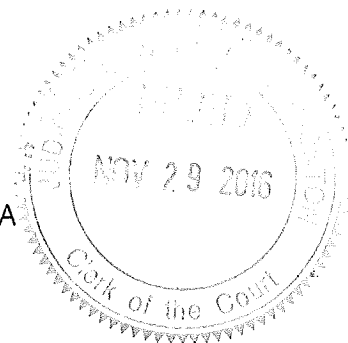


COURT FILE NUMBER 1603 137 37  
COURT COURT OF QUEEN'S BENCH OF ALBERTA  
JUDICIAL CENTRE EDMONTON  
PLAINTIFF ALBERTA MOTOR ASSOCIATION  
DEFENDANT JAMES GLADDEN, DANA GLADDEN,  
SPROCKIT APPS INC., 1926378 ALBERTA  
LTD., MARATHON MARKETING INC.,  
QUIET LIGHT BROKERAGE INC., AND  
EASETIME SOFTWARE LTD.  
DOCUMENT FIRST REPORT OF THE RECEIVER,  
DELOITTE RESTRUCTURING INC.,  
DATED NOVEMBER 22, 2016



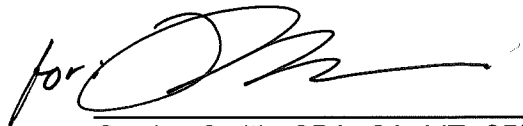
ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT  
BENNETT JONES LLP  
4500, 855, 2<sup>nd</sup> St SW  
Calgary AB T2P 4K7  
Attention: Munaf Mohamed / Mathieu LaFleche  
Phone: 403 298 4456 / 780 917 5249  
Fax: 403 265 7219  
File No.: 000681-00019

1. On August 4, 2016, the Court of Queen's Bench of Alberta appointed Deloitte Restructuring Inc. ("Deloitte") as Receiver of the current and future assets, undertakings and properties of every nature and kind whatsoever of Sprockit Apps Inc. and 1926378 Alberta Ltd. ("1926378").
2. Deloitte has been managing the operations of Sprockit Apps Inc. and 1926378 since the receivership appointment. Sprockit Apps Inc.'s operations consist of the management and receipt of revenues from the sale of mobile device applications ("apps"). Monthly revenues have been reduced to a negligible amount as a result of Apple no longer permitting many of the apps to operate on their platform. 1926378's operations consist of the owner/landlord of a five story commercial building located near downtown Edmonton Alberta ("Commonwealth Building").
3. Prior to the Receiver's appointment the Commonwealth Building was appraised by Gettel Appraisals Ltd. on July 6, 2016 for \$4,825,000 (Appendix 1).

4. On August 15, 2016 Colliers International appraised the Commonwealth Building for the Receiver (Appendix 2). The appraised value was \$5,350,000.
5. On September 15, 2016 the Receiver selected CW Edmonton Inc. (aka Cushman & Wakefield) as listing agent for the sale of the Commonwealth Building. Three commercial real estate brokerage firms (Colliers International, CW Edmonton Inc. and Avison Young) were selected to submit proposals to sell the property.
6. There is an approximate \$2,923,000 mortgage outstanding on the Commonwealth Building.
7. Attached as Appendix 3 is a summary of all expressions of interest and offers received by CW Edmonton Inc. The offers range from a low of \$3 million to a high of \$5 million. There was a verbal offer of \$6.35 million received by CW Edmonton Inc. which consisted of \$4.25 million cash and a tax credit/receipt for \$2.1 million. A tax credit/receipt is of no value to the Receiver.
8. On November 17, 2016 the Receiver accepted an offer from Chang Liu to purchase the Commonwealth Building for \$5 million (Appendix 4). Amongst other conditions the Offer is subject to the Receiver obtaining Court approval for the sale.
9. The Receiver requests that the Court approve the sale of the Commonwealth Building to Chang Liu as set out in Appendix 4 for \$5 million, subject to reasonable adjustments based on the purchaser's due diligence, once completed.

All of which is respectfully submitted.

**DELOITTE RESTRUCTURING INC.,**  
In its capacity as Court appointed Receiver of  
Sprockit Apps Inc. and 1026378 Alberta Ltd.  
and not in its personal capacity.

for 

---

Gordon Smith, CPA, CA, LIT, CBV, CFE

## **APPENDIX 1**

To the First Report of the Receiver  
dated the 22<sup>nd</sup> day of November, 2016

In the matter of the receiverships of  
1926378 Alberta Ltd. and Sprockit Apps Inc.



GETTEL APPRAISALS LTD.  
VALUATION • LITIGATION • ADVISORY • EXPROPRIATION

OUR FILE: 18718 (2016)

July 6<sup>th</sup>, 2016

1926378 Alberta Ltd.  
791 Drysdale Run  
Edmonton, Alberta  
T6M 2V4

Attention: Jim Gladden

Dear Sir:

RE: Valuation Analysis  
Commonwealth Building

In accordance with your instructions, Gettel Appraisals Ltd. have completed a "Short Narrative" valuation analysis pertaining to the "Commonwealth Building" municipally described as 9912 – 106<sup>th</sup> Street NW, Edmonton, Alberta. The property is legally described as Plan B, Block 6, Lot 84 and Plan B, Block 6, the most southerly 40 feet throughout of Lot 83.

The purpose in undertaking this analysis is to provide an estimate of the market value of the above noted property, as of the date specified, which can be utilized to assist in obtaining mortgage financing. As instructed by the client, this report has been completed within the context of a "Short Narrative" format with the report prepared in an abbreviated format. As such, there has been no property inspection and for the purposes of this valuation analysis it is assumed the subject property is free from any deferred maintenance items. It is to be noted that Gettel Appraisals Ltd. have previously appraised the complex on two separate dates, or, September 6<sup>th</sup>, 2011 and February 18<sup>th</sup>, 2015. This report would effectively update the February 2015 report.

The effective date of this analysis is July 1<sup>st</sup>, 2016. The property rights of the "Leased Fee Estate" are being appraised. The estimated exposure time is deemed to be 4 to 8 months.

Market value for the purpose of this analysis is defined as, "the most probable price in terms of money which the property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller, each acting prudently, knowledgeably and assuming the price is not affected by undue stimulus."

#### **PROPERTY REVIEW**

The property under analysis entails a 13,500 square foot RMU, Residential Mixed Use Zone site located in Downtown Edmonton. The property, known as Commonwealth Building, was constructed in 1960 and entails a Class C rated 5-storey office building which has a rentable area of 37,118 square feet and a 45,286 square foot gross building area which includes the sixth floor mechanical room. There are a total of eight surface energized parking stalls. There has been evidence of a strong replacement and repair program since the property acquisition in 2011 and the subject is overall rated in good condition. The chronological age of the building is 56 years and based on the good building condition the effective age estimate is 25 years. Considering a 50-year economic building life span, the remaining economic life is 25 years.

The subject property was acquired by Edmonton Commonwealth Building Inc. on September 23<sup>rd</sup>, 2011 for a sum of \$3,775,000.00. The subject property was sold to 1926378 Alberta Ltd. for a sum of \$4,950,000.00 on January 7<sup>th</sup>, 2016. Both Certificates of Title have the same two mortgage finance related registrations in place (refer to Exhibit A in the Addenda). These two registrations do not exert any impact on value. The 2016 assessment is \$5,553,000.00. The 2016 tax levy is \$45,810.21. Certain tenants within the complex are tax exempt.

**INCOME & EXPENSE REVIEW**

The current rent roll for the subject property was reviewed and an analysis of market lease rates and vacancy levels was also undertaken. A copy of the rent roll is included as Exhibit B in the Addenda. The analysis has included the development of a "base year" projection of income and expenses as per the effective date of valuation, July 1<sup>st</sup>, 2016.

There are a total of thirteen tenants in place upon the effective date of appraisal. A majority of leases in place are structured on a completely triple net basis wherein the tenant is responsible for all operating expenses. Four tenants are exempt from paying property taxes. One lease is structured on a modified gross basis where only a portion of the common area maintenance fee is recoverable. There are two vacant office suites indicating a total vacancy of 2,483 square feet. The subject vacancy level is 6.69% which is positive in comparison to the 11.43% 2016 first quarter Downtown Government District office vacancy rate reported by Colliers International. The asking rental rate in relation to the vacant units is \$10.00 per square foot and this rate is considered on par with market. There are three leases in place that exhibit lease rates below market. In addition to the suite revenue, Arch Psychological Services pays \$12,000 per annum for four surface parking stalls or \$250.00 monthly per stall. Three surface stalls are included in the Family Centre's suite rental. The writers have projected the current net operating income is \$340,173.00 (for further review of the base year income and expense proforma, reference is made to Exhibit C in the Addenda).

All contractual lease obligations within the subject complex were recognized with the modest property upside reflected in the derived capitalization rate. The sales considered are included as Exhibit D in the Addenda.

Six sales were considered in selecting a capitalization rate. A broad range in rates were indicated fluctuating between a low of 4.85% through to a high of 8.57%. The recent acquisition of the subject property was included as a comparable and yielded a capitalization rate towards the lower end of the range at 6.79%. Property number 30838 located at 10242 – 105<sup>th</sup> Street suggests a higher degree of risk within the

Downtown office market. However, this is a higher risk property based on large tenancies where the loss of one tenant would cause a major vacancy in a competitive market. The balance of the sales on the other hand confirm rates more in line with the original acquisition of the subject property in January 2016. The latter sales will be weighted however, the higher degree of risk perceived within the Downtown market will be recognized. The subject does exhibit a very modest upside as there are some rental rates in place slightly below market. The upside however is minor and all factors considered, a capitalization rate of 7.0% will apply which yields the following value estimate:

Value =	Net Operating Income ÷ Capitalization Rate
Value =	\$340,173.00 ÷ .07
Value =	\$4,859,614.00
Rounded To =	\$4,860,000.00

As discussed, there are two vacant units. The property is being analyzed on a stabilized basis. In order to achieve the stabilized income stream, the property owner would incur certain costs and this relates to the vacancies in place upon the effective date of this analysis. Such costs were considered with the writers assuming the vacant units would take six months to lease. These costs would relate to real estate commissions (i.e., 5% for the first five years of lease revenue), legal fees to execute the leases and lost revenue and operating costs which are not recovered. Of note, no tenant improvement allowances have been deducted as the vacancies are fully built out office spaces. The following will summarize the preceding adjustments:

Value:	\$4,860,000.00
Less: Leasing Commissions	\$ 6,207.00
Less: Legal Fees	\$ 2,000.00
Less: Lost Revenue	\$ 12,415.00 (Assumes 6 mo. Lease Up)
Less: Operating Costs	\$ <u>14,811.00</u> (Assumes 6 mo. Lease Up)
Total Lease Up Costs:	\$ 35,433.00
Residual Value:	\$4,824,567.00
Rounded To:	\$4,825,000.00

**CONCLUSIONS**

There are two approaches to value which can be applied for properties of this type, or the Income Approach and Direct Comparison Approach. Emphasis has been placed on the Income Approach, as this technique for properties of this type is the key indicator of value. In weighting the Income Approach, the following final estimate of value is indicated effective July 1<sup>st</sup>, 2016:

**\$4,825,000.00**

**(FOUR MILLION EIGHT HUNDRED & TWENTY-FIVE THOUSAND DOLLARS)**

As instructed by the client, this report has been completed within the context of a "Short Narrative" format and as such there has been no property inspection. For the purposes of this valuation analysis, it is assumed the subject property is free from any deferred maintenance items.

All supporting information utilized to derive the value estimate is maintained on Gettel Appraisals Ltd. files and is available upon request.





### CERTIFICATION

We certify to the best of our knowledge and belief that:

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, impartial and unbiased professional analyses, opinions and conclusions.
- We have no present or prospective interest in the issue that is the subject of this report, and no personal interest with respect to the parties involved.
- We have no bias with respect to the issue that is the subject matter of this report or to the parties involved with this assignment.
- Our analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the Canadian Uniform Standards.
- We have the knowledge and experience to complete the assignment competently.
- We have made a personal inspection of the property that is the subject of this report.
- No one provided significant professional assistance to the person signing this report.
- As of the date of this report the undersigned have fulfilled the requirements of the Appraisal Institute of Canada Continuing Professional Development Program for designated members.



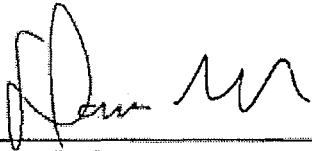
- Based on the effective date of this appraisal, July 1<sup>st</sup>, 2016, the preceding data, analyses and conclusions enables us to formulate the opinion that the following value estimate has been derived for the property described herein:

**\$4,825,000.00**

**(FOUR MILLION EIGHT HUNDRED & TWENTY-FIVE THOUSAND DOLLARS)**

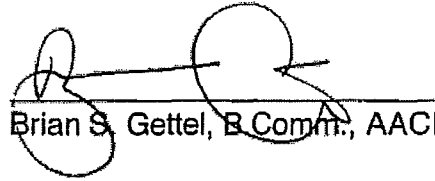
Respectfully submitted,

GETTEL APPRAISALS LTD.



\_\_\_\_\_  
Darren S. Gibbons, B.Mgt., AACI

Inspected Property:  Yes  No



\_\_\_\_\_  
Brian S. Gettel, B.Compt., AACI

Inspected Property:  Yes  No

1926378 ALBERTA LTD.

ADDENDA

GA

1926378 ALBERTA LTD.

EXHIBIT A  
CERTIFICATES OF TITLE

EA



LAND TITLE CERTIFICATE

B  
 LINC                      SHORT LEGAL                      TITLE NUMBER  
 0013 118 971      NB;6;83                      162 003 120 +1

LEGAL DESCRIPTION

PLAN (B)  
 BLOCK SIX (6)  
 THE MOST SOUTHERLY FORTY (40) FEET THROUGHOUT OF  
 LOT EIGHTY THREE (83)

ATS REFERENCE: 4;24;52;HB  
 ESTATE: FEE SIMPLE

MUNICIPALITY: CITY OF EDMONTON

REFERENCE NUMBER: 112 301 120 +1

REGISTERED OWNER(S)				
REGISTRATION	DATE (DMY)	DOCUMENT TYPE	VALUE	CONSIDERATION
162 003 120	07/01/2016	TRANSFER OF LAND		SEE INSTRUMENT

OWNERS

1926378 ALBERTA LTD.  
 OF 791 DRYSDALE RUN NW  
 EDMONTON  
 ALBERTA T6M 2V4

ENCUMBRANCES, LIENS & INTERESTS

REGISTRATION	DATE (D/M/Y)	PARTICULARS
162 003 121	07/01/2016	MORTGAGE MORTGAGEE - CANADA ICI CAPITAL CORPORATION, 3540 MANULIFE PLACE 10180 101 STREET EDMONTON ALBERTA T5J3S4 ORIGINAL PRINCIPAL AMOUNT: \$3,712,000

( CONTINUED )

-----  
ENCUMBRANCES, LIENS & INTERESTS

PAGE 2

# 162 003 120 +1

REGISTRATION  
NUMBER      DATE (D/M/Y)      PARTICULARS

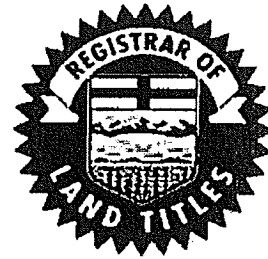
-----  
162 003 122    07/01/2016 CAVEAT  
RE : ASSIGNMENT OF RENTS AND LEASES  
CAVEATOR - CANADA ICI CAPITAL CORPORATION.  
C/O BROWNLEE LLP  
2200, 10155-102 STREET  
EDMONTON  
ALBERTA T5J4G8  
AGENT - ALLEN R EVANIEW

TOTAL INSTRUMENTS: 002

THE REGISTRAR OF TITLES CERTIFIES THIS TO BE AN  
ACCURATE REPRODUCTION OF THE CERTIFICATE OF  
TITLE REPRESENTED HEREIN THIS 4 DAY OF JULY,  
2016 AT 08:48 A.M.

ORDER NUMBER: 30977084

CUSTOMER FILE NUMBER:



\*END OF CERTIFICATE\*

-----  
THIS ELECTRONICALLY TRANSMITTED LAND TITLES PRODUCT IS INTENDED  
FOR THE SOLE USE OF THE ORIGINAL PURCHASER, AND NONE OTHER,  
SUBJECT TO WHAT IS SET OUT IN THE PARAGRAPH BELOW.

THE ABOVE PROVISIONS DO NOT PROHIBIT THE ORIGINAL PURCHASER FROM  
INCLUDING THIS UNMODIFIED PRODUCT IN ANY REPORT, OPINION,  
APPRAISAL OR OTHER ADVICE PREPARED BY THE ORIGINAL PURCHASER AS  
PART OF THE ORIGINAL PURCHASER APPLYING PROFESSIONAL, CONSULTING  
OR TECHNICAL EXPERTISE FOR THE BENEFIT OF CLIENT(S).

GA



LAND TITLE CERTIFICATE

B  
 LINC                      SHORT LEGAL                      TITLE NUMBER  
 0013 118 989              NB:6;84                      162 003 120

LEGAL DESCRIPTION

PLAN B  
 BLOCK 6  
 LOT 84

ATS REFERENCE: 4:24;52;HB  
 ESTATE: FEE SIMPLE

MUNICIPALITY: CITY OF EDMONTON

REFERENCE NUMBER: 112 301 120

		REGISTERED OWNER(S)			
REGISTRATION	DATE (DMY)	DOCUMENT	TYPE	VALUE	CONSIDERATION
162 003 120	07/01/2016	TRANSFER OF LAND			SEE INSTRUMENT

OWNERS

1926378 ALBERTA LTD.  
 OF 791 DRYSDALE RUN NW  
 EDMONTON  
 ALBERTA T6M 2V4

ENCUMBRANCES, LIENS & INTERESTS

REGISTRATION	DATE (D/M/Y)	PARTICULARS
162 003 121	07/01/2016	MORTGAGE MORTGAGEE - CANADA ICI CAPITAL CORPORATION. 3540 MANULIFE PLACE 10180 101 STREET EDMONTON ALBERTA T5J3S4 ORIGINAL PRINCIPAL AMOUNT: \$3,712,000
162 003 122	07/01/2016	CAVEAT

( CONTINUED )

GA

-----  
ENCUMBRANCES, LIENS & INTERESTS

PAGE 2  
# 162 003 120

REGISTRATION  
NUMBER      DATE (D/M/Y)      PARTICULARS

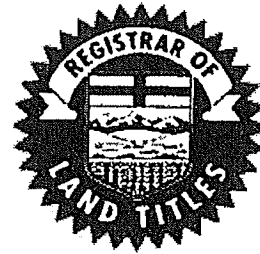
-----  
RE : ASSIGNMENT OF RENTS AND LEASES  
CAVEATOR - CANADA ICI CAPITAL CORPORATION.  
C/O BROWNLEE LLP  
2200, 10155-102 STREET  
EDMONTON  
ALBERTA T5J4G8  
AGENT - ALLEN R EVANIEW

TOTAL INSTRUMENTS: 002

THE REGISTRAR OF TITLES CERTIFIES THIS TO BE AN  
ACCURATE REPRODUCTION OF THE CERTIFICATE OF  
TITLE REPRESENTED HEREIN THIS 4 DAY OF JULY,  
2016 AT 08:48 A.M.

ORDER NUMBER: 30977084

CUSTOMER FILE NUMBER:



\*END OF CERTIFICATE\*

-----  
THIS ELECTRONICALLY TRANSMITTED LAND TITLES PRODUCT IS INTENDED  
FOR THE SOLE USE OF THE ORIGINAL PURCHASER, AND NONE OTHER,  
SUBJECT TO WHAT IS SET OUT IN THE PARAGRAPH BELOW.

THE ABOVE PROVISIONS DO NOT PROHIBIT THE ORIGINAL PURCHASER FROM  
INCLUDING THIS UNMODIFIED PRODUCT IN ANY REPORT, OPINION,  
APPRAISAL OR OTHER ADVICE PREPARED BY THE ORIGINAL PURCHASER AS  
PART OF THE ORIGINAL PURCHASER APPLYING PROFESSIONAL, CONSULTING  
OR TECHNICAL EXPERTISE FOR THE BENEFIT OF CLIENT(S).



1926378 ALBERTA LTD.

EXHIBIT B  
CURRENT MASTER RENT ROLL

GA

Building: COMMONWEALTH BLDG (1926378 AB LTD)		Master Rent Roll		By Floor/Unit	18-May-2018	
Floor/Unit	Tenant Name	Move In Date	Lease Start	Charge	As of: 01-May-16	Page 1
		Move Out Date	Lease End		Amount	Area Leased
					Rate	
1	10	THE FAMILY CENTRE OF NORTHERN ALBE	01-Oct-2011			994
			30-Sep-2026			
				CMRCL Free Rent/Financing	(\$831.67) (\$10.00)	
				COMMERCIAL RENT	\$831.67 \$10.00	
				GOODS & SERVICES TAX	\$49.61 \$0.80	
				OPERATING RECOVERY	\$952.10 \$11.83	
				* Tenant Total *	\$1,041.79 \$12.53	
2	20	THE FAMILY CENTRE OF NORTHERN ALBE	01-Oct-2011			15,531
			30-Sep-2026			
				COMMERCIAL RENT	\$12,942.50 \$10.00	
				GOODS & SERVICES TAX	\$1,419.15 \$1.10	
				OPERATING RECOVERY	\$15,440.40 \$11.83	
				* Tenant Total *	\$29,802.05 \$23.03	
3	33	LIVING POSITIVE THROUGH POSITIVE LVI	01-Jul-2014			669
			30-Jun-2019			
				COMMERCIAL RENT	\$557.50 \$10.00	
				GOODS & SERVICES TAX	\$81.13 \$1.10	
				OPERATING RECOVERY	\$665.10 \$11.93	
				* Tenant Total *	\$1,203.73 \$23.03	
3	34	FRONTIER COLLEGE	01-Dec-2015			483
			30-Nov-2018			
				COMMERCIAL RENT	\$385.83 \$10.00	
				GOODS & SERVICES TAX	\$42.31 \$1.10	
				OPERATING RECOVERY	\$460.30 \$11.83	
				* Tenant Total *	\$888.44 \$23.03	
3	35	ALBERTA STUDENTS' EXECUTIVE COUNCI	01-Jul-2013			1,187
			30-Jun-2018			
				COMMERCIAL RENT	\$889.17 \$10.00	
				GOODS & SERVICES TAX	\$108.46 \$1.10	
				OPERATING RECOVERY	\$1,180.08 \$11.83	
				* Tenant Total *	\$2,277.71 \$23.03	
3	37	EDMONTON SOCIAL PLANNING COUNCIL	01-Mar-2013			1,110
			28-Feb-2018			
				COMMERCIAL RENT	\$1,017.50 \$11.00	



Building: COMMONWEALTH BLDG (1926378 AB LTD)		Master Rent Roll		By Floor/Unit	18-May-2016	
Floor/Unit	Tenant Name	Move In Date	Lease Start	Charge	Amount	Area Leased
		Move Out Date	Lease End		Rate	
3	38	ARCH PSYCHOLOGICAL SERVICES	01-Apr-2015	GOODS & SERVICES TAX	\$97.26	\$1.05
			31-Mar-2020	OPERATING RECOVERY	\$927.78	\$10.03
				* Tenant Total *	\$2,042.64	\$72.08
						2,310
4	40	*** Vacant ***	Since Envy	COMMERCIAL RENT	\$2,117.50	\$11.00
				GOODS & SERVICES TAX	\$220.70	\$1.15
				OPERATING RECOVERY	\$2,286.53	\$11.93
				* Tenant Total *	\$4,624.73	\$24.08
4	41	PALS PROJECT ADULT LITERACY SOCIETY	01-Oct-2015	Expected Rmt:	\$1,763.67	\$11.00
			30-Sep-2020			1,924
						2,730
4	42	*** Vacant ***	Since 30-Apr-16	COMMERCIAL RENT	\$2,730.00	\$12.00
				GOODS & SERVICES TAX	\$250.59	\$1.10
				OPERATING RECOVERY	\$2,281.83	\$10.03
				* Tenant Total *	\$5,262.42	\$23.13
4	43	ROBERT LAMB FINANCIAL INC	01-Jan-2012	Expected Rent:	\$512.42	\$11.00
			31-Dec-2018			569
						1,095
4	45	ALBERTA NETWORK FOR MENTAL HEALTH	01-May-2008	COMMERCIAL RENT	\$912.50	\$10.00
			30-Apr-2018	GOODS & SERVICES TAX	\$100.06	\$1.10
				OPERATING RECOVERY	\$1,088.61	\$11.93
				* Tenant Total *	\$2,101.17	\$23.03
						1,103
5	50	COMPASS CENTRE FOR SEXUAL WELLNE	11-Dec-2015	COMMERCIAL RENT	\$643.42	\$7.06
			15-Sep-2018	GOODS & SERVICES TAX	\$87.00	\$0.95
				OPERATING RECOVERY	\$1,096.58	\$11.93
				* Tenant Total *	\$1,826.98	\$19.88
						2,613
				COMMERCIAL RENT	\$2,123.06	\$9.75
				COMMERCIAL RENT	(\$552.00)	(\$2.54)
				GOODS & SERVICES TAX	\$137.67	\$0.63
				OPERATING RECOVERY	\$1,182.38	\$5.43



Building: COMMONWEALTH BLDG (1926378 AB LTD) **Master Rent Roll** By Floor/Unit 16-May-2016 Page 3  
 Floor/Unit As of: 01-May-18

Tenant Name	Move In Date	Lease Start	Charge	Amount	Annual	Area Leased
	Move Out Date	Lease End			Rate	
5	51	ERGIL BAINS & ASSOCIATES LTD		\$2,891.11	\$13.27	
		01-Jun-2014				
		30-Jun-2017				1,171
			* Tenant Total *			
6	52	BRIDGES SUPPORT SERVICES ASSOC. &	COMMERCIAL RENT	\$1,171.00	\$12.00	
		01-Aug-2015	GOODS & SERVICES TAX	\$118.76	\$1.20	
		31-Jul-2020	OPERATING RECOVERY	\$1,164.17	\$11.83	
			* Tenant Total *	\$2,451.93	\$23.13	
						1,035
5	54	ALBERTA RESOURCE CENTRE FOR QUAL	COMMERCIAL RENT	\$831.39	\$9.53	
		01-Aug-2012	GOODS & SERVICES TAX	\$93.07	\$1.08	
		31-Jul-2017	OPERATING RECOVERY	\$1,029.96	\$11.93	
			* Tenant Total *	\$1,954.42	\$22.54	
						2,619
			COMMERCIAL RENT	\$2,619.00	\$12.00	
			GOODS & SERVICES TAX	\$240.40	\$1.10	
			OPERATING RECOVERY	\$2,188.05	\$10.83	
			* Tenant Total *	\$5,048.45	\$23.13	
						34,635

\*\*\* Totals for Building: COMMONWEALTH BLDG (1926378 AB LTD)

Annual Rate	Area Leased	Vacant	Total	Rentable	Variance
(\$331.67)	34,635	2,483	37,118	37,118	0
\$28,320.04					
\$1,024.17					
\$31,994.93					
** Total Charges					
\$61,507.47					
COMMERCIAL VACANCY					
\$2,276.09					
** Total					
\$2,276.09					



1926378 ALBERTA LTD.

EXHIBIT C  
INCOME & EXPENSE PROFORMA

GA

**BASE YEAR PROFORMA**  
**COMMONWEALTH BUILDING**  
**EDMONTON, ALBERTA**

**Gross Income**

- The Family Centre - 16,529 Sq. Ft. @ \$10.00/Sq. Ft. - 3 mo.	\$ 41,323.00
@ \$11.00/Sq. Ft. - 9 mo.	\$136,364.00
- Living Positive - 669 Sq. Ft. @ \$10.50/Sq. Ft.	\$ 7,025.00
- Frontier College - 463 Sq. Ft. @ \$10.00/Sq. Ft.	\$ 4,630.00
- Alberta Student's Executive Council - 1,187 Sq. Ft. @ \$10.00/Sq. Ft.	\$ 11,870.00
- Edmonton Social Planning Council - 1,110 Sq. Ft. @ \$11.00/Sq. Ft. - 8 mo.	\$ 8,140.00
@ \$12.00/Sq. Ft. - 4 mo.	\$ 4,440.00
- Arch Psychological Services - 2,310 Sq. Ft. @ \$11.00/Sq. Ft.	\$ 25,410.00
- Vacancy Absorption #1 - 1,924 Sq. Ft. @ \$10.00/Sq. Ft.	\$ 19,240.00
- PALS Project Adult Literacy Society - 2,730 Sq. Ft. @ \$12.00/Sq. Ft.	\$ 32,760.00
- Vacancy Absorption #2 - 559 Sq. Ft. @ \$10.00/Sq. Ft.	\$ 5,590.00
- Robert Lamb Financial - 1,095 Sq. Ft. @ \$10.00/Sq. Ft. - 6 mo.	\$ 5,475.00
@ \$11.00/Sq. Ft. - 6 mo.	\$ 6,023.00
- Alberta Network for Mental Health - 1,103 Sq. Ft. @ \$7.00/Sq. Ft.	\$ 7,721.00
- Compass Centre for Sexual Wellness - 2,613 Sq. Ft. @ \$9.75/Sq. Ft.	\$ 25,477.00
- Ergil Bains & Associates - 1,171 Sq. Ft. @ \$12.00/Sq. Ft.	\$ 14,052.00
- Bridges Support Services Association - 1,036 Sq. Ft. @ \$9.63/Sq. Ft.	\$ 9,977.00
- Alberta Resource Centre - 2,619 Sq. Ft. @ \$12.00/Sq. Ft.	\$ 31,428.00
- 4 Parking Stalls @ \$250.00/mo. X 12 mo.	\$ 12,000.00
Add: Operating Expense Recovery	<u>\$413,561.00</u>
Total:	<u>\$822,506.00</u>
Less: Vacancy & Collection Loss @ 5.0%	\$ 41,125.00
Effective Gross Income:	<u>\$781,381.00</u>
<b>Less: Operating Expenses</b>	
- Structural Repairs & Maintenance @ 2.0% of EGI	\$ 15,627.00
- Operating Expense - 37,118 Sq. Ft.	<u>\$425,581.00</u>
Total:	<u>\$441,208.00</u>
<b>Net Operating Income</b>	<u><b>\$340,173.00</b></u>

1926378 ALBERTA LTD.

EXHIBIT D  
COMPARABLE SALES

GA

**Commercial Investment Building Sale**

Zone 3  
Property Number 31239

Property Type: Office: Downtown



**Address**  
9912 106 St

**Subdivision:** Downtown  
**Legal Description:** Pt B3,84/6/NB

**Zoning Class:** RMU  
**Site Area:** 13,500.00 Sq Ft  
**Building Area:** 37,118 Sq Ft  
**Sale Price:** \$4,950,000  
**Sale Date:** Jan 7, 2016  
**Transfer Number:** 162003120  
**Year Built:** 1960  
**Line #:** 0013118989

**Sale Terms**  
\$1,238,000 cash to \$3,712,000 to Canada ICI Capital Corp

**Assessments**  
Total \$5,771,500 Year 2015

**Vendor**  
Edmonton Commonwealth Building Inc  
Director:  
Allm Somji

**Purchaser**  
1926378 Alberta Ltd  
Director:  
Jim Gladden  
791 Drydale Run NW, Edmonton, AB T6M 2V4

**Improvements Description**  
5 stories, steel frame & concrete construction. 37,118 sq. ft. net leasable. 1 elevator. 6th floor mechanical room.

**Site Improvements**  
8 paved surface parking stalls. Front landscaping/ concrete work.

**Income Analysis**

Gross Annual Income	\$818,319
Vacancy	40,916 [ 5.0%]
Operating Expenses	\$441,129
Net Operating Income	\$336,274

Gross Income Multiplier	0.00
Sale Price /Sq Ft	\$133.35
Overall Capitalization Rate	6.79%
Net Income/Unit	9.05
IRR	0.00%

**Comments**

Known as the Commonwealth Building. Numerous renovations since 2011 including new lighting, common area upgrades, mechanical upgrades and refreshing leasehold areas. 1,924 sq. ft. vacant at sale date (5.18%). Income analysis assumes full occupancy and the vacant space leased at a market rate. Some property tax exempt tenants. Six lease expiries in 2016 (6,557 sq. ft.). Anchored by the Family Centre occupying 16,529 sq. ft.

Prepared by The Network on Jul 6, 2016. Visit <http://www.gettelnetwork.com> for more info.  
All opinions, estimates, data, and statistics furnished by other sources is believed to be reliable; however, we cannot guarantee its validity or accuracy.  
Possession of this report or copies thereof does not carry with it the right of publication.

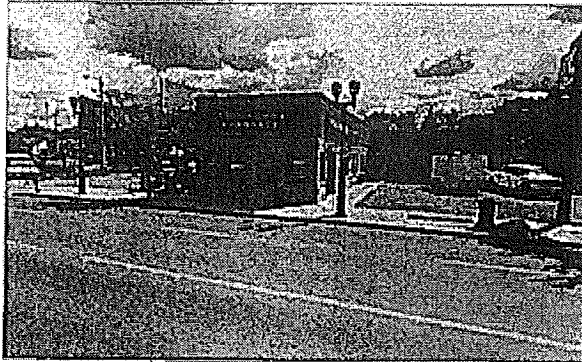




**Commercial Investment Building Sale**

Zone 4  
Property Number 30840

Property Type: Retail: General



**Address**  
9559/67 118 Ave  
**Subdivision:** Alberta Avenue  
**Legal Description:** 12-14/19/1592EO  
**Zoning Class:** CB2  
**Site Area:** 13,793.00 Sq Ft  
**Building Area:** 8,060 Sq Ft  
**Sale Price:** \$1,575,000  
**Sale Date:** Mar 8, 2016  
**Transfer Number:** 162069337  
**Year Built:** 1981  
**Linc #:** 0014712673

**Sale Terms**

Cash

**Assessments**

Total Year 0

**Vendor**

Plaamen Industries (1978) Ltd, et al  
Shareholder:  
John Potestio  
9544 + 118 Ave., Edmonton, AB T5G 0P1

**Purchaser**

Integriture Inc  
Director:  
Clive Oshry  
#3400, 10180 - 101 St., Edmonton, AB T5J 3S4

**Improvements Description**

Wood frame construction, single storey, 8,438 sq. ft. gross, 8,060 sq. ft. net leasable. Demised into 4 bays (1,400 - 2,660 sq. ft. ).

**Site Improvements**

Paved.

**Income Analysis**

Gross Annual Income	\$165,074
Vacancy	4,952 [ 3.0%]
Operating Expenses	\$52,673
Net Operating Income	\$107,449

Gross Income Multiplier	0.00
Sale Price /Sq Ft	\$195.40
Overall Capitalization Rate	6.82%
Net Income/Unit	13.33
IRR	0.00%

**Comments**

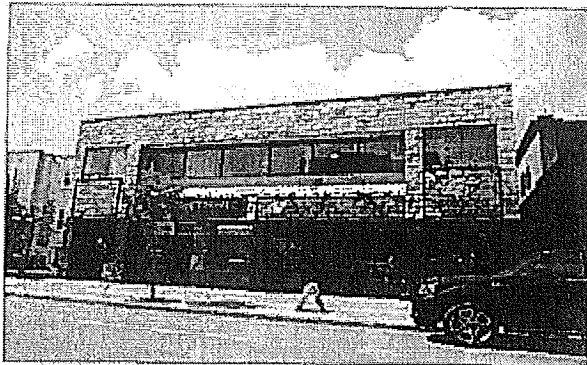
The legal description includes Lot 11, Block 19, Plan RN43. Sold via judicial sale. Sold jointly with 9549 - 118 Avenue. \$300.00/month in billboard sign revenue. Fully leased at sale date. Semi-gross leases with property taxes being recovered.

Prepared by The Network on Jul 6, 2016. Visit <http://www.getta/network.com> for more info. All opinions, estimates, data, and statistics furnished by other sources is believed to be reliable, however, we cannot guarantee its validity or accuracy. Possession of this report or copies thereof does not carry with it the right of publication.

**Commercial Investment Building Sale**

Zone 3  
Property Number 31182

Property Type: Retail: General



**Address**  
10630 124 St

**Subdivision:** Westmount  
**Legal Description:** Pt 16/29/RN22

**Zoning Class:** CB1  
**Site Area:** 7,250.00 Sq Ft  
**Building Area:** 5,255 Sq Ft  
**Sale Price:** \$1,200,000  
**Sale Date:** Apr 29, 2016  
**Transfer Number:** 162114422  
**Year Built:** 1981  
**Unc #:** 0013756458

**Sale Terms**

\$300,000 cash to \$900,000 to the TD Bank

**Assessments**

Total \$879,500 Year 2016

**Vendor**

Apple Creek Investments Ltd  
Shareholder:  
Robert Harris  
#1002, 10149 Saskatchewan Drive, Edmonton, AB T6E 6B6

**Purchaser**

Lizotte Holdings Inc  
Director:  
Joseph Lizotte  
15311 - 82 Ave., Edmonton, AB T5R 3S2

**Improvements Description**

2 storey, concrete block construction. 2,570 sq. ft. main floor retail demised into 2 bays. 2,685 sq. ft. second floor office, 4 bays. Separate entrances. 5,600 sq. ft. gross, 5,255 sq. ft. net leasable.

**Site Improvements**

Paved parking at rear (14 stalls).

**Income Analysis**

Gross Annual Income \$61,241  
Vacancy 1,837 [ 3.09%]  
Operating Expenses \$1,188  
Net Operating Income \$58,216

Gross Income Multiplier 0.00  
Sale Price /Sq Ft \$228.35  
Overall Capitalization Rate 4.85%  
Net Income/Unit 11.07  
IRR 0.00%

**Comments**

Fully leased at sale date. Recently sold Dec./02 for \$335,000. Exterior and interior have recently been upgraded. Two mo/mo leases. Several of the leases are at below market rents indicating an upside. The main floor leases escalate in 2020/21.

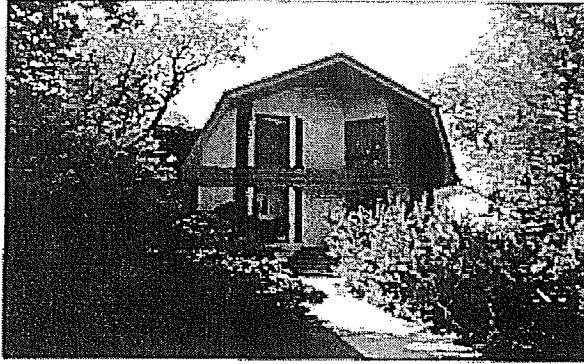
Prepared by The Network on Jul 6, 2016. Visit <http://www.gottelnetwork.com> for more info  
All opinions, estimates, data, and statistics furnished by other sources is believed to be reliable, however, we cannot guarantee its validity or accuracy.  
Possession of this report or copies thereof does not carry with it the right of publication.



**Commercial Investment Building Sale**

Zone 3  
Property Number 31070

Property Type: Office: Suburban



**Address**  
9922 111 St

**Subdivision:** Oliver  
**Legal Description:** Pt 62/11/NB

**Zoning Class:** DC1  
**Site Area:** 7,366.00 Sq Ft  
**Building Area:** 2,511 Sq Ft  
**Sale Price:** \$925,000  
**Sale Date:** May 25, 2016  
**Transfer Number:** 162137771  
**Year Built:** 1925  
**Line #:** 0026826875

**Sale Terms**

Cash

**Assessments**

Total Year 0

**Vendor**

BDR Holdings Inc  
Director:  
Robert Burden  
8931 147 St  
Edmonton, AB T5R 0Y4

**Purchaser**

Westrich Management Ltd  
Director:  
Richard Lam  
3812 Macneil Heath, Edmonton, AB T6H 0H5

**Improvements Description**

2 storey, wood frame construction. Demised into 1,332 sq. ft. main floor with reception & offices. 1,179 sq. ft. second level has open work area, offices & staff room. 911 sq. ft. bsmt (not incl in gross). Second floor & main floor decks.

**Site Improvements**

Paved parking at rear (10 surface stalls).

**Income Analysis**

Gross Annual Income	\$54,000	Gross Income Multiplier	0.00
Vacancy	1,620 [ 3.0%	Sale Price /Sq Ft	\$368.38
Operating Expenses	\$1,048	Overall Capitalization Rate	5.55%
Net Operating Income	\$51,332	Net Income/Unit	20.44
		IRR	0.00%

**Comments**

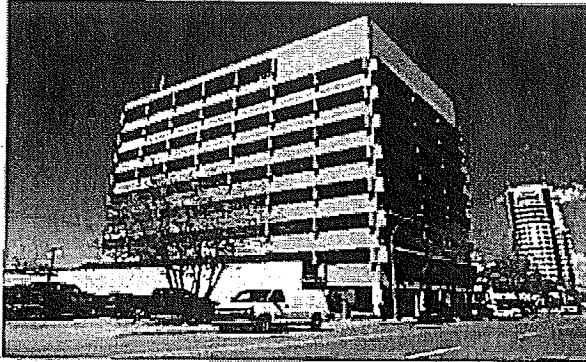
House converted into office. The purchaser also acquired the adjoining property. Completely rebuilt in 1976 and remodelled in 1990 & 1995. Roof redone in 2000. Leased until Aug. 2018. Purchased for future redevelopment. Expressed as land value the sale price = \$125.57/sq.ft.

Prepared by The Network on Jul 6, 2016. Visit <http://www.gettelnetwork.com> for more info  
All opinions, estimates, data, and statistics furnished by other sources is believed to be reliable; however, we cannot guarantee its validity or accuracy. Possession of this report or copies thereof does not carry with it the right of publication.

**Commercial Investment Building Sale**

Zone 3  
Property Number 30838

Property Type: Office: Downtown



**Address**

10242 105 St

Subdivision: Downtown

Legal Description: A/5/9022620

Zoning Class: UW  
 Site Area: 18,740.00 Sq Ft  
 Building Area: 94,903 Sq Ft  
 Sale Price: \$18,500,000  
 Sale Date: Apr 8, 2016  
 Transfer Number: 162095374  
 Year Built: 1979  
 Linc #: 0015175087

**Sale Terms**

cash to the assumption of Servus Credit Union mortgage

**Assessments**

Total \$22,763,500 Year 2016

**Vendor**

First Canadian Properties Corporation, et al  
 Director:  
 Richard Crenlan

**Purchaser**

Wentworth Properties (105th Street) Inc

**Improvements Description**

8 stories, concrete & steel frame construction. 94,903 sq. ft. Elevators. 11,043 sq. ft. typical floor plate.

**Site Improvements**

UG parking.

**Income Analysis**

Gross Annual Income	\$3,068,126
Vacancy	47,902 [ 1.6%]
Operating Expenses	\$1,434,768
Net Operating Income	\$1,585,456

Gross Income Multiplier	0.00
Sale Price /Sq Ft	\$194.93
Overall Capitalization Rate	8.57%
Net Income/Unit	16.70
IRR	9.48%

**Comments**

Known as the 105th Street Office Tower. Fully leased at sale date. 89.72% of the space is leased to government and government funded agencies.

Prepared by The Network on Jul 6, 2016. Visit <http://www.getatnetwork.com> for more info.  
 All opinions, estimates, data, and statistics furnished by other sources is believed to be reliable, however, we cannot guarantee its validity or accuracy.  
 Possession of this report or copies thereof does not carry with it the right of publication.



**Commercial Investment Building Sale**

Zone 3  
Property Number 29309

Property Type: Office: Suburban



**Address**  
10238 124 St  
**Subdivision:** Westmount  
**Legal Description:** 17-20/33/RN22  
**Zoning Class:** CB1  
**Site Area:** 30,000.00 Sq Ft  
**Building Area:** 80,654 Sq Ft  
**Sale Price:** \$20,500,000  
**Sale Date:** Mar 20, 2015  
**Transfer Number:** 152089524  
**Year Built:** 1981  
**Linc #:** 0010267771

**Sale Terms**  
\$5,500,000 cash to \$15,000,000 to Canadian Western Bank

**Assessments**  
Total \$16,599,500 Year 2015

**Vendor**  
Simplex Investment Corporation  
Shareholder:  
Dean Parmar  
#300, 10240 - 124 St., Edmonton, AB T5N 3W6

**Purchaser**  
1643680 Alberta Ltd  
Director:  
Kulwant Grewal  
2445 Martell Cres., Edmonton, AB T6T 1T7

**Improvements Description**  
8 stories, concrete & steel frame construction, 80,654 sq. ft. net leasable, 11,543 sq. ft. of main floor retail, 1,190 sq. ft. of storage & 67,921 sq. ft. of office.

**Site Improvements**  
82 stall UG parkade, 23 surface stalls (16 enclosed).

**Income Analysis**

Gross Annual Income	\$1,373,500
Vacancy	0 [ 0.0%]
Operating Expenses	\$0
Net Operating Income	\$1,373,500

Gross Income Multiplier	0.00
Sale Price /Sq Ft	\$254.17
Overall Capitalization Rate	6.70%
Net Income/Unit	17.02
IRR	0.00%

**Comments**  
Known as the Guardian Building. The lobby and common areas are newly renovated. 7,409 sq. ft. vacant at sale date (9.19% - 4 spaces, 645 - 4,554 sq. ft.). Income analysis assumes full occupancy and the vacant space leased at a market rate. Anchored by Lloyd-Sadd Insurance occupying 3 floors. NOI only available.

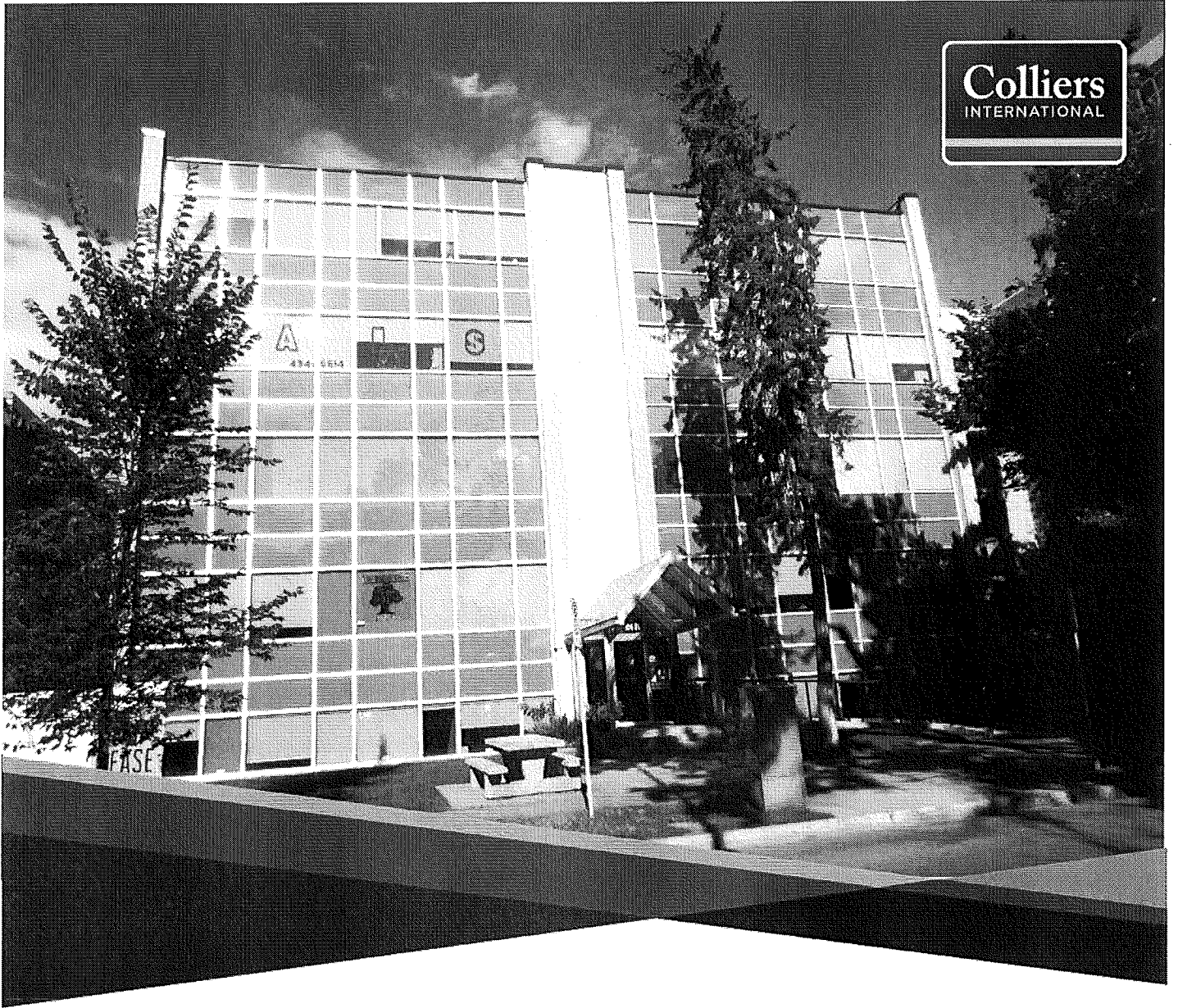
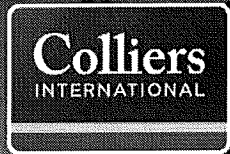
Prepared by The Network on Jul 6, 2016. Visit <http://www.gettafnetwork.com> for more info.  
All opinions, estimates, data, and statistics furnished by other sources is believed to be reliable, however, we cannot guarantee its validity or accuracy.  
Possession of this report or copies thereof does not carry with it the right of publication.



## **APPENDIX 2**

To the First Report of the Receiver  
dated the 22<sup>nd</sup> day of November, 2016

In the matter of the receiverships of  
1926378 Alberta Ltd. and Sprockit Apps Inc.



# Narrative Appraisal

Commonwealth Building

9912 - 106 Street, Edmonton, Alberta

August 2016

PREPARED BY

Alison McGavigan

Colliers International Realty Advisors Inc.

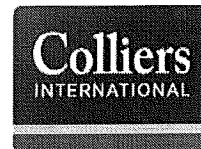
PREPARED FOR

Gordon Smith

Deloitte

2210 Manulife Place  
10180 - 101 Street  
Edmonton, Alberta T5J 3S4  
www.colliers.com

MAIN: +1 780 420 1585  
FAX: +1 780 424 7830



Our File No. EDM-16-0264

August 15, 2016

Deloitte  
2000 Manulife Place  
10180 - 101 Street  
Edmonton, Alberta  
T5J 4E4

Attention: Gordon Smith

Dear Mr. Smith:

RE: COMMONWEALTH BUILDING  
9912 - 106 STREET, EDMONTON, ALBERTA

---

In accordance with your request, we have carried out a Narrative Appraisal consistent with AIC guidelines in order to estimate the current market value of the Commonwealth Building. Since this report does not contain any Extraordinary Assumptions, it is an "as is" appraisal of the property.

Based on the analysis contained herein, the market value of the Commonwealth Building as at August 11, 2016 is estimated to be:

**FIVE MILLION THREE HUNDRED FIFTY THOUSAND DOLLARS**  
**\$5,350,000**

This value is based on an exposure time of nine months and is in conjunction with the Report Assumptions stated herein. The property rights appraised are those of the Leased Fee Estate. The subject has been appraised as if it is free and clear of all property-related financing instruments.

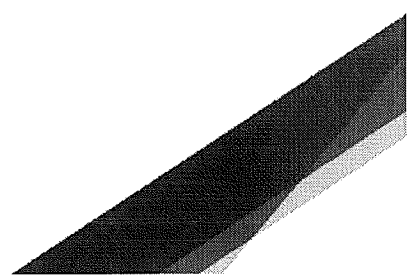
Your attention is directed to the following appraisal that contains the data, analysis, and supporting conclusions upon which this value estimate was based.

Yours very truly,

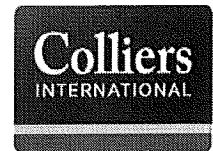
COLLIERS INTERNATIONAL REALTY ADVISORS INC.  
Valuation & Advisory Services Division

A handwritten signature in black ink, appearing to read "Alison McGavigan", written in a cursive style.

Alison McGavigan, BSc, MBA, AACI  
Senior Associate



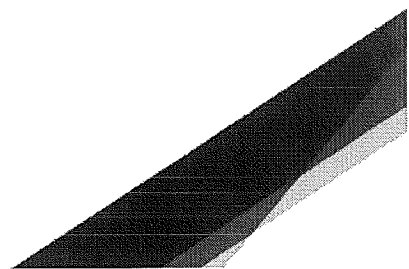




# Table of Contents

---

Executive Summary.....	1
Terms of Reference.....	7
Property Data.....	12
Municipal Address .....	12
Legal Description .....	12
Ownership History and Encumbrances.....	12
Site Description.....	13
Municipal Regulation.....	15
Assessment and Property Tax Information .....	16
Description of Improvements.....	20
Market Overview.....	28
August 2016 Canadian Economic Overview .....	28
August 2016 Alberta Economic Overview .....	32
August 2016 Edmonton Economic Overview .....	35
Metropolitan Edmonton Office Market Overview.....	38
Neighbourhood Description.....	42
Valuation .....	47
Highest and Best Use .....	47
Valuation Methodology .....	50
Income Approach - Revenue and Expense Analysis.....	53
Income Approach - Overall Income Capitalization.....	64
Income Approach - Discounted Cash Flow Analysis .....	75
Direct Comparison Approach.....	78
Reconciliation and Final Estimate of Value .....	82
Appendix .....	84
Appendix A    Report Assumptions	
Appendix B    Title Documents	
Appendix C    Zoning Bylaw Excerpt	
Appendix D    Argus Output	
Appendix E    Certification	





# Executive Summary

**COMMONWEALTH BUILDING  
9912 - 106 STREET  
EDMONTON, ALBERTA**

---

- |                                    |   |
|------------------------------------|---|
| <b>Effective Date of Valuation</b> | <ul style="list-style-type: none"><li>• August 11, 2016.</li></ul>  |
| <b>Property Type</b>               | <ul style="list-style-type: none"><li>• Downtown office building.</li></ul>   |
| <b>Property Rights Appraised</b>   | <ul style="list-style-type: none"><li>• Leased Fee Estate.</li></ul>  |
| <b>Intended Use</b>                | <ul style="list-style-type: none"><li>• Internal purposes.</li></ul>  |
| <b>Intended User</b>               | <ul style="list-style-type: none"><li>• Deloitte.</li></ul>   |
| <b>Legal Description</b>           | <ul style="list-style-type: none"><li>• Plan NB, Block 6, Lots 83-84.</li></ul>   |
| <b>Site Area</b>                   | <ul style="list-style-type: none"><li>• 13,500 square feet, more or less.</li></ul>   |
| <b>Zoning Classification</b>       | <ul style="list-style-type: none"><li>• RMU (Residential Mixed Use Zone).</li></ul>   |
| <b>Description of Improvements</b> | <ul style="list-style-type: none"><li>• The Commonwealth Building is a five-storey office building that contains 37,118 square feet of leaseable area. It is a concrete structure that was constructed in 1960.</li></ul> |
-



---

## Highest and Best Use

- |                                  |   |
|----------------------------------|---|
| Current Use                      | <ul style="list-style-type: none"><li>• Downtown office building.</li></ul>   |
| Highest and Best Use As Vacant   | <ul style="list-style-type: none"><li>• Holding property for eventual commercial/residential development.</li></ul> |
| Highest and Best Use As Improved | <ul style="list-style-type: none"><li>• The office building as currently improved.</li></ul>                        |

---

## Value Assumptions

- |                                   |  |
|-----------------------------------|--|
| Ordinary Assumptions              | <ul style="list-style-type: none"><li>• See the Appendix to this report.</li></ul> |
| Extraordinary Assumptions         | <ul style="list-style-type: none"><li>• None.</li></ul>                            |
| Extraordinary Limiting Conditions | <ul style="list-style-type: none"><li>• None.</li></ul>                            |

---

## Investment Characteristics

- |                          |   |
|--------------------------|---|
| Positive Characteristics | <ul style="list-style-type: none"><li>• Good location in quieter area of Downtown Edmonton.</li><li>• Recent upgrades to mechanical systems in building.</li><li>• Some levels of income upside potential due to some below market lease rates.</li><li>• Near to major arterials and transit.</li></ul>                    |
| Negative Characteristics | <ul style="list-style-type: none"><li>• Alberta is experiencing lower levels of economic growth.</li><li>• Limited parking on site.</li><li>• Older construction date.</li><li>• Current economic climate was resulted in increasing vacancy rates and decreasing rental rates within Edmonton office properties.</li></ul> |

---

## Value Conclusions

### Income Approach - Overall Income Capitalization

- Net Operating Income • \$368,464.
- Overall Capitalization Rate • 6.75%.
- Value Conclusion • \$5,410,000 (including holding and lease up adjustment).

### Income Approach – Discounted Cash Flow

- Discount Rate (IRR) • 7.50%.
- Terminal Capitalization Rate • 6.75%.
- Value Conclusion • \$5,290,000.

### Direct Comparison Approach

- Building Size • 37,118 square feet.
- Selected Unit Value • \$145.00 per square foot.
- Value Conclusion • \$5,340,000 (including holding and lease up adjustment).

---

## Summary

- Final Value Conclusion • **\$5,350,000.**
- Resultant Capitalization Rate • 6.89%.
- Resultant Price Per Square Foot • \$144.13 per square foot.
- Exposure Time • Nine months.

## EXTERIOR PHOTOGRAPHS

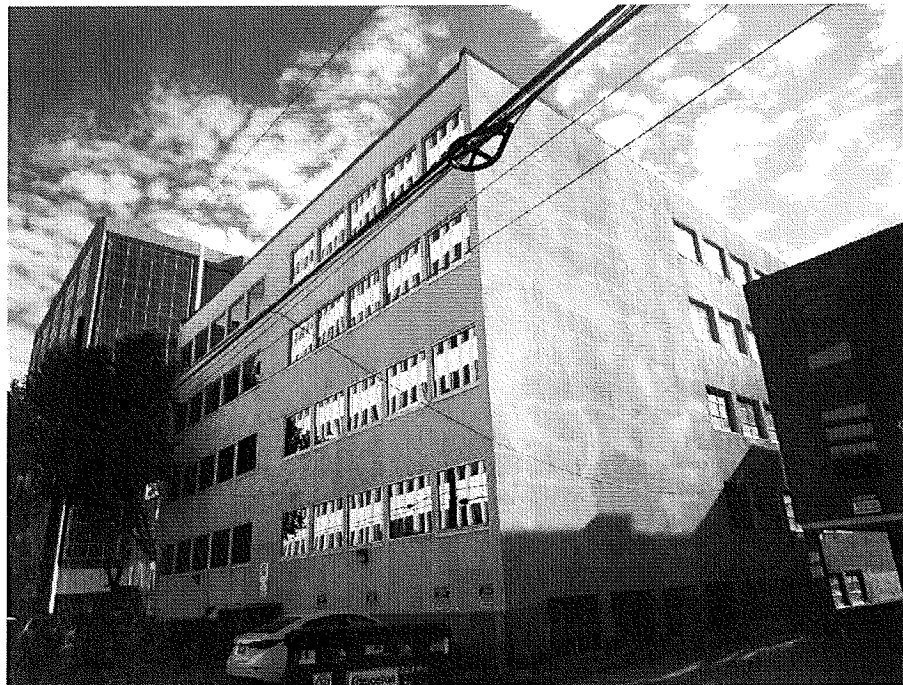


View of the Commonwealth Building from the East



View of the Commonwealth Building from the Southeast

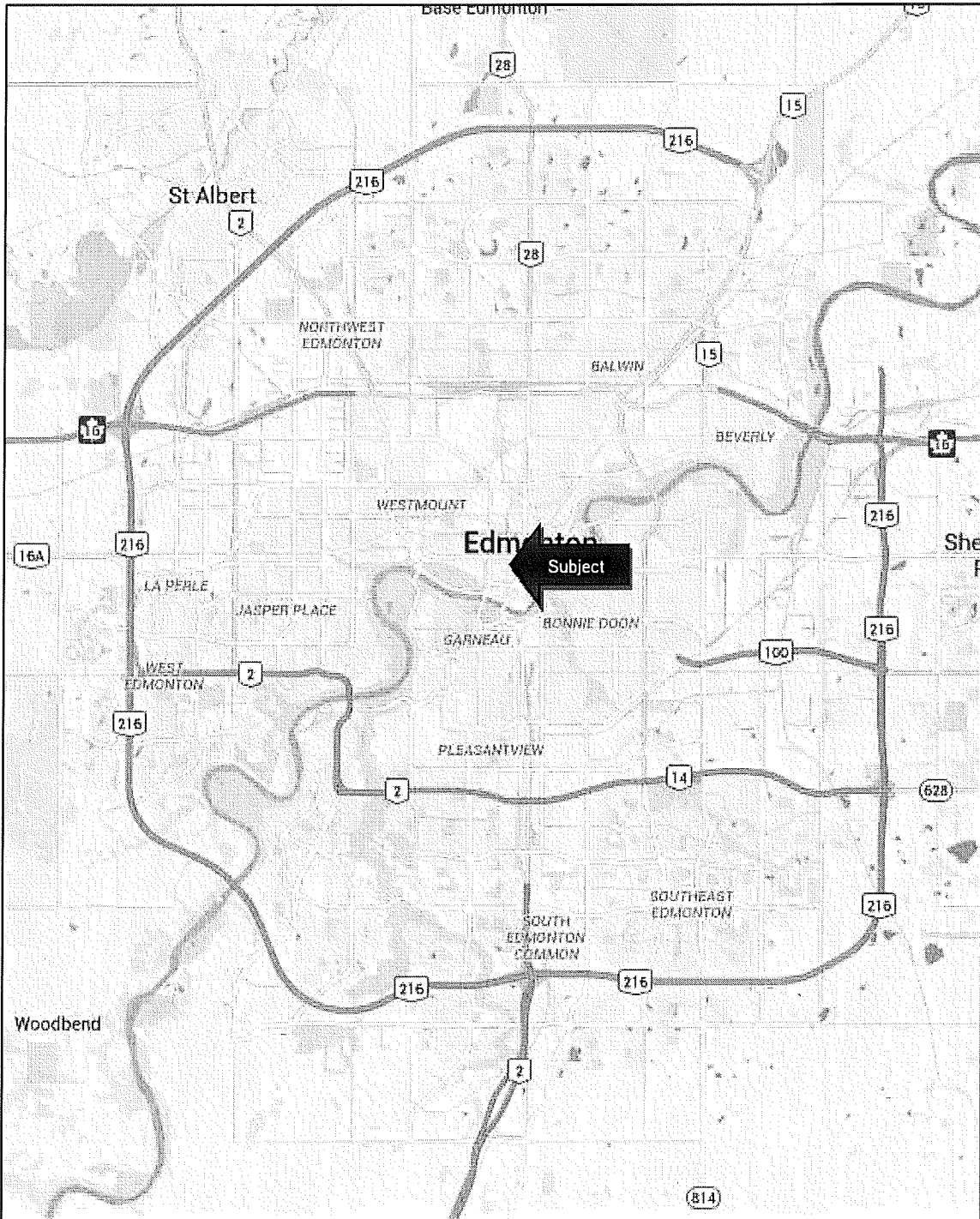
## EXTERIOR PHOTOGRAPHS



View of the Commonwealth Building from the Southwest



View of the Commonwealth Building from the Northwest



General Location Map

# Terms of Reference

## Intended Use of the Report

This report estimates the current market value of the Commonwealth Building. The only intended use of this report is for internal decision making purposes. Any other use of this report is strictly forbidden. Since this report does not contain any Extraordinary Assumptions, it is an “as is” appraisal of the property.

## Intended User

This report is only intended for use by Deloitte. Use of this report by any other party is strictly forbidden unless a personalized Letter of Transmittal is provided from Colliers International Realty Advisors Inc. Deloitte. has agreed by separate contract to indemnify Colliers International Realty Advisors Inc. from any unauthorized third-party use.

## Property Rights

The property rights appraised are that of the Fee Simple Estate as Leased, which is also known as the Leased Fee Estate. The Fee Simple Estate is the most complete form of ownership in Canada and is limited only by the powers of government (i.e. taxation, expropriation, police, and escheat). A Leased Fee Estate is an ownership interest held by a landlord with the right of use and occupancy conveyed by lease to others.

## Personal Property

This appraisal excludes all personal property and chattels owned by the tenants in the subject building.

## Effective Date

The effective date of this valuation is August 11, 2016.

## Inspection Date

The subject property was inspected on August 11, 2016 by Alison McGavigan. An exterior and interior inspection was completed at that time. Fieldwork and research for this assignment was completed only during August 2016.

## Market Value Definition

For the purposes of this valuation, market value is defined as:



*"The most probable price which a property should bring in a competitive and open market as of the specified date under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably and assuming the price is not affected by undue stimulus. Implicit in this definition are the consummation of a sale as of the specific date and the passing of title from seller to buyer under conditions whereby:*

- 1. Buyer and seller are typically motivated;*
- 2. Both parties are well informed or well advised, and acting in what they consider their best interests;*
- 3. A reasonable time is allowed for exposure in the open market;*
- 4. Payment is made in terms of cash in Canadian Dollars or in terms of financial arrangements comparable thereto; and*
- 5. The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale."*

(The Appraisal Institute of Canada "Canadian Uniform Standards of Professional Appraisal Practice". 2010 edition, Page 54).

## Exposure Time

An estimate of market value is related to the concept of reasonable exposure time. Exposure time is the property's estimated marketing time prior to a hypothetical sale at market value on the effective date of the appraisal. It is a retrospective function of asking price, property type, and past market conditions and encompasses not only adequate, sufficient and reasonable time but also adequate, sufficient and reasonable effort. Reasonable exposure time is a necessary element of a market value definition but is not a prediction of a specific date of sale.

In appraisal theory and practice, there is a distinction relating to the perspective between exposure time and marketing time. Exposure time is presumed to precede the effective date of appraisal whereas marketing time is presumed to succeed the effective date. Marketing time is a prospective function of asking price, property type, and anticipated market conditions. The exposure period assumes the following:

- The property was extensively marketed. Potential purchasers could inspect the property at will.
- The owner provided interested agents with any and all relevant property information.
- Negotiations of any offers to purchase were performed in a timely manner.
- The property was maintained at a physical status equivalent to its present condition.
- Market level financing was readily available.
- The seller was not under duress.



Ongoing discussions with agents familiar with the Metropolitan Edmonton office real estate investment market have indicated that properties like the subject typically require a marketing period of six to twelve months depending on a variety of factors including its location, vacancy levels, tenant quality, size, market conditions, and motivation of the vendor/purchaser. Therefore, it is concluded that for the Commonwealth Building to sell at the market value estimated herein as of the effective date of this report, an exposure period of approximately nine months would be required.

### Scope of the Valuation

Alison McGavigan personally inspected the subject property on August 11, 2016 in order to assist in the estimation of its market value. The building and tenant areas are based on information provided by the property manager of the building. These areas are assumed to be correct but should be confirmed with a building survey if greater accuracy is required.

Alison McGavigan has completed numerous appraisals on office properties similar to the subject. She therefore affirms that she has the experience and knowledge necessary to complete this valuation assignment with competence. Municipal and neighbourhood information, including tax information, were provided by the City of Edmonton and verified where appropriate and possible. Site area and dimensions are from information obtained from the North Alberta Land Titles Office. Should further confirmation of site size and dimensions be required, a Real Property Report should be commissioned.

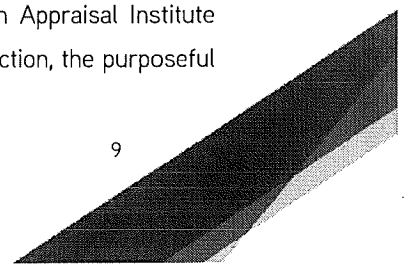
Comparable market information was obtained from our information database and local real estate professionals knowledgeable in the Metropolitan Edmonton office investment market. It was confirmed, when appropriate, with public information at the North Alberta Land Titles Office or the parties involved when there was reason to doubt its accuracy.

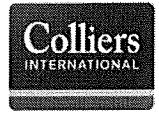
### Report Assumptions - Extraordinary Assumptions

An Extraordinary Assumption is an assumption, which if not true, could alter the appraiser's opinions and conclusions. They are required when a Hypothetical Condition is necessary due to circumstances that are not self-evident regarding the appraised property. Hypothetical Conditions include retrospective appraisals, significant renovations to the improvements, completion of proposed improvements, etc. No Extraordinary Assumptions were invoked within this appraisal.

### Report Assumptions - Extraordinary Limiting Conditions

An Extraordinary Limiting Condition refers to a necessary modification or exclusion of an Appraisal Institute Standard Rule. Such special circumstances include the inability to complete a property inspection, the purposeful





exclusion of a relevant valuation technique, etc. No Extraordinary Limiting Conditions were invoked within this appraisal.

### Report Assumptions - Ordinary Assumptions and Limiting Conditions

This report is subject to the Ordinary Assumptions and Limiting Conditions set forth within the Appendix to this appraisal in addition to any specific assumptions that may be stated in the body of the report. **These conditions are critical to the value stated herein and should be thoroughly read and understood before any reliance on this report should be considered.** The following Ordinary Assumptions and Limiting Conditions are worthy of particular note.

- The title to the property was encumbered with registrations. Since the appraisers of this report do not have the legal training to interpret these documents with certainty, legal counsel should be solicited for a full explanation of these encumbrances. Unless specifically noted within this report, these instruments are assumed to have no significant effect on the marketability or market value of the subject. Should they have any significant effect on value, such an influence has not been measured within this appraisal. Readers therefore need to investigate these encumbrances independently and determine for themselves the effect that they may have on market value.
- This is a confidential document and all copyrights to this appraisal are reserved to Colliers International Realty Advisors Inc. and Deloitte. It was prepared with the assumption that no other entity will rely on it and all liability to such non-authorized users is wholly denied except where written authorization from Colliers International Realty Advisors Inc. is provided. Possession of this report does not carry with it the right to distribute, reproduce, or publicize in any whole or partial manner. It may not be disclosed, quoted, or referenced in any manner (whole or partial) without prior written consent of Colliers International Realty Advisors Inc. None of this report, nor any portion of it, may be disseminated to the public in any manner whatsoever. Furthermore, it may not be disclosed, quoted, referred to in any report, financial statement, prospectus, government document, or offering memorandum without the full knowledge and prior written consent of Colliers International Realty Advisors Inc. Deloitte has agreed by separate contract to indemnify Colliers International Realty Advisors Inc. from any unauthorized third party use.
- This appraisal is intended for internal decision making purposes. We assume no responsibility for loans made where the borrower lacks the ability or motivation to repay the loan or where a lender has not followed prudent lending practices. Authorization to use this appraisal provided by a Letter of Transmittal is conditional on the lender completing a thorough due diligence investigation that reasonably concludes that the borrower has the intention and capacity to repay the loan. Use of this report without a Letter of Transmittal from Colliers International Realty Advisors Inc. is strictly forbidden.

- Leasing and financial information for the property was provided by the client of this appraisal and accepted at face value by the appraiser. This includes both written and verbal data. The client confirmed that the leasing and financial information contained herein was correct by means of a review of a report draft. However, this information was not verified by any other internal or external process. It is therefore a vital assumption of this report that this information is a correct representation of the operating performance of the property. Should it be incorrect due to client fraud or negligence, then this report would be void. The appraisers do not certify, in any manner whatsoever, the veracity of the leasing or financial statements as supplied by the client. Any party relying upon this report must therefore confirm to their satisfaction the accuracy of the supplied data as discussed herein.
- This appraisal does not value the subject property as part of a foreclosure process. It values the property with the market value definition as described within the Terms of Reference and Exposure Time parts of this report. Should the property be sold under forced conditions such as those evident within the foreclosure process, the value contained herein would be void. Readers should be aware that properties sold under forced conditions can sell at a significant discount from normal market value.
- The appraisers are not foundation, structural, or roofing experts. The foundation, superstructure, and roofing components of the subject property were not inspected for this appraisal in any significant manner. They are assumed to be in good condition for the purposes of this report. A certified building inspector is recommended to determine the true condition of these building components. Any significant foundation, superstructure, or roofing deficiencies would imply a deduction from the appraised value determined herein. This decrease in value may be greater than the simple cost to remedy.
- The appraisers are not mechanical/electrical systems experts. All building systems, including water, HVAC, sewer, electrical, alarm, elevator, and all other mechanical operating components of the property are assumed to be in good condition for the purposes of this report. A mechanical systems inspector is recommended to determine the true condition of these building components. Any mechanical/electrical deficiencies would imply a deduction from the appraised value determined herein. This decrease in value may be greater than the simple cost to remedy.



# Property Data

## Municipal Address

The Commonwealth Building is located west of 106th Street and north of 99th Avenue in Edmonton, Alberta. The building is municipally described by the City of Edmonton as 9912 - 106 Street.

## Legal Description

The Commonwealth Building is described as Plan NB, Block 6, Lots 83-84 excepting thereout mines and minerals rights. For confirmation, please refer to a copy of the property title located in the Appendix to this report.

## Ownership History and Encumbrances

### Current Ownership

A search of Certificate of Title numbers 162 003 120 and 162 003 120 +1 on August 8, 2016 indicated that the Commonwealth Building is registered in the name of 1926378 Albert Ltd. of Edmonton, Alberta.

### Ownership History

The Appraisal Institute of Canada requires the analysis of any sales of the subject property that have occurred within the past three years prior to the effective date of the appraisal. The subject building was purchased from Edmonton Commonwealth Building Inc. by the current ownership group in January 2016 for the consideration of \$4,950,000. This sale is thought to represent an arm's-length transaction. No other arm's length sales have occurred in the past three years.

Canadian Uniform Standards of Professional Appraisal Practice require the consideration and analysis of any current agreement for sale, option, or listing of the property being appraised in the past year, if such information is available in the normal course of business. As of the effective date of this appraisal, an offer to purchase at the subject property is pending. No details as to the purchaser or offer price were provided to the author of this report.

### Encumbrances

As of the date of search (August 8, 2016), the following encumbrances were registered against the property title to the Commonwealth Building.

No.	Registration	Registered By	Comments
162 003 121	Mortgage	Canada ICI Capital Corporation	Principal: \$3,712,000
162 003 122	Caveat	Canada ICI Capital Corporation	Assignment of Rents and Leases
162 210 952	Order	Bennett Jones LLP	"Attachment Order Restricting Dealings"

Since the appraisers of this report do not have the legal training to interpret these documents with certainty, legal counsel should be solicited for a full explanation of these encumbrances. Unless specifically noted within this report, these instruments are assumed to have no significant effect on the marketability or market value of the subject. Should they have any significant effect on value, such an influence has not been measured within this appraisal. Readers therefore need to investigate these encumbrances independently and determine for themselves the effect that they may have on market value. It is also noted that the Commonwealth Building has been appraised as if free and clear of all property-related financing. Copies of the subject property titles have been inserted in the Appendix to this report if further information is sought.

## Site Description

The Commonwealth Building is situated within the Downtown neighbourhood of central Edmonton. More specifically, the site is located west of 106th Street and north of 99th Avenue.

## Site Area

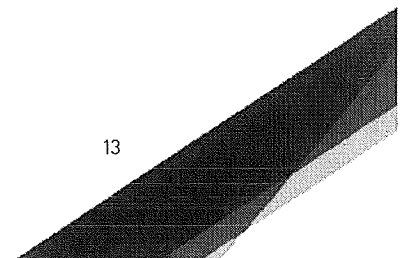
The Commonwealth Building site contains an area of 13,500 square feet, more or less.

## Excess Land

In consideration of the zoning requirements, site size, access, and footprint of the building improvements, no excess land is considered to be applicable at the subject property.

## Site Dimensions

The Commonwealth Building site contains approximately 90 feet of frontage along 106th Street with a return depth of 150 feet. See the following Site Plan for a visual description of the site.



## Site Services

The subject property is fully serviced including water, electricity, gas, storm sewer, sanitary sewer, and telephone.

## Adjacent Uses

The following adjacent uses are noted.

- North: multi-tenant office and commercial uses.
- East: 106th Street and a surface parking lot.
- South: Multi-tenant office and commercial uses and 99th Avenue.
- West: an alleyway, office uses and a surface parking lot.

## Adjacent Roadways

The roadway adjacent to the subject property is 106th Street. It is a two-lane (plus parking lane), one-directional paved roadway with concrete curbs, a boulevard, sidewalks, and street lighting.

## Site Access

Access to the subject site is provided by multiple ingress points from the alleyway adjacent to the property to the west.

## Site Coverage

The Commonwealth Building contains a building footprint of approximately 7,423 square feet. Based on a site area of 13,500 square feet, this suggests a site coverage ratio of 54.99%.

## Site Topography

The subject site is relatively flat and at-grade with adjacent properties and roadways.

## Soil Conditions

The authors are not qualified to comment on the environmental condition of the soil, air, or water at the subject property. Unless expressly stated, the subject soil, air, and water is assumed to be fully clean of all environmental pollutants and contaminants. This includes petroleum leakage, agricultural chemicals, and all other such contamination that could affect market value. Furthermore, the property is assumed to be in compliance with all



regulatory environmental requirements (past, present, or future) that might affect its market value. If the party relying on this report requires information about environmental issues, that party should retain an expert that is licensed to provide such opinions. No such opinions are made within this report and legal responsibility is wholly denied relating to the effect of such environmental issues on the market value of the property appraised.

## Municipal Regulation

Details regarding municipal regulation issues at the subject site are detailed below.

### Zoning Classification

The subject site is designated RMU (Residential Mixed Use Zone). Please see the following Zoning Map for a visual description of this division.

### Purpose of Designation

The general purpose of the RMU zone is to provide for primarily medium to high density residential mixed-use developments, with limited commercial, institutional, office and service uses distributed on-site in a manner sensitive to the street environment and adjacent residential areas; to support an urban village where amenities are focused on a local main street; and to enhance the institutional and hotel cluster along the north edge of the sub-area.

### Allowable Uses

There is a wide variety of residential, commercial, and professional, financial, and office support service uses allowed by the RMU zone. The current tenants at the Commonwealth Building appear to be permitted. For a complete list of allowable uses, please see the Appendix of this report.

### Development Regulations

The following development regulations are noted for the subject zoning designation.

- Maximum floor area ratio of 1.5 for non-residential uses.
- Maximum height of 164 feet.
- A variety of setbacks.

For a complete list of development regulations, please see the Appendix to this report where a copy of the RMU zoning bylaw has been included.



## Zoning Compliance

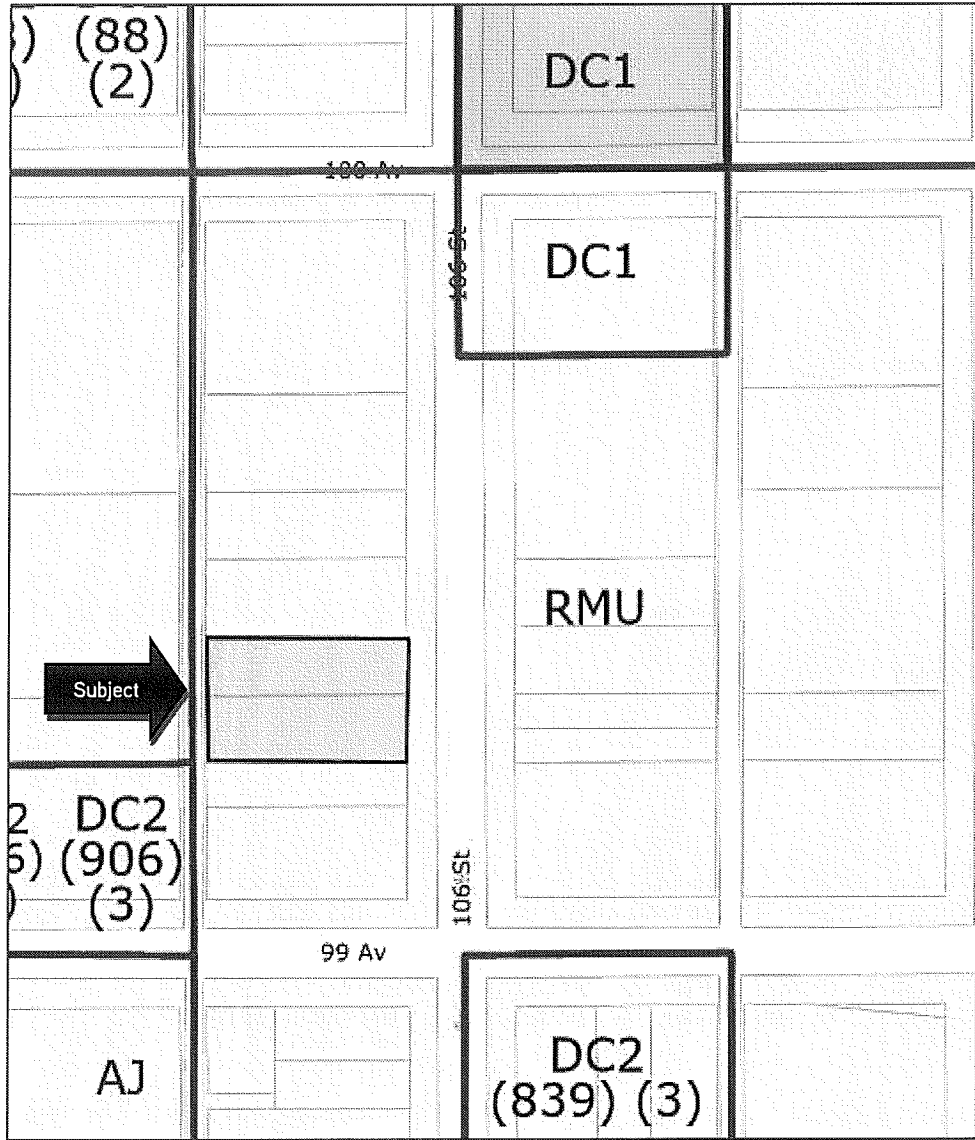
The Commonwealth Building appears to be a legal, conforming use according to the RMU zoning guidelines, due to its current use and floor area ratio of 2.75. However, the appraisers are not real estate lawyers and therefore this observation is not a certified opinion. For greater certainty, written enquiries should be made with the City of Edmonton or consultation with a real estate lawyer should be sought.

## Assessment and Property Tax Information

The following information details assessment and taxation for the subject as provided by the City of Edmonton Financial Services Department.

Roll Number:	4004990
Total 2016 Assessment:	\$5,553,000
Total 2016 Tax Levy:	\$45,810.21
Local Improvement Levy:	<u>\$0.00</u>
Total 2016 Levy:	\$45,810.21

The total 2016 tax levy of \$45,810.21 for the Commonwealth Building reflects a tax rate of \$1.23 per square foot based upon a total leaseable area of 37,118 square feet. However, it is noted that due to the non-profit uses at the building, portions of the total area are not subject to any tax levies. If these tenants were to vacate the premises, the tax levies would increase to normal market levels. Since the property assessment of \$5,553,000 appears to be at or slightly above market levels, a municipal tax appeal is not recommended at this time.



## Zoning Map



---

## Aerial Photograph

49.		78.		49
48.		79.		48
47.		80.		47
46.		81.		46
45.		82.		45
44.		83.		44
43.		84.		43
42.		85.		42
41.		86.		41
<b>W</b>				

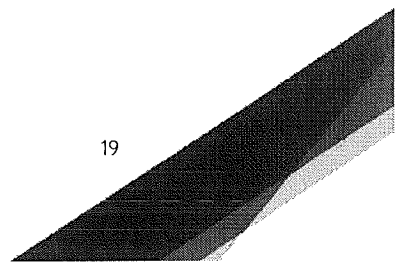
**60**

**57**

**E**

Subject →

Site Plan



## Description of Improvements

### Property Name

- Commonwealth Building.

### Property Type

- Downtown office building.

### Building Description

- The Commonwealth Building is a five-storey office building. It contains a total of 37,118 square feet of leasable area. The main floor is partially below grade. The building is situated towards the centre portion of the site with parking provided to the west.
- The building was originally constructed in 1960. Due to a diligent program of maintenance since that time, the effective age of the structure is approximately 25 years. The remaining economic life of the building is approximately 25 years.
- The building is currently demised for multi-tenant use.

### Structural Details

- The foundation of the building consists of a cast-in-place concrete foundation wall supported by reinforced concrete piles and footings.
- The superstructure of the building consists of reinforced concrete.
- The roof consists of metal joists, metal roof decking, and a flat rolled roofing membrane.
- The roofing structures of the Commonwealth Building were not inspected for this report and are considered to be in good condition. Any significant roofing deficiencies would represent a deduction from the appraised value as determined herein and may be greater than its simple cost to remediate.

### Exterior Building Features

- The exterior of the building is finished primarily with brick, stucco, and metal panels.

- There is some window glazing along each floor and each elevation. Windows appear to be original. Doors include both double glazed units in aluminum frames and solid core metal doors.

### Interior Finishing

- The interior of the Commonwealth Building has been demised and finished to accommodate the specific needs of the tenants. Primarily the floors have been demised into reception areas, perimeter offices and open workstations, washrooms, kitchen/lunchroom areas, and boardrooms.
- Flooring primarily consists of carpet but also includes vinyl tiles and laminate in the office areas, ceramic tile within washrooms and the lobby areas, and concrete within mechanical, storage, and utility areas.
- Walls have been finished primarily with painted gyproc.
- Ceilings primarily include acoustic ceiling tile with fluorescent lighting. Some textured ceilings with suspended lighting is also present.
- Washrooms include ceramic tile flooring, painted gyproc walls with some ceramic trim, painted gyproc ceiling, toilets, and urinals. Washrooms have been recently renovated.

### Building Services

- Heating within the building is provided by two furnaces and a compressor unit.
- Cooling within the building is provided by a rooftop air conditioning unit.
- Main electrical service to the building is assumed adequate for the current use.
- Two gas-fired hot water heating tanks provides water service to the washrooms and kitchen areas.
- The building is not sprinklered.
- The building has one elevator.
- The appraisers are not mechanical/electrical systems expert. All building systems, including water, HVAC, sewer, electrical, alarm, elevator, and all other mechanical operating components of the property are assumed to be in good condition. A mechanical systems inspector is therefore recommended to determine the true condition of these building components. Any mechanical/electrical deficiencies would represent a deduction from the appraised value determined herein. This decrease in value may be greater than the simple cost to remedy.

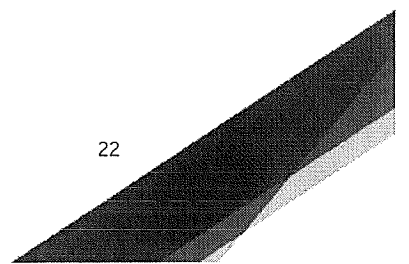
### Other Site Improvements

- There is paved parking located to the west of the building that has a total of 8 stalls.

- Landscaping on the site includes trees, grass, and a patio area with paving stones on the east side of the building.
- A sidewalk has been constructed from the property line to the entrance of the building.

## Conclusions

- The Commonwealth Building is a Downtown office building that was in average condition at the time of its inspection on August 11, 2016. It is fully functional for multi-tenant office use and is competitive in the Edmonton office market.
- The authors are not qualified to comment on the environmental condition of the subject improvements. Unless expressly stated, the improvements are assumed to be free of all environmental pollutants and contaminants. This includes molds/mildews (or the conditions that might give rise to either), asbestos, urea formaldehyde foam insulation, polychlorinated biphenyl, petroleum leakage, agricultural chemicals, and all other such contamination that could affect market value. These substances were not called to the attention of the appraisers and the appraisers did not become aware of such substances during the inspection. Furthermore, the appraisers are not qualified nor has been asked to test for such substances. If the party relying on this report requires information about environmental issues, that party should retain an expert that is licensed to provide such opinions. Since such substances can affect market value in a significant manner, any party relying on this report is advised to retain an expert that is licensed to provide such opinions. No such opinions are made within this report and any legal liability relating to the effect of such environmental issues on the market value of the property appraised is wholly denied.
- The appraisers are not foundation, structural, or roofing experts. The foundation, superstructure, and roofing components of the subject property were not inspected for this appraisal in any significant manner. They are assumed to be in good condition for the purposes of this report. A certified building inspector is recommended to determine the true condition of these building components. Any significant foundation, superstructure, or roofing deficiencies would imply a deduction from the appraised value determined herein. This decrease in value may be greater than the simple cost to remedy.
- The appraisers are not mechanical/electrical systems experts. All building systems, including water, HVAC, sewer, electrical, alarm, elevator, and all other mechanical operating components of the property are assumed to be in good condition for the purposes of this report. A mechanical systems inspector is recommended to determine the true condition of these building components. Any mechanical/electrical deficiencies would imply a deduction from the appraised value determined herein. This decrease in value may be greater than the simple cost to remedy.



## INTERIOR PHOTOGRAPHS



Common Area Hallway



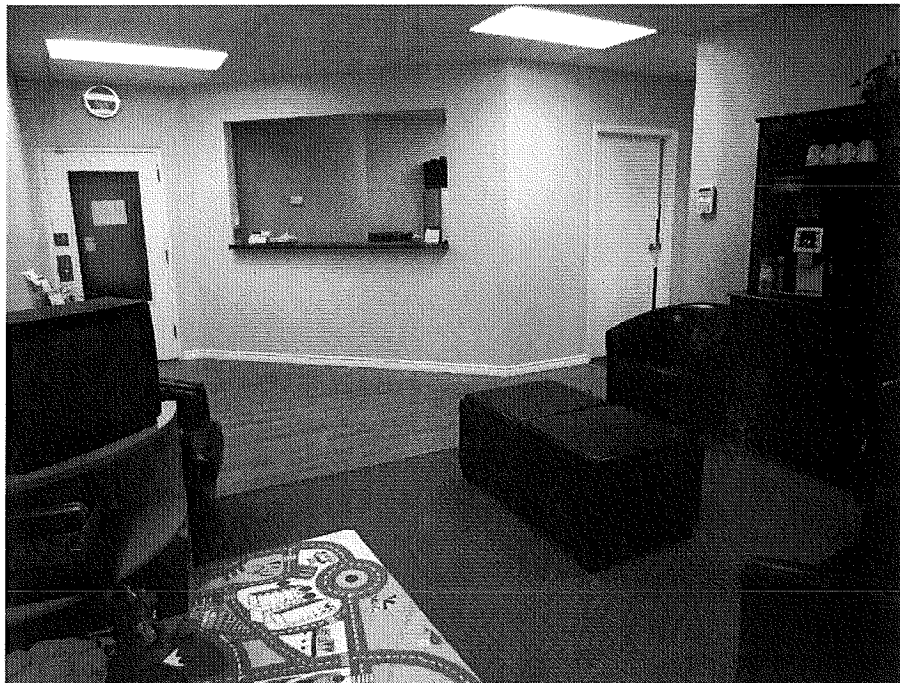
Typical Offices



## INTERIOR PHOTOGRAPHS



Typical Offices

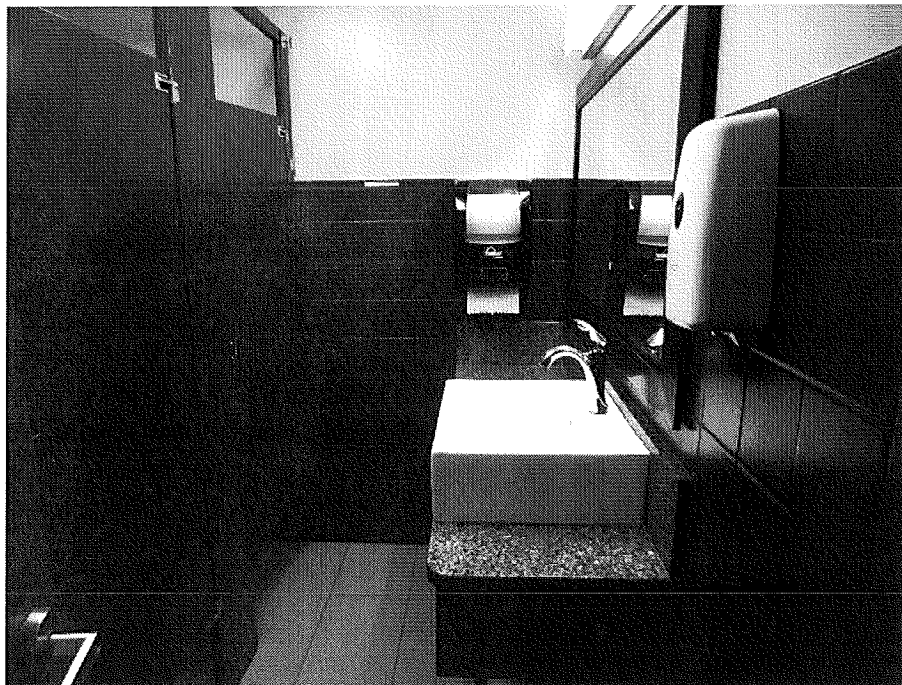


Typical Offices

## INTERIOR PHOTOGRAPHS

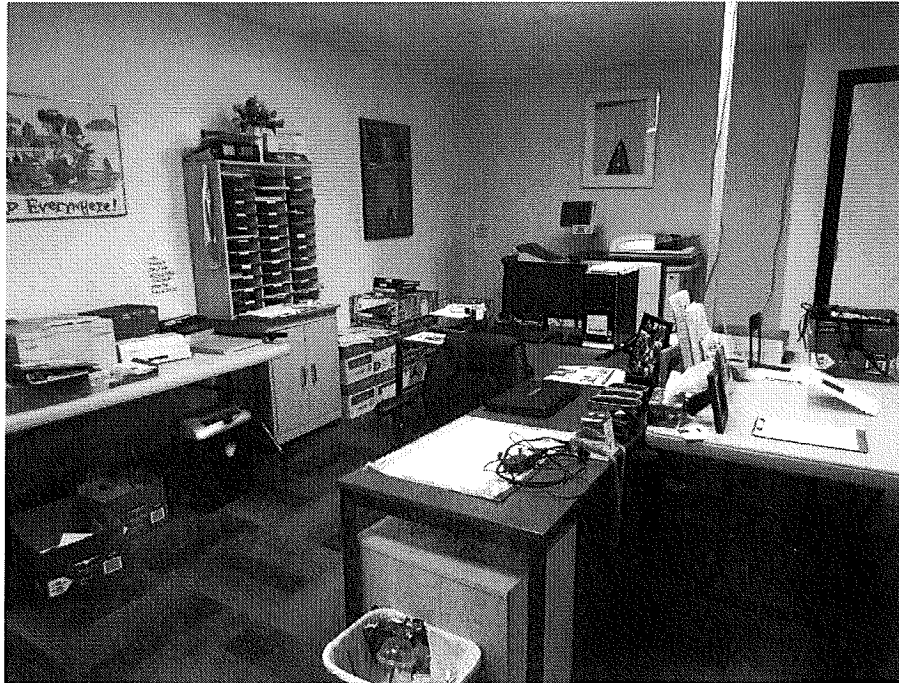


Typical Offices

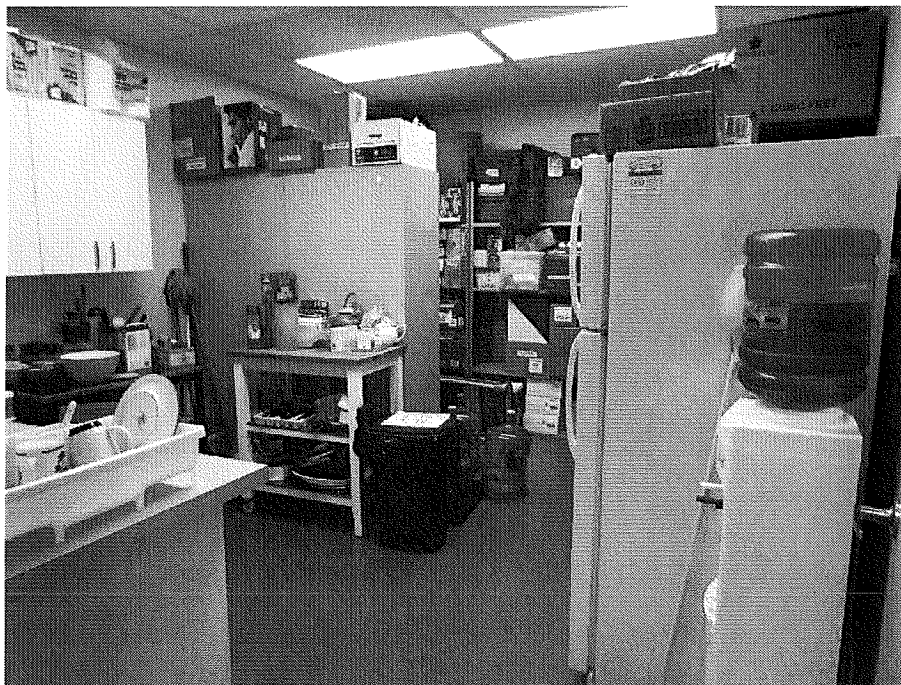


Men's Washroom

## INTERIOR PHOTOGRAPHS

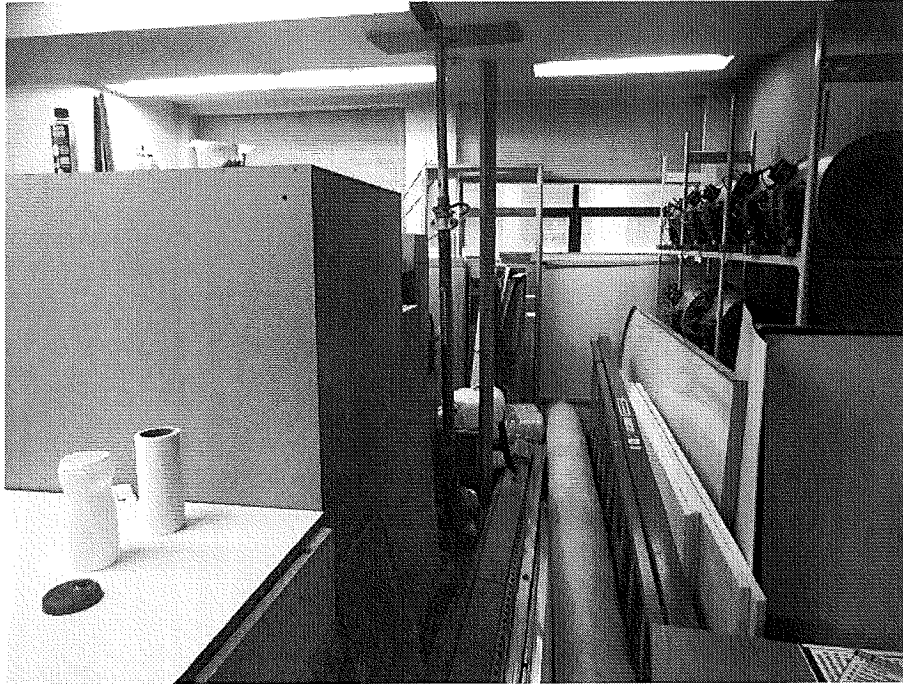


Typical Offices

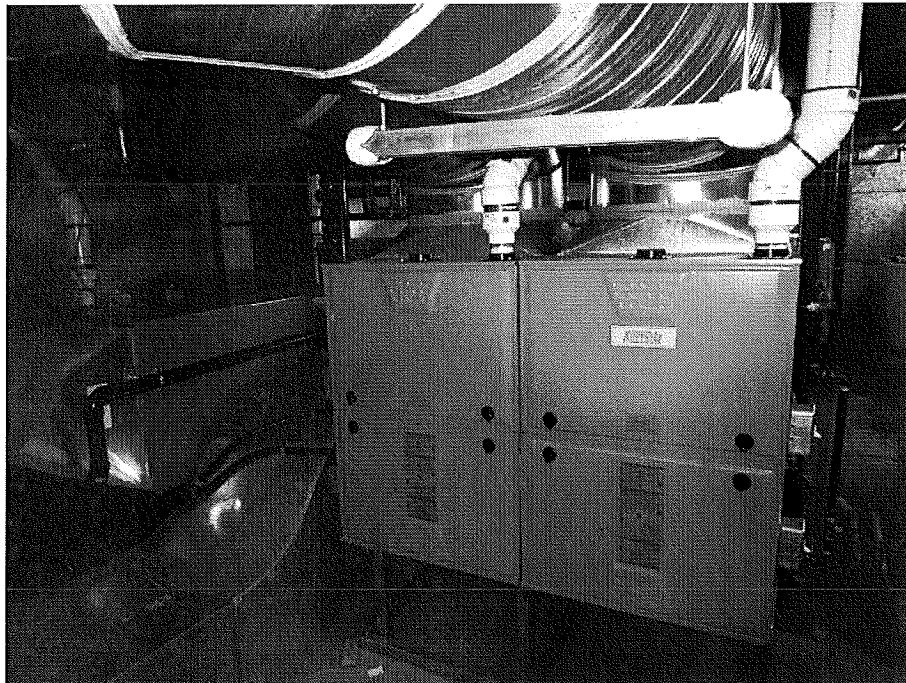


Typical Offices

## INTERIOR PHOTOGRAPHS



Storage Area



Rooftop Mechanical Room

# Market Overview

## August 2016 Canadian Economic Overview

Canada's economy has been grinding its gears with stop-start growth since the start of 2016. The Nation's real GDP grew by 0.5% in January then fell by 0.1% in February and 0.2% in March before climbing by 0.1% in April then falling by 0.1% in May. The Conference Board of Canada projects "The economy will likely contract in the second quarter and then rebound towards the latter half of the year. However, this won't be enough to offset the second quarter's weaknesses."

Business investment remains the largest source of weakness in the economy and is forecast to decline again in 2016. With oil prices expected to remain near its current \$50 (US), business investments in this sector is forecasted to fall by another \$14 billion this year following a decline of almost \$19 billion last year. Furthermore, business investments within Canada's non-energy firms including Canada's manufacturing are expected to decline as a result of slow global economic growth, weak business confidence as well as higher prices for imported machinery.

Global economic uncertainty is also dampening the Canadian growth outlook. The global economy, which is already experiencing lackluster growth, could further be impacted by weaker business confidence and lower international investments as a result of the United Kingdom's (BREXIT) decision to leave the European Union, the terrorist events in France, Belgium and Germany as well as the failed coup attempt in Turkey.

On a positive note, a weak Canadian Dollar and low gas prices will make Canada an attractive destination for both International and Canadian travelers. Overnight visits from the United States are forecasted to rise by 5.1% with overseas visits increasing by 5.2% this year. Furthermore, many Canadians will opt to stay in Canada this year boosting domestic overnight stays by a forecasted 2.1%.

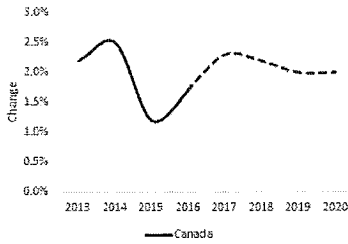
### Average Annual Compound Growth Rate

Economic Indicator	Historical 2013 - 2015	Current Period Forecast 2016	Mid-Term Forecast 2017-2020	Forecast Trend
GDP	1.9%	1.7%	2.1%	↑
Employment	0.7%	0.9%	1.1%	↑
Unemployment (improvement)	1.4%	-1.4%	4.8%	↑
Personal Income per capita	2.5%	1.9%	2.8%	↑
Population	1.0%	1.1%	1.0%	↑
Retail Sales per Capita	2.3%	2.3%	2.1%	↑
CPI	1.5%	1.6%	2.1%	↑
Housing Starts	1.8%	-5.3%	2.8%	↑

### Forecast Risk

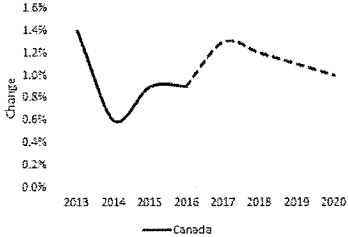
If oil prices remain weak, the outlook for Canada's economy will be downgraded.

Real Gross Domestic Product (GDP)



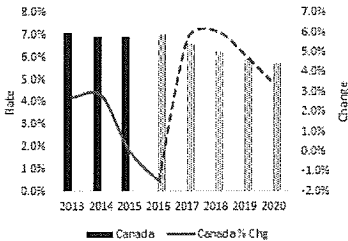
Canada’s GDP is forecasted to improve to 1.7% in 2016 with mid-term growth projected at 2.1% following GDP growth of 1.2% in 2015. The nation’s GDP is expected to be lifted by new Federal stimulus package worth a net \$11.6 billion in fiscal 2016-17 and \$14.9 billion in 2017-18. With a consistently lower Canadian dollar, high hopes continued to be placed on increased exports to the United States to provide a lift to Canada’s economy. The country’s business investments, however, are expected to continue to contract due to persistently low oil and commodity prices and higher prices for imported machinery.

Employment



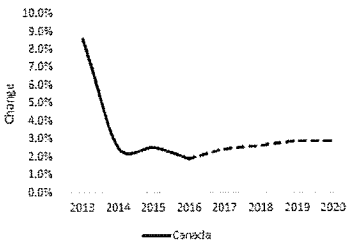
Canada’s employment is expected to maintain last year’s trajectory and grow by 0.9% in 2016. Nationally, 150,000 jobs are expected to be added in 2016 marking the third consecutive year of disappointing employment gains. The nation’s mid-term employment growth is expected to improve posting an average gain of 1.1% annually as Canada’s economy improves.

Unemployment

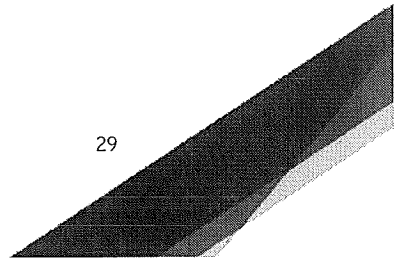


Canada’s unemployment rate is expected rise this year from 6.9% to 7.0% as the country continues to adjust to persistently low oil and commodity prices. However, the nation’s unemployment rate is expected to improve in 2017 falling to 6.6% followed by steady improvements from 2018 through 2020 bolstered by expected employment gains within the construction and manufacturing industries. By 2020, Canada’s unemployment rate is expected to reach 5.7%.

Personal Income per Capita

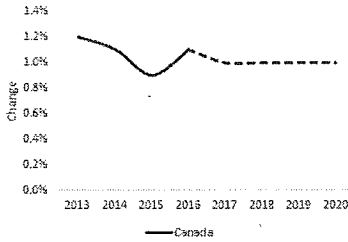


After reaching personal income per capita growth of 2.5% in 2014 and 2015, Canada’s personal income per capita is expected to cool this year to 1.9%. The country’s persistent weak economic growth is expected to translate into decelerated wage growth. Over the mid-term, however, Canada’s personal income per capita is projected to improve and grow by an average of 2.8% annually. Nationally, personal income is expected to rise from \$45,800 in 2016 to over \$51,000 by 2020.



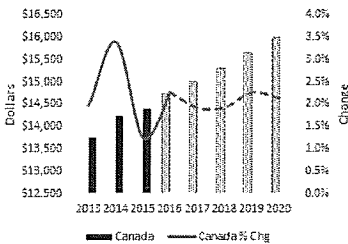


Population



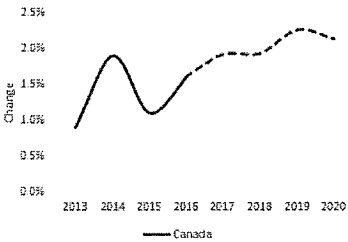
Canada's population is expected to grow 1.1% in 2016 outpacing last year's growth of 0.9%. From 2017 through 2020, the country's population is projected to steadily grow by 1.0% annually. Canada's population is expected to reach 37.7 million by 2020 up from 36.2 million this year.

Retail Sales per Capita



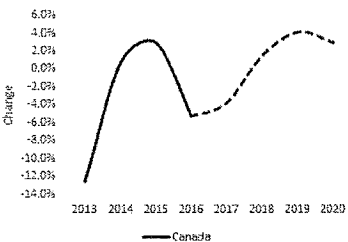
The nation's retail sales per capita is expected to post significant growth of 2.3% this year following gains of 1.2% in 2015. However, mid-term retail sales per capita growth is projected to contract as a result of weak income growth and high debt levels. Canada's retail sales per capita growth is expected to average 2.1% through 2020.

Consumer Price Index



Lower gasoline prices are being offset by rising prices for food, clothing and footwear resulting in a forecasted increase in country's CPI. Canada's CPI is expected to increase to 1.6% this year after posting CPI growth of 1.1% in 2015. Last year, prices for fresh vegetables rose 18.2% while meat prices rose by 5.0%. According to the food price report, food inflation rates are project to rise by between 2.0% and 4.0% this year. CPI growth is forecasted to accelerate in the mid-term with growth averaging 2.1% annually.

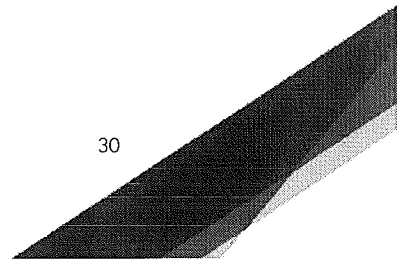
Housing Starts



The new home construction market is dealing with relatively high inventories of completed and unoccupied units – particularly multiples. This is expected to keep housing starts below their 20-year average in 2016, with construction of 184,500 units this year, down from 194,700 units last year.

The information is sourced from:

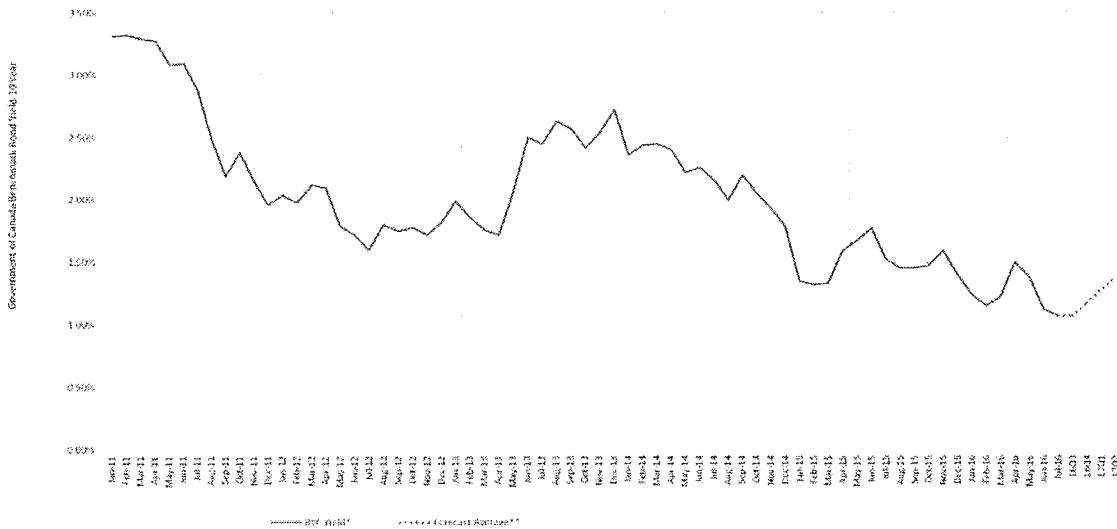
- a) The Conference Board of Canada, Metropolitan Outlook 1 Spring 2016, based on March 31, 2016 Canadian economic accounts
- b) Statistics Canada



## Bond Yields

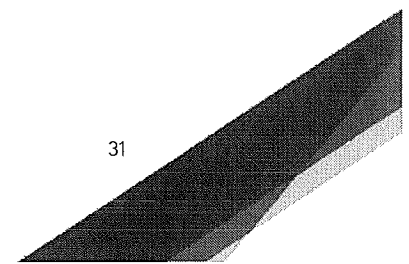
Increased global interconnectedness has led central banks to consider and respond to foreign-sourced shocks almost as force-fully as those originating on their own shores. With heightened uncertainty within the global economy as a result of the United Kingdom’s vote to leave the European Union (BREXIT), the failed coup attempt in Turkey as well as terrorist activities in Europe, has the world’s central banks maintaining their lower rates for longer periods or lowering their rates to stimulate their economies.

In light of Canada’s weaker outlook for business investments and lower profile for exports as well as continued slowness in global growth, the Bank of Canada (BoC) announced on July 13 that it is maintaining its target for the overnight rate at 0.5%. According to the BoC, inflation in Canada is on track to return to 2.0% in 2016 as the complex adjustment underway in Canada’s economy proceeds. The U.S. Federal Reserve (FED), who at one time forecasted up to 4 rate hikes in 2016, once again decided to leave its rates unchanged during its July 26 meeting. The FED is facing moderate growth in the U.S. and the timing of its next interest rate hike will be affected by the ongoing presidential campaign. Meanwhile, the Bank of England (BOE) cut its bank rate for the first time in seven years on Aug 3. The BOE’s cut of 25 basis points pushes their bank rate to a record low of 0.25%. On the other hand, the Bank of Japan (BoJ) eased its monetary policy further by increasing its purchases of exchange-traded funds (ETFs) to bolster its economy.



The information is sourced from:

- a) Bank of Canada, Government of Canada benchmark bond yields 10 year, July Monthly 2016
- b) RBC Economics, Financial Market Monthly, August 5, 2016
- c) TD Economics, Dollars & Sense, July 28, 2016
- d) Scotia Bank Global Economics, Forecast Tables, August 3, 2016
- e) CIBC World Markets Economics, August 8, 2016
- f) BMO Rates Scenario, August 3, 2016





## August 2016 Alberta Economic Overview

Canada's housing market posted a record number of sales in early 2016 and prices, on average, increased at a double-digit pace. These headlines masked significant deviations across regions. In Alberta and Saskatchewan sales were below year ago levels while Ontario and BC sales soared and they posted the largest increases amongst provinces. This elevated pace of sales activity combined with the rebuilding in the aftermath of the Fort McMurray fire will likely keep building activity running above the pace of household formation with starts now expected to total 190,000 above RBC's previous forecast of 186,000 units.

More specifically directed at Alberta, although the Fort McMurray fire did not damage oil sands production and transportation infrastructures, nearly half of oil sands capacity was shut down during the month of May—both for precautionary reasons and to allow workers to evacuate safely. Nonetheless, early estimates indicate that the loss of oil production due to the fires, alone, will knock between 0.8 percentage points and 1.2 percentage points off Alberta's 2016 growth (depending on the speed that oil sands production returns to pre-crisis levels). This is expected to be partially mitigated from reconstruction work set to kick in during the second half of 2016 that will temper the overall hit to the economy from the energy sector in 2016. Early forecasts show the net effect of the fires will slice approximately 0.5 percentage point from Alberta's real GDP growth in 2016.

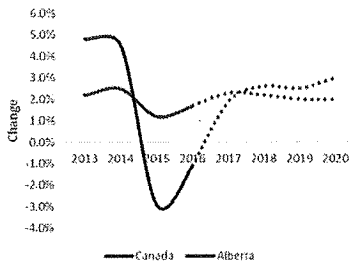
### Average Annual Compound Growth Rate

Economic Indicator	Historical 2013 - 2015	Current Period Forecast 2016	Mid-Term Forecast 2017-2020	Forecast Trend
GDP	0.7%	-1.1%	2.7%	↑
Employment	1.7%	-1.2%	1.7%	↑
Unemployment (improvement)	-14.2%	23.3%	15.0%	↑
Personal Income per capita	1.4%	-1.6%	2.4%	↑
Population	2.5%	1.7%	1.7%	↑
Retail Sales per capita	-0.6%	-2.3%	1.7%	↑
CPI	1.8%	1.8%	2.2%	↑
Housing Starts	1.8%	-24.1%	4.3%	↑

### Forecast Risk

As Alberta moves into 2016, excess global supply from OPEC producers coupled with uncertainty in China, Europe and the Middle East will continue to weigh on oil prices. This will lead to even greater stress on the balance sheets of the province's energy producers as they struggle to reduce costs. Alberta's labour market will remain challenged, including the loss of some labour to other provinces. But hiring in other sectors will help to offset job losses, though in some cases, these will be lower-paying jobs. By the end of 2015, there were almost 60,000 more unemployed Albertans than there were a year earlier. Employment is down — in mining and oil and gas sectors in particular — by roughly 25,000.

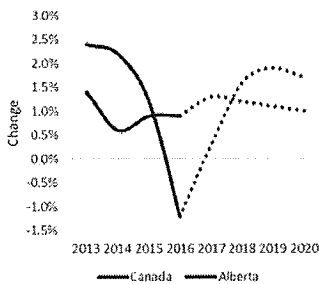
Real Gross Domestic Product (GDP)



After contracting by 2.9 per cent last year, Alberta's economy is forecast to fall another 1.1 per cent in 2016. The plunge in oil prices has prompted energy companies to slash capital investment and lay off workers.

The good news is that the government plans to spend billions on infrastructure projects in an effort to jump-start the faltering economy.

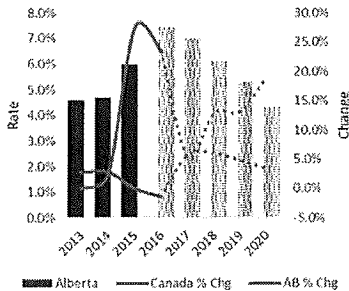
Employment



Employment is expected to decline by 1.2 per cent in 2016, as the oil patch continues to struggle.

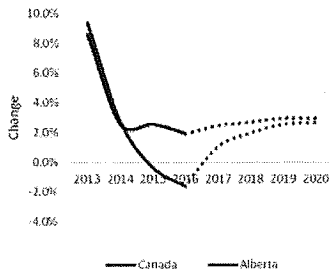
With oil firms slamming the brakes on investment and on hiring, net annual inflows of immigrants will drop to an average of around 32,800 over the next two years.

Unemployment

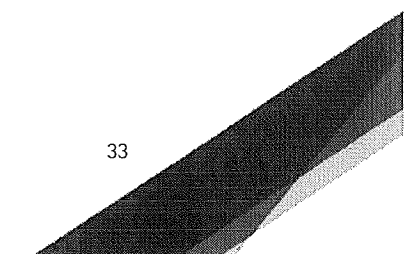


The slowdown in demand for workers, plus the increase in the available labour pool with some migrants from other provinces and abroad still moving to Alberta, will push the unemployment rate to 7.4 per cent in 2016, up from 4.4 per cent in November 2014.

Personal Income per Capita

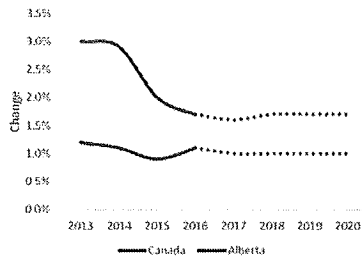


On the wage front, forecasts call for a modest decrease as average personal income per capita will fall slightly to \$55,383 from \$56,285 after seeing consistent growth in the previous years. Personal income is expected to continue to climb in the forecast from the Conference Board reaching over \$60,064 by 2020.





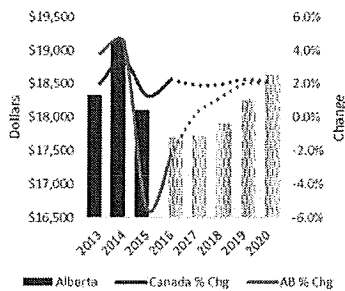
Population



With oil firms slamming the brakes on investment and on hiring, net annual inflows of immigrants will drop to an average of around 32,800 over the next two years.

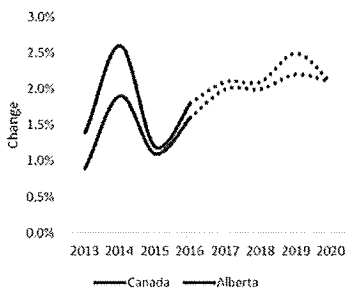
Alberta's population is slated to be break the 4.25 million mark in 2016 and reach as high as 4.5 million by 2020.

Retail Sales per Capita



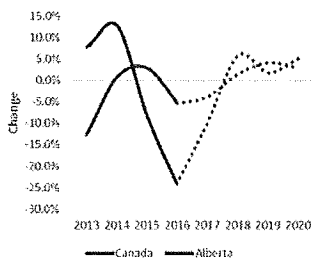
Retail sales are expected to drop a further 0.6% in 2016 after experiencing a 3.5 per cent decrease in 2015. Despite the decrease forecasts still have retail sales totaling above \$75 million which would eclipse the levels reached in 2013. Household consumer spending will see only a modest gain of 1.1 per cent this year, down from an average of 5.8 per cent over the 2010-14 term.

Consumer Price Index



Alberta's CPI has increased by an average rate of 1.8 per cent since 2013. In 2016, Alberta's CPI growth is expected to see a percentage change of 1.8%. From 2017 to 2020, both the provincial CPI is expected to grow by an average of 2.2% annually.

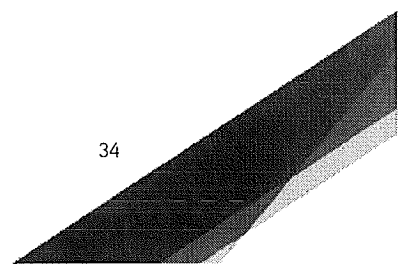
Housing Starts



Housing starts are expected to average around 28,000 units over 2016 - 17 – more than 13,000 units fewer than in 2014.

The information is sourced from:

- a) The Conference Board of Canada, Metropolitan Outlook 1 Winter 2016, based on September 1, 2015 Canadian economic accounts. Forecast completed December 22, 2015.
- b) Statistics Canada



## August 2016 Edmonton Economic Overview

New Statistics Canada numbers indicate that the number of Albertans who are currently relying on Employment Insurance benefits has spiked by 21.1 per cent between April and May of this year. As of May, there are currently 77,800 people requiring access to EI in Alberta – which is a significant increase (58.6 per cent) from May 2015.

Almost one-third of those new EI beneficiaries came from the regional municipality of Wood Buffalo, where the number of EI recipients jumped by a whopping 141.6 per cent, almost entirely as the result of the Fort McMurray fire. This is not to say things in Alberta are all sunshine and rainbows. The continuing depression in oil prices, have put a lot of Albertans outside Wood Buffalo out of work, too.

In April, 22,370 people in the Edmonton census metropolitan area were receiving EI benefits. In May, that number jumped to 24,260, an increase of 8.4 per cent. That's not the only concerning metric. Between May 2016 and June 2016, the metro Edmonton region lost 1900 jobs. John Rose, the City of Edmonton's chief economist, believes the fire is distorting Edmonton's numbers too. "A significant number of those were people who reside in Edmonton but work in Fort McMurray," he says.

Currently, another perplexity is that Edmonton still has the second-highest average household income in Canada, second only to Calgary, which, in spite of everything, still hangs onto No. 1 spot. Rose says average weekly wages in Edmonton are still going up. And while people aren't buying cars or new homes at the pace they were a year ago, Rose says the data shows that other consumer spending in the Edmonton region is still strong.

### Average Annual Compound Growth Rates

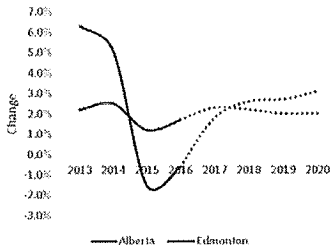
Economic Indicator	Historical 2013 - 2015	Current Period Forecast 2016	Mid-Term Forecast 2017-2020	Forecast Trend
GDP	1.7%	-0.6%	2.8%	↑
Employment	2.2%	-0.4%	3.3%	↑
Unemployment (improvement)	9.7%	-15.3%	12.0%	↑
Personal Income per capita	3.7%	-0.3%	2.4%	↑
Population	3.0%	1.7%	1.8%	↑
Retail Sales per capita	1.6%	-1.8%	1.7%	↑
CPI	1.7%	1.8%	2.2%	↑
Housing Starts	7.7%	-43.8%	5.3%	↑

### Forecast Risk

Private investment in oil sands, in private industry, needs to have a return. If there is no return, there is no landscape for capital investment. If there is no capital investment, there is no job creation, and there are no revenues for government. For government, that means spending on long-term infrastructure like roads, hospitals, and schools and also investing in areas that will turn a profit. Investments could look to be made in researching new ways to get oil to market cheaper and for government to balance between economic reforms and economic growth.



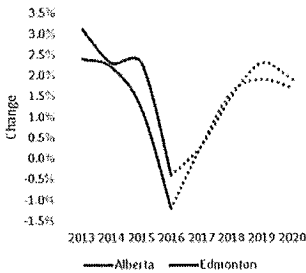
Real Gross Domestic Product (GDP)



Real GDP in Edmonton slipped 1.5 per cent last year, as falling oil prices put a damper on the region’s economy. And, while the public administration sector is expected to expand this year, output growth is anticipated to be much slower than the previous five-year average. In all, real GDP is expected to decrease by 0.6 per cent.

Edmonton’s economy should start recovering next year with a 1.8 per cent gain in real GDP.

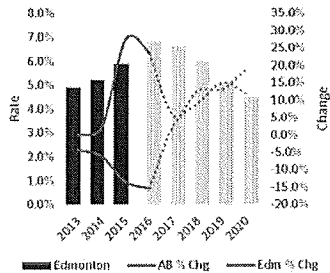
Employment



Surprisingly, Edmonton’s labour market has managed to brush off the effects of a slowing economy so far, posting strong job growth through the last half of 2015 and into the first quarter of 2016.

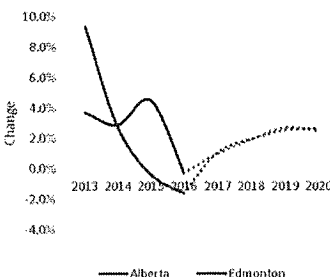
Although the Conference Board of Canada is calling for a 0.4 per cent dip in employment for the full year 2016, this outlook may be pessimistic given the strong start to the year.

Unemployment

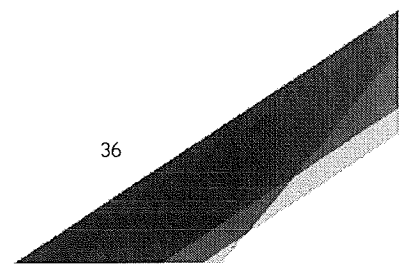


Even with April’s solid job numbers, Edmonton’s unemployment rate edged up from 6.9% to 7.0% between March 2016 and April 2016 as the region’s labour force continued to expand at a pace five times the Canadian average.

Personal Income per Capita

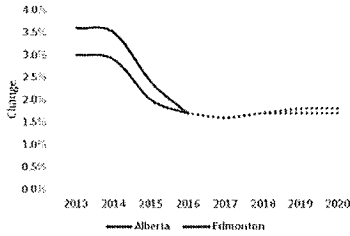


After seeing steady increases in personal income per capita over the previous three years (an average of 3.7%), Edmonton is expected to experience a slight dip in 2016. Personal income per capita is forecast to drop slightly from \$56,260 (2015) to \$56,093 in 2016. With the effects of low oil prices forecast to stabilize next year, a return to positive income growth is anticipated reaching \$60,000 by 2020.



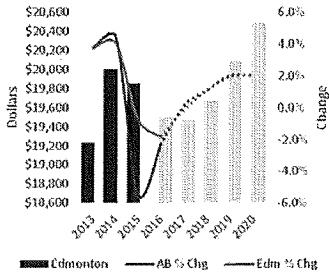


Population



Much of Edmonton’s population growth over the previous years was driven by a booming economy and increasing employment opportunities. With less opportunities being created, and a slowing migration trend, Edmonton will see a deceleration in population growth. While still positive, Edmonton is forecast to see a 1.7 per cent increase in 2016 after 2.4 per cent in 2015 and above 3.5 per cent the previous two years before.

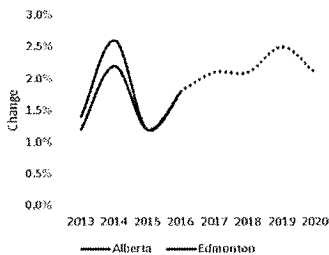
Retail Sales per Capita



With the economy mired in a slump, consumers are expected to continue to rein in their spending this year. As a result, wholesale and retail trade output, which decreased by 1.8 per cent last year is forecast to fall a further 3.4 per cent this year. Retail sales are forecast to reach over \$27 billion in 2016, a -0.2 per cent decrease.

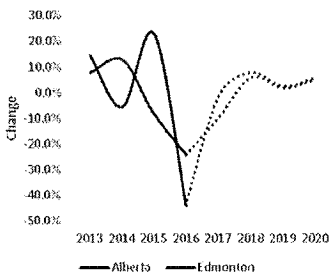
The overall services sector may also be a little stronger than anticipated because of a small increase in output from spending on food, accommodations, and other services by families forced to flee wildfires in Fort McMurray.

Consumer Price Index



Edmonton’s CPI growth is projected at 1.8% this year mirroring the provincial CPI growth rate. Both the city’s and provinces CPI growth is expected to outpace the national CPI rate of 1.6%. Both the city’s and province’s mid-term CPI growth rates are projected to grow at 2.2%.

Housing Starts

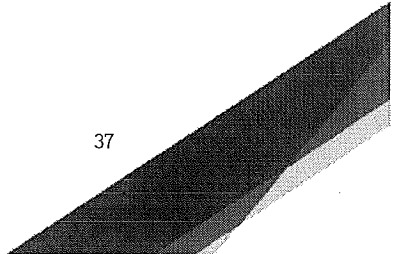


Home builders may have been caught off guard by the sudden change in economic fortunes and overestimated the demand for new homes. Indeed, the number of newly completed and unoccupied dwellings reached a record high as of March 2016.

Builders are therefore expected to back away from the market until the excess inventories are worked off. As a result, the Conference Board of Canada expects housing starts to fall to 9,600 units in 2016 and 9,400 units in 2017.

The information is sourced from:

- a) The Conference Board of Canada, Metropolitan Outlook 1 Spring 2016, based on September 1, 2015 Canadian economic accounts. Forecast completed December 22, 2015.
- b) Statistics Canada



## Metropolitan Edmonton Office Market Overview

### Vacancy Rates

According to the most recent Q1 2016 Colliers Office Market Report, Metropolitan Edmonton contained a total of 27,576,029 square feet of office accommodation within 277 buildings (excluding Sherwood Park). This includes 93 buildings with 17,306,586 square feet within the Downtown office market and 184 buildings with 10,269,443 square feet within the Suburban office market.

There is currently 3,311,225 square feet of vacant area in the City of Edmonton as of the end of the first quarter of 2016, which suggests an overall vacancy rate of 12.01%. This vacancy rate is trending upwards from the 11.78% illustrated by the Q4 2015 Colliers Office Market Report. The Direct Vacancy square footage for Edmonton's office market in Q1 2016 reflected 2,818,634 square feet. Sublease vacancy, which is included in the above overall vacancy statistics, has increased slightly from 491,316 square feet in the fourth quarter of 2015 to 492,591 square feet in the first quarter of 2016.

**Vacancy Rates – Edmonton Office Market Q1 2016 Report**

Vacancy Rates	Downtown Financial	Government & Non-Financial	Total Downtown	Suburban Market	Sherwood Park	Market Totals
Q1 2016	9.83%	11.43%	10.37%	14.77%	22.61%	12.01%
Q4 2015	9.24%	11.81%	10.10%	14.61%	19.93%	11.78%

### Absorption

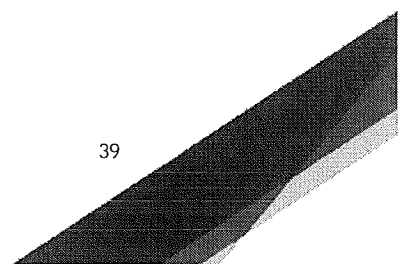
The first quarter of 2016 saw negative absorption of -85,130 square feet, pushing total city-wide vacancy rates up to 12.01% from 11.78% at the end of Q4 2015. The negative net absorption in Edmonton can largely be attributed to a temporary slowdown and delay in growth plans among tenants.

Looking forward beyond 2016 and into the long-term health of the market, we expect a gradual recovery in net absorption levels towards historical averages over the next few years as the sit & wait attitude dissipates with reduced uncertainty and a narrowing of the divergence in expectations between tenants and landlords. While vacancy rates downtown are set to rise in the short term as the large supply increases are met with only modest net absorption, vacancy rates should begin to fall shortly thereafter as net absorption recovers to historical levels (assisted by the revitalization of the downtown core) and supply remains stable. Suburban markets are also likely to see below average net absorption in the short term as the same themes temporarily reduce demand, but with only modest known supply increases from 2016 through 2018 should see vacancy rates rise only slightly before beginning to fall.



Absorption - Edmonton Office Market Q1 2016 Report

Net Absorption	Downtown Financial	Government & Non-Financial	Total Downtown	Suburban Market	Sherwood Park	Market Totals
Q1 2016	-87,777	21,711	-66,066	-19,064	-41,583	-85,130
Q4 2015	7,496	-91,405	-83,909	57,489	13,921	-26,420





## Downtown Office Market

Overall the Downtown Financial District reported a very high negative absorption of 87,777 square feet for the first quarter of 2016, pushing vacancy rates to 9.83% from 9.24% last quarter. Very marginal positive absorption was reported in Financial Class C; however, Financial Class AA, Financial Class A and Financial Class B all reported negative absorption.

Manulife Place and Bell Tower are responsible for the negative absorption reported in Financial Class AA (-48,078 SF). SciQuest is closing their Edmonton office, leaving 24,609 square feet vacant on the 3rd floor of Manulife. Within Bell Tower, one new sublease was brought onto the market (Sierra Systems for 14,159 square feet), and The Law Society of Alberta is closing their office, vacating 14,180 square feet.

The downtown Government District started the year strong, reporting positive net absorption of 21,711 SF after four quarters of negative absorption, lowering the overall vacancy rate to 11.43%. There was very little to no activity within Government Class A and Class C; however, Class B reported the highest positive absorption of all districts across the city, largely due to one tenant.

## Downtown Edmonton Office Market Q1 2016

Area	Class "AA" Financial	Class "A" Financial	Class "B" Financial	Class "C" Financial	Class "A" Government	Class "B" Government	Class "C" Government
<b>Total Q1 2016 Vacancy (SF)</b>	362,271	570,390	134,681	64,639	74,567	530,262	57,562
<b>Vacancy Rate Q1 2016</b>	15.15%	8.40%	6.55%	23.46%	4.28%	14.14%	18.99%
<b>Vacancy Rate Q4 2015</b>	13.78%	7.96%	6.23%	23.81%	4.28%	14.77%	18.49%

## New Construction – Downtown Financial District

Building Name	Address	Class	Floors	Office Area	Developer	Status/Date
Kelly Ramsey	101 Street & Rice Howard Way	AA	25	550,000	Pangman Development Corporation	Construction - 2016
City of Edmonton Tower	104 Avenue & 101 Street	AA	27	595,000	EAD Joint Venture	Construction - 2017
Stantec Tower	103 Avenue & 102 Street	AA	62	600,000	EAD Joint Venture	Construction - 2018

## New Construction – Downtown Government District

Building Name	Address	Class	Floors	Office Area	Developer	Status/Date
Federal Building	9820- 107 Street	B	11	355,000	Alberta Provincial Government	Complete

## Suburban Office Market

Various small transactions were completed within the Southside district; however these were offset by a larger amount of space coming onto the market, including 11,610 square feet within Versa Commercial Centre, vacated by Orbis Engineering.

Negative 6,033 square feet of net absorption within the South Henday district was due to Kiewit's sub-sublease of 10,561 square feet within the Steppes Building. Two transactions were completed in Landmark Business Centre for a total of 4,420 square feet, with space leased to Escape Emporium and Resolve Physio & Wellness.

Sherwood Park was hit the hardest this quarter (-41,583 square feet of net absorption), with 34,925 square feet coming onto the market in Broadmoor Place 7. Negative 29,525 square feet is being vacated by WSP Engineering, as well as a new Suncor sublease of 5,400 square feet.

18,749 SF of positive net absorption within the 149th Street district was primarily due to Catholic Social Services leasing 21,000 SF in the 10320 - 146 Street Building; this was slightly offset by two small vacancies coming onto the market.

Only a very small amount of activity was reported within the West End district, with the most significant transaction being BDC leasing approximately 6,000 square feet within the Westlink Park Corner Building.

### Suburban Edmonton Office Market Q1 2016

Area	118 <sup>th</sup> Avenue	124 <sup>th</sup> Street	149 <sup>th</sup> Street	Eastgate	Southside	South Henday	Whyte Ave	West End
<b>Total Q1 2016 Vacancy (SF)</b>	59,636	142,749	114,983	254,043	473,519	102,486	64,741	304,696
<b>Vacancy Rate Q1 2016</b>	7.66%	17.77%	10.04%	22.08%	15.48%	9.87%	11.38%	17.64%
<b>Vacancy Rate Q4 2015</b>	6.41%	17.33%	11.68%	21.68%	15.01%	9.62%	10.45%	17.93%

### New Construction - Suburban

Building Name	Address	Class	Floors	Office Area	Developer	Status/Date
Edmonton Brewery District	104 Avenue & 121 Street	A	-	99,123	First Capital / Sun Life Financial	Construction

## Neighbourhood Description

### Location

The subject building is located within Downtown Edmonton. Downtown is a dense, mixed-use neighbourhood located within Central Edmonton adjacent to the northern side of the North Saskatchewan River Valley.

### Neighbourhood Boundaries

Downtown Edmonton is situated to the south of 105th Avenue, to the west of 97th Street, to the north of 97th and 99th Avenues, and to the east of 109th and 111th Streets. The dense mixed-use neighbourhood of Oliver is situated to the west, the mixed-use neighbourhood of Central McDougall is situated to the north, the mixed-use neighbourhood of Boyle Street is located to the east, and the residential neighbourhood of Rossdale is situated to the south.

### Access and Important Roadways

There are several major traffic routes in the immediate area. Jasper Avenue, which is Edmonton's historical main street, bisects the neighbourhood in an east-west direction. It exhibits a traffic flow of approximately 24,200 vehicles per day east of 109th Street. 104th Avenue is the other major Avenue that bisects Downtown. It has become the major east-west traffic arterial through Central Edmonton and exhibits average traffic flows of approximately 30,800 vehicles per day west of 105th Street. It becomes Stony Plain Road to the west of the neighbourhood and eventually joins with Highway 16 (Trans-Canada Yellowhead Highway) to the west of the city. The busiest north-south roadway in Downtown Edmonton is 109th Street, which exhibits a traffic flow of 35,500 vehicles. 101st Street, which also provides frontage to the subject property, has an average weekday traffic flow of 14,800.

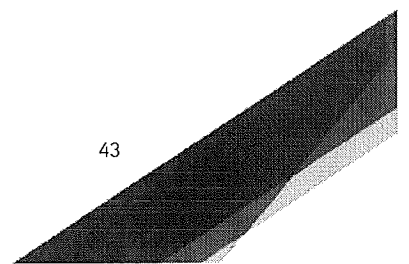
### Property Uses

The primary land uses in the neighbourhood are commercial in character, with numerous dense residential uses situated primarily south of 100th Avenue. Significant retail and office developments are located along the major arterials of Jasper Avenue, 104th Avenue, 101st Street, and 100th Avenue. Institutional development, including the Alberta Legislature, City Hall, the Law Courts Building, and Grant MacEwan (two locations) are all situated within the Downtown. City Centre Mall, one of Western Canada's largest retail developments, is situated on both sides of 101st Street at 102nd Avenue.

## Neighbourhood Influences

There are several primary influencing factors pertaining to Downtown Edmonton. These factors are detailed below.

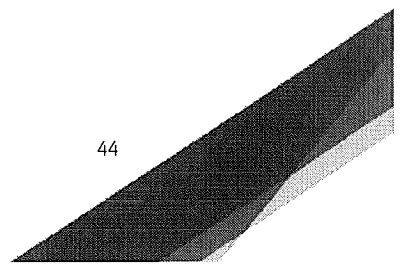
- ***Proximity to dense commercial uses.*** Downtown Edmonton contains approximately ten million square feet of office accommodation within the Financial District (located near 101st Street) and an additional five million square feet within the Government District (located near 108th Street). Dense retail uses, particularly near 101st Street and 102nd Avenue, are also evident. Downtown Edmonton provides almost 10% of Edmonton's total municipal taxes.
- ***Proximity to major educational facilities.*** There are five main educational facilities within Downtown Edmonton with many other facilities located nearby. The main Grant MacEwan Community College location is situated between 105th Street and 109th Street along 104th Avenue. This post-secondary education facility accommodates 13,730 in full and part-time credit courses and 36,385 in non-credit courses. It is the third largest educational facility in the City of Edmonton after the University of Alberta and NAIT. It provides diploma and university transfer programs. Norquest College is situated at 107th Street and 102nd Avenue. This facility trains thousands of students per year in academic upgrading, language training, and career programs. It also plans a significant on-site expansion. Centre High, located at 103rd Street and 102nd Avenue, is the location for High Schools students who wish to take an additional high school year in order to upgrade classes for graduation or post-secondary education. The former Alberta College is located at MacDonald Drive and 101st and was recently merged with the Grant MacEwan series of post-secondary facilities. The University of Alberta also operates a 350,000 square foot Continuing Education facility in the former Bay Building on Jasper Avenue and 103rd Street. It is known as Enterprise Square.
- ***Alberta Legislature.*** The Alberta Legislature is situated at 97th Avenue and 108th Street. This provincial house of government generates significant demand for all property types in the area. It is also a minor tourist draw.
- ***Heavy traffic flows.*** Downtown Edmonton is the primary employment area in the City of Edmonton. Traffic flows are heaviest along the major arterial roadways (Jasper Avenue, 104th Avenue, 109th Street) but are also significant within infill roadways. This traffic provides significant exposure but also can cause vehicle congestion during rush hours.
- ***Increasing redevelopment in the area.*** Numerous development and redevelopment projects located nearby have brought considerable attention to the area. The population of Downtown Edmonton has increased by over 50% in the past ten years. This trend is anticipated to continue as increased population and office/retail/institutional occupancy levels promote demand for Downtown tenancy.



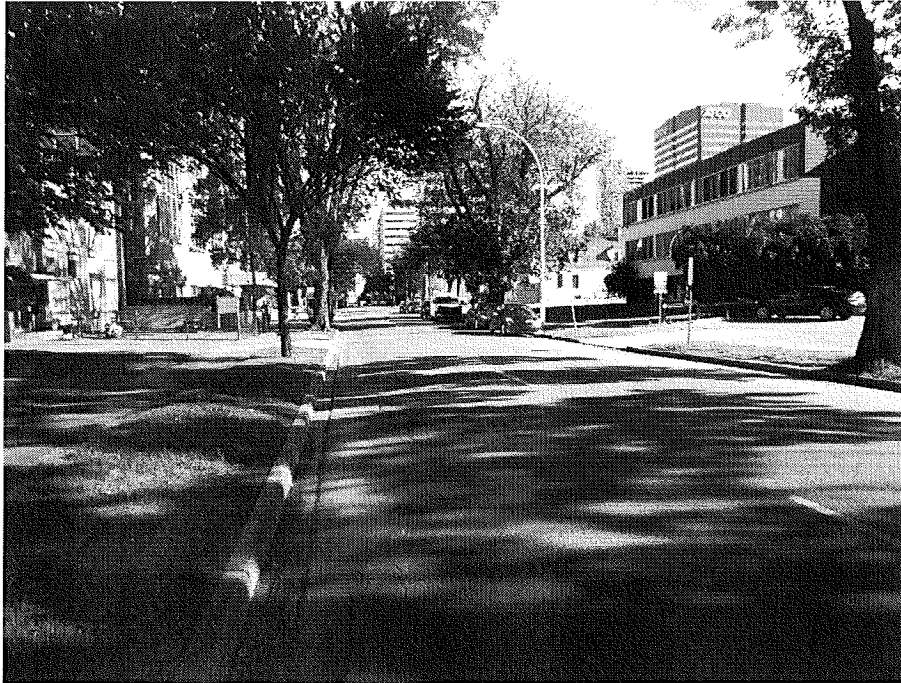


## Summary

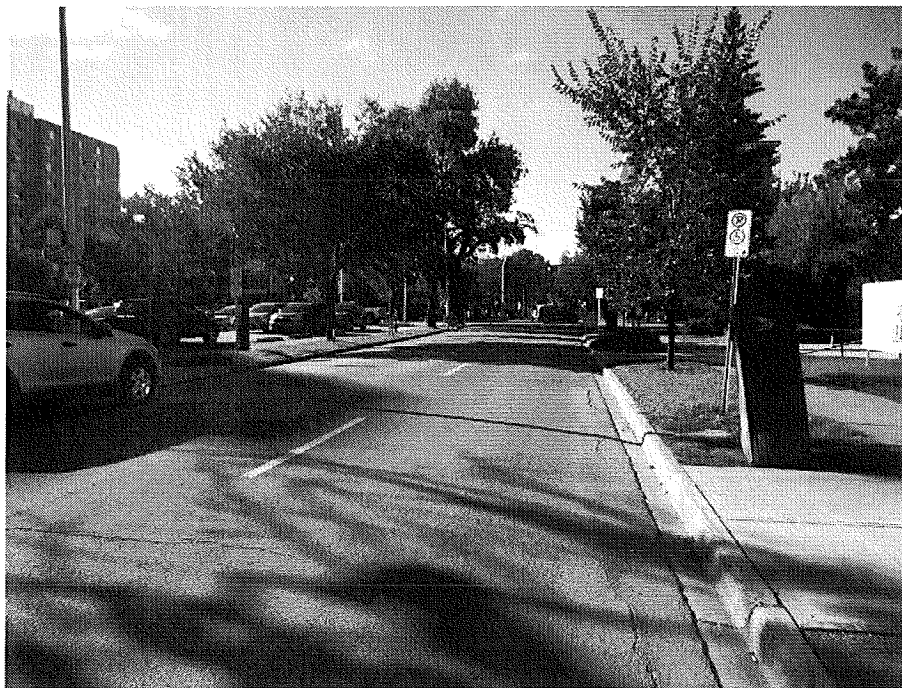
In summary, Downtown Edmonton is a mixed-use neighbourhood that contains a variety of dense office, retail, hotel, residential, and institutional uses. It is considered to have excellent access characteristics due to major nearby roadways and LRT connections. Redevelopment of Downtown Edmonton, primarily but not exclusively in terms of the ICE District and high density residential properties, continues to occur despite the recent economic downturn.



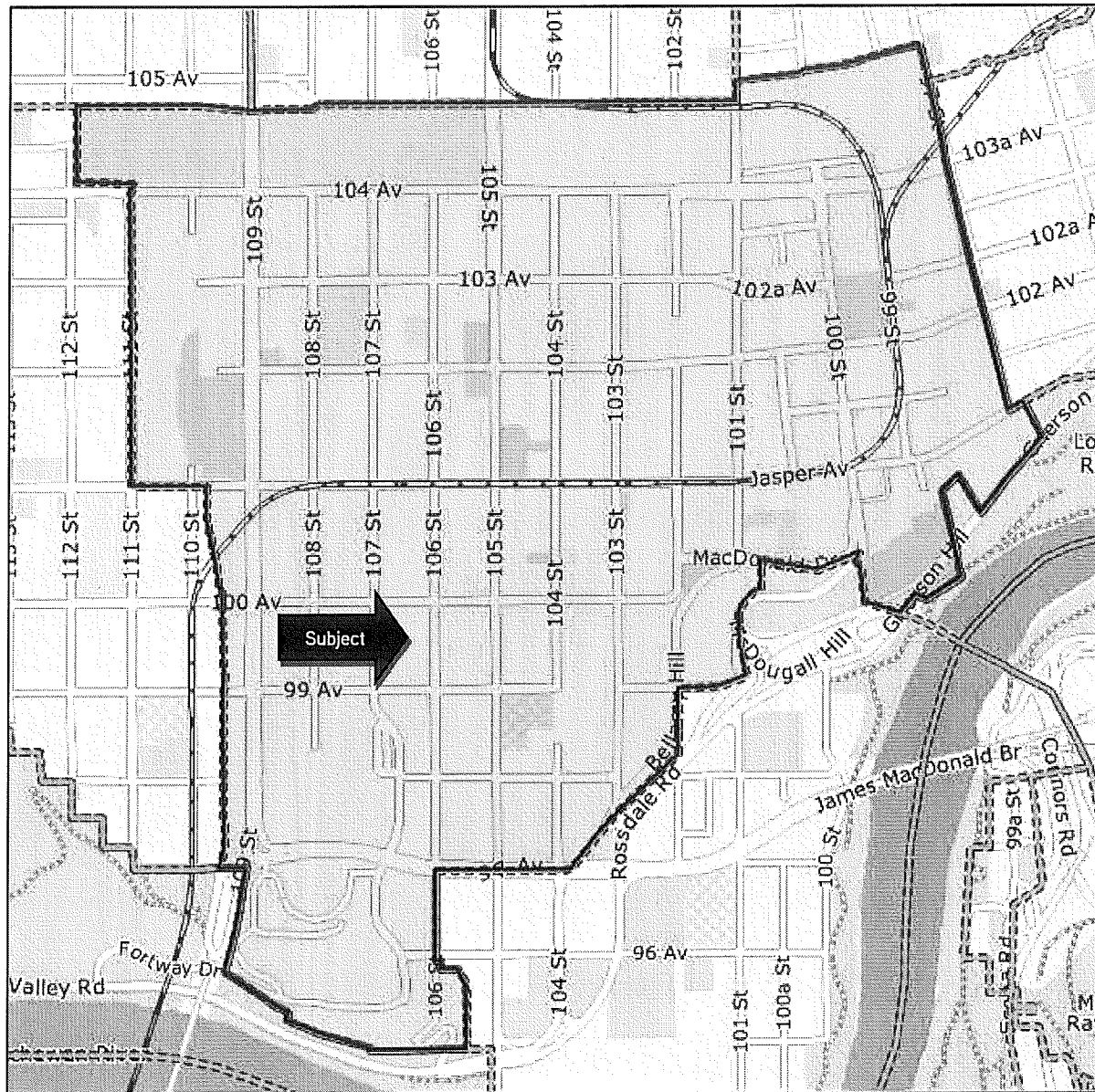
## NEIGHBOURHOOD PHOTOGRAPHS



North along 106th Street



South along 106th Street



## Neighbourhood Map

# Valuation

## Highest and Best Use

The principle of Highest and Best Use is fundamental to the concept of value in real estate. Highest and Best Use, in general, is defined as follows.

“The reasonably probable and legal use of vacant land or an improved property which is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the Highest and Best Use must meet are legal permissibility, physical possibility, financial feasibility, and maximum profitability.”

The Highest and Best Use for properties already improved is usually set by those improvements. For all properties (improved or unimproved), the Highest and Best Use is also determined for the land as if vacant. Highest and Best Use of a site as though *vacant* is defined as follows.

“Among all reasonable, alternative uses, the use that yields the highest present land value, after payments are made for labor, capital and co-ordination. The use of a property based on the assumption that the parcel of land is vacant or can be vacant by demolishing any improvements.”

The definition of the Highest and Best Use for properties *already improved* is as follows.

“The use that should be made of a property as it exists. An existing property should be renovated or retained as-is so long as it continues to contribute to the total market value of the property or until the return from a new improvement would more than offset the cost of demolishing the existing building[s] and constructing a new one.”

*(Source: The Dictionary Of Real Estate Appraisal, Third Edition, Copyright 1993, p 171)*

## Existing Use of the Subject Property

Canadian Uniform Standards of Professional Appraisal Practice requires an appraisal to state the existing use of the subject property. The existing use of the Commonwealth Building as of the effective date of this appraisal is as an office building.

## Highest and Best Use as Vacant

The legal permissibility, physical possibility, financial feasibility, and maximum profitability must be analyzed for the subject property as if it were vacant. This analysis is detailed as follows.



- In terms of **legal permissibility**, a variety of residential, professional, commercial uses and some limited institutional uses are permitted for the subject property.
- In terms of **physical possibility**, the site is fully serviced and ready for immediate development. It is of a size and configuration that would allow for a small scale development.
- In terms of **financial feasibility**, residential, commercial or mixed-uses at the subject site would provide a significant return to a developer.
- In terms of **maximum productivity**, a residential or commercial project would provide the highest return to a potential developer. A residential or commercial developer would therefore be able to pay the highest price for the site as vacant.

The Highest and Best Use of the property as vacant is therefore judged to be as a holding property for eventual residential or commercial development.

### Highest and Best Use as Improved

In general, the Highest and Best Use of a property as improved is the use that will generate the highest sale price if offered on the open market. This is usually its value as currently improved but could be its value as vacant if such a value exceeds its value as improved. The legal permissibility, physical possibility, financial feasibility, and maximum profitability for the Commonwealth Building are detailed as follows.

- In terms of **legal permissibility**, the Commonwealth Building contains a legal nonconforming use and does not appear to be in conflict with any private restrictions.
- In terms of **physical possibility**, the Commonwealth Building is fully serviced and functional for its intended use. It has been used for an extended duration as an office building. The improvements have a significant amount of remaining economic life that could be extended with future renovations.
- In terms of **financial feasibility**, the Commonwealth Building generates a positive return to the current investment group and is expected to continue to do so for the indefinite future.
- In terms of **maximum productivity**, the existing improvements produce a return to the current investment group that is higher than retrofit to an alternate use or demolition and construction of an alternate use.



### Highest and Best Use Conclusion

In consideration of the foregoing discussion, the Highest and Best Use of the Commonwealth Building is the office building as currently improved. This is the use that would attract the highest price if offered for sale. It will therefore be appraised on this basis.

## Valuation Methodology

### Valuation Techniques

Traditionally, there are three accepted methods of valuing office properties.

- Income Approach
- Direct Comparison Approach
- Cost Approach

The selection of a relevant methodology depends upon the nature and characteristics of the real estate under consideration.

- 1) The **Income Approach** recognizes that the primary purchase criterion for many market participants is the property's ability to generate income. In this approach, the potential income the property is capable of generating is analyzed and then converted into an expression of market value by the application of an appropriate technique. There are two main Income Approaches used by market participants.
  - The Income Approach via **Overall Income Capitalization** method is based upon the conversion of current earnings directly into an expression of market value in the same way that stocks are valued through the use of a price-to-earnings multiplier. In this method, the net operating income for the forthcoming year is capitalized by an overall capitalization rate that represents the return required by a typical investor as witnessed by sales and listings of similar properties.
  - The Income Approach via **Discounted Cash Flow Analysis** involves forecasting the future earnings for a prescribed time period and then discounting these annual amounts and the reversionary value of the asset to arrive at an expression of current market value. This technique is predicated upon a number of assumptions with respect to lease renewals, tenant inducements, inflation, etc., and thus is usually more speculative than the traditional Overall Income Capitalization method. It is most useful when accounting for multiple tenancies and lease rate changes over time.
- 2) The **Direct Comparison Approach** examines the cost of acquiring an equally desirable and valuable substitute property as evidenced by transactions of comparable properties within the market area. Most commonly, a unit of comparison (i.e. price per square foot, price per suite, etc.) is utilized to facilitate the analysis.

- 3) The **Cost Approach** to value is based upon the economic principle of substitution, which holds that the value of a property should not be more than the amount by which one can purchase a site with similar locational qualities and construct a building of equal desirability and utility. Various depreciation factors must be assessed for the appraisal of existing buildings.

### Selection of Relevant Methodology

All valuation techniques (Income Approach, Direct Comparison Approach, and Cost Approach) that are pertinent under "reasonable appraiser" standards must be employed within an appraisal. According to the Canadian Uniform Standards of Professional Appraisal Practice, if "reasonable appraisers conclude that there is no rational foundation for an analysis or opinion, then such analysis or opinion would not be justified".

#### *Income Approach*

The majority of leased multi-tenant office properties in Canada are purchased by investment companies who are most interested in the income-generating potential of the property as opposed to its specific physical and locational qualities. This type of purchaser would therefore formulate offer prices based upon the Income Approach rather than the Direct Comparison Approach or Cost Approach. This implies that the Income Approach is the most credible method of analysis. Overall Income Capitalization is the primary method of income analysis for smaller-format properties like the subject. A Discounted Cash Flow Analysis would also be undertaken by market participants due to the larger size of the Commonwealth Building and its multiple tenants with varying lease terms and escalations. It will therefore also be included within this appraisal.

#### *Direct Comparison Approach*

The Direct Comparison Approach, which values physical units of comparison, is sometimes referenced as a secondary measure of value for leased multi-tenant office buildings. It is common practice for vendors, purchasers, and consultants of such real estate to speak of values based upon a price per square foot and many decisions are based in part upon this standard of measure. It will therefore be utilized as a supporting method in the valuation of the Commonwealth Building.

#### *Cost Approach*

The Cost Approach is not a typical basis of valuation for leased multi-tenant office properties. Vendors and purchasers of such real estate are concerned with its income generating potential and physical/location characteristics, not with its depreciated replacement cost, in order to determine an appropriate offer price. This is true even with newly constructed buildings. The inapplicability of the Cost Approach is further exacerbated by the difficulties in estimating such items as functional obsolescence, economic depreciation, and developer's profit. All of these factors can have a major effect on value but cannot be accurately estimated by quantitative measures. As such, it would be a significant error to provide any market value weighting to the Cost Approach within the



Reconciliation of this report. Any "reasonable appraiser" should therefore omit this valuation technique from an appraisal of a leased office property.

## Conclusion

In conclusion, the Income Approach via Overall Income Capitalization, the Income Approach via Discounted Cash Flow and the Direct Comparison Approach are judged to be valid appraisal techniques and will be employed within this appraisal for the subject property. The Cost Approach, due to its irrelevance to leased multi-tenant office buildings, has been omitted within this report.

## Income Approach - Revenue and Expense Analysis

### Methodology

In estimating the market value of a property by the Income Approach, the main criteria for the measurement of value is the property's ability to generate income. In employing this technique, an analysis of the potential income and the probable expenses associated with maintaining this income stream is undertaken in order to estimate the net operating income the property is capable of producing. The net operating income is then converted into an expression of market value through the application of an appropriate technique. In this regard, the most commonly utilized method for valuing real estate like the Commonwealth Building is the *Overall Income Capitalization* technique.

### Occupancy Summary

The following information describes the tenants within the Commonwealth Building. Readers should be aware that leasing and financial information for the property was provided by the property manager of the subject building and accepted at face value by the appraiser. This includes both written and verbal data. The client confirmed that the leasing and financial information contained herein was correct by means of a review of a report draft. However, this information was not verified by any other internal or external process. It is therefore a vital assumption of this report that this information is a correct representation of the operating performance of the property. Should it be incorrect due to client fraud or negligence, then this report would be void. The appraiser does not certify, in any manner whatsoever, the veracity of the leasing or financial statements as supplied by the client. Any party relying upon this report must therefore confirm to their satisfaction the accuracy of the supplied data as discussed herein.

#### ***The Family Centre of Northern Alberta***

The Family Centre of Northern Alberta occupies a main floor 998 square foot unit and a second floor 15,531 square foot unit. The leases for both of these units extend from October 1, 2011 to September 30, 2016 and requires net rental payments of \$10.00 per square foot on the 15,531 square foot bay until October 1, 2016 when the net rental payment increase to \$11.00 per square foot. The tenant is provided with the 998 square foot bay at no charge until October 1, 2017, when base net rental payments will increase to \$11 per square foot. In addition to base lease payments the tenant is required to pay their proportionate share of the annual operating expenses which include property taxes, property insurance, management, utilities, supplies, office expenses and repairs and maintenance that do not relate to the structure or foundation of the building.

***Living Positive Through Positive Living***

Living Positive Through Positive Living occupies 669 square feet on the third floor. Their lease extends from July 1, 2014 to June 30, 2019 and requires net rental payments of \$10.00 per square foot from July 1, 2014 until June 30, 2016, \$10.50 per square foot from July 1, 2016 until June 30, 2017, and \$11.00 per square foot from July 1, 2017 until June 30, 2019. In addition to base lease payments the tenant is required to pay their proportionate share of the annual operating expenses which include property taxes, property insurance, management, utilities, supplies, office expenses and repairs and maintenance that do not relate to the structure or foundation of the building.

***Frontier College***

Frontier College occupies 463 square feet on the third floor. Their lease extends from December 1, 2015 until November 30, 2018 and requires net rental payments of \$10.00 per square foot for the duration of the term. In addition to base lease payments the tenant is required to pay their proportionate share of the annual operating expenses which include property taxes, property insurance, management, utilities, supplies, office expenses and repairs and maintenance that do not relate to the structure or foundation of the building.

***Alberta Student's Executive Council***

Alberta Student's Executive Council occupies 1,187 square feet on the third floor. Their leases extends from July 1, 2016 until June 30, 2019 and requires net rental payments of \$11.00 per square foot from July 1, 2016 until June 30, 2017, and \$12.00 per square foot from July 1, 2017 until June 30, 2019. In addition to base lease payments the tenant is required to pay their proportionate share of the annual operating expenses which include property taxes, property insurance, management, utilities, supplies, office expenses and repairs and maintenance that do not relate to the structure or foundation of the building.

***Edmonton Social Planning Council***

Edmonton Social Planning Council occupies 1,110 square feet on the third floor. Their lease extends from March 1, 2013 until February 28, 2018 and requires net rental payments of \$11.00 per square foot from March 1, 2013 until February 28, 2017 and \$12.00 per square foot from March 1, 2017 until February 28, 2018. In addition to base lease payments the tenant is required to pay their proportionate share of the annual operating expenses which include property insurance, management, utilities, supplies, office expenses and repairs and maintenance that do not relate to the structure or foundation of the building. This tenant is exempt from paying property taxes and the landlord does not absorb this operating expense.

***Arch Psychological Services***

Arch Psychological Services occupies 2,310 square feet on the third floor. Their lease extends from April 1, 2015 until March 31, 2020 and requires net rental payments of \$11.00 per square foot until March 31, 2018 and \$11.50

per square foot from April 1, 2018 until March 31, 2020. In addition to base lease payments the tenant is required to pay their proportionate share of the annual operating expenses which include property taxes, property insurance, management, utilities, supplies, office expenses and repairs and maintenance that do not relate to the structure or foundation of the building. This tenant also leases parking stalls at the rear of the building for \$12,000 per annum.

***Unit 40 - Vacant***

A 1,924 square foot unit on the fourth floor is currently vacant. It is assumed that a prospective tenant would be required to pay base market rental payments of \$11.00 per square foot per annum and their proportionate share of the annual operating expenses which include property taxes, property insurance, management, utilities, supplies, office expenses and repairs and maintenance that do not relate to the structure or foundation of the building.

***PALS Project Adult Literacy Society***

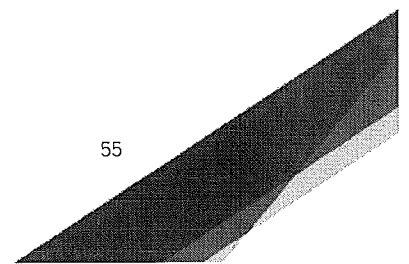
PALS Project Adult Literacy Society occupies 2,730 square feet on the fourth floor. Their lease extends from October 1, 2015 until September 30, 2020 and requires net rental payments of \$12.00 per square foot for the duration of the term. In addition to base lease payments the tenant is required to pay their proportionate share of the annual operating expenses which include property insurance, management, utilities, supplies, office expenses and repairs and maintenance that do not relate to the structure or foundation of the building. This tenant is exempt from paying property taxes and the landlord does not absorb this operating expense.

***Unit 42 - Vacant***

A 559 square foot unit on the fourth floor is currently vacant. It is assumed that a prospective tenant would be required to pay base market rental payments of \$11.00 per square foot per annum and their proportionate share of the annual operating expenses which include property taxes, property insurance, management, utilities, supplies, office expenses and repairs and maintenance that do not relate to the structure or foundation of the building.

***Robert Lamb Financial Group***

Robert Lamb Financial Group occupies 1,095 square feet on the fourth floor. Their lease extends from January 1, 2012 until December 31, 2016 and requires net rental payments of \$10.00 per square foot for the duration of the term. In addition to base lease payments the tenant is required to pay their proportionate share of the annual operating expenses which include property taxes, property insurance, management, utilities, supplies, office expenses and repairs and maintenance that do not relate to the structure or foundation of the building.





***Alberta Network for Mental Health***

Alberta Network for Mental Health occupies 1,103 square feet on the fourth floor. Their lease extends from May 1, 2016 until April 30, 2017 and requires net rental payments of \$7.00 per square foot for the duration of the term. In addition to base lease payments the tenant is required to pay their proportionate share of the annual operating expenses which include property taxes, property insurance, management, utilities, supplies, office expenses and repairs and maintenance that do not relate to the structure or foundation of the building.

***Compass Centre for Sexual Wellness***

Compass Centre for Sexual Wellness occupies 2,613 square feet on the fifth floor. Their lease extends from December 11, 2015 until September 15, 2016 and requires net rental payments of \$9.75 per square foot for the duration of the term. In addition to base lease payments the tenant is required to pay their proportionate share of the annual operating expenses which include property taxes, property insurance, management, utilities, supplies, office expenses and repairs and maintenance that do not relate to the structure or foundation of the building. Currently, they are only required to 45% of their proportionate share of operating expenses. They are vacating their premises at the end of their lease and a new tenant will be required to pay market rent plus their proportionate share of operating expenses.

***Ergil Bains & Associates Ltd.***

Ergil Bains & Associates Ltd. occupies 1,171 square feet on the fifth floor. Their lease extends from July 1, 2014 until June 30, 2017 and requires net rental payments of \$12.00 per square foot for the duration of the term. In addition to base lease payments the tenant is required to pay their proportionate share of the annual operating expenses which include property taxes, property insurance, management, utilities, supplies, office expenses and repairs and maintenance that do not relate to the structure or foundation of the building.

***Bridges Support Services Association***

Bridges Support Services Association occupies 1,036 square feet on the fifth floor. Their lease extends from August 1, 2015 until July 31, 2020 and requires net rental payments of \$10.00 per square foot until July 31, 2018 and \$11.00 per square foot from August 1, 2018 until July 31, 2020. In addition to base lease payments the tenant is required to pay their proportionate share of the annual operating expenses which include property taxes, property insurance, management, utilities, supplies, office expenses and repairs and maintenance that do not relate to the structure or foundation of the building.

***Alberta Resource Centre for Quality Enhancement***

Alberta Resource Centre for Quality Enhancement occupies 2,619 square feet on the fifth floor. Their lease extends from August 1, 2012 until July 31, 2017 and requires net rental payments of \$12.00 per square foot for the duration of the term. In addition to base lease payments the tenant is required to pay their proportionate

share of the annual operating expenses which include property insurance, management, utilities, supplies, office expenses and repairs and maintenance that do not relate to the structure or foundation of the building. This tenant is exempt from paying property taxes and the landlord does not absorb this operating expense.

## Market Lease Survey

In order to determine the relationship between the contractual lease rates at the subject property and market rental levels, a lease survey of similar tenant areas within Metropolitan Edmonton was completed. Results of this survey are included in the following table. Information regarding confidential leases have been retained on file should further verification become necessary.

### Comparable Lease Rates

No.	Location	Tenant	Size	Term	Net Rate	Comments
1	Suburban Edmonton Sector Edmonton, Alberta	Professional	44,110 SF	08/15 - 07/18	\$15.00/SF	Early renewal. 3 floors. Good quality office building in Downtown periphery. \$25 TI
				08/18 - 07/22	\$16.00/SF	
				08/22 - 07/25	\$17.00/SF	
2	South Edmonton Sector Edmonton, Alberta	Professional (Ref: 15-130)	8,893 SF	09/14 - 08/16	\$14.00/SF	New lease. Short-term lease. Average quality building built in 1979. No TI allowance.
				124th Street Sector Edmonton, Alberta	Medical (Ref: 15-130)	880 SF
	124th Street Sector Edmonton, Alberta	Government (Ref: 15-175)	18,845 SF	11/14 - 10/17	\$13.09/SF	Renewal. Average quality building. Multiple floors. No TI allowance. Long term tenant.
	124th Street Sector Edmonton, Alberta	Non-Profit (Ref: 15-346)	11,448 SF	08/15 - 08/16 09/16 - 08/21	\$12.25/SF \$15.30/SF	Renewal. Medium-rise building. Significant landlord work. Average building.
	118th Avenue Sector Edmonton, Alberta	Medical (Ref: 15-346)	538 SF	12/14 - 05/15	\$10.00/SF	Renewal. Short-term lease within average quality building. No TI allowance.
	124th Street Sector Edmonton, Alberta	Medical Admin. (Ref: 15-329)	20,556 SF	12/14 - 12/16 01/17 - 12/17 01/18 - 12/20	\$16.00/SF \$17.00/SF \$18.00/SF	Renewal. Average quality building very near to Downtown. No TI allowance.
	Whyte Avenue Edmonton, Alberta	Medical Office	1,413	12/15 - 11/17	\$14.50/SF	Medical office use. Third floor space. Operating costs are \$17.21/SF.
	10355 Whyte Avenue Edmonton, Alberta	Office	2,200	Listing	\$14.00/SF	Third floor office space. Located adjacent to subject property.
	Whyte Avenue area Edmonton, Alberta	Medical Office	1,975	01/14 - 12/16	\$10.00/SF	Office space just off of Whyte Avenue. Used for dental office.

9707 - 110 Street Edmonton, Alberta	Office	795 - 49,600	Listing	\$12.00/SF	Office space located west of subject. \$14.81/SF operating costs. Multiple units and configurations available.
10060 Jasper Avenue Edmonton, Alberta	Office	3,189	Listing	\$9.00/SF	Sublease space located in Scotia Place II. Prime location on Jasper Avenue. Sublease expires November 2018.
12225 - 107 Avenue Edmonton, Alberta	Office	966	Listing	\$12.00/SF	Second floor space. Recently renovated interior. Triple net lease. Located just off of 124th Street.

### Market Lease Rate Conclusion

Market lease rates vary based on a wide variety of physical, locational, and lease-specific factors. Higher quality office buildings tend to lease tenant areas for rates between \$15.00 and \$17.00 per square foot. Lower quality office buildings tend to lease tenant areas for rates between \$10.00 and \$13.00 per square foot. Furthermore, larger tenant areas tend to lease for lower rates than smaller tenant areas. Finally it should be noted that freestanding office buildings tend to lease for rates that are higher than multi-tenant buildings, although single-tenant buildings frequently come with inferior amenities (elevators, indoor parking, etc.).

The subject building has an average exterior appearance and average interior build-out. It is of older construction, and has many non-profit tenants in place. Access to the property is considered to be very fairly good and it occupies a location in a quieter part of Downtown Edmonton.

In consideration of these factors, a market lease rate of \$10.00 to \$12.00 per square foot is judged to be an appropriate unit value for use within this appraisal.

### Base Rental Revenue

The subject property is currently 93.31% leased. As such, potential purchasers would most likely utilize contract net operating income for the forthcoming calendar period within their analyses of the subject property via Overall Income Capitalization. This is therefore the manner in which revenue has been estimated within this report. The base rental revenue for the property is therefore projected to be \$397,549 for the forthcoming twelve-month period as per the table below. This amount will be recorded within the Pro Forma Operating statement for the Commonwealth Building as detailed later within this section.

### Tenant Rental Revenue Summary– September 2016 to August 2017

Tenant	Leased Area (SF)	Lease End	Contract Rate Per SF	Annual Rent	Net Market Rate Per SF
The Family Centre of Northern Alberta	998	Sep-26	\$0.00	\$0	\$11.00
The Family Centre of Northern Alberta	15,531	Sep-26	\$10.00	\$169,547^^	\$11.00
Living Positive	669	Jun-19	\$10.50	\$7,080^^	\$11.00
Frontier College	463	Nov-18	\$10.00	\$4,630	\$11.00
Alberta Student's Executive Council	1,187	Jun-19	\$11.00	\$13,255^^	\$11.00
Edmonton Social Planning Council	1,110	Feb-18	\$11.00	\$12,650^^	\$11.00
Arch Psychological Services	2,310	Mar-20	\$11.00	\$25,410	\$11.00
Unit 40 - Vacant	1,924	N/A	N/A	\$21,164	\$11.00
PALS	2,730	Sep-20	\$12.00	\$32,760	\$11.00
Unit 42 - Vacant	559	N/A	N/A	\$6,149	\$11.00
Robert Lamb Financial Inc.	1,095	Dec-26	\$10.00	\$11,680^	\$11.00
Alberta Network for Mental Health	1,103	May-17	\$7.00	\$9,192^	\$11.00
Compass Centre for Sexual Wellness	2,613	Sep-16	\$9.75	\$28,606^	\$11.00
Ergil Bains & Associates	1,171	Jun-17	\$12.00	\$13,857^	\$11.00
Bridges Support Services	1,036	Jul-20	\$10.00	\$10,360	\$11.00
Alberta Resource Centre for Quality Enhancement	2,619	Jul-17	\$12.00	\$31,210^	\$11.00
<b>Total</b>	<b>37,118 SF</b>			<b>\$397,549</b>	

^Blended rate to reflect renewal at market rental rates.

^^Blended rate to reflect lease escalations occurring in forthcoming 12 months.

## Operating Expenses and Property Taxes

In addition to rental payments, the tenants at the subject property are also contractually obligated to reimburse the landlord or pay directly for operating expenses (maintenance, utilities, insurance, management, etc.) and property taxes incurred in the operation of the property. Good quality suburban office buildings in Metropolitan Edmonton generally accrue operating expense levels of between \$7.00 and \$11.00 per square foot and property taxes of between \$2.50 and \$5.00 per square foot. Operating expenses and property taxes at the office buildings used as comparable sales within this report generated the following unit expenses.

Property Name	Operating Expenses	Property Taxes
Hub International Building	\$7.78/SF	\$3.24/SF
105th Street Building	\$10.87/SF	\$4.24/SF
Sobey's Corporate Office	\$6.90/SF	\$3.04/SF
Glenwood Office Building	\$9.42/SF	\$6.93/SF
Plaza 124	\$10.37/SF	\$2.34/SF

Documentation was provided in regards to existing operating expenses at the subject property. Because the building was purchased in January 2016, historical operating statements were not available. For 2016, operating expenses have been budgeted at \$4.96 per square foot or \$184,091.96. Budgeted and annualized amounts based on a partial year operating statement are listed below.

Expense	2016 Budget	Annualized from August 2016 Expense Statement
Administration	\$45,673.43	\$50,825.88
Repairs and Maintenance	\$73,535.37	\$77,477.77
Utilities	\$64,883.16	\$64,428.27
Total:	\$184,091.96	\$192,731.92

In consideration of its interior finishing, site size, and age and type of mechanical systems located at the building, the 2016 budgeted operating expenses and annualized expenses are deemed to be slightly below market norms but appropriate and have been included herein. Taxes have been included at \$1.23 per square foot or \$45,810.21 based on the 2016 tax and assessment information provided from the City of Edmonton. They have been included herein as such. This number is also low due to the number of tax-exempt tenancies at the subject property.

## Operating Expense and Property Tax Recoveries

According to the property owner and client of this report, the leases at the Commonwealth Building allows for full recovery of operating expenses and property taxes with the exception of structural/capital items. As such, operating expense recoveries of \$184,092 and property tax recoveries of \$45,810 have been included within this appraisal.

## Miscellaneous Revenue

Miscellaneous revenue at an office property can be collectible from a variety of sources including administration fees, signage, parking, storage, percentage rent, and other such items. As mentioned in the occupancy summary, Arch Psychological Services rents parking stalls for \$12,000 per annum. Based on the amounts listed in the occupancy summary section, a total of \$12,000 of miscellaneous revenue will be included herein.

## Vacancy & Collection Loss Allowance

The Commonwealth Building is currently 93.31% occupied. Prudent purchasers analyzing investment properties tend to recognize the potential loss of income through periodic vacancies over the anticipated holding period of the asset rather than at a discrete point in time, and a contingency is generally set aside to reflect this potential. For office properties within the Metropolitan Edmonton area exhibiting an average level of tenancy income flow security, real estate professionals routinely deduct a contingency of 3% to 7% of potential gross income for this item. It is noted that the most recent Colliers International Office Survey (Second Quarter 2016) suggests a vacancy rate of approximately 15.30% for the Downtown Financial office market and 11.02% for the Downtown Government District office market in Edmonton.

In consideration of the tenancy covenants at the subject property, its current level of occupancy, the duration of the leases currently in place, and its location in Downtown Edmonton, a vacancy and collection loss allowance of 5% is deemed to be most appropriate for use in the analysis of the subject property. It is noted that the comparable index properties included within this report have been stabilized with a 3% to 7% vacancy and collection loss allowance for the calculation of their overall capitalization rates.

## Non-Recoverable Operating Expenses

Most office leases, including the lease at the subject property, are written such that structural repairs and maintenance (roof structures, parking lot, superstructures, etc.) are the responsibility of the landlord. A structural repairs and maintenance allowance of 1% to 1.5% of effective gross income is therefore routinely employed in Pro Forma Operating Statements to account for this item. Recently constructed buildings or buildings in excellent condition may only require an allowance of approximately 0.5% due to very good physical construction. Older



buildings or buildings in fair condition may require an allowance as high as 2% or 3% if capital upgrades are imminent.

In consideration of the age and condition of the improvements, a structural repairs and maintenance allowance of 1.5% of effective gross income is considered to be most appropriate for use within this analysis. It is noted that the comparable sales analyzed later within this report have all been analyzed with a structural repairs and maintenance allowance of 0.5% to 2% depending on their individual building conditions and lease terms.

### Pro Forma Operating Statement

The following page therefore contains the Pro Forma Operating Statement that summarizes the preceding discussion. It represents stabilized calculations and pertains to the operation of the Commonwealth Building for the forthcoming twelve-month period.



## PRO FORMA OPERATING STATEMENT

**Commonwealth Building**  
**9912 - 106 Street, Edmonton**  
**(Stabilized for September 2016 to August 2017)**

**Income**

Base Rental Revenue	\$ 397,549
Operating Expense Recoveries	\$ 184,092
Property Tax Recoveries	\$ 45,810
Miscellaneous Revenue	<u>\$ 12,000</u>
Potential Gross Income	\$ 639,451
Less Vacancy & Collection Loss @ 5% of PGI	<u>\$ 31,973</u>
Effective Gross Income	\$ 607,478

**Expenses**

Less Operating Expenses	\$ 184,092
Less Property Taxes	\$ 45,810
Less Structural Repairs & Maintenance @ 1.5% EGI	<u>\$ 9,112</u>

**NET OPERATING INCOME** **\$ 368,464**



## Income Approach - Overall Income Capitalization

### Methodology

The stabilized net operating income of \$368,464 for the Commonwealth Building was ascertained in the previous section of this report. An appropriate overall capitalization rate must now be determined in order to translate this net income projection into an expression of market value.

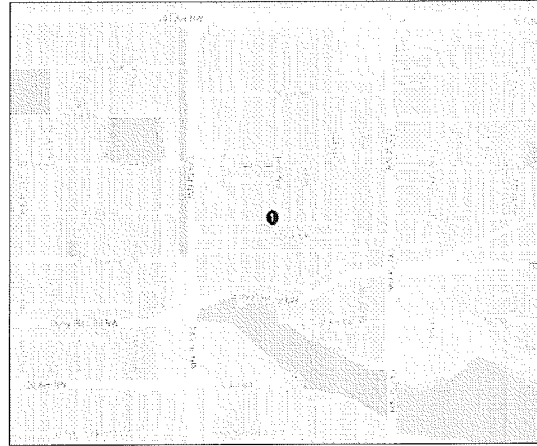
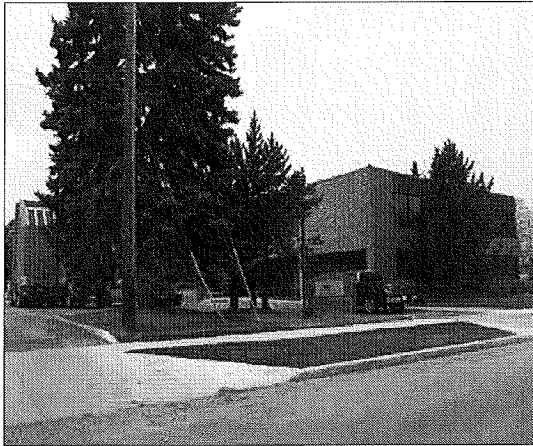
The Appraisal of Real Estate Canadian Edition (Page 405, 1992) defines the overall capitalization rate as "an income rate for a total property that reflects the relationship between a single year's net operating income expectancy and the total property price or value. It is used to convert net operating income into an indication of overall property value". The most appropriate income year to measure the value of the property is the forthcoming twelve-month period, as this year requires the fewest assumptions and provides the most certain net operating income over the investment horizon. The use of "year one" income is sometimes referred to as a "going-in overall capitalization rate".

The task of establishing an appropriate rate is most appropriately served by way of an analysis of recently concluded transactions on properties considered similar to the subject in terms of investment appeal. Numerous sales and listings of office buildings were reviewed to determine an appropriate overall capitalization rate for the Commonwealth Building.

### Comparable Market Transactions

The following sales indices outline information relating to the five recent transfers that were considered to provide the best evidence towards the selection of an appropriate overall capitalization rate for the Commonwealth Building. All of the indices were subject to a 3% to 7% vacancy and collection loss allowance (depending on the security of the income stream) and a 0.5% to 2% structural repairs allowance (depending on the age/condition of the improvements).

## Hub International Building 10320 - 146 Street, Edmonton, Alberta



### Property Description

Property Type	Office Building
Property Sub-Type	Suburban Class C
Construction	Concrete Block and Steel Frame
Year Built	1964
Gross Leasable Area	20,132 Square Feet
Number of Storeys	Two
Site Area	23,025 Square Feet
Site Density	0.87

### Location / Zoning / Legal

Address	10320 - 146 Street
Municipality	Edmonton
Province	Alberta
Neighbourhood	Grovenor
Tax Roll Number	2119709
Traffic Volume	Minimal (146th Street)
Zoning / Land Use	RF3
Legal Description	1631AQ;8A;1-5

### Transaction Details

Sale Price	\$3,000,000
Sale Price per Square Foot	\$149.01
Month Sold	March 2015
Financing	All Cash Deal
Occupancy	100%
Vendor	1179992 Alberta Ltd.
Purchaser	Camrock Capital Partners GP Inc.
Transfer Number	152 094 993
Interest Transferred	100%
Rights Conveyed	Leased Fee Estate

### Income Analysis

Potential Gross Revenue	\$413,059
Vacancy Allowance (4%)	<u>\$16,522</u>
Effective Gross Income	\$396,537
Operating Expenses	\$156,627
Property Taxes	\$65,178
Structural Allowance (1%)	<u>\$3,965</u>
Net Operating Income	\$170,767
Unit Net Operating Income	\$8.48/SF

### Comments

- Located within a quiet residential area of Northwest Edmonton.
- Surface (30 stalls) and on-street parking available.
- Dated functionality and appearance.
- Building area includes 6,866 square feet of finished basement.
- Leased to one tenant until February 2016.
- Relatively high levels of income upside potential.

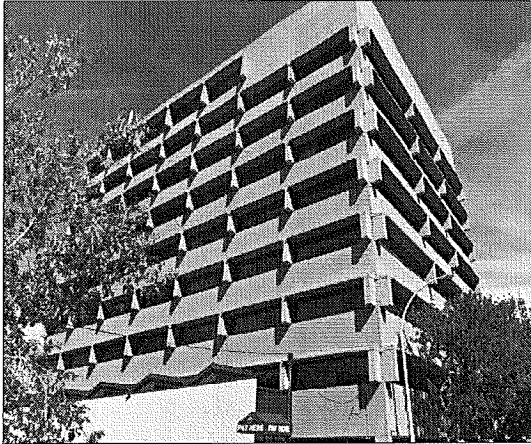
### Tenant Profile

Hub International	20,132 Square Feet
-------------------	--------------------

### Return / Yield Analysis

Overall Capitalization Rate	5.69%
IRR	8.02%

**105th Street Building**  
10242 - 105 Street, Edmonton, Alberta



#### Property Description

Property Type	Office Building
Property Sub-Type	Downtown Class B
Construction	Reinforced Concrete
Year Built	1979
Gross Leasable Area	94,901 Square Feet
Number of Storeys	Nine
Site Area	18,818 Square Feet
Site Density	5.04

#### Location / Zoning / Legal

Address	10242 - 105 Street
Municipality	Edmonton
Province	Alberta
Neighbourhood	Downtown
Tax Roll Number	4157665
Traffic Volume	11,300 (105th Street)
Zoning / Land Use	UW
Legal Description	9022620;5A

#### Transaction Details

Sale Price	\$18,050,000
Sale Price per Square Foot	\$190.20
Month Sold	April 2016
Financing	\$13,764,984 to Servus (Assumption)
Occupancy	100%
Vendor	First Canadian Properties Corp.
Purchaser	Wentworth Properties Ltd.
Transfer Number	162 095 374
Interest Transferred	100%
Rights Conveyed	Leased Fee Estate

#### Income Analysis

Potential Gross Revenue	\$3,070,554
Vacancy Allowance (5.0%)	<u>\$153,528</u>
Effective Gross Income	\$2,917,026
Operating Expenses	\$1,031,880
Property Taxes	\$402,888
Structural Allowance (1.5%)	<u>\$43,775</u>
Net Operating Income	\$1,438,503
Unit Net Operating Income	\$15.16/SF

#### Comments

- Located within a quieter area of Downtown Edmonton.
- Excess parking. The underground parkade contains 143 stalls.
- Relatively strong tenant profile. 90% leased to government.
- Price adjusted for PV of amortization payments of about \$450,000.
- All leases expire by 2019. Significant expirations in 2017.
- Relatively low levels of income upside potential.

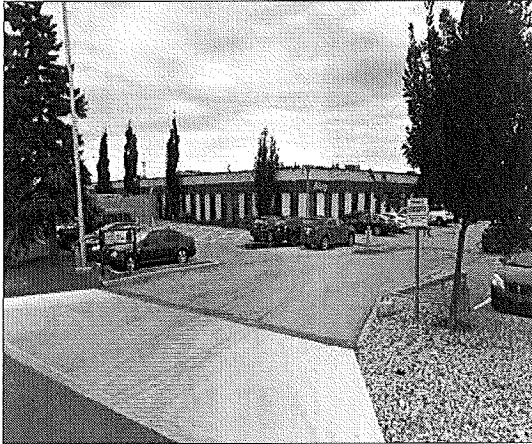
#### Tenant Profile

Province of Alberta	51,826 Square Feet
Homeward Trust Foundation	11,043 Square Feet
McBride Career Group	9,000 Square Feet

#### Return / Yield Analysis

Overall Capitalization Rate	7.97%
IRR	9.27%

**Sobey's Corporate Office**  
13140 St. Albert Trail, Edmonton, Alberta



#### Property Description

Property Type	Office Building
Property Sub-Type	Suburban Class C
Construction	Concrete Block and Steel
Year Built	1976
Gross Leasable Area	96,804 Square Feet
Number of Storeys	One
Site Area	261,360 Square Feet
Site Density	0.37

#### Location / Zoning / Legal

Address	13140 St. Albert Trail
Municipality	Edmonton
Province	Alberta
Neighbourhood	Bonaventure Industrial
Tax Roll Number	9962096
Traffic Volume	36,100 (St. Albert Trail)
Zoning / Land Use	IB
Legal Description	9825640;12;20

#### Transaction Details

Sale Price	\$24,500,000
Sale Price per Square Foot	\$253.09
Month Sold	September 2014
Financing	\$18,375,000 to Concentra Financial
Occupancy	100%
Vendor	Realex Woodbourne Properties
Purchaser	TNC 13140 St. Albert Trail Ltd.
Transfer Number	142 311 351
Interest Transferred	100%
Rights Conveyed	Leased Fee Estate

#### Income Analysis

Potential Gross Revenue	\$2,801,140
Vacancy Allowance (4%)	<u>\$112,046</u>
Effective Gross Income	\$2,689,094
Operating Expenses	\$667,948
Property Taxes	\$293,916
Structural Allowance (1.5%)	<u>\$40,336</u>
Net Operating Income	\$1,686,894
Unit Net Operating Income	\$17.43/SF

#### Comments

- Located within a busy commercial corridor in Northwest Edmonton.
- Surface and on-street parking available. Approximately 120 stalls.
- Former multi-tenant flex-space building. Now single tenant.
- Higher quality interior finishing including cafeteria.
- Leased to one national tenant until 2019.
- Relatively low levels of income upside potential.

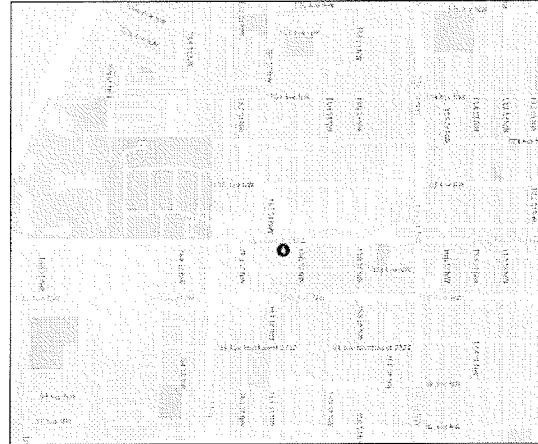
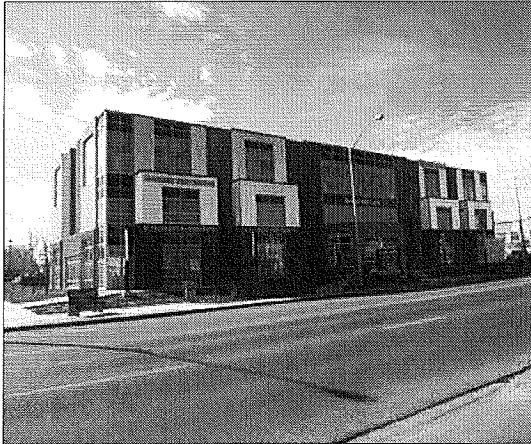
#### Tenant Profile

Sobeys Capital Incorporated	96,804 Square Feet
-----------------------------	--------------------

#### Return / Yield Analysis

Overall Capitalization Rate	6.89%
IRR	8.88%

**Glenwood Health Centre**  
16012 - 100A Avenue, Edmonton, Alberta



#### Property Description

Property Type	Office Building
Property Sub-Type	Suburban Class A
Construction	Concrete Block and Steel Frame
Year Built	2012
Gross Leasable Area	45,845 Square Feet
Number of Storeys	Three
Site Area	158,558 Square Feet
Site Density	0.29

#### Location / Zoning / Legal

Address	16012 - 100A Avenue
Municipality	Edmonton
Province	Alberta
Neighbourhood	Glenwood
Tax Roll Number	10246493 & 1361641
Traffic Volume	17,400 (Stony Plain Road)
Zoning / Land Use	CB2
Legal Description	1124881;3;26 & 2331HW;3;20

#### Transaction Details

Sale Price	\$20,500,000
Sale Price per Square Foot	\$447.16
Month Sold	July 2015
Financing	\$250,000,000 to Computershare
Occupancy	86%
Vendor	MD Developers Ltd.
Purchaser	Mohawk Edmonton Inc.
Transfer Number	152 278 332
Interest Transferred	100%
Rights Conveyed	Leased Fee Estate

#### Income Analysis

Potential Gross Revenue	\$2,230,966
Vacancy Allowance (5%)	<u>\$111,548</u>
Effective Gross Income	\$2,119,418
Operating Expenses	\$432,282
Property Taxes	\$317,937
Structural Allowance (0.5%)	<u>\$10,597</u>
Net Operating Income	\$1,358,602
Unit Net Operating Income	\$29.63/SF

#### Comments

- New medical building and Tim Horton's land lease.
- Lesser affluent area but high traffic exposure.
- Relatively large site allows for future expansion.
- Cap rate adjusted for management and land lease (+\$322,473).
- Holding and lease-up costs of \$609,533 included in the analysis.
- Relatively low levels of income upside potential.

#### Tenant Profile

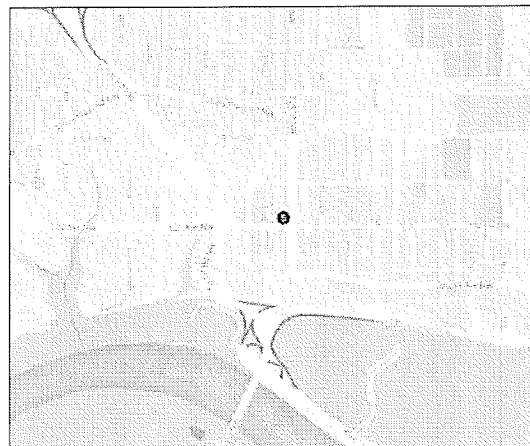
Queen Street Medical	13,439 Square Feet
Glenwood X-Ray	6,103 Square Feet
IPax Clinic	4,042 Square Feet

#### Return / Yield Analysis

Overall Capitalization Rate	6.54% (including adjustments)
IRR	7.17%

## Plaza 124

10216 - 124 Street, Edmonton, Alberta



### Property Description

Property Type	Office Building
Property Sub-Type	Suburban Class B
Construction	Concrete Block and Steel Frame
Year Built	1982
Gross Leasable Area	153,813 Square Feet
Number of Storeys	Seven
Site Area	43,378 Square Feet
Site Density	3.55

### Location / Zoning / Legal

Address	10216 - 124 Street
Municipality	Edmonton
Province	Alberta
Neighbourhood	Westmount
Tax Roll Number	9954292
Traffic Volume	10,700 (124th Street)
Zoning / Land Use	DC2
Legal Description	RN22;33;11-16

### Transaction Details

Sale Price	\$37,100,000
Sale Price per Square Foot	\$241.20
Month Sold	June 2014
Financing	\$50,000,000 to GE Canada
Occupancy	85%
Vendor	Plaza 124 Nominee Company
Purchaser	Riverstock 124 Nominee Company
Transfer Number	142 176 664
Interest Transferred	100%
Rights Conveyed	Leased Fee Estate

### Income Analysis

Potential Gross Revenue	\$5,365,659
Vacancy Allowance (5%)	<u>\$268,283</u>
Effective Gross Income	\$5,097,376
Operating Expenses	\$1,595,156
Property Taxes	\$360,515
Structural Allowance (1.5%)	<u>\$76,461</u>
Net Operating Income	\$3,065,244
Unit Net Operating Income	\$19.93/SF

### Comments

- Located along 124th Street.
- Includes 272 underground parking stalls.
- Numerous recent renovations. Some dated components.
- Anchored by Alberta Health Services. 21,998 SF of vacant area.
- Holding and lease-up costs of \$2,517,230 included in the analysis.
- Relatively low levels of income upside potential.

### Tenant Profile

Alberta Health Services	77,976 Square Feet
Copeman	14,574 Square Feet
Enmax	7,195 Square Feet

### Return / Yield Analysis

Overall Capitalization Rate	7.74% (including adjustments)
IRR	8.90%

## Index Property Analysis

The foregoing indices suggest a range in overall capitalization rates of between approximately 5.70% and 8.00% and relate to five office building transactions that were considered to provide evidence as to a reasonable rate of return for the Commonwealth Building. The following table details their comparability to the subject property in the selection of an appropriate overall capitalization rate.

<b>Overall Capitalization Rate Comparison</b>					
	<b>Sale No. 1</b>	<b>Sale No. 2</b>	<b>Sale No. 3</b>	<b>Sale No. 4</b>	<b>Sale No. 5</b>
<b>Property Name</b>	Hub International	105th Street Bldg.	Sobey's Office	Glenwood Health	Plaza 124
<b>Property Location</b>	Grovenor	Downtown	Bonaventure	Glenwood	Westmount
<b>Overall Cap Rate</b>	5.69%	7.97%	6.89%	6.54%	7.74%
<b>Capitalization Rate Comparability</b>					
<b>Ownership Type</b>	Similar (Sale)	Similar (Sale)	Similar (Sale)	Similar (Sale)	Similar (Sale)
<b>Market Conditions (Time)</b>	Superior	Similar	Superior	Superior	Superior
<b>Physical Factors</b>	Similar	Superior	Inferior	Superior	Similar
<b>Locational Factors</b>	Inferior	Similar	Inferior	Inferior	Inferior
<b>Income Strength/Security</b>	Similar	Inferior	Superior	Superior	Inferior
<b>Future Income Upside</b>	Superior	Inferior	Inferior	Inferior	Inferior
<b>Comparison Conclusion</b>	<b>Too Low</b>	<b>Too High</b>	<b>Appropriate</b>	<b>Appropriate</b>	<b>Too High</b>

The above sale indices have been analyzed on a stabilized basis, incorporating full occupancy, a vacancy and collection loss allowance of 3% to 7%, and a structural allowance of 0.5% to 2%.

## Capitalization Rate Survey

InSite Real Estate Information Systems Inc. conducts quarterly surveys of rental rate, capitalization rate, and discount rate trends in the Canadian marketplace. They survey a wide variety of market participants and are therefore considered to be a recognized authority on such matters. The evidence within these reports provides good secondary corroboration to direct examples of office building overall capitalization rates.

The most similar category to the subject property is the Downtown Office Class B category as defined by InSite. The last survey conducted for such properties by InSite was the Second Quarter 2016 Investment Trends Survey. This property class exhibited an overall capitalization rate range of between 6.50% and 8.00% within Metropolitan Edmonton with an average of 7.10%. Due to the location of the building, the condition of the building, and the length of leases in place, an appropriate overall capitalization rate should therefore most likely be around the low end to middle of the range as suggested by the InSite survey.

### Selection of Overall Capitalization Rate

Capitalization rates tend to vary between properties depending to some extent on factors such as location, size and type of development, quality and condition of improvements, and amenities offered by the building. Combining all these features with considerations of vacancy trends, interest rates, availability of financing, strength of tenant covenants, and future income upside, the overall capitalization rate generally tends to reflect the perceived quality and durability of the property's income earning potential.

Properties with a strong rental history and the perceived potential for an increase in revenue tend to trade at comparatively low overall rates as compared to properties which have a history of vacancy, poor location, physical deficiencies, or other forms of perceived instability. The following points in this regard are noted for the Commonwealth Building.

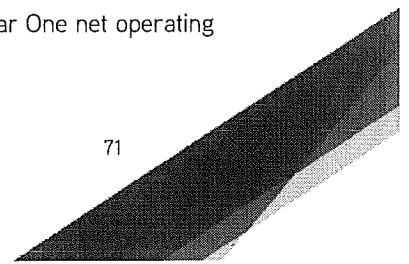
#### *Positive Investment Characteristics*

- Good location in quieter area of Downtown Edmonton.
- Recent upgrades to mechanical systems in building.
- Some levels of income upside potential due to some below market lease rates.
- Near to major arterials and transit.

#### *Negative Investment Characteristics*

- Alberta is experiencing lower levels of economic growth.
- Limited parking on site.
- Older construction date.
- Current economic climate was resulted in increasing vacancy rates and decreasing rental rates within Edmonton office properties.

In consideration of the relative strength and quality of the income stream at the subject property, it is our opinion that an overall capitalization rate of 6.50% to 7.00% would be appropriate to apply to the Year One net operating





income. Applying the mid-rate of this range to the stabilized net operating income of \$368,464 for the Commonwealth Building results in a value estimate as follows.

$$\begin{aligned} \text{Value} &= \frac{\text{Net Operating Income}}{\text{Overall Capitalization Rate}} \\ \text{Value} &= \frac{\$368,464}{6.75\%} \\ \text{Value} &= \$5,458,730 \end{aligned}$$

This calculation provides a preliminary market value of \$5,458,730 for the Commonwealth Building.

#### Holding and Lease-Up Costs

The foregoing preliminary value estimate assumes that the Commonwealth Building is fully leased over the next twelve months. However, as of the effective date of this appraisal, 2,483 square feet of office space was vacant. The entirety of this space will be considered in the holding and lease up adjustment. Since revenue from this space was included within the net operating income, holding and lease-up costs must be assessed to account for the potential waiting period and expenses associated with leasing these bays. Omitting holding and lease-up costs suggests that a property is as valuable vacant as it is fully occupied, which is obviously incorrect. Holding and lease-up costs for the vacant office area in the Commonwealth Building are based upon ongoing discussions with leasing professionals familiar with the Metropolitan Edmonton retail market.

#### ***Lost Rent***

It is estimated that the vacant area will lease-up within one year (averaged at six months). Lost rental revenue for each area is therefore estimated as follows:

$$2,483 \text{ SF} \times \$11.00/\text{SF} \times 1/2 \text{ Year} = \$13,657$$

A total of \$13,657 will therefore be deducted within the analysis as a lost rent allowance.

#### ***Lost Tenant Recoveries***

Lost recoveries for the vacant area in the building, assuming again six-month holding periods, are estimated as follows:

$$2,483 \text{ SF} \times \$6.19/\text{SF} \times 1/2 \text{ Year} = \$7,685$$

A total of \$7,685 will therefore be deducted within the analysis as a lost tenant recovery allowance.

#### ***Tenant Improvement Allowance & Free Rent***

The rental rates for the vacant area in the Commonwealth Building assume that the new occupants will be granted a tenant improvement allowance of \$7.00 per square foot and no free rent incentive. Therefore the deductions made for tenant improvement allowances and free rent are estimated as follows:

$$2,483 \text{ SF} \times \$7.00/\text{SF} = \$17,381$$

#### ***Leasing Commission***

Leasing commission expenses for the acquisition of new tenant, assuming a five-year lease term, is estimated as follows:

$$2,483 \text{ SF} \times \$11/\text{SF} \times 5 \text{ Years} \times 5\% = \$6,828$$

A total of \$6,828 will therefore be deducted for leasing commissions.

#### ***Summary of Holding/Lease-Up Costs***

The total adjustments for holding and lease-up costs are therefore tabulated as follows.

Lost Rent	\$	13,657
Lost Tenant Recoveries	\$	7,685
Tenant Improvement Allowance	\$	17,381
Leasing Commissions	\$	<u>6,828</u>
Total Holding and Lease-Up Costs	\$	45,554

The holding and lease-up costs as calculated above therefore total \$45,554.

#### **Capital Value Adjustment**

The following calculation is therefore necessary due to the inclusion of revenue from vacant areas within the Commonwealth Building.

Preliminary Capitalized Value	\$	5,458,730
Less Holding and Lease-Up Costs	(\$	<u>45,554</u> )
Net Capital Value	\$	5,413,176

This calculation provides an adjusted value of \$5,413,176 rounded to \$5,410,000.



### Summary - Income Approach - Overall Income Capitalization

In summary, the current market value of the Commonwealth Building as at August 11, 2016 is estimated by the Income Approach via Overall Income Capitalization to be \$5,410,000 (rounded).

## Income Approach - Discounted Cash Flow Analysis

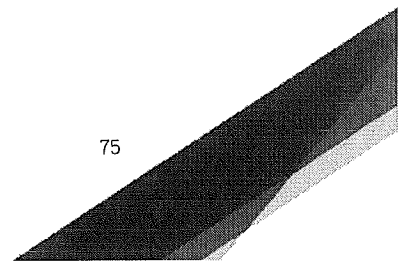
### Methodology

An additional technique utilized to determine the value of a property like the subject is the Discounted Cash Flow Analysis. The theory behind this analysis is based upon an assumption that the real estate investment will generate future benefits from the income stream. The advantage of a Discounted Cash Flow Analysis is that it enables the investor to examine the cash flows over the anticipated investment period, as well as examining overall returns, returns on equity, and internal rates of return on the investment based upon flexible assumptions.

### Assumptions for Discounted Cash Flow Analysis

The following assumptions have been made in estimating the subject property cash flows.

1. A ten-year projection period has been utilized. This investment horizon reflects the duration of the contractual covenants, a methodology commonly used by the type of investor normally interested in properties like the subject.
2. Lease income for the project has been based on contractual agreements. Upon expiration of the current contractual lease obligations, market lease rates as determined earlier within this report plus inflation considerations will be applied.
3. Due to the factors as described earlier within this report, the tenant retention level (renewal vs. vacate upon lease expiration) has been set at 75% within the analysis. Leasing commissions are assumed to be 5% of net lease proceeds for new leases and 2.5% of net lease proceeds for renewals. A lease-up period of six months is assumed to precede any new leases.
4. Lease renewals have been projected based upon five-year terms.
5. A 5% vacancy and collection loss allowance has been included within this analysis. This is the same level as applied within the Pro Forma Operating Statement.
6. The property has been analyzed on an all-cash basis, assuming no financing is in place.
7. The overall capitalization rate for the Commonwealth Building as at August 11, 2016, was estimated at 6.75%. The required investor return (reversion) for this property ten years from this date is difficult to forecast, although several factors that will impact this rate in the future can be ascertained.



- The net operating income of the property at the date of reversion demonstrates a moderate level of increase over the preceding years.
- The investment trends for mixed-used properties like the subject are forecast to be stable over the next ten years.
- The current practice of vendors, purchasers, and agents is typically to use a flat or marginally higher reversionary rate in the Alberta market.
- Income downside and vacancy risk factors have been resolved by the terminal point in the investment horizon. This suggests that a purchaser would be willing to accept a lower return at that time compared to the present day.

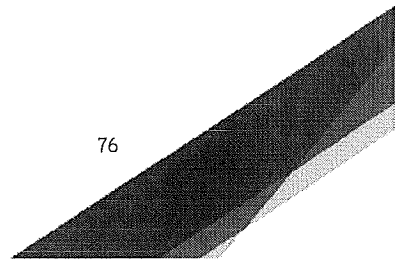
Due to the income factors inherent at the property at the time of property sale, a reversionary capitalization rate range of 6.50% to 7.00% has been applied to Year Ten net operating income within the analysis.

### Discount Rate Analysis

The most accurate and dependable method of selecting an appropriate internal rate of return, or discount rate, is through an analysis of recent sales of comparable properties. Similar to overall capitalization rates, discount rates tend to be higher for those properties with relatively higher risks to the income stream, poor historical performance, or are in relatively poor condition. Information provided by the most current Altus Insite Investment Trends Survey demonstrates a discount rate range of between approximately 7.50% and 8.00% (7.90% average) for Class B office assets in the City of Edmonton. Utilizing a discount rate within these trend ranges for the Commonwealth Building would suggest a Discount Rate range of 7.25% to 7.75% is warranted for the subject property.

### Selection of Discount Rate

In recognition of the foregoing discussion, a discount rate range of between 7.25% and 7.75% is considered to be reasonable and appropriate in forecasting a value for the Commonwealth Building. Applying a discount rate of between 7.25% and 7.75% to the projected cash flows and reversionary capitalization rates of between 6.50% and 7.00% yields a range in values for the property as summarized in the following table.



## Present Value Matrix

Reversionary Rate	Discount Rate		
	7.25%	7.50%	7.75%
6.50%	\$5,502,525	\$5,403,416	\$5,306,593
6.75%	\$5,388,570	<b>\$5,292,084</b>	\$5,197,816
7.00%	\$5,282,755	\$5,188,703	\$5,096,810

Selecting the rounded mid-point in the above matrix tables provides a value for the Commonwealth Building of \$5,292,084 rounded to **\$5,290,000**.

The Discounted Cash Flow Analysis, utilizing Argus Version 15.0.1.26, is included in the Appendices to this report.

### Summary - Income Approach via Discounted Cash Flow Analysis

In conclusion, the market value of the Commonwealth Building at August 11, 2016 is estimated by the Income Approach via Discounted Cash Flow Analysis to be \$5,290,000.

## Direct Comparison Approach

### Methodology

The Direct Comparison Approach is based on the Principle of Substitution which maintains that a prudent purchaser would not pay more for a property than what it would cost to purchase a suitable alternative property that exhibits similar physical characteristics, tenancy, location, etc. Within this approach, the property being appraised is compared to properties that have sold recently or are currently listed and considered to be relatively similar to the subject. Typically, a unit of comparison (i.e. sale price per square foot, sale price per unit) is used to facilitate the analysis. In the case of office oriented properties similar to the Commonwealth Building, the sale price per square foot of leasable area is the most commonly used unit of comparison.

### Sales Indices

The sales transactions within the Income Approach are considered to be reasonable for use with the Commonwealth Building and have been restated below. Both unadjusted and adjusted (for potential operating performance) unit values will be discussed.

#### Selected Property Indices

Index No.	Name Location	Sale Date Sale Price	Building Size Year Built	Price/SF NOI/SF	Comments
1	Hub International Building 10320 - 146 Street Edmonton, Alberta	March 2015 \$3,000,000	20,132 SF 1964	\$149.01 \$8.48	Single tenant office building. Located in a quieter residential area. No underground parking but includes basement area.
2	105th Street Building 10242 - 105 Street Edmonton, Alberta	April 2016 \$18,050,000	94,901 SF 1979	\$190.20 \$15.16	Downtown tower. Primarily occupied by government tenancies. All leases expire by 2019. Adjusted for amortization.
3	Sobey's Corporate Office 13140 St. Albert Trail Edmonton, Alberta	September 2014 \$24,500,000	96,804 SF 1976	\$253.09 \$17.43	Single tenant office building. Significant traffic exposure. Higher quality interior finishing. Very strong covenant.
4	Glenwood Health Centre 16012 - 100A Avenue Edmonton, Alberta	July 2015 \$20,500,000	45,845 SF 2012	\$447.16 \$29.63	Multi-tenant medical building plus land lease. Less affluent neighbourhood. 86% occupied. Large site.
5	Plaza 124 10216 - 124 Street Edmonton, Alberta	June 2014 \$37,100,000	153,813 SF 1982	\$241.20 \$19.93	Located near the subject. Strong anchor tenant. Numerous smaller local tenants. Large underground parkade.

## Analysis of Comparable Properties

The per square foot comparability of the subject property to the index sales is detailed below. It is noted that the Commonwealth Building is forecast to generate a stabilized net operating income of \$9.92 per square foot. The unadjusted and adjusted (for operating performance) prices per unit are detailed in the following table.

<b>Direct Comparison Approach - Unadjusted and Adjusted Analyses</b>					
	<b>Index No. 1</b>	<b>Index No. 2</b>	<b>Index No. 3</b>	<b>Index No. 4</b>	<b>Index No. 5</b>
<b>Property Name</b>	Hub International	105th Street	Sobey's Office	Glenwood Health	Plaza 124
<b>Property Location</b>	Grovenor	Downtown	Bonaventure	Glenwood	Westmount
<b>Sale Price</b>	\$3,000,000	\$18,050,000	\$24,500,000	\$20,500,000	\$37,100,000
<b>Leasable Area (SF)</b>	20,132	94,901	96,804	45,845	153,813
<b>Unadjusted Analysis</b>					
<b>Unadjusted Sale Price (\$/SF)</b>	<b>\$149.01</b>	<b>\$190.20</b>	<b>\$253.09</b>	<b>\$447.16</b>	<b>\$241.20</b>
<b>Property Rights Conveyed</b>	Similar	Similar	Similar	Similar	Similar
<b>Financing Terms</b>	Similar	Similar	Similar	Similar	Similar
<b>Market Conditions (Time)</b>	Superior	Similar	Superior	Superior	Superior
<b>Physical Factors</b>	Similar	Superior	Inferior	Superior	Similar
<b>Locational Factors</b>	Inferior	Similar	Inferior	Inferior	Inferior
<b>Operating Performance</b>	Inferior	Sign. Superior	Sign. Superior	Sign. Superior	Sign. Superior
<b>Income Stream Security</b>	Similar	Inferior	Superior	Superior	Inferior
<b>Future Income Upside</b>	Superior	Inferior	Inferior	Inferior	Inferior
<b>Suitability for Subject</b>	Appropriate	Too High	Too High	Too High	Too High
<b>Adjusted Analysis</b>					
<b>NOI per Square Foot</b>	\$8.48	\$19.34	\$17.43	\$29.63	\$19.93
<b>Difference from \$9.92/SF</b>	-16%	+49%	+43%	+66%	+50%
<b>Preliminary Unit Price (\$/SF)</b>	<b>\$172.85</b>	<b>\$97.00</b>	<b>\$144.26</b>	<b>\$152.03</b>	<b>\$120.60</b>
<b>Holding/Lease-Up Costs</b>	\$0/SF	\$0/SF	\$0/SF	+\$6.26/SF	+\$16.37/SF
<b>Adjusted Unit Price (\$/SF)</b>	<b>\$172.85</b>	<b>\$97.00</b>	<b>\$144.26</b>	<b>\$158.29</b>	<b>\$136.97</b>



## Unadjusted Analysis

The unadjusted unit values range from \$149.01 and \$447.16 per square foot. Their comparability to the subject property is detailed below.

- **Index Number 1** describes the sale of the Hub International Building for \$149.01 per square foot. This building has a short-term occupancy, is located in an inferior non-commercial area, and has superior income upside potential. However, it sold in superior market conditions and has an inferior operating performance. Overall, this unit value is judged to be appropriate for use with the subject property.
- **Index Number 2** represents the transfer of 105th Street Building per square foot. This building has a similar location, has superior physical features due to the presence of an underground parkade, has a significantly superior operating performance and sold during similar market conditions. This unit value is therefore too high for use with the Commonwealth Building.
- **Index Number 3** details the sale of the Sobeys Corporate Office for \$253.09 per square foot. This is a lower cost one-storey structure but has a very strong tenancy (superior income stream security) and lower quality interior improvements. It also has a significant superior operating performance and sold in superior market conditions. These factors suggest that this unit sale value is too high for use with the subject property.
- **Index Number 4** relates to the transfer of the Glenwood Health Centre for \$447.16 per square foot. This is a new, high quality building with high rents. Although it is in an inferior area, it has high traffic exposure and sold in superior market conditions. This unit value is judged to be too high for use with the subject property.
- **Index Number 5** describes the sale of Plaza 124 for \$241.20 per square foot. This building has an inferior location and similar physical characteristics as the subject. However, it sold during superior market conditions and its unit NOI is much larger than that of the subject and offers inferior income upside. This unit value is thus too high for use with the subject building.

## Adjusted Analysis

A method to refine the unit values from the preceding sales is to adjust them for their income earning potential. A property's physical and locational characteristics are strongly correlated with its ability to generate income (operating performance). However, the analysis of net operating income per square foot is only used to assist in narrowing the appropriate unit value range. Reliance of this analysis tool to the exclusion of the standard items of consideration within the Direct Comparison Approach (location, physical improvements, market conditions, etc.) would be an error because it would simply be a reiteration of the Income Approach. NOI per square foot is a

helpful tool to understand the physical and locational characteristics of the comparable properties and not a substitute for their investigation.

The values as adjusted to account for differences to stabilized unit net operating income display a narrower range of between approximately \$100.00 and \$170.00 per square foot. The unweighted average unit value was \$141.87 per square foot and the median unit value was \$144.26 per square foot. These adjusted amounts are helpful in narrowing the range of the index property unit values in the selection of an appropriate square foot rate for the subject property.

### Conclusion

Purchasers using the Direct Comparison Approach would consider a variety of factors in order to determine an appropriate unit value for the Commonwealth Building. In this regard, the following points are noted.

- Assumed market-level vendor/purchaser motivation and financing.
- Declining unit values for office-oriented properties in the Edmonton area.
- Average exterior appearance. Renovated interior finishing and design.
- Located along a quieter road in Downtown Edmonton.
- Occupied by average tenancies on short to medium-term leases.
- Some levels of income upside potential compared to the index properties.

An estimated unit value of \$140.00 to \$150.00 per square foot, at low end of the range of the unadjusted comparable range, is therefore judged to be an achievable value range for use in this appraisal. Applying the mid-value of this range to the property's leasable building area of 37,118 square feet results in the following calculation.

$$37,118 \text{ square feet} \times \$145.00 \text{ per square foot} = \$5,382,110$$

This calculation therefore provides a preliminary market value for Commonwealth Building via the Direct Comparison Approach at \$5,382,110. Applying the holding and lease up cost ascertained earlier in this report of \$45,554, results in a final value of \$5,336,556, rounded to \$5,340,000.

### Summary - Direct Comparison Approach

In summary, the current market value of the Commonwealth Building as of August 11, 2016 is estimated by the Direct Comparison Approach to be \$5,340,000.

## Reconciliation and Final Estimate of Value

The purpose of this appraisal is to estimate the current market value of the Commonwealth Building. The Commonwealth Building is located at 9912 - 106 Street in Edmonton, Alberta and is legally described as Plan NB, Block 6, Lots 83-84. Since this report does not contain any Extraordinary Assumptions, it is considered to be an "as is" appraisal.

The property rights appraised are those of the Leased Fee Estate. The effective date of this valuation is August 11, 2016. The only intended use of this report is for internal decision making purposes. The only intended user is Deloitte. All other uses and users of this report are strictly forbidden without a personalized letter addressed from Colliers International Realty Advisors Inc.

This appraisal concluded with the following values:

<b>Income Approach - Overall Income Capitalization:</b>	<b>\$ 5,410,000</b>
<b>Income Approach - Discounted Cash Flow</b>	<b>\$ 5,290,000</b>
<b>Direct Comparison Approach:</b>	<b>\$ 5,340,000</b>

Real estate investors purchase the vast majority of leased multi-tenant office buildings. Such investors are concerned with the property's income generating abilities more than its particular physical and locational characteristics. This suggests that the Income Approach is the most relevant valuation technique. The Overall Income Capitalization method has been provided with significant emphasis within the reconciled value due to its important role in office building acquisition. The Discounted Cash Flow Analysis method was included due to the multi-tenant nature of the building and the duration of the leases.

The Direct Comparison Approach, which values physical units of comparison, is used as a secondary measure of value for leased multi-tenant office buildings. It has been provided with a minor emphasis in the reconciled value of the Commonwealth Building.

The Cost Approach has not been employed within this appraisal. Market participants for leased multi-tenant office buildings do not consider the property's depreciated replacement cost in order to determine its market value. This is true even with new buildings. It would therefore be an error for a real estate appraisal to place Reconciliation weighting on this approach.



In consideration of these points, the reconciled current market value of the Commonwealth Building as at August 11, 2016 is estimated to be:

**FIVE MILLION THREE HUNDRED FIFTY THOUSAND DOLLARS**  
**\$5,350,000**

This value is predicated on an exposure period of nine months and assumes that the hypothetical sale is based on conventional financing.



# Appendix

Appendix A	Report Assumptions
Appendix B	Title Documents
Appendix C	Zoning Bylaw Excerpt
Appendix D	Argus Output
Appendix E	Certification



## APPENDIX A

### REPORT ASSUMPTIONS

## REPORT ASSUMPTIONS

### Extraordinary Assumptions

An Extraordinary Assumption is an assumption, which if not true, could alter the appraiser's opinions and conclusions. They are required when a Hypothetical Condition is necessary due to circumstances that are not self-evident regarding the appraised property. Hypothetical Conditions include retrospective appraisals, significant renovations to the improvements, completion of proposed improvements, etc. No Extraordinary Assumptions were invoked within this report.

### Extraordinary Limiting Conditions

An Extraordinary Limiting Condition refers to a necessary modification or exclusion of an Appraisal Institute Standard Rule. Such special circumstances include the inability to complete a property inspection, the purposeful exclusion of a relevant valuation technique, etc. No Extraordinary Limiting Conditions were invoked within this appraisal.

### Ordinary Assumptions and Limiting Conditions

Ordinary Assumptions and Limiting Conditions stipulate conventional guidelines and restrictions pertaining to the valuation of real estate. This report was prepared with the following Ordinary Assumptions and Limiting Conditions.

1. The title to the property was encumbered with registrations. Since the appraiser of this report does not have the legal training to interpret these documents with certainty, legal counsel should be solicited for a full explanation of these encumbrances. Unless specifically noted within this report, these instruments are assumed to have no significant effect on the marketability or market value of the subject. Should they have any significant effect on value, such an influence has not been measured within this appraisal. Readers therefore need to investigate these encumbrances independently and determine for themselves the effect that they may have on market value.
2. This is a confidential document and all copyrights to this appraisal are reserved to Colliers International Realty Advisors Inc. and Deloitte. It was prepared with the assumption that no other entity will rely on it and all liability to such non-authorized users is wholly denied except where written authorization from Colliers International Realty Advisors Inc. is provided. Possession of this report does not carry with it the right to distribute, reproduce, or publicize in any whole or partial manner. It may not be disclosed, quoted, or referenced in any manner (whole or partial) without prior written consent of Colliers International Realty Advisors Inc. None of this report, nor any portion of it, may be disseminated to the

public in any manner whatsoever. Furthermore, it may not be disclosed, quoted, referred to in any report, financial statement, prospectus, government document, or offering memorandum without the full knowledge and prior written consent of Colliers International Realty Advisors Inc. Deloitte has agreed by separate contract to indemnify Colliers International Realty Advisors Inc. from any unauthorized third party use.

3. The market value of the real estate which is the subject of this appraisal pertains to the Leased Fee Estate (Fee Simple Estate as Leased). The property rights appraised herein exclude mineral rights, if any.
4. This appraisal is intended for internal purposes. We assume no responsibility for loans made where the borrower lacks the ability or motivation to repay the loan or where a lender has not followed prudent lending practices. Authorization to use this appraisal provided by a Letter of Transmittal is conditional on the lender completing a thorough due diligence investigation that reasonably concludes that the borrower has the intention and capacity to repay the loan. Use of this report without a Letter of Transmittal from Colliers International Realty Advisors Inc. is strictly forbidden.
5. Leasing and financial information for the property was provided by the client of this appraisal via the property manager and accepted at face value by the appraiser. This includes both written and verbal data. The client confirmed that the leasing and financial information contained herein was correct by means of a review of a report draft. However, this information was not verified by any other internal or external process. It is therefore a vital assumption of this report that this information is a correct representation of the operating performance of the property. Should it be incorrect due to client fraud or negligence, then this report would be void. The appraisers do not certify, in any manner whatsoever, the veracity of the leasing or financial statements as supplied by the client. Any party relying upon this report must therefore confirm to their satisfaction the accuracy of the supplied data as discussed herein.
6. This appraisal does not value the subject property as part of a foreclosure process. It values the property with the market value definition as described within the Terms of Reference and Exposure Time parts of this report. Should the property be sold under forced conditions such as those evident within the foreclosure process, the value contained herein would be void. Readers should be aware that properties sold under forced conditions can sell at a significant discount from normal market value.
7. This appraisal excludes all personal property and chattels currently located within the tenant areas.
8. The market value determined herein assumes an exposure period of six months. The exposure period is the estimated length of time the asset being valued would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of valuation. The overall concept of an exposure period encompasses both an adequate, sufficient, and reasonable time frame as



well as an adequate, sufficient, and reasonable effort. The exposure period depends on the type of asset being valued, market conditions, and property pricing.

9. The estimate of value contained in this report is founded upon a thorough and diligent examination and analysis of information gathered from numerous sources. Certain information has been accepted at face value when the source was deemed credible. Other information required research commensurate to the source and quality of information. Statistical data contained herein was gathered from reliable sources, verified where appropriate, and believed to be correct but not guaranteed for accuracy.
10. The appraisers are not foundation, structural, or roofing experts. The foundation, superstructure, and roofing components of the subject property were not inspected for this appraisal in any significant manner. They are assumed to be in good condition for the purposes of this report. A certified building inspector is recommended to determine the true condition of these building components. Any significant foundation, superstructure, or roofing deficiencies would imply a deduction from the appraised value determined herein. This decrease in value may be greater than the simple cost to remedy.
11. The appraisers are not mechanical/electrical systems experts. All building systems, including water, HVAC, sewer, electrical, alarm, elevator, and all other mechanical operating components of the property are assumed to be in good condition for the purposes of this report. A mechanical systems inspector is recommended to determine the true condition of these building components. Any mechanical/electrical deficiencies would imply a deduction from the appraised value determined herein. This decrease in value may be greater than the simple cost to remedy.
12. The authors are not qualified to comment on the environmental condition of the soil, air, or water at the subject property. Unless expressly stated, the subject soil, air, and water is assumed to be fully clean of all environmental pollutants and contaminants. This includes petroleum leakage, agricultural chemicals, and all other such contamination that could affect market value. Furthermore, the property is assumed to be in compliance with all regulatory environmental requirements (past, present, or future) that might affect its market value. If the party relying on this report requires information about environmental issues, that party should retain an expert that is licensed to provide such opinions. No such opinions are made within this report and we wholly deny any legal liability relating to the effect of such environmental issues on the market value of the property appraised.
13. The authors are not qualified to comment on the environmental condition of the subject improvements. Unless expressly stated, the subject improvements are assumed to be free of all environmental pollutants and contaminants. This includes molds/mildews (or the conditions that might give rise to either), asbestos, urea formaldehyde foam insulation, polychlorinated biphenyl, petroleum leakage, agricultural chemicals, and all other such contamination that could affect market value. These substances were not called to the attention of the appraiser and the appraiser did not become aware of such

substances during the inspection. Furthermore, the appraisers are not qualified nor have been asked to test for such substances. If the party relying on this report requires information about environmental issues, that party should retain an expert that is licensed to provide such opinions. Since such substances can affect market value in a significant manner, any party relying on this report is advised to retain an expert that is licensed to provide such opinions. No such opinions are made within this report and we wholly deny any legal liability relating to the effect of such environmental issues on the market value of the property appraised.

14. The legal description of the property and the area of the site were obtained from the North Alberta Land Titles Office. No confirmation of this information was performed. Any plans or sketches contained in this report are included solely to aid the recipient in visualizing the location of the property, the configuration and boundaries of the site, and/or the relative position of the improvements on the lands. Should greater certainty be required, a Real Property Report from a certified company is recommended.
15. The property has been appraised on the basis that it is free and clear of all value-influencing private liabilities, government liabilities, tenant liabilities, encumbrances, encroachments, restrictions, or covenants except as noted in the body of this report. It is further assumed that there are no pledges, charges, liens, or special assessments outstanding on the property unless included in the body of this report. This assumption includes both on-title and off-title value influencing entities.
16. The property has been appraised with the assumption that they have been built, occupied, and operated in full compliance with the requirements of all Federal, Provincial, and Municipal laws. This includes conformity with zoning regulations, building guidelines, planning guidelines, fire and health regulations, and any Restrictive Covenants that may affect the site. The appraiser is not qualified to investigate such violations and therefore any such violations fall outside the scope of this report except where noted in the body of this report. Any violations not mentioned within the body of this report have not been accounted for in the appraisal process. It is noted that non-compliance of Federal, Provincial, or Municipal laws can affect the value of the property in a significant manner and further investigation from a licensed expert in these matters is highly recommended.
17. The property has been valued on the basis that there is no action, suit, proceeding, or investigation pending or threatened against the real estate appraised herein. Such measures can have a significant impact on the market value of the property and any party relying on this report is urged to ensure that none are currently outstanding.
18. The estimated market value of the subject property does not necessarily represent the value of the underlying shares. Furthermore, the value of the property may or may not be proportional to divisional ownership or syndication. Such ownership arrangements can be influenced by a wide variety of



accounting and tax factors that are independent of real estate considerations and therefore outside the scope of this appraisal.

19. Except where noted, the estimated market value does not include consideration of any extraordinary financing, rental or income guarantees, special tax considerations, accounting issues, or any other atypical benefits that may influence the value of the property.
20. The market value estimated herein is predicated on a cash sale or sale with conventional financing. The applicable currency of the sale is assumed to be Canadian Dollars.
21. The authors of this report shall be entitled to additional compensation if required to give testimony or appear in court or at any other administrative proceeding relating to this appraisal. The author reserves the right to refuse such further participation. However, this assumption is not an attempt to limit the use that might be made of this report should it become evidence in a judicial proceeding. The judicial body shall decide the use of this report which best serves the administration of justice.
22. This appraisal is only valid if it bears the signature of the authors.



## APPENDIX B

### TITLE DOCUMENTS



LAND TITLE CERTIFICATE

B  
 LINC                      SHORT LEGAL                      TITLE NUMBER  
 0013 118 971              NB;6;83                      162 003 120 +1

LEGAL DESCRIPTION

PLAN (B)  
 BLOCK SIX (6)  
 THE MOST SOUTHERLY FORTY (40) FEET THROUGHOUT OF  
 LOT EIGHTY THREE (83)

ATS REFERENCE: 4;24;52;HB  
 ESTATE: FEE SIMPLE

MUNICIPALITY: CITY OF EDMONTON

REFERENCE NUMBER: 112 301 120 +1

REGISTERED OWNER(S)				
REGISTRATION	DATE (DMY)	DOCUMENT TYPE	VALUE	CONSIDERATION
162 003 120	07/01/2016	TRANSFER OF LAND		SEE INSTRUMENT

OWNERS  
 1926378 ALBERTA LTD.  
 OF 791 DRYSDALE RUN NW  
 EDMONTON  
 ALBERTA T6M 2V4

ENCUMBRANCES, LIENS & INTERESTS

REGISTRATION NUMBER	DATE (D/M/Y)	PARTICULARS
162 003 121	07/01/2016	MORTGAGE MORTGAGEE - CANADA ICI CAPITAL CORPORATION. 3540 MANULIFE PLACE 10180 101 STREET EDMONTON ALBERTA T5J3S4 ORIGINAL PRINCIPAL AMOUNT: \$3,712,000

( CONTINUED )



-----  
ENCUMBRANCES, LIENS & INTERESTS

PAGE 2  
# 162 003 120 +1

REGISTRATION NUMBER	DATE (D/M/Y)	PARTICULARS
162 003 122	07/01/2016	CAVEAT RE : ASSIGNMENT OF RENTS AND LEASES CAVEATOR - CANADA ICI CAPITAL CORPORATION. C/O BROWNLEE LLP 2200, 10155-102 STREET EDMONTON ALBERTA T5J4G8 AGENT - ALLEN R EVANIEW
162 210 952	04/08/2016	ORDER "ATTACHMENT ORDER RESTRICTING DEALINGS"

TOTAL INSTRUMENTS: 003

THE REGISTRAR OF TITLES CERTIFIES THIS TO BE AN ACCURATE REPRODUCTION OF THE CERTIFICATE OF TITLE REPRESENTED HEREIN THIS 8 DAY OF AUGUST, 2016 AT 03:36 P.M.

ORDER NUMBER: 31207104

CUSTOMER FILE NUMBER: commonwealth



\*END OF CERTIFICATE\*

THIS ELECTRONICALLY TRANSMITTED LAND TITLES PRODUCT IS INTENDED FOR THE SOLE USE OF THE ORIGINAL PURCHASER, AND NONE OTHER, SUBJECT TO WHAT IS SET OUT IN THE PARAGRAPH BELOW.

THE ABOVE PROVISIONS DO NOT PROHIBIT THE ORIGINAL PURCHASER FROM INCLUDING THIS UNMODIFIED PRODUCT IN ANY REPORT, OPINION, APPRAISAL OR OTHER ADVICE PREPARED BY THE ORIGINAL PURCHASER AS PART OF THE ORIGINAL PURCHASER APPLYING PROFESSIONAL, CONSULTING OR TECHNICAL EXPERTISE FOR THE BENEFIT OF CLIENT(S).



LAND TITLE CERTIFICATE

<b>B</b>		
<b>LINC</b>	<b>SHORT LEGAL</b>	<b>TITLE NUMBER</b>
0013 118 989	NB;6;84	162 003 120

LEGAL DESCRIPTION

PLAN B  
BLOCK 6  
LOT 84

ATS REFERENCE: 4;24;52;HB  
ESTATE: FEE SIMPLE

MUNICIPALITY: CITY OF EDMONTON

REFERENCE NUMBER: 112 301 120

REGISTERED OWNER(S)					
REGISTRATION	DATE (DMY)	DOCUMENT TYPE	VALUE	CONSIDERATION	
162 003 120	07/01/2016	TRANSFER OF LAND		SEE INSTRUMENT	

OWNERS

1926378 ALBERTA LTD.  
OF 791 DRYSDALE RUN NW  
EDMONTON  
ALBERTA T6M 2V4

ENCUMBRANCES, LIENS & INTERESTS

REGISTRATION NUMBER	DATE (D/M/Y)	PARTICULARS
162 003 121	07/01/2016	MORTGAGE MORTGAGEE - CANADA ICI CAPITAL CORPORATION. 3540 MANULIFE PLACE 10180 101 STREET EDMONTON ALBERTA T5J3S4 ORIGINAL PRINCIPAL AMOUNT: \$3,712,000
162 003 122	07/01/2016	CAVEAT

( CONTINUED )



-----  
ENCUMBRANCES, LIENS & INTERESTS

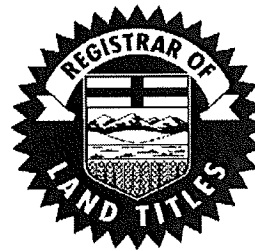
PAGE 2  
# 162 003 120

REGISTRATION NUMBER	DATE (D/M/Y)	PARTICULARS
		RE : ASSIGNMENT OF RENTS AND LEASES CAVEATOR - CANADA ICI CAPITAL CORPORATION. C/O BROWNLEE LLP 2200, 10155-102 STREET EDMONTON ALBERTA T5J4G8 AGENT - ALLEN R EVANIEW
162 210 952	04/08/2016	ORDER "ATTACHMENT ORDER RESTRICTING DEALINGS"
TOTAL INSTRUMENTS: 003		

THE REGISTRAR OF TITLES CERTIFIES THIS TO BE AN ACCURATE REPRODUCTION OF THE CERTIFICATE OF TITLE REPRESENTED HEREIN THIS 8 DAY OF AUGUST, 2016 AT 03:37 P.M.

ORDER NUMBER: 31207128

CUSTOMER FILE NUMBER: commonwealth

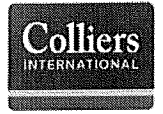


\*END OF CERTIFICATE\*

THIS ELECTRONICALLY TRANSMITTED LAND TITLES PRODUCT IS INTENDED FOR THE SOLE USE OF THE ORIGINAL PURCHASER, AND NONE OTHER, SUBJECT TO WHAT IS SET OUT IN THE PARAGRAPH BELOW.

THE ABOVE PROVISIONS DO NOT PROHIBIT THE ORIGINAL PURCHASER FROM INCLUDING THIS UNMODIFIED PRODUCT IN ANY REPORT, OPINION, APPRAISAL OR OTHER ADVICE PREPARED BY THE ORIGINAL PURCHASER AS PART OF THE ORIGINAL PURCHASER APPLYING PROFESSIONAL, CONSULTING OR TECHNICAL EXPERTISE FOR THE BENEFIT OF CLIENT(S).





## APPENDIX C

### ZONING BYLAW EXCERPT



[Home](#) > [Part II - Zones, Direct Control Provisions, Overlays and Special Areas](#) > [900 Special Areas](#) > [910 Special Area Downtown](#) > 910.10 (RMU) Residential Mixed Use Zone

**Edmonton Zoning Bylaw 12800**

**910.10 (RMU) Residential Mixed Use Zone**

**1. General Purpose**

The purpose of this zone is to provide for primarily medium to high density residential mixed-use developments, with limited commercial, institutional, office and service Uses distributed on-site in a manner sensitive to the street environment and adjacent residential areas; to support an urban village where amenities are focused on a local main street; and to enhance the institutional and hotel cluster along the north edge of the sub-area.

**2. Permitted Uses**

- a. Apartment Housing

*Bylaw 15953  
November 13, 2012*

- b. Child Care Services
- c. Community Recreation Services
- d. Convenience Retail Stores
- e. Government Services

*Bylaw 15953  
November 13, 2012*

- f. Group Homes
- g. Live Work Units

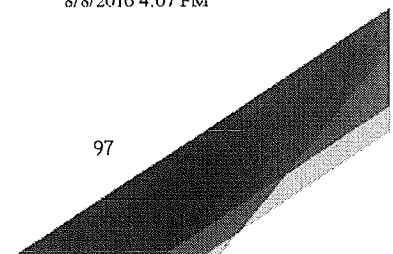
*Bylaw 15953  
November 13, 2012*

- h. Lodging Houses
- i. Minor Home Based Business
- j. Personal Service Shops
- k. Professional, Financial and Office Support Services
- l. Public Libraries and Cultural Exhibits
- m. Residential Sales Centre
- n. Row Housing
- o. Stacked Row Housing

*Bylaw 17403  
October 19, 2015  
Effective date: February 1, 2016*

- p. Urban Gardens
- q. Fascia On-premises Signs
- r. Projecting On-premises Signs

**3. Discretionary Uses**



910.10 (RMU) Residential Mixed Use Zone

[http://webdocs.edmonton.ca/zoningbylaw/ZoningBylaw/Part2/Special\\_Ar...](http://webdocs.edmonton.ca/zoningbylaw/ZoningBylaw/Part2/Special_Ar...)

*Bylaw 16224  
September 10, 2012*

- a. Apartment Hotels
- b. Bars and Neighbourhood Pubs, for less than 100 occupants and 120 m<sup>2</sup> of Public Space
- c. Commercial Schools
- d. General Retail Stores

*Bylaw 15953  
November 13, 2012*

- e. Health Service
- f. Hotels
- g. Household Repair Services
- h. Indoor Participant Recreation Services
- i. Major Home Based Business
- j. Minor Amusement Establishments

*Bylaw 16224  
September 10, 2012*

- k. Minor Impact Utility Services
- l. Veterinary Services
- m. Motels
- n. Natural Science Exhibits
- o. Private Clubs
- p. Professional, Financial and Office Support Services
- q. Protective and Emergency Services
- r. Public Education Services and Private Education Services
- s. Recycled Materials Drop-off Centres
- t. Religious Assembly
- u. Restaurants, for less than 100 occupants and 120 m<sup>2</sup> of Public Space

*Bylaw 16224  
September 10, 2012*

- v. Secondhand Stores
- w. Specialty Food Services, for less than 100 occupants and 120 m<sup>2</sup> of Public Space
- x. Spectator Entertainment Establishments
- y. Freestanding On-premises Signs
- z. Temporary On-premises Signs

**4. Development Regulations**

The following regulations shall apply to Permitted and Discretionary Uses.

- a. Floor Area Ratio:



910.10 (RMU) Residential Mixed Use Zone

[http://webdocs.edmonton.ca/zoningbylaw/ZoningBylaw/Part2/Special\\_Ar...](http://webdocs.edmonton.ca/zoningbylaw/ZoningBylaw/Part2/Special_Ar...)

- i. the maximum total Floor Area Ratio for all combined Uses shall be 5.5;
- ii. the maximum Floor Area Ratio for Residential Uses shall be 4.0; and
- iii. the maximum Floor Area Ratio for Non-residential Uses shall be 1.5.
- b. Residential Density:
  - i. the maximum Density shall be 500 Dwellings/ha.
- c. Building Height:

*Bylaw 17062  
July 6, 2015*

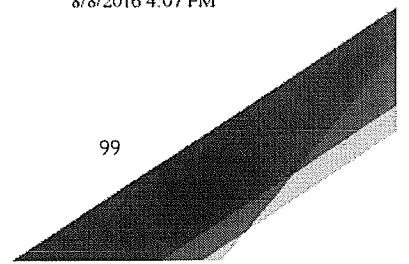
- i. The maximum Height shall not exceed 50m except that, for sites with an area over 3,716 m<sup>2</sup> an additional Height of 10 m may be allowed where the Development Officer is satisfied that new developments are compatible within the urban context of the area and that adverse environmental impacts, such as sun shadow and wind are minimized. In such cases, the application shall be processed as a Class B application.

*Bylaw 15735  
June 20, 2011*

- d. Front Setbacks:
  - i. the minimum Front Setback for buildings fronting onto 99 Avenue shall be 0 m, or alignment with adjacent buildings;
  - ii. the minimum Front Setback for buildings fronting onto 100 Avenue shall be 1.5 m, or alignment with adjacent buildings;
  - iii. the minimum Front Setback for buildings fronting onto 105 Street shall be 1.5 m to 5.0 m;
  - iv. the minimum Front Setback for buildings fronting onto all other Streets shall be 3.0 m;
  - v. Notwithstanding the above, the Development Officer shall have regard for the existing block face Setback and consideration of the Urban Design Framework for Downtown Streets within the Capital City Downtown Plan, Bylaw 15200 in determination of the Front Setback.

*Bylaw 15735  
June 20, 2011*

- e. Side and Rear Setbacks:
  - i. there shall be no required Rear Setback, except that residential buildings shall provide at least a 3.0 m Setback;
  - ii. there shall be no required Side Setback for non-residential buildings; and
  - iii. the minimum Side Setback for Residential Uses shall be 1.0 m per Storey to a maximum of 6.0 m, except that a total of at least 2.0 m shall be provided in all cases. A Side Setback shall be not less than 3.0 m where it abuts a flanking public roadway, other than a Lane.
- f. Amenity Area:
  - i. A minimum amenity area of 3% of gross floor area of residential uses, to a maximum of 6%, shall be required for buildings over 2000m<sup>2</sup> to the





satisfaction of the Development Officer, but in no case shall be less than 6 m<sup>2</sup> per unit. Amenity areas may include meeting rooms, fitness facilities, and outdoor spaces. The Development Officer will review amenity area provision to ensure it meets the intent.

- ii. A minimum amenity area of 3% of the non-residential floor area to a maximum of 6% shall be provided. Amenity areas may include courtyards, interior landscaped open space, arcades, plazas, atriums, gardens and seating areas.
- iii. Notwithstanding the above, non-residential buildings of sites less than 1390m<sup>2</sup> shall not be required to provide the 3% amenity area.
- iv. Amenity areas contained within the building footprint shall be exempt from FAR calculation.

g. Vehicular Parking

- i. Parking shall be in accordance with Section 54 of the Zoning Bylaw; except where:
  - A. Additional parking shall not be required for Conversions to Residential Uses; and

*Bylaw 16733  
July 6, 2015*

- B. Visitor parking may be provided at Grade located at the rear of the building and accessed from the abutting lane.

h. Landscaping

*Bylaw 15735  
June 20, 2011*

- i. Landscaping shall be in accordance with Section 55 of the Zoning Bylaw, except that:

*Bylaw 16733  
July 6, 2015*

- A. Trees shall be provided in accordance with subsection 55.8. For development consisting of Residential Use Classes, the number of trees provided shall be one tree for each 25 m<sup>2</sup> of any Yard at Grade; and
- B. For tree requirements, only deciduous species shall be allowed on any Yard abutting a Public Roadway, other than a lane.
- i. Signs shall comply with the regulations found in Schedule 59B.

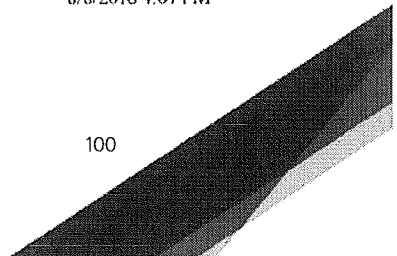
*Bylaw 17403  
October 19, 2015  
Effective date: February 1, 2016*

- j. Urban Gardens shall comply with Section 98 of this Bylaw.

**5. Urban Design Regulations**

a. Street Interface:

- i. Developments in this zone shall reflect the criteria outlined in the Urban Design Framework for Downtown Streets within the Capital City Downtown Plan, Bylaw 15200, to enhance the residential mixed-use character of the area.





- ii. Along 99 Avenue and 104 Street, developments shall:
    - A. Provide a minimum ground floor Height of 3.5m;
    - B. Accommodate the conversion of smaller scale developments to pedestrian oriented retail uses such as small restaurants, cafes, specialty retail and design oriented establishments; and
- Bylaw 16733  
July 6, 2015*
- C. For non-residential uses, the geodetic elevation of the top of the floor on the level that is directly above Grade shall not exceed the geodetic elevation of the abutting public sidewalk by more than 0.3 m.

iii. Public Amenity Area:

*Bylaw 15735  
June 20, 2011*

- A. Yards, including useable outdoor spaces, shall continue the public sidewalk paving materials, finish, and pattern. In addition, soft landscaping may be required at the Discretion of the Development Officer.
- b. Street Wall Design:
  - i. The Height of the building façade that comprises a portion of the Street Wall shall range from 7m to 16m.
  - ii. Buildings less than 26m in Height on sites 700m<sup>2</sup> or less shall feature building design and façade treatment at the lower three floors to strengthen the residential ambiance of the street or block and enhance the pedestrian environment.
  - iii. Ground floor units shall be designed and articulated every 7.5m to differentiate individual dwelling units address and provide direct access to the street.

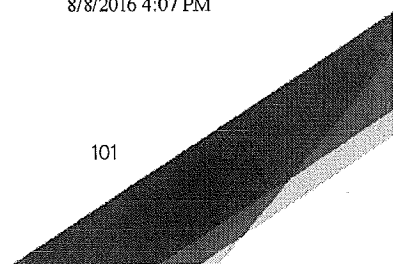
*Bylaw 16733  
July 6, 2015*

- iv. At Grade residential developments shall provide separate, individual access at Grade and feature identifiable doorways, landscaped terraces, pedestrian lighting, and patios. To ensure adequate privacy, the applicant shall provide screening to indicate separate individual access to each unit.
- v. The geodetic elevation of the floor that is directly above Grade shall be greater than the geodetic elevation of the abutting public sidewalk by at least 0.75 m.

c. Entrances and Corners

*Bylaw 16733  
July 6, 2015*

- i. Corner buildings shall provide courtyards, recessed major entry ways or other distinctive architectural features.
- ii. In mixed-use buildings, residential entrances shall be designed separate from commercial or institutional entrances and address the street in a prominent manner.
- iii. Buildings shall be designed and oriented to face all Public Roadways, other than a lane.



d. Tower Floor Plate, Stepbacks, and Spacing

*Bylaw 15735  
June 20, 2011  
Bylaw 16733  
July 6, 2015*

- i. The mid-level portion of Towers shall be sculpted to reduce building mass and augment views, light penetration at Grade and privacy by utilizing building Setbacks, Tower spacing and design elements.
- A. The Tower shall have a minimum 3.0m Setback from the Street Wall.
- B. The minimum space between Towers shall be 2.5m. The Development Officer may vary Tower spacing in consideration of the following:
  - 1. The visual, sun/shadowing, and other microclimatic impacts on adjacent residential development; and
  - 2. The recommendations, and mitigative measures specified in any required technical studies.
- C. The portion of the building that is greater than 20m in Height is limited to a maximum Floor Plate of 900m<sup>2</sup>.
- ii. Towers shall be designed, oriented and constructed to enhance the character of the neighbourhood, articulate the Downtown skyline and, maximize views and sunlight penetration in public spaces, plazas, parks and amenity areas.
- e. Building Façade, Materials, and Exterior Finishing
  - i. Building façades shall incorporate architectural design details or features that reflect the predominant urban character of the Street, as Identified in the Urban Design Framework for Downtown Streets within the Capital City Downtown Plan, Bylaw 15200.
  - ii. The building façades shall be strongly articulated at regular increments to add variety rhythm and a human scaled dimension along the Block face.
  - iii. Building design and façade shall strengthen and visually enhance the pedestrian experience, and contribute to the urban vibrancy by providing treatments such as awnings, canopies, window openings, reveals, offsets, multiple entrances, arcades, columns, quality materials, interesting design, fenestrations, double Height entrances, parks, plazas, appropriate landscaping, colour, and other architectural features.
  - iv. All exposed building faces shall have consistent and harmonious exterior finishing materials.
  - v. Building materials must be sustainable, durable, high quality and appropriate for the development within the context of the urban sub-area. The contextual fit, design, proportion, quality, texture and application of various finishing materials shall be as determined by the Development Officer for major comprehensively designed developments.
  - vi. Horizontal and vertical elements and a finer grain of elements such as windows, balconies, shadow lines and textures should be used to distinguish the residential buildings from non-residential buildings.
  - vii. Infill developments shall be sensitive to the rhythm, articulation, colours and textures of adjacent structures.



910.10 (RMU) Residential Mixed Use Zone

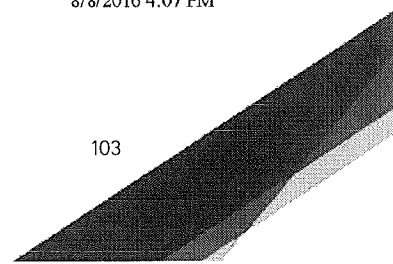
[http://webdocs.edmonton.ca/zoningbylaw/ZoningBylaw/Part2/Special\\_Ar...](http://webdocs.edmonton.ca/zoningbylaw/ZoningBylaw/Part2/Special_Ar...)

- f. Roof Tops
  - i. All mechanical equipment on a roof of any building shall be concealed by screening in a manner compatible with the architectural character of the building, or concealed by incorporating it within the building.
  - ii. The roof design may include a combination of green roofs, solar panels, patios or private or public open spaces.
- g. Public Amenity Space
  - i. Developments shall provide 5% of gross floor area as open space in the form of atriums and communal open spaces.

**6. Additional Development Regulations for Specific Uses and Streets**

*Bylaw 16224  
September 10, 2012*

- a. Personal Service Shops, Convenience Retail Stores and Professional, Financial and Office Support Services shall not be in any free standing structure and shall not be developed above the second floor, except in the case of Conversion of Dwellings to non-residential uses adjacent to 99 Avenue and 104 Street.





## APPENDIX D

### ARGUS OUTPUT



Commonwealth Building  
9912 - 108 Street  
Edmonton, AB

Software : ARGUS Ver. 15.0.1.26  
File : EDM-16-0264 Commonwealth Building  
Property Type : Office & Retail  
Portfolio :  
Date : 8/12/16  
Time : 14:17  
Ref# : AFA  
Page : 1

Schedule Of Prospective Cash Flow  
In Inflated Dollars for the Fiscal Year Beginning 9/1/2016

For the Years Ending	Year 1 Aug-2017	Year 2 Aug-2018	Year 3 Aug-2019	Year 4 Aug-2020	Year 5 Aug-2021	Year 6 Aug-2022	Year 7 Aug-2023	Year 8 Aug-2024	Year 9 Aug-2025
<b>Potential Gross Revenue</b>									
Base Rental Revenue	\$385,686	\$411,879	\$414,426	\$414,841	\$416,822	\$419,640	\$429,023	\$430,483	\$433,651
Absorption & Turnover Vacancy	(22,950)	(4,525)	(4,423)	(5,502)	(6,449)	(14,763)	(10,117)	(975)	(8,949)
<b>Scheduled Base Rental Revenue</b>	<b>362,646</b>	<b>407,354</b>	<b>410,003</b>	<b>409,439</b>	<b>409,376</b>	<b>404,777</b>	<b>418,906</b>	<b>429,488</b>	<b>424,702</b>
<b>Expense Reimbursement Revenue</b>									
Administration	83,821	92,312	94,193	95,851	97,609	97,885	100,787	104,875	105,195
R&M	67,376	74,203	75,713	77,045	78,459	78,519	81,014	84,289	84,559
Utilities	59,449	65,472	66,804	67,980	69,226	69,281	71,484	74,381	74,809
<b>Total Reimbursement Revenue</b>	<b>210,646</b>	<b>231,987</b>	<b>236,710</b>	<b>240,876</b>	<b>245,294</b>	<b>245,485</b>	<b>253,285</b>	<b>263,555</b>	<b>264,363</b>
Parking	12,000	12,240	12,486	12,734	12,988	13,249	13,514	13,784	14,060
<b>Total Potential Gross Revenue</b>	<b>585,292</b>	<b>651,581</b>	<b>659,198</b>	<b>663,049</b>	<b>667,669</b>	<b>663,511</b>	<b>695,705</b>	<b>706,827</b>	<b>703,125</b>
General Vacancy	(7,462)	(28,280)	(28,758)	(27,926)	(27,259)	(19,151)	(24,674)	(34,415)	(26,655)
<b>Effective Gross Revenue</b>	<b>577,830</b>	<b>623,301</b>	<b>630,440</b>	<b>635,123</b>	<b>640,400</b>	<b>644,360</b>	<b>661,031</b>	<b>672,412</b>	<b>676,470</b>
<b>Operating Expenses</b>									
Administration	91,484	93,313	95,180	97,083	99,025	101,005	103,025	105,086	107,188
R&M	73,535	75,006	76,506	78,036	79,597	81,189	82,813	84,469	86,158
Utilities	64,883	66,181	67,504	68,855	70,232	71,638	73,069	74,530	76,021
Structural	9,667	9,350	9,457	9,527	9,606	9,665	9,915	10,086	10,147
<b>Total Operating Expenses</b>	<b>238,569</b>	<b>243,850</b>	<b>248,647</b>	<b>253,501</b>	<b>258,460</b>	<b>263,495</b>	<b>268,922</b>	<b>274,171</b>	<b>279,514</b>
<b>Net Operating Income</b>	<b>339,261</b>	<b>379,451</b>	<b>381,793</b>	<b>381,622</b>	<b>381,940</b>	<b>380,865</b>	<b>392,209</b>	<b>398,241</b>	<b>396,956</b>
<b>Leasing &amp; Capital Costs</b>									
Tenant Improvements	30,381	27,489	2,649	24,316	22,421	37,593	37,182	2,925	26,846
Leasing Commissions	10,984	8,690	828	7,598	7,006	11,748	11,620	914	8,399
<b>Total Leasing &amp; Capital Costs</b>	<b>41,345</b>	<b>36,079</b>	<b>3,477</b>	<b>31,914</b>	<b>29,427</b>	<b>49,342</b>	<b>48,802</b>	<b>3,839</b>	<b>35,235</b>
<b>Cash Flow Before Debt Service &amp; Taxes</b>	<b>\$297,916</b>	<b>\$343,372</b>	<b>\$378,316</b>	<b>\$349,708</b>	<b>\$352,513</b>	<b>\$331,523</b>	<b>\$343,407</b>	<b>\$394,402</b>	<b>\$361,721</b>

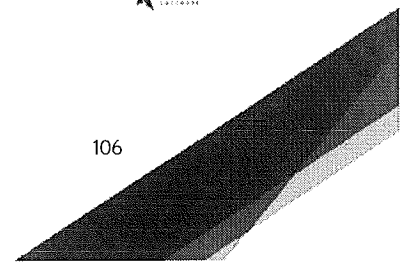


Commonwealth Building  
9912 - 106 Street  
Edmonton, AB

Software : ARGUS Ver. 15.0.1.26  
File : EDM-16-0264 Commonwealth Building  
Property Type : Office & Retail  
Portfolio :  
Date : 8/12/16  
Time : 14:17  
Ref# : AFA  
Page : 2

Schedule Of Prospective Cash Flow  
In Inflated Dollars for the Fiscal Year Beginning 9/1/2016

For the Years Ending	<u>Year 10</u> <u>Aug-2026</u>
<b>Potential Gross Revenue</b>	
Base Rental Revenue	\$439,489
Absorption & Turnover Vacancy	<u>(6,251)</u>
Scheduled Base Rental Revenue	431,218
<b>Expense Reimbursement Revenue</b>	
Administration	107,505
R&M	86,413
Utilities	<u>76,244</u>
Total Reimbursement Revenue	270,162
Parking	<u>14,341</u>
Total Potential Gross Revenue	715,721
General Vacancy	<u>(27,948)</u>
Effective Gross Revenue	<u>687,773</u>
<b>Operating Expenses</b>	
Administration	109,331
R&M	87,882
Utilities	77,541
Structural	<u>10,317</u>
Total Operating Expenses	<u>285,071</u>
Net Operating Income	<u>402,702</u>
<b>Leasing &amp; Capital Costs</b>	
Tenant Improvements	24,754
Leasing Commissions	<u>7,736</u>
Total Leasing & Capital Costs	<u>32,490</u>
Cash Flow Before Debt Service & Taxes	<u>\$370,212</u> =====





Commonwealth Building  
9912 - 106 Street  
Edmonton, AB

Software : ARGUS Ver. 15.0.1.26  
File : EDM-16-0264 Commonwealth Building  
Property Type : Office & Retail  
Portfolio :  
Date : 8/12/16  
Time : 14:17  
Ref# : AFA  
Page : 3

Schedule Of Expense Reimbursement Revenue  
Fiscal Year Reimbursable Operating Expenses Adjusted for Actual Occupancy

For the Years Ending	Year 1 Aug-2017	Year 2 Aug-2018	Year 3 Aug-2019	Year 4 Aug-2020	Year 5 Aug-2021	Year 6 Aug-2022	Year 7 Aug-2023	Year 8 Aug-2024	Year 9 Aug-2025
Reimbursable Expenses									
Administration	\$91,484	\$93,313	\$95,180	\$97,093	\$99,025	\$101,005	\$103,025	\$105,086	\$107,189
R&M	73,535	75,006	76,506	78,036	79,587	81,189	82,813	84,469	86,158
Utilities	84,893	86,181	87,504	88,855	90,232	91,638	93,069	94,530	96,021
<b>Total Reimbursable Expenses</b>	<b>\$229,902</b>	<b>\$234,500</b>	<b>\$239,190</b>	<b>\$243,974</b>	<b>\$248,854</b>	<b>\$253,830</b>	<b>\$258,907</b>	<b>\$264,085</b>	<b>\$269,367</b>

Calendar Year Reimbursable Operating Expenses used for Reimbursement Calculations

For the Years Ending	Dec-2016	Dec-2017	Dec-2018	Dec-2019	Dec-2020	Dec-2021	Dec-2022	Dec-2023	Dec-2024
Reimbursable Expenses									
Administration	\$90,288	\$92,094	\$93,935	\$95,814	\$97,730	\$99,685	\$101,679	\$103,712	\$105,787
R&M	72,574	74,026	75,506	77,016	78,557	80,128	81,730	83,365	85,032
Utilities	64,035	65,316	66,622	67,954	69,314	70,700	72,114	73,556	75,027
<b>Total Reimbursable Expenses</b>	<b>\$226,897</b>	<b>\$231,436</b>	<b>\$236,063</b>	<b>\$240,784</b>	<b>\$245,601</b>	<b>\$250,513</b>	<b>\$255,523</b>	<b>\$260,633</b>	<b>\$265,846</b>

Resulting Fiscal Year Property Expense Reimbursement Revenue

For the Years Ending	Year 1 Aug-2017	Year 2 Aug-2018	Year 3 Aug-2019	Year 4 Aug-2020	Year 5 Aug-2021	Year 6 Aug-2022	Year 7 Aug-2023	Year 8 Aug-2024	Year 9 Aug-2025
Expense Reimbursements									
Administration	\$83,821	\$92,312	\$94,193	\$96,851	\$97,609	\$97,685	\$100,787	\$104,875	\$105,195
R&M	67,376	74,203	75,713	77,045	78,459	78,519	81,014	84,299	84,559
Utilities	59,449	65,472	66,804	67,980	69,226	69,281	71,484	74,381	74,609
<b>Total Expense Reimbursement</b>	<b>\$210,646</b>	<b>\$231,987</b>	<b>\$236,710</b>	<b>\$240,876</b>	<b>\$245,294</b>	<b>\$245,485</b>	<b>\$253,285</b>	<b>\$263,555</b>	<b>\$264,363</b>

Percentage of Reimbursable Expenses Collected as Expense Reimbursement

For the Years Ending	Year 1 Aug-2017	Year 2 Aug-2018	Year 3 Aug-2019	Year 4 Aug-2020	Year 5 Aug-2021	Year 6 Aug-2022	Year 7 Aug-2023	Year 8 Aug-2024	Year 9 Aug-2025
Expense Reimbursements									
Administration	91.62%	98.93%	98.96%	98.73%	98.57%	96.71%	97.83%	99.80%	98.14%
R&M	91.62%	98.93%	98.96%	98.73%	98.57%	96.71%	97.83%	99.80%	98.14%
Utilities	91.62%	98.93%	98.96%	98.73%	98.57%	96.71%	97.83%	99.80%	98.14%
<b>Total Expense Reimbursement</b>	<b>91.62%</b>	<b>98.93%</b>	<b>98.96%</b>	<b>98.73%</b>	<b>98.57%</b>	<b>96.71%</b>	<b>97.83%</b>	<b>99.80%</b>	<b>98.14%</b>





Commonwealth Building  
9912 - 106 Street  
Edmonton, AB

Software : ARGUS Ver. 15.0.1.26  
File : EDM-16-0264 Commonwealth Building  
Property Type : Office & Retail  
Portfolio :  
Date : 8/12/16  
Time : 14:17  
Ref# : AFA  
Page : 4

Schedule Of Expense Reimbursement Revenue  
Fiscal Year Reimbursable Operating Expenses Adjusted for Actual Occupancy

	Year 10
For the Years Ending	<u>Aug-2026</u>
Reimbursable Expenses	
Administration	\$109,331
R&M	87,882
Utilities	<u>77,541</u>
Total Reimbursable Expenses	\$274,754 =====

Calendar Year Reimbursable Operating Expenses used for Reimbursement Calculations

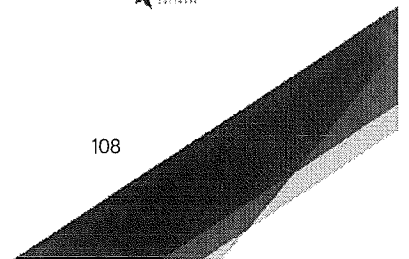
	Dec-2025
For the Years Ending	<u>Dec-2025</u>
Reimbursable Expenses	
Administration	\$107,902
R&M	86,733
Utilities	<u>76,528</u>
Total Reimbursable Expenses	\$271,163 =====

Resulting Fiscal Year Property Expense Reimbursement Revenue

	Year 10
For the Years Ending	<u>Aug-2026</u>
Expense Reimbursements	
Administration	\$107,505
R&M	86,413
Utilities	<u>76,244</u>
Total Expense Reimbursement	\$270,162 =====

Percentage of Reimbursable Expenses Collected as Expense Reimbursement

	Year 10
For the Years Ending	<u>Aug-2026</u>
Expense Reimbursements	
Administration	98.33%
R&M	98.33%
Utilities	<u>98.33%</u>
Total Expense Reimbursement	98.33% =====





Commonwealth Building  
9912 - 108 Street  
Edmonton, AB

Software : ARGUS Ver. 15.0.1.26  
File : EDM-16-0264 Commonwealth Building  
Property Type : Office & Retail  
Portfolio :  
Date : 8/12/16  
Time : 14:17  
Ref# : AFA  
Page : 5

Schedule Of Sources & Uses Of Capital  
Equity Is Based on Property Value, Leverage and Operating Requirements

For the Years Ending	Year 1 Aug-2017	Year 2 Aug-2018	Year 3 Aug-2019	Year 4 Aug-2020	Year 5 Aug-2021	Year 6 Aug-2022	Year 7 Aug-2023	Year 8 Aug-2024	Year 9 Aug-2025
<b>Sources Of Capital</b>									
Net Operating Gains	\$339,281	\$379,451	\$381,793	\$381,622	\$381,940	\$380,865	\$392,209	\$398,241	\$396,956
Initial Equity Contribution	6,350,000								
Net Proceeds from Sale									
<b>Total Sources Of Capital</b>	<b>\$5,689,281</b>	<b>\$379,451</b>	<b>\$381,793</b>	<b>\$381,622</b>	<b>\$381,940</b>	<b>\$380,865</b>	<b>\$392,209</b>	<b>\$398,241</b>	<b>\$396,956</b>
<b>Uses Of Capital</b>									
Property Purchase Price	\$5,350,000								
Tenant Improvements	30,381	27,489	2,649	24,316	22,421	37,593	37,182	2,925	26,846
Leasing Commissions	10,984	8,690	828	7,598	7,006	11,749	11,620	914	8,399
<b>Defined Uses Of Capital</b>	<b>5,391,345</b>	<b>36,079</b>	<b>3,477</b>	<b>31,914</b>	<b>29,427</b>	<b>49,342</b>	<b>48,802</b>	<b>3,839</b>	<b>35,235</b>
Cash Flow Distributions	297,916	343,372	378,316	348,708	352,513	331,523	343,407	394,402	361,721
<b>Total Uses Of Capital</b>	<b>\$5,689,261</b>	<b>\$379,451</b>	<b>\$381,793</b>	<b>\$381,622</b>	<b>\$381,940</b>	<b>\$380,865</b>	<b>\$392,209</b>	<b>\$398,241</b>	<b>\$396,956</b>
<b>Unleveraged Cash On Cash Return</b>									
Cash to Purchase Price	5.57%	6.42%	7.07%	6.54%	6.69%	6.20%	6.42%	7.37%	6.76%
NOI to Book Value	6.29%	8.99%	7.03%	6.99%	6.95%	6.87%	7.02%	7.12%	7.05%
Cash to Purchase Price & Costs	5.57%	6.42%	7.07%	6.54%	6.69%	6.20%	6.42%	7.37%	6.76%
<b>Unleveraged Annual IRR</b>									



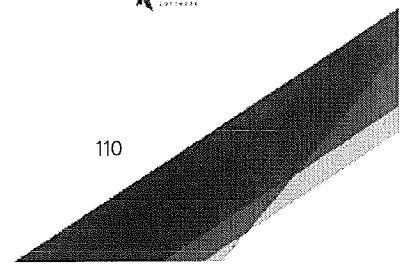


Commonwealth Building  
9912 - 106 Street  
Edmonton, AB

Software : ARGUS Ver. 16.0.1.26  
File : EDM-16-0264 Commonwealth Building  
Property Type : Office & Retail  
Portfolio :  
Date : 8/12/16  
Time : 14:17  
Ref# : AFA  
Page : 8

Schedule Of Sources & Uses Of Capital  
Equity is Based on Property Value, Leverage and Operating Requirements

For the Years Ending	Year 10 <u>Aug-2026</u>
<b>Sources Of Capital</b>	
Net Operating Gains	\$402,702
Initial Equity Contribution	<u>5,985,986</u>
Net Proceeds from Sale	<u>5,985,986</u>
<b>Total Sources Of Capital</b>	<b>\$8,368,658</b> =====
<b>Uses Of Capital</b>	
Property Purchase Price	24,754
Tenant Improvements	<u>7,736</u>
Leasing Commissions	<u>32,490</u>
<b>Defined Uses Of Capital</b>	<b>6,336,180</b>
Cash Flow Distributions	<u>6,336,180</u>
<b>Total Uses Of Capital</b>	<b>\$6,368,658</b> =====
<b>Unleveraged Cash On Cash Return</b>	
Cash to Purchase Price	6.92%
NOI to Book Value	7.11%
Cash to Purchase Price & Costs	6.92%
<b>Unleveraged Annual IRR</b>	<b>7.35%</b>





Commonwealth Building  
9912 - 108 Street  
Edmonton, AB

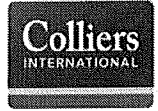
Software : ARGUS Ver. 15.0.1.26  
File : EDM-16-0264 Commonwealth Building  
Property Type : Office & Retail  
Portfolio :  
Date : 8/12/16  
Time : 14:17  
Ref# : AFA  
Page : 7

Prospective Property Resale

For the Years Ending	Year 1 Aug-2017	Year 2 Aug-2018	Year 3 Aug-2019	Year 4 Aug-2020	Year 5 Aug-2021	Year 6 Aug-2022	Year 7 Aug-2023	Year 8 Aug-2024	Year 9 Aug-2025
Resale Amount									
Gross Proceeds from Sale	\$5,026,089	\$5,621,498	\$5,656,193	\$5,653,659	\$5,658,370	\$5,642,444	\$5,810,504	\$5,899,867	\$5,880,830
Net Proceeds From Sale	\$5,026,089	\$5,621,498	\$5,656,193	\$5,653,659	\$5,658,370	\$5,642,444	\$5,810,504	\$5,899,867	\$5,880,830
Unleveraged Annual IRR	(0.49%)	8.41%	8.08%	7.63%	7.40%	7.14%	7.36%	7.48%	7.32%







Commonwealth Building  
9912 - 108 Street  
Edmonton, AB

Software : ARGUS Ver. 15.0.1.26  
File : EDM-16-0264 Commonwealth Building  
Property Type : Office & Retail  
Portfolio :  
Date : 8/12/16  
Time : 14:17  
Ref# : AFA  
Page : 8

Prospective Property Resale

	Year 10 <u>Aug-2026</u>
For the Years Ending	
Resale Amount	
Gross Proceeds from Sale	<u>\$5,985,956</u>
Net Proceeds From Sale	<u>\$5,985,956</u>
Unleveraged Annual IRR	7.35%





Commonwealth Building  
9912 - 108 Street  
Edmonton, AB

Software : ARGUS Ver. 15.0.1.26  
File : EDM-16-0284 Commonwealth Building  
Property Type : Office & Retail  
Portfolio :  
Date : 8/12/16  
Time : 14:17  
Ref# : AFA  
Page : 9

Prospective Present Value  
Cash Flow Before Debt Service plus Property Resale  
Discounted Annually (Endpoint on Cash Flow & Resale) over a 10-Year Period

Analysis Period	For the Year Ending	Annual Cash Flow	P.V. of Cash Flow @ 7.25%	P.V. of Cash Flow @ 7.50%	P.V. of Cash Flow @ 7.75%
Year 1	Aug-2017	\$297,916	\$277,777	\$277,131	\$276,488
Year 2	Aug-2018	343,372	298,518	297,131	295,754
Year 3	Aug-2019	378,316	306,664	304,530	302,415
Year 4	Aug-2020	349,708	264,312	261,861	259,439
Year 5	Aug-2021	352,513	248,421	245,546	242,711
Year 6	Aug-2022	331,523	217,836	214,814	211,841
Year 7	Aug-2023	343,407	210,391	208,991	203,652
Year 8	Aug-2024	394,402	225,300	221,142	217,070
Year 9	Aug-2025	361,721	192,663	188,667	184,765
Year 10	Aug-2026	370,212	183,856	179,625	175,500
Total Cash Flow		3,523,090	2,425,736	2,397,438	2,368,635
Property Resale @ 6.75% Cap		5,965,956	2,962,832	2,894,646	2,828,181
Total Property Present Value			\$5,388,570	\$5,292,084	\$5,197,816
=====					
Rounded to Thousands			\$5,389,000	\$5,292,000	\$5,198,000
=====					
Per SqFt			145.17	142.57	140.03
Percentage Value Distribution					
Assured Income			29.98%	30.22%	30.47%
Prospective Income			15.04%	16.08%	16.12%
Prospective Property Resale			54.98%	54.70%	54.41%
=====					
			100.00%	100.00%	100.00%





Commonwealth Building  
9912 - 108 Street  
Edmonton, AB

Software : ARGUS Ver. 15.0.1.26  
File : EDM-16-0264 Commonwealth Building  
Property Type : Office & Retail  
Portfolio :  
Date : 8/12/16  
Time : 14:17  
Ref# : AFA  
Page : 10

Property Summary Report

<b>Timing &amp; Inflation</b>	
Reporting Period:	September 1, 2016 to August 31, 2026; 10 years
Inflation Month:	Analysis Start
General Inflation Rate:	2.00%
<b>Property Size &amp; Occupancy</b>	
Property Size:	37,118 Square Feet
Alternate Size:	1 Square Foot
Number of rent roll tenants:	16
Total Occupied Area:	34,635 Square Feet, 93.31%, during first month of analysis
<b>General Vacancy</b>	
Method:	Percent of Potential Gross Revenue
Rate:	5.00%
<b>Property Purchase &amp; Resale</b>	
Purchase Price:	\$5,350,000
Resale Method:	Capitalize Net Operating Income
Cap Rate:	6.75%
Cap Year:	Year 10
Commission/Closing Cost:	\$0
Net Cash Flow from Sale:	\$5,965,956
<b>Present Value Discounting</b>	
Discount Method:	Annually (Endpoint on Cash Flow & Resale)
Unleveraged Discount Rate:	7.50%
Unleveraged Present Value:	\$5,292,084 at 7.50%
Unleveraged Annual IRR:	7.35%





## APPENDIX E

## CERTIFICATION

## CERTIFICATION

Re: **Commonwealth Building**  
**9912 - 106 Street, Edmonton, Alberta**

---

I certify that to the best of my knowledge and belief:

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions and conclusions are limited only by the Report Assumptions. They are my personal, unbiased professional analyses, opinions, and conclusions.
- I have no present or prospective interest in the property that is the subject of this report and I have no personal interest or bias with respect to the parties involved.
- I have no bias with respect to the property that is the subject of this report.
- My compensation is not contingent upon the reporting of a predetermined value or direction in value that favours the cause of the client, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event.
- My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Canadian Uniform Standards of Professional Appraisal Practice and with the requirements of the Code of Professional Ethics and Standards of Professional Practice of the Appraisal Institute of Canada.
- Alison McGavigan made a personal inspection of the subject property on August 11, 2016.
- I have the knowledge and experience to complete the assignment competently.
- The Appraisal Institute of Canada has a Mandatory Recertification Program for designated members. As of the date of this report, the undersigned has fulfilled the requirements of the program.
- The Real Estate Council of Alberta (RECA) has a Mandatory Certification Program for designated members. As of the date of this appraisal, the undersigned is licensed in Alberta.

### Final Estimate of Value

Based upon the data, analyses, and conclusions contained herein, the market value of the Leased Fee Estate Interest in the subject property as at August 11, 2016 is estimated at \$5,350,000 subject to the Report Assumptions detailed within this appraisal.



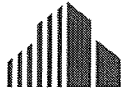
Alison McGavigan, BSc, MBA, AACI  
Senior Associate

Date: August 15, 2016

## **APPENDIX 3**

To the First Report of the Receiver  
dated the 22<sup>nd</sup> day of November, 2016

In the matter of the receiverships of  
1926378 Alberta Ltd. and Sprockit Apps Inc.



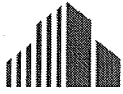
**Commonwealth Building**  
9912 106 Street NW  
Edmonton, Alberta  
**SALE STATUS REPORT**  
November 18, 2016

**PROJECT DETAILS**

37,118 Sq. Ft. Income Producing Office Building

**ACTIVE PROSPECTS**

<b>PROSPECT</b>	<b>COMMENTS</b>
Chang Liu	<p>(Nov 17) Conditionally Accepted Offer at \$5.0M with Mortgage Assumption, Condition Removal 45 days, Closing 45 days upon Condition Removal</p> <p>(Nov 3) Signed Offer Submitted: \$4.8M with mortgage assumption. Condition Removal January 4, 2017, Close March 1, 2017.</p> <p>(Nov 2) Signed Offer Submitted: \$4.6M with mortgage assumption. Condition Removal January 4, 2017, Close March 1, 2017.</p> <p>(Nov 1) Signed Offer Submitted: \$4.2M with mortgage assumption. Condition Removal January 4, 2017, Close March 1, 2017.</p>
Transglobe Holdings Ltd.	<p>Signed Offer Submitted: \$4.5M with mortgage assumption. Condition Removal 45 days, Close 30 days after Condition Removal.</p> <p>Counter Offer Submitted: \$5.1M, Purchaser does not accept this Counter and communicates firm at \$4.5M</p>
Navdeep Virk, Alnoor Mitha, Chittaranjan Virk	Signed Offer Submitted: \$3.955M with mortgage assumption. Condition Removal November 25, 2016, Close December 15, 2016.
RMS Builders	Signed Offer Submitted: \$3.95M with mortgage assumption. Condition Removal 30 days, Close 30 days after Condition Removal
1873056 Alberta Ltd.	Signed Offer Submitted: \$3.0M with mortgage assumption. Condition Removal 14 days from offer acceptance. Closing Date 30 days upon condition removal.
Vatan Ghuman	<p>Verbal Offer: \$1.1M Cash to mortgage assumption total Purchase Price of \$4.05M, Condition Removal October 28, Close January 2017</p> <p>Verbal Offer: \$1.1M Cash to mortgage assumption with \$600,000 VTB total Purchase Price of \$4.65M</p> <p>Verbal Offer: \$700,000 Cash \$1.6M sale of the attached land to receiver, \$2.9M mortgage assumption</p>



<b>PROSPECT</b>	<b>COMMENTS</b>
Ability Society of Alberta	Verbal Offer: Acquisition based on \$6.35M - \$4.25M new mortgage and \$2.1M tax credit/receipt. Current mortgage would need to be discharged.
Avala Equities	Potential interest at \$4M
660821 Alberta Inc. – <i>Provided the previous offer on the building in July 2016 for \$4,900,000, prior to receiving any due diligence material</i>	C&W has further corresponded with this potential purchaser and after their review of the due diligence materials, thus gaining an understanding of the mechanical/structural issues and the office market this purchaser showed potential interest at \$4M
MacLab Enterprises	C&W and Maclab to discuss opportunity further next week
Berezan Management	Potential interest at \$100/Sq. Ft. or \$3.7M
Firmus Equities	Potential interest at \$3.5M – major concern with office market and being able to fill vacancies, lack of parking, and potential costly asbestos abatement upon renovations or tear-down of building
Kondor Enterprises	Potential interest at \$3.5M – primary concern is age of building and upcoming challenges in downtown office market
Greystone Property Management	Potential interest around \$3.5M – major concerns condition of building, lack of parking, challenges in downtown office market
Mohammed Mustafa	Potential interest at \$4.0M
Leston Holdings Ltd.	Potential interest sub \$3.0M

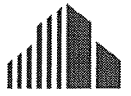
**COMMENTARY:**

**Consistent Feedback**

We have sent out our marketing material to our master investment database of over 800 companies/individuals and personally followed up with many of the most likely potential purchasers. We have received close to 30 signed Confidentiality Agreements from interested parties and the consistent feedback regarding the challenges with the building are as follows:

- Lack of Tenant parking
- Age of building
- Office market offers significant challenges with lease rate and occupancy; market believes rates will be sub \$10/SF going forward
- Roof does not drain properly
- HVAC issues





**Appraisal Feedback:**

- \$11.00/SF in the leasing analysis is too high on a pro-forma basis for this current office market
- Valuation modelling consistently putting cap rates over 7.0%, whereas this appraisal uses 6.75%
- Some of the comparable sales are not applicable to this property

**Additional information that could assist C&W in marketing the property:**

- Roof quote to solve the drainage issues
- Floor plans – perhaps utilize a space planner such a Measure Masters

## **APPENDIX 4**

To the First Report of the Receiver  
dated the 22<sup>nd</sup> day of November, 2016

In the matter of the receiverships of  
1926378 Alberta Ltd. and Sprockit Apps Inc.

**OFFER TO PURCHASE**

TO: CW Edmonton Inc.  
TD Tower  
10088 – 102 Avenue, Suite 2700  
Edmonton, AB T5J 2Z1

Attention: Ian Newman, Kyle Barton  
(Agents for the Vendor)

The undersigned, **CHANG LIU** on behalf of a company to be incorporated (hereinafter referred to as the "Purchaser") hereby offers to purchase from **DELOITTE RESTRUCTURING INC. IN ITS CAPACITY AS COURT APPOINTED RECEIVER OF 1926378 ALBERTA LTD.** (hereinafter referred to as the "Vendor"), the lands and buildings legally described as per Schedule "A" attached hereto and forming part hereof and municipally known as the Commonwealth building 9912 106 Street NW Edmonton, AB and including any machinery, equipment, furnishings and fixtures which are owned by the Vendor and used in the operation of and located in or upon the said lands and buildings (hereinafter referred to as the "Property").

THIS OFFER TO PURCHASE IS MADE ON THE FOLLOWING TERMS AND CONDITIONS:

**1. PURCHASE PRICE**

The full purchase price of the Property shall be **FIVE MILLION (\$5,000,000.00) DOLLARS** (hereinafter referred to as the "Purchase Price") in lawful money of Canada payable as follows:

- (a) **FIFTY THOUSAND (\$50,000.00) DOLLARS** to be paid to CW Edmonton Inc. within Two Business Days of dual execution of this Offer to Purchase, as a first deposit to be held in trust in a non-interest bearing account, pending the removal of all Conditions Precedent outlined in Paragraphs 4 and 5 herein;
- (b) **TWO HUNDRED THOUSAND (\$200,000.00) DOLLARS** to be paid to CW Edmonton Inc. as a second deposit within Two Business Days upon removal of all Conditions Precedent as outlined in Paragraphs 4 and 5 herein, to be held in a non-interest bearing trust account pending Closing;
- (c) Assumption of the existing mortgage on title with Canada ICI Capital Corporation for approximately **TWO MILLION NINE HUNDRED AND FIFTY THOUSAND (\$2,950,000.00) DOLLARS**;
- (d) The balance of the Purchase Price by way of a certified cheque, mortgage proceeds, solicitor's trust cheque or bank draft payable to the Vendor's solicitor, in trust, subject to adjustments on the Closing Date as hereinafter provided.

## 2. WARRANTIES AND COVENANTS

The Vendor represents and warrants to the Purchaser that to the knowledge and belief of the Vendor:

- (a) There are no actions, suits or proceedings before any court against or affecting the Vendor which would affect the sale of the Property, nor, to the Vendor's knowledge are any such actions, suits or proceedings contemplated or threatened; except the Attachment Order presently affecting the property which shall be discharged upon Closing by the Vendor;
- (b) There are no proceedings by or before any government commission, department, board, authority or other administrative officer against the Vendor or the Property that would adversely affect the Property, nor, to the knowledge of the Vendor, are any such proceedings contemplated or threatened;
- (c) There are no contracts or agreements or modifications thereto entered into by the Vendor relating to the Property which has not been disclosed to the Purchaser, and the Vendor agrees that unless the Purchaser consents in writing, no contracts or agreements will be entered into prior to the Closing Date;
- (d) There are no outstanding levies or payments owing to any municipality, company, organization or other agency having jurisdiction related to the Property;
- (e) The Vendor has the full power and authority to sell the Property and to accept this Offer to Purchase;
- (f) The Vendor is not and shall not at the Date of Closing be a non-resident of Canada within the meaning of the Income Tax Act (Canada); and

## 3. DELIVERY OF DOCUMENTS

The Vendor covenants within Five (5) business days of the acceptance of this Offer to deliver to the Purchaser the following:

- (a) The most recent Real Property Report in the possession of the Vendor showing the sitting of the building on the Property and the demising of the leased areas for tenants;
- (b) A list of any and all machinery, equipment and furnishings (except building fixtures) which are owned by the Vendor and located in or upon the Property;
- (c) Material agreements including any service and employment contracts affecting the Property;
- (d) True copies of all leases affecting the Property in the Vendors possession;
- (e) Building operating expenses for the previous two years if in the Vendors possession;
- (f) Copies of real property tax bills for the previous two years if in the Vendors possession;

- (g) As built architectural, engineering, structural and mechanical plans and specifications for the building including all renovations thereto in the possession or control of the Vendor;
- (h) Copies of soil and structural tests, engineering reports and other professional reports relating to the condition of the building and the Property in the possession or control of the Vendor; and
- (i) Copies of any appraisals relating to the Property for the previous two years.

All of the foregoing shall be held by the Purchaser and shall be returned to the Vendor if the transaction contemplated herein is not completed. Any information that the Purchaser obtains that is related to this transaction shall be kept confidential by the Purchaser and shall not be disclosed to third parties except as required by regulatory authorities and to those as are necessary to obtain financing and to complete the transaction contemplated herein.

#### 4. PURCHASER CONDITIONS PRECEDENT

- (a) The Purchaser shall have **FOURTY FIVE (45) Days** from the date of dual acceptance of the Offer to Purchase (hereinafter referred to as the "Purchaser's Condition Expiry Date") in which to:
  - (i) conduct such physical inspections of the Property by such agents, consultants or other persons as it deems necessary;
  - (ii) review all financial information and documentation relating to the Property including, without limiting the foregoing, all leases, appraisals, copies of all correspondence and working papers with respect to operating costs and realty taxes;
  - (iii) arrange for such financing as may be required on terms and conditions suitable to the Purchaser;

and to consider any other matters relating to the Property which it deems necessary and it is a condition precedent to the agreement that the Purchaser is in its sole discretion satisfied with the results of such inspections and reviews and provides written notice to the Vendor prior to 5:00 o'clock p.m., Mountain Standard Time, on the Purchaser's Condition Expiry Date that these conditions have been satisfied on or before such time and date provides written notice that these conditions have been waived.

The rights herein are for the sole benefit of the Purchaser and can be unilaterally waived only by the Purchaser.

- (b) In the event that the Purchaser fails to provide written notice that the conditions in Paragraph 4(a) have been satisfied or waived within the time herein limited, then:
  - (i) the Purchaser shall return the documents delivered to the Purchaser pursuant to Paragraph 3;
  - (ii) upon receipt of the documents by the Vendor, the Vendor shall return the deposit immediately to the Purchaser; and
  - (iii) the Agreement shall be considered terminated and of no further force and effect and the Purchaser shall have no further interest in the Property.

- (c) In the event the Purchaser provides notice that the conditions in Paragraph 4(a) have been satisfied or waived within the time period specified the **TWO HUNDRED AND FIFTY THOUSAND (\$250,000.00)** Dollar deposit, as outlined in Paragraph 1(a) and 1(b), shall become non-refundable.

**5. VENDOR CONDITION PRECEDENT**

- (a) The Vendor shall have **FIVE (5) Business Days** from the date of dual acceptance of the Offer to Purchase (hereinafter referred to as the "Vendor's Condition Expiry Date") in which to:
  - (i) Obtain Court Approval to proceed with the Offer to Purchase

The rights herein are for the sole benefit of the Vendor and can be unilaterally waived only by the Vendor.

- (b) In the event that the Vendor fails to provide written notice that the conditions in Paragraph 5(a) have been satisfied or waived within the time herein limited, then:
  - (i) the Purchaser shall return the documents delivered to the Purchaser pursuant to Paragraph 3;
  - (iv) upon receipt of the documents by the Vendor, the Vendor shall return the deposit immediately to the Purchaser; and
  - (v) the Agreement shall be considered terminated and of no further force and effect and the Purchaser shall have no further interest in the Property.

**6. TITLE**

If the Purchaser is not in default hereunder, the Vendor shall deliver to the Purchaser on closing a Transfer of Title to the Property in registerable form, free and clear of all encumbrances, excepting those outlined in Paragraph 7 herein (the "Permitted Encumbrances").

**7. PERMITTED ENCUMBRANCES**

As per Schedule 'B'.

**8. CLOSING DOCUMENTATION**

- (a) At least Fifteen (15) business days prior to the Closing Date, the Vendor agrees to deliver to the Purchaser's solicitor, in trust, together with any other closing documentation, which may be required, the following:
  - (i) A Transfer of Title, in registrable form to the Property transferring the Property to the Purchaser or to such other party designated in writing by the Purchaser;
  - (ii) the Vendor's Statement of Adjustment;

- (iii) a duly executed bill of sale referring all machinery, equipment, furnishings and fixtures to the extent that such is required in order to transfer title to any and all chattels included in the Property free and clear of all liens, charges and encumbrances, save and except the Permitted Encumbrances;
- (iv) such other documents and assurances as may be reasonably required by the Purchaser to give full effect to the intent and meaning of this Agreement.
- (v) Real Property Report with Compliance Certificate

All of the matters of payment and delivery of documents by the Vendor and the Purchaser, pursuant to the terms hereof, shall be in accordance with such reasonable trust conditions as are established between the Vendor's solicitor and the Purchaser's solicitors.

- (b) Upon the fulfillment by the Purchaser of its obligations in this Paragraph, and upon trust conditions agreeable to the Vendor and Purchaser acting reasonably, the Vendor shall deliver possession of the Property to the Purchaser subject only to the Permitted Encumbrances.
- (c) Each party shall be responsible for its own legal fees and disbursements. The Purchaser shall bear the expense of registration of the transfer. The Vendor shall be responsible for the costs, if any, of clearing any encumbrances from title that are not permitted.

## **9. ADJUSTMENTS**

Except as set out below, adjustments shall be made as of the Closing Date as specified in Paragraph 15 herein, with respect to rent, taxes, deposits and other items normally adjusted between a vendor and a purchaser for similar transactions. The Closing Date shall be for the Purchaser's account both as to income and expense.

## **10. MISCELLANEOUS**

It is agreed that there is no representation, warranty, collateral agreement or condition affecting this Offer or the Property and supported hereby other than is expressed herein in writing.

## **11. REAL ESTATE COMMISSION**

The Vendor solely shall be responsible for and pay all real estate commission due to CW Edmonton Inc. upon completion of this transaction as per a separate agreement.

## 12. NOTICE

Any notice required or permitted to be given hereunder or any tender of delivery of documents may be sufficiently given by personal or courier delivery to the Vendor at the following address or email:

**Deloitte**  
c/o 2000 Manulife Place, 10180 – 101 Street  
Edmonton, AB  
T5J 4E4  
Attention: Gordon Smith (Partner)  
Email: gosmith@deloitte.ca

and to the Purchaser at the following address:

C/O Home and Gardens Real Estate Ltd.  
3659 99 Street NW  
Edmonton, AB  
T6E 6K5

Attention: Michael Liu  
Email: mike@remike.ca

CC Cushman & Wakefield Edmonton Inc.  
Suite 2700, TD Tower  
10088 102 Avenue NW  
Edmonton, AB T5J 2Z1  
  
Attention: Ian Newman & Kyle Barton  
Email: Ian.newman@cwedm.com, kyle.barton@cwedm.com

## 13. TIME & ASSIGNMENT

This Offer, when duly accepted by the Vendor and Purchaser (and not until then), shall constitute a binding contract of purchase and sale and time shall be in all respects of the essence thereof. The Agreement shall extend to and be binding upon and enure to the benefit of the parties hereto and their respective successors and assigns.

## 14. TAXES

Notwithstanding any provision contained in this Offer, it is expressly agreed to by the Purchaser that all taxes or assessments in the nature of sales tax, goods and services taxes or value added taxes (the "Tax") which may be charged, levied or assessed as a result of the sale of the Property contemplated herein shall be the responsibility of the Purchaser and the Purchaser shall, on the earlier of the date of possession or payout of the Purchase Price of the Property, pay the Tax to the Vendor. The Vendor shall have the right to refuse to convey title to the Purchaser until and unless the



Purchaser shall have paid the Tax or shall have otherwise established to the Vendor's satisfaction that the Purchaser has complied with all applicable provisions of the Excise Tax Act (Canada) with respect to the within purchase. The Vendor acknowledges and agrees that if the Purchaser delivers to the Vendor on the Closing Date, a certified copy of its confirmation of registration as a "registrant" under the Excise Tax Act (Canada), no Tax will have to be remitted to the Vendor but rather directly by the Purchaser to Revenue Canada and the Purchaser hereby covenants to make such payment. The Tax shall be deemed to be monies owing and collectable in a like manner as the Purchase Price. The Purchaser hereby indemnifies the Vendor against any and all obligations to remit the Tax. The Purchaser further agrees, represents and warrants that it is a registrant within the meaning of Part IX of the Excise Tax Act (Canada). The Purchaser covenants that it shall complete and execute such other forms, make such filings and reports, and do all other things that are necessary or required pursuant to the Excise Tax Act (Canada), all within the time limits prescribed in such Act. The Vendor warrants that it is a "registrant" under the Excise Tax Act (Canada) with registration no. \_\_\_\_\_.

#### **15. CLOSING DATE**

The date for the completion of the purchase and sale transaction (the "Closing Date"), unless otherwise agreed by the parties shall be **FOURTY FIVE (45)** days from Purchaser's conditional removal date.

#### **16. DEFAULT BY PURCHASER**

In the event that the Purchaser has the obligation to close this transaction and the Purchaser thereafter fails to execute the required documents or fails to make any payment required to be made by it, then in such event, it is agreed that all payments made by the Purchaser in terms of this Offer shall be absolutely forfeited to the Vendor as liquidated damages and not as a penalty, whereupon this Offer shall be null and void and neither the Vendor nor the Purchaser shall have any other rights of any nature whatsoever hereunder.

#### **17. RISK**

- (a) The Property will be and remain at the risk of the Vendor until the purchase and sale of the Property has been completed in accordance with Paragraph 7 herein. After that time, the Property will be at the risk of the Purchaser.
- (b) If there is any Material Loss or Damage (as defined in subparagraph (c) below) to the Property prior to the passing of risk, the Vendor shall immediately report same to the Purchaser and, if the Material Loss or Damage occurs within fifteen (15) business days prior to the Closing Date, the Closing Date shall be postponed. The Purchaser shall, within fifteen (15) days of being aware of such loss or damage, give notice in writing of its election to either:
  - (i) terminate the Agreement, in which case all deposits together with any accrued interest thereon shall be returned to the Purchaser and the parties shall have no further obligations to each other, or
  - (ii) elect to complete the purchase, in which case the proceeds and the right to receive the proceeds of insurance payable with respect to the material loss shall be assigned by the Vendor to the Purchaser on the Closing Date, and the deductible amount under such policy of insurance shall be the

responsibility of the Vendor and deducted from the Purchase Price. Upon such election, the Vendor shall diligently commence the repair of the damage caused to the Property and shall provide such security to the Purchaser on the Closing Date as may be reasonably requested by the Purchaser in order to ensure that such repairs will be completed and paid in full.

In the absence of delivery of such notice, the Purchaser shall be deemed to have elected to complete the purchase.

- (c) In this section, "Material Loss or Damage" means the occurrence by any cause whatsoever of any loss or damage to the Property which cannot be substantially repaired or replaced within sixty (60) days of such occurrence or which shall have a cost to replace, repair or remedy reasonably estimated to exceed One Hundred Thousand (\$100,000.00) Dollars.

#### **18. INSURANCE AND MAINTENANCE**

The Vendor shall maintain insurance coverage with respect to the Property in full force and effect until the Closing Date in such amounts and on such terms as would a prudent owner. The Vendor shall, until the Closing Date, maintain the Property in substantially the same condition as existed at the date of this Offer to Purchase.

#### **19. AGENCY DISCLOSURE**

The Vendor & Purchaser acknowledge that Ian Newman (Associate Partner) and Kyle Barton (Associate) of Cushman & Wakefield Edmonton Inc. have disclosed that Cushman & Wakefield Edmonton Inc. (including its broker, associate brokers, and associates) represents only the interests of the Vendor. The Vendor & Purchaser also acknowledge that Michael Liu (Associate) of Home and Gardens Real Estate Ltd. (including its broker, associate brokers, and associates) has disclosed that Home and Gardens Real Estate Ltd. represents only the interest of the Purchaser.

#### **20. ACKNOWLEDGEMENT**

The Vendor and Purchaser acknowledges that there are no representations, covenants, agreements, warranties or conditions in any way relating to the subject matter of this Offer, whether express or otherwise except as set forth in the Offer to Purchase and the schedules attached hereto.

The parties of this Offer to Purchase acknowledge the CW Edmonton Inc. has recommended that legal, tax and accounting advice be obtained through the Vendor and Purchaser's own professional advisors and that no information provided by CW Edmonton Inc. is to be considered as expert legal, tax or accounting advice.

**21. ACCEPTANCE**

This Offer to Purchase is open for acceptance until 5:00 p.m. Mountain Standard Time on the 17<sup>th</sup> day of November 2016 and thereafter, if not accepted, shall be terminated and of no further force and effect.

11/15/2016

DATED at the City of Edmonton, in the Province of Alberta, this \_\_\_\_ day of November 2016.

**CHANG LIU**

on behalf of a company to be incorporated

DocuSigned by:  
*Chang Liu*  
Per: 74E369F81A52447...  
Authorized Signatory

Print Name: Chang Liu  
Authorized Signatory

**VENDOR'S ACCEPTANCE**

The Vendor hereby accepts this Offer to Purchase and agree to be bound by the terms and conditions contained herein.

DATED at the City of Edmonton, in the Province of Alberta, this 17 day of November 2016.

**DELOITTE RESTRUCTURING INC. IN ITS CAPACITY  
AS COURT APPOINTED RECEIVER OF 1926378  
ALBERTA LTD.**

Per: *Gordon Smith*  
Authorized Signatory

Print Name: GORDON SMITH  
Authorized Signatory

**SCHEDULE "A"**

**LEGAL DESCRIPTION**

Plan: B

Block: 6

Lot: 84 and THE MOST SOUTHERLY FORTY (40) FEET THROUGHOUT OF LOT EIGHTY THREE (83)

Excepting thereout all mines and minerals

**SCHEDULE 'B'**  
**PERMITTED ENCUMBRANCES**

<b>REGISTRATION NUMBER</b>	<b>DATE (D/M/Y)</b>	<b>PARTICULARS</b>
		<b>MORTGAGE</b>
		<b>CAVEAT - ASSIGNMENT OF RENTS AND LEASES</b>

