

Name of Deponent: Simone Rousseau  
Affidavit sworn: November 12, 2009  
Action No.: 0901 - 17143

IN THE COURT OF QUEEN'S BENCH OF ALBERTA  
JUDICIAL DISTRICT OF CALGARY

IN THE MATTER OF THE *BANKRUPTCY AND INSOLVENCY ACT*  
R.S.C. 1985, c. B-3, AS AMENDED

AND IN THE MATTER OF THE APPOINTMENT OF A RECEIVER AND MANAGER OF SIGNATURE CAPITAL INC., CONB DEVELOPMENT CORP., CONB FINANCE CORP., CONB CAPITAL CORP., URBAN ELEMENTS CENTRE GP LTD., URBAN ELEMENTS CENTRE LIMITED PARTNERSHIP, SIGNATURE UEC CAPITAL INC., WESTSTONE DEVELOPMENT CORP., WESTSTONE FINANCE CORP., SLRV FINANCE CORP., ALLAN BEACH DEVELOPMENTS GP LTD., ALLAN BEACH LIMITED PARTNERSHIP, BEACHES WEST CAPITAL CORP., POPLAR GROVE DEVELOPMENTS GP LTD., POPLAR GROVE LIMITED PARTNERSHIP, BIRCH BAY DEVELOPMENTS GP LTD., BIRCH BAY DEVELOPMENTS LIMITED PARTNERSHIP, FRANCOIS CAPITAL CORP., A VIRGINIA WILSON HOLDINGS, FIR CREST RESORT DEVELOPMENT LP, FIR CREST RESORT DEVELOPMENT GP LTD., FIR CREST FINANCE CORP., FIR CREST CAPITAL CORP., SCI FINANCE CORP., SIGNATURE US SUNBELT CAPITAL CORP., SIGNATURE US SUNBELT INVESTMENT CORP., SCI BRIDGE II FINANCE CORP., SUMMERS PLACE GP LTD., SUMMERS PLACE LIMITED PARTNERSHIP, METRO WEST I GP LTD., METRO WEST II GP LTD., SIGNATURE LETHBRIDGE FAIRVIEW CAPITAL CORP., HEARTHWOOD I LIMITED PARTNERSHIP, HEARTHWOOD II LIMITED PARTNERSHIP, HEARTHWOOD III LIMITED PARTNERSHIP, HEARTHWOOD I DEVELOPMENTS GP LTD., HEARTHWOOD II DEVELOPMENTS GP LTD., and HEARTHWOOD III DEVELOPMENTS GP LTD.  
(COLLECTIVELY, THE "APPLICANTS")

**AFFIDAVIT**

I, Simone Rousseau, of the City of Calgary, in the Province of Alberta, MAKE OATH AND SAY THAT:

1. I am a Director, or in the case of limited partnerships, a Director of the general partner, of each of the Applicants and as such, I have personal knowledge of the matters herein deposed to except where stated to be based upon information and belief, in which case I do verily believe them to be true.

**II. RELIEF REQUESTED**

2. This Affidavit is made in support of an application by the Applicants for a consent order appointing a Receiver and Manager over each of them pursuant to s. 243(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-9, as amended (the "Receivership Order").

3. As a Director of all of the Applicants (or in the case of a limited partnership, a Director of its general partner), it is my belief that it is in the best interests of the Applicants and the bondholders who hold bonds in various of the Applicants to have a Receiver appointed over all of the Applicants. Accordingly, I have the authority to consent to an Order appointing a Receiver over all of the Applicants on behalf of all of the Applicants.

### III. GENERAL CORPORATE OVERVIEW

4. The Applicants are all participants in a number of real estate development projects in Alberta, British Columbia, Saskatchewan, and Arizona, U.S.A., as described in detail below (the "Projects"). The entity from which all of the Applicants were born is Signature Capital Inc. ("SCI"). All of the Applicants are bodies corporate duly incorporated pursuant to the laws of the Province of Alberta, except where otherwise noted below.

5. SCI is a body corporate duly incorporated pursuant to the laws of the Province of Alberta, and carries on business in the City of Calgary, in the Province of Alberta.

6. SCI was formed by my husband, Pablo Galvez ("Galvez"), and me as equal one-half owners. My brother, Guy Rousseau, subsequently became an owner. Each of Galvez, Guy, and I are equal one-third owners of SCI. SCI was incorporated for the purpose of raising capital for development based real estate opportunities, acting akin to a private bank, providing loans, registering securities such as mortgages, and administering clients' investments.

7. SCI received fees for placing investors together with an investment, typically 3-6% of the amount of the investment. In addition, SCI charged back reasonable operating costs and expenses, thus allowing SCI to operate as a going concern. SCI also owned shares, as set out below, in each of the development companies related to the Projects, which permitted it to share in further profits at the end of each Project.

8. Attached hereto to this my Affidavit as Exhibit "A" is a true copy of a Corporate Summary Report that I prepared, along with information on the ten (10) Projects, which are generally referred to as follows, the ownership and related parties for each of the Projects being set out in further detail in section IV below:

- (a) The North Battleford Project ("North Battleford");
- (b) The Urban Elements Centre Project ("UEC");
- (c) The Weststone Project ("Weststone");
- (d) The Resorts (Signature Lakeside RV Corp.) Project, which encompasses four "sub-projects" (the "Resorts"):
  - (i) The Allan Beach Resort Project ("Allan Beach");
  - (ii) The Poplar Grove Resort Project ("Poplar Grove"), also known as Puntzi Lake;
  - (iii) The Birch Bay Resort Project ("Birch Bay");

- (iv) The Fir Crest Resort Project ("Fir Crest");
- (e) The US Sunbelt Project ("US Sunbelt");
- (f) The Lethbridge Fairview Project ("Lethbridge Fairview");
- (g) The Hearthwood Project ("Hearthwood");
- (h) The North Summers Project ("Summers");
- (i) The SCI Bridge II Project ("SCI Bridge"); and
- (j) The SCI Finance Project ("SCI Finance").

9. The Projects include condominium and warehouse conversions and developments, lakefront resort/camping developments, and a seniors complex, and are in various stages of completion, as set out in Exhibit "A". Some are active projects, that require further development in order for their investors to recover on their investments, others are in default of their obligations to investors, and still others are completely finished and the property sold. In the latter case, whether there will be any profit to SCI is highly uncertain, given that there are outstanding accounts payable, other unresolved accounting issues, and in some cases, a lack of participation by SCI's partners in such projects. Approximately half of the investments in the Projects are RSP eligible.

#### **IV. PROJECT OWNERSHIP AND FINANCING**

10. A number of the entities involved in the projects are partly owned by either Eyelogic Systems Inc. ("Eyelogic") or Target Capital Inc. ("Target"), with SCI being the other part owner. I have spoken to Rick Skauge, one of the principals of Eyelogic and Target and both entities are in support of an application to have a receiver appointed over all of the Applicants.

##### ***The North Battleford Applicants***

11. CONB Development Corp. ("CONB Development") is a body corporate, duly incorporated pursuant to the laws of the Province of Alberta, of which I am the sole director, and of which 1301808 Alberta Ltd. (20%), 1309165 Alberta Ltd. (30%) and SCI (50%) are the shareholders. CONB Development is the title holder and operating entity of North Battleford.

12. CONB Finance Corp. ("CONB Finance") is a body corporate, duly incorporated pursuant to the laws of the Province of Alberta, of which Galvez and I are the sole directors, and of which Eyelogic (60%) and SCI (40%) are the shareholders. CONB Finance is the first mortgage holder on North Battleford.

13. CONB Capital Corp. ("CONB Capital") is a body corporate, duly incorporated pursuant to the laws of the Province of Alberta, of which Galvez and I are the sole directors, and of which Eyelogic Systems Inc. (60%) and SCI (40%) are the shareholders. CONB Capital is the second mortgage holder on North Battleford.

### ***The UEC Applicants***

14. Urban Elements Centre GP Ltd. ("UEC GP") is a body corporate, duly incorporated pursuant to the laws of the Province of Alberta, of which I am the sole director, and of which 1301808 Alberta Ltd. (33.33%), 1309165 Alberta Ltd. (33.33%) and SCI (33.33%) are the shareholders. UEC GP is the title holder of UEC.

15. Signature UEC Capital Inc. ("Signature UEC") is a body corporate, duly incorporated pursuant to the laws of the Province of Alberta, of which Galvez and I are the sole directors, and of which Eyelogic (60%) and SCI (40%) are the shareholders. Signature UEC is the second mortgage holder on UEC.

16. Urban Elements Centre Limited Partnership ("UEC LP") is a limited partnership, with the general partner of UEC GP. UEC LP is the operating entity of UEC.

### ***The Weststone Applicants***

17. Weststone Development Corp. ("Weststone Development") is a body corporate, duly incorporated pursuant to the laws of the Province of Alberta, of which I am the sole director. Weststone Development is the title holder on Weststone and operating entity of Weststone.

18. Weststone Finance Corp. ("Weststone Finance") is a body corporate, duly incorporated pursuant to the laws of the Province of Alberta, of which Galvez and I are the sole directors, and of which Eyelogic (60%) and SCI (40%) are the shareholders. Weststone Finance is the second mortgage holder on Weststone.

### ***The Resort Applicants***

19. Signature Lakeside RV Finance Corp. ("SLRV Finance") is a body corporate, duly incorporated pursuant to the laws of the Province of Alberta, of which Galvez and I are the sole directors, and of which Eyelogic (60%) and SCI (40%) are the shareholders. SLRV Finance is the second mortgage holder on Allan Beach, Poplar Grove and Birch Bay, and is the third mortgage holder on Fir Crest. In that regard, I note that the mortgage granted by Fir Crest to SLRV Finance has been executed but not yet registered on title. Fir Crest intended to grant the mortgage, is in the process of executing the mortgage documents, and intends to register the mortgage on title to the Fir Crest lands.

#### **(a) Allan Beach Applicants**

20. Allan Beach Developments GP Ltd. ("Allan Beach GP") is a body corporate, duly incorporated pursuant to the laws of the Province of Alberta, of which I am the sole director, and of which 1301808 Alberta Ltd. (20%), 1309165 Alberta Ltd. (30%) and SCI (50%) are the shareholders. Allan Beach GP is the title holder of Allan Beach.

21. Allan Beach Limited Partnership ("Allan Beach LP") is a partnership, operating in the Province of Alberta, and which has Allan Beach GP as its General Partner. Allan Beach LP is the operating entity of Allan Beach.

22. Beaches West Capital Corp. ("Beaches West Capital") is a body corporate, duly incorporated pursuant to the laws of the Province of Alberta, of which Galvez and I are the sole directors, and of which Eyeologic Systems Inc. (60%) and SCI (40%) are the shareholders. Beaches West Capital is the third mortgage holder on Allan Beach.

**(b) Poplar Grove Applicants**

23. Poplar Grove Developments GP Ltd. ("Poplar Grove GP") is a body corporate, duly incorporated pursuant to the laws of the Province of Alberta, of which I am the sole director, and of which 1301808 Alberta Ltd. (25%), 1309165 Alberta Ltd. (25%) and SCI (50%) are the shareholders. Poplar Grove GP is the title holder of Poplar Grove.

24. Poplar Grove Limited Partnership ("Poplar Grove LP") is a partnership, operating in the Province of Alberta, and which has Poplar Grove GP as its General Partner. Poplar Grove LP is the operating entity of Poplar Grove.

**(c) Birch Bay Applicants**

25. Birch Bay Developments GP Ltd. ("Birch Bay GP") is a body corporate, duly incorporated pursuant to the laws of the Province of Alberta, of which I am the sole director, and of which 1301808 Alberta Ltd. (25%), 1309165 Alberta Ltd. (25%) and SCI (50%) are the shareholders. Birch Bay GP is the title holder of Birch Bay.

26. Birch Bay Developments Limited Partnership ("Birch Bay LP") is a partnership, operating in the Province of Alberta, and which has Birch Bay GP as its General Partner. Birch Bay LP is the operating entity of Birch Bay.

27. Francois Capital Corp. ("Francois Capital") is a body corporate, duly incorporated pursuant to the laws of the Province of Alberta, of which Galvez and I are the sole directors, and of which Eyeologic (60%) and SCI (40%) are the shareholders, while SCI is the sole voting shareholder. Francois Capital is the third mortgage holder on Birch Bay.

**(d) Fir Crest Applicants**

28. A Virginia Wilson Holdings Ltd. ("A Virginia") is a body corporate, duly incorporated pursuant to the laws of the Province of British Columbia and extra-provincially registered in Alberta, of which I am the sole director. A Virginia is the title holder of Fir Crest.

29. Fir Crest Resort Development Limited Partnership ("Fir Crest LP") is a partnership, duly registered pursuant to the laws of the Province of Alberta, and which is the operating entity of Fir Crest.

30. Fir Crest Resort Development GP Ltd. ("Fir Crest GP") is a body corporate, duly incorporated pursuant to the laws of the Province of Alberta, of which I am the sole director, and of which partnership, operating in the Province of Alberta, and of which 1301808 Alberta Ltd. (20%), 1309165 Alberta Ltd. (30%) and SCI (50%) are the shareholders. Fir Crest GP is the general partner of Fir Crest LP.

31. Fir Crest Finance Corp. ("Fir Crest Finance") is a body corporate, duly incorporated pursuant to the laws of the Province of Alberta, of which Galvez and I are the sole directors, and of which Eyelogic (60%) and SCI (40%) are the shareholders. Fir Crest Finance is presently the second mortgage holder on Fir Crest.

32. Fir Crest Capital Corp. ("Fir Crest Capital") is a body corporate, duly incorporated pursuant to the laws of the Province of Alberta, of which Galvez and I are the sole directors, and of which Eyelogic Systems Inc. (60%) and SCI (40%) are the shareholders. Fir Crest Capital is presently the third mortgagee on Fir Crest.

33. There is an intent to re-structure the mortgages on Fir Crest, as follows:

- (a) SLRV Finance had intended to secure sufficient investors to enable it to pay out Fir Crest Capital and Fir Crest Finance, but was unable to secure sufficient funding for same.
- (b) SLRV Finance has been successful in securing partial funding, and all documents have been executed to permit it to become the third mortgage holder on Fir Crest, with same in the process of registration.
- (c) Fir Crest Capital will be executing a postponement, such that its registration will become subordinate to SLRV Finance's interest, and same is also in the process of registration.

#### ***The US Sunbelt Applicants***

34. Signature US Sunbelt Investment Corporation ("USS Investment") is a body corporate, duly incorporated pursuant to the laws of the Province of Alberta, of which Galvez and I are the sole directors.

35. Signature US Sunbelt Capital Corporation ("USS Capital") is a body corporate, duly incorporated pursuant to the laws of the Province of Alberta, of which Galvez and I are the sole directors, and of which Eyelogic (60%) and SCI (40%) are the shareholders. USS Capital is in the process of granting and registering a second mortgage on US Sunbelt.

36. There are also two Delaware companies involved in US Sunbelt, Signature US Sunbelt LLC and US Sunbelt Development Corp. It is not at this time, in my opinion, necessary to have a receiver appointed over those entities, and they will continue to operate in the normal course for the time being, as they are in the process of closing real estate transactions on certain units in US Sunbelt.

#### ***The Lethbridge Fairview Applicants***

37. Signature Lethbridge Fairview Capital Corp. ("Signature Lethbridge") is a body corporate, duly incorporated pursuant to the laws of the Province of Alberta, of which Galvez and I are the sole directors, and of which Target (60%) and SCI (40%) are the shareholders. Signature Lethbridge is the second mortgage holder on Lethbridge Fairview.

***The Hearthwood Applicants***

38. Hearthwood I Developments GP Ltd. ("Hearthwood I") is a body corporate, duly incorporated pursuant to the laws of the Province of Alberta and extra-provincially registered in Saskatchewan, of which Donna Breen, Marty Fletcher, and I are the directors, and 1301808 Alberta Ltd. (20%), 1309165 Alberta Ltd. (30%) and SCI (50%) are the voting shareholders.

39. Hearthwood II Developments GP Ltd. ("Hearthwood II") is a body corporate, duly incorporated pursuant to the laws of the Province of Alberta and extra-provincially registered in Saskatchewan, of which Donna Breen, Marty Fletcher, and I are the directors, and 1301808 Alberta Ltd. (20%), 1309165 Alberta Ltd. (30%) and SCI (50%) are the voting shareholders.

40. Hearthwood III Developments GP Ltd. ("Hearthwood III") is a body corporate, duly incorporated pursuant to the laws of the Province of Alberta and extra-provincially registered in Saskatchewan, of which Donna Breen, Marty Fletcher, and I are the directors, and 1301808 Alberta Ltd. (20%), 1309165 Alberta Ltd. (30%) and SCI (50%) are the voting shareholders.

41. I am a Director and the principal of SCI, the 50% shareholder in Hearthwood I, II and III. The other 50% shareholders are not involved in the direction or management of any of these three Applicants, and in my opinion, it is necessary and in the best interests of Hearthwood I, II and III that a receiver be appointed to manage and administer them.

42. Hearthwood I Limited Partnership is a partnership, duly registered with the Province of Alberta and extra-provincially registered in Saskatchewan, with Hearthwood I as its General Partner.

43. Hearthwood II Limited Partnership is a partnership, duly registered with the Province of Alberta and extra-provincially registered in Saskatchewan, with Hearthwood II as its General Partner.

44. Hearthwood III Limited Partnership is a partnership, duly registered with the Province of Alberta and extra-provincially registered in Saskatchewan, with Hearthwood III as its General Partner.

***The Summers Applicants***

45. Summers Place Limited Partnership is a partnership, duly registered with the Province of Alberta and extra-provincially registered in Saskatchewan, with Summers Place as its General Partner.

46. Summers Place GP Ltd. ("Summers Place") is a body corporate, duly incorporated pursuant to the laws of the Province of Alberta and extra-provincially registered in Saskatchewan, of which Donna Breen, Marty Fletcher, and I are the directors, and 1301808 Alberta Ltd. (20%), 1309165 Alberta Ltd. (30%) and SCI (50%) are the voting shareholders.

47. Metro West I GP Ltd. ("Metro West I") is a body corporate, duly incorporated pursuant to the laws of the Province of Alberta and extra-provincially registered in Saskatchewan, of which Donna Breen, Marty Fletcher, and I are the directors, and 1301808 Alberta Ltd. (20%), 1309165 Alberta Ltd. (30%) and SCI (50%) are the voting shareholders.

48. Metro West II GP Ltd. ("Metro West II") is a body corporate, duly incorporated pursuant to the laws of the Province of Alberta and extra-provincially registered in Saskatchewan, of which Donna Breen, Marty Fletcher, and I are the directors, and 1301808 Alberta Ltd. (20%), 1309165 Alberta Ltd. (30%) and SCI (50%) are the voting shareholders.

49. As in the case of the Hearthwood Applicants, I am the Director of Summers Place, and Metro West I and II, and the principal of SCI, a 50% shareholder in each of these entities. Again, the other 50% shareholders are not involved in the direction or management of any of these three Applicants, and in my opinion, it is necessary and in the best interests of Summers Place, and Metro West I and II, that a receiver be appointed to manage and administer them.

#### *The SCI Finance Applicant*

50. SCI Finance Corp. ("SCI Finance") is a body corporate, duly incorporated pursuant to the laws of the Province of Alberta, of which Galvez and I are the sole directors, and which provided financing for SCI debt restructuring, as well as providing a pool of capital for loans, as described below. Eyelogic (60%) and SCI (40%) are the shareholders of SCI Finance.

#### *The SCI Bridge Applicant*

51. SCI Bridge II Finance Corp. ("SCI Bridge II") is a body corporate, duly incorporated pursuant to the laws of the Province of Alberta, of which Galvez and I are the sole directors, and which provided a pool of capital for development loans on projects in Okotoks, Alberta, and Lethbridge, Alberta, as described below. Target (60%) and SCI (40%) are the shareholders of SCI Bridge II.

### **V. THE PROJECTS AND THEIR INVESTORS**

52. Generally, with a few exceptions, each of the above mentioned Projects were investor-funded through mortgage-backed bonds issued by various Applicants, each of which were incorporated for the specific purpose of raising funds for a specific Project. The mortgage funds on some of the Projects came from third party mortgagees as set out in paragraph 79 below.

53. A total of approximately 1,100 investors (the "Bondholders") resident in Western Canada purchased bonds in various entities through Offering Memoranda (each, an "OM") offered to the public at large. The funds raised from the various OMs were used to finance the respective Projects to which each OM related. Specifically, funds raised under the OM of each fundraising Applicant financed the purchase by certain of the Applicants of the lands for the Projects. Each of the fundraising Applicants hold mortgages secured against the specific lands involved in the Project for which the particular fundraising Applicant was incorporated. A sample OM is attached hereto and marked as Exhibit "B".

#### **A. North Battleford**

54. North Battleford is a Condominium conversion project located in the City of North Battleford, Saskatchewan. The lands being developed are municipally and legally described as

2342 Kildeer Drive, Plan 79-B-13921, Block 4, Lots 22 and 23;



2402/2412 Kildeer Drive, Plan 79-B-13921, Lots 20 & 21; and

2422/2432 Kildeer Drive, Plan 19-13921, Block 4, Lots 17, 18 & 19 and Plan 101517331 Lot 27.

55. Each of CONB Finance and CONB Capital prepared an OM, which collectively resulted in investments by approximately 200 Bondholders.

56. The funds raised through these two OMs were loaned to CONB Development in order to allow CONB Development to purchase the five (5) buildings in North Battleford, to allow CONB Development to proceed with the condominium conversion of the aforementioned buildings, and to pay for all administration and operating expenses of CONB Finance and CONB Capital, respectively, in the conduct of their business, as set out in each of the CONB Finance and CONB Capital OMs.

#### **B. UEC**

57. UEC is a project involving the conversion of warehouse property into office condominiums. The lands being developed are municipally located at 1500 Quebec Avenue, Saskatoon, Saskatchewan, and have a Legal Description of Plan 101942614, Block 12, Lot BB.

58. The funding for UEC was raised by Signature UEC. Signature UEC's OM led to the investment of funds by approximately sixty-seven (67) investors, which funds were loaned to UEC GP, to purchase and renovate that UEC Lands, as well as to pay for all administration and operating expenses of Signature UEC, as set out in the Signature UEC OM.

#### **C. Weststone**

59. Weststone is a condominium conversion project involving the conversion of four (4) buildings in Yorkton and Prince Albert, Saskatchewan. There are now only two (2) buildings remaining in the Project, as the two buildings located in Prince Albert have been sold. The remaining lands being developed in Yorkton are municipally described as 320 and 326 Gladstone Avenue, Yorkton, Saskatchewan, and legally described as Plan 82Y04242, Block 12, Lots 1 & 2.

60. Weststone Finance was the fundraising entity for Weststone. Its OM led to investments being made by approximately one hundred and thirty-six (136) investors, which funds were loaned to Weststone Development to allow it to purchase the buildings and to pay for the administrative and operating expenses of Weststone Finance, as set out in the Weststone Finance OM.

#### **D. The Resorts**

61. The Resorts is a redevelopment project of four separate resort properties, as follows:

- (a) Allan Beach involves the redevelopment of certain resort property on Hubbles Lake, Alberta, legally described as follows:

the NE ¼ 9 52 1 W5, containing 64.7 hectares (160 acres) more or less,  
Excepting Thereout

A) All that Portion of the said quarter section which lies north east of the lands subdivided under Plan 1600RS and which lies north of a line drawn parallel to the north boundary of the said quarter section and thirteen hundred and twenty (1320) feet perpendicularly distinct southerly therefrom 23.1 6

B) Plan 1600 RS Subdivision 6.08 15.04

C) All that portion of the said quarter section covered by the wates of the unnamed lake as shown on a plan of survey of the said township signed at Ottawa on the 10<sup>th</sup> day of January, A.D. 1921

D) Plan 7622456 Road 0.206 0.51

E) Plan 9324526 Subdivision 4.61 11.39

Excepting thereout all mines and minerals as set forth in transfer 234HM.

- (b) Birch Bay is the redevelopment of a resort property on Francois Lake near Prince George, British Columbia legally described as Parcel Identifier: 027-817-139, Lot A District Lots 1017 and 5002 Range 5 Coast District Plan PRP4536.
- (c) Fir Crest Resort involves the redevelopment of lands on Lac La Hache near Kamloops, British Columbia having the following legal description:

Parcel Identifier 013-397-478 Parcel A (38046E) (Plan B6004) of District Lot 5037 Lillooet District Except Plans 6847, 20135 and KAP77955 Legal Notations: Hereto is Annexed Easement 38047E Over: (1) DL. 149 Lillooet District Except Plan 29784 (2) Lot 1 Plan 8396 (3) DL. 352 Lillooet District Except Plan 8371, 8396, 18760, 20712, 20960, 21544, 23533, 23534 and 30963 (see also KG5470) This Title may be Affected by a Permit Under Part 26 of the Local Government Act, See KW148015; and

- (d) Poplar Grove involves the redevelopment of a resort property on Puntzi Lake, near Williams Lake, British Columbia, with a Legal Description of Parcel Identifier 014-798-711, District Lot 1621 Range 3 Coast District.

62. SLRV Finance was the funding entity for the Resorts. Its OM yielded investments from approximately four hundred and eight (408) investors, which funds were then loaned to each of Allan Beach LP, Poplar Grove LP, Birch Bay LP and Fir Crest LP (the "LPs"), to pay out each of the mortgages held by Puntzi Lake Capital, Francois Capital, Fir Crest Capital, and Beaches West Capital, as well as those mortgages held by Francois Finance, Fir Crest Finance, and Beaches West Finance, registered against each of Allan Beach, Poplar Grove, Birch Bay and Fir Crest, to pay out financing received by each of Allan Beach LP, Birch Bay LP and Poplar Grove

LP, and to allow each of them to advance the development of their respective properties, as set out in the SLRV Finance OM.

**E. US Sunbelt**

63. US Sunbelt is a project involving the investment of funds in order to acquire undervalued US real estate, and currently holds a condominium development, which is municipally described as 4343 N. 21<sup>st</sup> Street, Phoenix, Arizona, USA, and legally described as follows:

Units 110, 111, 121, 133, 145, 146, 157, 203, 205, 209, 212, 213, 216, 220, 221, 224, 225, 227, 228, 229, 230, 232, 237, 239, 240, 241, 242, 244, 245, 248, 249, 251, 252, 254, 256 and 260, Biltmore Palms Condominiums, a condominium, as created by that certain Declaration recorded January 20, 2006, in Document No. 2006-0088703 and Re-Recorded February 14, 2006, in Document No. 2006-0205273, and as shown on the Plat recorded in Book 805 of Maps, Page 26, and Affidavit recorded in Document No. 2006-0128785, records of Maricopa County, Arizona;

64. USS Capital issued an OM through which approximately ninety-four (94) Western Canadian investors invested funds, which were loaned to USS Investment to allow USS Investment to directly or indirectly purchase, renovate and proceed with the condominium conversion of certain properties in the southwestern United States, and to be used for operating expenses of USS Capital, as set out in the OM. Through their purchase of bonds in USS Capital, investors became entitled to purchase shares in USS Investment.

**F. Lethbridge Fairview**

65. Lethbridge Fairview is a seniors' condominium development in Lethbridge, Alberta, having a municipal address of 151 and 173 Fairmont Blvd, Lethbridge, Alberta, and a legal description of (151) Plan 0010774, Block 15, Lot 11 and (173) Plan 0211127, Block 15, Lot 34.

66. Signature Lethbridge is a lender to Lethbridge Fairview. It issued an OM through which approximately 221 investors invested funds, which were loaned to a third party developer. Signature Lethbridge holds a second mortgage on Lethbridge Fairview, behind a third-party lender, described below in section VI.

**G. Hearthwood**

67. Hearthwood is a condominium conversion in Saskatoon, Saskatchewan, having a municipal address of 306, 310 and 314 Tait Crescent, Saskatoon Saskatchewan, and whose shareholders are 1309165 Alberta Ltd. (30%), 1301808 Alberta Ltd. (20%), and SCI (50%) in each of Hearthwood I GP, Hearthwood II GP, and Hearthwood III GP.

68. The mortgage loans on Hearthwood have been fully paid out, and all units in the project have been sold; however, we continue to have outstanding Accounts Payable along with concerns reconciling our Saskatchewan counsel's trust account. As such, we are awaiting final receipts, and a distribution will be made if any profit exists

**H. North Summers**

69. North Summers consists of three development properties in Saskatoon, Saskatchewan, with municipal addresses and legal descriptions of:

- (a) 2 Summers Place – Lot 8 Blk/Par 589 Plan No. 67S20690 Extension 0 As described on Certificate of Title 93S31211
- (b) 1017 Northumberland - Lot 1 Blk/Par 470 Plan No. 61S19969 Extension 0 As described on Certificate of Title 01SA06610
- (c) 929 Northumberland - Blk/Par N Plan No. 67S29100 Extension 0 As described on Certificate of Title 01SA06607

70. North Summers Finance Corp. is a corporation, duly registered in the Province of Alberta, with Galvez and me as directors, and Eyelogic (60%) and SCI (40%) as its shareholders.

71. North Summers Capital Corp. is a corporation, duly registered in the Province of Alberta, with Galvez and me as directors, and Eyelogic (60%) and SCI (40%) as its shareholders.

72. All units in North Summers have been sold; however, we continue to have outstanding Accounts Payable along with concerns reconciling our Saskatchewan counsel's trust account. As such, we are awaiting final receipts, and a distribution will be made if any profit exists.

#### **I. SCI Finance**

73. SCI Finance was established as a vehicle for a debt restructuring, and also to provide a pool of capital for two loans, one in the approximate amount of \$450,000.00 to Okotoks AB Riverside Dev. Ltd. ("Okotoks Riverside"), an unrelated entity that is developing a seniors' condominium facility in Okotoks, Alberta, and another loan to SCI in the approximate amount of \$1 million. Both of these loans are in default.

#### **J. SCI Bridge II**

74. SCI Bridge II was established to provide a pool of capital for development loans to Okotoks Riverside in the approximate amount of \$950,000.00, and to another unrelated entity, Condo-Condo Lethbridge Portfolio Ltd. ("Condo-Condo") in the approximate amount of \$450,000.00. The loan to Okotoks Riverside is in default, while the loan to Condo-Condo is current.

### **VI. SECURED CREDITORS**

75. The Applicants herein have a number of secured creditors, which can be divided up into two groups: related secured creditors and third party secured creditors.

76. The related secured creditor group is comprised of a number of the Applicants herein (the "Related Mortgagees"), which entities became secured creditors by way of mortgages granted to them by those Applicants who are title holders to the project lands (CONB Development, UEC GP, Weststone Development, Allan Beach GP, Poplar Grove GP, Birch Bay GP, and A Virginia, collectively, the "Titleholder Applicants").

77. The Related Mortgagees, their positions, principal amounts and the projects in respect of which they are secured creditors are as follows:

- (a) CONB Finance (First Mortgagee for \$6.7 million on North Battleford);
- (b) CONB Capital (Second Mortgagee for \$5.5 million on North Battleford);
- (c) Signature Capital UEC Capital Inc. (Second Mortgagee for \$2.211 million on UEC);
- (d) Weststone Finance (Second Mortgagee for \$3.840 million on Weststone);
- (e) SLRV Finance (cross-collateralized for \$11.075 million as a Second Mortgagee on Allan Beach, Poplar Grove and Birch Bay, and by way of a third mortgage that is in the process of being registered on Fir Crest);
- (f) Beaches West Capital (Third Mortgagee for \$4,999,895 on Allan Beach);
- (g) Francois Capital (Third Mortgagee for \$49,950 on Birch Bay);
- (h) Fir Crest Finance (Second Mortgagee for \$496,000 on Fir Crest);
- (i) Fir Crest Capital (Third Mortgagee for \$1.9958 million on Fir Crest);
- (j) Signature US Sunbelt Capital (in the process of being registered as Second Mortgagee for \$3.014 million on US Sunbelt); and
- (k) Signature Lethbridge Fairview Capital (Second Mortgagee for \$6.605 million on Lethbridge Fairview).

78. In my opinion, it is necessary, and in the best interests of the Bondholders, to place the Related Mortgagees into receivership, in addition to the other Applicants, as they are responsible to the Bondholders and have no means of managing themselves; therefore, the Related Mortgagees require a receiver to manage their operations and deal with their investors during the proposed receivership.

79. The third party secured creditors (the "Outside Mortgagees"), their positions and the projects to which their mortgages relate are as follows:

- (a) A group comprised of Solar Star Holdings Inc. ("Solar Star"), 1193770 Alberta Ltd., 1245233 Alberta Inc. and 373624 Alberta Ltd., first mortgagees on UEC for a combined principal sum of \$650,000.00;
- (b) A group comprised of Solar Star, 373624 Alberta Ltd., 1291254 Alberta Ltd. and 851272 Alberta Ltd., first mortgagees on Weststone for a combined principal sum of \$1.45 million;
- (c) A group comprised of Solar Star, 1105550 Alberta Inc. Sano Stante Real Estate Inc., Robert D. Penner, and Aquino Belavy and Associates Ltd., first mortgagees on the Resorts for a combined principal sum of \$2.781 million;

- (d) Paragon Capital Corporation Ltd. and MMG Merchandise Trust Assets LLC, first mortgagees on US Sunbelt, for a principal sum of \$2.15 million USD;
- (e) Carevest Capital Inc., first mortgagee on Lethbridge Fairview, for a principal sum of \$2.5 million; and
- (f) Lila and Pavel Lidmila, who hold a charge, registered as a fourth mortgage on Birch Bay, for a principal sum of \$246,000.00.

80. I or the proposed receiver have contacted counsel to the group comprised of Solar Star, 1105550 Alberta Inc. Sano Stante Real Estate Inc., Robert D. Penner, and Aquino Belavy and Associates Ltd., and the principals of Paragon, and all of these entities are in support of the application to appoint a receiver over all of the Applicants, including those over whose projects the Outside Mortgagees have security.

81. On November 12, 2009, Darrell S. Cohen, counsel to the Solar Star group outlined above, sent a letter to the proposed Receiver, authorizing the appointment of the proposed Receiver as receiver-manager with respect to the assets of SCI and their affiliated corporations and other entities. A copy of Mr. Cohen's letter is attached hereto as Exhibit "C".

82. Neither I nor the proposed receiver have contacted Carevest or the Lidmilas. In the case of Carevest, the owner of Lethbridge Fairview is not one of the Applicants, and Carevest has initiated foreclosure proceedings over the Lethbridge Fairview lands.

## **VII. REASON FOR SEEKING A RECEIVER**

83. In the fall of 2007, SCI learned that the developer and its partner on a number of the Projects was no longer adequately performing its obligations with respect to the Projects. SCI met with the developer in about November, 2007 and advised it that unless it was able to get the Projects on track in a reasonable period of time, SCI would take over and complete the Projects.

84. By May or June of 2008, the developer had not made any progress in moving the Projects forward. SCI encouraged the developer to relinquish management of the Projects, given its obvious inability to perform. The developer, after prolonged discussions with SCI, agreed to cease management of the Projects in September of 2008 and effected a formal resignation in February, 2009. The developer has been non-responsive since that time.

85. This left SCI in the position of having to support and manage the Projects right in the midst of the economic downturn of September and October, 2008, whilst continuing to attempt to raise capital for the Projects.

86. In the early months of 2009, a third party consulting group hired to evaluate the feasibility of completing the Saskatchewan conversion Projects advised that North Battleford, UEC and Weststone were feasible. Unfortunately, given the economic climate we were unable to obtain construction financing for any of these Projects, and furthermore, ran up against a number of political and administrative hurdles that made development of Yorkton and North Battleford practically impossible.

87. At this point, SCI put all of its resources, financial and otherwise, into maintaining the Projects. It was advised by its VP Finance in May of 2009 that if it continued to finance the Projects into the future, SCI itself would be in serious financial trouble in short order. Unfortunately, SCI saw overall monthly investments to the various Applicants drop from a high of approximately \$1.5 million per month in the first quarter, to a low of approximately \$100,000.00 per month in the third quarter, and the costs of advertising soon outstripped SCI's incoming funding.

88. In addition to the general economic downturn, the highly publicized failure of several questionable real estate development ventures also negatively impacted SCI's fundraising efforts, despite the fact that SCI has an excellent working relationship with the Alberta Securities Commission (the "ASC") and notwithstanding the fact that the ASC has done checks on a number of the Applicants, which have not given rise to even a suggestion of impropriety. These other schemes were widely publicized, causing an already wary investing public to seriously discount real estate based investments as safe investment vehicles.

89. Throughout the past year, SCI has taken its commitment and responsibility to its investors very seriously, and has not spared any efforts to keep the Projects afloat. At the same time, SCI's principals have maintained a keen awareness of the need to ensure SCI's continued financial survival. In light of these competing responsibilities, when it became apparent that SCI would no longer be able to maintain the Projects, SCI ceased accepting investors' funds and, after consultation with independent legal counsel, made the decision to seek the appointment of a receiver.

## **VIII. STATUS OF OPERATIONS**

### **A. Employees and Office Operations**

90. The employment of all of SCI's employees was formally terminated on November 6, 2009; however, employees were asked not to attend work after October 31, 2009. Records of Employment have been issued, but T-4s are outstanding. Payroll is current to October 31, 2009. SCI has obligations for vacation and overtime pay, and for severance pay in the respective approximate amounts of \$5,000.00 and \$13,000.00.

91. November rent has not been paid and SCI's office premises have been partially vacated.

### **B. Present Financial Status**

92. As a result of the dramatic downturn in the real estate market in Western Canada, the entire group of Applicants is currently facing a cash flow crisis. There is no cash to allow the Applicants to continue to operate on a day to day basis.

93. Since June of 2009, a number of the Bondholders have become entitled to payments from a number of the Related Mortgagees, however the cash flow situation is such that those Applicants are unable to make payments to their Bondholders as those payments come due. There are only two individuals left to deal with the fallout from the non-payment of these investors, as well as attempting to manage and run the Projects, and administer the investments.


94. Most importantly, the Applicants are unable to pay for the continued development of the Projects, which are their only means of generating cash flow over the longer term.

95. From the foregoing, it is clear that the Applicants are insolvent.

96. I am of the opinion that the best way to coordinate and maximize the return to the Bondholders in this situation, given its complexity and the fact that the Applicants are effectively no longer operating (other than trading water to maintain the integrity of the Projects) is to appoint a Receiver and Manager over all of the Applicants.

97. I swear this Affidavit in support of an application on behalf of the Applicants for a Consent Receivership Order pursuant to section 243(1) of the *Bankruptcy and Insolvency Act* over all of the Applicants.

SWORN BEFORE ME at the City of )  
Calgary, in the Province of Alberta, )  
this 12<sup>th</sup> day of November, 2009. )

  
\_\_\_\_\_)  
A COMMISSIONER FOR OATHS )  
In and for the Province of Alberta )  
**Alexis E. Magi**  
Barrister and Solicitor

  
\_\_\_\_\_)  
SIMONE ROUSSEAU








**Alexis E. Magi**  
Notarist and Solicitor

# SCI Corporate Summary Report

November 5, 2009

## Signature Capital Inc.

Signature Capital (SCI) was formed in January 2006 by Simone Rousseau and husband Pablo Galvez. Shortly thereafter, Guy Rousseau (Simone's brother) joined the ownership group and currently all three own 1/3 of the company.

The company raises capital for development based real estate opportunities by promoting these opportunities to the general public. Signature Capital is not a development company – it is more like a private bank in that it provides loans, registers security (mortgages, etc...) and administers client's investments. Most investments were RSP eligible and over the past 3.5 years, the company has raised over \$85M over approximately 20 different investments. Most of the capital has come from the general public, investing amounts from \$5,000 to \$500,000 into unsecured Bonds that are backed by a mortgage or other security. Another major source of funding was from a group of private investors who only invested in very secure positions with their own private capital. This group is known as "Solar Star" or is often referred to as the "Mele Group".

The company was founded on the relationship between SCI and a developer who was doing condo conversions in Saskatoon, SK. There was a family tie that led to the initial relationship and SCI began raising capital for conversions. Eventually, the developer began "converting" RV Resorts in Alberta and BC so SCI funded several acquisitions of RV parks with the intent on having them converted to fully-titled lots for resale. SCI then moved on to funding other developers and also into raising capital in "pools" for other acquisitions.

Signature Capital receives fees for placing investors together with an investment. Typically, this fee amounts to 3-6% of the amount of the investment. At times there was also a commission spread (the difference between the allocated sales commission and the actual paid commissions) that were taken in SCI. The company was also allowed to charge-back reasonable costs and expenses of operating and administering the loans and investments in the various projects. It was these fees and charge-backs that allowed SCI to operate. In addition, SCI would often own shares in the development company in order to share in the profits at the end of the project. This would amount to the companies "profit". As the projects began to fail, our "profit" became less and less until nearly all potential profits were lost.

Signature Capital grew from a small company to a company with 26 staff, an in-house accounting department, marketing, legal, and investment administration. There was an emphasis within the company on instituting policies, procedures, and adhering to a business plan. The rapid growth of the company meant that the business plan and company strategies were evolving on a monthly basis so despite the best efforts of the executive team, the growth typically outpaced the companies organization. Financial records are now just being caught up to date and the strategic plans have only recently been addressed seriously.

**SIGNATURE**  
**CAPITAL**

# North Battleford Project Summary

---

November 5, 2009

## North Battleford (CONB)

**Type:** Condo Conversion

**Physical and Legal Address**

2342 Kildeer Drive – Lots 22 & 23; Block4; Plan 79-B-13921

2402/2412 Kildeer Dr. – Lots 20 & 21; Block4; Plan 79-B-13921

2422/2432 Kildeer Dr. – Lots 17, 18 & 19; Block 4; Plan 79-13921 and Lot 27; Plan 101517331

**Size:** 5 Buildings with a total of 111 units

**Status:** "Default"

**Description:** SCL raised capital into 1<sup>st</sup> Mortgage and 2<sup>nd</sup> Mortgage opportunities. The bonds to investors are now in default as they are overdue (the term has expired). A 3<sup>rd</sup> party consultant was engaged to evaluate the status of the development. The default of the 1<sup>st</sup> Mortgage forced CONB Dev Corp. to sell the building. The sale will recover approximately 80-90% of the 1<sup>st</sup> Mortgage funds for bondholders and the 2<sup>nd</sup> Mortgage bondholders will receive no return of principal or interest. The closing date of the purchase is December 1<sup>st</sup>, 2009.



# UEC Project Summary Report

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November 5, 2009

## Urban Elements Centre

**Type:** Conversion of Warehouse to Office Condos

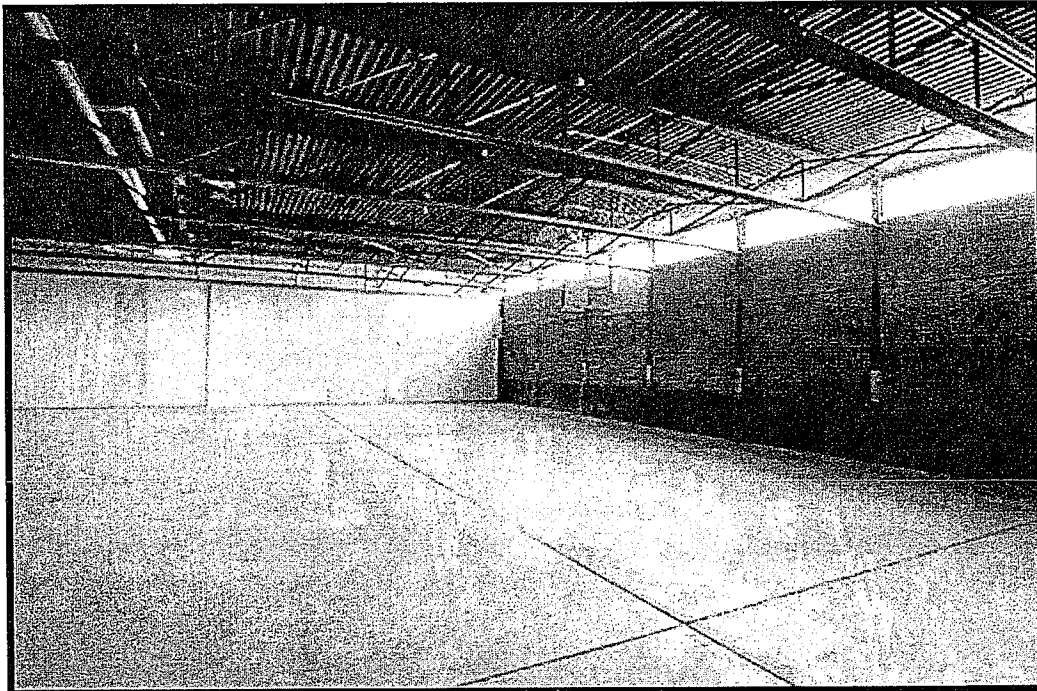
**Address:** 1500 Quebec Ave. Saskatoon, SK.

**Legal Description:** Lot BB – Block 12 Plan 101942614 Extension 0

**Size:** 38,000 sq.ft.

**Status:** "Default"

**Description:** SCI raised capital to financed this conversion in 2007, however the original developer abandoned the project and did not completed any of the conversion work required. The property is currently vacant and is listed for sale. There is negative cash flow from this property.



# Weststone Project Summary Report

---

November 5, 2009

## Weststone

**Type:** Condo Conversions – 2<sup>nd</sup> Mortgage

**Address:** 320 and 336 Gladstone Avenue, Yorkton, Saskatchewan (Prince Albert, SK: Buildings sold)

**Legal Description:** Lots 1 + 2, Blk 12, Plan 82Y04242.

**Size:** 58 unit apartment building

**Status:** "Default"

**Description:** SCI funded the acquisition of this building in a 2<sup>nd</sup> Mortgage position behind the "Mele Group". There is currently a purchase offer that is being contemplated which would return approximately 30% of investor's funds in the 2<sup>nd</sup> Mortgage after satisfying the 1<sup>st</sup> Mortgage.



# The Resorts Project Summary Report

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November 5, 2009

## The Resorts (Signature Lakeside RV Corp. or SLRV)

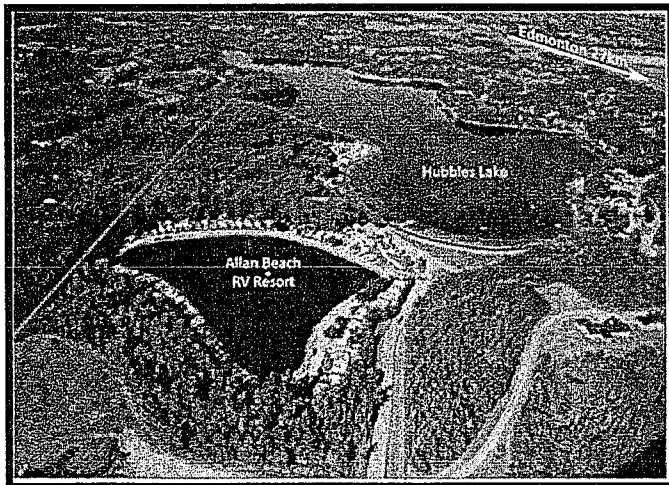
**Type:** Conversion of Four Lakefront RV Campgrounds to Condo-Titled RV and Cottage Lots)

**Location:** BC (3 locations) and AB (1 location).

**Status:** "Active / Default" (see notes on each resort)

**Description:** "The Resorts" is the result of a "refinance and restructure" of four previous investments.

The four properties (Allan Beach, Birch Bay, Fir Crest, and Poplar Grove) are all RV campgrounds on lakes and were once four individual investments that were funded by capital raised by SCI. Upon knowledge that they would take longer than first anticipated, they were "rolled" into one investment called "Signature Lakeside RV Corp." In essence, where there used to be four "banks" that funded four "development companies", there became one "bank" that funded the four development companies". The one bank (SLRV) "bought out" the four in order to create one investment. The problem comes from the fact that this "buyout" is only partially complete so there are some existing entities that should be rolled into SLRV but SCI no longer has the ability to raise the capital to do so. This structure and the offering memorandum associated with it are the most complicated by far.



### Allan Beach Resort:

**Address:** ???

**Legal Description:**

*The North East Quarter of Section Nine (9)*

*Township Fifty Three (53)*

*Range one (1)*

*West of the Fifth Meridian*

*Containing 64.7 Hectares (160 acres) more or less.*

*Excepting Thereout:*

*A) All that Portion of the said quarter section which lies north east of the lands subdivided under Plan 1600RS and which lies north of a line drawn parallel to the north boundary of*

*the said quarter section and thirteen hundred and twenty (1320) feet perpendiculary Distinct southerly therefrom 23.1 57*

*B) Plan 1600RS Subdivision 6.08 15.04*

*C) All that portion of the said quarter section covered by the waters of the unnamed lake as shown on a plan of survey of the said township signed at Ottawa on the 10<sup>th</sup> day of January A.D. 1921*

*D) Plan 7622456 Road 0.206 0.51*

*E) Plan 9321526 Subdivision 4.61 11.39*

*Excepting thereout all mines and minerals as set forth in transfer 234HM*

The flagship property and by far the one with the most profit potential of the four is the Allan Beach Resort (ABR) located on Hubbles Lake, about 15 minutes West of Edmonton between HWY 16 and 16A. ABR will consist of 100 RV lots and 70 Cottage lots with the closest competitor being 1.5 hours from Edmonton. A recent Market Research Report prepared by the IBI Group suggests a \$34M sell-through

value with a 2-3 year full absorption. Cost to complete is approximately \$11-12M. The approvals have been applied for and the development will appear before council (Parkland County) on November 24<sup>th</sup>, 2009. It is expected that approvals would significantly increase the appeal and value of the property. Approvals are expected by March, 2010.



### **Birch Bay Resort:**

**Address:**

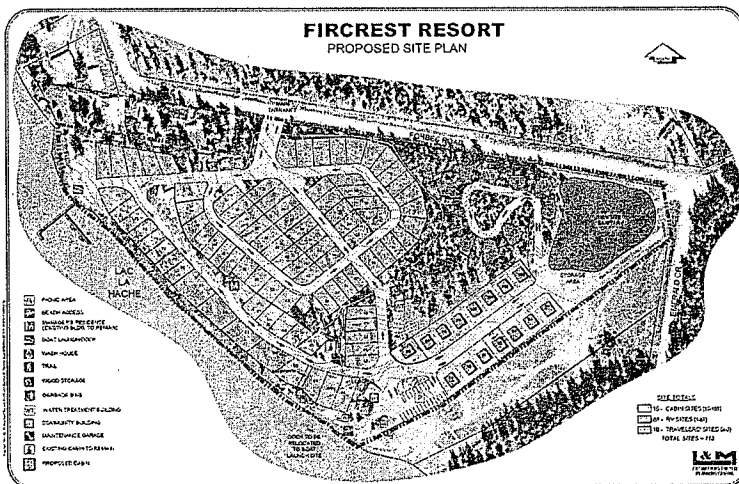
**Legal Description:**

*Parcel Identifier: 024-817-139*

*Lot A District Lots 1017 and 5002 Range 5 Coast District  
Plan PRP45360*

This property is located on Francois Lake, approximately 2.5 hours West of Prince George, BC. The second largest natural lake in BC, this is a popular resort spot for people in

Northern BC and is the only resort currently in operation of the four. Annual revenues are approximately \$150,000 per year. The application for rezoning will go before council in the Bulkley-Nechako Regional District on November 18<sup>th</sup>, 2009 with full approvals expected by March 2010.



### **Fir Crest Resort:**

**Address:**

**Legal Description:**

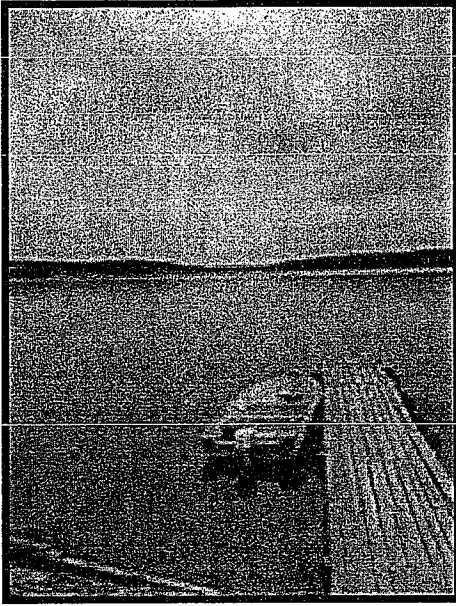
*Parcel Identifier: 013-397-478  
Parcel A (38046E) (Plan B6004) of  
District Lot 5037 Lillooet District  
Except Plans 6847, 20135 and  
KAP77955*

**Legal Notations:**

*Hereto is Annexed Easement 38047E  
Over: (1) DL. 149 Lillooet District  
Except Plan 29784 (2) Lot 1 Plan 8396  
(3) DL. 352 Lillooet District  
Except Plan 8371, 8396, 18760, 20712,  
20960, 21544, 23533, 23534  
and 30963. (see also KG5470)*

*This Title may be Affected by a Permit Under Part 26 of the Local Government Act, See KW148015*

Located on Lac la Hache, about 2 hours North of Kamloops, BC., this property has recently received rezoning approvals from the Cariboo Regional District. The project consists of 113 lots – 88 RV lots, 15 Cabin Sites, and 10 Traveller's "rental" sites. Now that the approvals are in place for the zoning, the "strata application" must be made before construction can commence. Approximately \$4M of construction funding is required and the approximate sell-through value is \$8.5M.



## **Poplar Grove Resort:**

**Address:**

**Legal Description:**

*Parcel Identifier: 014-198-711*

*District Lot 1621 Range 3 Coast District*

This property is located about 1.5 hours West of Williams Lake, BC on Puntzi Lake – known for it's fishing. It has been determined that this project is not currently economically feasible and is currently not occupied. We are entertaining offers on the property although it is not formally listed.



# USSB Project Summary Report

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November 5, 2009

## US Sunbelt Investment Fund (USSB)

**Type:** Fund to acquire undervalued US real estate

**Address:** 4343 N. 21st Street, Phoenix, Arizona, 85016

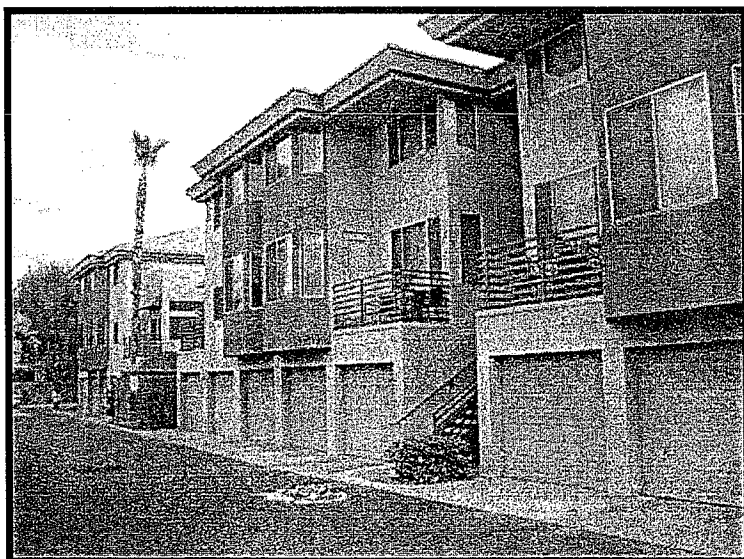
**Legal Description:** Units 110, 111, 121, 133, 145, 146, 157, 203, 205, 209, 212, 213, 216, 220, 221, 224, 225, 227, 228, 229, 230, 232, 237, 239, 240, 241, 242, 244, 245, 248, 249, 251, 252, 254, 256, and 260, Biltmore Palms Condominiums, a condominium, as created by that certain Declaration recorded January 20, 2006, in Document No. 2006-0088703 and Re-Recorded February 14, 2006, in Document No. 2006-0205273, and as shown on the Plat recorded in Book 805 of Maps, Page 26, and Affidavit recorded in Document No. 2006-0128785, records of Maricopa County, Arizona;

TOGETHER WITH each Unit's undivided interest in and to the common elements as set forth in said Declaration and on said Plat.

**Size:** 36 individually titled condos – Unit 257 was previously sold

**Status:** "Active"

**Description:** SCI raised a pool of capital under the USSB name. One acquisition has been made, Biltmore Palms in Phoenix, AZ. This property consists is a cluster of condominium units in a compound. The 37 units are currently for sale and Condo-Condo Development Group, coordinating the marketing effort on our behalf of the US Sunbelt. Funds are required for marketing in order to sell the remaining units. To date, we have sold and closed on one unit, 4 units are scheduled to close in November '09.



# Lethbridge Fairview Project Summary

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November 5, 2009

## Lethbridge Fairview

**Type:** 2<sup>nd</sup> Mortgage Development Loan to 3<sup>rd</sup> Party Developer

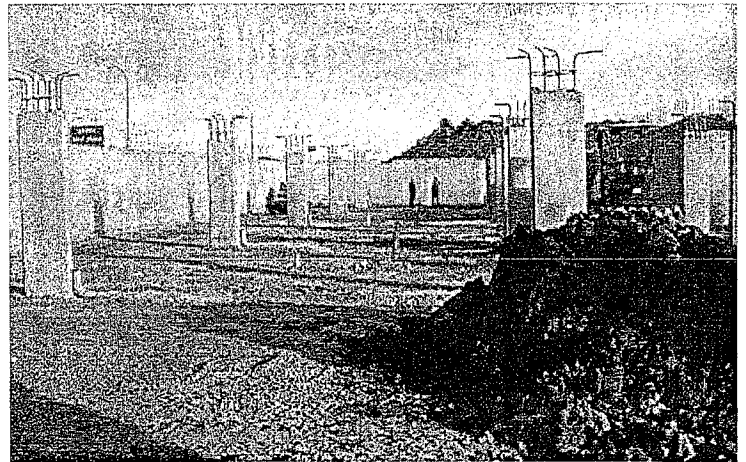
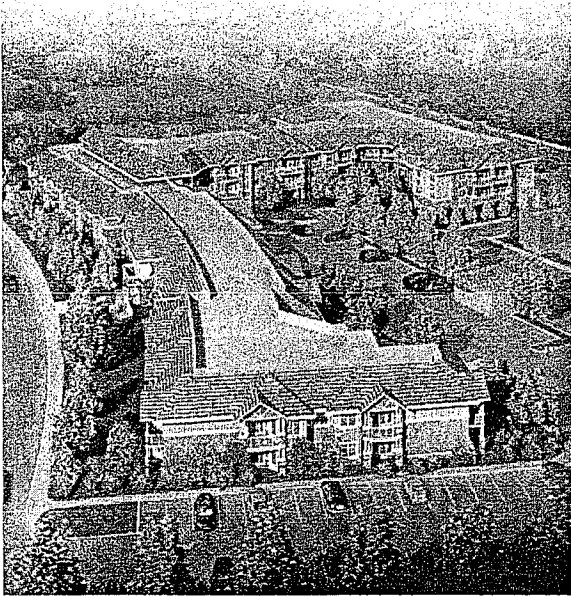
**Location:** 151 & 173 Fairmont Blvd Lethbridge, AB.

**Legal Address:** (151) Plan 0010774, Block 15, Lot 11  
(173) Plan 0211127 Block 15, Lot 34

**Size:** Development of Seniors Condominiums (part of a 3 phase development plan)

**Status:** "Default"

**Description:** The Lethbridge Fairview was SCI's first departure from our original developer. Despite what appeared to be a solid model, the project could not get funding when the economy encountered the downturn and the developer borrower is now in Bankruptcy (TBV) and the 1<sup>st</sup> mortgagor (Carevest) is taking action to recover it's loan proceeds.



# Hearthwood Project Summary Report

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November 5, 2009

## Hearthwood (Tait Crescent)

**Type:** Condo Conversion

**Location:** 306/310/314 Tait Cres., Saskatoon, SK.

**Legal Description:** ???

**Size:** 3 Buildings with 8 Units each = 24 Units

**Status:** "Windup"

**Description:** One of the condo-conversion projects in Saskatoon, SK. Consisting of 3 buildings in one "block", this conversion is technically complete and all mortgages have been paid. There is possibly profit still to be distributed to SCI from this project. There is also outstanding AP. SCI is having great difficulty in winding up this company and receiving it's profits as the developer and other 50% partner is not responding at all to SCI in this regard.



## **North Summers (Northumberland and Summers Place)**

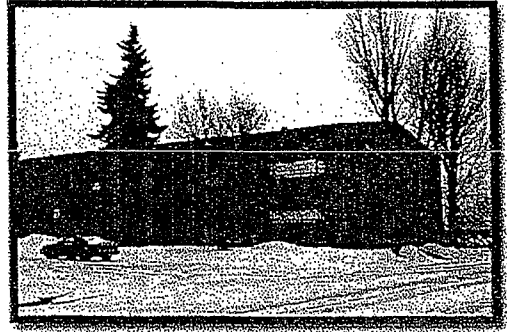
**Type:** Condo Conversion

**Location:** Saskatoon, SK.

**Size:** 3 Buildings (1017 & 929 Northumberland Drive and 2 Summers Place, Saskatoon Sask) total of 63 Units

**Status:** "Windup"

**Description:** One of the condo-conversion projects in Saskatoon, SK. All approvals have been obtained and all units are now sold. Again, outstanding A/P items as well as trouble with reconciling the Saskatoon lawyer's trust account hold SCI back from winding up the company and realizing the final profits (if any). SCI investors also hold shares in this development and participate in a percentage (25%) of the net profits. Once the final accounting is completed, a distribution will need to be made to shareholders (SCI & investors) if there is any net profit remaining.



# SCI Bridge II Project Summary Report

---

November 5, 2009

## SCI Bridge II

**Type:** Pool of capital for development loans

**Location:** loans to Okotoks AB Riverside Dev Ltd. project and to Condo-Condo Lethbridge

**Size:** 2 loans

**Status:** "Default" on the Okotoks loan – the Condo-Condo loan is "Current"

**Description:** SCI Bridge II was formed to take advantage of the need for capital in the real estate industry after the credit crunch hit the markets in October 2008. Only two loans were made, one to Okotoks AB (Stratum) for their Okotoks project, and one to Condo-Condo for their Lethbridge condos. The Condo-Condo loan is current and considered "healthy". The Okotoks based loan is in default. The lawyer retained by SCI Bridge II likely has a conflict. This conflict is being evaluated by McLeod & Company, Ross Kaplan.



# SCI Finance Project Summary Report

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November 5, 2009

## SCI Finance

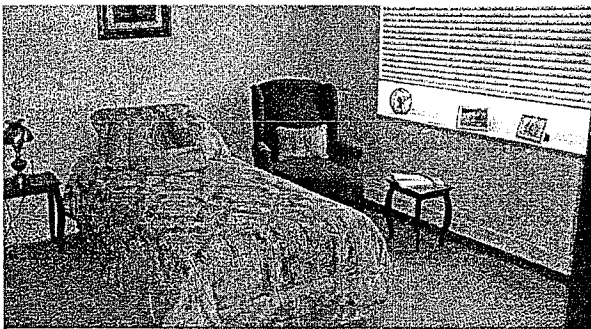
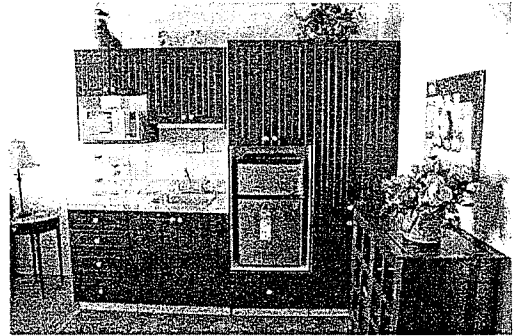
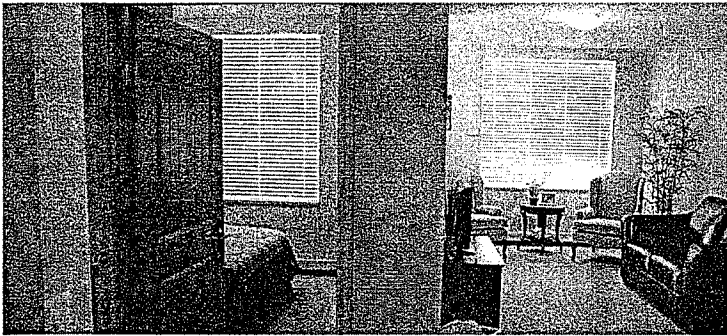
**Type:** Financing for SCI debt restructure plus pool of capital for loans

**Location:** \$1M to SCI, approx \$450 loan to Okotoks AB Riverside Development Ltd

**Size:** 2 loans

**Status:** "Default"

**Description:** SCI Finance was our first pooled fund. It was created to strengthen SCI's corporate balance sheet by replacing high-interest short-term loans to longer term lower interest debt. SCI signed a corporate guarantee to secure the loan. There was also a loan provided to Okotoks AB for development of a senior's condo facility in Okotoks. Both loans are in default and will *likely* result in significant losses to investors.





Offering Memorandum

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

Date: October 5, 2007

The Issuer: CONB Finance Corp. (the "Corporation" or the "Issuer")  
 278 – 19<sup>th</sup> Street NE  
 Calgary, AB, T2E 8P7  
 Phone: (403) 313-0342  
 Fax: (403) 313-8609  
 Email: info@signaturecapital.ca

THIS IS EXHIBIT " B "  
 referred to in the Affidavit of

Simone Rousseau

Sworn before me this 12<sup>th</sup>

day of November 2009



**Alexis E. Magi**  
 Barrister and Solicitor

Currently listed or quoted? No. These securities do not trade on any exchange or market.

Reporting Issuer? No.

SEDAR filer? No.

The Offering

Securities Offered	Series A - 13% compounding redeemable bonds (referred to herein as the "Series A Bonds") Series B – 11% compounding redeemable bonds (referred to herein as the "Series B Bonds") Series C – 13% fixed rate redeemable bonds (referred to herein as the "Series C Bonds") Series D – 11% fixed rate redeemable bonds (referred to herein at the "Series D Bonds") (collectively referred to herein as the "Bonds," the "bonds," or the "securities")
Price Per Security	\$100.00 per Bond
Minimum Offering	\$100,000 (1,000 Bonds)
Maximum Offering	\$6,700,000 (67,000 Bonds)
Minimum Subscription Per Investor – Series A & Series C Bonds	\$60,000 (600 Bonds)
Minimum Subscription Per Investor – Series B & Series D Bonds	\$10,000 (100 Bonds)
Payment Terms	Payment by certified cheque, trust cheque or bank draft of the subscription price is to be made with the delivery of a duly executed and completed Subscription Agreement. See Item 5.2 Subscription Procedures.
Proposed Closing Date(s)	Closings will take place periodically at the Corporation's discretion with the closing of the Minimum Offering to occur on or before November 30, 2007.

**Tax Consequences:** There are important tax consequences to these securities. See Item 6 Income Tax Consequences and RRSP Eligibility.

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

**Resale restrictions:** You will not be able to sell these securities except in very limited circumstances. You may never be able to resell these Securities. See Item 10 Resale Restrictions.

**Selling Agents:** The Corporation reserves the right, as allowed by applicable securities legislation, to retain agents to help effect sales of the Bonds. If an agent is retained, the agent will be paid aggregate fees and commissions of up to 6% of the gross proceeds realized on the Bonds sold by such agent. The Corporation's employees and consultant may compensated by up to 6% of the gross proceeds realized on the sale of the Bonds for soliciting subscriptions for the Bonds with respect to the Bonds not sold by an agent. The Corporation's Officers and Directors may be compensated by up to 6% of the gross proceeds realized on the sale of the Bonds for soliciting subscriptions with respect to the Bonds not sold by an agent.



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## ITEM 1 - USE OF NET PROCEEDS

### 1.1 Net Proceeds

The following table discloses the net proceeds of this Offering (the "Offering"):

		Assuming Minimum Offering	Assuming Maximum Offering
A	Amount to be raised from issuance of this Offering	\$100,000	\$6,700,000
B	Selling commissions (6%) <sup>(1)</sup>	\$6,000	\$402,000
C	Working Capital Deficiency due to Offering costs <sup>(2)</sup>	(\$13,144)	(\$13,144)
D	Net proceeds: D = A - (B + C)	\$80,856	\$6,284,856

(1) Assuming 6% of the gross proceeds of this Offering will be paid as selling commissions based upon the minimum and maximum Offering.

(2) The estimated costs include legal and accounting costs associated with this Offering.

### 1.2 Use of Net Proceeds

The net proceeds of this Offering will be used by the Corporation over the proceeding 12 months as follows:

Description of intended use of available funds listed in order of priority	Assuming Minimum Offering	Assuming Maximum Offering
1. The majority of the net proceeds of this Offering will be loaned to CONB Development Corp. ("CDC"), a related party,* for the following purposes:  (a) To allow CDC to purchase of five apartment buildings in North Battleford, Saskatchewan; and (b) To allow CDC to proceed with the condominium conversion of the buildings located on the Lands. See Item 2.3 Our Business.	\$78,356	\$6,251,356
2. To pay for all administration and operating expenses incurred by the Corporation in the conduct of its business. See Item 2.10.2 Administration Agreement with Eyelogic Systems Inc. and Item 2.10.3 Consulting Agreement with KMC Capital Inc.	\$2,500	\$33,500
Total	\$80,856	\$6,284,856

\*Simone Rousseau and Pablo Galvez, the Officers and Directors of the Corporation, together with Guy Rousseau, the Promoter of this Offering, are the Officers and Directors of Signature Capital Inc. ("SCI") and together own 100% of the issued and outstanding shares of SCI. SCI owns 40% of the issued and outstanding Class A Preferred shares in the Corporation and as of the date of this Memorandum owns 50% of the shares in CDC. See Item 2.3 Our Business.

### 1.3 Reallocation

The Corporation intends to use the net proceeds of this Offering as stated. The Corporation will reallocate the net proceeds only for sound business reasons.

### 1.4 Working Capital Deficiency

CDC has advanced the sum of \$13,144 to the Corporation to allow it to pay some of the costs of this Offering. CDC will be repaid this amount from the proceeds of this Offering.

## ITEM 2 - BUSINESS OF THE CORPORATION

### 2.1 Business Structure

The Corporation was incorporated under the Business Corporations Act (Alberta) pursuant to a certificate of incorporation dated October 3, 2007. The Corporation's registered office is located at # 605, 2303 - 4<sup>th</sup> Street SW, Calgary, Alberta, T2S 2S7 and its head office is located at 278 - 19<sup>th</sup> Street NE, Calgary, Alberta, T2E 8P7. The Corporation is controlled by Eyeologic Systems Inc. ("Eyeologic"), a public corporation listed on the TSX Venture Exchange and trading under the symbol "Eye.A". For additional information relative to Eyeologic please see [www.sedar.com](http://www.sedar.com).

### 2.2 Voting Control – Eyeologic Systems Inc.

Voting control of the Corporation by Eyeologic is to ensure that the Bonds issued pursuant to this Offering are a qualified RRSP investment. **See Item 6 Income Tax Consequences and RRSP Eligibility.**

Eyeologic's control and interest in the Corporation is to earn administration fees and not to participate in the profits of the Corporation pursuant to its agreement with the Corporation (the "Eyeologic Agreement"). **See Item 2.10.2 Administration Agreement with Eyeologic Systems Inc.** Specifically:

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

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

### 2.3 Our Business

The Corporation is in a start up phase of development and has not carried out business prior to this Offering and has no financial or development history. Since incorporation, the Corporation has been engaged in the preparation of this Offering, which has included, amongst other things, putting in place a management team and Board of Directors and retaining legal counsel.

The Corporation is raising funds for the purpose of loaning the majority of the net proceeds of this Offering to CDC (the "Loan"). The purpose of the Loan is to facilitate the purchase by CDC of five apartment buildings located in the city of North Battleford, Saskatchewan by CDC (all five buildings collectively being referred to as the "Lands"). The Lands are more particularly described in Item 2.4 below.

If successful in acquiring the Lands, CDC intends to proceed with the condominium conversion of the Lands as described in Item 2.4.2 below (the "Development").

### 2.4 The Lands

CDC has been assigned a purchase contract, dated June 20, 2007 by Marty Fletcher to allow CDC to acquire from an arms length party the following Lands located in North Battleford, Saskatchewan for a purchase price of \$8,325,000 excluding GST (the "CDC Purchase Agreement").

Deposits in the amount of \$500,000 have been paid by SCI to the vendor under the Purchase Agreement and will be repaid from the proceeds of the Loan. The CDC Purchase Agreement has a closing date of January 15<sup>th</sup>, 2008.

The municipal addresses of the Lands are to 2342, 2402, 2412, 2422, and 2342 Kildeer Drive, North Battleford, Saskatchewan.

The legal description of the Lands is as follows:

Lots 22 & 23, Block 4, Plan 79B13921 ("Parcel A")

Lots 20 & 21, Block 4, Plan 79B13921 ("Parcel B")

Lots 17, 18 & 19, Block 4, Plan 79B13921 ("Parcel C")

Lot 27, Block 4, Plan No. 101517331("Parcel D")

Registered against title to the Lands are the following encumbrances:

Parcel A Lot 22 Interest 114063724 – Easement, Interest 114063735 – Caveat, Interest 114063746 – Mortgage, Interest 114063757 – Caveat, Interest 114063768 – Caveat, Interest 135130463 – Mortgage, Interest 135130687 – Assignment of Rents. All Interests with the exception of Interest 114063645 - Easement are to be discharged by the Vendor within a reasonable period of time of closing of the CDC Purchase Agreement.

Parcel A Lot 23 Interest 114063779 – Caveat, Interest 114063780 – Mortgage, Interest 114063791 – Caveat, Interest 114063803 – Caveat, Interest 135130474 – Mortgage, Interest 135130698 – Assignment of Rents. All Interests are to be discharged by the Vendor within a reasonable period of time of closing of the CDC Purchase Agreement.

Parcel B Lot 20 Interest 114063678 – Mortgage, Interest 114063689 – Caveat, Interest 135130520 – Mortgage, Interest 135130744 – Assignment of Rents. All Interests are to be discharged by the Vendor within a reasonable period of time of closing of the CDC Purchase Agreement.

Parcel B Lot 21 Interest 114063690 – Easement, Interest 114063702 – Mortgage, Interest 114063713 – Caveat, Interest 116128379 – Builder's Lien, Interest 135130531 – Mortgage, Interest 135130755 – Assignment of Rents. All Interests with the exception of Interest 114063690- Easement are to be discharged by the Vendor within a reasonable period of time of closing of the CDC Purchase Agreement.

Parcel C Lot 17 and 18 – Interest 114063612- Easement, Interest 114063623 – Mortgage, Interest 114063634 – Caveat, Interest 135130496 – Mortgage, Interest 135130711 Assignment of Rents. All Interests with the exception of Interest 114063612- Easement are to be discharged by the Vendor within a reasonable period of time of closing of the CDC Purchase Agreement.

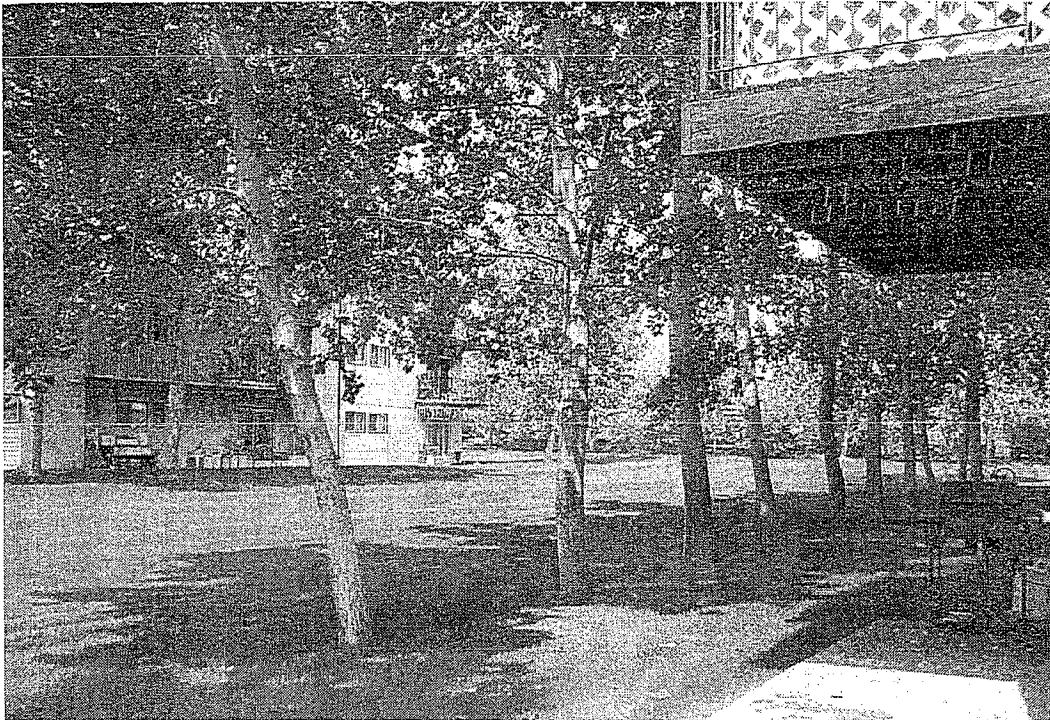
Parcel C Lot 19 Interest 114063656 – Mortgage, Interest 114063667 – Caveat, Interest 116128368 – Builder's Lien, Interest 135130508 – Mortgage, Interest 135130722 – Assignment of Rents. All Interests are to be discharged by the Vendor within a reasonable period of time of closing of the CDC Purchase Agreement.

Parcel D – Interest 114063645 – Easement, Interest 135130519 - Mortgage, Interest 135130733 – Assignment of Rents. All Interests with the exception of Interest 114063645- Easement are to be discharged by the Vendor within a reasonable period of time of closing of the CDC Purchase Agreement.

The Lands are located in the northwest portion of North Battleford with convenient access to the Yellowhead Highway. A short drive north provides access to multiple golf courses and a drive to the south features Finlayson Island, located in the North Saskatchewan River, with summer hiking and winter skiing amenities. The Lands are conveniently located providing easy access to all of the amenities North Battleford has to offer.

The apartment buildings comprising the Lands consist of a total of 7 one-bedroom suites, 103 two-bedroom suites, and one bachelor suite. This meets the area's RM4 zoning requirement. CDC intends to convert the apartments into 111 self-titled condominium units for sale to the public.

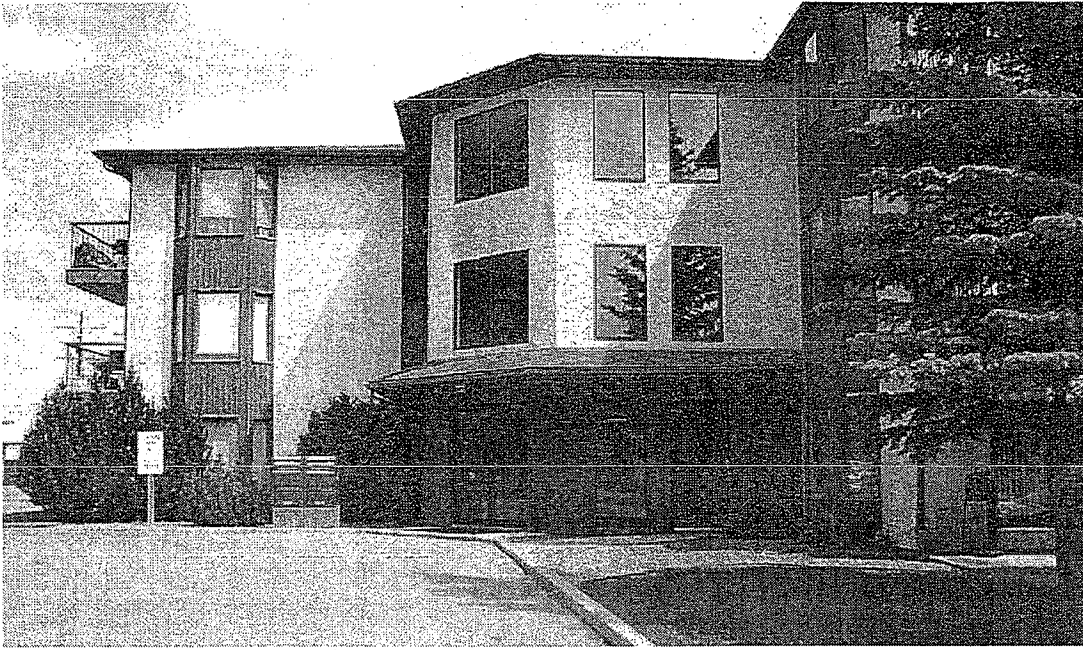
2.4.1 Photograph of the Lands



The above shows the green space which a number of the units back onto.



The above shows the entrance to the lands.



The above shows an example of the typical exteriors of the buildings on the Lands.

## 2.4.2 Capital Requirements of the Condominium Conversion\*

The capital costs for the condominium conversion of the Lands has been estimated by CDC as follows (collectively the "Conversion Costs"):

### Purchase of Lands

2342/2402/2412/2422/2432 Kildeer Drive	\$8,325,000
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### General Expenses

Construction, Permits and Legal	\$280,000
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(estimated at \$2500/door for the 111 units)

Advertising and Marketing	\$200,000
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Admin/Operations	\$140,000
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Management fees 6%	\$732,000
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Selling Commissions 6%	\$732,000
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Estimated Interest Charges	\$1,954,000
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<b>Total Development Budget</b>	<b>\$12,363,000</b>
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<sup>(1)</sup> SCI and Urban Elements Development Corp. ("UE") will each be paid a fee equal to 3% of proceeds raised pursuant to this Offering and the CCC Offering proceeds as a management fee by CDC.

<sup>(2)</sup> Represents commissions payable for the sale of Bonds pursuant this Offering and the CCC Offering.

The conversion of the Lands into individually titled condominiums will require approval of the City of North Battleford's Planning and Building Departments, for required development and stratification approvals.

An architectural report will be done to outline any code deficiencies of the respective properties. Building permits are then obtained to resolve these code deficiencies. Once the code requirements have been met, then a municipal inspector will grant a building permit. After the final approval is given by the inspector, a strata plan will be drawn up by a surveyor and that plan is used to create separate title to the units comprising the Lands.

The entire project is scheduled to be completed in 18 months from the date of acquisition of the Lands.

\*The estimated Conversion Costs are subject to certain uncertainties and factors which could cause actual results or events to differ materially from these estimates. Although the Corporation believes that the estimates provided by CDC is reasonable, no assurance can be given that the estimates are in all material respects correct or that they will not be greater than anticipated. As such the estimated Conversion Costs are expressly qualified in their entirety by this cautionary statement. **See Item 8 Risk Factors.**

## 2.5 CDC Financing

CDC intends to fund the purchase of the Lands and the Conversion Costs from the following sources:

- (i) The Loan from CONB Capital Corp.;
- (ii) The Loan from the Corporation;
- (iii) Additional Institutional or third party lenders, if required; or
- (iv) Loans from either or both of UE and SCI if required.

CDC intends on entering into a loan agreement with CONB Capital Corp. ("CCC"), a related party,\* (the "CCC Loan") to fund a portion of the Conversion Costs. CCC is attempting to raise funds through the issue of fixed rate bonds pursuant to an Offering Memorandum dated October 5, 2007 (the "CCC Offering"). Proceeds from the CCC Offering will be advanced by CDC to fund the CCC Loan.

Some of the anticipated terms of this CCC Loan are as follows:

- (a) **Loan Amount:** The aggregate of the Loan will be between \$78,356 to a maximum amount of \$5,130,606 and will be contingent upon the amount of proceeds raised pursuant to this Offering;
- (b) **Interest Rate:** The interest rate for the Loan shall be calculated on the basis of the following formula:
- The aggregate number of Series A Bonds subscribed for as a percentage of the total number of Bonds subscribed for under the CCC Offering multiplied by 17.7 (the effective rate of 17% compounded semi-annually for 18 months); plus
  - The aggregate number of Series B Bonds subscribed for as a percentage of the total number of Bonds subscribed for under this Offering multiplied by 15.55 (the effective rate of 15% compounded semi-annually for 18 months); plus
  - The aggregate number of Series C Bonds subscribed for as a percentage of the total number of Bonds subscribed for under this Offering multiplied by 17; plus
  - The aggregate number of Series D Bonds subscribed for as a percentage of the total number of Bonds subscribed for under this Offering multiplied by 15; plus
  - 0.5;
  - With the resulting sum being the interest rate payable during the term with respect to the principal sum of each Loan.
- For example: Series A Bonds  $0.2 \times 17.7 = 3.54$  + Series B Bonds  $0.1 \times 15.55 = 1.555$  + Series C Bonds  $0.3 \times 17 = 5.1$  + Series D Bonds  $0.4 \times 15 = 6$   
Total  $16.195 + 0.5 = 16.695\%$  as the interest rate payable under the Loan.
- (c) **Maturity Date:** June 30<sup>th</sup>, 2009.
- (d) **Payments:** Principal amount to be repaid on the maturity date. CDC will make quarterly payments of interest only on March 31, June 30, September 30, and December 31 of each year based on the aggregate proceeds raised by the Corporation from the sale of Series C and Series D Bonds pursuant to this Offering.
- (e) The Loan may be repaid in full at any time without penalty to CDC.
- (f) **Security:** The Loan shall be secured by way of a second mortgage (the "CCC Mortgage") against title to the Lands (subject to the qualification set forth below) together with such other commercially reasonable security as shall be agreed to between the Corporation and CDC. The CCC Mortgage may be subordinated to other acquisition or development financing obtained by CDC with respect to the Lands.
- (g) **Fees and Costs:** CDC will pay the Corporation a loan fee equal to all fees, commissions, and costs incurred by the Corporation with respect to this Offering.

## 2.6 Development of Business

The Corporation intends to use the net proceeds of this Offering as described in Item 1.2 Use of Net Proceeds.

## 2.7 Long Term Objectives

The Corporation's long-term goal is to raise up to \$6,700,000 and lend the majority of those proceeds to CDC for the purposes outlined in Item 1.2 Use of Net Proceeds, to manage the collection of interest and principal on the Loan and to provide a return to purchasers of securities pursuant to this Offering.



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

The Corporation's goal for the next twelve (12) months is to raise up to \$6,700,000, the net proceeds of which will be used for the purposes outlined in Item 1.2 Use of Net Proceeds.

The following outlines the Corporation's short-term objectives and the methods and costs associated with the achievement of these objectives:

What we must do and how we will do it	Target completion date or, number of months to complete	Our cost to complete
Raise up to \$6,700,000, the majority of the net proceeds of which will be used for the purposes outlined in Item 1.2 Use of Net Proceeds.	12 months	\$415,144

## 2.9 Insufficient Proceeds and Cash Reserves

The majority of funds raised pursuant to this Offering will be committed to the Loan. The Corporation does not intend to hold any significant cash reserves, other than those amounts necessary to pay for all management, administration and operating expenses incurred by the Corporation in the conduct of its business. A purchaser of these securities is not required to contribute any additional funds over and above its subscription amount.

The proceeds of this Offering may not be sufficient to accomplish all of the Corporation's proposed objectives and there is no assurance that the conditions of the Loan will be met to allow them to be advanced.

## 2.10 Material Agreements

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

### 2.10.1 Loan Agreement with CONB Development Corp.

The Corporation intends to enter into a loan agreement with CDC, some of the anticipated terms of which are summarized below:

- (a) **Loan Amount:** \$78,356 to a maximum amount of \$6,251,356;
- (b) **Interest Rate:** The interest rate for the Loan shall be calculated on the basis of the following formula:
- The aggregate number of Series A Bonds subscribed for as a percentage of the total number of Bonds subscribed for under this Offering multiplied by 13.33 (the effective rate of 13% compounded semi-annually for 18 months); plus
  - The aggregate number of Series B Bonds subscribed for as a percentage of the total number of Bonds subscribed for under this Offering multiplied by 11.3 (the effective rate of 11% compounded semi-annually for 18 months); plus
  - The aggregate number of Series C Bonds subscribed for as a percentage of the total number of Bonds subscribed for under this Offering multiplied by 13; plus
  - The aggregate number of Series D Bonds subscribed for as a percentage of the total number of Bonds subscribed for under this Offering multiplied by 11; plus
  - 0.5;
  - With the resulting sum being the interest rate payable during the term with respect to the principal sum of each Loan.

For example: Series A Bonds  $0.2 \times 13.33 = 2.66$  + Series B Bonds  $0.1 \times 11.3 = 1.13$  + Series C Bonds  $0.3 \times 13 = 3.9$  + Series D Bonds  $0.4 \times 11 = 4.4$

Total  $12.09 + 0.5 = 12.59\%$  as the interest rate payable under the Loan.

- (c) **Maturity Date:** June 30, 2009;
- (d) **Payments:** Principal amount to be repaid on the maturity date. CDC will make quarterly payments of interest only on March 31, June 30, September 30, and December 31 of each year during the term of the Loan based on the aggregate proceeds raised by the Corporation from the sale of Series C and Series D Bonds pursuant to this Offering.
- (e) **Security:** The Loan shall be secured by way of a first mortgage (subject to the qualification set forth below) in favour of the Corporation together with such other commercially reasonable security as shall be agreed to between the CDC and the Corporation. The Corporation's mortgage may be subordinated to other acquisition or development financing obtained by CDC with respect to the Development.
- (f) **Fees:** CDC will pay the Corporation a loan fee equal to all fees, commissions, and costs incurred by the Corporation with respect to this Offering and the Loan.

#### 2.10.2 Administration Agreement with Eyelogic Systems Inc.\*

The Corporation has entered into an agreement with Eyelogic dated October 5<sup>th</sup>, 2007, the terms of which are summarized below (the "Eyelogic Agreement"):

- (a) The Corporation shall pay Eyelogic an annual administration fee equal to 1/20 of 1% of proceeds in excess of \$500,000 raised from Registered Plans pursuant to this Offering and 1/40 of 1% on any funds raised from Registered Plans in excess of \$5,000,000;
- (b) The term of the Eyelogic Agreement is for a minimum period of 2 years; and
- (c) See Item 2.2 Voting Control for additional terms of the Eyelogic Agreement.

\*As of the date of this Offering, Eyelogic owns 60% of the issued and outstanding shares in the Corporation. **See Item 3.1 Compensation and Securities Held.**

#### 2.10.3 Consulting Agreement with KMC Capital Inc. ("KMC")\*

The Corporation has entered into an agreement with KMC dated October 5<sup>th</sup>, 2007, the terms of which are summarized below (the "KMC Agreement"):

- (a) On the Corporation's behalf, KMC has arranged the participation of Eyelogic Systems Inc. as controlling shareholder of the Corporation;
- (b) The Corporation shall pay KMC an annual management fee equal to the greater of \$2,500 or 9/20 of 1% of proceeds raised from Registered Plans pursuant to this Offering and 9/40 of 1% on any funds raised from Registered Plans in excess of \$5,000,000;
- (c) The term of the KMC Agreement is for a minimum period of 2 years; and
- (d) The KMC Agreement is renewable upon mutual agreement between KMC and the Corporation.

The aggregate amount of fees paid to Eyelogic and KMC pursuant to Items 2.10.2 and 2.10.3 will total the greater of \$2,500 or 1/2 of 1% of proceeds raised from Registered Plans pursuant to this Offering.

\*An Officer and Director of Eyelogic is also an Officer, Director and shareholder of KMC.

### ITEM 3 - DIRECTORS, MANAGEMENT, PROMOTERS AND PRINCIPAL SHAREHOLDERS

#### 3.1 Compensation and Securities Held

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

Name and municipality of principal residence	Position held	Compensation paid by the Corporation since inception and the compensation anticipated to be paid in current financial year	Number, type and percentage of Securities held after completion of the Minimum Offering	Number, type and percentage of Securities held after the completion of the Maximum Offering
Eyelogic Systems Inc. Calgary, Alberta	Shareholder	\$2,925 <sup>(1)</sup>	60,000 Class A Preferred Shares (60%)	60,000 Class A Preferred Shares (60%)
Simone Rousseau Calgary, Alberta	President and Director	Nil <sup>(2)</sup>	Nil <sup>(2)</sup>	Nil <sup>(2)</sup>
Pablo Galvez Calgary, Alberta	Secretary and Director	Nil <sup>(2)</sup>	Nil <sup>(2)</sup>	Nil <sup>(2)</sup>
Guy Rousseau Calgary, Alberta	Promoter	Nil <sup>(2)</sup>	Nil <sup>(2)</sup>	Nil <sup>(2)</sup>
Signature Capital Inc. Calgary, Alberta	Shareholder	Nil <sup>(2)</sup>	40,000 Class A Preferred Shares (40%)	40,000 Class A Preferred Shares (40%)

<sup>(1)</sup> Assuming the maximum payable pursuant to the Eyelogic Agreement. See Item 2.10.2 Administration Agreement with Eyelogic Systems Inc.

<sup>(2)</sup> Simone Rousseau, Guy Rousseau and Pablo Galvez own 100% of the issued and outstanding shares in SCI. SCI will be paid a fee equal to 3% of the proceeds raised from the Offering and the CCC Offering as a management fee by CDC. See Item 2.4.2 Capital Requirements of the Condominium Conversion. In addition, SCI may be paid commissions by the Corporation for the sale of Bonds pursuant to this Offering. See Item 7 Compensation Paid to Sellers and Finders.

### 3.2 Management Experience

The names and principal occupations of each of the Officers and Directors of the Corporation over the past five years are as follows:

Name and Position	Principal Occupation and Related Experience
<p>Simone Rousseau President and Director</p>	<p>Signature Capital Inc. ("Signature"), President, March 2006 - Present</p> <p>Signature is involved in the financing of real estate acquisitions and developments in the provinces of British Columbia, Alberta, and Saskatchewan. Signature has been and is actively involved in the financing and development of multiple projects including condominium conversions, stratification and subdivision of resort properties, and the conversion of a large warehouse to office space. Signature typically raises financing for smaller scale developments from private investors and actively syndicates larger offerings to the general public. Signature takes an active role in the development process by overseeing and providing input regarding the budgeting and accounting requirements of a given development and by working with a partnering real estate developer to ensure that developments stay on time and budget. Upon successful completion of a real estate development, Signature takes an active role alongside the partnering developer in marketing the final product to the general public.</p> <p>Prior to founding Signature, Ms. Rousseau acted as Secretary and partner to CanPro Photography Ltd., a photography company. Ms. Rousseau's main roles included business development and management from the company's formation in 2001 to its dissolution in July of 2007.</p> <p>Prior thereto, Ms. Rousseau owned and operated several Fabutan Sun Tan Studios franchises in British Columbia, Alberta, and Ontario with the first location being established March 1997. Ms. Rousseau currently is a partner in one studio in Ontario where she is in an advisory role.</p>
<p>Pablo Galvez Secretary and Director</p>	<p>Signature Capital Inc. ("Signature"), Vice President, March 2006 - Present</p> <p>Signature is involved in the financing of real estate acquisitions and developments in the provinces of British Columbia, Alberta, and Saskatchewan. Signature has been and is actively involved in the financing and development of multiple projects including condominium conversions, stratification and subdivision of resort properties, and the conversion of a large warehouse to office space. Signature typically raises financing for smaller scale developments from private investors and actively syndicates larger offerings to the general public. Signature takes an active role in the development process by overseeing and providing input regarding the budgeting and accounting requirements of a given development and by working with a partnering real estate developer to ensure that developments stay on time and budget. Upon successful completion of a real estate development, Signature takes an active role alongside the partnering developer in marketing the final product to the general public.</p> <p>Prior to founding Signature, Mr. Galvez acted as President and partner of CanPro Photography Ltd., a photography company. In addition to business development and management, Mr. Galvez provided photography for various clients throughout North America and Europe since the company's formation in 2001 to its dissolution in July 2007.</p> <p>Prior thereto, Mr. Galvez owned and operated several Fabutan Sun Tan Studios franchises in British Columbia, Alberta, and Ontario with the first location being established March 1997. Mr. Galvez no longer has any financial interest in this business.</p>

### 3.3 Penalties, Sanctions and Bankruptcy

No penalties or sanctions have been in effect during the last 10 years against (i) an Officer, Director or control person of the Corporation, or (ii) an issuer in which a person or company referred to in (i) was an Officer, Director or control person at the time. No declarations of or voluntary assignments in bankruptcy, proposals under any bankruptcy or insolvency legislation, proceedings, arrangements or compromises with creditors or appointments of a receiver, receiver manager or trustee to hold assets, have been in effect during the last 10 years against (i) an Officer, Director or control person of the Corporation, or (ii) an issuer in which a person or company referred to in (i) was an Officer, Director or control person at the time.

## ITEM 4 - CAPITAL STRUCTURE

### 4.1 Share Capital

The following table sets out information about the Corporation's outstanding shares, including any options, warrants and other securities convertible into Class A Preferred Shares and Class B Common Shares:

Description of Securities	Number authorized to be issued	Number outstanding as at October 5, 2007	Number outstanding after Minimum Offering	Number outstanding after Maximum Offering
Class A Preferred Shares	Unlimited	100,000	100,000	100,000
Class B Common Shares	Unlimited	Nil	Nil	Nil

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

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

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

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

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

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

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

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

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

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

#### 4.2 Long Term Debt

As of October 5, 2007, the Corporation has no long term debt.

If the Corporation is successful in raising funds through this Offering, it will have the following **unsecured debt obligations** to subscribers as a result of the issue of Bonds offered by the Corporation pursuant to this Offering:

Description of Security	Number authorized to be issued	Number outstanding as at October 5, 2007	Number outstanding assuming completion of Minimum Offering	Number outstanding assuming completion of Maximum Offering
Series A: 13% compounding redeemable bonds	67,000	Nil	2,500 <sup>(1)</sup> Representing a debt obligation of \$250,000 to subscribers under this Offering plus 11-13% interest per annum thereon	67,000 <sup>(1)</sup> Representing a debt obligation of \$6,700,000 to subscribers under this Offering plus 11-13% interest per annum thereon
Series B: 11% compounding redeemable bonds				
Series C: 13% fixed rate redeemable bonds				
Series D: 11% fixed rate redeemable bonds				

<sup>(1)</sup> See Item 5.1 Terms of Securities for the terms and conditions of the Bonds.

#### 4.3 Prior Sales

As of October 5, 2007, there are 100,000 Class A Preferred Shares of the Corporation issued and outstanding.

Date of Issuance	Type of Security Issued	Number of Securities Issued	Price Per Security	Total Funds Received
October 3, 2007	Class A Preferred	40,000	\$0.01	\$400
October 4, 2007	Class A Preferred	60,000	\$0.01	\$600

## ITEM 5 - SECURITIES OFFERED

### 5.1 Terms of Securities

**Securities:** The Securities being offered pursuant to this Offering are redeemable bonds. The price of each Bond is \$100. The minimum number of Bonds that may be purchased by a subscriber is as follows:

- Series A Bonds: six hundred (600) Bonds requiring a minimum investment of \$60,000;
- Series B Bonds: one hundred (100) Bonds requiring a minimum investment of \$10,000;
- Series C Bonds: six hundred (600) Bonds requiring a minimum investment of \$60,000; and
- Series D Bonds: one hundred (100) Bonds requiring a minimum investment of \$10,000.

There is no maximum number of Bonds allocated to any Purchaser. **Right of Early Redemption:** The Corporation may redeem the Bonds by payment of the principal sum of the Bonds plus any unpaid and outstanding accrued interest to the date of such redemption at any time during the term of the Bonds by giving the bondholder 14 days prior written notice of its intention to redeem.

**Maturity and Redemption:** Subject to the Corporation's rights of early redemption, the Bonds shall mature on June 30, 2009 (the "Maturity Date") and shall be redeemed through the payment of the principal sum of the Bonds together with all accrued and unpaid interest thereon.

**Interest:** Each Bond will entitle the holder thereof to the following rate of interest from the date of issue:

- Series A Bonds: 13% cumulative (compounding semi-annually) interest per annum;
- Series B Bonds: 11% cumulative (compounding semi-annually) interest per annum;
- Series C Bonds: 13% simple interest per annum; and
- Series D Bonds: 11% simple interest per annum.

Interest on the Series A and B Bonds will be paid in a lump sum payment of the Maturity Date unless the Bonds are redeemed prior to the Maturity Date as provided for below.

Interest shall be payable quarterly on the Series C and Series D Bonds on March 31, June 30, September 30, and December 31 of each year during the term of the Bonds.

**Obligations Unsecured:** The Corporation's debt obligations represented by the Bonds are unsecured obligations and will rank *pari passu* amongst themselves and with all other unsecured and unsubordinated obligations of the Corporation except for such preferences as provided for under applicable law.

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

**Limited Recourse:** Recourse under the Bonds will be limited to the principal sum of the Bonds plus any unpaid and outstanding accrued interest thereon. There is no additional recourse by the bondholder for any deficiency in value of the Bonds in the event of non-payment or default by the Corporation of redemption of the Bonds at maturity.

An investor in these securities should understand that Eyelogic's assets and management are not in any way committed to the activities of the Corporation and Eyelogic does not encourage or discourage participation in this Offering.

## 5.2 Subscription Procedure

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

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

In order to subscribe for Bonds, a purchaser must complete, execute and deliver the following documentation to Signature Capital Inc. at 278 – 19<sup>th</sup> Street NE, Calgary, AB, T2E 8P7:

- (a) One (1) completed and signed copy of the Subscription Agreement (including any schedules attached thereto);
- (b) A certified cheque, trust cheque or bank draft in an amount equal to the Aggregate Subscription Amount (as set forth in the Subscription Agreement), payable to "Craig L. Bentham, Barrister and Solicitor, in Trust" ;
- (c) Completed and executed copies of the appropriate investor qualification form(s). The appropriate form(s) to be completed depend on your place of residence and on the amount of your investment:
  - (i) If you are resident in British Columbia, you must submit one (1) completed and signed copy of the Risk Acknowledgment Form attached to the Subscription Agreement as Schedule B;
  - (ii) If you are resident in Alberta or Saskatchewan, you must submit one (1) completed and signed copy of the Risk Acknowledgment Form attached to the Subscription Agreement as Schedule B; and
  - (iii) If you are resident in Alberta or Saskatchewan and your investment is greater than \$10,000, you must submit one (1) completed and signed copy of the Representation Letter attached to the Subscription Agreement as Schedule C.

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

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

Closings may occur periodically as determined by the Corporation. It is expected that certificates representing the Bonds will be available for delivery within a reasonable period of time after the relevant closing date(s). If the Minimum Offering is not met prior to the final closing date of December 30<sup>th</sup>, 2007, collected funds will be returned to subscribers by January 15<sup>th</sup>, 2007 without interest.

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

### Distribution

The offering is being conducted in the Provinces of British Columbia, Alberta and Saskatchewan pursuant to the exemptions from the prospectus requirements afforded by Section 2.9 of National Instrument 45-106 *Prospectus and Registration Exemptions* ("NI 45-106").

The exemption pursuant to Section 2.9 of NI 45-106 is available for distributions to investors in British Columbia, Alberta and Saskatchewan purchasing as principals, who receive this Offering Memorandum prior to signing the Subscription Agreement and who sign a Risk Acknowledgment Form attached to the Subscription Agreement as Schedule B.

In addition, Alberta and Saskatchewan investors relying on the exemption set out in Section 2.9 of NI 45-106 and that purchase Bonds with an acquisition cost of more than \$10,000 must also sign the Representation Letter attached to the Subscription Agreement as Schedule C.



The foregoing exemptions relieve the Corporation from the provisions of the applicable securities laws of each of the Provinces of British Columbia, Alberta and Saskatchewan which otherwise would require the Corporation to file and obtain a receipt for a prospectus. Accordingly, prospective investors for Bonds will not receive the benefits associated with a subscription for securities issued pursuant to a filed prospectus, including the review of material by securities regulatory authorities.

The exemptions from the registration requirements contained in the applicable securities laws of each of the Provinces of British Columbia, Alberta and Saskatchewan allow the Corporation to offer the Bonds for sale directly to the investors.

## **ITEM 6 - INCOME TAX CONSEQUENCES AND RRSP ELIGIBILITY**

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

### **6.1 Summary of Principle Federal Income Tax Consequences**

#### **Qualified Investments for RRSP and RRIF**

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

The Corporation is a Canadian corporation. As a result, **THE BONDS WILL CONSTITUTE A QUALIFIED INVESTMENT FOR REGISTERED PLANS** provided the shares of Eyelogic are listed on a stock exchange referred to in section 3200 of the Regulations and as long as Eyelogic controls the Corporation. There is no agreement which restricts the ability of Eyelogic to vote its shares of the Corporation or appoint a majority of the Board of Directors of the Corporation. As such, Eyelogic should be considered to control the Corporation.

**The income tax information herein was provided by Collins Barrow Calgary LLP, Chartered Accountants, and it is based on the current provisions of the Income Tax Act, the Regulations thereunder and known administrative practices of the Canada Revenue Agency ("CRA").**

## **ITEM 7 - COMPENSATION PAID TO SELLERS AND FINDERS**

The Corporation reserves the right, as allowed by applicable securities legislation, to retain agents to help effect sales of the Bonds. If an agent is retained, the agent will be paid aggregate fees and commissions of up to 6% of the gross proceeds realized on the Bonds sold by such agent. The Corporation's employees and consultant may be compensated by up to 6% of the gross proceeds realized on the sale of the Bonds for soliciting subscriptions for the Bonds with respect to the Bonds not sold by an agent. The Corporation's Directors and Officers may be compensated by up to 6% of the gross proceeds realized on the sale of the Bonds for soliciting subscriptions for the Bonds with respect to the Bonds not sold by an agent.

## **ITEM 8 - RISK FACTORS**

Purchase of Bonds pursuant to this Offering should only be made after consulting with independent and qualified sources of investment and tax advice. Investment in the Bonds at this time is highly speculative due to the stage of the Corporation's development. An investment in Bonds is appropriate only for investors who are prepared to invest money for a long period of time and who have the capacity to absorb a loss of some or all of their investment. Investors must rely on management of the Corporation. Any investment in the Corporation at this stage involves a high degree of risk.

In addition to the risks of purchasing the Bonds in the Corporation found elsewhere within this Memorandum are the following:

#### Investment Risk

1. Subscribers under this Offering will not have the benefit of a review of this Offering Memorandum by any regulatory authorities.
2. The Corporation will have a limited amount of working capital, as the majority of the proceeds from this Offering will be advanced to CDC for purchase of their respective Lands and the condominium conversion of the buildings on the Lands.
3. There can be no assurance that any additional funding required by the Corporation will be available on terms attractive to the Corporation, or at all.
4. The Loan by the Corporation to CDC will be secured by security instruments including a mortgage to be registered against the title to the Lands. Acquisition or other financing obtained by CDC may be registered in priority to the Corporation's mortgage. In the event that CDC defaults in obligations under the Loan, the Corporation will have to enforce its security registered against CDC's assets. There may be intervening encumbrances or other interests held by third parties that may stand in priority to the Corporation's security and may prevent the Corporation from realizing on or enforcing some or all of its security against the assets of CDC. There may be principals at law or at equity that may prevent the Corporation from enforcing some or all of its security against CDC or its assets. The assets of CDC may not have a sufficient value to satisfy any outstanding debt obligations to the Corporation.
5. The tax consequences associated with an investment in Bonds may be subject to changes in federal and provincial tax laws. There can be no assurance that the tax laws will not be changed in a manner that will fundamentally alter the income tax consequences to investors holding or disposing of Bonds. There is also a risk that CRA may reassess the returns of Subscribers relating to their investments in the Bonds. In the event that Eyelogic ceases to control the Corporation for the purposes of the Tax Act or is deemed not to control the Corporation for the purposes of the Tax Act, there may be adverse tax consequences to subscribers of the Bonds.  

No advance income tax ruling has been applied for or received with respect to the income tax consequences described in the Offering Memorandum. **See Item 6 Income Tax Consequences and RRSP Eligibility.**
6. An investment in Bonds of the Corporation is an illiquid investment. **There is currently no market through which the Bonds may be sold.** The Corporation is not a "reporting issuer" in any jurisdiction and a prospectus has not qualified the issuance of the Bonds. Accordingly, investors will be unable to sell the Bonds of the Corporation, subject to some limited exceptions. **See Item 10 Resale Restrictions.**
7. CDC is newly formed and does not have a record of achievement to be relied upon. CDC's operations are subject to all the risks inherent in the establishment of a new business enterprise, including a lack of operating history. CDC cannot be certain that its investment strategy will be successful. The likelihood of the success of CDC must be considered in light of the problems, expenses, difficulties, complications and delays frequently encountered in connection with the establishment of any business and real estate investment and development. If CDC fails to address any of these risks or difficulties adequately, their business will likely suffer. Future revenues and profits, if any, will depend upon various factors, including the success, if any, of the development and marketability of the Lands, government regulations and enforcement and general economic conditions. There is no assurance that CDC can operate profitably or that CDC will successfully implement their plans.

## Industry Risk

1. The Corporation's short and long term objective is to raise capital to loan to CDC to facilitate the purchase of the Lands and the development of the Lands. A return on investment for a purchaser of Bonds is dependant upon CDC's ability to meet their obligations of principal and interest pursuant to the Loan. As a result, there is no assurance or guarantee that the Corporation and, correspondingly, the purchasers of Bonds pursuant to this Offering will earn a return on their investment. The following are some of the risks attendant in CDC's acquisition of the Lands and development of the Lands: failure to obtain all necessary permits, licenses, consents, zoning and other like matters from the responsible municipalities and regional districts; natural and man-made disasters; cost over-runs; scheduling irregularities; faulty workmanship or design; unforeseen contingencies; and lack of market demand for the end product. Land development involves a high degree of risk and there is no assurance that development of the Lands will be economic. The development of the Lands may be, or become, uneconomic in the event of a decline in price or demand for the type of use that CDC contemplates for the Lands. These factors as well as the following factors could adversely affect CDC's ability to repay the Loan:
2. **Risks of Real Property Development and Ownership** - Real estate developments and investments are generally subject to varying degrees of risk depending on the nature of the property. Such risks include changes in general economic conditions (such as the availability and cost of mortgage funds), local conditions (such as the supply of competing developments in the area), government regulation (such as taxation of property and environmental legislation) and the attractiveness of properties to potential purchasers. In addition, each segment in the real estate development industry is capital intensive and is typically sensitive to interest rates. Any income generated by the sale of the Lands is dependent upon general economic conditions and, accordingly, the ability of CDC to repay the Loan may be affected by changes in those conditions. CDC will be required to make certain significant expenditures in respect of its business including, but not limited to, the payment of property taxes, mortgage payments, insurance costs and related charges which must be made regardless of whether or not the Lands are producing sufficient income to service such expenses. In addition, the Lands may be used as security to obtain financing for the development of the Lands. If CDC is unable or unwilling to meet the payment obligations on such loans, losses could be sustained as a result of the exercise by the lenders of their rights of foreclosure or sale.
3. **Investment Not Liquid** - Real property investments tend to be relatively illiquid, with the degree of liquidity generally fluctuating in relation to demand for, and for the perceived desirability of, the investment. The costs of holding real estate are considerable and CDC, as a holder of real estate, during a recessionary period may be faced with ongoing expenditures with little prospect of incoming receipts. Such illiquidity may tend to limit CDC's ability to vary its asset base promptly in response to changing economic or investment conditions. If CDC is required to liquidate its real property investments, the proceeds to CDC might be significantly less than the total value of its investment on a going concern basis.
4. **Default on Indebtedness** - If CDC defaults in the repayment of any indebtedness, the creditors holding such indebtedness will be entitled to exercise available legal remedies against CDC including recourse against property of CDC pledged as collateral. There is no assurance that there will be assets available to recover any of the Loan.
5. **Competition** - CDC will compete with other investors, developers, and owners of properties for the development and sale of desirable real estate properties. Some of the residential properties of the competitors of CDC are newer, better located or better capitalized than the Lands. Certain of these competitors may have greater financial and other resources and greater operating flexibility than CDC. The existence of competing developers and owners could have a material adverse affect on the ability of CDC to develop or to market the Lands and could adversely affect the revenues or profitability of CDC and their ability to meet their debt obligations.
6. **Environmental Matters** - Under various environmental laws, ordinances and regulations, the current or previous owner or operator of real property may be liable for the costs of removal or remediation of hazardous or toxic substances on, under or in such property. Such laws could impose liability whether or not CDC knew of, or was responsible for, the presence of such hazardous or toxic substances. The presence of hazardous or toxic substances, or the failure to remove or remediate such substances, if any, could adversely affect CDC's ability to sell such real estate or to borrow using such real estate as collateral and could potentially also result in claims against CDC. CDC is not aware of any material non-compliance with environmental laws with respect to the Lands. CDC is also not aware of any claims in connection with the breach of environmental laws involving the Lands.

7. **Financing** - CDC may make substantial capital expenditures for the development, marketing and sale of the Lands. Any funding required for such development, marketing and sale, in excess of the proceeds of the Loan, will be obtained through third party financing, which may or may not be provided by a party related to CDC. CDC's ability to access additional capital will depend on its success in its business and the status of the capital markets at the time such capital is sought. Accordingly, there can be no assurance that capital will be available to CDC from any source or that, if available, it will be at prices or on terms acceptable to CDC.
8. **General Real Estate Risks** - Various factors can affect the timing and profitability of real estate development and construction. While CDC has made certain plans for stratification of the Lands, there is no assurance that such plans will be met on a timely basis or at all. There is also no assurance that development of the Lands, if pursued by CDC, can be managed profitably. The market for property can be affected adversely by economic factors, which may be regional, national or international in scope.
9. **Market Risks** - The economic performance and value of CDC's interest in the Lands will be subject to all of the risks associated with investing in real estate, including, but not limited to: Changes in the national, regional and local economic climate; local conditions, including an oversupply of properties like the Lands, or a reduction in demand for properties like the Lands; the attractiveness of all or parts of the Lands to purchasers; competition from other available properties; and changes in laws and governmental regulations, including those governing usage, zoning, the environment and taxes.
10. **Reliance on Management** - Decisions regarding the management of CDC's affairs will be made exclusively by its Officers and Directors. Accordingly, investors must carefully evaluate the personal experience and business performance of the Officers and Directors of CDC. CDC may retain independent contractors to provide services to CDC. These contractors have no fiduciary duty to CDC.
11. **Major Asset** - The Lands represents the major asset of CDC and therefore CDC's financial performance is directly tied to the performance of this particular asset. CDC does not have a large portfolio of diverse real estate assets, therefore, its success is dependent on the success of the stratification of the Lands.
12. **Debt Financing** - If CDC obtains debt financing it will be subject to the risks associated with debt financing, including the risk that mortgage indebtedness secured by the real property of CDC will not be able to be refinanced or that the terms of refinancing will not be as favourable as the terms of existing indebtedness.
13. **Interest Rate Fluctuations** - Financing by CDC may include indebtedness with interest rates which may fluctuate over time and which will result in fluctuations in CDC's cost of borrowing.

#### Issuer Risk

1. The Corporation has no operational history and no history of earnings. Accordingly, there is a limited operating history upon which to base an evaluation of the Corporation and its business and prospects. The Corporation is in the early stages of its business and therefore is subject to the risks associated with early stage companies, including start-up losses, uncertainty of revenues, markets and profitability, the need to raise additional funding, the evolving and unpredictable nature of the Corporation's business and the ability to identify, attract and retain qualified personnel. There can be no assurance that the Corporation will be successful in doing what it is required to do to overcome these risks. No assurance can be given that the Corporation's business activities will be successful.
2. The success of the Corporation is dependent upon, among other things, the services of key personnel. The loss of any of these individuals, for any reason, could have a material adverse affect on the prospects of the Corporation. Failure to retain or to attract additional key employees with necessary skills could have a material adverse impact upon the Corporation's growth and profitability. The Corporation does not maintain key man insurance for any of its Directors, Officers or employees. The contributions of these individuals to the immediate future operations of the Corporation is likely to be of central importance and the loss of any one of these individuals could have a material affect on the business of the Corporation.
3. The Officers and Directors of the Corporation will not be devoting all of their time to the affairs of the Corporation, but will be devoting such time as required to effectively manage the Corporation. The Officers and Directors of the Corporation are engaged and will continue to be engaged in the search for business prospects on their own behalf and on the behalf of others.

Simone Rousseau, a Director and Officer of the Corporation, is a Director and Officer of CDC. As a result there may be an inherent conflict of interest with respect to the Officers and Directors of the Corporation in the event of a default by CDC under the Loan.

There are other potential conflicts of interest to which the Officers and Directors of the Corporation may be subject to in connection with the operations of the Corporation. Situations may arise where the Officers and Directors will be in direct competition with the Corporation. Conflicts, if any, will be subject to the procedures and remedies under the *Business Corporations Act* (Alberta).

## ITEM 9 - REPORTING OBLIGATIONS AND SUBSEQUENT INFORMATION

The Corporation is not a reporting issuer in any jurisdiction. It is therefore not required to disclose material changes which occur in its business and affairs, nor is it required to file with any securities regulatory authorities or provide to security holders with audited interim financial statements or audited year end financial statements.

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

## ITEM 10 - RESALE RESTRICTIONS

These securities are subject to resale restrictions under securities legislation. You will not be able to trade the securities unless you are eligible to rely on an exemption from the prospectus and registration requirements under applicable securities legislation. For information about these resale restrictions you should consult a lawyer.

The certificates representing the Bonds of the Corporation issued pursuant to this Offering will have the following legend inscribed thereon:

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

The Corporation has no intention of becoming a reporting issuer in any province or territory of Canada.

## ITEM 11 - PURCHASERS' RIGHTS

If you purchase these securities you will have certain rights, some of which are described below. For information about your rights, you should consult a lawyer.

### 1. Two-Day Cancellation Right

You can cancel your agreement to purchase these securities. To do so, you must send a notice to us by midnight on the 2nd business day after you sign the agreement to buy the securities.

### 2. Statutory Rights of Action in the Event of a Misrepresentation

(a) Statutory Rights of Action of Purchasers in British Columbia, Alberta and Saskatchewan in the Event of a Misrepresentation

In the event of a misrepresentation (as defined below), securities legislation in Alberta, British Columbia and Saskatchewan provides that every purchaser of securities pursuant to this Offering Memorandum shall have, in addition to any other rights they may have at law, a right of action for damages against the Corporation, every Director of the Corporation at the date of the Offering Memorandum or any person who signed the Offering Memorandum (as well as additional persons in Saskatchewan). The purchaser may also elect to exercise a right of rescission against the Corporation, in which case the purchaser has no right of action for damages. Purchasers should refer to the applicable provisions of the securities legislation in their offering jurisdiction for particulars of those rights or consult with a lawyer. This right of action may be summarized as set forth below:

If there is a misrepresentation in this Offering Memorandum, purchasers have a statutory right to sue:

- (i) the Corporation to cancel their agreement to buy the Bonds; or
- (ii) for damages against the Corporation, its Directors and any person who signed the Offering Memorandum (collectively defined for the purposes of Alberta and British Columbia residents as the "Insiders").

If there is a misrepresentation in this Offering Memorandum, purchasers resident in Saskatchewan have a statutory right to sue:

- (i) the Corporation to cancel their agreement to buy the Bonds; or
- (ii) for damages against:
  - (a) the Corporation,
  - (b) every promoter and Director (at the date of the Offering Memorandum or any amendment thereto),
  - (c) every person or company whose consent has been filed respecting the Offering Memorandum, but only with respect to reports, opinions or statements that have been made by them,
  - (d) every person or company that, in addition to the persons or companies mentioned in clause (a) to (c), signed the Offering Memorandum or the amendment to the Offering Memorandum, and
  - (e) every person or company that sells securities on behalf of the Issuer under the Offering Memorandum or amendment to the Offering Memorandum (collectively defined for the purposes of Saskatchewan residents as the "**Insiders**").

This statutory right to sue is available to the purchaser whether or not the purchaser relied on the misrepresentation. However, there are various defences available to the persons or companies that the purchaser has the right to sue. In particular, the Corporation would have a defence if the purchaser knew of the misrepresentation when the subscriber purchased the Bonds.

If this Offering Memorandum or any amendment thereto contains an untrue statement of a material fact or omits to state a material fact which is required to be stated or which is necessary in order to make any statement therein not misleading in light of the circumstances in which it was stated (herein called a "**misrepresentation**") and it was a misrepresentation on the date of investment, a purchaser to whom such Offering Memorandum was delivered and who purchases securities shall have a right of action for rescission or alternatively for damages against the Corporation, while still the owner of any of the Securities offered hereunder provided that if the Offering Memorandum contains a misrepresentation, a purchaser who purchases a security offered by the Offering Memorandum during the period of distribution shall be deemed to have relied on the representation, if it was a misrepresentation at the time of purchase, and has a right of action for damages against the Corporation:

- (a) The purchaser may elect to exercise a right of rescission against the Corporation in which case the purchase does not have a right of action for damages against the Insiders;
- (b) The Insiders are not liable under subsections (ii) above if the Corporation proves that the purchaser purchased the securities with knowledge of the misrepresentation;
- (c) In an action for damages pursuant to subsections (ii) above, the Insiders are not liable for all or any portion of the damages that the Insiders prove do not represent the depreciation in value of the security as a result of the misrepresentation relied on;
- (d) In no case shall the amount recoverable by the purchaser exceed the price at which the securities were sold to the purchaser;
- (e) The right of action for damages or rescission will be in addition to any other right or remedy available to the purchaser at law.

## **Alberta and British Columbia**

In these jurisdictions, no action shall be commenced to enforce a statutory right of action unless the right is exercised:

- (a) in the case of rescission, on notice to the Corporation not later than 180 days from the date of purchase of the bonds; or
- (b) in the case of damages, the earlier of:
  - (i) Three years after the date of the transaction that gave rise to the cause of action; and
  - (ii) 180 days after the purchaser first has knowledge of the facts giving rise to the cause of action.

## **Saskatchewan**

In Saskatchewan, no action shall be commenced for rescission or damages more than:

- (a) in the case of an action for rescission, 180 days after the date of the transaction that gave rise to the cause of action; or
- (b) in the case of action for damages, the earlier of:
  - (i) six years after the date of the transaction that gave rise to the cause of action; and
  - (ii) one year after the purchaser first has knowledge of the facts giving rise to the cause of action.

**Subscribers should consult their own legal advisers with respect to their rights and the remedies available to them.**

**The rights discussed above are in addition to and without derogation from any other rights or remedies, which subscribers may have at law.**

**ITEM 12 - FINANCIAL STATEMENTS**

**CONB Finance Corp.**

**Interim un-audited Financial Statements**

For the period from October 3, 2007 (date of incorporation) to October 5, 2007



**CONB Finance Corp.**  
Statement of Loss and Deficit  
For the period from October 3, 2007 (date of incorporation) to October 5, 2007  
**Un-audited**

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**EXPENSES**

Professional fees \$ 13,144

**NET LOSS** **\$ 13,144**

**DEFICIT, beginning of period**           -

**DEFICIT, end of period** **\$ 13,144**

**ASSETS**

CURRENT

Cash \$ 1,000

**LIABILITY AND SHAREHOLDER'S DEFICIT**

CURRENT

Due to related party (note 3) \$ 13,144

**SHAREHOLDER'S DEFICIT**

SHARE CAPITAL (note 5) \$ 1,000

DEFICIT (\$ 13,144)

\$ (12,144)

\$ 1,000

APPROVED BY THE BOARD:



Simone Rousseau, Director



Pablo Galvez, Director

**CONB Finance Corp.**  
Statement of Cash Flows  
For the period from October 3, 2007 (date of incorporation) to October 5, 2007  
**Un-audited**

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

**Operations:**

Net loss for the period	(\$ 13,144)
Increase in due to related party	<u>\$ 13,144</u>
	0

**Financing:**

Issuance of Share capital	<u>\$ 1,000</u>
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**Increase in cash for the period**

	\$ 1,000
Cash, beginning of period	<u>\$ -</u>
Cash, end of period	<u>\$ 1,000</u>

**1. Company Operations**

CONB Finance Corp. (the "Corporation") was incorporated on October 3, 2007 pursuant to the *Business Corporations Act* (Alberta). To date, the Corporation has not commenced operations of any kind.

**2. Significant Accounting Policies**

The financial statements of the Corporation have been prepared by management in accordance with generally accepted accounting principles in Canada. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates. The financial statements have, in the opinion of management, been properly prepared using careful judgement with reasonable limits of materiality and within the framework of significant policies described below.

The Corporation has not commenced commercial activities and has not identified accounting policies or practices except as listed below:

**(a) Measurement uncertainty**

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**(b) Income Taxes**

The Corporation uses the liability method of accounting for future income taxes. Under the liability method, future income tax assets and liabilities are determined based on temporary differences (differences between the accounting basis and the tax basis of the assets and liabilities), and are measured using the currently enacted, or subsequently enacted tax rates and laws expected to apply when these differences reverse. A valuation allowance is recorded against any future income tax assets if it is more likely than not that the asset will not be realized.

**3. Due to Related Parties**

During the period, the Corporation received a loan of \$13,144 from a related party. The loan is payable on demand with no fixed terms of repayment or interest payments to be charged on the principal amount.

**4. Income Taxes**

At October 5, 2007, the Corporation has non-capital losses of \$12,144 which can be carried forward to reduce future year's taxable income for Canadian tax purposes, the benefit of which has not been recognized in the financial statements. These losses expire commencing in 2014.

**5. Share Capital**

**(a) Authorized**

Unlimited Class A Preferred Shares

Unlimited Class B Common Shares

**(b) Issued**

100,000 Class A Preferred Shares for \$1000

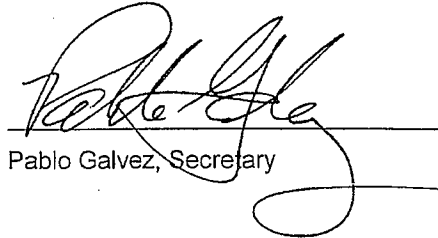
ITEM 13 - DATE AND CERTIFICATE

Dated: October 5, 2007

This Offering Memorandum does not contain a misrepresentation.



Simone Rousseau, President

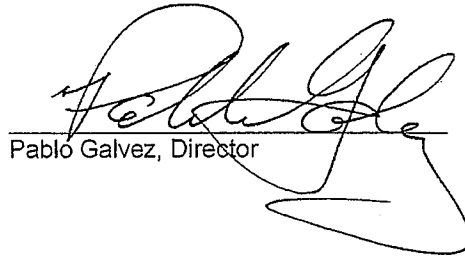


Pablo Galvez, Secretary

ON BEHALF OF THE BOARD OF DIRECTORS OF CONB FINANCE CORP.

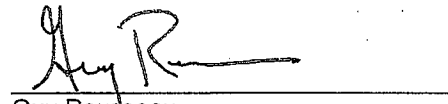


Simone Rousseau, Director



Pablo Galvez, Director

ON BEHALF OF THE PROMOTER OF CONB FINANCE CORP.



Guy Rousseau

SCHEDULE A

SUBSCRIPTION FOR BONDS

TO: CONB Finance Corp. (the "Corporation")

The undersigned (hereinafter referred to as the "Subscriber") hereby irrevocably subscribes for and agrees to purchase the number of Bonds ("Bonds") of the Corporation set forth below for the aggregate subscription price set forth below, representing a subscription price of CDN \$100 per Bond, upon and subject to the terms and conditions set forth in "Terms and Conditions of Subscription for Bonds of CONB Finance Corp." attached hereto (the "Subscription Agreement"). In addition to this face page, the Subscriber must also complete all applicable schedules attached hereto.

Full Legal Name of Subscriber (please print) \_\_\_\_\_

By: \_\_\_\_\_  
Signature of Subscriber or its Authorized Representative

Official Title or Capacity (please print) \_\_\_\_\_

Name of Signatory (please print name of individual whose signature appears above if different than name of Subscriber) \_\_\_\_\_

Subscriber's Address (including postal code) \_\_\_\_\_

Telephone Number (including area code) \_\_\_\_\_

E-mail Address \_\_\_\_\_

Social Insurance Number \_\_\_\_\_

Aggregate Subscription Amount: \$ \_\_\_\_\_

Number and Series of Bonds: \_\_\_\_\_

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

(Name of Principal) \_\_\_\_\_

Address (including postal code) \_\_\_\_\_

(Telephone Number) \_\_\_\_\_ (E-mail Address) \_\_\_\_\_

**Register the Bonds (if different from address above) as follows:**

Name \_\_\_\_\_

Account reference, if applicable \_\_\_\_\_

Address (including postal code) \_\_\_\_\_

**Deliver the Bonds (if different from address given) as follows:**

Name \_\_\_\_\_

Account reference, if applicable \_\_\_\_\_

Contact Name \_\_\_\_\_

Address (including postal code) \_\_\_\_\_

Telephone Number (including area code) \_\_\_\_\_

NUMBER and type of Securities of the Corporation held directly or indirectly by Subscriber \_\_\_\_\_

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

CONB Finance Corp.

Per: \_\_\_\_\_ No.: \_\_\_\_\_, 20\_\_

This is the first page of an agreement comprised of 10 pages (excluding the Schedules hereto)

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

1. a signed copy of this Subscription Agreement;
2. a certified cheque, trust cheque or bank draft in an amount equal to the Aggregate Subscription Amount, payable to "Craig L. Bentham, Barrister and Solicitor, in trust"; and
3. a properly completed and duly executed copy of the appropriate investor qualification form(s):
  - **if resident in British Columbia**, (2) copies of the Risk Acknowledgement in the form attached to this Subscription Agreement as Schedule "B" (one copy may be retained for your records); and
  - **if resident in Alberta or Saskatchewan**, (2) copies of the Risk Acknowledgement in the form attached to this Subscription Agreement as Schedule "B" (one copy may be retained for your records) and, if subscribing for more than \$10,000 in Bonds, one (1) copy of the Representation Letter in the form attached to this Subscription Agreement as Schedule "C".

**PLEASE DELIVER YOUR SUBSCRIPTION TO:**

**Signature Capital Inc.**

278 - 19th Street NE, Calgary, AB, T2E 8P7



**TERMS AND CONDITIONS OF SUBSCRIPTION FOR  
BONDS OF CONB FINANCE CORP.**

**Definitions.** In this Subscription Agreement:

- (a) "Aggregate Subscription Amount" means the aggregate dollar amount of the subscription under this Subscription Agreement;
- (b) "Closing Date" means the date or dates on which the Corporation issues Bonds pursuant to the Offering Memorandum;
- (c) "Corporation" means CONB Finance Corp., a corporation incorporated under the *Business Corporations Act* (Alberta);
- (d) "Offering" means the offering of the Corporation's Bonds pursuant to the Offering Memorandum;
- (e) "Offering memorandum" means the Offering Memorandum of the Corporation dated October 5, 2007; and
- (f) "Bonds" means Bonds of the Corporation as described in the Offering Memorandum.

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

- (a) this subscription is subject to rejection or acceptance by the Corporation in whole or in part, and is effective only upon acceptance by the Corporation;
- (b) the Bonds subscribed for by the Subscriber hereunder form part of a larger issue and sale by the Corporation of up to 67,000 Bonds at a subscription price of \$100 per Bond (the "Offering");
- (c) the Corporation reserves the right to pay a finder's fee in an amount up to 6% of the subscription proceeds to eligible persons seeking subscribers to the Offering; and
- (d) **the Subscriber is responsible for obtaining such legal advice as it considers appropriate in connection with the execution, delivery and performance by it of this Subscription Agreement.**

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

- (a) if the Subscriber is an individual, the Subscriber is of the full age of majority in the jurisdiction in which this Subscription Agreement is executed and is legally competent to execute and deliver this Subscription Agreement, to perform all of its obligations hereunder, and to undertake all actions required of the Subscriber hereunder;
- (b) if the Subscriber is not an individual, the Subscriber has the requisite power, authority, legal capacity and competence to execute and deliver this Subscription Agreement, to perform all of its obligations hereunder, and to undertake all actions required of the Subscriber hereunder, and all necessary approvals of its Directors, partners, shareholders, trustees or otherwise with respect to such matters have been given or obtained;
- (c) if the Subscriber is a body corporate, the Subscriber is duly incorporated and validly subsisting under the laws of its jurisdiction of incorporation;
- (d) this Subscription Agreement has been duly and validly authorized, executed and delivered by, and constitutes a legal, valid, binding and enforceable obligation of, the Subscriber;
- (e) if the Subscriber is acting as agent or trustee for a principal, the Subscriber is duly authorized to execute and deliver this Subscription Agreement and all other necessary documents in connection with such subscription on behalf of such principal, and this Subscription Agreement has been duly authorized, executed and delivered by or on behalf of, and constitutes a legal, valid, binding and enforceable obligation of, such principal;
- (f) the execution, delivery and performance by the Subscriber of this Subscription Agreement and the completion of the transactions contemplated hereby do not and will not result in a violation of any law, regulation, order or ruling applicable to the Subscriber, and do not and will not constitute a breach of or default under any of the Subscriber's constituting documents (if the Subscriber is not an individual) or any agreement to which the Subscriber is a party or by which it is bound;

- (g) the Subscriber confirms that the Subscriber (and, if the Subscriber is not purchasing as principal, each beneficial purchaser for whom the Subscriber is acting):
- (i) has such knowledge in financial and business affairs as to be capable of evaluating the merits and risks of its investment in the Bonds;
  - (ii) is capable of assessing the proposed investment in the Bonds as a result of the Subscriber's own experience or as a result of advice received from a person registered under applicable securities legislation; and
  - (iii) is able to bear the economic risk of loss of its investment in the Bonds;
- (h) the Subscriber understands that no securities commission, stock exchange, governmental agency, regulatory body or similar authority has made any finding or determination or expressed any opinion with respect to the merits of investing in the Bonds;
- (i) the Subscriber acknowledges that no prospectus has been filed by the Corporation with any securities commission or similar regulatory authority in any jurisdiction in connection with the issuance of the Bonds and the issuance is exempted from the prospectus requirements available under the provisions of applicable securities laws and as a result:
- (i) the Subscriber may be restricted from using some of the civil remedies otherwise available under applicable securities laws;
  - (ii) the Subscriber may not receive information that would otherwise be required to be provided to it under applicable securities laws; and
  - (iii) the Corporation is relieved from certain obligations that would otherwise apply under applicable securities laws;
- (j) the Subscriber confirms that neither the Corporation or any of its representative Directors, employees, Officers or affiliates, have made any representations (written or oral) to the Subscriber:
- (i) regarding the future value of the Bonds;
  - (ii) that any person will resell or repurchase the Bonds;
  - (iii) that the Bonds will be listed on any stock exchange or traded on any market; or
  - (iv) that any person will refund the purchase price of the Bonds other than as provided in this Subscription Agreement;
- (k) the Subscriber confirms that it has been advised to consult its own legal and financial advisors with respect to the suitability of the Bonds as an investment for the Subscriber, the tax consequences of purchasing and dealing with the Bonds, and the resale restrictions and "hold periods" to which the Bonds are or may be subject under applicable securities legislation or stock exchange rules, and has not relied upon any statements made by or purporting to have been made on behalf of the Corporation with respect to such suitability, tax consequences, and resale restrictions;
- (l) except for the Subscriber's knowledge regarding its subscription for Bonds hereunder, the Subscriber has no knowledge of a "material fact" or a "material change" (as those terms are defined in the *Securities Act (Alberta)*) in the affairs of the Corporation that has not been generally disclosed;
- (m) the Subscriber is resident in the jurisdiction indicated on the face page of this Subscription Agreement as the "Subscriber's Address" and the purchase by and sale to the Subscriber of the Bonds, and any act, solicitation, conduct or negotiation directly or indirectly in furtherance of such purchase and sale (whether with or with respect to the Subscriber or any beneficial purchaser) has occurred only in such jurisdiction;
- (n) the Subscriber acknowledges that it and/or the Corporation may be required to provide applicable securities regulatory authorities or stock exchanges with information concerning the identities of the beneficial purchasers of the Bonds and the Subscriber agrees that, notwithstanding that the Subscriber may be purchasing the Bonds as agent for an undisclosed principal, the Subscriber will provide to the Corporation, on request, particulars as to the identity of such undisclosed principal as may be required by the Corporation in order to comply with the foregoing;
- (o) **if the Subscriber is resident in or otherwise subject to the applicable securities laws of Alberta or Saskatchewan**, it is purchasing the Bonds as principal for its own account and not for the benefit of any other person and it has received or been provided with a copy of the Offering memorandum and **has duly completed and executed two (2) copies of the Risk Acknowledgement in the form attached hereto as Schedule "B" (one copy for each of the Corporation and the Subscriber) and, if subscribing for more than \$10,000 in Bonds, has duly completed and executed a copy of the Representation Letter in the form attached hereto as Schedule "C";**

- (p) **if the Subscriber is resident in or otherwise subject to the applicable securities laws of British Columbia, it is purchasing the Bonds as principal for its own account and not for the benefit of any other person and it has received or been provided with a copy of the Offering memorandum and has duly completed and executed two (2) copies of the Risk Acknowledgement in the form attached hereto as Schedule "B" (one copy for each of the Corporation and the Subscriber);**
- (q) the Subscriber understands that it will not resell the Bonds except in accordance with limited exemptions available under applicable securities legislation, regulatory policy and stock exchange rules, and that the Subscriber is solely responsible for (and the Corporation is not in any way responsible for) the Subscriber's compliance with applicable resale restrictions;
- (r) the Subscriber acknowledges that it is aware that there is no market upon which the Bonds trade and there is no assurance that any of the Bonds will be listed and posted for trading on a stock exchange or dealer network in the future;
- (s) the Subscriber understands that the sale of the Bonds is conditional upon such sale being exempt from the requirements to file and obtain a receipt for a prospectus, and the requirement to sell securities through a registered dealer, or upon the issuance of such orders, consents or approvals as may be required to enable such sale to be made without complying with such requirements, and that as a consequence of acquiring the Bonds pursuant to such exemptions, certain protections, rights and remedies provided by applicable securities legislation, including statutory rights of rescission or damages in the event of a misrepresentation may not be available to the Subscriber in connection with the purchase and sale of the Bonds;
- (t) the Subscriber understands that any certificates representing the Bonds will bear a legend indicating that the resale of such securities is restricted;
- (u) other than the Offering memorandum, the Subscriber has not received or been provided with, nor has it requested, nor does it have any need to receive any other document (other than the annual financial statements, interim financial statements or any other document (excluding Offering memoranda, prospectuses or other Offering documents) the content of which is prescribed by statute or regulation) describing the business and affairs of the Corporation, which has been prepared for delivery to and review by prospective purchasers in order to assist them in making an investment decision in respect of the purchase of Bonds pursuant to the Offering;
- (v) the Subscriber has not become aware of any advertisement in printed media of general and regular paid circulation or on radio, television or other form of telecommunication or any other form of advertisement (including electronic display or the Internet) or sales literature with respect to the distribution of the Bonds;
- (w) the Subscriber is not a "U.S. Person" (as that term is defined by Regulation S under the U.S. Securities Act, which definition includes, but is not limited to, an individual resident in the United States, an estate or trust of which any executor or administrator or trustee, respectively, is a U.S. Person and any partnership or corporation organized or incorporated under the laws of the United States) and is not acquiring the Bonds for the account or benefit of a U.S. Person or a person in the United States;
- (x) the Bonds have not been offered to the Subscriber in the United States, and the individuals making the order to purchase the Bonds and executing and delivering this Subscription Agreement on behalf of the Subscriber were not in the United States when the order was placed and this Subscription Agreement was executed and delivered;
- (y) the Subscriber undertakes and agrees that it will not offer or sell any of the Bonds in the United States unless such securities are registered under the U.S. Securities Act and the securities laws of all applicable states of the United States, or an exemption from such registration requirements is available;
- (z) the Subscriber acknowledges that, in addition to any other requirements under applicable securities legislation to which a disposition of any of the Bonds by the Subscriber may be subject, the Subscriber may, depending on the nature of the disposition, be required to file a report of exempt trade within ten (10) days of a disposition by the Subscriber of the Bonds;
- (aa) if required by applicable securities legislation, regulations, rules, policies or orders or by any securities commission, stock exchange or other regulatory authority, the Subscriber will execute, deliver, file and otherwise assist the Corporation in filing, such reports, undertakings and other documents with respect to the issue of the Bonds;
- (bb) except as disclosed in writing to the Corporation, the Subscriber does not act jointly or in concert with any other person or company for the purposes of acquiring securities of the Corporation;
- (cc) the Subscriber is not a non-resident for the purposes of the *Income Tax Act* (Canada);
- (dd) the Subscriber is not a "control person" of the Corporation, as that term is defined in the *Securities Act* (Alberta), will not become a "control person" of the Corporation by purchasing the number of Bonds subscribed for under this Subscription Agreement and does not intend to act jointly or in concert with any other person to form a control group in respect of the Corporation;

- (ee) the Subscriber has not relied upon any verbal or written representation as to fact or otherwise made by or on behalf of the Corporation except as expressly set forth herein or in the Offering memorandum;
- (ff) the funds representing the Aggregate Subscription Amount which will be advanced by the Subscriber to the Corporation hereunder will not represent proceeds of crime for the purposes of the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (Canada) (the "PCMLA") and the Subscriber acknowledges that the Corporation may in the future be required by law to disclose the Subscriber's name and other information relating to this Subscription Agreement and the Subscriber's subscription hereunder, on a confidential basis, pursuant to the PCMLA. To the best of its knowledge: (i) none of the subscription funds to be provided by the Subscriber: (A) have been or will be derived from or related to any activity that is deemed criminal under the law of Canada, the United States of America, or any other jurisdiction; or (B) are being tendered on behalf of a person or entity who has not been identified to the Subscriber; and (ii) it shall promptly notify the Corporation if the Subscriber discovers that any of such representations ceases to be true, and to provide the Corporation with appropriate information in connection therewith;
- (gg) the Subscriber acknowledges that the Corporation may complete additional financings in the future in order to develop the proposed business of the Corporation and to fund its ongoing development. There is no assurance that such financing will be available and if available, on reasonable terms. Any such future financings may have a dilutive effect on current shareholders, including the Subscriber; and
- (hh) **the Subscriber acknowledges that an investment in the Bonds is subject to a number of risk factors. In particular, the Subscriber acknowledges that the Corporation is not a reporting issuer in any province of Canada and, as such, the applicable hold period may never expire. Accordingly, there is currently no market for any of the Bonds and one may never develop. It may be difficult or even impossible for a Subscriber to sell any of the Bonds. Resale of such Bonds will require the availability of exemptions from the prospectus requirements of applicable securities legislation, or the application for a discretionary order of the securities commission or similar regulatory authority in the subscriber's province of residence permitting the trade. The Subscriber covenants and agrees to comply with the securities legislation of their jurisdiction of residence and any other relevant securities legislation, orders or policies concerning the purchase, holding of, and resale of the Bonds.**

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

**Indemnity.** The Subscriber acknowledges that the Corporation and its counsel are relying upon the representations, warranties and covenants of the Subscriber set forth herein in determining the eligibility (from a securities law perspective) of the Subscriber (or, if applicable, the eligibility of another on whose behalf the Subscriber is contracting hereunder to subscribe for Bonds) to purchase Bonds under the Offering, and hereby agrees to indemnify the Corporation and its Directors, Officers, employees, advisers, affiliates, shareholders and agents (including their respective legal counsel) against all losses, claims, costs, expenses, damages or liabilities that they may suffer or incur as a result of or in connection with their reliance on such representations, warranties and covenants. The Subscriber undertakes to immediately notify the Corporation at 278 - 19th Street NE, Calgary, AB, T2E 8P7, and the Corporation's counsel, Craig L. Bentham, Barrister and Solicitor at 605, 2303 - 4<sup>th</sup> Street SW, Calgary AB, T2S 2S7 of any change in any statement or other information relating to the Subscriber set forth herein that occurs prior to the Closing Time.

**Deliveries by Subscriber prior to Closing.** The Subscriber agrees to deliver to Craig L. Bentham, counsel to the Corporation not later than 5:00 p.m. (Calgary time) on the day that is two business days before any Closing Date of which the Subscriber receives notice:

- (a) this duly completed and executed Subscription Agreement;
- (b) a certified cheque or bank draft made payable to "Craig L. Bentham, Barrister and Solicitor, in trust" in an amount equal to the Aggregate Subscription Amount, or payment of the same amount in such other manner as is acceptable to the Corporation;
- (c) properly completed and duly executed copies of the appropriate investor qualification form(s) as described on page 2 of this Subscription Agreement; and
- (d) such other documents as may be requested by the Corporation as contemplated by this Subscription Agreement.

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

- (a) in order to complete the Offering;
- (b) to be kept in the corporate records of the Corporation, on its securities registers and Bondholders lists, maintained by the Corporation and/or the Corporation's transfer agent;
- (c) to be disclosed to securities/tax regulatory authorities or other government bodies as required and in accordance with applicable securities laws and tax laws;
- (d) as long as the Subscriber is a shareholder of the Corporation, to be disclosed to other third parties held to an obligation of confidentiality to the Corporation such as its legal counsel, its accountants, transfer agent, securities depository, or any other entity for: (i) the purpose of sending financial statements and other disclosure documentation required to be sent by law to the shareholders of the Corporation, and/or (ii) in the context of a proposed merger, business combination, acquisition, takeover bid or such other major transaction involving the Corporation and such other third party; and
- (e) to enforce the obligations contemplated by this Subscription Agreement.

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

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

Notwithstanding the foregoing, the Subscriber acknowledges and agrees that the acceptance of this Subscription Agreement will be conditional upon among other things, the sale of the Bonds to the Subscriber being exempt from any prospectus and Offering memorandum requirements of applicable securities laws. The Corporation will be deemed to have accepted this Subscription Agreement upon the delivery at Closing of the certificates representing the Bonds to the Subscriber or upon the direction of the Subscriber in accordance with the provisions hereof.

If this Subscription Agreement is rejected in whole, any certified cheque(s) or bank draft(s) delivered by the Subscriber to the Corporation on account of the Aggregate Subscription Amount for the Bonds subscribed for will be promptly returned to the Subscriber without interest. If this Subscription Agreement is accepted only in part, a cheque representing the amount by which the payment delivered by the Subscriber to the Corporation exceeds the subscription price of the number of Bonds sold to the Subscriber pursuant to a partial acceptance of this Subscription Agreement, will be promptly delivered to the Subscriber without interest.

**Time and Place of Closing.** The sale of the Bonds will be completed at the offices of Craig L. Bentham, Barrister and Solicitor, counsel to the Corporation, in Calgary, Alberta at 10:00 a.m. (Calgary time) or such other time as the Corporation may determine (the "Closing Time") on the Closing Date. The Corporation reserves the right to close the Offering in multiple tranches, so that one or more closings may occur after the initial closing.

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

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

- (a) the Corporation has the full corporate right, power and authority to execute and deliver this Subscription Agreement and to issue the Bonds to the Subscriber;
- (b) the Corporation is duly incorporated and validly subsisting, and is qualified to carry on business in each jurisdiction in respect of which the carrying out of the activities contemplated hereby make such qualification necessary;
- (c) the Corporation has complied or will comply with all applicable corporate and securities laws in connection with the offer and sale of the Bonds;
- (d) upon acceptance by the Corporation, this Subscription Agreement shall constitute a binding obligation of the Corporation enforceable in accordance with its terms subject to applicable bankruptcy, insolvency, reorganization and other laws of general application limiting the enforcement of creditors' rights generally and to the general principles of equity including the fact that specific performance is available only in the discretion of the court; and

- (e) the execution, delivery and performance of this Subscription Agreement by the Corporation and the issue of the Bonds to the Subscriber pursuant hereto does not and will not constitute a breach of or default under the constating documents of the Corporation, or any law, regulation, order or ruling applicable to the Corporation, or any agreement to which the Corporation is a party or by which it is bound.

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

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

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

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

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

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

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

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

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

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

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

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

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

**Language.** The Subscriber acknowledges that it has consented to and requested that all documents evidencing or relating in any way to the sale of the Bonds be drawn up in the English language only. **Le souscripteur reconnaît par les présentes avoir consenti et exigé que tous les documents faisant foi ou se rapportant de quelque manière à la vente des bons de souscription spéciaux soient rédigés en anglais seulement.**

SCHEDULE B

BE COMPLETED BY BRITISH COLUMBIA, ALBERTA and SASKATCHEWAN RESIDENTS

RISK ACKNOWLEDGMENT

I acknowledge that this is a risky investment:

- I am investing entirely at my own risk.
- No securities regulatory authority has evaluated or endorsed the merits of these securities or the disclosure in the Offering Memorandum.
- The person selling me these securities is not registered with a securities commission and has no duty to tell me whether this investment is suitable for me.
- I will not be able to sell these securities except in very limited circumstances.
- I may never be able to sell these securities.
- I could lose all the money I invest.

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

The Corporation reserves the right, as allowed by applicable securities legislation, to retain agents to help effect sales of the Bonds. If an agent is retained, the agent will be paid aggregate fees and commissions of up to 6% of the gross proceeds realized on the Bonds sold by such agent. The Corporation's employees and consultant may compensated by up to 6% of the gross proceeds realized on the sale of the Bonds for soliciting subscriptions for the Bonds with respect to the Bonds not sold by an agent. The Corporation's Directors may be compensated by up to 6% of the gross proceeds realized on the sale of the Bonds for soliciting subscriptions with respect to the Bonds not sold by an agent.

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

\_\_\_\_\_  
Date

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

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

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

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G

You have 2 business days to cancel your purchase.

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

The Issuer: **CONB Finance Corp. (the "Corporation" or the "Issuer")**  
 278 – 19<sup>th</sup> Street NE  
 Calgary, AB, T2E 8P7  
 Phone: (403) 313-0342  
 Fax: (403) 313-8609  
 Email: info@signaturecapital.ca

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

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

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

There are restrictions on your ability to resell Exempt Market Securities. Exempt Market Securities are more risky than other securities.

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

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

### **You will not receive advice**

You will not get professional advice about whether the investment is suitable for you. But you can still seek that advice from a registered adviser or investment dealer. In Alberta, Manitoba, Newfoundland and Labrador, Northwest Territories, Nunavut, Prince Edward Island and Saskatchewan, to qualify as an Eligible Investor, you may be required to obtain that advice. Contact the Investment Dealers Association of Canada (website at [www.ida.ca](http://www.ida.ca)) for a list of registered investment dealers in your area.

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

The securities you are buying are not listed on any stock exchange, and they may never be listed. You may never be able to sell these securities.

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

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

### **For more information, call your local securities commission:**

#### **Alberta Securities Commission**

4th Floor, 300 - 5th Avenue S.W.  
Calgary, AB, T2P 3C4  
Phone: (403) 297-6454  
Fax: (403) 297-6156  
<http://www.albertasecurities.com>

#### **British Columbia Securities Commission**

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

#### **Saskatchewan Financial Services Commission**

6<sup>th</sup> Floor, 1919 Saskatchewan Drive  
Regina, SK, S4P 3V7  
Telephone: (306) 787-5879  
Facsimile: (306) 787-5899

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



**RISK ACKNOWLEDGMENT**

I acknowledge that this is a risky investment:

- I am investing entirely at my own risk.
- No securities regulatory authority has evaluated or endorsed the merits of these securities or the disclosure in the Offering Memorandum.
- The person selling me these securities is not registered with a securities commission and has no duty to tell me whether this investment is suitable for me.
- I will not be able to sell these securities except in very limited circumstances.
- I may never be able to sell these securities.
- I could lose all the money I invest.

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

The Corporation reserves the right, as allowed by applicable securities legislation, to retain agents to help effect sales of the Bonds. If an agent is retained, the agent will be paid aggregate fees and commissions of up to 6% of the gross proceeds realized on the Bonds sold by such agent. The Corporation's employees and consultant may be compensated by up to 6% of the gross proceeds realized on the sale of the Bonds for soliciting subscriptions for the Bonds with respect to the Bonds not sold by an agent. The Corporation's Directors may be compensated by up to 6% of the gross proceeds realized on the sale of the Bonds with respect to the Bonds not sold by an agent.

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

\_\_\_\_\_  
Date

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

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

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

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

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

**The Issuer:**    **CONB Finance Corp. (the "Corporation" or the "Issuer")**  
                   278 – 19<sup>th</sup> Street NE  
                   Calgary, AB, T2E 8P7  
 Phone:        (403) 313-0342  
 Fax:            (403) 313-8609  
 Email:         info@signaturecapital.ca

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

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

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

There are restrictions on your ability to resell Exempt Market Securities. Exempt Market Securities are more risky than other securities.

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

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

### **You will not receive advice**

You will not get professional advice about whether the investment is suitable for you. But you can still seek that advice from a registered adviser or investment dealer. In Alberta, Manitoba, Newfoundland and Labrador, Northwest Territories, Nunavut, Prince Edward Island and Saskatchewan, to qualify as an Eligible Investor, you may be required to obtain that advice. Contact the Investment Dealers Association of Canada (website at [www.ida.ca](http://www.ida.ca)) for a list of registered investment dealers in your area.

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

The securities you are buying are not listed on any stock exchange, and they may never be listed. You may never be able to sell these securities.

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

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

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Vancouver, BC, V7Y 1L2  
Phone (604) 899-6500  
Fax: (604) 899-6506  
<http://www.bcsc.bc.ca>

#### **Saskatchewan Financial Services Commission**

6<sup>th</sup> Floor, 1919 Saskatchewan Drive  
Regina, SK, S4P 3V7  
Telephone: (306) 787-5879  
Facsimile: (306) 787-5899

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

SCHEDULE C

REPRESENTATION LETTER – NATIONAL INSTRUMENT 45-106 ELIGIBLE INVESTOR

TO BE COMPLETED BY ALBERTA AND SASKATCHEWAN RESIDENTS WHO ARE SUBSCRIBING FOR MORE THAN \$10,000 IN BONDS.

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

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

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

If a Corporation, Partnership or other entity:

If an individual:

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

\_\_\_\_\_  
Signature

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

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

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

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

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



# D. COHEN LAW OFFICE

**Darrell S. Cohen**  
Lawyer

Our File No. 10350-09

November 12, 2009

RSM Richter  
Suite #910, 736 - 8th Ave SW  
Calgary, Alberta T2P 1H4

Attention: Robert J. Taylor, CA, CIRP, CFE

Dear Sir:

**Re: Lender: Solar Star Holdings Inc., 1105550 Alberta Inc., Sano Stante Real Estate Inc., Robert D. Penner, and Aquino Belavy & Associates Ltd.**  
**Borrower: Allan Beach Developments GP Ltd., Birch Bay Developments GP Ltd., Fir Crest Resort Development GP Ltd., and Poplar Grove Developments GP Ltd.**  
**Guarantor: A. Virginia Wilson Holdings Ltd.**  
**Principal**  
**Amount: \$2,781,000.00**

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Further to our conversation of November 10, 2009, I confirm that I act on behalf of the Lenders in connection with the above captioned loan. These Lenders are in first priority secured position with respect to four (4) properties, three (3) in British Columbia and one (1) situated in Alberta. I confirm that the Lenders noted above authorize your appointment as receiver-manager with respect to the assets of Signature Capital Inc. and their affiliated corporations and other entities.

I am sure that we will be in contact in the near future to deal with the liquidation and distribution of assets. However, should you require any further clarification of our client's position, please contact the writer.

Yours truly,  
D. COHEN LAW OFFICE

DARRELL S. COHEN

DSC/js

THIS IS EXHIBIT " C "  
referred to in the Affidavit of

Simone Rousseau

Sworn before me this 12<sup>th</sup>

day of November 20 09

Alexis E. Magi

**Alexis E. Magi**  
Barrister and Solicitor

105, 2411 - 4 Street NW  
Calgary, Alberta T2M 2Z8

Phone: 403.210.2821  
Fax: 403.284.3988  
Website: www.dcohenlaw.com

Name of Deponent: Simone Rousseau  
Affidavit sworn: November 12, 2009

ACTION NO: 0901 - 17143

IN THE COURT OF QUEEN'S BENCH OF ALBERTA  
JUDICIAL DISTRICT OF CALGARY

IN THE MATTER OF THE *BANKRUPTCY AND INSOLVENCY ACT*,  
R.S.C. 1985, c. B-3, AS AMENDED

AND IN THE MATTER OF THE APPOINTMENT OF A  
RECEIVER AND MANAGER  
OF SIGNATURE CAPITAL INC., CONB DEVELOPMENT CORP.,  
CONB FINANCE CORP., CONB CAPITAL CORP., URBAN  
ELEMENTS CENTRE GP LTD., URBAN ELEMENTS CENTRE  
LIMITED PARTNERSHIP, SIGNATURE UEC CAPITAL INC.,  
WESTSTONE DEVELOPMENT CORP., WESTSTONE FINANCE  
CORP., SLRV FINANCE CORP., ALLAN BEACH  
DEVELOPMENTS GP LTD., ALLAN BEACH LIMITED  
PARTNERSHIP, BEACHES WEST CAPITAL CORP., POPLAR  
GROVE DEVELOPMENTS GP LTD., POPLAR GROVE LIMITED  
PARTNERSHIP, BIRCH BAY DEVELOPMENTS GP LTD., BIRCH  
BAY DEVELOPMENTS LIMITED PARTNERSHIP, FRANCOIS  
CAPITAL CORP., A VIRGINIA WILSON HOLDINGS, FIR CREST  
RESORT DEVELOPMENT LP, FIR CREST RESORT  
DEVELOPMENT GP LTD., FIR CREST FINANCE CORP., FIR  
CREST CAPITAL CORP., SCI FINANCE CORP., SIGNATURE US  
SUNBELT CAPITAL CORP., SIGNATURE US SUNBELT  
INVESTMENT CORP., SCI BRIDGE II FINANCE CORP.,  
SUMMERS PLACE GP LTD., SUMMERS PLACE LIMITED  
PARTNERSHIP, METRO WEST I GP LTD., METRO WEST II GP  
LTD., SIGNATURE LETHBRIDGE FAIRVIEW CAPITAL CORP.,  
HEARTHWOOD I LIMITED PARTNERSHIP, HEARTHWOOD II  
LIMITED PARTNERSHIP, HEARTHWOOD III LIMITED  
PARTNERSHIP, HEARTHWOOD I DEVELOPMENTS GP LTD.,  
HEARTHWOOD II DEVELOPMENTS GP LTD., and  
HEARTHWOOD III DEVELOPMENTS GP LTD.

AFFIDAVIT



*Third Floor, 14505 Bannister Road S.E.  
Calgary, Alberta  
T2X 3J3*

*Attention: Shane B. King  
Tel: 278-9411  
Fax: 271-1769*

