventure in the nature of trade or as a "mark-to-market property".

This summary is not applicable to persons (a) that do not hold Notes and Class B Shares as capital property for purposes of the Tax Act; (b) that are "financial institutions" or "specified financial institutions" (as defined in the Tax Act); (c) an investment in whom would be a "tax shelter investment" (as defined by the Tax Act); (d) who have elected to determine their Canadian tax results in a "functional currency" (which does not include Canadian currency) as defined in the Tax Act, or (e) who are exempt from tax under Part I of the Tax Act.

This summary is based upon the provisions of the Tax Act in force as of the date hereof, all specific proposals ("**Proposed Amendments**") to amend the Tax Act that have been publicly announced prior to the date hereof by the Minister of Finance (Canada) and tax counsel's understanding of the current published administrative and assessing policies of the Canada Revenue Agency (the "**CRA**"). This summary assumes that the Proposed Amendments will be enacted as proposed, although there is no assurance that they will be enacted as proposed or at all. This summary is not exhaustive of all possible Canadian federal income tax considerations and, other than the Proposed Amendments, does not take into account or anticipate any changes in the law, whether by way of legislative, governmental or judicial

action, nor does it take into account provincial, territorial or foreign tax considerations, which might differ significantly from those discussed herein.

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

6.1 Taxation of the Issuer

6.1.1 Status

The Issuer has advised counsel that it intends to file the necessary elections to become a "public corporation" for purposes of the Tax Act effective as of the beginning of its first taxation year. The Issuer's taxation year-end is anticipated to be December 31. This summary assumes that the Issuer will be a "public corporation" from the beginning of its first taxation year and at all material times thereafter. The Issuer will be subject to federal tax at applicable rates, plus applicable provincial or territorial tax, on its taxable income.

6.2 Taxation of Non-Exempt Persons Owning a Note

6.2.1 Interest Income

Generally speaking, a Noteholder that is a corporation, partnership, unit trust or trust of which a corporation or partnership is a beneficiary will be required to include in computing its income for a taxation year any interest (or amounts to be interest) on the Note(s) that accrues to the end of the particular taxation year (or accrues to it until the date of disposition thereof) or becomes receivable or is received by the owner before the end of the taxation year, except to the extent such interest otherwise was included in the owner's income for a preceding taxation year.

Any other owner of a Note, including individuals and trusts of which neither a corporation nor a partnership is a beneficiary, will be required to include in the owner's income for a taxation year any interest (or amounts to be interest) on the Note received or receivable by the owner in that year (depending upon the method regularly followed by the owner in computing income), except to the extent that the interest was included in the owner's income for a preceding taxation year. In addition, such an owner of a Note who owns a Note in a taxation year on an "anniversary day" (within the meaning of the Tax Act) of the Note will be required to include in computing the owner's income for the taxation year any interest that accrues on the Note to the end of the "anniversary day" in that year, except to the extent such interest otherwise was included in the owner's income for that or a preceding taxation year. Each anniversary of the day immediately before the issuance of a Note will be an "anniversary day" of the Note and if a Note is disposed of on a particular day, that day will be an "anniversary day" of that Note.

For the purposes of the foregoing accrual rules, to the extent that payment of interest is deferred, a Noteholder will be required to include interest in its income in accordance with the Tax Act.

An owner of a Note that is a "Canadian-controlled private corporation" (within the meaning of the Tax Act) may be liable to pay an additional refundable tax of 6 $\frac{2}{3}$ % on certain investment income, including interest income on the Notes and capital gains in respect of the Notes.

6.2.2 Disposition of a Note

On a disposition or deemed disposition of a Note by its owner on a particular day, the owner generally will be required to include in the owner's income any interest that accrues on the Note to that day, except to the extent that such interest otherwise was included in the owner's income in the current or a previous taxation year.

An owner of a Note may realize a capital gain (or a capital loss) upon the disposition or deemed disposition of the Note to the extent that the proceeds of disposition therefor exceed (or are less than) the aggregate of that owner's adjusted cost base of the Note and any reasonable costs of disposition. An owner's adjusted cost base of the Note generally will be the owner's cost of the Note, subject to certain adjustments in accordance with the Tax Act. The treatment of capital gains and losses is described below under **Item 6.4 – Capital Gain (Loss)**.

6.3 Taxation of Non-Exempt Persons Holding Shares

6.3.1 Taxable Dividends

Taxable dividends received by a holder in respect of the Class B Shares will be included in the shareholder's income. Any amount paid or deemed to be paid by the Issuer upon a redemption acquisition, or a cancellation of the Class B Shares, will be deemed to have been paid by the Issuer and received by the holder to whom it was paid, as a taxable dividend to the extent the amount so paid exceeds the paid-up capital of the Class B Shares, in accordance with the Tax Act.

In general terms, distributions on the winding-up, dissolution discontinuance or reorganization of the Issuer's business or from proceeds from certain transactions will be deemed to be a taxable dividend paid by the Issuer on the Class B Shares at that time equal to the amount, if any, by which the amount of the distribution exceeds the amount, if any, by which the paid-up capital in respect of the Class B Shares is reduced on the distribution, in accordance with the Tax Act.

In the case of a Class B Shareholder who is an individual, a taxable dividend will be subject to the gross-up and dividend tax credit rules under the Tax Act normally applicable to dividends received from a "taxable Canadian corporation" as defined in the Tax Act. If the Issuer designates taxable dividends paid or deemed to be paid by it as eligible dividends within the time and in the manner required under the Tax Act, such dividends that are received by individuals will be subject to enhanced gross-up and dividend tax credit rules under the Tax Act.

In the case of a Class B Shareholder that is a corporation, taxable dividends will be included in the holder's income, but generally will be deductible in computing the holder's taxable income, subject to certain restrictions contained in the Tax Act. A Class B Shareholder that is a "private corporation" or a "subject corporation" (as defined in the Tax Act) may be liable to pay a refundable tax under Part IV of the Tax Act, generally imposed at 33 $\frac{1}{3}$ % on taxable dividends, to the extent such dividends are deductible in computing the holder's taxable income.

6.3.3 Disposition of a Class B Share

A Class B Shareholder of Shares may realize a capital gain (or a capital loss) upon the disposition or deemed disposition of the Class B Shares to the extent that the proceeds of disposition therefor exceed (or are less than) the aggregate of that holder's adjusted cost base of the Class B Shares and any reasonable costs of disposition. A Class B Shareholder's adjusted cost base of the Class B Shares generally will be the holder's cost of the Class B Shares, subject to certain adjustments in accordance with the Tax Act. The taxation of capital gains and losses is discussed below under **Item 6.4 – Capital Gain (Loss)**.

6.4 Capital Gain (Loss)

One-half of any capital gain ("**taxable capital gain**") realized by a Noteholder or Class B Shareholder in a taxation year must be included in computing the holder's income for that year as a taxable capital gain. One-half of a capital loss realized in a taxation year will be deductible as an allowable capital loss against taxable capital gains realized in that year, in any of the three taxation years preceding that year or in any subsequent taxation year, subject to certain restrictions contained in the Tax Act.

The amount of any capital loss realized on the disposition of a Class B Share may be reduced by the amount of certain dividends received (or deemed to be received) by the Noteholder or Class B Shareholder on such share to the extent and under the circumstances provided by the Tax Act.

A Noteholder or Class B Shareholder of Notes or Class B Shares that is an individual or a trust may be liable for alternative minimum tax as a result of realizing a capital gain. A Noteholder or Class B Shareholder of Notes or Class B Shares that is a "Canadian-controlled private corporation" (within the meaning of the Tax Act) may be liable to pay an additional refundable tax of 25% on certain investment income, including taxable capital gains.

6.5 Eligibility for Investment

Provided that the Issuer has satisfied and continues to satisfy the requirements under the Tax Act in order for it to qualify as a "public corporation" thereunder and makes certain elections in connection therewith, and, based on the provisions of the Tax Act in force as of the date hereof and the proposals to amend the Tax Act and the regulations thereunder publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof, the Class B Shares and the Notes if issued on the date hereof, would be "qualified investments" under the Tax Act for trusts governed by RRSPs, RRIFFs, RESPs, DPSPs, RDSPs and TFSAs (other than DPSPs to which the Issuer or a person with whom the Issuer does not deal at arm's length within the meaning of the Tax Act made contributions for the benefit of their respective employees). Notwithstanding that the Class B Shares and the Notes may be a qualified investment for a trust governed by a TFSA, the holder of a TFSA will be subject to a penalty tax on the Class B Shares and the Notes held in the TFSA if such Class B Shares and the Notes are a "prohibited investment" for the purposes of section 207.01 of the Tax Act. The Class B Shares and the Notes will generally be a "prohibited investment" if the holder of the TFSA does not deal at arm's length with the Issuer for the purposes of the Tax Act or the holder of the TFSA has a "significant interest" within the meaning of the Tax Act in the Issuer or a corporation, partnership or trust with which the Issuer does not deal at arm's length for the purposes of the Tax Act.

ITEM 7 - COMPENSATION PAID TO SELLERS AND FINDERS

Offered Securities may be offered for sale by CBI and such other agents or sub-agents (including (i) Frank Capital Partners Inc., an exempt market dealer registered under applicable securities laws in Canada, (ii) other exempt market dealers in registered under applicable securities laws, and (iii) members of the Investment Industry Regulatory Organization of Canada) as appointed from time to time in connection with the Offering. The decision to distribute the Offered Securities and the determination of the structure and pricing and other terms and conditions of the distribution were made by the Issuer and its promoter for the Offering, CBI. See **Item 2.1.3 - CBI Group**.

The maximum amount of Selling Commissions payable under the Minimum Note Offering will be \$15,000 and under the Maximum Note Offering will be \$600,000, being 6% of the Note Proceeds under the Minimum Note Offering and the Maximum Note Offering, respectively.

Frank Capital Partners Inc. or employees or other registered representatives thereof may receive Selling Commissions of up to 6.0% of the Note Proceeds from Notes they sell, except where the payment of commissions to them is prohibited. Other agents or sub-agents may receive Selling Commissions of up to 6.0% of the Note Proceeds from Notes sold by them, except where the payment of commissions to them is prohibited. Provided that the total Selling Commissions paid to Frank Capital Partners Inc., or employees or other registered representatives of Frank Capital Partners Inc. and all other agents or sub-agents does not exceed 6.0% of the total Note Proceeds raised under the Offering at such time, (1) Selling Commissions paid in respect of a particular sale of Notes may exceed 6.0% of the Note Proceeds for that sale, and (2) where Frank Capital Partners Inc. assists another agent or sub-agent with the Note sale, CBI, Frank Capital Partners Inc. or employees or other registered representatives of Frank Capital Partners Inc. may receive an additional percentage of Selling Commissions in respect of that sale. All the outstanding shares of Frank Capital Partners Inc., are owned and controlled, indirectly, by Travis Cadman and Ron Cadman, the sole directors and officers of the Issuer, through Cadman Investments Ltd. and 744988 Alberta Ltd., making CBI, the Issuer and Frank Capital Partners Inc. affiliates. In connection with

prior sales of Offered Units, the Issuer has paid or has incurred obligations to pay a total of \$453,569 for Selling Commissions or other compensation, of which it has paid or has incurred the obligation to pay Selling Commissions totaling \$59,700 to Frank Capital Partners Inc., CBI, or employees or registered representatives thereof.

Frank Capital Partners Inc. is an exempt market dealer registered under applicable securities laws in Canada. Frank Capital Partners Inc.'s sales staff is permitted to sell Offered Securities to residents in those jurisdictions where it is registered. Its sales staff may also sell Offered Securities to residents of those jurisdictions where properly registered under applicable securities laws in those jurisdictions. Its sales staff may also sell Offered Units to residents of other Canadian jurisdictions relying upon exemptions, to the extent available, from registration requirements under applicable securities laws in those jurisdictions. All the outstanding shares of Frank Capital Partners Inc., are owned and controlled, indirectly, by Travis Cadman and Ron Cadman, the sole directors and officers of the Issuer, through Cadman Investments Ltd. and 744988 Alberta Ltd., making the Issuer, CBI and Frank Capital Partners Inc. affiliates. See **Item 2.1.3 - CBI Group**. In connection with the distribution of Offered Securities by Frank Capital Partners Inc., the Issuer will be considered to be a "related issuer" of Frank Capital Partners Inc. CBI has agreed to fund the operations of Frank Capital Partners Inc. and will fund Frank Capital Partners Inc.'s operating expenses. Additionally, CBI has agreed to fund Frank Capital Partners Inc. in respect of certain bonus payments that Frank Capital Partners Inc. may make to its employees from time to time. Subject to that funding commitment, Frank Capital Partners Inc. will not receive any benefit in connection with the Offering other than its portion of Selling Commissions payable to the Issuer's agents for the Offering as described in this offering memorandum.

The Issuer or Frank Capital Partners Inc. may enter into agency or sub-agency agreements with appropriate parties in respect of the Offering. It is anticipated that such agency or sub-agency agreements, if entered into, will contain terms and conditions that are customary in respect of offerings of the nature of the Offering, which may include the ability of such agent or sub-agent, as the case may be, to terminate their respective obligations at any time before a Closing if:

- an adverse material change, or an adverse material change in a material fact relating to any of the Offered Securities, occurs or is announced by the Issuer;
- there is an event, accident, governmental law or regulation or other occurrence of any nature which, in the opinion of such agent or sub-agent, acting reasonably, seriously affects or will seriously affect the financial markets, or the business of the Issuer, if any, or the ability of such agent or sub-agent to perform its obligations under such agreements;
- following a consideration of the history, business, products, property or affairs of the Issuer or its promoters or the principals, or of the state of the financial markets in general, or the state of the market for the Issuer's securities in particular, such agent or sub-agent determines, in its sole discretion, acting reasonably, that it is not in the interest of the Note Investors to complete the purchase and sale of the Offered Securities;
- an enquiry or investigation (whether formal or informal) in relation to the Issuer, its promoters or its directors or officers, is commenced or threatened by an officer or official of any competent authority which, in the opinion of such agent or sub-agent, acting reasonably, seriously affects or will seriously affect the financial markets, or the business of the Issuer, if any, or the ability of such agent or sub-agent to perform its obligations under such agreements;
- any order to cease, halt or suspend trading (including an order prohibiting communications with persons in order to obtain expressions of interest) in the securities of the Issuer is made by a competent regulatory authority and that order is still in effect; and
- the Issuer is in breach of any material term or any material representation or warranty of such agreements.

ITEM 8 - RISK FACTORS

The purchase of Offered Securities pursuant to this Offering should only be made after consulting with independent and qualified investment, legal and tax advisors. Investment in the Offered Securities at this time is highly speculative. The risks discussed in this Offering Memorandum can adversely affect the Issuer's business, prospects, results and financial condition. This could cause the value of the Offered Securities to decline, cause the Issuer to be unable to pay the interest on the Notes or to repay the Notes and cause investors therein to lose part or all of their investment. In addition to those set out below and elsewhere in this offering memorandum, other material risks and uncertainties of which the Issuer is not presently aware may also harm its business. Securityholders must rely on the ability, expertise, judgment, discretion, integrity and good faith of the Issuer's management. This Offering is suitable for investors who are willing to rely solely upon the Issuer's management and who can afford a total loss of their investment.

In addition to factors set forth elsewhere in this offering memorandum, potential investors should carefully consider the following factors, many of which are inherent to the ownership of Offered Securities. The following is a summary only of the risk factors involved in an investment in the Offered Securities. Prospective Note Investors or Class B Share subscribers should review the risks with their financial, legal:

8.1 Issuer and Investment Risks

1. Limited Operational History

The Issuer has been incorporated for the purpose of completing the Offering, paying interest on the Notes, entering into the Loan Agreement and the Management Agreement, investing the Class B Share Proceeds in Permitted Investments, lending Note Proceeds to CBI under the Loan Agreement, managing its position as a secured but potentially subordinated creditor of CBI, and repaying the Notes as of the Maturity Date. The Issuer's business is subject to all the risks inherent in the establishment of a new business enterprise. The Issuer has been incorporated for a limited purpose and will carry on no business other than for that limited purpose. There is no certainty that the Issuer's business strategy will be successful. The likelihood of success of the Issuer must be considered in light of the problems, expenses, difficulties, complications and delays frequently encountered in connection with the establishment of any business. If the Issuer fails to address any of these risks or difficulties adequately, its business will likely suffer. There is no assurance that the Issuer can operate profitably. It is anticipated that after repayment of the outstanding principal amount and interest of the Notes and payment of the Management Fee, there will be no further profits received by Note Investors. While the share capital of the Class B Shares will be invested in Permitted Investments, there is no guarantee that such capital will increase in value or that the share capital itself will be available for return to the Class B Shareholders.

2. Offered Securities are Not Liquid

An investment in the Offered Securities is an illiquid investment. There is currently no market through which any of the Offered Securities may be sold and it is very unlikely that one will develop. None of Offered Securities will not be listed or posted for trading on a recognized stock exchange or other trading or quotation system. The Issuer has not prepared, filed or delivered to Note Investors or Class B Share subscribers a prospectus qualifying the distribution of the Offered Securities. The Offered Securities are subject to a number of restrictions respecting transferability and resale, including a restriction on trading imposed by applicable securities laws. Until the restriction on trading expires, you will not be able to trade the Offered Securities unless you comply with an exemption from the prospectus and registration requirements under securities legislation.

Unless permitted under securities legislation, no Securityholder can trade Offered Securities before the date that is four months and a day after the date the Issuer becomes a reporting issuer in any province or territory of Canada. **The Issuer is not, and currently has no intention of becoming, a reporting issuer in any province or territory of Canada, and therefore the Offered Securities will be subject to an indefinite hold period. Offered Securities may only be transferred under limited exemptions**

under applicable securities laws. Consequently, Securityholders may not be able to sell the Offered Securities readily or at all, and they may not be accepted as collateral for a loan. See **Item 10 – Resale Restrictions.**

In addition, none of the Offered Securities may be sold, assigned or transferred by the Securityholder, in whole or in part, without prior written consent of the Issuer.

3. Offered Securities are Not Direct Investments in Real Estate

The Offered Securities are not an investment in Properties or other real estate but an investment in debt securities of the Issuer (namely, the Notes) or an investment in non-voting equity securities of the Issuer (namely, the Class B Shares). The security that will be granted to the Issuer by CBI pursuant to the Loan Agreement does not apply to the Notes. Rather, only to the Loan between the Issuer and CBI is secured. The Issuer will not be investing in Properties or other real estate but will be providing the Loan to CBI. Neither the Issuer nor the Note Investors will share in any profits that CBI may enjoy as a result of its use of funds from the Secured Account.

4. Securityholders have Limited Rights

Noteholders will not be represented by a note trustee. Noteholders will not be offered a mechanism to hold meetings or vote on any decisions of the Issuer. Noteholders are NOT shareholders and do not enjoy the rights and privileges offered to Class B Shareholders or any other shareholder of the Issuer under the ABCA.

In addition, there is no trustee being used in connection with the Loan to hold the collateral security granted thereunder. Noteholders must rely on the Issuer to: (i) pay the Notes; and (ii) enforce the security granted by CBI (or the Material Affiliates) to the Issuer as provided under the Loan Agreement.

The directors and officers of the Issuer, and not Securityholders, will make decisions regarding the management of the Issuer's affairs. All the outstanding voting shares of the Issuer (Class A Shares) are owned and controlled, indirectly, by Travis Cadman and Ron Cadman through Cadman Investments Ltd. and 744988 Alberta Ltd., Principal Holders of the Issuer and principal shareholders of CBI. Travis Cadman and Ron Cadman are the sole directors and officers of the Issuer. Travis Cadman and Ron Cadman are also directors and officers of CBI, promoter of the Issuer for the Offering, which will provide has provided and will continue providing administrative and management services and advice to the Issuer and, in consideration for receiving the Loan, CBI has agreed to pay (subject to a specified maximum amount and the ability of CBI to terminate its funding obligations in certain circumstances) costs of the Issuer, including Offering costs and ongoing general and administrative expenses, that the Issuer is unable to finance from its Working Capital (as funded with Note Proceeds upon CBI's direction under the Loan Agreement) pursuant to the Management Agreement. See **Item 1.1 – Funds, Item 2.2.4 – Support from CBI** and **Item 2.6.3 – Management Agreement.** Moreover, Travis Cadman and Ron Cadman, the directors and officers of the Issuer, are also directors, officers, shareholders (directly or indirectly) or employees of one or more other entities in the CBI Group, including Material Affiliates which have provided Collateral in support of CBI's indebtedness to the Issuer under the Loan. As a result there may be an inherent conflict of interest with respect to the directors and officers of the Issuer in the event of a default by CBI under the Loan or the Management Agreement.

Subject to the ABCA, Class B Shareholders are not entitled to vote at or attend any meetings of the Issuer's shareholders. Noteholders will have no rights to attend meetings of the Class B Shareholders or vote in any manner. Note Investors must carefully evaluate the personal experience and business performance of the directors and officers of the Issuer and CBI. The success of the Issuer will largely depend upon the performance of the Issuer's management and key employees of CBI and its affiliates. There is a risk that the death or departure of any member of management or any key employee could have a material adverse effect on the Issuer.

If CBI defaults on its payments to the Issuer under the Loan Agreement, Noteholders do not have recourse against CBI or the Material Affiliates. Furthermore, Noteholders will have no claim against CBI

or the Material Affiliates for payment of the Notes. Noteholders will have recourse only against the Issuer and not against CBI or any Material Affiliate, directly. The security provided by CBI to the Issuer is limited in recourse to the Collateral. See **Item 2.6.3 – Loan Agreement**.

5. Offered Securities are Not Insured

The Offered Securities offered pursuant to this offering memorandum are not insured against loss through the Canadian Deposit Insurance Corporation or any other insurance company or program.

6. The Issuer has Limited Assets and Working Capital

The Issuer has no assets, and will undertake no activities, other than as described in this offering memorandum. Following the Minimum Note Offering, the Issuer intends, among other things, to loan the Note Proceeds to CBI pursuant to the Loan Agreement and invest the Class B Share Proceeds in Permitted Investments. As a consequence, the Issuer's primary asset is the Loan.

The Issuer also intends to invest the Class B Share Proceeds in Permitted Investments prior to the Maturity Date. Class B Shares will participate in the distribution of the remaining assets of the Issuer (if any) in connection with winding-up and dissolution of the Issuer, and the Issuer intends to distribute the remaining assets of the Issuer (if any) to the Class B Shareholders, using the Class B Share Proceeds plus any income or return earned from the Permitted Investments less taxes and the reasonable costs and expenses of the dissolution for such purposes. However, the Permitted Investments are issued and administered by a third party and, as a consequence, there is no guarantee that the Class B Share Proceeds will remain intact or that there will be any additional Working Capital available to the Issuer from the Permitted Investments or otherwise to distribute any remaining assets, whether in an amount for each outstanding Class B Share that approximates the issue cost, or at all. There is no assurance that, in participating in the distribution of the remaining assets (if any) of the Issuer, Class B Shareholders will receive any amount. CBI may, in its discretion and subject always to applicable laws, provide funds (as a loan or otherwise) to enable the Issuer to distribute its remaining assets in an amount for each outstanding Class B Share that approximates the issue cost, or greater; however, there is no assurance that CBI will, and CBI is under no obligation to provide any amount to the Issuer for this or any other purpose, except pursuant to the Loan Agreement or the Management Agreement.

The Issuer does not anticipate carrying on an active business and will have limited sources of Working Capital. There is no assurance that the Issuer will have adequate Working Capital to meet the anticipated requirements described in this offering memorandum. In addition, there is no assurance the Issuer will reach the Maximum Note Offering or that the amounts advanced to CBI under the Loan will be sufficient for CBI to meet its long-term objectives or other capital requirements as they arise. See **Item 1.1 – Funds, Item 2.3 – Long-Term Objectives** and **Item 2.5 – Insufficient Proceeds**. Further, there is no assurance that either the Issuer or CBI (or its Material Affiliates) will have access to additional debt or equity financing when needed or at all, or on acceptable terms.

7. Non-Arm's Length Transactions

Certain transactions contemplated by the Offering, the Loan Agreement and the Management Agreement involve non-arm's length parties. As such, certain contractual terms usually contained in documentation that is negotiated at arm's length are not necessarily included in the Loan Agreement and the Management Agreement as those terms would not have the same effect as they would have in transactions between unrelated parties.

The Issuer does not deal at arm's length with CBI, its promoter for the Offering, the Material Affiliates or other entities in the CBI Group, since (i) all the outstanding voting shares of the Issuer (Class A Shares) are owned and controlled, indirectly, by Travis Cadman and Ron Cadman, the directors and officers of the Issuer and directors and officers of CBI and various Material Affiliates, through Cadman Investments Ltd. and 744988 Alberta Ltd., Principal Holders of the Issuer and principal shareholders of CBI and various Material Affiliates that have provided Collateral in support of CBI's indebtedness to the Issuer under the Loan, making them affiliates, and borrowers from the Issuer under the Loan, and (ii) Ron

Cadman and Travis Cadman, the directors and officers of the Issuer, are also directors, officers, shareholders (directly or indirectly), creditors (directly or indirectly) or employees of CBI or one or more other entities in the CBI Group, including various Material Affiliates that have provided Collateral in support of CBI's indebtedness to the Issuer under the Loan. Accordingly, none of the terms of the Loan Agreement, the Management Agreement and any agreements or security instruments securing the Loan are or will be the result of arm's length negotiations. Some or all of the management, directors, consultants, employees, promoters, solicitors, accountants, appraisers, developers and others that represent CBI may be the same as for the Issuer. No independent counsel has been or will be retained to represent the interests of the Issuer with respect to those agreements or instruments.

Frank Capital Partners Inc., an affiliate of the Issuer and CBI, or employees or other registered representatives thereof, may receive Selling Commissions or other amounts in connection with the Offering.

8. Income Tax Risks

Canadian federal and provincial tax aspects and local tax aspects should be considered prior to investing in the Offered Securities. See **Item 6 – Certain Canadian Federal Income Tax Considerations**. The discussion of certain Canadian federal income tax considerations contained in this offering memorandum is provided for information purposes only and is not a complete analysis or discussion of all potential tax considerations that may be relevant to the acquisition of Offered Securities. Prospective Note Investors and Class B Share subscribers are urged to consult their own tax advisors, prior to investing in the Offered Securities, with respect to the specific tax consequences to them from the acquisition of Offered Securities.

The tax consequences associated with an Offered Securities, including Notes, constituting "qualified investments" for Registered Plans, may be subject to changes in federal and provincial tax laws. There can be no assurance that the tax laws will not be changed in a manner that will fundamentally alter the income tax consequences to Securityholders holding or disposing of Offered Securities. No advance income tax ruling has been applied for or received with respect to the income tax consequences described in the offering memorandum. See **Item 6 – Certain Canadian Federal Income Tax Considerations**.

Adverse income tax consequences may apply if a Registered Plan acquires a non-qualified investment. In certain cases, an amount equal to the fair market value of the non-qualified investment must be included in the income of the annuitant and any income from the non-qualified investment may be fully taxable in the Registered Plan. No advance income tax ruling or other comfort has been obtained from the CRA confirming that the Notes or Class B Shares are qualified investments. The extent to which repayment of the Notes will be received on a tax-deferred basis may depend in part on the extent to which the Notes are qualified investments for Registered Plans.

There can be no assurance that Canadian federal income tax laws or the judicial interpretation thereof or the administrative or assessing practices of the CRA will not be changed or enforced in a manner that adversely affects Securityholders.

9. Noteholders are Unsecured Creditors of the Issuer

In holding Notes, Noteholders are unsecured creditors of the Issuer. At any time when quarterly or monthly interest payments are due on the Series 1 Notes or Series 3 Notes (as applicable) or repayment of the Notes (including the payment of accrued but unpaid interest thereon as of the Maturity Date) is required, the Issuer may have other creditors, some of whom may have a registered security interest against the Issuer or its assets in priority to any Noteholder. If the Issuer is unable to satisfy its quarterly or monthly interest payments on the Series 1 Notes or Series 3 Notes (as applicable) when due or repay the Notes in full or at all upon maturity (including the payment of accrued but unpaid thereon as of the Maturity Date), Noteholders will proportionately share with other unsecured creditors in the remaining assets of the Issuer, if any, subject to the priority of the claims of secured creditors, if any. The Issuer's primary asset is the Loan (and the rights and benefits of the Issuer arising pursuant to the Loan

Agreement, including the right to receive payments of interest and principal on account of the Loan), making the Issuer a secured but potentially subordinated creditor of CBI, an affiliate and promoter of the Issuer, and its Material Affiliates, which own the Properties. The only tangible assets of the Issuer will be the Working Capital reserve (if any) maintained by the Issuer and Class B Share Proceeds or the Permitted Investments. The Working Capital reserve is intended to pay ongoing general and administrative expenses of the Issuer, including Offering costs, from time to time. There is no assurance that the Issuer's tangible assets will be sufficient to repay indebtedness under the Notes, in whole or in part.

10. The Obligations of CBI under the Loan are Limited in Recourse to the Collateral

The Loan Agreement provides that the Issuer's sole recourse where CBI has been unable to meet its obligations under the Loan is to realize on the Collateral. This means that if CBI defaults under any of its obligations under the Loan Agreement or under the terms of the Collateral established in favour of the Issuer by CBI or the Material Affiliates on the Properties, the Issuer will have a very restricted cause of action against CBI or its affiliates to enforce its security, even as a secured creditor of CGI or the Material Affiliate(s). The only remedy available to the Issuer against CBI or the Material Affiliates to recover the amounts owing to it by CBI under the Loan Agreement is to enforce the security granted to the Issuer and realize on the Collateral. The Issuer cannot try to sue on or seize or obtain the other assets of CBI or of the Material Affiliate.

There is no assurance that any realization on the Collateral will be sufficient to repay indebtedness under the Loan or, consequently, the Notes, in whole or in part. There may be intervening encumbrances or other interests of other creditors that stand in priority to the Issuer's security, which may prevent the Issuer from realizing on or enforcing some or all of its security against the Properties or the Secured Account. There may be principles at law or at equity that prevent or hinder the Issuer from enforcing some or all of its rights against the Collateral. The Collateral may not have a sufficient value to satisfy all or any outstanding debt obligations to the Issuer.

Without limiting the generality of the foregoing, CRA has registered a \$1,226,509 security interest against certain Collateral (five lots) mortgaged under the DKH Mortgage as a result of Diamond Key Homes' goods and services tax remittances that remain outstanding at the date of this offering memorandum. The CRA lien takes priority over the security interest against the Collateral granted in favour of the Issuer under the DKH Mortgage. See **Item 2.2.3.2 – DKH Properties** and **Item 2.6.5 – DKH Mortgage**.

11. Deposits from the Secured Account on the purchase price of one of more Properties may be made without security

As part of any acquisition by CBI and its Material Affiliates, funds from the Secured Account may be used as deposits on the purchase price of one or more Properties. If CBI or a Material Affiliate uses funds from the Secured Account as a deposit on the purchase price of a Property, such funds will be at risk, whether such deposit is refundable or non-refundable, despite any security interest or charge granted by CBI or a Material Affiliate in connection with the Loan as they will be held by a third party who, generally, will not have granted any security interest or charge over any Collateral in favour of the Issuer or CBI. It is anticipated that, if the acquisition of such Property is completed, CBI or the applicable Material Affiliate would encumber the subject Property as Collateral in the manner contemplated under the Loan Agreement. However, to the extent the deposit is non-refundable and the proposed acquisition is not completed, such deposit amount may not be repaid to the Secured Account and none of the Issuer, CBI or the applicable Material Affiliate would have recourse to any Collateral in respect of such deposit amount. There can be no assurance that repayment of the Loan will not be adversely affected or compromised in such case.

12. If CBI defaults on the Loan and the Collateral is not sufficient, the Issuer will likely be unable to Pay Interest on the Notes or Repay the Notes

The Issuer was formed solely for the purposes of conducting the Offering, entering into the Loan and investing the Class B Share Proceeds in Permitted Investments. The ability of the Issuer to comply with

its obligations under the Notes, and the financial performance of the Issuer, will depend upon: (i) CBI complying with its obligations to repay the Loan pursuant to the terms of the Loan Agreement, including the payment of interest accruing thereunder; (ii) CBI complying with its covenants under the Loan Agreement with respect to the provision and granting of security to the Issuer or in on the Collateral; and (iii) the ability of the Issuer to enforce on such security and realize on the Collateral if CBI fails to repay the principal amount of the Loan plus accrued interest thereon. The only material assets of the Issuer will be the Class B Share Proceeds or the Permitted Investments and the rights and benefits of the Issuer arising pursuant to the Loan Agreement (including the right to receive payment of principal and interest on account of the Loan). If CBI defaults, for whatever reason, on its obligations under the Loan Agreement and if the Collateral is not sufficient, the Issuer will likely be unable to pay the interest on, or repay, the Notes.

In certain circumstances, applicable legislation provides for the granting of security over the assets of entities to secure repayment of liabilities owing by such entities to certain parties. Such legislated security sometimes is granted priority over security granted by the entity itself. An example is that certain taxation authorities (including the CRA) are provided with such legislated priority security over the assets of a taxpayer with respect to certain amounts owing by the taxpayer to the taxation authority. Such priority security would have priority over the security granted to the Issuer over the Collateral under the Loan Agreement.

Without limiting the generality of the foregoing, CRA has registered a security interest against certain Collateral (five lots) mortgaged under the DKH Mortgage as a result of Diamond Key Homes' goods and services tax remittances that remain outstanding at the date of this offering memorandum. The CRA lien takes priority over the security interest against the Collateral granted in favour of the Issuer under the DKH Mortgage. See **Item 2.2.3.2 – DKH Properties** and **Item 2.6.5 – DKH Mortgage**.

13. Class B Shareholders should not expect significant growth in the Class B Share Proceeds or, in some circumstances, to receive a return of the Class B Share Proceeds

The Issuer intends to invest the Class B Share Proceeds in Permitted Investments prior to the Maturity Date. It is currently intended that Class B Shareholder approval will be sought for the winding-up and dissolution of the Issuer after the Maturity Date. Class B Shares will participate in the distribution of the remaining assets of the Issuer (if any) in connection with such winding-up and dissolution and the Issuer intends to distribute the remaining assets of the Issuer (if any) to the Class B Shareholders, using the Class B Share Proceeds plus any income or return earned from the Permitted Investments less taxes and the reasonable costs and expenses of the dissolution for such purposes. However, the effect of (i) the operation of the terms of the Notes, including the interest payment obligations thereunder and the payment of the principal thereof as of the Maturity Date, (ii) the fact that the only material assets of the Issuer (other than the Class B Share Proceeds) will be the rights and benefits of the Issuer, as a creditor, pursuant to the Loan Agreement (including the right to receive payments of principal and interest on account of the Loan), (iii) the ongoing payment of Offering costs, Selling Commissions and general and administrative expenses, is that there will be little or no funds available for distribution to the Class B Shareholders other than the original amount paid by the Class B Shareholders for their Class B Shares under the Offering, subject to the performance of the Permitted Investments.

In addition, the Permitted Investments are issued and administered by a third party and, as a consequence, there is no guarantee that the Class B Share Proceeds will remain intact or that there will be any additional Working Capital available to the Issuer from the Permitted Investments or otherwise to distribute any remaining assets, whether in an amount for each outstanding Class B Share that approximates the issue cost, or at all. There is no assurance that, in participating in the distribution of the remaining assets (if any) of the Issuer, Class B Shareholders will receive any amount.

The Issuer does not generally intend to declare or pay any dividends on the Class B Shares prior to CBI repaying the principal amount of the Loan and accrued interest thereon, the Issuer repaying the aggregate principal amount of the Notes and accrued but unpaid interest thereon as of the Maturity Date, or the Issuer paying CBI the Management Fee. Consequently, Class B Share subscribers should not expect the return of any dividends on an investment in Shares.

CBI may, in its discretion and subject always to applicable laws, provide funds (as a loan or otherwise) to enable the Issuer to distribute its remaining assets in an amount for each outstanding Class B Share that approximates the issue cost, or greater; however, there is no assurance that CBI will, and CBI is under no obligation to provide any amount to the Issuer for this or any other purpose, except pursuant to the Loan Agreement or the Management Agreement. See **Item 2.2.4 – Support from CBI**.

If CBI, for whatever reason, does not or fails to pay the expenses and costs of the Issuer pursuant to the Management Agreement or the Issuer has expenses or costs that are not payable by CBI pursuant to the Management Agreement or if CBI defaults under its obligations under the Loan Agreement and the Collateral is not sufficient, there may be no funds available to distribute to the Class B Shareholders. There is no assurance that, in participating in the distribution of the remaining assets (if any) of the Issuer, Class B Shareholders will receive any amount.

14. Properties may be Leased and Impact Value of Security Granted to the Issuer

Properties purchased or refinanced by CBI or a Material Affiliate may be, or become, subject to lease agreements, which may have terms longer than the term of the Notes. Under certain real property regimes, if real property (that is leased) is sold under foreclosure proceedings, that sale is subject to the lease and in some cases, subordinate to the lease. If the Issuer forecloses on the Collateral in such circumstances, the value of the Property for which security has been granted to the Issuer by CBI, under the Loan, may decrease or be otherwise compromised.

15. Realizing on the Collateral may take a Lengthy Period of Time

If the Issuer is required to enforce upon the security granted to it by CBI and realize on the Collateral, a lengthy period of time may be required in order for the Issuer to do so, including to sell the Properties. If that occurs, the Issuer may default on its obligations under the Notes before it is able to realize on the Collateral.

16. The Proceeds received from the Sale of the Collateral May not be Adequate

As general and continuing security for payment of its indebtedness under the Loan Agreement, CBI will grant to the Issuer a mortgage, fixed charge or security interest in the Collateral. The mortgage or other fixed, specific financial charge or security interest placed against a specific Property (or the reasonable equivalent thereof in the jurisdiction where the Property is located) is intended to secure in favour of the Issuer an amount equal to the gross Note Proceeds (or Loan principal) that are allocated to acquiring, refinancing, developing or renovating that Property and will not necessarily secure the whole Loan principal. Those mortgages or other fixed, specific financial charges or security interests will secure an amount equal the total Loan principal (by approximately the balance of the Secured Account) and, consequently, such Collateral will be less than the aggregate principal amount of the Notes (less the balance of the Secured Account).

If the Issuer is required to enforce upon the security granted to it by CBI and realize on the Collateral, there is no guarantee that the proceeds from the sale of the Collateral by the Issuer will be adequate to enable the Issuer to fully repay the amounts that will be owing under the Notes. In that event, as the Issuer will have no other material assets and as the obligations of CBI and the Material Affiliates under the Loan Agreement and the security granted thereunder are limited in recourse to the Collateral, the Issuer will have no ability to repay any remaining amounts owing under the Notes.

17. Blind Pool Offering

Under the terms of the Loan Agreement, CBI and its Material Affiliates may purchase or refinance the Properties as they see fit and as is commercially opportune in CBI's sole discretion. See **Item 2.6.2 – Loan Agreement**. Properties can be located anywhere in several different areas or regions of North America. See **Item 2.2.3 – The Properties**. As such Properties may not yet be identified, there is no guarantee that the Properties will be of sufficient value to fully secure the Loan by the Issuer to CBI. CBI and its Material Affiliates have not yet identified or determined the specific Properties to be acquired or

CBI projects that the Loan will be used for and, although CBI anticipates that it (or its Material Affiliates) will be able to identify and complete the purchase of Properties that satisfy the investment objectives identified herein and achieve acceptable returns, there can be no assurance that it will be able to do so.

CBI intends to allocate the funds from the Secured Account and funds from other sources, in the manner contemplated herein. However, CBI may find it necessary or advisable to allocate those funds to acquire, refinance, develop, renovate or otherwise use, and eventually sell Properties or invest in CBI projects in a manner different than that contemplated, without notice to Securityholders.

18. Conflicts of Interest

The directors and officers of the Issuer will not be devoting all of their time to the affairs of the Issuer, but will be devoting such time as required to effectively manage the Issuer. The directors and officers of the Issuer are engaged and will continue to be engaged in the search for business prospects on their own behalf and on behalf of others, including other entities in the CBI Group.

The Issuer does not deal at arm's length with CBI, its promoter for the Offering and borrower under the Loan, the Material Affiliates or other entities in the CBI Group, since (i) all the outstanding voting shares of the Issuer (Class A Shares) are owned and controlled, indirectly, by Ron Cadman and Travis Cadman through Cadman Investments Ltd. and 744988 Alberta Ltd., Principal Holders of the Issuer and principal shareholders of CBI and various Material Affiliates that have provided Collateral in support of CBI's indebtedness to the Issuer under the Loan, making them affiliates, and borrowers from the Issuer under the Loan, and (ii) Ron Cadman and Travis Cadman, the directors and officers of the Issuer, are also directors, officers, shareholders (directly or indirectly), creditors (directly or indirectly) or employees of CBI or one or more other entities in the CBI Group, including various Material Affiliates that have provided Collateral in support of CBI's indebtedness to the Issuer under the Loan. As a result there may be an inherent conflict of interest with respect to the directors and officers of the Issuer in the event of a default by CBI under the Loan, in other matters arising under the Loan Agreement or Management Agreement or other operations of the Issuer. Situations may arise where the directors and officers will be in direct competition with the Issuer. Conflicts, if any, will be subject to the procedures and remedies under the ABCA.

19. Retraction Right

It is anticipated that the Note retraction right will not be the primary mechanism for Noteholders to liquidate their investment in Notes. Noteholders' rights to retract their Notes are limited and only available in certain circumstances. Noteholders' retraction rights have the following limitations, among others:

- no Noteholder may validly give a retraction notice requiring the Issuer to retire its indebtedness under Notes prior to 18 months after the Closing Date for the Minimum Note Offering;
- Notes will only be retracted for consideration that is at a certain discount to the principal outstanding thereunder plus the proportional amount of interest on the principal amount of the holder's Notes, if any, accrued but unpaid;
- the Issuer is not required to retract the principal amount of any Notes where the total principal amount of Notes to be retracted or retired in a particular calendar month exceeds a certain amount or a certain percentage of the outstanding Notes;
- Noteholders can only request that all of their Notes be retracted. There is no ability to request a retraction of only a portion of a Noteholder's Notes or a retraction of only one series of Notes; and
- the Issuer may require a Noteholder (who wants to retract Notes) to surrender all its Class B Shares for no attributed value or additional payment beyond the retraction price of the Notes.

You should review the description of the Notes at **Item 5.1.1 – Series 1 Notes, Item 5.1.2 – Series 2 Notes, and Item 5.1.3 – Series 3 Notes** and the forms of Note Certificates found at Schedules A, B and C for a description of the terms and conditions pertaining to retracting Notes.

20. Early Redemption

While the term of the Notes is anticipated to be approximately three years (depending on the actual date of issue subsequent to the Closing Date for the Minimum Note Offering) the Issuer reserves the right to, at any time and from time to time (i) retire its indebtedness under or redeem any Note, in whole or in part, prior to and without obligation for the retirement or redemption of any other Note(s), and (ii) purchase any Note(s) in the market, by tender or by private contract, without the obligation to purchase any other Note(s). As a result, the term of the Notes may be materially shorter than the anticipated three-year term.

21. No Review of Offering Memorandum by Regulatory Authorities

Note Investors under this Offering will not have the benefit of a review of this offering memorandum by any regulatory authorities.

22. Legislative Changes

Legal, tax and regulatory changes may occur that can adversely affect the Issuer, CBI or the Offered Securities. There can be no assurance that income tax, securities and other laws will not be changed in a manner that adversely affects the CBI or the Offered Securities.

23. No Independent Counsel for Note Investors

Legal counsel that assisted in preparing the documentation in connection with this Offering, including the Note Certificates, Loan Agreement and the Management Agreement, acted as legal counsel for CBI. No independent counsel was retained on behalf of the Issuer or the Note Investors. There has been no review by independent counsel on behalf of the Issuer or the Note Investors of the offering memorandum, the Loan Agreement, the Management Agreement, the Notes, the security to be granted by the Issuer or any other documentation in relation to the Offering. No due diligence has been conducted on the Issuer or CBI by such counsel.

24. Disclosure of Personal Information

Note Investors are advised that their names and other specified information (the "**Information**"), including the number and aggregate value of Offered Securities purchased (i) will be disclosed to the relevant Canadian securities regulatory authorities and may become available to the public in accordance with the requirements of applicable securities and freedom of information laws and the investor consents to the disclosure of the Information; (ii) is being collected indirectly by the applicable Canadian securities regulatory authority under the authority granted to it in securities legislation; and (iii) is being collected for the purposes of the administration and enforcement of the applicable Canadian securities legislation.

8.2 Industry Risks

The following risk factors are inherent to the Offering as a result of CBI's business. Other than the Class B Share Proceeds or the Permitted Investments, the Issuer's sole material asset will be the Loan to CBI and the rights and benefits arising thereunder. Consequently, the following factors are also relevant to an investment in the Notes or Class B Shares. These factors as well as other factors referred to in this offering memorandum could adversely affect CBI's ability to repay the Loan and, consequently, the Issuer's ability to repay the Notes. Note Investors and Class B Share subscribers should review these risks with their legal and financial advisors.

1. Risks of Real Property Ownership

Real estate developments, speculation and investments are generally subject to numerous risks depending on the nature and location of the property that can affect attractiveness and saleability of properties to potential purchasers or other investors, or the owners' use of such properties, all of which are beyond the control of the Issuer or CBI. Such risks include:

- the highly competitive nature of the real estate industry;
- changes in general economic conditions (such as the availability and cost of mortgage funds or widespread fluctuations in adjacent property values);
- changes in general or local conditions (such as the supply of competing properties or the possibility of competitive overbuilding or the inability to obtain full occupancy or other usage of any Properties);
- governmental regulation, rules or policies (such as increased taxation on the sale of or profits from real property, environmental legislation or municipal approvals for usage, development or subdivision); and
- changes in costs or operating expenses anticipated for the Properties.

Each segment in the real estate development industry is capital intensive and is typically sensitive to interest rates. Any proceeds generated by the sale of the Properties depend upon general economic conditions and, accordingly, the ability of CBI (or the Material Affiliates) and, consequently, the Issuer, to repay its financing may be affected by changes in those conditions. CBI will be required to make certain significant expenditures in respect of its business including, but not limited to, the payment of property taxes, mortgage payments, insurance costs and related charges which must be made regardless of whether or not the Properties are producing sufficient income to service such expenses. In addition, the Properties may be used as security to obtain financing for the acquisition of the Properties, which security interests may rank in priority to the Issuer's security under the Loan. If CBI is unable or unwilling to meet the payment obligations on such loans, losses could be sustained as a result of the exercise by the lenders of their rights of foreclosure or sale. As a result, CBI's ability to repay the Loan and, consequently, the Issuer's ability to repay the Notes or realize on its security for the Loan could be adversely affected.

2. Market Risks

The economic performance and value of the Issuer's investment in the Properties will be subject to all of the risks associated with investing in real estate, including, but not limited to:

- changes in the national, regional and local economic climate;
- local conditions, including an oversupply of properties like the Properties, or a reduction in demand for properties like the Properties;
- the attractiveness of all or parts of the Properties to renters or purchasers;
- competition from other available properties; and
- changes in laws and governmental regulations, including those governing usage, zoning, the environment and taxes.

CBI's and the Material Affiliates' performance will be affected by the supply and demand for family housing property in its geographic areas of ownership. Key drivers of demand include employment levels, population growth, demographic rents and consumer confidence. The potential for reduced sales

revenue exists in the event that demand diminishes or supply becomes overabundant thereby driving down prices for CBI's properties.

Global financial and real estate markets have recently experienced dramatic change. Real estate markets have recently experienced a weakened demand for real estate that has caused prices to fall dramatically. That weakened demand has been coupled with the expansion of the global credit crisis, which has had profound impact on the economies of many nations. The changes to the financial and real estate markets have been dramatic and significant in the short-term. Real estate markets may experience further dramatic changes, which may occur abruptly and unexpectedly. Economic circumstances in real estate markets may cause CBI or the Material Affiliates to hold the Properties for a longer-than-anticipated period of time in order to realise profits from the sale thereof. There can be no guarantee that CBI or the Material Affiliates will realise a profit from the development, leasing or sale of the Properties and there is no guarantee that the Issuer will attain its intended results.

3. Real Estate Investments are Relatively Illiquid

Real property investments tend to be relatively illiquid, with the degree of liquidity generally fluctuating in relation to demand for and for the perceived desirability of, the investment. Such illiquidity may tend to limit CBI's ability to vary its asset base promptly in response to changing economic or investment conditions. If the proceeds to CBI from the rental or sale of the Properties are significantly less than the total cost of its investment or otherwise insufficient to enable CBI to repay the Loan, in whole or in part, on a timely basis, the Issuer's ability to repay the Notes or realize on its security for the Loan could be adversely affected.

4. Acquisitions

CBI's or its Material Affiliates' growth depends in large part on identifying suitable acquisition opportunities, pursuing such opportunities and consummating acquisitions. It is not possible to manage all risks associated with such acquisitions in the terms and conditions contained in commercial agreements pertaining to such acquisitions. The Properties may be subject to unknown, unexpected or undisclosed liabilities that may materially and adversely affect CBI's (or its Material Affiliates') operations and financial condition and results. The representations and warranties, if any, given by arm's length third parties to CBI (or its Material Affiliates) may not adequately protect against these liabilities and any recourse against third parties may be limited by the financial capacity of such third parties. Moreover, Properties acquired by CBI (or its Material Affiliates) may not meet expectations of operational or financial performance due to unexpected costs associated with developing an acquired property, as well as the general investment risks inherent in any real estate investment.

5. Credit Risk

CBI or its Material Affiliates are exposed to credit risk in that tenants in the Properties may become unable to pay their rents. CBI's income may be adversely affected if one or more major tenants or a significant number of tenants become unable to meet their rental obligations or if CBI is unable to rent a significant number of Properties on commercially favourable terms. In the event of default by a tenant, CBI may experience delays or limitations in enforcing rights as lessor and may incur substantial costs in protecting its investment.

Certain significant expenditures, including property taxes, maintenance costs, mortgage payments, insurance costs and related charges must be made throughout the period of ownership of real property regardless of whether the property is producing revenue. If CBI and its subsidiaries are unable to meet mortgage payments on any Property, losses could be sustained as a result of the mortgagee's exercise of its rights of foreclosure or sale.

6. Uninsured Losses

CBI or its Material Affiliates intend to carry comprehensive general liability, fire, flood, extended coverage, rental loss insurance and vacancy insurance with policy specifications, limits and deductibles customarily

carried for similar properties. However, there are certain types of risks, generally of a catastrophic nature, such as wars, terrorist attacks or environmental contamination, which are either uninsurable or not insurable on an economically viable basis. Should an uninsured or underinsured loss occur, CBI could lose its investment in, and anticipated profits and cash flows from, one or more of its Properties, but would continue to be obligated to repay any recourse mortgage indebtedness on such properties.

Management anticipates that from time to time CBI or its Material Affiliates may be subject to lawsuits as a result of the nature of its business. CBI or its Material Affiliates intend to maintain business and property insurance policies in amounts and with such coverage and deductibles as are deemed appropriate, based on the nature and risks of the businesses, historical experience and industry standards. However, there can be no assurance that claims in excess of the insurance coverage or claims not covered by the insurance coverage will not arise or that the liability coverage will continue to be available on acceptable terms. A successful claim against CBI or its Material Affiliates that is not covered by, or in excess of, CBI or its Material Affiliates' insurance could materially affect such entity's operating results and financial condition, which would have an adverse effect on the Issuer. Claims against CBI or its Material Affiliates, regardless of their merit or eventual outcome, will require management to devote time to matters unrelated to the operation of the business.

7. Environmental Matters

Under various environmental laws, ordinances and regulations, the current or previous owner or operator of Properties acquired or refinanced by CBI or its Material Affiliates using the proceeds of the Loan, may be liable for the costs of removal or remediation of hazardous or toxic substances on, under or in such properties. These costs could be substantial. Such laws could impose liability whether or not CBI or the Issuer knew of, or was responsible for, the presence of such hazardous or toxic substances.

The presence of hazardous or toxic substances, or the failure to remove or remediate such substances, if any, or restrictions imposed by environmental laws on the manner in which such Properties may be operated or developed could adversely affect CBI's or the Material Affiliate's ability to sell such Properties and therefore to repay the Loan and could potentially also result in claims against the Issuer.

Environmental laws provide for sanctions for non-compliance and may be enforced by governmental agencies or, in certain circumstances, by private parties. Certain environmental laws and common law principles could be used to impose liability for release of and exposure to hazardous substances into the air. Third parties may seek recovery from real property owners or operators for personal injury or property damage associated with exposure to released hazardous substances. The cost of defending against claims of liability, of complying with environmental regulatory requirements, of remediating any contaminated property, or of paying personal injury claims could be substantial and reduce the value of the security granted by CBI or the Material Affiliates to the Issuer.

CBI or the Material Affiliates may be subject to liability for undetected pollution or other environmental hazards against which they cannot insure, or against which they may elect not to insure where premium costs are disproportionate to CBI's perception of relative risk. Such factors may impact their ability to repay the Loan or interest on it, which in turn will have an adverse impact on the Issuer's ability to repay the Notes and the interest on the Notes.

8. Debt Financing

CBI and the Material Affiliates will be subject to the risks associated with debt financing, including the risk that mortgage indebtedness secured by the Properties will not be able to be refinanced or that the terms of refinancing will not be as favourable as the terms of existing indebtedness.

9. Currency Fluctuations

To the extent that CBI or a Material Affiliate acquires, develops or disposes of a Property that is located outside of Canada, that entity will have currency exchange risk. In that situation, CBI (or the Material Affiliate) may be affected by fluctuations in the Canadian / foreign currency exchange rate because such

entity will generally raise capital and incur certain costs in Canadian dollars, but also incur certain operating costs and receive certain revenues in the currency of the jurisdiction in which the foreign Property is located. Generally, all capital raised by CBI (or the Material Affiliate), including the Loan from the Issuer, will be denominated in Canadian Dollars. However, the purchase price for the foreign Property, operating and development costs, and revenues generating from the operation or disposition of the Property will generally be denominated in the foreign currency.

If CBI (or a Material Affiliate) acquires a Property that is located outside of Canada, CBI (or the Material Affiliate) will be exposed to currency exchange risk in two ways. First, the capital used to purchase or develop the Property will generally need to be converted from Canadian dollars to a foreign currency prior to the Property being purchased. Second, the revenues received from the Property will generally be converted from the foreign currency to Canadian dollars prior to CBI repaying the Loan. Consequently, changes in the Canadian/foreign currency exchange rate may positively or negatively impact the ability of CBI to repay the Loan depending on the timing of the transaction and the applicable exchange rate.

10. Interest Rate Fluctuations

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

11. Properties Subject to Secured Financing

CBI or its Material Affiliates may use mortgage financing in acquiring, refinancing, developing or renovating Properties in addition to those funds from the Secured Account. There are creditors who may have a registered security interest against CBI or its assets, who will have priority to the claims, if any, of the Issuer and, consequently, the Noteholders.

12. Rent Control

CBI and the Material Affiliates may be subject to legislation that exists or is enacted in certain jurisdictions, which restricts the right of landlords to increase rents charged to tenants. As a result, the inability to adjust rents to address higher operating costs or to improve margins on certain Properties may have an adverse effect on the returns available from such Properties.

The foregoing risk factors do not purport to be a complete explanation of all risks involved in purchasing the Notes. Potential investors should read this entire offering memorandum and consult with their legal and other professional advisors before determining to invest in the offered Securities.

ITEM 9 - REPORTING OBLIGATIONS

The Issuer is not, and currently has no intention of becoming, a reporting issuer in any of the provinces or territories of Canada. The Issuer is subject to the reporting requirements under the ABCA. The Issuer has no ongoing reporting obligations to Noteholders other than as specifically set out in the Note Certificates.

Copies of certain corporate information with respect to the Issuer, including information on the terms contained in its Articles of Incorporation and certain information with respect to the directors and shareholders of the Issuer, may be obtained from the Issuer, if such request is in writing, and from the Alberta Registrar of Corporations.

ITEM 10 - RESALE RESTRICTIONS

10.1 - General

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

Unless permitted under securities legislation, you cannot trade the Offered Securities before the date that is four months and a day after the date the Issuer becomes a reporting issuer in any province or territory of Canada. **The Issuer is not, and currently has no intention of becoming, a reporting issuer in any province or territory of Canada, and therefore the Offered Securities will be subject to an indefinite hold period. Offered Securities may only be transferred under limited exemptions under applicable securities laws. There is no market over which the Offered Securities can be transferred and it is very unlikely that one will develop. A Note Investor is encouraged to seek independent advice from its legal advisors.**

In addition to the above, for Note Investors resident in Manitoba, unless permitted under securities legislation, you must not trade the Offered Securities without the prior written consent of the regulator in Manitoba unless the Issuer has filed a prospectus with the securities legislation in Manitoba with respect to the Offered Securities and the regulator in Manitoba has issued a receipt for that prospectus or the Securityholder has held the Offered Securities for at least 12 months. The regulator in Manitoba will consent to a trade in the Offered Securities by a Securityholder if the regulator is of the opinion that to do so is not prejudicial to the public interest.

10.2 - Restrictions on Transfer in the Issuer's Constatting Documents

The Issuer's articles of incorporation provide that no shares in the capital of the Issuer are to be transferred without the express consent of the Issuer's directors to be signified by a resolution passed by the directors.

ITEM 11 - INVESTORS' RIGHTS

The securities laws in your jurisdiction may provide you with the right, in certain circumstances, to seek damages or to cancel your agreement to buy Offered Securities. Most often, those rights are available if we make a misrepresentation in this offering memorandum but, in some jurisdictions, you may have those rights in other circumstances including if we fail to deliver the offering memorandum to you within the required time or if we make a misrepresentation in any advertisements or sales literature regarding Offered Securities. Generally, a "misrepresentation" means an untrue statement about a material fact or the failure to disclose a material fact that is required to be stated or that is necessary in order to make a statement not misleading in light of the circumstances in which it was made. The meaning of "misrepresentation" may differ slightly depending on the law in your jurisdiction.

Generally, most Note Investors and Class B Share subscribers under the Offering will purchase Offered Securities under a prospectus exemption that provides them with the statutory rights described below. However, if you purchase Offered Securities in reliance upon a prospectus exemption that does not provide you with such statutory rights, the Issuer hereby grants you the same rights, on a contractual basis, as the statutory rights of your jurisdiction that are described below.

If you purchase Offered 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 for All Note Investors and Class B Share subscribers

You can cancel your agreement to purchase these Offered Securities. To do so, you must send a notice to us by midnight on the second business day after you sign the Subscription Agreement to buy the Offered Securities.

11.2 Statutory Rights in the Event of a Misrepresentation

11.2.1 Note Investors and Class B Share subscribers in British Columbia, Alberta, Manitoba, or Newfoundland and Labrador

In addition to any other right or remedy available to you at law, if there is a misrepresentation in this offering memorandum, you have a statutory right to sue:

- (a) to cancel your agreement to buy these Offered Securities; or
- (b) for damages against the Issuer, every person who was a director of the Issuer at the date of this offering memorandum and any other person who signed this offering memorandum.

This statutory right to sue is available to you whether or not you relied on the misrepresentation. If you choose to rescind your purchase, you cannot then sue for damages. In addition, in an action for damages, the defendant will not be liable for all or any portion of damages that it proves do not represent the depreciation in value of your Offered Securities as a result of the misrepresentation. Further, the amount recoverable in an action for damages will not exceed the price at which the Offered Securities were offered.

There are various defences available to the persons or companies that you have a right to sue. For example, they have a defence if you knew of the misrepresentation when you purchased the securities. In addition, the defendant will not be liable for a misrepresentation in forward-looking information if the defendant proves that:

- (a) this offering memorandum contains reasonable cautionary language identifying the forward-looking information as such, and identifying material factors that could cause actual results to differ materially from a conclusion, forecast or projection in the forward-looking information, and a statement of material factors or assumptions that were applied in drawing a conclusion or making a forecast or projection set out in the forward-looking information; and
- (b) the Issuer has a reasonable basis for drawing the conclusion or making the forecasts and projections set out in the forward-looking information.

However, in Alberta and Manitoba, the above defence does not relieve a person of liability respecting forward-looking information in a financial statement.

Statutory rights for Failure to Deliver the offering memorandum

If you reside in British Columbia, Alberta or Manitoba and you do not receive a copy of this offering memorandum before you sign your Subscription Agreement, you have a right to sue for damages, or if you still own your Offered Securities, you can choose to cancel your agreement instead of suing for damages.

Time limitations

If you intend to rely on the statutory right to sue described above, you must do so within strict time limitations.

In British Columbia, Alberta, and Newfoundland and Labrador you must commence your action to cancel the agreement within 180 days after the transaction or commence your action for damages within the earlier of: (i) 180 days after learning of the misrepresentation, or (ii) three years after the transaction.

In Manitoba, you must commence your action to cancel the agreement within 180 days after the transaction or commence your action for damages within the earlier of: (i) 180 days after learning of the misrepresentation, or (ii) two years after the day of the transaction.

11.2.2 Note Investors and Class B Share subscribers in Saskatchewan

In addition to any other right or remedy available to you at law, if there is a misrepresentation in this offering memorandum together with any amendments to the offering memorandum, you have a statutory right to sue in Saskatchewan:

- (a) the Issuer to cancel your agreement to buy these Offered Securities; or
- (b) for damages against the Issuer, every promoter of the Issuer and every director of the Issuer at the time the offering memorandum was sent or delivered, every person that signed the offering memorandum and every person who sells securities on behalf of the Issuer.

This statutory right to sue is available to you whether or not you relied on the misrepresentation. If you choose to rescind your purchase, you cannot then sue for damages. In addition, in an action for damages, the defendant will not be liable for all or any portion of damages that it proves do not represent the depreciation in value of your Offered Securities as a result of the misrepresentation. As well, the amount recoverable in an action for damages will not exceed the price at which the Offered Securities were offered.

If there is a misrepresentation in any "advertising" or "sales literature" (as defined in *The Securities Act, 1988* (Saskatchewan)) that is disseminated in connection with your purchase of Offered Securities and it was a misrepresentation at the time you purchased your Offered Securities, you will be deemed to have relied on that misrepresentation and you will have a right to sue for damages against the Issuer, every promoter of the Issuer, every director of the Issuer at the time the advertising or sales literature was disseminated, and every person who, at the time the advertising or sales literature was disseminated, sells securities on behalf of the Issuer in the Offering with respect to which the advertising or sales literature was disseminated. Alternatively, if you still own your Offered Securities, and you purchased Offered Securities from the Issuer, you can elect to cancel your agreement instead of suing for damages.

If there is a misrepresentation in an oral statement made to you about Offered Securities of the Issuer either before or at the time that you purchased your Offered Securities and it was a misrepresentation at the time you purchased your Offered Securities, you will be deemed to have relied on the misrepresentation and you will have a right to sue the person who made the statement to you for damages.

There are various defences available to the persons or companies that you have a right to sue. For example, they have a defence if you knew of the misrepresentation when you purchased the Offered Securities. Further, the defendant will not be liable for a misrepresentation in forward-looking information if the defendant proves that:

- (a) this offering memorandum contains reasonable cautionary language identifying the forward-looking information as such, and identifying material factors that could cause actual results to differ materially from a conclusion, forecast or projection in the forward-looking information, and a statement of material factors or assumptions that were applied in drawing a conclusion or making a forecast or projection set out in the forward-looking information; and
- (b) the Issuer has a reasonable basis for drawing the conclusion or making the forecasts and projections set out in the forward-looking information.

Statutory Rights if Vendor Not Entitled to Trade

If you reside in Saskatchewan and the person or company who sells you your Offered Securities is selling in contravention of securities laws of Saskatchewan or in contravention of an order of the Saskatchewan Financial Services Commission, you may choose to void your contract or to recover all the money paid by you for your Offered Securities.

Time limitations

If you intend to rely on the rights described above, you must do so within strict time limitations.

In Saskatchewan, you must commence an action to cancel your agreement not more than 180 days after the day you purchased your Offered Securities or commence your action for damages within the earlier of (i) one year from the date that you had knowledge of the facts giving rise to the cause of action, or (ii) six years after the transaction.

11.2.3 Note Investors and Class B Share subscribers in Ontario and New Brunswick

In addition to any other right or remedy available to you at law, if there is a misrepresentation in this offering memorandum, you have a statutory right to sue in Ontario or New Brunswick:

- (a) the Issuer to cancel your agreement to buy these Offered Securities; or
- (b) for damages against the Issuer and a selling security holder on whose behalf the distribution is made.

This statutory right to sue is available to you whether or not you relied on the misrepresentation. If you choose to rescind your purchase, you cannot then sue for damages. In addition, in an action for damages, the defendant will not be liable for all or any portion of damages that it proves do not represent the depreciation in value of your Offered Securities as a result of the misrepresentation. Furthermore, the amount recoverable in an action for damages will not exceed the price at which the Offered Securities were offered.

Time limitations

If you intend to rely on the statutory rights to sue described above, you must do so within strict time limitations.

In Ontario, you must commence your action to cancel the agreement within 180 days after the transaction or commence your action for damages within the earlier of: (i) 180 days after learning of the misrepresentation, or (ii) three years after the transaction.

In New Brunswick, you must commence your action to cancel the agreement within 180 days after the transaction or commence your action for damages within the earlier of: (i) one year after you knew of the misrepresentation, or (ii) six years after the transaction.

11.2.4 Note Investors and Class B Share subscribers in Nova Scotia, Prince Edward Island, Yukon, the Northwest Territories or Nunavut

In addition to any other right or remedy available to you at law, if there is a misrepresentation in this offering memorandum, you have a statutory right to sue:

- (a) to cancel your agreement to buy these Offered Securities; or
- (b) for damages against the Issuer, every person who was a director of the Issuer at the date of this offering memorandum and any person who signed this offering memorandum.

This statutory right to sue is available to you whether or not you relied on the misrepresentation. If you choose to rescind your purchase, you cannot then sue for damages. In addition, in an action for damages, the defendant will not be liable for all or any portion of damages that it proves do not represent the depreciation in value of your Offered Securities as a result of the misrepresentation. Furthermore, the

amount recoverable in an action for damages will not exceed the price at which the Offered Securities were offered.

There are various defences available to the persons or companies that you have a right to sue. For example, they have a defence if you knew of the misrepresentation when you purchased the securities. In addition, the defendant will not be liable for a misrepresentation in forward-looking information if the defendant proves that:

- (a) this offering memorandum contains reasonable cautionary language identifying the forward-looking information as such, and identifying material factors that could cause actual results to differ materially from a conclusion, forecast or projection in the forward-looking information, and a statement of material factors or assumptions that were applied in drawing a conclusion or making a forecast or projection set out in the forward-looking information; and
- (b) the Issuer has a reasonable basis for drawing the conclusion or making the forecasts and projections set out in the forward-looking information.

However, in Nova Scotia, Prince Edward Island, Yukon, Northwest Territories and Nunavut the above defence does not relieve a person of liability respecting forward-looking information in a financial statement.

Statutory rights for Failure to Deliver the offering memorandum

If you reside in Prince Edward Island, Yukon, Northwest Territories, or Nunavut and you do not receive a copy of this offering memorandum before you sign your Subscription Agreement, you have a right to sue for damages, or if you still own your Offered Securities, you can choose to cancel your agreement instead of suing for damages.

Time limitations

If you intend to rely on the rights described above, you must do so within strict time limitations.

In Nova Scotia, Prince Edward Island, Yukon, Northwest Territories and Nunavut you must commence your action to cancel the agreement within 180 days after the transaction or commence your action for damages within the earlier of: (i) 180 days after learning of the misrepresentation, or (ii) three years after the transaction.

11.2.5 Note Investors and Class B Share subscribers in Quebec

In addition to any other right or remedy available to you at law, if there is a misrepresentation in this offering memorandum, you have a statutory right to sue:

- (a) to cancel your agreement to buy these Offered Securities or to revise the price at which the Offered Securities were sold to you; and
- (b) for damages against the Issuer, its directors and officers, the dealer (if any) under contract to the Issuer in connection with the sale of Offered Securities, any person required to sign the offering memorandum certificate, and any expert whose opinion appears in this offering memorandum if such opinion contains a misrepresentation.

This statutory right to sue will be available to you whether or not you have relied on the offering memorandum. You will be able to elect to cancel your agreement to buy these Offered Securities or to bring an action to revise the price without prejudice to your claim for damages.

There are various defences available to the persons that you have a right to sue. For example, they will have a defence if you knew of the misrepresentation when you purchased these Offered Securities. In an

action for damages, a person listed above, other than the Issuer, will not be liable if that person acted with prudence and diligence.

In addition, the defendant will not be liable for a misrepresentation in forward-looking information if the defendant proves that:

- (a) this offering memorandum contains, proximate to the forward-looking information, reasonable cautionary language identifying the forward-looking information as such, and identifying material factors that could cause actual results to differ materially from a conclusion, forecast or projection in the forward-looking information, and a statement of material factors or assumptions that were applied in drawing a conclusion or making a forecast or projection; and
- (b) there was a reasonable basis for drawing the conclusion or making the forecasts and projections set out in the forward-looking information.

If you intend to rely on the rights described in (a) or (b) above, you will have to do so within strict time limitations. You will have to commence an action to cancel the agreement or revise the price within three years after the date of the purchase. You will have to commence an action for damages within the earlier of (i) three years after you first had knowledge of the facts giving rise to the cause of action (except on proof of tardy knowledge imputable to your negligence) or (ii) five years after the filing of this offering memorandum with the Autorité des marchés financiers.

ITEM 12 - FINANCIAL STATEMENTS

CBI PROPERTY INCOME CORP.

FINANCIAL STATEMENTS

AS AT AND FOR THE PERIOD FROM INCEPTION THROUGH DECEMBER 31, 2009

(Audited)

and

AS AT AND FOR THE INTERIM PERIOD ENDED SEPTEMBER 30, 2010

(Unaudited)

CBI Property Income Corp.
Financial Statements
December 31, 2009

Auditors' Report

To the Directors of CBI Property Income Corp.:

We have audited the balance sheet of CBI Property Income Corp. as at December 31, 2009 and the statements of net loss and comprehensive loss and deficit and cash flows for the period March 20, 2009 (date of incorporation) to December 31, 2009. These financial statements are the responsibility of the Company's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2009 and the results of its operations and its cash flows for the period from March 20, 2009 to December 31, 2009 in accordance with Canadian generally accepted accounting principles.

Red Deer, Alberta

January 26, 2010

Meqes Norris Perry LLP

Chartered Accountants

CBI Property Income Corp.

Balance Sheet

As at December 31, 2009

Assets

Current

Cash	940,807
Accounts receivable	35,970

976,777

Advances to related party and accrued interest receivable (Note 4)	1,801,443
--	-----------

2,778,220

Liabilities

Current

Accounts payable and accruals	19,713
-------------------------------	--------

57,500

Subscription deposits

Notes and accrued interest payable (Note 5)	3,190,833
---	-----------

3,268,046

Going concern (Note 2)

Proposed transaction (Note 11)

Shareholders' Deficit

Share capital (Note 6)	45,700
------------------------	--------

(535,526)

Deficit

(489,826)

2,778,220

Approved on behalf of the Board

signed Steve Smith
Director

CBI Property Income Corp.
Statement of Net Loss and Comprehensive Loss and Deficit
For the period March 20, 2009 (date of incorporation) to December 31, 2009

Revenue	
Interest	74,034
<hr/>	
Expenses	
Advertising	20,039
Commissions	187,799
Dues and memberships	4,366
Interest on notes payable	101,883
Meals and entertainment	3,532
Office	2,802
Professional fees	286,495
Travel	2,644
<hr/>	
	609,560
<hr/>	
Net loss and comprehensive loss	(535,526)
Retained earnings, beginning of period	-
<hr/>	
Deficit, end of period	(535,526)
<hr/>	

CBI Property Income Corp.

Statement of Cash Flows

For the period March 20, 2009 (date of incorporation) to December 31, 2009

Cash provided by (used for) the following activities**Operating activities**

Cash paid to suppliers	(524,554)
Interest received	69
Interest paid	(63,430)

(587,915)

Financing activities

Advances of notes payable	3,153,000
Advances of subscription deposits	57,500
Issue of common shares	45,700

3,256,200

Investing activities

Advances to related party	(1,727,478)
---------------------------	-------------

Increase in cash resources

940,807

Cash resources, beginning of period

-

Cash resources, end of period

940,807

CBI Property Income Corp.

Notes to the Financial Statements

For the period March 20, 2009 (date of incorporation) to December 31, 2009

1. Incorporation and operations

CBI Property Income Corp. (the "Company") was incorporated under the laws of the Province of Alberta on March 20, 2009. Its primary business activities, which commenced June 15, 2009, are lending financing proceeds to CBI Investments Ltd. ("CBI") on a revolving basis to facilitate the acquisition, refinancing, development, or renovation of properties. The Company has advanced and currently intends to continue advancing net offering proceeds available from time to time through the issue and sale of notes and Class B non-voting common shares to qualified investors.

2. Going concern

These financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the payment of liabilities in the ordinary course of business. Should the Company be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and to meet its liabilities as they become due.

Substantially all of the assets of the Company are invested in CBI and accordingly the success of the Company and its ability to repay notes payable and other liabilities is dependent on the ability of CBI and the affiliates CBI has invested in to successfully implement their business plans. Currently funds are invested in real estate properties in Central Alberta, and as a result the successful implementation of these business plans is dependent on the Central Alberta real estate market. In the event CBI were unable to repay the amounts owed, the Company would not be able to operate as a going concern without having to obtain additional capital. These financial statements do not reflect the adjustments or reclassification of assets and liabilities which would be necessary if the Company were unable to continue its operations.

3. Significant accounting policies

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles using the following significant accounting policies:

Cash and cash equivalents

Cash and cash equivalents include balances with banks and short-term investments with maturities of three months or less. Cash subject to restrictions that prevent its use for current purposes is included in restricted cash.

Revenue recognition

The Company recognizes interest income on an accrual basis as it is earned.

Comprehensive income (loss)

Comprehensive income (loss) includes all changes in equity of the Company, except those resulting from investments by owners and distributions to owners. Comprehensive income (loss) is the total of net income (loss) and other comprehensive income (loss). Other comprehensive income (loss) comprises revenues, expenses, gains and losses that, in accordance with Canadian generally accepted accounting principles, require recognition, but are excluded from net income (loss). The Company does not have any items giving rise to other comprehensive income (loss), nor is there any accumulated balance of other comprehensive income (loss). All gains and losses, including those arising from measurement of all financial instruments have been recognized in net income for the period.

Future income taxes

The Company follows the asset and liability method of accounting for future income taxes. Under this method, future income tax assets and liabilities are recorded based on temporary differences between the carrying amount of balance sheet items and their corresponding tax bases. In addition, the future benefits of income tax assets, including unused tax losses, are recognized, subject to a valuation allowance, to the extent that it is more likely than not that such future benefits will ultimately be realized. Future income tax assets and liabilities are measured using enacted tax rates and laws expected to apply when the tax liabilities or assets are to be either settled or realized.

CBI Property Income Corp.
Notes to the Financial Statements

For the period March 20, 2009 (date of incorporation) to December 31, 2009

3. Significant accounting policies *(Continued from previous page)*

Financial Instruments

Held for trading:

Any financial instrument whose fair value can be reliably measured may be designated as held for trading on initial recognition or adoption of CICA 3855 *Financial Instruments – Recognition and Measurement*, even if that instrument would not otherwise satisfy the definition of held for trading. The Company has classified cash as the only financial asset held for trading.

The Company's held for trading instruments are initially recognized at their fair value. Any gain/loss arising as a result of the difference between the carrying amount and fair value is recognized in net income. Fair value is approximated by the instrument's initial cost in a transaction between unrelated parties. Transactions to purchase or sell these items are recorded on the trade date and transaction costs are immediately recognized in income.

Held for trading financial instruments are subsequently measured at their fair value. Net gains and losses arising from changes in fair value are recognized immediately in income.

Available-for-sale:

As at December 31, 2009 the Company did not have any financial instruments classified as available-for-sale. These assets are initially recognized at their fair value. Any gain/loss arising as a result of the difference between the carrying amount and fair value is recognized in other comprehensive income. Fair value is determined by the instrument's initial cost in a transaction between unrelated parties. Transactions to purchase or sell these items are recorded on the trade date. Total interest income is allocated to net income by the effective interest method, using an effective interest rate which exactly discounts estimated future cash receipts to the net carrying amount of the financial asset, over the asset's expected life, or other appropriate period.

Available-for-sale financial assets are subsequently measured at their fair value, except for impairment losses and foreign exchange translation adjustments, are recognized in other comprehensive income, until the financial asset is sold or otherwise derecognized. Upon derecognition, the cumulative gain or loss previously recognized in accumulated other comprehensive income is transferred to net income.

Loans and receivables:

The Company has classified the following financial assets as loans and receivables: accounts receivable and advances to related party. These assets are initially recognized at their fair value. Fair value is approximated by the instrument's initial cost in a transaction between unrelated parties. Transactions to purchase and sell these items are recorded on the settlement date and transaction costs are immediately recognized in income.

Loans and receivables are subsequently measured at their amortized cost, using the effective interest method. Under this method, estimated future cash receipts are exactly discounted over the asset's expected life, or other appropriate period, to its net carrying value. Amortized cost is the amount at which the financial asset is measured at initial recognition less principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, and less any reduction for impairment or uncollectability. Net gains and losses arising from changes in fair value are recognized in net income upon derecognition or impairment.

Other financial liabilities:

The Company has classified the following financial liabilities as other financial liabilities: accounts payable and accruals, subscription deposits and notes and accrued interest payable. These liabilities are initially recognized at their fair value. Fair value is initially approximated by the instrument's initial cost in a transaction between unrelated parties. Transactions to purchase and sell these items are recorded on the settlement date and transaction costs are immediately recognized in income.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Under this method, estimated future cash payments are exactly discounted over the liability's expected life, or other appropriate period, to its net carrying value. Amortized cost is the amount at which the financial liability is measured at initial recognition less principal repayments, and plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount. Gains and losses arising from changes in fair value are recognized in net income upon derecognition or impairment.

CBI Property Income Corp.
Notes to the Financial Statements

For the period March 20, 2009 (date of incorporation) to December 31, 2009

3. Significant accounting policies *(Continued from previous page)*

Financial asset impairment

The Company assesses impairment of all its financial assets, except those classified as held for trading. Impairment is measured as the difference between the asset's carrying value and its fair value. Any impairment, which is not considered temporary, is included in current period earnings.

Measurement uncertainty (use of estimates)

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

The calculation of future income tax is based on assumptions, which are subject to uncertainty as to timing and which tax rates are expected to apply when temporary differences reverse. By their nature, these estimates are subject to measurement uncertainty, and the effect on the financial statements from changes in such estimates in future periods could be material.

Advances to related party require management estimates and assumptions as to the valuation and collectibility of outstanding amounts.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in earnings in the periods in which they become known.

Recent accounting pronouncements

Adoption of International Financial Reporting Standards

The Accounting Standards Board of the Canadian Institute of Chartered Accountants has confirmed that International Financial Reporting Standards ("IFRS") will replace current Canadian GAAP for fiscal years beginning on or after January 1, 2011, for publicly accountable enterprises, such as investment funds and other reporting issuers. From this date forward, the financial statements, including comparative information, will be reported in accordance with IFRS. The Canadian Securities Administrator (the "CSA") issued CSA Staff Notice 52-320, which requires management to provide progress updates on the entity's IFRS changeover plan at each interim and annual reporting period up until the changeover date.

The changeover plan is still in the early stages and, as such, the impact of adopting IFRS on the Company's financial reporting is not reasonably determinable.

CBI Property Income Corp.
Notes to the Financial Statements

For the period March 20, 2009 (date of incorporation) to December 31, 2009

4. Advances to related party and accrued interest receivable

The Company has advanced funds to CBI, which owns 100% of the Company's Class A common shares, and these advances are due under the following terms:

(a) Interest bearing at a simple rate of 11.5% annually, on the outstanding loan principal for Series 1 note proceeds, payable quarterly prior to the maturity date on the third day prior to each quarterly interest installment date established by the Company.

(b) Interest bearing at a simple rate of 11.5% annually, on the outstanding loan principal for Series 2 note proceeds calculated daily and compounded annually, not in advance and payable along with the applicable principal at maturity on June 15, 2012.

The amounts advanced mature on June 15, 2012. The indebtedness under the loan has limited recourse and is secured by way of mortgages, fixed charges, or security interests in collateral. Interest income earned for the period ended December 31, 2009 totaled \$73,965.

	2009
Receivable from CBI Investments Ltd.	
Advances to CBI Investments Ltd. - Series 1	1,268,027
Advances to CBI Investments Ltd. - Series 2	459,451
Accrued interest receivable	73,965
	1,801,443

5. Notes and accrued interest payable

The Company has issued unsecured fixed rate notes having a face value of \$3,153,000 as at December 31, 2009. Additional subscription deposits of \$57,500 have been received for which notes were issued subsequent to December 31, 2009. All notes will mature June 15, 2012.

The notes are unsecured and bear interest as follows:

(a) Series 1 notes bear interest at a simple rate of 11% annually on the outstanding loan principal, payable quarterly prior to the maturity date on the third day prior to each quarterly interest installment date established by the Company.

(b) Series 2 notes bear interest at a simple rate of 11% annually on the outstanding loan principal, calculated daily and compounded annually, not in advance and payable along with the applicable principal at maturity on June 15, 2012.

	2009
Notes payable - Series 1	2,370,400
Notes payable - Series 2	782,600
Accrued interest	37,833
	3,190,833

CBI Property Income Corp.
Notes to the Financial Statements

For the period March 20, 2009 (date of incorporation) to December 31, 2009

6. Share capital

2009

Authorized

Common shares

Unlimited number of Class A voting

Unlimited number of Class B non-voting

Issued

Common shares

2,000

Class A voting shares

200

45,500

Class B non-voting shares

45,500

45,700

During the year 2,000 Class A common shares were issued at \$0.10 per share. In addition, 45,500 Class B non-voting shares were issued at \$1 per share. All shares were issued for cash.

7. Income taxes

The reconciliation of the Company's effective income tax expense is as follows:

2009

Expected tax recovery

(155,303)

Financing costs deferred for tax purposes

107,821

Non-deductible expenses

512

Impact of loss carryforwards

46,970

Actual tax expense

-

The Company has income tax losses available to be carried forward and applied to future income for tax purposes in the amount of \$161,964. These losses expire on September 30, 2029. The Company also has financing costs carried forward for tax purposes of \$371,795 for which no future tax asset has been recognized.

CBI Property Income Corp.

Notes to the Financial Statements

For the period March 20, 2009 (date of incorporation) to December 31, 2009

8. Capital management

The Company's objectives when managing capital are to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to provide an adequate return to shareholders.

The Company manages the following as capital:

	2009
Notes payable	3,153,000
Share capital	45,700
Deficit and accumulated other comprehensive loss	(535,526)
	<hr/> 2,663,174

The Company monitors capital using an annual budgeting process and weekly management meetings. Management utilizes these plans to ensure adequate capital is on hand to meet current and future capital and operational requirements. The Company's objective is to provide financing to a related company to facilitate the acquisition, development and renovation of properties. The Company is not subject to any externally imposed capital requirements.

9. Financial instruments

The Company as part of its operations carries a number of financial instruments. It is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments except as otherwise disclosed.

Fair value of financial instruments

The carrying amount of accounts receivable, accounts payable and accruals and subscription deposits is approximated by their fair value due to their short-term nature. The Company has interest bearing advances due from CBI Investments Ltd., carried at initial cost of \$1,727,478, which approximates market value in light of the recent issuance. The carrying amount of notes payable and accrued interest payable approximates market value.

Credit concentration

Financial instruments that potentially subject the Company to concentrations of credit risk consist of advances to CBI Investments Ltd. The Company is exposed to credit risk of CBI Investments Ltd. if a counterparty to a financial instrument fails to meet its contractual obligations, which arises principally from the Company's receivables from CBI Investments Ltd.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. Real property investments tend to be relatively illiquid, with the degree of liquidity generally fluctuating in relation to demand for and the perceived desirability of such investments. The Company enters into transactions to lend funds to CBI Investments Ltd., who then invests in real property, for which repayment is required at various maturity dates. While the Company itself does not directly invest in real estate, CBI Investments Ltd. does and as such the liquidity of CBI Investments Ltd. will affect the liquidity of the Company.

CBI Property Income Corp.
Notes to the Financial Statements

For the period March 20, 2009 (date of incorporation) to December 31, 2009

10. Related party transactions

During the year, the Company advanced funds to CBI Investments Ltd. bearing interest at 11.5%. Interest is receivable in the amount of \$73,965.

The transactions were conducted in the normal course of operations and measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

11. Proposed transaction

CBI Property Income Corp. intends to issue and sell, on a private placement basis, a minimum of \$250,000 in notes and \$75,000 in equity securities to a maximum of \$10,000,000 in notes. Equity securities issued may exceed \$75,000 at the Company's discretion.

The proceeds of the notes payable will be loaned to CBI Investments Ltd. and will bear interest at a rate of 11.5%. Amounts advanced will bear interest at a simple annual rate of 11.5% under the Series 1 notes and interest at an annual rate of 11.5%, calculated daily and compounded annually, under the Series 2 notes. Interest payments on Series 1 notes will be payable quarterly and Series 2 notes upon maturity. As security for the loan, the Company will receive from CBI Investments Ltd. a mortgage, fixed charge or security interest in the collateral.

Pursuant to a cost sharing and recovery agreement, CBI Investments Ltd. has agreed to bear the costs and expenses incurred in respect to offering costs as well as ongoing general and administrative expenses of the Company, which the Company is unable to finance from its working capital, up to a maximum of \$100,000, however, CBI Investments Ltd., at its sole discretion, may elect to pay an amount in excess of this maximum. As at December 31, 2009, the Company was able to finance all costs from its working capital and no costs were incurred on behalf of the Company by CBI Investments Ltd.

Interim Financial Statements of

CBI PROPERTY INCOME CORP.

For the three and nine month periods ended September 30, 2010

(Unaudited)

CBI PROPERTY INCOME CORP.

Balance Sheet

(Unaudited)

	September 30, 2010 (Unaudited)	December 31, 2009 (Audited)
Assets		
Current assets:		
Cash	\$ 153,823	\$ 940,807
Accounts receivable	-	-
Accounts receivable-Other	332	35,970
Accounts receivable from related parties	1,548	-
	<u>155,703</u>	<u>976,777</u>
Loans and advances to related party (note 2)	7,207,773	1,801,443
	<u>\$ 7,363,476</u>	<u>\$ 2,778,220</u>

Liabilities and Shareholders' Deficiency

Current liabilities:		
Accounts payable and accrued liabilities	\$ -	\$ 19,713
Working capital reserve (note 3)	47,873	-
Interest payable – current portion (note 4)	170,244	37,833
	<u>218,117</u>	<u>57,546</u>
Loans and advances from related party	-	-
Subscription deposits (note 4)	10,000	57,500
Notes and accrued interest payable (note 4)	7,005,500	3,153,000
Shareholders' deficiency:		
Share capital (note 4)	87,700	45,700
Surplus (deficit)	42,159	(535,526)
	<u>129,859</u>	<u>(489,826)</u>
Subsequent events (note 8)		
	<u>\$ 7,363,476</u>	<u>\$ 2,778,220</u>

The accompanying notes are an integral part of these financial statements

On behalf of the Board:

Signed (Ron Cadman) Director

November 30, 2010

CBI PROPERTY INCOME CORP.

Statement of Operations, Comprehensive Income (Loss) and Surplus (Deficit)

(Unaudited)

	Three months ended		Nine months ended	
	September 30		September 30	
	2010	2009	2010	2009
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Interest income	\$ 275,817	\$ 26,950	\$ 467,661	\$ 28,412
Other income	239	-	239	-
	276,056	26,950	467,900	28,412
Expenses:				
Professional fees	26,966	15,573	164,026	191,258
Commissions	80,124	77,295	231,450	106,921
Advertising	-	6,272	2,432	13,988
Consulting fee	-	(2,192)	-	-
Meals and entertainment	22	-	136	2,125
Interest on notes payable	181,675	33,935	419,476	35,479
Interest and bank charges	169	-	391	-
Memberships and dues	2,040	2,365	5,793	2,965
Office and general	500	658	1,925	1,744
Travel	73	-	1,471	10
	291,569	133,906	827,100	354,490
Net income (loss) from operations for the period	(15,513)	(106,956)	(359,200)	(326,078)
CBI Investments Ltd. working capital contribution-2010 (note 3)	429,208	-	429,208	-
Net income (loss), being comprehensive income (loss)	413,695	(106,956)	70,008	(326,078)
Deficit, beginning of period	(879,213)	(219,122)	(535,526)	-
CBI Investments Ltd. working capital contribution-2009 (note 3)	507,677	-	507,677	-
Retained earnings	(371,536)	(219,122)	(27,849)	-
Surplus (Deficit), end of period	\$ 42,159	\$ (326,078)	\$ 42,159	\$ (326,078)

The accompanying notes are an integral part of these financial statements

CBI PROPERTY INCOME CORP.

Statement of Cash Flows

(Unaudited)

	Three months ended		Nine months ended	
	September 30		September 30	
	2010	2009	2010	2009
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Cash provided by (used in):				
Operations:				
Net earnings (loss)	\$ 413,695	\$ (106,956)	\$ 70,008	\$ (326,078)
Change in retained earnings:	507,677	-	507,677	-
Change in non-cash operating working capital:				
Accounts receivable	-	(34,649)	-	(36,908)
Accounts receivable - Other	-	-	35,638	-
Accounts payable and accrued liabilities	(523)	(60,300)	(19,713)	138,969
	920,848	(201,905)	593,610	(224,017)
Financing:				
Change in notes payable	1,322,400	1,343,500	3,852,500	1,663,600
Change in interest payable to investors-current	64,229	10,376	132,411	10,376
Change in interest payable to investors-long term	-	8,986	-	10,530
Change in accounts receivable from related parties	(1,548)	-	(1,548)	-
Change in accounts payable to related parties	(22,203)	-	-	-
Change in working capital reserve	47,873	-	47,873	-
Change in shares issued	-	22,000	42,000	29,200
Changes in subscription deposits	(398,500)	33,500	(47,500)	114,000
	1,012,251	1,418,362	4,025,736	1,827,706
Investing:				
Loans and advances to related parties	(2,055,105)	(1,133,554)	(5,406,330)	(1,423,554)
Increase (decrease) in cash position	(122,006)	82,903	(786,984)	180,135
Cash position, beginning of period	275,829	97,232	940,807	-
Cash position, end of period	\$ 153,823	\$ 180,135	\$ 153,823	\$ 180,135
Supplementary Information:				
Income taxes paid	\$ -	\$ -	\$ -	\$ -
Interest paid	\$ 117,446	\$ 14,573	\$ 287,064	\$ 14,573

Cash position is defined as cash less cheques issued in excess of cash on hand.

The accompanying notes are an integral part of these financial statements

CBI PROPERTY INCOME CORP.

Notes to Financial Statements

For the period ended September 30, 2010

(Unaudited)

CBI Property Income Corp., (The "Company") was incorporated under the Business Corporations Act of Alberta on March 20, 2009. Its primary business activities, which commenced June 15, 2009, is lending financing proceeds to CBI Investments Ltd. ("CBI") on a revolving basis to facilitate the acquisition, refinancing, development or renovation of properties. The Company has advanced and currently intends to continue advancing net offering proceeds available from time to time through the issue and sale of notes and class B non-voting common shares to qualified investors.

1. Significant accounting policies:

(a) Basis of presentation:

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

(b) Revenue recognition:

The Company recognizes interest income on an accrual basis as it is earned.

(c) Financial Instruments:

Initial measurement of financial instruments is at fair value and subsequent measurement and recognition of changes in value depend upon the classification. Financial assets and financial liabilities classified as "Held for trading" are measured at fair value with changes in those fair values recognized in the Statement of Operations. "Loans and receivables" and financial liabilities classified as "Other financial liabilities" are measured at amortized cost using the effective interest method. "Held to maturity" investments are measured at amortized cost and using the effective interest method, less any impairment losses.

The Company has classified its financial assets and financial liabilities as follows:

Financial Assets and Liabilities	Classification
Cash	Held for trading
Accounts receivable, loans and advances to related parties	Loans and receivables
Accounts payable, loans and advances from related parties	Other financial liabilities
Working capital reserve	Other financial liabilities
Interest payable, notes payable, subscription deposits	Other financial liabilities

The Company does not use hedge accounting and accordingly, is not impacted by the requirements of Section 3865 Hedges of the CICA Handbook financial instrument risks.

It is management's opinion that the Company is not exposed to significant interest rate risk or currency risk.

CBI PROPERTY INCOME CORP.

Notes to Financial Statements, page 20

For the period ended September 30, 2010
(Unaudited)

1. Significant accounting policies (continued):

(c) Financial instruments (continued):

(i) Fair value:

The carrying value of current financial assets and liabilities held at September 30, 2010 approximate their fair value due to the relatively short periods to maturity. Cash, accounts payable and accrued liabilities, and interest payable are recorded at fair value. The Company considers the book value of the bond payable to approximate fair value. It is not practicable to determine the fair value of the loans to related party as no comparable market exists.

(ii) Credit risk:

This risk involves the Company's ability to repay the advances described in note 2, which affects the Company's ability to repay the notes and class B non-voting common shares. The Company's ability to repay the loan is influenced by its ability to generate proceeds from acquisition and divestiture of real estate assets.

(iii) Interest rate risk:

Notes and class B non-voting common shares and loans to related party are both fixed rate, with the same maturity date.

The CICA issued two new accounting standards, Section 3862, Financial Instruments - Disclosure and Section 3863, Financial Instruments - Presentation, designed to enhance disclosure requirements related to the nature and extent of risks arising from financial instruments and how the entity manages those risks. These new standards were adopted by the Company, March 20, 2009.

(d) Capital Disclosure:

The CICA issued a new accounting standard, Section 1535, Capital Disclosures, which requires disclosure of information that enables users of financial statements to evaluate the entity's objectives, policies and processes for managing capital. The new standard was adopted by the Company, March 20, 2009.

(e) Use of estimates:

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant items subject to such estimates and assumptions include valuation of loans to related party and future income taxes. These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in earnings in the periods in which they become known.

CBI PROPERTY INCOME CORP.

Notes to Financial Statements, page 21

For the period ended September 30, 2010
(Unaudited)

1. Significant accounting policies (continued):

(f) Future income taxes:

Income taxes are accounted for under the asset and liability method of accounting for income taxes. Under this method, future tax assets and liabilities are recognized for the future income tax assets and liabilities are recorded based on temporary differences between the carrying amount of balance sheet items and their corresponding tax bases. In addition, the future benefits of income tax assets, including unused tax losses, are recognized, subject to a valuation allowance, to the extent that it is more likely than not that such future benefits will ultimately be realized. Future income tax assets and liabilities are measured using enacted tax rates and laws expected to apply when the tax liabilities or assets are to be either settled or realized.

(g) Going concern:

These financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the payment of liabilities in the ordinary course of business. Should the Company be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and to meet its liabilities as they become due.

Substantially all of the assets of the Company are invested in CBI and accordingly the success of the Company and its ability to repay notes payable and other liabilities is dependent on the ability of CBI and the affiliates CBI has invested in to successfully implement their business plans. Currently funds are invested in real estate properties in Central Alberta, and as a result the successful implementation of these business plans is dependent on the Central Alberta real estate market. In the event CBI were unable to repay the amounts owed, the Company would not be able to operate as a going concern without having to obtain additional capital. These financial statements do not reflect the adjustments or reclassification of assets and liabilities which would be necessary if the Company were unable to continue its operations.

2. Loans to related party and related party transactions:

The demand loans advanced to CBI, a related company with common shareholders are:

- (a) Interest bearing at a simple rate of 11.5% annually, on the outstanding loan principal for Series 1 note proceeds, payable quarterly prior to the maturity date on the third day prior to each quarterly interest installment date established by the Company. The applicable principal is payable at maturity June 15, 2012.

CBI PROPERTY INCOME CORP.

Notes to Financial Statements, page 22

For the period ended September 30, 2010
(Unaudited)

2. Loans to related party and related party transactions (continued):

- (b) Interest bearing at a simple rate of 11.5% annually, on the outstanding loan principal for Series 2 note proceeds calculated daily and compounded annually, not in advance and payable along with the applicable principal at maturity June 15, 2012.
- (c) Interest bearing at a simple rate of 11.5% annually, calculated daily, on the outstanding loan principal, payable commencing as of the last day of the complete calendar month following the date of subscription. The applicable principal is payable at maturity June 15, 2012.

The amounts advanced mature on June 15, 2012. The indebtedness under the loan is secured by way of mortgages, fixed charges or security interests in the collateral. Interest in the three and nine months ended September 30, 2010 relating to the loan totaled \$275,817 and \$467,661.

In addition, CBI, a related company with common shareholders, was advanced amounts to the Company in the normal course of business; as at September 30, 2010, the amount was \$1,548 (\$nil at December 31, 2009).

3. Working capital reserve:

The Company will be dependant on CBI for payment of some or all expenses. In conjunction with the Closing of the Minimum Note Offering, the Company and CBI entered into the Management Agreement, whereby CBI agreed, among other things, to pay cost of the Offering and the ongoing general and administrative expenses incurred by the Company to the extent that the Company is unable to finance such amounts from its Working Capital (as funded with Note Proceeds upon CBI's direction under the Loan Agreement), subject to a specified maximum amount and to CBI terminating its financing obligations in certain circumstances. The Company will not be required to reimburse CBI for such payment of costs.

The maximum amount that CBI is obligated to fund under the Management Agreement is \$100,000; however, CBI may, at its sole option and discretion, elect to pay any amount in excess of that maximum. In consideration for such obligation, CBI will receive the Loan.

An adjustment to retained earnings has been made, in the current period, for CBI's working capital contribution for 2009, in the amount of \$507,677. A further adjustment to the income statement has been made for the three and nine months ended September 30, 2010, in the amount of \$429,208.

Closed funds that have not been advanced on the loan have been held as working capital reserve; at September 30, 2010, the balance held is \$47,873 (\$nil at December 31, 2009).

CBI PROPERTY INCOME CORP.

Notes to Financial Statements, page 23

For the period ended September 30, 2010
(Unaudited)

4. Notes payable:

The Company has issued unsecured fixed rate notes having a face value of \$7,005,500 (December 31, 2009 - \$3,153,000) and class B non-voting common shares having a face value of \$87,500 (December 31, 2009 - \$45,500) and has received additional subscription deposits of \$10,000 (December 31, 2009 - \$57,500) for which notes and class B non-voting common shares were issued subsequent to September 30, 2010. The notes will mature June 15, 2012.

The notes are unsecured and bear interest as follows:

- (a) Series 1 notes bear interest at a simple rate of 11.0% annually, on the outstanding loan principal, payable quarterly prior to the maturity date on the third day prior to each quarterly interest installment date established by the Company.
- (b) Series 2 notes bear interest at a simple rate of 11.0% annually, on the outstanding loan principal, calculated daily and compounded annually, not in advance and payable along with the applicable principal at maturity June 15, 2012.
- (c) Series 3 notes bear interest at a simple rate of 11.0% annually, calculated daily, on the outstanding loan principal, payable commencing as of the last day of the complete calendar month following the date of subscription. The applicable principal is payable at maturity June 15, 2012.

	September 30, 2010	December 31, 2009
Notes payable series 1	\$ 2,879,800	\$ 2,370,400
Notes payable series 2	2,453,100	782,600
Notes payable series 3	1,672,600	-
Notes payable	7,005,500	3,153,000
Accrued interest payable-current portion	170,244	37,833
Accrued interest payable-long term portion	-	-
	<u>\$ 7,175,744</u>	<u>\$ 3,190,833</u>

CBI PROPERTY INCOME CORP.

Notes to Financial Statements, page 24

For the period ended September 30, 2010
(Unaudited)

5. Share capital:

(a) Authorized:

Unlimited number of Class A Voting Preferred Shares valued at \$0.10

Unlimited number of Class B Non-Voting Common shares valued at \$1.00

Unlimited number of Class B-RSP Non-Voting Common shares valued at \$1.00

(b) Issued:

	September 30, 2010	December 31, 2009
Class A Shares (2,000 shares)	\$ 200	\$ 200
Class B Shares (44,500 and 29,500 shares)	44,500	29,500
Class B Shares-RSP (43,000 and 16,500 shares)	43,000	16,500
Balance	\$ 87,700	\$ 45,700

6. Capital management:

The Company's capital consists of net assets. The Company manages capital using an annual budgeting process and weekly management meetings. Management utilizes these plans to ensure adequate capital is on hand to meet current and future capital and operational requirements. The Company's objectives when managing capital are to safeguard the entity's ability to continue as a going concern, so that it can continue to provide financing to a related company, CBI, to facilitate the acquisition, development, and renovation of properties. The Company is not subject to any externally imposed capital requirements.

7. Future accounting policy:

International Financial Reporting Standards ("IFRS")

The Canadian Accounting Standards Board has confirmed that the use of IFRS will be required commencing 2011 for publicly accountable, profit oriented enterprises. IFRS will replace current Canadian GAAP followed by the Company. The Company will be required to begin reporting under IFRS for its fiscal year ended December 31, 2011 and will be required to provide information that conforms with IFRS for the comparative periods presented. The Company has initiated preliminary steps to adopt IFRS and to ensure full compliance commencing 2011.

8. Subsequent events:

There were no material events subsequent to September 30, 2010 and up to November 30, 2010.

ITEM 13 - DATE AND CERTIFICATE

Dated: December 20, 2010

This offering memorandum does not contain a misrepresentation.

(signed) "Travis Cadman"
Travis Cadman
Chief Executive Officer

(signed) "Ron Cadman"
Ron Cadman
Chief Financial Officer

On behalf of the Board of Directors of the Issuer

(signed) "Ron Cadman"
Ron Cadman

(signed) "Travis Cadman"
Travis Cadman

Promoter of the Issuer

CBI Investments Ltd.

(signed) "Ron Cadman"
Ron Cadman

(signed) "Travis Cadman"
Travis Cadman

SCHEDULE A
FORM OF SERIES 1 NOTE CERTIFICATE

UNLESS PERMITTED UNDER SECURITIES LEGISLATION, THE HOLDER OF THIS SECURITY MUST NOT TRADE THE SECURITY BEFORE THE DATE THAT IS 4 MONTHS AND A DAY AFTER THE LATER OF (i) 1 , 201 , AND (ii) THE DATE THE ISSUER BECAME A REPORTING ISSUER IN ANY PROVINCE OR TERRITORY.

Series 1 Note Certificate No. 1

CBI PROPERTY INCOME CORP.

Incorporated under the *Business Corporations Act* (Alberta)

UNSECURED 11% SERIES 1 NOTES DUE JUNE 15, 2012

CBI Property Income Corp. (the "**Corporation**") for value received hereby promises, on the terms and subject to the conditions governing the Series 1 Note(s) represented by this certificate (the "**Series 1 Note Certificate**"), as set forth herein: (1) to pay to 1 (the "**Series 1 Noteholder**") as of June 15, 2012, (the "**Maturity Date**"), or on such earlier date as provided under the terms hereof, on presentation and surrender of this Series 1 Note Certificate, the following aggregate principal amount of the Series 1 Note(s):

\$ 1

in lawful money of Canada, or so much thereof that remains from time to time owing (the "**Principal Amount**"); and (2) to pay interest in lawful money of Canada, calculated on the Principal Amount at the simple, annual rate of 11% (the "**Interest Rate**") from and including the date of this Series 1 Note until the Principal Amount represented by this Series 1 Note Certificate is paid in full, which interest is to be calculated daily and is payable quarterly, not in advance, on **September 15th, December 15th, March 15th, and June 15th** in each 12-month period prior to and including the Maturity Date during which the Principal Amount remains owing (each such date is an "**Interest Instalment Date**"). Interest is payable both before and after default, maturity and judgment. Any amount of interest not paid when due continues to bear interest at the Interest Rate until paid in full. As interest on the Principal Amount, if any, becomes due and payable, the Corporation (except in case of payment as of maturity hereof or the Corporation's retirement or repayment of any Principal Amount hereunder prior to the Maturity Date) shall, prior to each Interest Instalment Date send or cause to be sent prepaid mail to the registered address of the Series 1 Noteholder, a cheque in the amount of the accrued but unpaid interest, less any tax required by law to be deducted or withheld, payable to the order of the Series 1 Noteholder(s) and negotiable at par at any chartered bank in Canada. The sending of such cheque satisfies and discharges the Corporation's liability as of the applicable Interest Instalment Date for accrued interest on the Principal Amount to the extent of the sum represented thereby (plus the amount of any tax deducted or withheld as aforesaid) unless such cheque is not honoured upon presentation. The Corporation may, at its option at any time and from time to time, retire or repay all or any portion of the Principal Amount owing under the Note(s) represented hereby in certain circumstances and in the manner set out in this Series 1 Note Certificate. The Series 1 Noteholder may require the Corporation to retract prior to maturity all, but not less than all of the Principal Amount owing under the Series 1 Note(s) represented hereby in certain circumstances, subject to certain penalties and limitations set out in, and subject to the Series 1 Noteholder's compliance with, the terms and conditions contained in this Series 1 Note Certificate.

The additional terms and conditions attached hereto are deemed to be incorporated in this Series 1 Note Certificate and are an integral part of the Series 1 Note(s) represented by this Series 1 Note Certificate.

IN WITNESS WHEREOF, the Corporation has caused this Note Certificate to be signed as of 1 , 201 .

CBI PROPERTY INCOME CORP.

Per:

Authorized Signatory

**ADDITIONAL TERMS AND CONDITIONS ATTACHING TO THE UNSECURED 11% SERIES 1 NOTES
OF CBI PROPERTY INCOME CORP.**

1. Covenants

The Corporation will:

- (a) duly and punctually pay any and all amounts of principal and interest due and owing pursuant to the Series 1 Notes(s) represented by this Series 1 Note Certificate to the Series 1 Noteholder;
- (b) maintain its corporate existence and registration in good standing in its jurisdiction of incorporation and any other jurisdictions in which it has assets to the extent required by the laws of such jurisdiction; and
- (c) keep or cause to be kept proper books of account in accordance with generally accepted accounting principles.

2. Debt Retirement or Repayment

- (a) The Corporation may, at its option at any time and from time to time, after the date of issuance of this Series 1 Note Certificate and prior to the Maturity Date, retire or repay some or all of its indebtedness under the Series 1 Note(s) represented by this Series 1 Note Certificate, without penalty or bonus:
 - (i) on at least 30 days' prior written notice to the Series 1 Noteholder prior to the Maturity Date; and
 - (ii) by repaying the full Principal Amount represented by this Series 1 Note Certificate, (in the case of full retirement or repayment) or a portion of the Principal Amount (in the case of partial retirement or repayment), together in each case with the accrued but unpaid interest on the Principal Amount to be so retired or repaid to the date fixed for retirement or repayment, subject to any withholdings under applicable taxation statutes and other laws, (the Principal Amount to be retired or repaid, plus accrued interest thereon, less applicable withholdings, is referred to in this Series 1 Note Certificate as the "**Repayment Amount**").
- (b) To be valid for the purposes hereof, the Corporation's notice of Series 1 Note retirement or repayment must (i) specify this Series 1 Note Certificate by record number and the Principal Amount (which must be a whole-numbered multiple of \$100) to be retired or repaid, (ii) indicate the Repayment Amount, including the accrued but unpaid interest thereon to be paid in connection with such Principal Amount retirement or repayment and any withholdings under applicable taxation statutes and other laws, (iii) specify the retirement or repayment date, (iv) specify the place and deadline for the Series 1 Noteholder's presentation and surrender of this Series 1 Note Certificate, and (v) be delivered or sent by prepaid registered mail to the Series 1 Noteholder at its registered address. The 30-day notice period commences upon such delivery or posting by prepaid registered mail. Valid notice having been given for the Corporation's retirement or repayment of some or all of its indebtedness under the Series 1 Note(s) represented by this Series 1 Note Certificate, all of the Principal Amount to be retired or repaid (in the case of full retirement or repayment) or the portion of the Principal Amount to be so retired or repaid (in the case of the partial retirement or repayment) is due and payable on the retirement or repayment date specified in such notice, in the same manner and with the same effect as if it were the Maturity Date with respect to the amounts to be so repaid, anything therein or herein to the contrary notwithstanding, and from and after such date, the Principal Amount (or portion thereof) is, upon payment of the Repayment Amount, deemed to be fully discharged and repaid hereunder and interest on the Principal Amount (or portion thereof) ceases.

- (c) The Corporation's obligation to pay the Repayment Amount to the Series 1 Noteholder is in consideration of, but is conditional upon, the Series 1 Noteholder's presentation and surrender of this Series 1 Note Certificate at the place specified for such retirement or repayment. If this Series 1 Note Certificate is not presented and surrendered to the Corporation at the specified place for retirement or repayment on or before the specified deadline, or the Series 1 Noteholder does not accept payment of the Repayment Amount in respect thereof or give such receipt therefor (if any) as the Corporation requires, then the accrual of interest on the Principal Amount to be so retired or repaid ceases after such date and the Corporation will set aside the Repayment Amount in trust for the Series 1 Noteholder, in a chartered bank in Canada chosen by the Corporation. Such setting aside is for all purposes deemed payment to the Series 1 Noteholder of the applicable Principal Amount and all the interest accrued thereunder (in the case of the full retirement or redemption) or of the portion of the Principal Amount to be so repaid and all interest accrued thereunder (in the case of the partial repayment). Thereupon, the Principal Amount retired or repaid (and the accrued interest thereon) is no longer considered to be outstanding or owing as of the date specified in the Corporation's notice for such retirement or repayment, and this Series 1 Note Certificate has no further force or effect, and the Series 1 Noteholder has not other rights hereunder, except for receiving payment of the Repayment Amount so set aside upon presentation and surrender of this Series 1 Note Certificate.
- (d) If the Corporation fails to pay the Repayment Amount on the last day of such 30-day notice period, the Corporation's notice is deemed to have been rescinded, and, notwithstanding any other provision hereunder, the Corporation and the Series 1 Noteholder are deemed to have been placed back in their respective positions with their respective rights as if no such notice had ever been given. For greater certainty in such circumstances, the Corporation may subsequently at any time and from time to time, give written notice to the Series 1 Noteholder of the retirement or repayment of some or all of its indebtedness under the Series 1 Notes represented by this Series 1 Note Certificate in the manner contemplated in this Section 2.
- (e) In the case of the retirement or repayment of a portion of the Principal Amount under this Series 1 Note, the Series 1 Noteholder is entitled to receive, and the Corporation will issue to the Series 1 Noteholder, a new certificate representing the Principal Amount that has not been retired or repaid and remains owing, provided that the Series 1 Noteholder has presented and surrendered this Series 1 Note Certificate.

3. Series 1 Note Retraction

- (a) The Series 1 Noteholder may, subject to the limitations set out in this Section 3, at its option at any time on or after the first business day that is 18 months after the Closing Date for Minimum Note Offering (the "**Retraction Commencement Date**") require the Corporation to repay the Series 1 Notes represented by this Series 1 Note Certificate in their entirety prior to the Maturity Date (referred to as a "**Series 1 Note retraction**") upon:
- (i) giving at least 90 days' prior written notice of the same to the Corporation;
 - (ii) presentation and surrender of this Series 1 Note Certificate at the principal business office of the Corporation in Calgary, Alberta prior to 4:00 p.m. (Calgary time) on the date determined hereunder as the effective date for the Series 1 Note retraction (the "**Retraction Date**");
 - (iii) presentation and surrender of any other Note (defined below) certificate(s) held by the Series 1 Noteholder prior to 4:00 p.m. (Calgary time) on the Retraction Date in accordance with the terms and conditions of the Note certificate(s); and
 - (iv) at the Corporation's request, surrendering to the Corporation (for no attributed value) all the Class B shares of the Corporation (the "**Class B Shares**") that the Series 1 Noteholder holds or beneficially owns or controls, directly or indirectly, by delivering to the Corporation at the time and place determined by the Corporation all applicable Class B

Share certificates duly endorsed in blank for transfer or accompanied by a duly endorsed stock transfer acceptable to the Corporation, whereupon the Series 1 Noteholder is deemed to have provided the following representations, warranties and covenants to the Corporation in respect of such Class B Shares: (A) the surrendered Class B Share certificates represent all the Class B Shares owned or controlled, directly or indirectly, legally or beneficially by the Series 1 Noteholder or any affiliate (as defined under applicable securities laws) or associate (as defined under applicable securities laws) of the Noteholder, and the Series 1 Noteholder has sufficient right, title and interest in and full power, authority and control over those Class B Shares, and all necessary approvals and consents have been obtained, to fully surrender all right, title and interest therein to and in favour of the Corporation, free and clear of all liens, charges, encumbrances, claims and equities; (B) as a result of such surrender, no person other than the Corporation has any agreement, option, right or privilege capable of becoming an agreement or option to acquire any right, title or interest in the Class B Shares or any part thereof, and none of the Series 1 Noteholder or any affiliate or associate thereof has any further right, entitlement or privilege as a Class B Shareholder; and (C) at the Corporation's request, the Noteholder will and will cause its affiliates and associates to, execute any additional documents, transfers and other assurances as may be necessary or desirable to complete the surrender of the Class B Shares to the Corporation as contemplated hereby

- (b) To be valid for the purposes hereof, the Series 1 Noteholder's retraction notice must (i) identify this Series 1 Note Certificate by record number (endorsed on the face hereof) as representing the Series 1 Notes that are subject to the proposed Series 1 Note retraction, (ii) propose a Retraction Date, and (iii) be delivered to the Corporation at its principal business office in Calgary, Alberta to the attention of the Corporation's chief financial officer. The 90-day notice period for Series 1 Note retraction commences and, notwithstanding the Series 1 Noteholder's retraction notice, the Retraction Date is hereby established, only upon the Corporation's receipt of such notice as determined in accordance with Series 1 Note Certificate and is the latest of 90 days after such receipt of notice, the Retraction Date proposed in the Series 1 Noteholder's retraction notice, and such later date as the Corporation and the Series 1 Noteholder agree.
- (c) Valid notice having been received by the Corporation and this Series 1 Note Certificate having been duly and validly presented and surrendered (together with, to the extent requested by the Corporation, all applicable Class B Shares have been surrendered to the Corporation as contemplated hereby), the amount required to be paid by the Corporation to the Series 1 Noteholder in respect of the Series 1 Note retraction is:
- (i) 95% of the Principal Amount if the Repayment Date is on or prior to the second anniversary of the Closing Date for the Minimum Note Offering;
 - (ii) 98% of the Principal Amount if the Repayment Date is after the second anniversary of the Closing Date for the Minimum Note Offering and prior to the Maturity Date,

plus, in each case, interest accrued and unpaid on the Principal Amount to the Retraction Date, subject to any withholdings under applicable taxation statutes and other laws (the discounted Principal Amount plus such accrued interest less applicable withholdings, being referred to in this Section 3 as the "**Discounted Retraction Amount**"). Subject to Subsections 3(d),(e),(f) and (g), if valid notice has been received by the Corporation and this Series 1 Note Certificate has been duly and validly presented and surrendered, as aforesaid, the Discount Retraction Amount thereupon becomes due and payable on the Retraction Date, in the same manner and with the same effect as if it were the Maturity Date with respect to the amounts to be so repaid, anything therein or herein to the contrary notwithstanding, except that the Principal Amount is, upon payment of the Discounted Retraction Amount, deemed after the Retraction Date to be fully discharged and repaid hereunder and interest upon this Series 1 Note ceases.

- (d) If, in the circumstances of a proposed Series 1 Note retraction, the Series 1 Noteholder fails to duly and validly present and surrender this Series 1 Note to the Corporation at its head office address on the Retraction Date or does not accept payment of the Discounted Retraction Amount in respect thereof, or does not give a receipt as the Corporation may reasonably require, then the accrual of interest on the Principal Amount to be so retracted ceases after such date and the Corporation will set aside the Discounted Retraction Amount in trust for the Series 1 Noteholder, in a chartered bank in Canada chosen by the Corporation. Such setting aside is for all purposes deemed payment to the Series 1 Noteholder of the Principal Amount (and the Series 1 Notes represented hereby) and all the interest accrued thereunder. Thereupon, the Principal Amount retracted (and the accrued interest thereon) is no longer considered to be outstanding or owing as of the Retraction Date, and this Series 1 Note Certificate has no further force or effect, and the Series 1 Noteholder has not other rights hereunder, except for receiving payment of the Discounted Retraction Amount so set aside upon presentation and surrender of this Series 1 Note Certificate. If, in the circumstances of a Series 1 Note retraction, the Series 1 Noteholder fails to surrender the applicable Class B Shares, at the appropriate time and place as requested by the Corporation, the Series 1 Noteholder's retraction notice is deemed to have been rescinded and the Corporation and the Series 1 Noteholder are considered to have been placed back in their respective positions with their respective rights as if no retraction notice had been given.
- (e) The Series 1 Notes represented by this Series 1 Note Certificate were issued and sold by the Corporation pursuant to a private placement offering of securities more particularly described in the Corporation's offering memorandum dated May 1, 2009, as updated, amended or restated from time to time (the "**offering memorandum**"), whereby the Corporation offered for issue and sale unsecured notes in the aggregate principal amount (including the Principal Amount represented by this Series 1 Note Certificate) of up to \$10,000,000 (such unsecured notes of the Corporation, including the Series 1 Notes represented hereby, are referred to, collectively, as the "**Notes**"). Notwithstanding the provisions of subsections 3(a) or (b) of this Series 1 Note Certificate:
- (i) no notice of retraction pursuant to Section 3(a) may be given by the Series 1 Noteholder prior to the Note Retraction Commencement Date; and
 - (ii) the Corporation is not required to retract the Principal Amount represented by this Series 1 Note Certificate (or the interest in respect thereof) where the aggregate principal amount of all Notes (including the Principal Amount represented by this Series 1 Note Certificate) to be retracted in the manner referred to in Section 3 of this Series 1 Notes Certificate or similar retraction rights attaching to other Notes:
 - (A) exceeds \$50,000 in a particular calendar month, for which Notes the Corporation has previously received one or more valid retraction notices from the applicable Noteholders; or
 - (B) together with the aggregate principal amount of all Notes already retracted by the Corporation, exceeds 10% of the total aggregate principal amount of all Notes (including the Principal Amount represented by this Series 1 Note Certificate) outstanding as at 11:59 p.m. (Calgary time) on the Note Retraction Commencement Date.
- (f) Once the Corporation has received valid retraction notices from Noteholders requiring the Corporation to retract or retire its indebtedness under Notes having an aggregate principal amount of \$50,000 in a calendar month, the Series 1 Noteholder's further or subsequent retraction notice is without effect and the Series 1 Noteholder has no right of retraction thereafter in respect of any Series 1 Note retraction during that calendar month. In this situation, the Series 1 Noteholder's retraction notice is deemed to have been rescinded and the Corporation and Series 1 Noteholder are considered to have been placed back in their respective positions, each with its respective rights as if no notice had been given. The Series 1 Noteholder may

subsequently give the Corporation a valid retraction notice in respect of a Retraction Date that falls in a later calendar month, subject always to the provisions of this Section 3.

- (g) Once the total principal amount of (i) Notes already retracted or retired in the manner referred to in Section 3 of this Series 1 Notes Certificate or similar retraction rights attaching to other Notes, and (ii) Notes for which the Issuer has received one or more valid retraction notices from the applicable Noteholders (including the Principal Amount represented by this Series 1 Note Certificate), exceeds 11.5% of the total aggregate principal amount of all Notes outstanding as at 11:59 p.m. (Calgary time) on the Note Retraction Commencement Date, the Series 1 Noteholder's further or subsequent retraction notice is without effect and the Series 1 Noteholder has no right of Series 1 Note retraction thereafter under such retraction notice as given or at all. In this situation, the Series 1 Noteholder's retraction notice is deemed to have been rescinded and the Corporation and Series 1 Noteholder are considered to have been placed back in their respective positions, each with its respective rights as if no notice had been given, except that the Series 1 Noteholder has no further rights in respect of a Series 1 Note retraction hereunder.

4. Acceleration of Maturity

Upon the happening of any one or more of the following events, namely:

- (a) if the Corporation defaults in payment of the Principal Amount under this Series 1 Note when the same becomes due and payable under any provision thereof;
- (b) an order by a court having jurisdiction is entered resulting from the commencement of proceedings against the Corporation by a third party and adjudging the Corporation a bankrupt or insolvent, or approving as properly filed a petition seeking reorganization, arrangement or winding up of the Corporation under any bankruptcy, insolvency or analogous laws, including, without limitation, the *Companies' Creditors Arrangement Act* (Canada), or appointing a receiver of the Corporation or ordering the dissolution or liquidation of its affairs, and such order continues unstayed, undischarged and in effect for a period of 60 days from the date thereof;
- (c) while any Principal Amount or accrued but unpaid interest thereon remains owing, a resolution is passed for the winding-up or liquidation of the Corporation or if the Corporation institutes proceedings to be adjudicated a bankrupt or insolvent, or consents to the institution of bankruptcy or insolvency proceedings against it, or files a petition, answer or consent seeking reorganizational relief under any bankruptcy, insolvency or analogous laws, including, without limitation, the *Companies' Creditors Arrangement Act* (Canada), or consents to the filing of any such petition or to the appointment of a receiver of or of any substantial part of the property of the Corporation or makes a general assignment for the benefit of creditors, or the Corporation admits in writing its inability to pay its debts generally as they become due, or a resolution is passed by the Corporation's directors or shareholders authorizing the Corporation to do any of the foregoing, unless such resolution is rescinded prior to the taking of any irrevocable actions thereunder;
- (d) if the Corporation neglects to observe or perform any other covenant or obligation herein contained on its part to be observed or performed and, after notice in writing has been given to the Corporation specifying such default and requiring the Corporation to put an end to same, the Corporation fails to make good such default within a period of 60 days; or
- (e) the Corporation agrees to an amendment to the Loan that is to be entered into between the Corporation and CBI Investments Ltd. referenced in the offering memorandum if such amendment is materially prejudicial to the ability of the Corporation to comply with its obligations under the Series 1 Notes represented by this Series 1 Note Certificate or any other Notes issued pursuant to the Offering,

then the Principal Amount and accrued but unpaid interest thereon and all other moneys outstanding thereunder become immediately due and payable to the Series 1 Noteholder, anything therein or herein to the contrary notwithstanding, and the Corporation will forthwith pay to the Series 1 Noteholder the

Principal Amount and accrued and unpaid interest thereon from the date of the acceleration event until payment is received by the Series 1 Noteholder, subject to any withholdings under applicable taxation statutes and other laws. Such payment when made is deemed to have been made in discharge and retirement of the Corporation's obligations hereunder.

5. Register of Series 1 Notes

At all times while any Principal Amount as represented by this Series 1 Note Certificate is outstanding, the Corporation shall maintain a register on which is to be entered the Series 1 Noteholder's name, the Series 1 Noteholder's latest known address, the record number assigned by the Corporation for this Series 1 Note Certificate (as endorsed on the face hereof), the outstanding Principal Amount represented hereby, and, if available, a telephone number, email address and fax number for the Series 1 Noteholder. The register is to be kept by or on behalf of the Corporation at the Corporation's principal business office in Alberta or at such other office as the Corporation may determine by notice to the Series 1 Noteholder. Where this Series 1 Note Certificate is held jointly by two or more Series 1 Noteholders, the Corporation is entitled to rely upon any one of the joint Series 1 Noteholders and the registered address (or other contact information) for that Series 1 Noteholder on behalf of the other joint Series 1 Noteholder(s) for all purposes hereof, including but not limited to sending of notices or for sending interest payment cheques.

6. No Obligation for Repayment or Retraction of Other Notes

The Corporation reserves the right to retire, repay, retract or otherwise redeem its indebtedness under the Series 1 Notes represented by this Series 1 Note Certificate prior to, and without obligation for any, retirement, repayment, retraction or other redemption of any other Notes, in whole or in part. Similarly, the Corporation is under no obligation to retire, repay, retract or otherwise redeem its indebtedness under the Series 1 Notes represented by this Series 1 Note Certificate, in whole or in part, upon or as a result of its retirement, repayment, retraction or other redemption of any other Notes, in whole or in part.

7. Acquisition of Series 1 Notes

The Corporation reserves the right to purchase or otherwise acquire some or all of the Series 1 Notes represented by this Series 1 Note Certificate at any time and from time to time from the Series 1 Noteholder or other legally entitled holder of this Series 1 Note Certificate, by tender, or private contract or otherwise, prior to, and without obligation for, purchasing or otherwise acquiring any other Notes, in whole or in part, at any time or times.

8. Notices

Any notice to the Series 1 Noteholder under the terms hereof or with respect to some or all of the Series 1 Notes represented by this Series 1 Note Certificate is valid and effective if

- (a) delivered to the Series 1 Noteholder at its registered address last provided to the Corporation and appearing on the register hereinbefore mentioned and is deemed to have been effectively given on the date of delivery;
- (b) sent by fax or email to the Series 1 Noteholder at the email address or fax number last provided to the Corporation and appearing on the register hereinbefore mentioned and is deemed to have been effectively given, if sent by email or fax, on the next business day following the date of transmission provided that its contents are transmitted and received completely and accurately;
or
- (c) sent by prepaid registered mail, addressed to the Series 1 Noteholder at its registered address last provided to the Corporation and appearing on the register hereinbefore mentioned and is deemed to have been effectively given, if mailed, on the fifth business day following the date of the postmark.

Any notice to the Corporation under the terms hereof or with respect to this some or all of the Series 1 Notes represented by this Series 1 Note Certificate is valid and effective if delivered or sent by fax or by ordinary post addressed to the Corporation to the attention of the President thereof at 1716 – 10th Avenue SW, Calgary, Alberta T3C 0J8 (or such other address as the Corporation may subsequently advise the Series 1 Noteholder under the terms hereof) or fax number (403) 244-9419 (or such other fax number as the Corporation may subsequently advise the Series 1 Noteholder under the terms hereof) or email and is deemed to have been effectively given on the date of delivery or, if mailed, on the fifth business day following the date of the postmark on such notice or, if sent by fax, on the next business day following the date of transmission provided that its contents are transmitted and received completely and accurately.

9. General Provisions

This Series 1 Note Certificate and the notices or other documents delivered pursuant hereto constitute the entire agreement and understanding between the Corporation and the Series 1 Noteholder, and supersedes any prior certificate, instrument or understandings relating to the Series 1 Notes represented hereby or the subject matter hereof. This Series 1 Note Certificate may be modified or amended by a written instrument executed by both the Corporation and the Series 1 Noteholder. No waiver of any provision of this Series 1 Note Certificate is deemed to constitute a waiver or continuing waiver unless otherwise expressly provided in writing duly executed by the Corporation or the Series 1 Noteholder as bound thereby. Neither this Series 1 Note Certificate nor any Series 1 Notes represented hereby may be assumed by any other entity, including any subsidiary or affiliate of the Corporation, without the prior written consent of the Series 1 Noteholder. Neither this Series 1 Note Certificate nor any Series 1 Notes represented hereby may be sold, assigned or transferred by the Series 1 Noteholder without the prior written consent of the Corporation in its sole discretion and subject to such terms and conditions as the Corporation, in its sole discretion, may determine and any purported sale, assignment or transfer without such written consent is void. Notwithstanding the foregoing, this Series 1 Note Certificate and the Series 1 Notes represented hereby enure to the benefit of and are binding on and enforceable against the successors and permitted assigns of each of the Corporation and Series 1 Noteholder. This Series 1 Note Certificate and the Series 1 Notes represented hereby are governed by and construed in accordance with the laws of the province of Alberta and the laws of Canada applicable therein. The Corporation and Series 1 Noteholder hereby irrevocably and unconditionally consent to and submit to the jurisdiction of the courts of the Alberta for any actions, suits or proceedings arising out of or relating to this Series 1 Note Certificate and the Series 1 Notes represented hereby in the matters contemplated hereby (and the Corporation and Series 1 Noteholder agree not to commence any action, suit or proceeding relating thereto except in such courts) and further agree that service of any process, summons, notice or document by single registered mail to the address set forth above is effective service of process for any action, suit or proceeding brought against either of them in any such court. The Corporation and Series 1 Noteholder irrevocably and unconditionally waive any objection to the laying of venue of any action, suit or proceeding arising out of this Series 1 Note Certificate, the Series 1 Notes represented hereby, or the matters contemplated hereby in the courts of Alberta and hereby further irrevocably and unconditionally waive and agree not to plead or claim in any such court that any such action, suit or proceeding so brought has been brought in an inconvenient forum. If any provision of this Series 1 Note Certificate is determined by any court of competent jurisdiction to be illegal, invalid or unenforceable, that provision is deemed severed from this Series 1 Note Certificate and the remaining provisions continue in full force and effect. Nothing herein constitutes or is construed as constituting a partnership of any kind whatsoever or between the Corporation and Series 1 Noteholder. There is not any merger of any covenant, representation and warranty in any assignment, conveyance, transfer or document delivered pursuant hereto notwithstanding any rule of law, equity or statute to the contrary and all such rules are hereby waived. Time is of the essence hereof. Words used herein importing the singular number include the plural and vice versa, words importing the use of any gender include all genders. The words "include", "includes" or "including", which following a general statement do not limit such general statement to the specific items or matters set forth but rather permits it to refer to all other items or matters that could reasonably fall within its broadest possible scope. Unless otherwise indicated, all dollar amounts referred to herein are expressed in Canadian funds. The terms "in writing" or "written" include printing, typewriting, or any electronic means of communication by which words are capable of being visually reproduced at a distant point of reception, including by fax or email. The terms "this Series

1 Note Certificate", "hereof ", "herein", "hereunder" and similar expressions refer to this Series 1 Note Certificate and the documents or notices delivered pursuant hereto and not to any particular article, section, paragraph, subparagraph, clause or other portion hereof and include any Series 1 Note Certificate or instrument supplementary or ancillary hereto.

[INTENTIONALLY LEFT BLANK]

SCHEDULE B
FORM OF SERIES 2 NOTE CERTIFICATE

UNLESS PERMITTED UNDER SECURITIES LEGISLATION, THE HOLDER OF THIS SECURITY MUST NOT TRADE THE SECURITY BEFORE THE DATE THAT IS 4 MONTHS AND A DAY AFTER THE LATER OF (i) 1 , 201 , AND (ii) THE DATE THE ISSUER BECAME A REPORTING ISSUER IN ANY PROVINCE OR TERRITORY.

Series 2 Note Certificate No. 1

CBI PROPERTY INCOME CORP.

Incorporated under the *Business Corporations Act* (Alberta)

UNSECURED 11% SERIES 2 NOTES DUE JUNE 15, 2012

CBI Property Income Corp. (the "**Corporation**") for value received hereby promises, on the terms and subject to the conditions governing the Series 2 Note(s) represented by this certificate (the "**Series 2 Note Certificate**"), as set forth herein: (1) to pay to 1 (the "**Series 2 Noteholder**") as of June 15, 2012, (the "**Maturity Date**"), or on such earlier date as provided under the terms hereof, on presentation and surrender of this Series 2 Note Certificate, the following aggregate principal amount of the Series 2 Note(s):

\$ 1

in lawful money of Canada, or so much thereof that remains from time to time owing (the "**Principal Amount**"); and (2) to pay interest in lawful money of Canada, calculated on the Principal Amount at the compound, annual rate of 11% (the "**Interest Rate**") from and including the date of this Series 2 Note until the Principal Amount represented by this Series 2 Note Certificate is paid in full, which interest is to be calculated daily and compounded annually, not in advance and is payable as of the Maturity Date. Interest is payable after maturity and both before and after default and judgment. Any amount of interest not paid when due continues to bear interest at the Interest Rate until paid in full. The Corporation may, at its option at any time and from time to time, retire or repay all or any portion of the Principal Amount owing under the Note(s) represented hereby in certain circumstances and in the manner set out in this Series 2 Note Certificate. The Series 2 Noteholder may require the Corporation to retract prior to maturity all, but not less than all of the Principal Amount owing under the Series 2 Note(s) represented hereby in certain circumstances, subject to certain penalties and limitations set out in, and subject to the Series 2 Noteholder's compliance with, the terms and conditions contained in this Series 2 Note Certificate.

The additional terms and conditions attached hereto are deemed to be incorporated in this Series 2 Note Certificate and are an integral part of the Series 2 Note(s) represented by this Series 2 Note Certificate.

IN WITNESS WHEREOF, the Corporation has caused this Note Certificate to be signed as of 1 , 201 .

CBI PROPERTY INCOME CORP.

Per: _____

Authorized Signatory

**ADDITIONAL TERMS AND CONDITIONS ATTACHING TO THE UNSECURED 11% SERIES 2 NOTES
OF CBI PROPERTY INCOME CORP.**

1. Covenants

The Corporation will:

- (a) duly and punctually pay any and all amounts of principal and interest due and owing pursuant to the Series 2 Notes(s) represented by this Series 2 Note Certificate to the Series 2 Noteholder;
- (b) maintain its corporate existence and registration in good standing in its jurisdiction of incorporation and any other jurisdictions in which it has assets to the extent required by the laws of such jurisdiction; and
- (c) keep or cause to be kept proper books of account in accordance with generally accepted accounting principles.

2. Debt Retirement or Repayment

- (a) The Corporation may, at its option at any time and from time to time, after the date of issuance of this Series 2 Note Certificate and prior to the Maturity Date, retire or repay some or all of its indebtedness under the Series 2 Note(s) represented by this Series 2 Note Certificate, without penalty or bonus:
 - (i) on at least 30 days' prior written notice to the Series 2 Noteholder prior to the Maturity Date; and
 - (ii) by repaying the full Principal Amount represented by this Series 2 Note Certificate, (in the case of full retirement or repayment) or a portion of the Principal Amount (in the case of partial retirement or repayment), together in each case with the accrued but unpaid interest on the Principal Amount to be so retired or repaid to the date fixed for retirement or repayment, subject to any withholdings under applicable taxation statutes and other laws, (the Principal Amount to be retired or repaid, plus accrued interest thereon, less applicable withholdings, is referred to in this Series 2 Note Certificate as the "**Repayment Amount**").
- (b) To be valid for the purposes hereof, the Corporation's notice of Series 2 Note retirement or repayment must (i) specify this Series 2 Note Certificate by record number and the Principal Amount (which must be a whole-numbered multiple of \$100) to be retired or repaid, (ii) indicate the Repayment Amount, including the accrued but unpaid interest thereon to be paid in connection with such Principal Amount retirement or repayment and any withholdings under applicable taxation statutes and other laws, (iii) specify the retirement or repayment date, (iv) specify the place and deadline for the Series 2 Noteholder's presentation and surrender of this Series 2 Note Certificate, and (v) be delivered or sent by prepaid registered mail to the Series 2 Noteholder at its registered address. The 30-day notice period commences upon such delivery or posting by prepaid registered mail. Valid notice having been given for the Corporation's retirement or repayment of some or all of its indebtedness under the Series 2 Note(s) represented by this Series 2 Note Certificate, all of the Principal Amount to be retired or repaid (in the case of full retirement or repayment) or the portion of the Principal Amount to be so retired or repaid (in the case of the partial retirement or repayment) is due and payable on the retirement or repayment date specified in such notice, in the same manner and with the same effect as if it were the Maturity Date with respect to the amounts to be so repaid, anything therein or herein to the contrary notwithstanding, and from and after such date, the Principal Amount (or portion thereof) is, upon payment of the Repayment Amount, deemed to be fully discharged and repaid hereunder and interest on the Principal Amount (or portion thereof) ceases.

- (c) The Corporation's obligation to pay the Repayment Amount to the Series 2 Noteholder is in consideration of, but is conditional upon, the Series 2 Noteholder's presentation and surrender of this Series 2 Note Certificate at the place specified for such retirement or repayment. If this Series 2 Note Certificate is not presented and surrendered to the Corporation at the specified place for retirement or repayment on or before the specified deadline, or the Series 2 Noteholder does not accept payment of the Repayment Amount in respect thereof or give such receipt therefor (if any) as the Corporation requires, then the accrual of interest on the Principal Amount to be so retired or repaid ceases after such date and the Corporation will set aside the Repayment Amount in trust for the Series 2 Noteholder, in a chartered bank in Canada chosen by the Corporation. Such setting aside is for all purposes deemed payment to the Series 2 Noteholder of the applicable Principal Amount and all the interest accrued thereunder (in the case of the full retirement or redemption) or of the portion of the Principal Amount to be so repaid and all interest accrued thereunder (in the case of the partial repayment). Thereupon, the Principal Amount retired or repaid (and the accrued interest thereon) is no longer considered to be outstanding or owing as of the date specified in the Corporation's notice for such retirement or repayment, and this Series 2 Note Certificate has no further force or effect, and the Series 2 Noteholder has not other rights hereunder, except for receiving payment of the Repayment Amount so set aside upon presentation and surrender of this Series 2 Note Certificate.
- (d) If the Corporation fails to pay the Repayment Amount on the last day of such 30-day notice period, the Corporation's notice is deemed to have been rescinded, and, notwithstanding any other provision hereunder, the Corporation and the Series 2 Noteholder are deemed to have been placed back in their respective positions with their respective rights as if no such notice had ever been given. For greater certainty in such circumstances, the Corporation may subsequently at any time and from time to time, give written notice to the Series 2 Noteholder of the retirement or repayment of some or all of its indebtedness under the Series 2 Notes represented by this Series 2 Note Certificate in the manner contemplated in this Section 2.
- (e) In the case of the retirement or repayment of a portion of the Principal Amount under this Series 2 Note, the Series 2 Noteholder is entitled to receive, and the Corporation will issue to the Series 2 Noteholder, a new certificate representing the Principal Amount that has not been retired or repaid and remains owing, provided that the Series 2 Noteholder has presented and surrendered this Series 2 Note Certificate.

3. Series 2 Note Retraction

- (a) The Series 2 Noteholder may, subject to the limitations set out in this Section 3, at its option at any time on or after the first business day that is 18 months after the Closing Date for Minimum Note Offering (the "**Retraction Commencement Date**") require the Corporation to repay the Series 2 Notes represented by this Series 2 Note Certificate in their entirety prior to the Maturity Date (referred to as a "**Series 2 Note retraction**") upon:
- (i) giving at least 90 days' prior written notice of the same to the Corporation;
 - (ii) presentation and surrender of this Series 2 Note Certificate at the principal business office of the Corporation in Calgary, Alberta prior to 4:00 p.m. (Calgary time) on the date determined hereunder as the effective date for the Series 2 Note retraction (the "**Retraction Date**");
 - (iii) presentation and surrender of any other Note (defined below) certificate(s) held by the Series 2 Noteholder prior to 4:00 p.m. (Calgary time) on the Retraction Date in accordance with the terms and conditions of the Note certificate(s); and
 - (iv) at the Corporation's request, surrendering to the Corporation (for no attributed value) all the Class B shares of the Corporation (the "**Class B Shares**") that the Series 2 Noteholder holds or beneficially owns or controls, directly or indirectly, by delivering to the Corporation at the time and place determined by the Corporation all applicable Class B

Share certificates duly endorsed in blank for transfer or accompanied by a duly endorsed stock transfer acceptable to the Corporation, whereupon the Series 2 Noteholder is deemed to have provided the following representations, warranties and covenants to the Corporation in respect of such Class B Shares: (A) the surrendered Class B Share certificates represent all the Class B Shares owned or controlled, directly or indirectly, legally or beneficially by the Series 2 Noteholder or any affiliate (as defined under applicable securities laws) or associate (as defined under applicable securities laws) of the Noteholder, and the Series 2 Noteholder has sufficient right, title and interest in and full power, authority and control over those Class B Shares, and all necessary approvals and consents have been obtained, to fully surrender all right, title and interest therein to and in favour of the Corporation, free and clear of all liens, charges, encumbrances, claims and equities; (B) as a result of such surrender, no person other than the Corporation has any agreement, option, right or privilege capable of becoming an agreement or option to acquire any right, title or interest in the Class B Shares or any part thereof, and none of the Series 2 Noteholder or any affiliate or associate thereof has any further right, entitlement or privilege as a Class B Shareholder; and (C) at the Corporation's request, the Noteholder will and will cause its affiliates and associates to, execute any additional documents, transfers and other assurances as may be necessary or desirable to complete the surrender of the Class B Shares to the Corporation as contemplated hereby.

- (b) To be valid for the purposes hereof, the Series 2 Noteholder's retraction notice must (i) identify this Series 2 Note Certificate by record number (endorsed on the face hereof) as representing the Series 2 Notes that are subject to the proposed Series 2 Note retraction, (ii) propose a Retraction Date, and (iii) be delivered to the Corporation at its principal business office in Calgary, Alberta to the attention of the Corporation's chief financial officer. The 90-day notice period for Series 2 Note retraction commences and, notwithstanding the Series 2 Noteholder's retraction notice, the Retraction Date is hereby established, only upon the Corporation's receipt of such notice as determined in accordance with Series 2 Note Certificate and is the latest of 90 days after such receipt of notice, the Retraction Date proposed in the Series 2 Noteholder's retraction notice, and such later date as the Corporation and the Series 2 Noteholder agree.
- (c) Valid notice having been received by the Corporation and this Series 2 Note Certificate having been duly and validly presented and surrendered (together with, to the extent requested by the Corporation, all applicable Class B Shares have been surrendered to the Corporation as contemplated hereby), the amount required to be paid by the Corporation to the Series 2 Noteholder in respect of the Series 2 Note retraction is:
- (i) 95% of the Principal Amount if the Repayment Date is on or prior to the second anniversary of the Closing Date for the Minimum Note Offering; or
 - (ii) 98% of the Principal Amount if the Repayment Date is after the second anniversary of the Closing Date for the Minimum Note Offering and prior to the Maturity Date,

plus, in each case, interest accrued and unpaid on the Principal Amount to the Retraction Date, subject to any withholdings under applicable taxation statutes and other laws (the discounted Principal Amount plus such accrued interest less applicable withholdings, being referred to in this Section 3 as the "**Discounted Retraction Amount**"). Subject to Subsections 3(d),(e),(f) and (g), if valid notice has been received by the Corporation and this Series 2 Note Certificate has been duly and validly presented and surrendered, as aforesaid, the Discount Retraction Amount thereupon becomes due and payable on the Retraction Date, in the same manner and with the same effect as if it were the Maturity Date with respect to the amounts to be so repaid, anything therein or herein to the contrary notwithstanding, except that the Principal Amount is, upon payment of the Discounted Retraction Amount, deemed after the Retraction Date to be fully discharged and repaid hereunder and interest upon this Series 2 Note ceases.

- (d) If, in the circumstances of a proposed Series 2 Note retraction, the Series 2 Noteholder fails to duly and validly present and surrender this Series 2 Note to the Corporation at its head office address on the Retraction Date or does not accept payment of the Discounted Retraction Amount in respect thereof, or does not give a receipt as the Corporation may reasonably require, then the accrual of interest on the Principal Amount to be so retracted ceases after such date and the Corporation will set aside the Discounted Retraction Amount in trust for the Series 2 Noteholder, in a chartered bank in Canada chosen by the Corporation. Such setting aside is for all purposes deemed payment to the Series 2 Noteholder of the Principal Amount (and the Series 2 Notes represented hereby) and all the interest accrued thereunder. Thereupon, the Principal Amount retracted (and the accrued interest thereon) is no longer considered to be outstanding or owing as of the Retraction Date, and this Series 2 Note Certificate has no further force or effect, and the Series 2 Noteholder has not other rights hereunder, except for receiving payment of the Discounted Retraction Amount so set aside upon presentation and surrender of this Series 2 Note Certificate. If, in the circumstances of a Series 2 Note retraction, the Series 2 Noteholder fails to surrender the applicable Class B Shares, at the appropriate time and place as requested by the Corporation, the Series 2 Noteholder's retraction notice is deemed to have been rescinded and the Corporation and the Series 2 Noteholder are considered to have been placed back in their respective positions with their respective rights as if no retraction notice had been given.
- (e) The Series 2 Notes represented by this Series 2 Note Certificate were issued and sold by the Corporation pursuant to a private placement offering of securities more particularly described in the Corporation's offering memorandum dated May 1, 2009, as updated, amended or restated from time to time (the "**offering memorandum**"), whereby the Corporation offered for issue and sale unsecured notes in the aggregate principal amount (including the Principal Amount represented by this Series 2 Note Certificate) of up to \$10,000,000 (such unsecured notes of the Corporation, including the Series 2 Notes represented hereby, are referred to, collectively, as the "**Notes**"). Notwithstanding the provisions of subsections 3(a) or (b) of this Series 2 Note Certificate:
- (i) no notice of retraction pursuant to Section 3(a) may be given by the Series 2 Noteholder prior to the Note Retraction Commencement Date; and
 - (ii) the Corporation is not required to retract the Principal Amount represented by this Series 2 Note Certificate (or interest in respect thereof) where the aggregate principal amount of all Notes (including the Principal Amount represented by this Series 2 Note Certificate) to be retracted in the manner referred to in Section 3 of this Series 2 Notes Certificate or similar retraction rights attaching to other Notes:
 - (A) exceeds \$50,000 in a particular calendar month, for which Notes the Corporation has previously received one or more valid retraction notices from the applicable Noteholders; or
 - (B) together with the aggregate principal amount of all Notes already retracted by the Corporation, exceeds 10% of the total aggregate principal amount of all Notes (including the Principal Amount represented by this Series 2 Note Certificate) outstanding as at 11:59 p.m. (Calgary time) on the Note Retraction Commencement Date.
- (f) Once the Corporation has received valid retraction notices from Noteholders requiring the Corporation to retract or retire its indebtedness under Notes having an aggregate principal amount of \$50,000 in a calendar month, the Series 2 Noteholder's further or subsequent retraction notice is without effect and the Series 2 Noteholder has no right of retraction thereafter in respect of any Series 2 Note retraction during that calendar month. In this situation, the Series 2 Noteholder's retraction notice is deemed to have been rescinded and the Corporation and Series 2 Noteholder are considered to have been placed back in their respective positions, each with its respective rights as if no notice had been given. The Series 2 Noteholder may

subsequently give the Corporation a valid retraction notice in respect of a Retraction Date that falls in a later calendar month, subject always to the provisions of this Section 3.

- (g) Once the total principal amount of (i) Notes already retracted or retired in the manner referred to in Section 3 of this Series 2 Notes Certificate or similar retraction rights attaching to other Notes, and (ii) Notes for which the Issuer has received one or more valid retraction notices from the applicable Noteholders (including the Principal Amount represented by this Series 2 Note Certificate), exceeds 11.5% of the total aggregate principal amount of all Notes outstanding as at 11:59 p.m. (Calgary time) on the Note Retraction Commencement Date, the Series 2 Noteholder's further or subsequent retraction notice is without effect and the Series 2 Noteholder has no right of Series 2 Note retraction thereafter under such retraction notice as given or at all. In this situation, the Series 2 Noteholder's retraction notice is deemed to have been rescinded and the Corporation and Series 2 Noteholder are considered to have been placed back in their respective positions, each with its respective rights as if no notice had been given, except that the Series 2 Noteholder has no further rights in respect of a Series 2 Note retraction hereunder.

4. Acceleration of Maturity

Upon the happening of any one or more of the following events, namely:

- (a) if the Corporation defaults in payment of the Principal Amount under this Series 2 Note when the same becomes due and payable under any provision thereof;
- (b) an order by a court having jurisdiction is entered resulting from the commencement of proceedings against the Corporation by a third party and adjudging the Corporation a bankrupt or insolvent, or approving as properly filed a petition seeking reorganization, arrangement or winding up of the Corporation under any bankruptcy, insolvency or analogous laws, including, without limitation, the *Companies' Creditors Arrangement Act* (Canada), or appointing a receiver of the Corporation or ordering the dissolution or liquidation of its affairs, and such order continues unstayed, undischarged and in effect for a period of 60 days from the date thereof;
- (c) while any Principal Amount or accrued but unpaid interest thereon remains owing, a resolution is passed for the winding-up or liquidation of the Corporation or if the Corporation institutes proceedings to be adjudicated a bankrupt or insolvent, or consents to the institution of bankruptcy or insolvency proceedings against it, or files a petition, answer or consent seeking reorganizational relief under any bankruptcy, insolvency or analogous laws, including, without limitation, the *Companies' Creditors Arrangement Act* (Canada), or consents to the filing of any such petition or to the appointment of a receiver of or of any substantial part of the property of the Corporation or makes a general assignment for the benefit of creditors, or the Corporation admits in writing its inability to pay its debts generally as they become due, or a resolution is passed by the Corporation's directors or shareholders authorizing the Corporation to do any of the foregoing, unless such resolution is rescinded prior to the taking of any irrevocable actions thereunder;
- (d) if the Corporation neglects to observe or perform any other covenant or obligation herein contained on its part to be observed or performed and, after notice in writing has been given to the Corporation specifying such default and requiring the Corporation to put an end to same, the Corporation fails to make good such default within a period of 60 days; or
- (e) the Corporation agrees to an amendment to the Loan that is to be entered into between the Corporation and CBI Investments Ltd. referenced in the offering memorandum if such amendment is materially prejudicial to the ability of the Corporation to comply with its obligations under the Series 2 Notes represented by this Series 2 Note Certificate or any other Notes issued pursuant to the Offering,

then the Principal Amount and accrued but unpaid interest thereon and all other moneys outstanding thereunder become immediately due and payable to the Series 2 Noteholder, anything therein or herein to the contrary notwithstanding, and the Corporation will forthwith pay to the Series 2 Noteholder the

Principal Amount and accrued and unpaid interest thereon from the date of the acceleration event until payment is received by the Series 2 Noteholder, subject to any withholdings under applicable taxation statutes and other laws. Such payment when made is deemed to have been made in discharge and retirement of the Corporation's obligations hereunder.

5. Register of Series 2 Notes

At all times while any Principal Amount as represented by this Series 2 Note Certificate is outstanding, the Corporation shall maintain a register on which is to be entered the Series 2 Noteholder's name, the Series 2 Noteholder's latest known address, the record number assigned by the Corporation for this Series 2 Note Certificate (as endorsed on the face hereof), the outstanding Principal Amount represented hereby, and, if available, a telephone number, email address and fax number for the Series 2 Noteholder. The register is to be kept by or on behalf of the Corporation at the Corporation's principal business office in Alberta or at such other office as the Corporation may determine by notice to the Series 2 Noteholder. Where this Series 2 Note Certificate is held jointly by two or more Series 2 Noteholders, the Corporation is entitled to rely upon any one of the joint Series 2 Noteholders and the registered address (or other contact information) for that Series 2 Noteholder on behalf of the other joint Series 2 Noteholder(s) for all purposes hereof, including but not limited to sending of notices or for sending interest payment cheques.

6. No Obligation for Repayment or Retraction of Other Notes

The Corporation reserves the right to retire, repay, retract or otherwise redeem its indebtedness under the Series 2 Notes represented by this Series 2 Note Certificate prior to, and without obligation for any, retirement, repayment, retraction or other redemption of any other Notes, in whole or in part. Similarly, the Corporation is under no obligation to retire, repay, retract or otherwise redeem its indebtedness under the Series 2 Notes represented by this Series 2 Note Certificate, in whole or in part, upon or as a result of its retirement, repayment, retraction or other redemption of any other Notes, in whole or in part.

7. Acquisition of Series 2 Notes

The Corporation reserves the right to purchase or otherwise acquire some or all of the Series 2 Notes represented by this Series 2 Note Certificate at any time and from time to time from the Series 2 Noteholder or other legally entitled holder of this Series 2 Note Certificate, by tender, or private contract or otherwise, prior to, and without obligation for, purchasing or otherwise acquiring any other Notes, in whole or in part, at any time or times.

8. Notices

Any notice to the Series 2 Noteholder under the terms hereof or with respect to some or all of the Series 2 Notes represented by this Series 2 Note Certificate is valid and effective if:

- (a) delivered to the Series 2 Noteholder at its registered address last provided to the Corporation and appearing on the register hereinbefore mentioned and is deemed to have been effectively given on the date of delivery;
- (b) sent by fax or email to the Series 2 Noteholder at the email address or fax number last provided to the Corporation and appearing on the register hereinbefore mentioned and is deemed to have been effectively given, if sent by email or fax, on the next business day following the date of transmission provided that its contents are transmitted and received completely and accurately;
or
- (c) sent by prepaid registered mail, addressed to the Series 2 Noteholder at its registered address last provided to the Corporation and appearing on the register hereinbefore mentioned and is deemed to have been effectively given, if mailed, on the fifth business day following the date of the postmark.

Any notice to the Corporation under the terms hereof or with respect to this some or all of the Series 2 Notes represented by this Series 2 Note Certificate is valid and effective if delivered or sent by fax or by ordinary post addressed to the Corporation to the attention of the President thereof at 1716 – 10th Avenue SW, Calgary, Alberta T3C 0J8 (or such other address as the Corporation may subsequently advise the Series 2 Noteholder under the terms hereof) or fax number (403) 244-9419 (or such other fax number as the Corporation may subsequently advise the Series 2 Noteholder under the terms hereof) or email and is deemed to have been effectively given on the date of delivery or, if mailed, on the fifth business day following the date of the postmark on such notice or, if sent by fax, on the next business day following the date of transmission provided that its contents are transmitted and received completely and accurately.

9. General Provisions

This Series 2 Note Certificate and the notices or other documents delivered pursuant hereto constitute the entire agreement and understanding between the Corporation and the Series 2 Noteholder, and supersedes any prior certificate, instrument or understandings relating to the Series 2 Notes represented hereby or the subject matter hereof. This Series 2 Note Certificate may be modified or amended by a written instrument executed by both the Corporation and the Series 2 Noteholder. No waiver of any provision of this Series 2 Note Certificate is deemed to constitute a waiver or continuing waiver unless otherwise expressly provided in writing duly executed by the Corporation or the Series 2 Noteholder as bound thereby. Neither this Series 2 Note Certificate nor any Series 2 Notes represented hereby may be assumed by any other entity, including any subsidiary or affiliate of the Corporation, without the prior written consent of the Series 2 Noteholder. Neither this Series 2 Note Certificate nor any Series 2 Notes represented hereby may be sold, assigned or transferred by the Series 2 Noteholder without the prior written consent of the Corporation in its sole discretion and subject to such terms and conditions as the Corporation, in its sole discretion, may determine and any purported sale, assignment or transfer without such written consent is void. Notwithstanding the foregoing, this Series 2 Note Certificate and the Series 2 Notes represented hereby enure to the benefit of and are binding on and enforceable against the successors and permitted assigns of each of the Corporation and Series 2 Noteholder. This Series 2 Note Certificate and the Series 2 Notes represented hereby are governed by and construed in accordance with the laws of the province of Alberta and the laws of Canada applicable therein. The Corporation and Series 2 Noteholder hereby irrevocably and unconditionally consent to and submit to the jurisdiction of the courts of the Alberta for any actions, suits or proceedings arising out of or relating to this Series 2 Note Certificate and the Series 2 Notes represented hereby in the matters contemplated hereby (and the Corporation and Series 2 Noteholder agree not to commence any action, suit or proceeding relating thereto except in such courts) and further agree that service of any process, summons, notice or document by single registered mail to the address set forth above is effective service of process for any action, suit or proceeding brought against either of them in any such court. The Corporation and Series 2 Noteholder irrevocably and unconditionally waive any objection to the laying of venue of any action, suit or proceeding arising out of this Series 2 Note Certificate, the Series 2 Notes represented hereby, or the matters contemplated hereby in the courts of Alberta and hereby further irrevocably and unconditionally waive and agree not to plead or claim in any such court that any such action, suit or proceeding so brought has been brought in an inconvenient forum. If any provision of this Series 2 Note Certificate is determined by any court of competent jurisdiction to be illegal, invalid or unenforceable, that provision is deemed severed from this Series 2 Note Certificate and the remaining provisions continue in full force and effect. Nothing herein constitutes or is construed as constituting a partnership of any kind whatsoever or between the Corporation and Series 2 Noteholder. There is not any merger of any covenant, representation and warranty in any assignment, conveyance, transfer or document delivered pursuant hereto notwithstanding any rule of law, equity or statute to the contrary and all such rules are hereby waived. Time is of the essence hereof. Words used herein importing the singular number include the plural and vice versa, words importing the use of any gender include all genders. The words "include", "includes" or "including", which following a general statement do not limit such general statement to the specific items or matters set forth but rather permits it to refer to all other items or matters that could reasonably fall within its broadest possible scope. Unless otherwise indicated, all dollar amounts referred to herein are expressed in Canadian funds. The terms "in writing" or "written" include printing, typewriting, or any electronic means of communication by which words are capable of being visually reproduced at a distant point of reception, including by fax or email. The terms "this

Series 2 Note Certificate", "hereof ", "herein", "hereunder" and similar expressions refer to this Series 2 Note Certificate and the documents or notices delivered pursuant hereto and not to any particular article, section, paragraph, subparagraph, clause or other portion hereof and include any Series 2 Note Certificate or instrument supplementary or ancillary hereto.

[INTENTIONALLY LEFT BLANK]

SCHEDULE C
FORM OF SERIES 3 NOTE CERTIFICATE

UNLESS PERMITTED UNDER SECURITIES LEGISLATION, THE HOLDER OF THIS SECURITY MUST NOT TRADE THE SECURITY BEFORE THE DATE THAT IS 4 MONTHS AND A DAY AFTER THE LATER OF (i) 1, 2011, AND (ii) THE DATE THE ISSUER BECAME A REPORTING ISSUER IN ANY PROVINCE OR TERRITORY.

Series 3 Note Certificate No. 1

CBI PROPERTY INCOME CORP.

Incorporated under the *Business Corporations Act* (Alberta)

UNSECURED 11% SERIES 3 NOTES DUE JUNE 15, 2012

CBI Property Income Corp. (the "**Corporation**") for value received hereby promises, on the terms and subject to the conditions governing the Series 3 Note(s) represented by this certificate (the "**Series 3 Note Certificate**"), as set forth herein: (1) to pay to 1 (the "**Series 3 Noteholder**") as of June 15, 2012, (the "**Maturity Date**"), or on such earlier date as provided under the terms hereof, on presentation and surrender of this Series 3 Note Certificate, the following aggregate principal amount of the Series 3 Note(s):

\$ 1

in lawful money of Canada, or so much thereof that remains from time to time owing (the "**Principal Amount**"); and (2) to pay interest in lawful money of Canada, calculated on the Principal Amount at the simple, annual rate of 11% (the "**Interest Rate**") from and including the date of this Series 3 Note until the Principal Amount represented by this Series 3 Note Certificate is paid in full, which interest is to be calculated daily and is payable, commencing as of last day of the complete calendar month following the date hereof, monthly, not in advance, on the **last day of each calendar month** prior to and including the Maturity Date during which the Principal Amount remains owing, (each such date is an "**Interest Instalment Date**"). Interest is payable both before and after default, maturity and judgment. Any amount of interest not paid when due continues to bear interest at the Interest Rate until paid in full. As interest on the Principal Amount, if any, becomes due and payable, the Corporation (except in case of payment as of maturity hereof or the Corporation's retirement or repayment of any Principal Amount hereunder prior to the Maturity Date) shall, prior to each Interest Instalment Date send or cause to be sent prepaid mail to the registered address of the Series 3 Noteholder, a cheque in the amount of the accrued but unpaid interest, less any tax required by law to be deducted or withheld, payable to the order of the Series 3 Noteholder(s) and negotiable at par at any chartered bank in Canada. The sending of such cheque satisfies and discharges the Corporation's liability as of the applicable Interest Instalment Date for accrued interest on the Principal Amount to the extent of the sum represented thereby (plus the amount of any tax deducted or withheld as aforesaid) unless such cheque is not honoured upon presentation. The Corporation may, at its option at any time and from time to time, retire or repay all or any portion of the Principal Amount owing under the Note(s) represented hereby in certain circumstances and in the manner set out in this Series 3 Note Certificate. The Series 3 Noteholder may require the Corporation to retract prior to maturity all, but not less than all of the Principal Amount owing under the Series 3 Note(s) represented hereby in certain circumstances, subject to certain penalties and limitations set out in, and subject to the Series 3 Noteholder's compliance with, the terms and conditions contained in this Series 3 Note Certificate.

The additional terms and conditions attached hereto are deemed to be incorporated in this Series 3 Note Certificate and are an integral part of the Series 3 Note(s) represented by this Series 3 Note Certificate.

IN WITNESS WHEREOF, the Corporation has caused this Note Certificate to be signed as of 1, 2011.

CBI PROPERTY INCOME CORP.

Per: _____

Authorized Signatory

**ADDITIONAL TERMS AND CONDITIONS ATTACHING TO THE UNSECURED 11% SERIES 3 NOTES
OF CBI PROPERTY INCOME CORP.**

1. Covenants

The Corporation will:

- (a) duly and punctually pay any and all amounts of principal and interest due and owing pursuant to the Series 3 Notes(s) represented by this Series 3 Note Certificate to the Series 3 Noteholder;
- (b) maintain its corporate existence and registration in good standing in its jurisdiction of incorporation and any other jurisdictions in which it has assets to the extent required by the laws of such jurisdiction; and
- (c) keep or cause to be kept proper books of account in accordance with generally accepted accounting principles.

2. Debt Retirement or Repayment

- (a) The Corporation may, at its option at any time and from time to time, after the date of issuance of this Series 3 Note Certificate and prior to the Maturity Date, retire or repay some or all of its indebtedness under the Series 3 Note(s) represented by this Series 3 Note Certificate, without penalty or bonus:
 - (i) on at least 30 days' prior written notice to the Series 3 Noteholder prior to the Maturity Date; and
 - (ii) by repaying the full Principal Amount represented by this Series 3 Note Certificate, (in the case of full retirement or repayment) or a portion of the Principal Amount (in the case of partial retirement or repayment), together in each case with the accrued but unpaid interest on the Principal Amount to be so retired or repaid to the date fixed for retirement or repayment, subject to any withholdings under applicable taxation statutes and other laws, (the Principal Amount to be retired or repaid, plus accrued interest thereon, less applicable withholdings, is referred to in this Series 3 Note Certificate as the "**Repayment Amount**").
- (b) To be valid for the purposes hereof, the Corporation's notice of Series 3 Note retirement or repayment must (i) specify this Series 3 Note Certificate by record number and the Principal Amount (which must be a whole-numbered multiple of \$100) to be retired or repaid, (ii) indicate the Repayment Amount, including the accrued but unpaid interest thereon to be paid in connection with such Principal Amount retirement or repayment and any withholdings under applicable taxation statutes and other laws, (iii) specify the retirement or repayment date, (iv) specify the place and deadline for the Series 3 Noteholder's presentation and surrender of this Series 3 Note Certificate, and (v) be delivered or sent by prepaid registered mail to the Series 3 Noteholder at its registered address. The 30-day notice period commences upon such delivery or posting by prepaid registered mail. Valid notice having been given for the Corporation's retirement or repayment of some or all of its indebtedness under the Series 3 Note(s) represented by this Series 3 Note Certificate, all of the Principal Amount to be retired or repaid (in the case of full retirement or repayment) or the portion of the Principal Amount to be so retired or repaid (in the case of the partial retirement or repayment) is due and payable on the retirement or repayment date specified in such notice, in the same manner and with the same effect as if it were the Maturity Date with respect to the amounts to be so repaid, anything therein or herein to the contrary notwithstanding, and from and after such date, the Principal Amount (or portion thereof) is, upon payment of the Repayment Amount, deemed to be fully discharged and repaid hereunder and interest on the Principal Amount (or portion thereof) ceases.

- (c) The Corporation's obligation to pay the Repayment Amount to the Series 3 Noteholder is in consideration of, but is conditional upon, the Series 3 Noteholder's presentation and surrender of this Series 3 Note Certificate at the place specified for such retirement or repayment. If this Series 3 Note Certificate is not presented and surrendered to the Corporation at the specified place for retirement or repayment on or before the specified deadline, or the Series 3 Noteholder does not accept payment of the Repayment Amount in respect thereof or give such receipt therefor (if any) as the Corporation requires, then the accrual of interest on the Principal Amount to be so retired or repaid ceases after such date and the Corporation will set aside the Repayment Amount in trust for the Series 3 Noteholder, in a chartered bank in Canada chosen by the Corporation. Such setting aside is for all purposes deemed payment to the Series 3 Noteholder of the applicable Principal Amount and all the interest accrued thereunder (in the case of the full retirement or redemption) or of the portion of the Principal Amount to be so repaid and all interest accrued thereunder (in the case of the partial repayment). Thereupon, the Principal Amount retired or repaid (and the accrued interest thereon) is no longer considered to be outstanding or owing as of the date specified in the Corporation's notice for such retirement or repayment, and this Series 3 Note Certificate has no further force or effect, and the Series 3 Noteholder has not other rights hereunder, except for receiving payment of the Repayment Amount so set aside upon presentation and surrender of this Series 3 Note Certificate.
- (d) If the Corporation fails to pay the Repayment Amount on the last day of such 30-day notice period, the Corporation's notice is deemed to have been rescinded, and, notwithstanding any other provision hereunder, the Corporation and the Series 3 Noteholder are deemed to have been placed back in their respective positions with their respective rights as if no such notice had ever been given. For greater certainty in such circumstances, the Corporation may subsequently at any time and from time to time, give written notice to the Series 3 Noteholder of the retirement or repayment of some or all of its indebtedness under the Series 3 Notes represented by this Series 3 Note Certificate in the manner contemplated in this Section 2.
- (e) In the case of the retirement or repayment of a portion of the Principal Amount under this Series 3 Note, the Series 3 Noteholder is entitled to receive, and the Corporation will issue to the Series 3 Noteholder, a new certificate representing the Principal Amount that has not been retired or repaid and remains owing, provided that the Series 3 Noteholder has presented and surrendered this Series 3 Note Certificate.

3. Series 3 Note Retraction

- (a) The Series 3 Noteholder may, subject to the limitations set out in this Section 3, at its option at any time on or after the first business day that is 18 months after the Closing Date for Minimum Note Offering (the "**Retraction Commencement Date**") require the Corporation to repay the Series 3 Notes represented by this Series 3 Note Certificate in their entirety prior to the Maturity Date (referred to as a "**Series 3 Note retraction**") upon:
- (i) giving at least 90 days' prior written notice of the same to the Corporation;
 - (ii) presentation and surrender of this Series 3 Note Certificate at the principal business office of the Corporation in Calgary, Alberta prior to 4:00 p.m. (Calgary time) on the date determined hereunder as the effective date for the Series 3 Note retraction (the "**Retraction Date**");
 - (iii) presentation and surrender of any other Note (defined below) certificate(s) held by the Series 3 Noteholder prior to 4:00 p.m. (Calgary time) on the Retraction Date in accordance with the terms and conditions of the Note certificate(s); and
 - (iv) at the Corporation's request, surrendering to the Corporation (for no attributed value) all the Class B shares of the Corporation (the "**Class B Shares**") that the Series 3 Noteholder holds or beneficially owns or controls, directly or indirectly, by delivering to the Corporation at the time and place determined by the Corporation all applicable Class B

Share certificates duly endorsed in blank for transfer or accompanied by a duly endorsed stock transfer acceptable to the Corporation, whereupon the Series 3 Noteholder is deemed to have provided the following representations, warranties and covenants to the Corporation in respect of such Class B Shares: (A) the surrendered Class B Share certificates represent all the Class B Shares owned or controlled, directly or indirectly, legally or beneficially by the Series 3 Noteholder or any affiliate (as defined under applicable securities laws) or associate (as defined under applicable securities laws) of the Noteholder, and the Series 3 Noteholder has sufficient right, title and interest in and full power, authority and control over those Class B Shares, and all necessary approvals and consents have been obtained, to fully surrender all right, title and interest therein to and in favour of the Corporation, free and clear of all liens, charges, encumbrances, claims and equities; (B) as a result of such surrender, no person other than the Corporation has any agreement, option, right or privilege capable of becoming an agreement or option to acquire any right, title or interest in the Class B Shares or any part thereof, and none of the Series 3 Noteholder or any affiliate or associate thereof has any further right, entitlement or privilege as a Class B Shareholder; and (C) at the Corporation's request, the Noteholder will and will cause its affiliates and associates to, execute any additional documents, transfers and other assurances as may be necessary or desirable to complete the surrender of the Class B Shares to the Corporation as contemplated hereby

- (b) To be valid for the purposes hereof, the Series 3 Noteholder's retraction notice must (i) identify this Series 3 Note Certificate by record number (endorsed on the face hereof) as representing the Series 3 Notes that are subject to the proposed Series 3 Note retraction, (ii) propose a Retraction Date, and (iii) be delivered to the Corporation at its principal business office in Calgary, Alberta to the attention of the Corporation's chief financial officer. The 90-day notice period for Series 3 Note retraction commences and, notwithstanding the Series 3 Noteholder's retraction notice, the Retraction Date is hereby established, only upon the Corporation's receipt of such notice as determined in accordance with Series 3 Note Certificate and is the latest of 90 days after such receipt of notice, the Retraction Date proposed in the Series 3 Noteholder's retraction notice, and such later date as the Corporation and the Series 3 Noteholder agree.
- (c) Valid notice having been received by the Corporation and this Series 3 Note Certificate having been duly and validly presented and surrendered (together with, to the extent requested by the Corporation, all applicable Class B Shares have been surrendered to the Corporation as contemplated hereby), the amount required to be paid by the Corporation to the Series 3 Noteholder in respect of the Series 3 Note retraction is:
- (i) 95% of the Principal Amount if the Repayment Date is on or prior to the second anniversary of the Closing Date for the Minimum Note Offering;
 - (ii) 98% of the Principal Amount if the Repayment Date is after the second anniversary of the Closing Date for the Minimum Note Offering and prior to the Maturity Date,

plus, in each case, interest accrued and unpaid on the Principal Amount to the Retraction Date, subject to any withholdings under applicable taxation statutes and other laws (the discounted Principal Amount plus such accrued interest less applicable withholdings, being referred to in this Section 3 as the "**Discounted Retraction Amount**"). Subject to Subsections 3(d),(e),(f) and (g), if valid notice has been received by the Corporation and this Series 3 Note Certificate has been duly and validly presented and surrendered, as aforesaid, the Discount Retraction Amount thereupon becomes due and payable on the Retraction Date, in the same manner and with the same effect as if it were the Maturity Date with respect to the amounts to be so repaid, anything therein or herein to the contrary notwithstanding, except that the Principal Amount is, upon payment of the Discounted Retraction Amount, deemed after the Retraction Date to be fully discharged and repaid hereunder and interest upon this Series 3 Note ceases.

- (d) If, in the circumstances of a proposed Series 3 Note retraction, the Series 3 Noteholder fails to duly and validly present and surrender this Series 3 Note to the Corporation at its head office address on the Retraction Date or does not accept payment of the Discounted Retraction Amount in respect thereof, or does not give a receipt as the Corporation may reasonably require, then the accrual of interest on the Principal Amount to be so retracted ceases after such date and the Corporation will set aside the Discounted Retraction Amount in trust for the Series 3 Noteholder, in a chartered bank in Canada chosen by the Corporation. Such setting aside is for all purposes deemed payment to the Series 3 Noteholder of the Principal Amount (and the Series 3 Notes represented hereby) and all the interest accrued thereunder. Thereupon, the Principal Amount retracted (and the accrued interest thereon) is no longer considered to be outstanding or owing as of the Retraction Date, and this Series 3 Note Certificate has no further force or effect, and the Series 3 Noteholder has not other rights hereunder, except for receiving payment of the Discounted Retraction Amount so set aside upon presentation and surrender of this Series 3 Note Certificate. If, in the circumstances of a Series 3 Note retraction, the Series 3 Noteholder fails to surrender the applicable Class B Shares, at the appropriate time and place as requested by the Corporation, the Series 3 Noteholder's retraction notice is deemed to have been rescinded and the Corporation and the Series 3 Noteholder are considered to have been placed back in their respective positions with their respective rights as if no retraction notice had been given.
- (e) The Series 3 Notes represented by this Series 3 Note Certificate were issued and sold by the Corporation pursuant to a private placement offering of securities more particularly described in the Corporation's offering memorandum dated May 1, 2009, as updated, amended or restated from time to time (the "**offering memorandum**"), whereby the Corporation offered for issue and sale unsecured notes in the aggregate principal amount (including the Principal Amount represented by this Series 3 Note Certificate) of up to \$10,000,000 (such unsecured notes of the Corporation, including the Series 3 Notes represented hereby, are referred to, collectively, as the "**Notes**"). Notwithstanding the provisions of subsections 3(a) or (b) of this Series 3 Note Certificate:
- (i) no notice of retraction pursuant to Section 3(a) may be given by the Series 3 Noteholder prior to the Note Retraction Commencement Date; and
 - (ii) the Corporation is not required to retract the Principal Amount represented by this Series 3 Note Certificate (or the interest in respect thereof) where the aggregate principal amount of all Notes (including the Principal Amount represented by this Series 3 Note Certificate) to be retracted in the manner referred to in Section 3 of this Series 3 Notes Certificate or similar retraction rights attaching to other Notes:
 - (A) exceeds \$50,000 in a particular calendar month, for which Notes the Corporation has previously received one or more valid retraction notices from the applicable Noteholders; or
 - (B) together with the aggregate principal amount of all Notes already retracted by the Corporation, exceeds 10% of the total aggregate principal amount of all Notes (including the Principal Amount represented by this Series 3 Note Certificate) outstanding as at 11:59 p.m. (Calgary time) on the Note Retraction Commencement Date.
- (f) Once the Corporation has received valid retraction notices from Noteholders requiring the Corporation to retract or retire its indebtedness under Notes having an aggregate principal amount of \$50,000 in a calendar month, the Series 3 Noteholder's further or subsequent retraction notice is without effect and the Series 3 Noteholder has no right of retraction thereafter in respect of any Series 3 Note retraction during that calendar month. In this situation, the Series 3 Noteholder's retraction notice is deemed to have been rescinded and the Corporation and Series 3 Noteholder are considered to have been placed back in their respective positions, each with its respective rights as if no notice had been given. The Series 3 Noteholder may

subsequently give the Corporation a valid retraction notice in respect of a Retraction Date that falls in a later calendar month, subject always to the provisions of this Section 3.

- (g) Once the total principal amount of (i) Notes already retracted or retired in the manner referred to in Section 3 of this Series 3 Notes Certificate or similar retraction rights attaching to other Notes, and (ii) Notes for which the Issuer has received one or more valid retraction notices from the applicable Noteholders (including the Principal Amount represented by this Series 3 Note Certificate), exceeds 11.5% of the total aggregate principal amount of all Notes outstanding as at 11:59 p.m. (Calgary time) on the Note Retraction Commencement Date, the Series 3 Noteholder's further or subsequent retraction notice is without effect and the Series 3 Noteholder has no right of Series 3 Note retraction thereafter under such retraction notice as given or at all. In this situation, the Series 3 Noteholder's retraction notice is deemed to have been rescinded and the Corporation and Series 3 Noteholder are considered to have been placed back in their respective positions, each with its respective rights as if no notice had been given, except that the Series 3 Noteholder has no further rights in respect of a Series 3 Note retraction hereunder.

4. Acceleration of Maturity

Upon the happening of any one or more of the following events, namely:

- (a) if the Corporation defaults in payment of the Principal Amount under this Series 3 Note when the same becomes due and payable under any provision thereof;
- (b) an order by a court having jurisdiction is entered resulting from the commencement of proceedings against the Corporation by a third party and adjudging the Corporation a bankrupt or insolvent, or approving as properly filed a petition seeking reorganization, arrangement or winding up of the Corporation under any bankruptcy, insolvency or analogous laws, including, without limitation, the *Companies' Creditors Arrangement Act* (Canada), or appointing a receiver of the Corporation or ordering the dissolution or liquidation of its affairs, and such order continues unstayed, undischarged and in effect for a period of 60 days from the date thereof;
- (c) while any Principal Amount or accrued but unpaid interest thereon remains owing, a resolution is passed for the winding-up or liquidation of the Corporation or if the Corporation institutes proceedings to be adjudicated a bankrupt or insolvent, or consents to the institution of bankruptcy or insolvency proceedings against it, or files a petition, answer or consent seeking reorganizational relief under any bankruptcy, insolvency or analogous laws, including, without limitation, the *Companies' Creditors Arrangement Act* (Canada), or consents to the filing of any such petition or to the appointment of a receiver of or of any substantial part of the property of the Corporation or makes a general assignment for the benefit of creditors, or the Corporation admits in writing its inability to pay its debts generally as they become due, or a resolution is passed by the Corporation's directors or shareholders authorizing the Corporation to do any of the foregoing, unless such resolution is rescinded prior to the taking of any irrevocable actions thereunder;
- (d) if the Corporation neglects to observe or perform any other covenant or obligation herein contained on its part to be observed or performed and, after notice in writing has been given to the Corporation specifying such default and requiring the Corporation to put an end to same, the Corporation fails to make good such default within a period of 60 days; or
- (e) the Corporation agrees to an amendment to the Loan that is to be entered into between the Corporation and CBI Investments Ltd. referenced in the offering memorandum if such amendment is materially prejudicial to the ability of the Corporation to comply with its obligations under the Series 3 Notes represented by this Series 3 Note Certificate or any other Notes issued pursuant to the Offering,

then the Principal Amount and accrued but unpaid interest thereon and all other moneys outstanding thereunder become immediately due and payable to the Series 3 Noteholder, anything therein or herein to the contrary notwithstanding, and the Corporation will forthwith pay to the Series 3 Noteholder the

Principal Amount and accrued and unpaid interest thereon from the date of the acceleration event until payment is received by the Series 3 Noteholder, subject to any withholdings under applicable taxation statutes and other laws. Such payment when made is deemed to have been made in discharge and retirement of the Corporation's obligations hereunder.

5. Register of Series 3 Notes

At all times while any Principal Amount as represented by this Series 3 Note Certificate is outstanding, the Corporation shall maintain a register on which is to be entered the Series 3 Noteholder's name, the Series 3 Noteholder's latest known address, the record number assigned by the Corporation for this Series 3 Note Certificate (as endorsed on the face hereof), the outstanding Principal Amount represented hereby, and, if available, a telephone number, email address and fax number for the Series 3 Noteholder. The register is to be kept by or on behalf of the Corporation at the Corporation's principal business office in Alberta or at such other office as the Corporation may determine by notice to the Series 3 Noteholder. Where this Series 3 Note Certificate is held jointly by two or more Series 3 Noteholders, the Corporation is entitled to rely upon any one of the joint Series 3 Noteholders and the registered address (or other contact information) for that Series 3 Noteholder on behalf of the other joint Series 3 Noteholder(s) for all purposes hereof, including but not limited to sending of notices or for sending interest payment cheques.

6. No Obligation for Repayment or Retraction of Other Notes

The Corporation reserves the right to retire, repay, retract or otherwise redeem its indebtedness under the Series 3 Notes represented by this Series 3 Note Certificate prior to, and without obligation for any, retirement, repayment, retraction or other redemption of any other Notes, in whole or in part. Similarly, the Corporation is under no obligation to retire, repay, retract or otherwise redeem its indebtedness under the Series 3 Notes represented by this Series 3 Note Certificate, in whole or in part, upon or as a result of its retirement, repayment, retraction or other redemption of any other Notes, in whole or in part.

7. Acquisition of Series 3 Notes

The Corporation reserves the right to purchase or otherwise acquire some or all of the Series 3 Notes represented by this Series 3 Note Certificate at any time and from time to time from the Series 3 Noteholder or other legally entitled holder of this Series 3 Note Certificate, by tender, or private contract or otherwise, prior to, and without obligation for, purchasing or otherwise acquiring any other Notes, in whole or in part, at any time or times.

8. Notices

Any notice to the Series 3 Noteholder under the terms hereof or with respect to some or all of the Series 3 Notes represented by this Series 3 Note Certificate is valid and effective if

- (a) delivered to the Series 3 Noteholder at its registered address last provided to the Corporation and appearing on the register hereinbefore mentioned and is deemed to have been effectively given on the date of delivery;
- (b) sent by fax or email to the Series 3 Noteholder at the email address or fax number last provided to the Corporation and appearing on the register hereinbefore mentioned and is deemed to have been effectively given, if sent by email or fax, on the next business day following the date of transmission provided that its contents are transmitted and received completely and accurately;
or
- (c) sent by prepaid registered mail, addressed to the Series 3 Noteholder at its registered address last provided to the Corporation and appearing on the register hereinbefore mentioned and is deemed to have been effectively given, if mailed, on the fifth business day following the date of the postmark.

Any notice to the Corporation under the terms hereof or with respect to this some or all of the Series 3 Notes represented by this Series 3 Note Certificate is valid and effective if delivered or sent by fax or by ordinary post addressed to the Corporation to the attention of the President thereof at 1716 – 10th Avenue SW, Calgary, Alberta T3C 0J8 (or such other address as the Corporation may subsequently advise the Series 3 Noteholder under the terms hereof) or fax number (403) 244-9419 (or such other fax number as the Corporation may subsequently advise the Series 3 Noteholder under the terms hereof) or email and is deemed to have been effectively given on the date of delivery or, if mailed, on the fifth business day following the date of the postmark on such notice or, if sent by fax, on the next business day following the date of transmission provided that its contents are transmitted and received completely and accurately.

9. General Provisions

This Series 3 Note Certificate and the notices or other documents delivered pursuant hereto constitute the entire agreement and understanding between the Corporation and the Series 3 Noteholder, and supersedes any prior certificate, instrument or understandings relating to the Series 3 Notes represented hereby or the subject matter hereof. This Series 3 Note Certificate may be modified or amended by a written instrument executed by both the Corporation and the Series 3 Noteholder. No waiver of any provision of this Series 3 Note Certificate is deemed to constitute a waiver or continuing waiver unless otherwise expressly provided in writing duly executed by the Corporation or the Series 3 Noteholder as bound thereby. Neither this Series 3 Note Certificate nor any Series 3 Notes represented hereby may be assumed by any other entity, including any subsidiary or affiliate of the Corporation, without the prior written consent of the Series 3 Noteholder. Neither this Series 3 Note Certificate nor any Series 3 Notes represented hereby may be sold, assigned or transferred by the Series 3 Noteholder without the prior written consent of the Corporation in its sole discretion and subject to such terms and conditions as the Corporation, in its sole discretion, may determine and any purported sale, assignment or transfer without such written consent is void. Notwithstanding the foregoing, this Series 3 Note Certificate and the Series 3 Notes represented hereby enure to the benefit of and are binding on and enforceable against the successors and permitted assigns of each of the Corporation and Series 3 Noteholder. This Series 3 Note Certificate and the Series 3 Notes represented hereby are governed by and construed in accordance with the laws of the province of Alberta and the laws of Canada applicable therein. The Corporation and Series 3 Noteholder hereby irrevocably and unconditionally consent to and submit to the jurisdiction of the courts of the Alberta for any actions, suits or proceedings arising out of or relating to this Series 3 Note Certificate and the Series 3 Notes represented hereby in the matters contemplated hereby (and the Corporation and Series 3 Noteholder agree not to commence any action, suit or proceeding relating thereto except in such courts) and further agree that service of any process, summons, notice or document by single registered mail to the address set forth above is effective service of process for any action, suit or proceeding brought against either of them in any such court. The Corporation and Series 3 Noteholder irrevocably and unconditionally waive any objection to the laying of venue of any action, suit or proceeding arising out of this Series 3 Note Certificate, the Series 3 Notes represented hereby, or the matters contemplated hereby in the courts of Alberta and hereby further irrevocably and unconditionally waive and agree not to plead or claim in any such court that any such action, suit or proceeding so brought has been brought in an inconvenient forum. If any provision of this Series 3 Note Certificate is determined by any court of competent jurisdiction to be illegal, invalid or unenforceable, that provision is deemed severed from this Series 3 Note Certificate and the remaining provisions continue in full force and effect. Nothing herein constitutes or is construed as constituting a partnership of any kind whatsoever or between the Corporation and Series 3 Noteholder. There is not any merger of any covenant, representation and warranty in any assignment, conveyance, transfer or document delivered pursuant hereto notwithstanding any rule of law, equity or statute to the contrary and all such rules are hereby waived. Time is of the essence hereof. Words used herein importing the singular number include the plural and vice versa, words importing the use of any gender include all genders. The words "include", "includes" or "including", which following a general statement do not limit such general statement to the specific items or matters set forth but rather permits it to refer to all other items or matters that could reasonably fall within its broadest possible scope. Unless otherwise indicated, all dollar amounts referred to herein are expressed in Canadian funds. The terms "in writing" or "written" include printing, typewriting, or any electronic means of communication by which words are capable of being visually reproduced at a distant point of reception, including by fax or email. The terms "this Series

3 Note Certificate", "hereof ", "herein", "hereunder" and similar expressions refer to this Series 3 Note Certificate and the documents or notices delivered pursuant hereto and not to any particular article, section, paragraph, subparagraph, clause or other portion hereof and include any Series 3 Note Certificate or instrument supplementary or ancillary hereto.

[INTENTIONALLY LEFT BLANK]

SUBSCRIPTION AGREEMENT FOR NOTES

TO: CBI Property Income Corp. (the "Issuer"), 1716 – 10th Avenue SW, Calgary, AB T3C 0J8
AND TO: Frank Capital Partners Inc., 1716 – 10th Avenue SW, Calgary, AB T3C 0J8

The undersigned (the "Investor") hereby irrevocably subscribes for and agrees to purchase the indicated principal amount of 11% unsecured series 1 notes ("Series 1 Notes"), the indicated principal amount of 11% unsecured series 2 notes of the Issuer ("Series 2 Notes"), and the indicated principal amount of 11% unsecured series 3 notes of the Issuer ("Series 3 Notes") (collectively, the Series 1 Notes, Series 2 Notes and Series 3 Notes are referred to as the "Notes") for the aggregate subscription price set forth below (the "Aggregate Subscription Price"), representing a subscription price equal to \$100 for each \$100 in principal amount of Notes, upon and subject to the terms and conditions set forth in "TERMS AND CONDITIONS OF SUBSCRIPTION FOR THE OFFERED SECURITIES" attached hereto (together with the face pages and the attached Appendices, the "Subscription Agreement").

_____ (Name of Investor – please print)
By: _____ (Authorized Signature)
_____ (Official Capacity or Title - please print)
_____ (Please print name of individual whose signature appears above if different than the name of the Investor printed above)
_____ (Investor's Residential Address)
_____ _____ (Telephone Number) (E-Mail Address)
_____ (Social Insurance No. or Federal Corporate Tax Account No)

_____ Principal Amount of Series 1 Notes:
_____ Principal Amount of Series 2 Notes:
_____ Principal Amount of Series 3 Notes:
_____ Aggregate Subscription Price:
If the Investor is signing <u>on behalf of a beneficial purchaser</u> and is not deemed to be purchasing as principal pursuant to NI 45-106 (as defined herein) by virtue of being either (i) a trust company or trust corporation acting on behalf of a fully managed account managed by the trust company or trust corporation as the case may be, or (ii) a person acting on behalf of a fully managed account managed by it, and in each case satisfying the criteria set forth in NI 45-106, complete the following and ensure that Appendix A and, if applicable, B and C are completed in respect of such <u>beneficial purchaser</u> :
_____ (Name of Beneficial Purchaser)
_____ (Beneficial Purchaser's Residential Address)
_____ (Social Insurance No. or Federal Corporate Tax Account No.)

<u>Register the Notes as set forth below:</u>
_____ (Name)
_____ (Account reference, if applicable)
_____ (Address)

<u>Note certificates will remain with the Issuer unless delivery is requested by checking the box below:</u>
<input type="checkbox"/> Please deliver the Note certificate to the Investor at the Investor's Residential Address indicated above or other address set out below
_____ (Address)

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

_____, 2010

CBI Property Income Corp.

By: _____
 Authorized Signatory

Subscription No:

This Subscription Agreement comprises 9 pages (not including Appendices A through C)

PLEASE MAKE SURE THAT YOUR SUBSCRIPTION INCLUDES:

1. A completed and signed copy of this Subscription Agreement. You must complete the face page SD-1 and:
 - if you are resident in **Alberta, Saskatchewan, Manitoba, Northwest Territories, Nunavut, Yukon, Quebec or Prince Edward Island** AND are neither subscribing for \$150,000 or more of Offered Securities NOR as an "accredited investor", AND your Aggregate Subscription price is more than \$10,000, check one of the boxes (p) in Section 2(c)(i)(B) on page SD-4 or SD-5
 - if your Aggregate Subscription Price is \$150,000 or more OR you are subscribing as an "accredited investor", check one of the boxes (p) in Section 2(c)(ii) on page SD-5
2. A certified cheque, trust cheque, or bank draft in an amount equal to the Aggregate Subscription Price, payable to "CBI Property Income Corp.";
3. Properly completed and signed Appendices, as applicable to the Investor (and any beneficial purchaser):
 - two completed and signed copies of the Risk Acknowledgement in the form attached as **Appendix A** to this Subscription Agreement (page SD-10). The purchaser must provide one copy to the Issuer and keep the second copy;
 - **if subscribing as an "accredited investor"**, one completed and signed copy of the Investor Certificate attached as **Appendix B** to this Subscription Agreement (page SD-16). Please note, all Ontario Investors are purchasing as "accredited investors", unless your Aggregate Subscription Price is \$150,000 or more.
 - if subscribing as an "eligible investor" who checked the box (p) in Section 2(c)(i)(B)(g) on page SD-6, one completed and signed Alternative Eligible Investor Categories certificate in the form attached as **Appendix C** to this Subscription Agreement (page SD-21).

PLEASE DELIVER YOUR SUBSCRIPTION AGREEMENT AND CHEQUE TO:

CBI Property Income Corp. c/o Frank Capital Partners Inc.

1716 – 10th Avenue SW, Calgary, AB T3C 0J8

TERMS AND CONDITIONS OF SUBSCRIPTION FOR THE OFFERED SECURITIES

Terms of the Offering

1. The Investor acknowledges, understands and agrees (on its own behalf and, if applicable, on behalf of each person on whose behalf the Investor is contracting) that:
 - (a) this subscription is subject to rejection or allotment, in whole or in part, by the Issuer, at its discretion;
 - (b) the Notes subscribed for hereunder form part of a larger issuance and sale by the Issuer of Series 1 Notes, Series 2 Notes and Series 3 Notes (collectively, the "**Offered Securities**") to a minimum of \$250,000 principal amount of Notes (already completed) and a maximum of \$10,000,000 principal amount of Notes at a subscription price equal to \$100 per \$100 of principal amount of Notes and a minimum of 75,000 Class B non-voting common shares of the Issuer ("**Shares**") at a subscription price of \$1.00 per Share, which distribution of Shares is completed (the offering, issue and sale of such securities is the "**Offering**");
 - (c) the Offering may be completed, in whole or in part, at any time and from time to time in one or more tranches on one or more Closing Dates;
 - (d) this subscription for Offered Securities remains subject to the completion of the Minimum Note Offering (as defined in the Offering Memorandum), following which all subscription funds for Offered Securities under this subscription will be available to the Issuer upon the closing of the Offering, in whole or in part, at any time and from time to time, and need not be refunded to the Investor; and
 - (e) the Issuer may, but is not obligated to, pay finder's fees, sales commissions or other compensation in connection with this subscription and other subscriptions under the Offering, some of which may be determined by the gross proceeds of the Offering as described in the Offering Memorandum.

Representations, Warranties, Certifications and Covenants by Investor

2. The Investor (on its own behalf and, if applicable, on behalf of each person on whose behalf the Investor is contracting) represents, warrants, certifies and covenants to the Issuer (and acknowledges that the Issuer, counsel to the Issuer, Frank Capital Partners Inc. and CBI Investments Ltd. are relying thereon) that:
 - (a) **Offering Memorandum – Risk Factors, Conflicts Disclosure and Privacy Policy:** the Investor has received, reviewed and fully understands the Issuer's confidential offering memorandum dated May 1, 2009, as updated, amended or restated from time to time prior to the date of this subscription (the "**Offering Memorandum**") including, in particular, the disclosure set out under the heading "*ITEM 8 - RISK FACTORS*", and has had an opportunity to ask and have answered all questions which it wished to raise regarding the business and affairs of the Issuer, the nature of its activities, the proposed use of the Offering proceeds, the Offered Securities, and this Subscription Agreement; and other than the Offering Memorandum, the Investor has not received, requested and does not have any need to receive, any offering memorandum, or any other document describing the Issuer that has been prepared for delivery to and review by, prospective subscribers in order to assist it in making an investment decision in respect of the Offered Securities ; and
 - (b) **Acknowledgement of Risk:** the Investor certifies that it (and any beneficial purchaser for whom it is acting):
 - (i) has currently completed, signed and delivered the Risk Acknowledgement form attached as **Appendix A** to this Subscription Agreement; and
 - (ii) has such knowledge or experience in financial and business affairs as to be capable of, or has received advice from a person registered under applicable securities legislation for the purposes of, evaluating the merits and risks of its investment in the Offered Securities; and
 - (iii) is aware of the characteristics of the Offered Securities and the risks relating to an investment therein; and
 - (iv) the Offered Securities represent "seed" or "risk" capital for the immediate use of the Issuer; and

- (v) is able, without impairing its financial condition, to bear the economic risks of, and understand a complete loss of, its investment; and
 - (vi) acknowledges that the Issuer cannot and is not representing that the Offered Securities will be listed on any stock exchange and no public market exists for the Offered Securities; and
 - (vii) acknowledges that (A) no securities commission or similar regulatory authority has reviewed or passed on the merits of the Offered Securities; and (B) there is no government or other insurance covering the Offered Securities; and (C) there are risks associated with the purchase of the Offered Securities; and (D) there are restrictions on the Investor's ability to resell the Offered Securities and it is the responsibility of the Investor to find out what those restrictions are and to comply with them before selling the securities; (E) the Issuer has not filed a prospectus with any securities commission or similar regulatory authority in any jurisdiction in connection with the issuance of the Offered Securities; (F) the Issuer has advised the Investor that the Issuer is relying on an exemption from the requirements to provide the Investor with a prospectus and to sell securities through a person or company registered to sell securities under applicable securities laws, and as a consequence of acquiring securities pursuant to this exemption, certain protections, rights and remedies provided by applicable securities laws, including statutory rights of rescission or damages (except as described in the Offering Memorandum), will not be available to the Investor; and (G) the Issuer is relieved from certain obligations to provide information to its securityholders, and the Investor might not receive information about the Issuer, that would otherwise be required to be provided to it under securities legislation if the Issuer had filed a prospectus under applicable securities legislation; and
- (c) **Exemption from Prospectus and Registration Requirements:** it understands that the Offered Securities are being offered for sale only on a "private placement" basis and that the sale and delivery of the Offered Securities is conditional upon such sale being exempt from the prospectus and registration requirements under applicable securities laws. Unless it is purchasing under paragraph 2(d), it is purchasing the Offered Securities as principal for its own account or for the account of a principal or beneficial purchaser (disclosed or not), not for the benefit of any other person, for investment only and not with a view to the resale or distribution of all or any of the Offered Securities, it is resident in or otherwise subject to applicable securities laws of the jurisdiction set out as the "Investor's Residential Address" on the face page of this Subscription Agreement and, if the Investor is acting as agent for a disclosed beneficial purchaser, such disclosed beneficial purchaser is resident in or otherwise subject to the laws of the jurisdiction set forth on the face page in the Subscription Agreement as the "Beneficial Purchaser's Residential Address" of the principal, and it or the disclosed beneficial purchaser fully complies with the criteria set forth below:
- (i) is resident in any jurisdiction of Canada, other than Ontario, AND it has completed and signed two copies of the Risk Acknowledgement form attached as **Appendix A** to this Subscription Agreement AND, if it is resident in Alberta, Saskatchewan, Manitoba, Quebec, Northwest Territories, Nunavut, Yukon or Prince Edward Island, either:

_____ p (A) the acquisition cost to the Investor does not exceed \$10,000; or

_____ p (B) the Investor is an "**eligible investor**" under one of the following categories and has so indicated by marking the applicable subparagraph:

- p (a) a person whose
 - (i) net assets, alone or with a spouse, in the case of an individual, exceed \$400,000;
 - (ii) net income before taxes exceeded \$75,000 in each of the 2 most recent calendar years and who reasonable expects to exceed that income level in the current calendar year; or
 - (iii) net income before taxes, alone or with a spouse, in the case of an individual, exceeded \$125,000 in each of the 2 most recent calendar years and who reasonably expects to exceed that income level in the current calendar year; or

- p (b) a person of which a majority of the voting securities are beneficially owned by, or a majority of the directors are, eligible investors, as described in this subparagraph (B); or
- p (c) a general partnership of which all the partners are eligible investors, as described in this subparagraph (B); or
- p (d) a limited partnership of which the majority of general partners are eligible investors, as described in this subparagraph (B); or
- p (e) a trust or estate in which all of the beneficiaries or a majority of the trustees or executors are eligible investors, as described in this subparagraph (B); or
- p (f) an "**accredited investor**", as such term is defined in National Instrument 45-106 - *Prospectus and Registration Exemptions* ("**NI 45-106**"), and it has concurrently completed signed and delivered **Appendix B** to this Subscription Agreement indicating the applicable category or categories; or
- p (g) a person satisfying one of the criteria set out in **Appendix C** to this Subscription Agreement and has concurrently completed, signed and delivered **Appendix C** to this Subscription Agreement indicating the applicable category or categories; or
- p (h) a person has obtained advice regarding the suitability of the investment and, if the person is resident in a jurisdiction of Canada, that advice has been obtained from an eligibility advisor; or

(ii) is resident in Ontario (or is otherwise relying on the exemptions described in this subparagraph) AND it has completed and signed two copies of the Risk Acknowledgment form attached as **Appendix A** to this Subscription Agreement AND it is either (mark the applicable subparagraph):

- p (A) an "**accredited investor**", as such term is defined in NI 45-106, and it has concurrently completed, signed and delivered **Appendix B** to this Subscription Agreement indicating the applicable category or categories; or
- p (B) it has an aggregate acquisition cost of purchasing the Offered Securities of **not less than \$150,000** AND is a person that was not created or used solely to purchase or hold securities in reliance on the exemption from prospectus and registration requirements based on this minimum amount of investment; and

- (d) **Exempt Status of Beneficial Purchaser:** if it is purchasing the Offered Securities, not as principal under subparagraph 2(c) but is acting as agent for one or more beneficial purchasers or principals (disclosed or undisclosed), each of such beneficial purchasers or principals is purchasing as principal for its own account, not for the benefit of any other person, for investment only and not with a view to the resale or distribution of all or any of the Offered Securities, and each of such beneficial purchasers or principals complies with either subparagraph 2(c) (i) or (ii) hereof as applicable to it by virtue of its place of residence or by virtue of the securities laws of such place being applicable to the Investor; and
- (e) **Restrictions on Resale:** it has been independently advised as to restrictions with respect to trading in the Offered Securities imposed by applicable securities legislation, confirms that no representation has been made to it by or on behalf of the Issuer with respect thereto, acknowledges that it is aware of the characteristics of the Offered Securities, the risks relating to an investment therein and of the fact that it may not be able to resell the Offered Securities except in accordance with resale restrictions and limited exemptions under applicable securities legislation and regulatory policy; and it agrees that any certificates representing the Offered Securities may bear a legend that expressly states that the resale of such securities is restricted; and it will not resell the Offered Securities except in accordance with the provisions of applicable securities legislation and stock exchange rules, if applicable; and
- (f) **No Representation about Future Value:** no person has made to the Investor any written or oral representations (i) that any person will resell or repurchase the Offered Securities, (ii) that any person will refund the purchase price of the Offered Securities, or (iii) as to the future price or value of the Offered

Securities, or (iv) as to any of the Offered Securities being issued pursuant to this Subscription Agreement being listed on any stock exchange; and

- (g) **No connection to U.S.:** it is purchasing the Offered Securities pursuant to and in compliance with paragraph 2(c) or (d), and:
- (i) the Offered Securities have not been offered to the Investor in the United States, and the individual(s) making the order to purchase the Offered Securities and executing and delivering this Subscription Agreement on behalf of the Investor were not in the United States when the order was placed and this Subscription Agreement was executed and delivered; and
 - (ii) it is not a U.S. Person (as defined in Regulation S under the *United States Securities Act of 1933*, as amended (the "**U.S. Securities Act**")), which definition includes, but is not limited to, an individual resident in the United States, an estate or trust of which any executor or administrator or trustee, respectively, is a U.S. Person and any partnership or corporation organized or incorporated under the laws of the United States) and is not purchasing the Offered Securities on behalf of, or for the account or benefit of, a person in the United States or a U.S. Person; and
 - (iii) it is aware that the Offered Securities have not been and will not be registered under the U.S. Securities Act or the securities laws of any state and that these securities may not be offered or sold in the United States without registration under the U.S. Securities Act or compliance with requirements of an exemption from registration and the applicable laws of all applicable states and acknowledges that the Issuer has no present intention of filing a registration statement under the U.S. Securities Act in respect of the Offered Securities; and
 - (iv) it will not offer or sell the Offered Securities in the United States unless such securities are registered under the U.S. Securities Act and the securities laws of all applicable states of the United States or an exemption from such registration requirements is available, and further that it will not resell the Offered Securities, except in accordance with the provisions of applicable securities legislation, regulations, rules, policies and orders and stock exchange rules; and
- (h) **Existence of Investor & Authority to Subscribe:** the Investor:
- (i) if an individual, it is of the full age of majority and is legally competent to execute this Subscription Agreement and take all action pursuant hereto; and
 - (ii) if a corporation, partnership, trust, unincorporated association or other entity, it is duly formed and validly existing under the laws of the jurisdiction of such formation, it has the legal capacity to enter into and be bound by this Subscription Agreement and further certifies that all necessary approvals of directors, trustees, fiduciaries, shareholders, partners, stakeholders, holders of voting securities or otherwise have been given and obtained; and
- (i) **Business Purpose:** if it is not an individual, it pre-existed the offering of the Offered Securities and has a *bona fide* business purpose other than the investment in the Offered Securities and was not created, formed or established solely or primarily to acquire securities, or to permit purchases of securities without a prospectus, in reliance on an exemption from the prospectus and registration requirements of applicable securities legislation; and
- (j) **Binding Agreement:** this Subscription Agreement has been duly and validly authorized, executed and delivered by and constitutes a legal, valid, binding and enforceable obligation of the Investor; and
- (k) **No Violations caused by Subscription:** the entering into of this Subscription Agreement and the completion of the transactions contemplated hereby do not and will not result in a violation of any of the terms or provisions of any law applicable to the Investor or any agreement to which the Investor is a party or by which it is bound, or if the Investor is not a natural person, any of the Investor's constating documents; and
- (l) **Authority as Agent:** in the case of a subscription for Offered Securities by the Investor acting as agent for a beneficial purchaser (disclosed or otherwise), it is authorized to execute and deliver this Subscription Agreement and all other necessary documentation in connection with such subscription on behalf of such principal and this Subscription Agreement has been duly authorized, executed and delivered by or on

behalf of, and constitutes a legal, valid, binding and enforceable agreement of, such beneficial purchaser or principal; and

- (m) **Reports to Regulatory Authorities:** it acknowledges that it or the Issuer may be required to provide applicable securities regulatory authorities with a list setting forth the identities of the beneficial purchasers of the Offered Securities or undisclosed principal(s) for whom it is acting, and:
 - (i) if required by applicable securities legislation, regulations, rules, policies or orders or by any securities commission, stock exchange or other regulatory authority, the Investor will execute, deliver, file and otherwise assist the Issuer in filing, such reports, undertakings and other documents with respect to the issue of the Offered Securities; and
 - (ii) notwithstanding that the Investor may be purchasing the Offered Securities as agent for an undisclosed principal, it will provide, on request, particulars as to the identity of such beneficial purchaser(s) or undisclosed principal(s) for whom it may be acting as required by the Issuer (in order to comply with the foregoing); and
- (n) **Not a Control Person:** so far as the Investor is aware, the acquisition of the Offered Securities hereunder by the Investor will not result in the Investor becoming a "control person" as defined in Appendix B, except where the Investor was a control person prior to completion of this subscription transaction; and
- (o) **Legitimate Source of Funds:** the funds representing the Aggregate Subscription Price advanced by the Investor hereunder will not represent proceeds of crime for the purposes of the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act (Canada)* (the "PCMLTFA") and the Investor acknowledges that the Issuer may in the future be required by law to disclose the Investor's name and other information relating to this Subscription Agreement and the Investor's subscription hereunder, on a confidential basis, pursuant to the PCMLTFA and to the best of the Investor's knowledge (i) none of the subscription funds to be provided by the Investor (A) have been or will be derived from or related to any activity that is deemed criminal under the law of Canada, the United States of America, or any other jurisdiction, or (B) are being tendered on behalf of a person or entity who has not been identified to the Investor, and (ii) it will promptly notify the Issuer if the Investor discovers that any of such representations ceases to be true, and to provide the Issuer with appropriate information in connection therewith; and
- (p) **Independent Legal Advice:** the Investor acknowledges that the Issuer's counsel is acting as counsel to the Issuer, and not as counsel to the Investor, and that it has been encouraged to obtain independent legal, income tax and investment advice with respect to its subscription for, and the restrictions on resale of, the Offered Securities and, accordingly, has had the opportunity to acquire an understanding of the meanings of all terms contained herein relevant to the Investor, including the representations, warranties, certifications and covenants given hereunder.

Closing

3. The sale of the Offered Securities pursuant to this Subscription Agreement will be completed at the offices of CBI Property Income Corp. at 1716 – 10th Avenue SW, Calgary, AB T3C 0J8, at or about 10:00 a.m. (Calgary time) or such other time as Corporation may determine (the "**Closing Time**") on such date or dates as the Issuer determines (each such date is a "**Closing Date**"). At the Closing Time, the Issuer will prepare one or more certificate(s) representing the Offered Securities subscribed for in this Subscription Agreement for delivery to the Investor against payment of the Aggregate Subscription Price hereunder.

4. The Investor agrees to deliver at least two business days prior to the applicable Closing Date to the Issuer or Frank Capital Partners Inc. or CBI Investments Ltd., on behalf of the Issuer, at 1716 – 10th Avenue SW, Calgary, AB T3C 0J8 (a) this Subscription Agreement and the applicable Appendices, duly completed and signed; (b) such other documentation as is reasonably requested by the Issuer in connection with this subscription for Offered Securities, as may be required pursuant to subparagraph 2(c); and (c), and a certified cheque or bank draft payable to "**CBI PROPERTY INCOME CORP.**" for the Aggregate Subscription Price or payment of the same amount in such other manner as is acceptable to the Issuer. Any subscription funds delivered prior to a Closing Date will be held in the Issuer's general bank account until the applicable Closing Date, at which time the Offered Securities subscribed for hereunder will be determined and acquired (if the Issuer has accepted the Investor's Subscription). Such funds will not be segregated for the account of the Investor. No interest will be payable to the Investor on any such subscription funds. Any interest earned on such funds will belong to the Issuer. The Issuer will hold the

subscription funds advanced by each Investor in trust for the Investor until the later of: (i) midnight on the second business day after this Agreement is signed by the Investor, and (ii) the Closing Date.

5. The Issuer is entitled to rely on delivery of facsimile copies (whether by fax, portable document format (PDF) or other acceptable format) of signed subscriptions, and acceptance by the Issuer of such facsimile subscriptions is legally effective to create a valid and binding agreement between the Investor and the Issuer in accordance with the terms hereof. Notwithstanding the foregoing, the Investor will deliver originally executed copies of the documents listed in Section 4 to the Issuer within two business days of the Closing Date. In addition, this Subscription Agreement may be executed in counterparts, each of which is deemed to be an original and all of which constitute one and the same document.

6. The Investor hereby irrevocably authorizes the Issuer, Frank Capital Partners Inc. or CBI Investments Ltd. (or a nominee thereof) to: (a) act as the Investor's representative at the closing and to execute in its name and on its behalf all closing receipts and documents required; (b) complete or correct any errors or omissions in any form or document, including this Subscription Agreement, provided by the Investor; and (c) receive on its behalf certificates representing the Offered Securities purchased under this Subscription Agreement to be handled in accordance with the Investor's instructions on the face page.

General

7. The Investor agrees that the representations, warranties, certifications and covenants of the Investor herein will be true and correct both as of the execution of this Subscription Agreement and as of the Closing Time and will survive the completion of the issue and sale of the Offered Securities. The representations, warranties and covenants of the Investor herein are made with the intent that they be relied upon by the Issuer, its counsel, Frank Capital Partners Inc. and CBI Investments Ltd. in determining the eligibility of a purchaser of Offered Securities and the Investor agrees to indemnify and hold harmless the Issuer, Frank Capital Partners Inc., CBI Investments Ltd. and their respective affiliates, shareholders, directors, officers, partners, employees and agents, from and against all losses, claims, costs, expenses and damages or liabilities whatsoever which any of them may suffer or incur which are caused or arise from a breach thereof. The Investor undertakes to immediately notify the Issuer at 1716 – 10th Avenue SW, Calgary, AB T3C 0J8. Attention: President (Phone: 403-237-8898; Fax: 403-244-9419), of any change in any statement or other information relating to the Investor set forth herein which takes place prior to the Closing Time.

8. The Investor acknowledges and agrees that all costs incurred by the Investor (including any fees and disbursements of any special counsel retained by the Investor) relating to the sale of the Offered Securities to the Investor will be borne by the Investor.

9. The contract arising out of this Subscription Agreement and all documents relating thereto is governed by and construed in accordance with the laws of the Province of Alberta and the federal laws of Canada applicable therein. The parties irrevocably attorn to the exclusive jurisdiction of the courts of the Province of Alberta.

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

11. The terms and provisions of this Subscription Agreement are binding upon and enure to the benefit of the Investor and the Issuer and their respective heirs, executors, administrators, successors and assigns; provided that, except for the assignment by a Investor who is acting as nominee or agent to the beneficial owner and as otherwise herein provided, this Subscription Agreement is not assignable by any party without prior written consent of the other parties.

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

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

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

15. The headings used in this Subscription Agreement are for convenience of reference only and do not affect the meaning or interpretation of this Subscription Agreement or any provision hereof. In this Subscription Agreement (including Appendices and attachments), references to "\$" are to Canadian dollars. Unless expressly modified by the words "**only**" or "**solely**", the words "**include**", "**includes**" or "**including**", when following any general term or statement, are not to be construed as limiting the general term or statement to the specific items or matters set forth or to similar items or matters, but rather are to be construed as meaning "include(s) without limitation" or "including without limitation" (as the context requires) and permitting such general term or statement to refer to all other items or matters that could reasonably fall within its broadest possible scope. Time is of the essence hereof.

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

Consent to Collection, Use and Disclosure of Personal Information

17. The Investor acknowledges that this Subscription Agreement and the Appendices hereto require the Investor to provide certain personal information to the Issuer. Such information is being collected by the Issuer for the purposes of completing the Offering (as defined herein), which includes determining the Investor's eligibility to purchase the Offered Securities under applicable securities legislation, preparing and registering any certificates representing Offered Securities to be issued to the Investor and completing filings required by any securities regulatory authority. The Investor's personal information may be disclosed by the Issuer to: (a) securities regulatory authorities or stock exchanges, (b) the registrar and transfer agent for the Offered Securities (if any), and (c) any of the other parties involved in the Offering, including legal counsel to the Issuer. By executing this Subscription Agreement, the Investor consents to the foregoing collection, use and disclosure of the Investor's personal information. The Investor also consents to the filing of copies or originals of any of the Investor's documents described in Section 4 below as may be required to be filed with any securities regulatory authority or stock exchange in connection with the Offering.

**APPENDIX A
TO SUBSCRIPTION AGREEMENT (SCHEDULE C TO OFFERING MEMORANDUM)**

RISK ACKNOWLEDGEMENT

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

I am investing \$_____ in total; this includes any amount I am obliged to pay in the future. I understand that CBI Property Income Corp. (the "**Issuer**") may pay up to 6.0% of the total Note Proceeds (as defined in the Offering Memorandum) to Frank Capital Partners Inc., other agents or sub-agents, their respective directors, officers, employees or consultants, or the Issuer's directors, officers, employees or consultants as a fee or commission to persons selling or assisting in the completion of the sale of the securities.

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

Date

Signature of Investor

Signature of Co-Investor
(if applicable)

Print Name of Investor

Print Name of Co-Investor
(if applicable)

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

WARNING

You have two business days to cancel your purchase.

To do so, send a notice to CBI Property Income Corp., stating that you want to cancel your purchase. You must send the notice before midnight on the 2nd business day after you sign the agreement to purchase the securities. You can send the notice by fax or e-mail, or deliver it in person, to CBI Property Income Corp. to the address shown below. Keep a copy of the notice for your records.

CBI PROPERTY INCOME CORP.
1716-10 Ave S.W.
Calgary, Alberta, T3C 0J8
 TELEPHONE: (403) 237-8898
 FAX: (403) 244-9419
E-MAIL: STEVES@CBIGROUPINVESTMENTS.COM

You are buying "exempt market securities"

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

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

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

You will receive an offering memorandum

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

You will not receive advice

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

The securities you are buying are not listed

The securities you are buying are not listed on any stock exchange and they may never be listed. You may never be able to sell these securities.

The issuer of your securities is a non-reporting issuer

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

For more information on exempt market securities, call your local securities regulatory authority. If you live in:

British Columbia,

contact the British Columbia Securities Commission at (604) 899-6500 (outside the local area, call toll-free at 1-800 373-6393) or visit its website at www.bcsc.bc.ca;

Alberta,

contact the Alberta Securities Commission at (403) 297-6454 or visit its website at www.albertasecurities.com;

Saskatchewan,

contact the Saskatchewan Financial Services Commission at (306) 787-5879 or visit its website at www.sfsc.gov.sk.ca;

Manitoba,

contact the Manitoba Securities Commission at (204) 945-2548 or visit its website at www.msc.gov.mb.ca;

Ontario,

contact the Ontario Securities Commission at (416) 593-3682 or visit its website at www.osc.gov.on.ca;

Quebec,

contact the Autorité des marchés financiers at (514) 395-0337 or 1-877 525-0337 or visit its website at www.lautorite.qc.ca;

Nova Scotia,

contact the Nova Scotia Securities Commission at (902) 424-7768 or visit its website at www.gov.ns.ca/nssc/;

New Brunswick,

contact the New Brunswick Securities Commission at (506) 658-3060 or visit its website at www.nbsc-cvmnb.ca;

Newfoundland & Labrador,

contact the Securities Commission of Newfoundland & Labrador at (709) 729-4189 or visit its website at www.gs.gov.nl.ca/cca/scon/;

Prince Edward Island,

contact the Prince Edward Island Securities Office at (902) 368-4569 or visit its website at www.gov.pe.ca/securities/;

Yukon,

contact the Government of Yukon, Department of Community Services at (867) 667-5314 or visit its website at www.community.gov.yk.ca/corp/secureinvest.html;

Northwest Territories,

contact the Government of Northwest Territories, Department of Justice, Securities Registry at (867) 920-3318 or visit its website at <http://www.justice.gov.nt.ca/SecuritiesRegistry/>; and

Nunavut,

contact the Government of Nunavut, Department of Justice, Legal Registries Division at (867) 975-6190 or visit its website at www.justice.gov.nu.ca.

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

**APPENDIX A
TO SUBSCRIPTION AGREEMENT (SCHEDULE C TO OFFERING MEMORANDUM)**

RISK ACKNOWLEDGEMENT

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

I am investing \$_____ in total; this includes any amount I am obliged to pay in the future. I understand that CBI Property Income Corp. (the "**Issuer**") may pay up to 6.0% of the total Note Proceeds (as defined in the Offering Memorandum) to Frank Capital Partners Inc., other agents or sub-agents, their respective directors, officers, employees or consultants, or the Issuer's directors, officers, employees or consultants as a fee or commission to persons selling or assisting in the completion of the sale of the securities.

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

Date

Signature of Investor

Signature of Co-Investor
(if applicable)

Print Name of Investor

Print Name of Co-Investor
(if applicable)

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

WARNING

You have two business days to cancel your purchase.

To do so, send a notice to CBI Property Income Corp., stating that you want to cancel your purchase. You must send the notice before midnight on the 2nd business day after you sign the agreement to purchase the securities. You can send the notice by fax or e-mail, or deliver it in person, to CBI Property Income Corp. to the address shown below. Keep a copy of the notice for your records.

CBI PROPERTY INCOME CORP.
1716-10 Ave S.W.
Calgary, Alberta, T3C 0J8
 TELEPHONE: (403) 237-8898
 FAX: (403) 244-9419
E-MAIL: STEVES@CBIGROUPINVESTMENTS.COM

You are buying "exempt market securities"

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

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

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

You will receive an offering memorandum

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

You will not receive advice

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

The securities you are buying are not listed

The securities you are buying are not listed on any stock exchange and they may never be listed. You may never be able to sell these securities.

The issuer of your securities is a non-reporting issuer

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

For more information on exempt market securities, call your local securities regulatory authority. If you live in:

British Columbia,

contact the British Columbia Securities Commission at (604) 899-6500 (outside the local area, call toll-free at 1-800 373-6393) or visit its website at www.bcsc.bc.ca;

Alberta,

contact the Alberta Securities Commission at (403) 297-6454 or visit its website at www.albertasecurities.com;

Saskatchewan,

contact the Saskatchewan Financial Services Commission at (306) 787-5879 or visit its website at www.sfsc.gov.sk.ca;

Manitoba,

contact the Manitoba Securities Commission at (204) 945-2548 or visit its website at www.msc.gov.mb.ca;

Ontario,

contact the Ontario Securities Commission at (416) 593-3682 or visit its website at www.osc.gov.on.ca;

Quebec,

contact the Autorité des marchés financiers at (514) 395-0337 or 1-877 525-0337 or visit its website at www.lautorite.qc.ca;

Nova Scotia,

contact the Nova Scotia Securities Commission at (902) 424-7768 or visit its website at www.gov.ns.ca/nssc/;

New Brunswick,

contact the New Brunswick Securities Commission at (506) 658-3060 or visit its website at www.nbsc-cvmnb.ca;

Newfoundland & Labrador,

contact the Securities Commission of Newfoundland & Labrador at (709) 729-4189 or visit its website at www.gs.gov.nl.ca/cca/scon/;

Prince Edward Island,

contact the Prince Edward Island Securities Office at (902) 368-4569 or visit its website at www.gov.pe.ca/securities/;

Yukon,

contact the Government of Yukon, Department of Community Services at (867) 667-5314 or visit its website at www.community.gov.yk.ca/corp/secureinvest.html;

Northwest Territories,

contact the Government of Northwest Territories, Department of Justice, Securities Registry at (867) 920-3318 or visit its website at <http://www.justice.gov.nt.ca/SecuritiesRegistry/>; and

Nunavut,

contact the Government of Nunavut, Department of Justice, Legal Registries Division at (867) 975-6190 or visit its website at www.justice.gov.nu.ca.

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

**APPENDIX B
TO SUBSCRIPTION AGREEMENT (SCHEDULE C TO OFFERING MEMORANDUM)**

**ACCREDITED INVESTOR CERTIFICATE
(pursuant to subparagraph 2(c)(i)(f) or 2(c)(ii))**

Please complete one copy of this form for each Investor or co-Investor.

TO: CBI Property Income Corp. (the "Corporation"), 1716 – 10th Avenue SW, Calgary, AB T3C 0J8

AND TO: Frank Capital Partners Inc., 1716 – 10th Avenue SW, Calgary, AB T3C 0J8

In connection with the purchase of Offered Securities (as defined in the Subscription Agreement) of the Issuer by the undersigned subscriber or, if applicable, the beneficial purchaser on whose behalf the undersigned is purchasing as agent (the "Investor"), the Investor hereby represents, warrants, certifies and covenants to and in favour of the Corporation that:

1. the Investor is resident in a jurisdiction in Canada or is otherwise subject to applicable securities laws of a jurisdiction in Canada;
2. The Investor is an "accredited investor" within the meaning of National Instrument 45-106 - *Prospectus and Registration Exemptions* ("**NI 45-106**") satisfying one of the indicated criteria in Exhibit 1 to this Certificate;
3. the Investor is not a trust company or trust corporation registered or authorized under the laws of Prince Edward Island that is not registered under the *Trust and Loan Companies Act* (Canada) or under comparable legislation in another jurisdiction of Canada;
4. the Investor, if not an individual, was not created or used solely to purchase or hold securities as an accredited investor as described in paragraph (m) of the definition of "accredited investor" in NI 45-106; and
5. upon execution of this Appendix B by or on behalf of the Investor, this Appendix B is incorporated into and forms a part of the Subscription Agreement.

Dated: _____, 20_____

Print name of Investor or person signing as agent on behalf of Investor:

Investor's (or agent's) Name – Please Print

Signature of Investor (or agent):

By: _____
Authorized Signature

Print name of Authorized Signatory (if different from Investor or agent, as applicable):

Name and Title

IMPORTANT: PLEASE MARK THE APPLICABLE CATEGORY IN EXHIBIT 1 ON THE NEXT PAGES

EXHIBIT 1 TO APPENDIX B

NOTE: THE INVESTOR MUST MARK BESIDE THE APPLICABLE CATEGORY BELOW.

The Investor is confirming its representation and warranty regarding the category or categories under which the Investor qualifies as an "accredited investor" within the meaning of NI 45-106. The Investor is:

- Ⓟ (a) a person registered under the securities legislation of a jurisdiction of Canada, as an adviser or dealer, other than a person registered solely as a limited market dealer under one or both of the *Securities Act* (Ontario) or the *Securities Act* (Newfoundland and Labrador); or
- Ⓟ (b) an individual registered or formerly registered under the securities legislation of a jurisdiction of Canada as a representative of a person referred to in paragraph (a); or
- Ⓟ (c) an individual who, either alone or with a spouse, beneficially owns, directly or indirectly, financial assets having an aggregate realizable value that before taxes, but net of any related liabilities, exceeds \$1,000,000⁽¹⁾; or
- Ⓟ (d) an individual whose net income before taxes exceeded \$200,000 in each of the two most recent calendar years or whose net income before taxes combined with that of a spouse exceeded \$300,000 in each of the two most recent calendar years and who, in either case, reasonably expects to exceed that net income level in the current calendar year; or
- Ⓟ (e) an individual who, either alone or with a spouse, has net assets of at least \$5,000,000; or
- Ⓟ (f) a person, other than an individual or investment fund, that has net assets of at least \$5,000,000 as shown on its most recently prepared financial statements; or
- Ⓟ (g) an investment fund that distributes or has distributed its securities only to
 - (i) a person that is or was an accredited investor at the time of the distribution,
 - (ii) a person that acquires or acquired securities in the circumstances referred to in sections 2.10 and 2.19 of NI 45-106, or
 - (iii) a person described in paragraph (i) or (ii) that acquires or acquired securities under section 2.18 of NI 45-106; or
- Ⓟ (h) an investment fund that distributes or has distributed securities under a prospectus in a jurisdiction of Canada for which the regulator or, in Québec, the securities regulatory authority, has issued a receipt; or
- Ⓟ (i) a trust company or trust corporation registered or authorized to carry on business under the *Trust and Loan Companies Act* (Canada) or under comparable legislation in a jurisdiction of Canada or a foreign jurisdiction, acting on behalf of a fully managed account managed by the trust company or trust corporation, as the case may be; or
- Ⓟ (j) a person acting on behalf of a fully managed account by that person, if that person
 - (i) is registered or authorized to carry on business as an adviser or the equivalent under the securities legislation of a jurisdiction of Canada or a foreign jurisdiction, and
 - (ii) in Ontario, is purchasing a security that is not a security of an investment fund; or

- Ⓟ (k) a registered charity under the *Income Tax Act* (Canada) that, in regard to the trade, has obtained advice from an eligibility adviser or an adviser registered under the securities legislation of the jurisdiction of the registered charity to give advice on the securities being traded; or
- Ⓟ (l) a person or in respect of which all of the owners of interests, direct, indirect or beneficial, except the voting securities required by law to be owned by directors, are persons that are accredited investors (as defined in NI 45-106); or
- Ⓟ (m) an investment fund that is advised by a person registered as an adviser or a person that is exempt from registration as an adviser.

For the purposes hereof:

- (a) "**control person**" has the same meaning as in securities legislation except in Manitoba, Newfoundland and Labrador, Northwest Territories, Nova Scotia, Nunavut, Ontario, Prince Edward Island and Québec where control person means any person that holds or is one of a combination of persons that holds
 - (i) a sufficient number of any of the securities of an issuer so as to affect materially the control of the issuer, or
 - (ii) more than 20% of the outstanding voting securities of an issuer except where there is evidence showing that the holding of those securities does not affect materially the control of the issuer;
- (b) "**director**" means:
 - (i) a member of the board of directors of a company or an individual who performs similar functions for a company, and
 - (ii) with respect to a person that is not a company, an individual who performs functions similar to those of a director of a company;
- (c) "**eligibility adviser**" means:
 - (i) a person that is registered as an investment dealer and authorized to give advice with respect to the type of security being distributed, and
 - (ii) in Saskatchewan or Manitoba, also means a lawyer who is a practicing member in good standing with a law society of a jurisdiction of Canada or a public accountant who is a member in good standing of an institute or association of chartered accountants, certified general accountants or certified management accountants in a jurisdiction of Canada provided that the lawyer or public accountant must not
 - (A) have a professional, business or personal relationship with the issuer, or any of its directors, executive officers, founders, or control persons, and
 - (B) have acted for or been retained personally or otherwise as an employee, executive officer, director, associate or partner of a person that has acted for or been retained by the issuer or any of its directors, executive officers, founders or control persons within the previous 12 months;
- (d) "**executive officer**" means, for an issuer, an individual who is
 - (i) A chair, vice-chair or president,

- (ii) A vice-president in charge of a principle business unit, division or function including sales, finance or production, or
 - (iii) performing a policy-making function in respect of the issuer;
- (e) "**financial assets**" means
 - (i) cash,
 - (ii) securities, or
 - (iii) a contract of insurance, a deposit or an evidence of a deposit that is not a security for the purposes of securities legislation;
- (f) "**founder**" means, in respect of an issuer, a person who,
 - (i) acting alone, in conjunction, or in concert with one or more persons, directly or indirectly, takes the initiative in founding, organizing or substantially reorganizing the business of the issuer, and
 - (ii) at the time of the distribution or trade is actively involved in the business of the issuer;
- (g) "**foreign jurisdiction**" means a country other than Canada or a political subdivision of a country other than Canada;
- (h) "**fully managed account**" means an account of a client for which a person makes the investment decisions if that person has full discretion to trade in securities for the account without requiring the client's express consent to a transaction;
- (i) "**investment fund**" has the same meaning as in National Instrument 81-106 *Investment Fund Continuous Disclosure*;
- (j) "**jurisdiction**" means a province or territory of Canada except when used in the term foreign jurisdiction;
- (k) "**local jurisdiction**" means the jurisdiction in which the Canadian securities regulatory authority is situate;
- (l) "**person**" includes
 - (i) an individual,
 - (ii) a corporation,
 - (iii) a partnership, trust, fund and an association, syndicate, organization or other organized group of persons, whether incorporated or not, and
 - (iv) an individual or other person in that person's capacity as a trustee, executor, administrator or personal or other legal representative;
- (m) "**regulator**" means, for the local jurisdiction, the person referred to in Appendix D of National Instrument 14-101 *Definitions* opposite the name of the local jurisdiction;
- (n) "**related liabilities**" means
 - (i) liabilities incurred or assumed for the purpose of financing the acquisition or ownership of financial assets, or

- (ii) liabilities that are secured by financial assets;
- (o) "**spouse**" means, an individual who,
 - (i) is married to another individual and is not living separate and apart within the meaning of the *Divorce Act* (Canada), from the other individual,
 - (ii) is living with another individual in a marriage-like relationship, including a marriage-like relationship between individuals of the same gender, or
 - (iii) in Alberta, is an individual referred to in paragraph (i) or (ii) above, or is an adult interdependent partner within the meaning of the *Adult Interdependent Relationships Act* (Alberta); and
- (p) "**subsidiary**" means an issuer that is controlled directly or indirectly by another issuer and includes a subsidiary of that subsidiary.

All monetary references are in Canadian Dollars.

Note:

- (1) The following is an excerpt from NI 45-106 which provides guidance as to the meaning of beneficial ownership of financial assets:

"Paragraph (j) of the "accredited investor" definition [**paragraph (c) above**] refers to an individual who, either alone or with a spouse, beneficially owns financial assets having an aggregate realizable value that, before taxes but net of any related liabilities, exceeds \$1,000,000. As a general matter, it should not be difficult to determine whether financial assets are beneficially owned by an individual, an individual's spouse, or both, in any particular instance. However, financial assets held in a trust or in other types of investment vehicles for the benefit of an individual may raise questions as to whether the individual beneficially owns the financial assets in the circumstances. The following factors are indicative of beneficial ownership of financial assets:

- (a) Physical or constructive possession of evidence of ownership of the financial asset;
- (b) Entitlement to receipt of any income generated by the financial asset;
- (c) Risk of loss of the value of the financial asset; and
- (d) The ability to dispose of the financial asset or otherwise deal with it as the individual sees fit.

For example, securities held in a self-directed RRSP, for the sole benefit of an individual are beneficially owned by that individual. In general, financial assets in a spousal RRSP would also be included for the purposes of the threshold test because paragraph (j) takes into account financial assets owned beneficially by a spouse. However, financial assets held in a group RRSP under which the individual would not have the ability to acquire the financial assets and deal with them directly would not meet these beneficial ownership requirements."

**APPENDIX C
TO SUBSCRIPTION AGREEMENT (SCHEDULE C TO OFFERING MEMORANDUM)**

**ALTERNATIVE ELIGIBLE INVESTOR CATEGORIES UNDER NATIONAL INSTRUMENT 45-106 –
PROSPECTUS AND REGISTRATION EXEMPTIONS**

By selecting the applicable category below and signing where indicated, the Investor confirms its representation and warranty regarding the category or categories under which the Investor qualifies as an **"eligible investor"** pursuant to Section 2.5 of NI 45-106. For that purpose, the Investor is:

- p (A) a **"director"** (as defined in Appendix B), **"executive officer"** (as defined in Appendix B), or **"control person"** (as defined in Appendix B) of the Issuer or an affiliate of the issuer; or
- p (B) a spouse, parent, grandparent, brother, sister, child or grandchild of any person referred to in subparagraph (A) above; or
- p (C) a parent, grandparent, brother, sister, child or grandchild of the spouse of any person referred to in subparagraph (A) above; or
- p (D) a **"close personal friend"** of any person referred to in subparagraph (A) above and, if requested by the Issuer or its counsel, it certifies to the Issuer that it has reviewed and understands the guidance respecting the meaning of the phrase "close personal friend" set forth in this Appendix and, if requested by the Issuer or its counsel, it will provide a signed statement describing the relationship with any of such persons; and if the Investor is resident in or otherwise subject to the applicable securities laws of Saskatchewan, the Investor has completed the applicable portion of this Appendix C - Risk Acknowledgement Form; or
- p (E) a **"close business associate"** of any person referred to in subparagraph (A) above and, if requested by the Issuer or its counsel, it certifies to the Issuer that it has reviewed and understands the guidance respecting the meaning of the phrase "close business associate" set forth in this Appendix and, if requested by the Issuer or its counsel, will provide a signed statement describing the relationship with any of such persons; and if the Investor is resident in or otherwise subject to the applicable securities laws of Saskatchewan, the Investor has completed the applicable portion of this Appendix C - Risk Acknowledgement Form; or
- p (F) a **founder** (as defined in Appendix B) of the Issuer or a spouse, parent, grandparent, brother, sister, child, grandchild, close personal friend or close business associate of a founder of the Issuer and, if requested by the Issuer or its counsel, will provide a signed statement describing the relationship with any of such persons; and if the Investor is resident in or otherwise subject to the applicable securities laws of Saskatchewan, the Investor has completed the applicable portion of this Appendix C - Risk Acknowledgement Form; or
- p (G) a parent, grandparent, brother, sister, child or grandchild of a spouse of a founder of the Issuer; or
- p (H) a person of which a majority of the voting securities are beneficially owned by, or a majority of the directors are, persons or companies described in subparagraphs (A) through (G) above; and, if the Investor is resident in or otherwise subject to the securities laws of Saskatchewan and the trade is based in whole or in part on a close personal friendship or close business, it has completed the applicable portion of this Appendix C - Risk Acknowledgement Form; or
- p (I) a trust or estate of which all of the beneficiaries or a majority of the trustees or executors are persons described in subparagraphs (A) through (G) above; and, if the Investor is resident in or otherwise subject to the applicable securities laws of Saskatchewan and the trade is based in whole or in part on a close personal friendship or close business association, the Investor has completed the applicable portion of this Appendix C - Risk Acknowledgement

Form.

Meaning of "close personal friend"

A "close personal friend" of a director, executive officer, founder or control person of an issuer is an individual who knows the director, executive officer, founder or control person well enough and has known them for a sufficient period of time to be in a position to assess their capabilities and trustworthiness. The term "close personal friend" can include a family member who is not already specifically identified in the exemptions if the family member satisfies the criteria described above.

The relationship between the individual and the director, executive officer, founder or control person must be direct. For example the exemption is not available to a close personal friend of a close personal friend of a director of the issuer.

An individual is not a close personal friend solely because the individual is:

- (a) a relative,
- (b) a member of the same organization, association or religious group, or
- (c) a client, customer, former client or former customer.

Meaning of "close business associate"

A "close business associate" is an individual who has had sufficient prior business dealings with a director, executive officer, founder or control person of the issuer to be in a position to assess their capabilities and trustworthiness. An individual is not a close business associate solely because the individual is:

- (a) a member of the same organization, association or religious group, or
- (b) a client, customer, former client or former customer of the issuer.

The relationship between the individual and the director, executive officer, founder or control person must be direct. For example, the exemption is not available for a close business associate of a close business associate of a director of the issuer.

Dated: _____, 20_____

Print name of Investor or person signing as agent on behalf of Investor

By: _____
Signature

Print name of Signatory (if different from Investor or agent, as applicable)

Title

**RISK ACKNOWLEDGEMENT SASKATCHEWAN
CLOSE PERSONAL FRIENDS AND CLOSE BUSINESS ASSOCIATES**

I do not have a 2-day right to cancel my purchase of these securities or the statutory rights of action for misrepresentation I would have if I were purchasing the securities under a prospectus. I do have a 2-day right to cancel my purchase of these securities if I receive an amended offering document.

I am a Saskatchewan resident and a close personal friend or close business associate of _____ [state name], who is a _____ [state title — founder, director, executive officer or control person] of _____ [state the name of the Corporation or its affiliate – if an affiliate state “an affiliate of the Corporation” and give the Corporation’s name].

I am a Saskatchewan resident and acknowledge that I am purchasing based on my close relationship with _____ [state title - founder, director, executive officer or control person] whom I know well enough and for a sufficient period of time to be able to assess her/his capabilities and trustworthiness.

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

_____	_____	_____
Date	Signature of Investor	Signature of Co-Investor (if applicable)
	_____	_____
	Print Name of Investor	Print Name of Co-Investor (if applicable)

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

WARNING

You are buying Exempt Market Securities

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

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

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

You may not receive any written information about the issuer or its business

If you have any questions about the issuer or its business, ask for written clarification before you purchase the securities. You should consult your own professional advisers before investing in the securities.

You will not receive advice

Unless you consult your own professional advisers, you will not get professional advice about whether the investment is suitable for you.

The issuer of your securities is a non-reporting issuer

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

You can only sell the securities of a non-reporting issuer in very limited circumstances. You may never be able to sell these securities.

The securities you are buying are not listed

The securities you are buying are not listed on any stock exchange, and they may never be listed. There may be no market for these securities. You may never be able to sell these securities.

For more information on the exempt market, refer to the Saskatchewan Financial Services Commission's website at <http://www.sfsc.gov.sk.ca>.

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

**RISK ACKNOWLEDGEMENT SASKATCHEWAN
CLOSE PERSONAL FRIENDS AND CLOSE BUSINESS ASSOCIATES**

I do not have a 2-day right to cancel my purchase of these securities or the statutory rights of action for misrepresentation I would have if I were purchasing the securities under a prospectus. I do have a 2-day right to cancel my purchase of these securities if I receive an amended offering document.

I am a Saskatchewan resident and a close personal friend or close business associate of _____ [state name], who is a _____ [state title — founder, director, executive officer or control person] of _____ [state the name of the Corporation or its affiliate – if an affiliate state “an affiliate of the Corporation” and give the Corporation’s name].

I am a Saskatchewan resident and acknowledge that I am purchasing based on my close relationship with _____ [state title - founder, director, executive officer or control person] whom I know well enough and for a sufficient period of time to be able to assess her/his capabilities and trustworthiness.

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

Date

Signature of Investor

Signature of Co-Investor
(if applicable)

Print Name of Investor

Print Name of Co-Investor
(if applicable)

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

WARNING

You are buying Exempt Market Securities

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

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

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

You may not receive any written information about the issuer or its business

If you have any questions about the issuer or its business, ask for written clarification before you purchase the securities. You should consult your own professional advisers before investing in the securities.

You will not receive advice

Unless you consult your own professional advisers, you will not get professional advice about whether the investment is suitable for you.

The issuer of your securities is a non-reporting issuer

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

You can only sell the securities of a non-reporting issuer in very limited circumstances. You may never be able to sell these securities.

The securities you are buying are not listed

The securities you are buying are not listed on any stock exchange, and they may never be listed. There may be no market for these securities. You may never be able to sell these securities.

For more information on the exempt market, refer to the Saskatchewan Financial Services Commission's website at <http://www.sfsc.gov.sk.ca>.

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