

COURT FILE NUMBER B-150645
VANCOUVER REGISTRY

IN THE SUPREME COURT OF BRITISH COLUMBIA

IN THE BANKRUPTCY AND INSOLVENCY

**IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL
OF VICEROY HOMES LTD.**

FIFTH REPORT OF THE PROPOSAL TRUSTEE

NOVEMBER 17, 2015

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INTRODUCTION

1. On June 9, 2015, Viceroy Homes Ltd. (“**Viceroy**”) and Viceroy Building Solutions Ltd. (“**VBS**”, and together with Viceroy, the “**Companies**”) each filed a Notice of Intention to File a Proposal (“**NOI**”) pursuant to Part III, Division I of the Bankruptcy and Insolvency Act, R.S.C. 1985, c. B-3, as amended (the “**BIA**”). FTI Consulting Canada Inc. (“**FTI**”) was appointed as the Trustee (the “**Proposal Trustee**”) under the NOIs.
2. The reports of the Proposal Trustee and other information in respect of these proceedings are posted on the Proposal Trustee’s website at <http://cfcanada.fticonsulting.com/viceroy/>.

PURPOSE

3. The first report of the Proposal Trustee dated June 29, 2015 (the “**First Report**”), informed the Court on the following:
 - (a) The activities of the Companies since the filing of their NOIs;
 - (b) An analysis of the Companies’ actual cash receipts and disbursements to the date of the First Report, compared to the forecast filed on June 19, 2015;
 - (c) The Companies’ cash flow forecast for the period from June 29, 2015 to August 21, 2015;
 - (d) The rationale for the proposed Professional Charge (as defined in the First Report) over the Companies’ assets to secure the professional fees and disbursements in relation to these proceedings; and
 - (e) The Companies’ request for an extension of the stay of proceedings under the NOI (the “**Stay**”) to August 21, 2015.
4. On July 6, 2015, this Honourable Court granted Orders extending the Stay to August 21, 2015.

5. The second report of the Proposal Trustee dated July 27, 2015 (the “**Second Report**”), informed the Court on the following:
 - (a) The activities of the Companies since the filing of the First Report;
 - (b) An analysis of the Companies’ actual cash receipts and disbursements for the period from June 9, 2015 to July 21, 2015, compared to the forecast filed on June 29, 2015 attached as Appendix B to the First Report; and
 - (c) The rationale for the implementation of a claims process for the determination of claims against the Companies (the “**Claims Process**”).
6. On July 30, 2015, this Honourable Court granted Orders (the “**Claims Process Orders**”) authorizing the Proposal Trustee to commence the Claims Process and granting the Professional Charge.
7. The third report of the Proposal Trustee dated August 12, 2015 (the “**Third Report**”), informed the Court on the following:
 - (a) The activities of the Companies since the filing of the Second Report;
 - (b) An update on the Claims Process commenced by the Proposal Trustee pursuant to the Claims Process Orders;
 - (c) A summary of the Companies’ actual cash receipts and disbursements for the period from June 9, 2015 to August 9, 2015;
 - (d) The Companies’ cash flow forecast for the period from August 10, 2015 to October 9, 2015; and
 - (e) The Companies’ request for an extension of the Stay to October 5, 2015.
8. On August 19, 2015, this Honourable Court granted Orders extending the Stay to October 5, 2015.

9. The fourth report of the Proposal Trustee dated September 25, 2015 (the “**Fourth Report**”), informed the Court of the following:
 - (a) The activities of the Companies since the filing of the Third Report;
 - (b) An update on the Claims Process commenced by the Proposal Trustee pursuant to the Claims Process Orders;
 - (c) A summary of the Companies’ actual cash receipts and disbursements for the period from June 9, 2015 to September 18 2015;
 - (d) The Companies’ cash flow forecast for the period from September 21, 2015 to November 19, 2015; and
 - (e) The Companies’ request for an extension of the Stay from October 5, 2015 to November 19, 2015.

10. On October 2, 2015, this Honourable Court granted Orders extending the Stay to November 19, 2015.

11. The purpose of this fifth report of the Proposal Trustee (the “**Fifth Report**”) is to inform the Court on the following:
 - (a) The activities of the Companies since the filing of the Fourth Report;
 - (b) An update on the status of the Asset Purchase Agreement;
 - (c) An update on the Claims Process performed pursuant to the Claims Process Orders;
 - (d) A summary of the Companies’ actual cash receipts and disbursements for the period from June 9, 2015 to November 13, 2015;
 - (e) The Companies’ cash flow for the period from November 14, 2015 to December 9, 2015; and

- (f) The Companies request for an extension of the Stay from November 19, 2015 to December 9, 2015.

TERMS OF REFERENCE

12. In preparing this report, the Proposal Trustee has relied upon unaudited financial information, other information available to the Proposal Trustee and, where appropriate, the Companies' books and records and discussions with various parties (collectively, the "**Information**").
13. Except as described in this Fifth Report:
- (a) The Proposal Trustee has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would comply with Generally Accepted Assurance Standards pursuant to the Chartered Professional Accountants of Canada Handbook; and
 - (b) The Proposal Trustee has not examined or reviewed financial forecasts and projections referred to in this report in a manner that would comply with the procedures described in the Chartered Professional Accountants of Canada Handbook.
14. Future oriented financial information reported or relied on in preparing this report is based on assumptions regarding future events; actual results may vary from forecast and such variations may be material.
15. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian Dollars.

ASSET PURCHASE AGREEMENT

16. As noted in the Fourth Report, Viceroy has been negotiating the terms of an Asset Purchase Agreement (the “**APA**”) with Besco International Investment Co., Ltd. (“**Besco**”).
17. The negotiations with Besco have now concluded and on November 12, 2015 Viceroy executed an APA with Besco and an entity related to Besco, Viceroy Houses (2015) Ltd. (“**Viceroy 2015**”). A copy of the signed APA is attached as Appendix A to this report.
18. The key terms of the APA include:
 - (a) Besco will acquire the following assets:
 - i. The real property situated at 414 Croft Street, Port Hope, Ontario (the “**Port Hope Facility**”);
 - ii. The chattels and inventory located at the Port Hope Facility and at the facility located at 12211 Horseshoe Way, Richmond, British Columbia (the “**Richmond Facility**”);
 - iii. Certain partially completed customer contracts (the “**Customer Contracts**”); and
 - iv. The books and records relating to Viceroy’s business,

(collectively, the “**Purchased Assets**”).
 - (b) The purchase price is \$8,650,000, of which \$3,971,864 will be payable in cash, subject to normal closing adjustments;
 - (c) The balance of the purchase price will be settled as follows:

- i. Besco will be credited for the amount of \$2,102,157 paid by Besco to Elle Mortgage Corporation (“**Elle**”) in order to take an assignment of the Elle mortgage as noted in the Fourth Report; and
 - ii. Besco will be credited for the amount of \$2,575,979 relating to the advances made by Wiston Building Materials Co. (“**Wiston**”) to Viceroy both prior to and after the filing of the NOI. Although as discussed in a later section of this report, the secured claim of Wiston ranks behind the secured claim of San Bao Investment Inc. (“**San Bao**”) as against Viceroy’s assets at the Port Hope Facility, San Bao has agreed to subordinate its priority claim in favour of Besco so that the debt may be used as part of the purchase price.
- (d) To the extent they are assignable, Viceroy 2015 will assume all of Viceroy’s liabilities and obligations with respect to certain customer contracts of Viceroy and indemnify Viceroy in respect of the assigned contracts;
- (e) Closing of the APA is conditional on Viceroy obtaining an Approval and Vesting Order;
- (f) The closing date for the APA is scheduled for November 30, 2015; and
- (g) Viceroy 2015 will make offers of employment to certain of the former employees of Viceroy.
19. Concurrent with the APA, Viceroy’s US based subsidiary, Viceroy Homes Inc. (“**VHI**”), entered into a separate agreement with Besco pursuant to which it will acquire the real property of VHI. The real property of VHI consists of two vacant pieces of land, one located in Portland, Oregon and the other in Spokane, Washington.

20. In considering the reasonableness of the transaction contemplated by the APA (the “**Transaction**”), the Proposal Trustee considered certain appraisals of Viceroy’s assets that were made available to it.

Real Property

21. The Proposal Trustee has considered the following two appraisals of the Port Hope Facility:

- (a) An appraisal (the “**Colliers Appraisal**”) dated February 21, 2014 prepared by Colliers International, which was engaged by Viceroy for the purpose of raising first mortgage financing. The Colliers Appraisal estimates the value of the Port Hope Facility at \$7.5 million. A copy of the Colliers Appraisal is attached as Appendix B; and
- (b) An appraisal (the “**Cornwall Appraisal**”) dated December 1, 2014 prepared by Cornwall Property Consultants Ltd., which was engaged by a proposed financier for the purposes of providing first mortgage financing to Viceroy. The Cornwall Appraisal estimates the value of the Port Hope Facility at \$5,870,000. A copy of the Cornwall Appraisal is attached as Appendix C.

Inventory

22. Viceroy held inventory at both the Port Hope Facility and the Richmond Facility and in December 2014, Viceroy engaged Century Services Inc. (“**Century**”) to perform an appraisal of that inventory (the “**Inventory Appraisal**”). A copy of the Inventory Appraisal is attached as Appendix D.

23. The Inventory Appraisal states that it was based on Viceroy's book value for the inventory of \$2.8 million as at November 30, 2014. The Proposal Trustee was provided with internally prepared consolidated financial statements of the Companies as at February 28, 2015 which indicates a book value for inventory of \$2.7 million.
24. Although Viceroy has not had the resources to update its books and records or perform an inventory count, the Proposal Trustee has spoken with former Viceroy employees who confirmed that, due to Viceroy's lack of liquidity, the inventory level would only have gone down since November, 2014 as no significant purchases occurred after that time.
25. Accordingly, the Proposal Trustee has considered the Inventory Appraisal in its analysis as the Inventory Appraisal would likely represent the maximum value of the remaining inventory.
26. As indicated in the Inventory Appraisal, the value of the inventory on an orderly liquidation basis is approximately \$139,000. This represents the net value after estimated selling, labour and occupancy costs.

Equipment and Machinery

27. Viceroy has manufacturing capability at both the Richmond Facility and the Port Hope Facility.
28. In December 2014, Viceroy engaged Century to appraise Viceroy's equipment and machinery for the purpose of supporting its financing efforts (the "**Equipment Appraisal**"). A copy of the Equipment Appraisal is attached as Appendix E.
29. The Equipment Appraisal estimated the value of:

- (a) The equipment and machinery located at the Port Hope Facility on a forced sale basis (i.e. a 30 day advertised public auction) at \$1,024,000; and
- (b) The equipment and machinery located at the Richmond Facility on a forced sale basis at \$478,000.

Customer Contracts

- 30. The APA provides for Viceroy 2015 to take an assignment of, and assume the liabilities under, the Customer Contracts. The Customer Contracts were incomplete as at the date of filing the NOI.
- 31. The Proposal Trustee understands that Viceroy 2015 has contacted these customers who are party to the Customer Contracts, and those customers have expressed an interest in Viceroy 2015 completing their contracts.
- 32. The Proposal Trustee has reviewed the status of the Customer Contracts and the estimated costs to complete with the former Viceroy management. The Proposal Trustee notes that after giving credit for the deposits already paid, the estimated costs to complete the Customer Contracts exceed the estimated remaining profit. Accordingly, the Customer Contracts would have nil value to a third party.
- 33. The Proposal Trustee has utilized the appraisals as summarized above to prepare an analysis of the estimated liquidation value of Viceroy's assets. The analysis indicates that the estimated realizable value of Viceroy's assets on a forced liquidation basis is in the range of between approximately \$5.6 million to \$7.2 million. The Purchase Price payable under the APA exceeds this value by approximately \$1.4 million to \$3 million. The analysis is attached as Appendix F.

34. In the circumstances, the Proposal Trustee is of the opinion that the Transaction would be more beneficial to creditors of Viceroy than a sale under a bankruptcy, wherein given the absence of liquidity a forced liquidation scenario would be likely.

Sale Process

35. The Proposal Trustee also discussed with one of the principals of the Companies, Joseph Kwok, the process Viceroy undertook to search for an investor in Viceroy or a purchaser of its assets.
36. The Proposal Trustee was advised by Mr. Kwok that he and other representatives of Viceroy made several trips to China during 2014, meeting with and making presentations to, many potential investor groups. Mr. Kwok met Besco on one of these trips to China through an introduction arranged by one of the sales managers of Viceroy.
37. Although Viceroy did not conduct a public or comprehensive sale process, the Proposal Trustee notes that there does appear to have been a limited process, which in the circumstances appears reasonable given Viceroy's lack of liquidity and resources.

Related Person

38. During the Claims Process, the Proposal Trustee became aware of allegations that Huigang (Andrew) Sun, principal of Besco and certain related entities, had:
- (a) Been involved in the management and control of Viceroy;
 - (b) Made representations that he was the owner of Viceroy; and
 - (c) Controlled and directed employees of Viceroy.

39. In light of the provisions of section 65.13(5) and (6) of the BIA, regarding the sale of assets to related persons, counsel for the Proposal Trustee wrote to legal counsel for both Besco and Mr. Kwok, seeking their clients' responses to the following questions:
- (a) What involvement, if any, has Mr. Sun had in the management, direction or control of the Companies?
 - (b) What involvement, if any, has Mr. Sun had in the day to day operations of the Companies?
 - (c) What representations, if any, has Mr. Sun made regarding his interest in and control and/or ownership of the Companies, and to whom were such representations made?
 - (d) To what extent, if any, has Mr. Sun exerted or purported to exert control over employees (or former employees) of the Companies?
 - (e) To what extent, if any, has Mr. Sun exerted or purported to exert control over the principals of the Companies, including Mr. Kwok, regarding the affairs and operations of the Companies?
40. Counsel for Besco advised counsel for the Proposal Trustee that his client's response to each of the above questions was "none".
41. Mr. Kwok informed the Proposal Trustee and its counsel that Mr. Sun and Besco has had no involvement in the management or control of the Companies, but that Mr. Sun may have prematurely informed former employees of the Companies that he was the new or future owner of the Companies, following execution of an agreement in principle with Viceroy in early 2015.

42. In light of the responses received, the Proposal Trustee is of the view that Besco is not related to Viceroy for the purposes of section 65.13(5) of the BIA.
43. Aside from the economic benefit, the Transaction would provide additional benefits such as:
- (a) Continued employment for certain of the Companies' employees;
 - (b) An on-going tenancy for the landlord of the Richmond Facility; and
 - (c) Preservation of an important tax source for the City of Port Hope.
44. In light of the facts outlined above, the Proposal Trustee is of the opinion that the Transaction is commercially reasonable.

UPDATE ON THE CLAIMS PROCESS

45. The following table summarizes the status of the claims process conducted by the Proposal Trustee in accordance with the Claims Process Orders as at November 16, 2015:

	Claims Filed		Claims Allowed		Claims Pending	
	Number	Value	Number	Value	Number	Value
VHL						
Secured	6	\$ 19,683,809	6	\$ 17,072,096	-	-
Unsecured	294	\$ 16,524,158	285	\$ 11,140,810	1	\$ 396,514
VBS						
Secured	-	-	-	-	-	-
Unsecured	77	\$ 2,590,093	66	\$ 2,156,256	-	-
Total VHL & VBS	377	\$ 38,798,060	357	\$ 30,369,162	1	\$ 396,514

46. Pursuant to the Claims Process Orders, the Proposal Trustee reviewed each of the claims with the Company and, where necessary, sought legal advice with respect to some of the claims. Of the 377 claims received by the Proposal Trustee, the claims of 38 creditors were either revised or disallowed in their entirety. The time period for appealing the disallowance or revision of claims has now expired and those creditors are deemed to have accepted their claims at the revised amounts.
47. Subsequent to the Claims Bar Date and the issuance of the Fourth Report, an additional seven claims were received by the Proposal Trustee with a value of approximately \$70,000. Given that a proposal has not yet been formulated, the Proposal Trustee recommends acceptance of these late filed claims. The Proposal Trustee has forwarded the late filed claims to the Company for its review.

Unsecured Claims

48. Unsecured claims against the Companies as at the date of this report are:
- (a) 285 unsecured claims against Viceroy amounting to approximately \$11.1 million; and
 - (b) 66 unsecured claims against VBS amounting to approximately \$2.2 million.

These claims have been allowed.

49. There is one claim (the “**Disputed Claim**”) that is still pending as indicated in the summary. This claim relates to invoices for consulting services provided prior to the filing of the NOIs. Viceroy does not accept the claim and has provided reasons to the Proposal Trustee for disallowing the claim. The Proposal Trustee issued a notice of disallowance in respect of the Disputed Claim.
50. The creditor that filed the Disputed Claim has advised the Proposal Trustee that it intends to appeal the notice of disallowance.

51. The creditor in relation to the Disputed Claim commenced litigation against Mr. Kwok alleging that he was a guarantor of the debt. Mr. Kwok's defense of the litigation includes a dispute over the quantum of the Disputed Claim.
52. Therefore, in order to avoid the cost associated with litigating the same issue in these proceedings, the Proposal Trustee suggested that this creditor's right to appeal the disallowance be suspended until 30 days after a proposal is filed with the Superintendent of Bankruptcy.
53. If the litigation involving the Disputed Claim and Mr. Kwok is resolved prior to the filing of a proposal, then it may negate the need to incur the costs of litigation in this proceeding.
54. Both Viceroy and the creditor agreed to this proposal.

Secured Claims

55. As noted in the summary above, six secured claims were filed in the Claims Process, which the Proposal Trustee has allowed in an approximate amount of \$17.1 million.
56. Two of the secured claims related to equipment leases, one represented the outstanding property tax arrears for the Port Hope Facility (in the approximate amount of \$856,500), and the other three were from lenders (the "**Secured Lenders**"). The claims of the Secured Lenders are summarized as follows:
 - (a) San Bao is the majority shareholder of Canada Wood Frame Solutions Ltd., the parent company of Viceroy. San Bao filed a secured claim in the amount of \$14,078,139. Following review of the claim and Viceroy's bank statements, the Proposal Trustee revised the claim down to \$11,466,426.

- (b) Dejun Yao, a private lender, filed a secured claim against Viceroy in the amount of \$2,232,329. Following review of the claim and Viceroy's bank statements, the Proposal Trustee has accepted the claim in that amount.
 - (c) Wiston, a company related to Besco, filed a secured claim against Viceroy in the amount of \$2,335,979. (revised by the Proposal Trustee to \$2,575,979 to reflect additional advances provided subsequent to the NOI). Following review of the claim and Viceroy's bank statements, the Proposal Trustee has accepted the claim.
57. Counsel for the Proposal Trustee reviewed the security documentation and relevant registrations in respect of each of the Secured Lenders' claims. On the basis of that review, counsel for the Proposal Trustee is of the view that the security in each case is valid and enforceable in accordance with its terms.
58. On the basis of its review of the results of searches of the personal property security registries in British Columbia and Ontario (the "PPR Searches") and advice from its counsel, the Proposal Trustee understands that the Secured Lenders hold the following registrations in respect of their security:

British Columbia

- (a) Dejun Yao registered a security interest in all of Viceroy's present and after-acquired personal property on February 12, 2015 for a term of two years;
- (b) Wiston registered a security interest in all of Viceroy's present and after-acquired personal property:
 - (i) On July 3, 2015 for a term of five years; and
 - (ii) On July 16, 2015 for a term of five years; and

- (c) San Bao registered a security interest in all of Viceroy's present and after-acquired personal property (except consumer goods) on September 3, 2015 for a term of two years.

Ontario

- (d) San Bao registered a security interest in all of Viceroy's present and after-acquired personal property on November 29, 2013 for a term of five years;
- (e) Wiston registered a security interest in all of Viceroy's present and after-acquired personal property on October 2, 2014 for a term of five years; and
- (f) Dejun Yao registered a security interest in all of Viceroy's present and after-acquired personal property on May 14, 2015 for a term of two years.

59. The Proposal Trustee also notes, with respect to the PPR Searches, that:

- (a) TD Bank has a first in time registration in Ontario in respect of accounts and "other". The Proposal Trustee received a claim in the Claims Process indicating this registration related to cash collateral provided as security against two letters of credit and an overdraft facility. TD Bank's claim netted off the cash collateral resulting in an unsecured claim included in the totals noted previously.
- (b) There are certain other registrations in both jurisdictions with respect to particular pieces of leased equipment. Several of the lessors have re-possessed their equipment while others have left their equipment in the possession of Viceroy pending the resolution of Viceroy's asset sale to Besco. The Proposal Trustee understands that counsel for Besco and Viceroy are discussing how the remaining pieces of equipment will be dealt with.

- (c) A registration was filed by Yanan Wang in Ontario, however the claim filed by this party was on the basis of an unsecured claim.
 - (d) A registration was filed by Changan Cheng in Ontario. The Proposal Trustee has been advised by Viceroy management that this individual is an investor in San Bao and accordingly included in the claim submitted by San Bao.
 - (e) Elle filed a registration in Ontario in respect of a general security agreement granted in its favour as security for its mortgage loan. As noted in Fourth Report, this mortgage was paid out by Besco who took an assignment of Elle's security.
60. In light of the registrations summarized above, and in the absence of evidence of any inter-creditor or subordination agreements between the Secured Lenders, it appears that in respect of Viceroy's personal property located in:
- (a) British Columbia, Dejun Yao has the first-ranking security, Wiston holds the second-ranking security and San Bao has the third-ranking security; and
 - (b) Ontario, San Bao has the first-ranking security, Wiston has the second-ranking security and Dejun Yao has the third-ranking security.

ALLOCATION OF PURCHASE PRICE AND DISTRIBUTION

61. Attached as Appendix H is an analysis prepared by the Proposal Trustee for the allocation of the purchase price pursuant to section 3.8 of the APA. As indicated in the prior section, there are competing secured claims over VHL's assets in Ontario and British Columbia and accordingly the allocation of the purchase price will impact the distribution to each of the Secured Lenders.

62. The Cornwall Appraisal (being the most current) was used for the allocation of the purchase price for the real property at the Port Hope Facility. The Proposal Trustee then utilized the Equipment Appraisal and Inventory Appraisal to pro rate the residual value of the purchase price to the chattels and inventory located at the Port Hope Facility and the Richmond Facility.
63. Based on the priority analysis of the Secured Lenders' security as noted previously, the approximate distributions would be as follows:
- (a) \$934,000 to Dejun Yao; and
 - (b) \$4.6 million to San Bao.
64. However, the Proposal Trustee understands that in order for Besco to receive credit toward the purchase price for the sum of \$2,575,979, San Bao has agreed to subordinate its security to that of Wiston. The subordination agreement is to be provided as a closing document under the APA.
65. The Proposal Trustee also notes that any distribution of proceeds of the Transaction will be subject to payment of or provision for amounts secured by the Administration Charge and priority claims such as employee claims pursuant to section 65.13(8) of the BIA, currently estimated by the Proposal Trustee as \$170,000.

SUMMARY OF RECEIPTS AND DISBURSEMENTS

66. The following table indicates the consolidated actual cash receipts and disbursements for the period from June 9, 2015 to November 13, 2015.

	TOTAL
Opening Cash (Canadian Dollar)	-
Cash Receipts	
Interim Financing	1,435,250
Total - Operating Receipts	1,435,250
Cash Disbursements	
Rent	328,259
Insurance	61,232
G&A	159,991
Professional Fees	306,607
Professional Fees - Cost Disbursements	10,558
Professional Fees - Tax	11,609
Other	549,687
Total - Operating Disbursements	1,427,942
Net Change in Cash from Operations	7,308
Ending cash (Canadian Dollar)	7,308

67. The Interim Financing has been provided by Wiston pursuant to a prior lending agreement which is included in Wiston's secured claim noted above.
68. The rent expense relates to the monthly lease payment for the Richmond Facility. The landlord of the Richmond Facility was holding a deposit provided by Viceroy which was used to pay rent for the month of November 2015. Since the APA is scheduled to close prior to the end of November, it is anticipated that Besco will be assuming a new lease with the landlord effective December 1, 2015.
69. The insurance expense is for property and liability coverage for both the Richmond Facility and the Port Hope Facility. The amount represents six months' of premiums for the period expiring in January 2016.

70. The general and administrative (G&A) expense consists of a prepayment to the Companies' enterprise resource planning service provider for the period to October 2015. This expense also includes utility costs for the Richmond Facility and the Port Hope Facility in addition to deposits required for the continuation of service. Some of the utility costs for the Richmond Facility and the Port Hope Facility were paid directly by Viceroy 2015.
71. Professional fees consist of payments made to the Proposal Trustee and its legal counsel, as well as the Companies' legal counsel, for services performed relating to these proceedings.
72. Other expenses consist of the payment of \$500,000 in relation to the forbearance agreement with Elle as noted in the Second Report and the purchase of certain dust collector equipment which was required for the re-start of the Richmond Facility.
73. To date the funding for these proceedings has been provided by Wiston. However, as detailed in the following paragraphs, funding for professional fees has been inadequate despite assurances from the Companies that the funds would be provided as required, and the Proposal Trustee understands that this funding will no longer be forthcoming subsequent to closing the APA.
74. Accordingly, the Proposal Trustee has not provided an updated cash flow forecast since the primary expense subsequent to closing the APA would be the professional fees associated with the procedures required to conclude these proceedings.
75. The Proposal Trustee has been advised by Viceroy's legal counsel that it has been instructed to seek an increase in the Administrative Charge previously granted by an Order of this Honourable Court dated July 30, 2015 from \$100,000 to \$250,000.

76. The Proposal Trustee supports the increase in order to protect the professionals for their fees and disbursements given the Companies' lack of on-going liquidity.
77. Attached as Appendix G is a summary of the fees and disbursements of the Proposal Trustee and its counsel. The summary indicates that as at the date of the Fifth Report, the Proposal Trustee has invoices totaling approximately \$65,000 (excluding taxes) which remained unpaid. In addition, the Proposal Trustee's legal counsel has unbilled work in progress of approximately \$25,000 and now holds approximately \$19,000 in trust by way of retainer. The Proposal Trustee has unbilled work in progress of approximately \$30,000.
78. The Companies' legal counsel has recently utilized the retainer it was holding to satisfy its unpaid accounts. However, it currently has unpaid invoices totaling approximately \$26,000 and unbilled work in progress of approximately \$36,000.
79. Accordingly, the current amount invoiced but unpaid and unbilled work in progress is approximately \$182,000, excluding taxes and disbursements.
80. The work to be performed to conclude these proceedings would include the following:
 - (a) The Court hearing to approve the APA;
 - (b) The preparation and filing of a proposal to the Companies' creditors;
 - (c) Responding to queries from the Companies' creditors;
 - (d) The calling of a meeting of the Companies' creditors and conducting such meeting;
 - (e) Preparation and attendance at a Court hearing to approve the proposal;

- (f) The distribution of monies payable to the Companies' creditors pursuant to an accepted proposal; and
 - (g) The discharge process associated with these proceedings.
81. There would also be significant out-of-pocket costs associated with the statutory mailings to creditors and placement of advertisements required with the calling of the creditors' meeting.
82. The Proposal Trustee has consulted with its legal counsel and the Companies' legal counsel and believes that the increased Administration Charge would likely be sufficient to secure the professional costs associated with approval of and closing the Transaction, assuming that there are no unexpected complications or delays.
83. However, the Proposal Trustee notes that the proposed increase in the Administration Charge would not be sufficient to secure the professional fees that would be associated with the preparation, approval and implementation of a proposal and the other activities necessary to finalize these proceedings.
84. As previously reported, San Bao has indicated its intention to make funds available from the proceeds it expects to receive from the Transaction so that the Companies may make a proposal to their unsecured creditors. However, in order for the Companies to be able to put a proposal to their unsecured creditors, the Companies will need to secure funding for the associated professional costs (whether from San Bao or elsewhere), in addition to the funds available for distribution to creditors.

COMPANIES' REQUEST FOR AN EXTENSION OF THE STAY

85. The Companies are seeking an extension of the Stay to December 9, 2015. This would be the day that is six months after the filing of the NOIs, the maximum stay allowed pursuant to 50.4(9) of the BIA. Absent such extension, the Stay will expire on November 19, 2015 and the Companies will be deemed to have made assignments in bankruptcy. The Companies are seeking an extension for the following reasons:
- (a) To close the APA with Besco; and
 - (b) To formulate a proposal to their creditors.
86. The Proposal Trustee supports the Companies' request for an extension of its Stay based on the following:
- (a) The Proposal Trustee has observed that the Companies are acting in good faith and with due diligence with respect to the Transaction; and
87. San Bao has indicated its intention to use some of the proceeds it expects to receive as a secured creditor to fund a proposal to the unsecured creditors. Given the claims of the Secured Lenders, this would appear to be the only way the Companies' unsecured creditors would receive a distribution.

APPENDIX A

VICEROY HOMES LIMITED

- AND –

VICEROY HOUSES (2015) LTD.

-AND-

BESCO INTERNATIONAL INVESTMENT CO., LTD.

ASSET PURCHASE AGREEMENT

Dated: November 12, 2015

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ASSET PURCHASE AGREEMENT

THIS AGREEMENT made as of November 12, 2015 (the "**Execution Date**").

BETWEEN:

VICEROY HOMES LIMITED

(the "**Vendor**")

AND:

VICEROY HOUSES (2015) LTD.

("VICEROY 2015")

AND:

BESCO INTERNATIONAL INVESTMENT CO., LTD.

(the "**Purchaser**")

WHEREAS:

- A. The Vendor is engaged in the business of design, engineering and manufacturing of panelized and pre-cut custom homes (the "**Business**").
- B. The Vendor has filed a Notice of Intention to Make a Proposal dated June 9, 2015 (the "**NOI**") pursuant to section 50.4(1) of the *Bankruptcy and Insolvency Act* (Canada).
- C. The Purchaser and Viceroy 2015 are related parties.
- D. The Vendor has agreed to sell, transfer, assign, set over and convey the Purchased Assets (as defined herein) to the Purchaser and Viceroy 2015, as applicable, and the Purchaser and Viceroy 2015, as applicable, have agreed to purchase, acquire and assume the Purchased Assets from the Vendor on the terms and conditions set forth in this Agreement.
- E. Concurrently with (or shortly following) the execution and delivery of this Agreement, the Purchaser will enter into an agreement (the "**US Property Purchase Agreement**") with Viceroy Homes Inc., a wholly owned subsidiary of the Vendor, in respect of the purchase and sale of certain lands located in Washington and Oregon and as more particularly described in Schedule "A" hereto (the "**US Properties**").

NOW THEREFORE, in consideration of the mutual covenants and agreements set forth in this Agreement and the sum of \$10.00 paid by each of the Vendor and the Purchaser to the other and for other good and valuable consideration (the receipt and sufficiency of which are hereby acknowledged), the parties hereby agree and declare as follows:

**ARTICLE 1
INTERPRETATION**

1.1 Definitions

The terms defined herein shall have, for all purposes of this Agreement, the following meanings, unless the context expressly or by necessary implication otherwise requires:

- (a) **“Accounts Receivable”** means all accounts receivable, trade accounts, notes receivable and other debts owing to the Vendor.
- (b) **“Adjustments”** means the adjustments to the Purchase Price provided for and determined pursuant to Sections 3.5 and 3.6.
- (c) **“Agreement”** means this asset purchase agreement and the schedules attached hereto, as amended from time to time; **“Article”**, **“Section”** and **“Subsection”** mean and refer to the specified article, section and subsection of this Agreement.
- (d) **“Applicable Laws”** means, with respect to any Person, property, transaction, event or other matter, any law, rule, statute, regulation, order, judgment, decree, treaty or other requirement having the force of law relating or applicable to the Purchased Assets, such Person, property, transaction, event or other matter.
- (e) **“Approval and Vesting Order”** means an order (or separate orders) of the Court, in form and substance satisfactory to each of the Vendor and the Purchaser, each acting reasonably and without delay, pursuant to which the Transaction is approved by the Court and pursuant to which all right, title and interest of the Vendor in the Purchased Assets shall be vested absolutely in and to the Purchaser on Closing, free and clear of all Encumbrances other than Permitted Encumbrances.
- (f) **“Assignment and Assumption of Customer Contracts”** means an assignment by the Vendor and assumption by Viceroy 2015 of all the right, title and interest and all liability, covenants and obligations of the Vendor, in, to and under the Customer Contracts, together with an indemnity by Viceroy 2015 in favour of the Vendor with respect to the Assumed Liabilities, such assignment and assumption to be delivered on Closing pursuant to Sections 6.1 and 6.2.
- (g) **“Assignment and Assumption of Permitted Encumbrances”** means an assignment by the Vendor and assumption by the Purchaser of all of the right, title and interest, and all liability, covenants and obligations, of the Vendor in, to and under any Permitted Encumbrances, such assignment and assumption to be delivered on Closing pursuant to Sections 6.1 and 6.2.
- (h) **“Assumed Liabilities”** means all obligations and liabilities of the Vendor arising or accruing on and after the Closing Date in respect of the Customer Contracts, but not including any liability or obligations for any breach thereof or default thereunder occurring prior to Closing.
- (i) **“Balance”** has the meaning ascribed thereto in Section 3.1(c).
- (j) **“BIA Proceedings”** means the proceedings pursuant to which the Vendor and has filed for and were granted protection under the *Bankruptcy and Insolvency Act* (Canada).

- (k) **"BIA Proposal"** means the proposal approved by the creditors of the Vendor and the court pursuant to the BIA Proceedings.
- (l) **"Bill of Sale"** means a bill of sale for the Vendor's interest in and to the Chattels to be delivered on Closing pursuant to Section 6.1(c).
- (m) **"Books and Records"** means all technical, business and financial records relating to the Business including without limitation, all files, financial books, title documents, plans and specifications, drawings, advertising and promotional material, studies and reports, but not including those books and records which are part of the Excluded Assets.
- (n) **"Buildings"** means, individually or collectively, as the context requires, all of the buildings, structures and fixed improvements located on, in or under the Lands, and improvements and fixtures contained in or on such buildings and structures used in the operation of same, but excluding improvements and fixtures not owned by the Vendor; and **"Building"** means any one of the Buildings.
- (o) **"Business"** has the meaning ascribed thereto in Recital A.
- (p) **"Business Day"** means any day, other than a Saturday, Sunday or statutory holiday in British Columbia or Ontario.
- (q) **"Chattels"** means all tools, machinery, equipment, automobiles, furniture, fixtures, computer hardware and software, office materials and supplies located at the Real Property and the Leased Premises and owned by the Vendor and used exclusively in connection with the Business, including, to the extent owned by the Vendor, the items listed in Schedule "B" attached hereto;
- (r) **"Claims"** means all past, present and future claims, suits, proceedings, liabilities, obligations, losses, damages, penalties, judgments, costs, expenses, fines, disbursements, legal fees on a solicitor and client basis and other professional fees and disbursements, interest, demands and actions of any nature or any kind whatsoever and **"Claim"** means any one of the foregoing.
- (s) **"Closing"** means the closing and consummation of this Agreement for purchase and sale of the Purchased Assets including, without limitation, the payment of the Purchase Price and the delivery of the Closing Documents, on the Closing Date.
- (t) **"Closing Date"** means, subject to Section 2.5(b), November 30, 2015 or as otherwise agreed between the parties.
- (u) **"Closing Documents"** means the agreements, instruments and other documents to be delivered by the Vendor to the Purchaser pursuant to Section 6.1 and the agreements, instruments and other documents to be delivered by the Purchaser to the Vendor pursuant to Section 6.2.
- (v) **"Confidential Information"** has the meaning ascribed thereto in Section 8.16.
- (w) **"Court"** means the Supreme Court of British Columbia.
- (x) **"Customer Contracts"** means the contracts listed in Schedule "C" attached hereto.

- (y) **“Data Room”** means any virtual data room established by the the Vendor in connection with the Purchased Assets.
- (z) **“Disclosed to the Purchaser”** means information which is or has been:
 - (i) made available for the Purchaser’s review pursuant to Section 2.3 hereof;
 - (ii) otherwise communicated in writing by the Vendor or their representatives to the Purchaser;
 - (iii) made available in the Data Room; or
 - (iv) disclosed by registered title to all or parts of the Purchased Assets as of the Execution Date.
- (aa) **“Due Diligence Materials”** has the meaning ascribed thereto in Section 2.3.
- (bb) **“Elle Mortgage”** means Elle Mortgage Corporation.
- (cc) **“Elle Mortgage Indebtedness”** means all amounts owing under the Elle Mortgage Loan which as at September 16, 2015 was \$2,102,157.19.
- (dd) **“Elle Mortgage Loan”** means the loan made to the Vendor by Elle Mortgage in the amount of \$2,290,000.00.
- (ee) **“Elle Mortgage Security”** means all charges, mortgages, security interests or other encumbrances registered against the Real Property and assets of the Vendor as security for the indebtedness under the Elle Mortgage Loan as assigned to the Purchaser by Elle Mortgage.
- (ff) **“Employees”** means the employees of the Vendor in connection with the Business, including any that are on medical or long-term disability leave or other statutory or authorized leave of absence.
- (gg) **“Encumbrances”** means all mortgages, pledges, charges, liens, construction liens, debentures, hypothecs, trust deeds, assignments by way of security, security interests, options, equitable interests or beneficial interests, conditional sales contracts or other title retention agreements or similar interests or instruments charging, or creating a security interest in, or against title to, the Purchased Assets or any part thereof or interest therein, including leases, easements, servitudes, rights of way, restrictions, any subdivision, site plan, development or other agreements with a Governmental Authority affecting the Real Property, executions or other charges or encumbrances (including notices or other registrations in respect of any of the foregoing) which encumber title to the Purchased Assets or any part thereof or interest therein.
- (hh) **“Environmental Claim”** means, with respect to any Person, any action, cause of action, investigation, suit, proceeding, judgment, award, fine, penalty, assessment or written notice or claim by any Person or entity alleging potential liability (including, without limitation, potential liability for investigatory costs, clean-up costs, governmental response costs, natural resources damages, property damages, personal injuries, or penalties) arising out of, based on, in connection with or resulting from:

- (i) the presence, discharge, migration or release into the environment, of any Hazardous Materials at any location, whether or not owned or operated by such Person; or
 - (ii) the generation, handling, use, treatment, recycling, storage, disposal or transport of any Hazardous Materials; or
 - (iii) any violation of Environmental Laws.
- (ii) “**Environmental Laws**” means all Applicable Laws including written policies and guidelines and directives, administrative rulings or interpretations, that are in effect and applicable to the Real Property or the Vendor, as well as the common law and any judicial or administrative order, consent decree or judgment, now in existence or which may come into existence from the Execution Date until Closing, governing or regulating the use, generation, storage, removal, recovery, treatment, handling, transport, disposal, control, discharge of, or exposure to Hazardous Materials or intended to protect the environment.
- (jj) “**ETA**” means the *Excise Tax Act* (Canada).
- (kk) “**Excluded Assets**” means collectively:
- (i) the Accounts Receivable;
 - (ii) cash, marketable securities and bank accounts of the Vendor;
 - (iii) the constating documents, tax payer and other identification numbers, seals, minute books and other documents relating to the incorporation, organization, maintenance and existence of the Vendor as a corporation;
 - (iv) all corporate, financial, taxation and other records of the Vendor not pertaining exclusively or primarily to the Business or the Purchased Assets;
 - (v) any assets or property which, pursuant to this Agreement, remain the property of the Vendor after Closing;
 - (vi) the Intellectual Property;
 - (vii) the Goodwill;
 - (viii) all rights of the Vendor of every nature arising out of all insurance policies relating to any of the Purchased Assets;
 - (ix) all rights of action and claims of the Vendor against third persons in the conduct of the Business arising by reason of any facts or circumstances that occurred or existed before the Closing Date whether or not such proceedings shall have been commenced before the Closing Date, other than rights of action and claims that relate to any of the Purchased Assets or the Assumed Liabilities; and
 - (x) the rights of the Vendor under this Agreement.
- (ll) “**Execution Date**” means the date noted on page 1 of this Agreement.

- (mm) **“Existing Lease”** means the lease made between the Vendor, as tenant, and 12211 Horseshoe Way LP, as landlord, in respect of the Leased Premises.
- (nn) **“Final Adjustment Date”** means the first Business Day that is 60 days from the Closing Date.
- (oo) **“Guarantor”** means Joseph Kwok.
- (pp) **“Goodwill”** means the goodwill of the Business, including all right, title and interest of the Vendor in, to and in respect of all elements which contribute to the goodwill of the Business, including all phone numbers, facsimile numbers, domain names, website contents, email designations, the goodwill represented by advertising, marketing and promotional materials, customer and supplier lists and the logos.
- (qq) **“Governmental Authority”** means any government, regulatory authority, government department, agency, utility, commission, board, tribunal, court or other rule making entity having jurisdiction on behalf of any nation, province or state or other subdivision thereof or any municipality, district or other subdivision thereof, or having jurisdiction over the relevant circumstances, or any Person acting under the authority of any of the foregoing.
- (rr) **“GST”** has the meaning ascribed thereto in Section 5.3(a).
- (ss) **“Hazardous Materials”** means any contaminant, substance, pollutant, waste, hazardous material, toxic substance, radioactive substance, petroleum, its derivatives, by-products and other hydrocarbons, dangerous substances or dangerous goods or material that is:
 - (i) deemed hazardous or toxic under Environmental Laws;
 - (ii) prohibited, controlled or regulated by any Governmental Authority pursuant to Environmental Laws; or
 - (iii) present to a degree or in an amount in excess of thresholds regulated under Environmental Laws.
- (tt) **“Intellectual Property”** means trade marks and applications, trade names (including the name “Viceroy”), brand names certification marks, patents and patent applications, copyrights, domain names, IP Addresses; websites, e-mail addresses, industrial designs, trade secrets, know how, formulae, processes, inventions, technical expertise, research data including market analysis and data, customer information, preferences, data and related analysis and extrapolations and other similar property, all associated registrations and applications for registration, and all associated rights, including moral rights held by the Vendor or used in connection with the Business.
- (uu) **“Interim Period”** means the period between the Execution Date and the Closing Date.
- (vv) **“Inventory”** means all inventory related to the Business at Closing, including all finished goods, work in progress, raw materials, manufacturing supplies, spare parts, packaging materials and all other materials and supplies used or consumed in the production of finished goods.
- (ww) **“ITA”** means the *Income Tax Act* (Canada).

- (xx) **“Landlord”** means 12211 Horseshoe Way LP.
- (yy) **“Lands”** means the lands and premises legally described in Schedule “D” attached hereto.
- (zz) **“Leased Premises”** means approximately 106,380 square feet of a building located at 12211 Horseshoe Way, Richmond, BC.
- (aaa) **“Liabilities”** means any indebtedness, obligations and other liabilities of a specified Person whether absolute, accrued, contingent, fixed or otherwise or due or to become due.
- (bbb) **“Material Loss”** means loss or damage to or destruction of the Purchased Assets or any part thereof to such an extent that the replacement or repair thereof cannot be substantially completed at a cost of less than \$1,000,000.
- (ccc) **“NOI”** has the meaning ascribed thereto in Recital C.
- (ddd) **“Notice”** has the meaning ascribed thereto in Section 8.17.
- (eee) **“Permitted Encumbrances”** means:
 - (i) all those Encumbrances described in Schedule “E” attached hereto; and
 - (ii) any Encumbrances approved in writing by the Purchaser.
- (fff) **“Person”** means an individual, partnership (limited or general), corporation, trust, unincorporated organization, government or any department or agency thereof, and the successors and assigns thereof or the heirs, executors, administrators or other legal representatives of an individual.
- (ggg) **“Property Conditions”** has the meaning ascribed thereto in Section 2.4(c).
- (hhh) **“Purchase Price”** has the meaning ascribed thereto in Section 3.1.
- (iii) **“Purchased Assets”** means all the right, title and interest of the Vendor in and to all of the personal and real property used in connection with the Business, including the following:
 - (i) the Real Property;
 - (ii) the Chattels;
 - (iii) the Inventory;
 - (iv) the Books and Records;
 - (v) the Customer Contracts,but excludes the right, title and interest of the Vendor in and to the Excluded Assets.
- (jjj) **“Purchaser’s GST/HST Certificate”** has the meaning ascribed thereto in Section 5.3(a).

- (kkk) **“Purchaser’s Solicitors”** means McMillan LLP or such other firm or firms of solicitors or agents as are retained by the Purchaser from time to time and Notice of which is provided to the Vendor.
- (lll) **“Real Property”** means the Lands and the Buildings.
- (mmm) **“San Bao”** means San Bao Investment Inc.
- (nnn) **“San Bao Indebtedness”** means the amount of approximately \$11,466,425.75 owing by the Vendor to San Bao.
- (ooo) **“San Bao Security”** means all valid charges, mortgages, security interests or other encumbrances registered against the property and assets of the Vendor as security for the San Bao Indebtedness.
- (ppp) **“Secured Lenders”** means the Purchaser with respect to the Elle Mortgage Security, Wiston, San Bao and any other lender or mortgagee that has a valid lien, security interest, mortgage or other encumbrance against the Purchased Assets.
- (qqq) **“Transaction”** means the purchase and sale of the Purchased Assets provided for in this Agreement.
- (rrr) **“Viceroy 2015 Employees”** means those Employees who accept Viceroy 2015’s offers of employment with Viceroy 2015 as contemplated by Section 7.3(a).
- (sss) **“Transfer”** has the meaning ascribed thereto in Section 6.1(a).
- (ttt) **“US Property Purchase Agreement”** has the meaning ascribed thereto in Recital D.
- (uuu) **“US Properties”** has the meaning ascribed thereto in Recital D.
- (vvv) **“Vendor’s Solicitors”** means Clark Wilson LLP or such other firm or firms of solicitors or agents as are retained by the Vendor from time to time and Notice of which is provided to the Purchaser.
- (www) **“Wiston”** means Wiston Building Materials Co.
- (xxx) **“Wiston Indebtedness”** has the meaning given in Section 3.1(a).
- (yyy) **“Wiston Loan”** means a loan made to the Purchaser by Wiston in the amount of \$3,000,000 as evidenced by a promissory note dated April 28, 2015 and as guaranteed by the Guarantor.
- (zzz) **“Wiston Security”** means all valid charges, mortgages, security interests or other encumbrances registered against the property and assets of the Vendor as security for the indebtedness under the Wiston Loan.

1.2 Schedules

The following schedules attached hereto form part of this Agreement:

Schedule "A"	-	US Properties
Schedule "B"	-	Chattels
Schedule "C"	-	Customer Contracts
Schedule "D"	-	Lands
Schedule "E"	-	Permitted Encumbrances
Schedule "F"	-	Trademark License
Schedule "G"	-	Viceroy 2015 Employees

1.3 Computation of Time Periods

Except as expressly set out in this Agreement, the computation of any period of time referred to in this Agreement shall exclude the first day and include the last day of such period. If the time limited for the performance or completion of any matter under this Agreement expires or falls on a day that is not a Business Day, the time so limited shall extend to the next following Business Day.

ARTICLE 2 AGREEMENT OF PURCHASE AND SALE

2.1 Purchase and Sale of the Purchased Assets

Upon and subject to the terms and conditions of this Agreement, the Vendor agrees to sell, and the Purchaser agrees to purchase, the Purchased Assets in consideration of the payment of the Purchase Price. The Transaction shall be completed on the Closing Date subject to the terms and conditions of this Agreement.

2.2 Binding Agreement

The agreements of the Vendor and the Purchaser set forth in Section 2.1 create and constitute a binding agreement of purchase and sale for the Purchased Assets in accordance with the provisions of this Agreement.

2.3 Due Diligence Materials

The Purchaser acknowledges that, prior to the Execution Date, the Vendor or any agent of the Vendor either delivered to the Purchaser or made available to the Purchaser any material documents and files relating to the Purchased Assets, to the extent same are in the Vendor's possession or reasonable control (the "**Due Diligence Materials**").

2.4 Acknowledgement of Purchaser as to Condition of the Purchased Assets

Notwithstanding the foregoing or anything else contained herein or elsewhere, the Purchaser acknowledges and agrees that:

- (a) Prior to the Execution Date, the Purchaser completed its due diligence, inquiries and investigations in respect of the Purchased Assets and is satisfied, in its sole, absolute and subjective discretion with such due diligence, inquiries and investigations including, without limitation:
 - (i) its examination of the Due Diligence Materials;

- (ii) the results of its physical and environmental inspections and tests of the Purchased Assets; and
 - (iii) the results of its inquiries and investigations regarding the Purchased Assets.
- (b) The Purchased Assets are being sold and purchased and the Transaction is being effected, on an “as-is, where-is” basis, without any representation, warranty or covenant by the Vendor, except as set out in Section 5.1, or by any other Person. The Purchaser acknowledges that it has performed due diligence, inquiries and investigations in respect of the Purchased Assets and shall rely solely upon its own findings resulting therefrom and not upon any information, documentation, statement or opinion, written or oral, provided by the Vendor or any agent of the Vendor or by any other Person, other than and only to the extent of the representations and warranties set out in Section 5.1.
- (c) The Vendor makes no representations or warranties, other than and only to the extent of the representations and warranties set out in Section 5.1, of any nature whatsoever with respect to any Confidential Information or documentation disclosed to the Purchaser, nor with respect to the Purchased Assets (including, without limitation, title thereto and/or the state of any Encumbrances) or the Transaction, including, without limitation:
- (i) the structural integrity or any other aspect of the physical condition of any Building;
 - (ii) the conformity of any Building to any plans or specifications (including, but not limited to, any plans and specifications that may have been or which may be provided to the Purchaser);
 - (iii) the conformity of the Real Property to past, current or future applicable zoning or building code requirements or other Applicable Laws;
 - (iv) the existence of soil instability, past soil repairs, soil additions or conditions of soil fill or any other matter affecting the stability or integrity of the Lands, or any Building situated on or as part of any Real Property;
 - (v) the existence or non-existence of underground and/or above ground storage tanks;
 - (vi) the availability of public utilities, access, parking and/or services for the Real Property;
 - (vii) the fitness or suitability of the Purchased Assets for occupancy or any intended use;
 - (viii) the existence of land use, zoning or building entitlements affecting the Real Property;
 - (ix) the presence, release or use of any Hazardous Materials in, under, on or about the Real Property or any neighbouring lands; and
 - (x) the conformity or compliance of the Purchased Assets to any municipal by-laws including those relating to the preservation of heritage, cultural or historical property,
- (collectively, the “**Property Conditions**”).

- (d) As part of the Purchaser's agreement to purchase the Purchased Assets and to accept the Purchased Assets in "as-is, where-is" condition, and not as a limitation on such agreement, the Purchaser hereby unconditionally and irrevocably waives any and all actual or potential rights or Claims the Purchaser might have against the Vendor pursuant to any warranty, express or implied, of any kind or type relating to the Purchased Assets or any other assets, the Property Conditions or any other aspect of the Transaction. Such waiver is absolute, unlimited and includes, but is not limited to, waiver of express warranties, implied warranties, any warranties at law and/or in equity, warranties of fitness for a particular use, warranties of merchantability, warranties of occupancy, strict liability and Claims of every kind and type.
- (e) The Vendor shall not be responsible or liable for any misrepresentation, lack of disclosure or incorrect or incomplete disclosure of any nature whatsoever or failure to investigate the Purchased Assets on the part of any broker or sales agent, or any other purported or acknowledged agent, representative, contractor, consultant or employee of the Vendor or any third party.
- (f) The Vendor shall provide a title search as evidence as to title of the Real Property within 10 Business Days following the execution of this Agreement.
- (g) The transfer of title to the Purchased Assets may be subject to certain work orders, municipal requirements, including building or zoning by-laws and regulations, easements for hydro, gas, or telephone affecting the Purchased Assets, and like services to the Real Property, and restrictions and covenants which run with the land, including but not limited to the Permitted Encumbrances. Without limiting the foregoing, the Vendor shall not be responsible for rectification of any matters disclosed by any Governmental Authority.

The provisions of this Section 2.4 shall not merge on, but shall survive, Closing.

2.5 Court Approval

- (a) The Vendor shall use all commercially reasonable efforts to seek the Approval and Vesting Order. In connection therewith, the Vendor and the Purchaser will cooperate with each other, each acting in good faith and reasonably, to agree upon the form and substance of the Approval and Vesting Order. To the extent reasonably possible, the Vendor shall apprise the Purchaser of all scheduled Court dates relating specifically to this Transaction as soon as such dates are known to the Vendor and shall apprise the Purchaser of whether or not the Court has granted the Approval and Vesting Order. The Purchaser shall promptly cooperate with the Vendor in connection with the Vendor's attempt to obtain the Approval and Vesting Order from time to time. Without limiting the foregoing, the Purchaser shall forthwith provide such information and documentation as may be required by the Vendor, acting reasonably, from time to time in order to facilitate the granting of the Approval and Vesting Order. The Purchaser acknowledges that the approval and vesting components of the Approval and Vesting Order may be obtained separately by the Vendor and together will constitute the Approval and Vesting Order.
- (b) If the Approval and Vesting Order has not been granted by the Court prior to the originally scheduled Closing Date, the Vendor shall consult with the Purchaser and, with written consent of the Purchaser, extend the Closing Date to be the first Business Day that is ten Business Days after the Approval and Vesting Order is obtained.

ARTICLE 3
PURCHASE PRICE AND ADJUSTMENTS

3.1 Purchase Price

The Purchase Price for the Purchased Assets shall be Eight Million Six Hundred Fifty Thousand (\$8,650,000) (the “**Purchase Price**”) exclusive of GST/HST where applicable. The Purchase Price shall be paid as follows:

- (a) the sum of \$2,470,978.00 or such other amount representing the amount outstanding under the Wiston Loan as of the Closing Date (the “**Wiston Indebtedness**”) to be paid by the Purchaser (on behalf of the Vendor) to Wiston on the Closing Date as full satisfaction by the Vendor of the Wiston Loan and to be credited to the Purchaser on the Closing Date on account of the Purchase Price;
- (b) the amount equal to the Elle Mortgage Indebtedness and paid by the Purchaser to Elle Mortgage in order to obtain an assignment of the Elle Mortgage Security in favour of the Purchaser, on or about September 15, 2015, to be credited to the Purchaser on the Closing Date on account of the Purchase Price; and
- (c) the balance of the Purchase Price (the “**Balance**”), subject to adjustment in accordance with Sections 3.6 and 3.7, to the Vendor’s Solicitors by wire transfer or certified cheque payable to the Vendor’s Solicitors or as it may direct on the Closing Date and to be distributed by the Vendor’s Solicitors in accordance with the Approval and Vesting Order.

3.2 Elle Mortgage Loan

The parties acknowledge that the Elle Mortgage Indebtedness was due and owing on September 16, 2015, and on or before 5:00pm on September 15, 2015, the Purchaser paid to Elle Mortgage an amount equal to the Elle Mortgage Indebtedness in order to pay out the Elle Mortgage Loan and obtained an assignment of the Elle Mortgage Security by Elle Mortgage in favor of the Purchaser.

3.3 ETA Election

Subject to the advice of the Purchaser’s tax counsel, the Vendor and Purchaser shall, on the Closing Date, elect jointly under subsection 167(1) of the ETA, in the form prescribed for the purposes of that subsection, in respect of the sale and transfer of the Purchased Assets. The Purchaser shall file such election with the Canada Revenue Agency not later than the day on which it is required to file its GST/HST return for its reporting period which includes the Closing Date and shall provide evidence of such filing to the Vendor.

3.4 Taxes

The Purchaser shall be responsible for and pay any land transfer taxes payable on the transfer of the Real Property (and prepare and file any affidavits or returns required under the *Land Transfer Act* (Ontario)), all registration fees payable in respect of registration by it of any documents on Closing and all federal and provincial sales and other taxes payable by a purchaser upon or in connection with the conveyance or transfer of the Purchased Assets, including provincial sales tax and GST/HST. For the avoidance of doubt, such taxes and fees shall be payable by the Purchaser in addition to the Purchase Price.

3.5 General Adjustments

- (a) All revenues and expenses of the Business and relating to the Purchased Assets will be adjusted (the “**Adjustments**”) as at the Closing Date to the effect that except as otherwise set forth herein:
 - (i) up to the Closing Date, the Vendor will bear all expenses and receive all revenues relating to the Business and the Purchased Assets; and
 - (ii) from and after the Closing Date, the Purchaser will bear all expenses and receive all revenues relating to the Business and the Purchased Assets.
- (b) Subject to those items referred to in Section 3.6, the Adjustments shall include all realty taxes, local improvement rates and charges, and other adjustments established by usual practice in each municipality in which the Real Property is located for the purchase and sale of similar properties, as the case may be. In addition, the Adjustments shall include the other matters referred to in this Agreement which are stated to be the subject of adjustment and shall exclude the other matters in this Agreement which are stated not to be the subject of adjustment.
- (c) If the final cost or amount of an item which is to be adjusted cannot be determined at Closing, then an initial adjustment for such item shall be made at Closing, such amount to be estimated by the Vendor, acting reasonably, on the basis of the best evidence available at the Closing as to what the final cost or amount of such item will be. In each case, when such cost or amount is determined, the Vendor or Purchaser, as the case may be, shall provide a complete statement thereof to the other and within 60 days thereafter the parties shall make a final Adjustment as of the Closing Date for the item in question. Notwithstanding the foregoing any and all readjustments shall be completed on or before the Final Adjustment Date and no Claim shall be made by either party in respect of such readjustments after the Final Adjustment Date.
- (d) The provisions of this Section 3.5 shall not merge on, but shall survive Closing.

3.6 Specific Adjustments

The Vendor and the Purchaser hereby acknowledge and agree that:

- (a) In the event that there are any realty or business tax appeals for the calendar year prior to the calendar year in which the Closing occurs for the Purchased Assets, the Vendor shall, at its option, be entitled to continue such appeals and shall be entitled to receive any payment resulting therefrom. In the event there are realty or business tax appeals for the calendar year in which Closing occurs for the Purchased Assets, the Vendor may, at its option, continue such appeals and any payments received resulting therefrom shall be paid to the Vendor and Purchaser on a per diem basis determined by reference to the periods of their respective ownership of the Real Property in question during such calendar year after reimbursement to the Purchaser of its reasonable out-of-pocket costs relating to such appeals. To the extent the Purchaser receives any of the aforementioned payments on or after the Closing Date in respect of realty or business tax appeals for any year prior to the 2015 calendar year, it shall forthwith remit them to the Vendor.

- (b) From and after the Closing Date, the Purchaser shall provide to the Vendor and its auditors, during normal business hours at any time and from time to time upon reasonable prior notice to the Purchaser, ongoing access to the accounting books, files, records and information of the Purchaser relating to the Purchased Assets, for the purpose of calculating or verifying the amount of any Adjustments.
- (c) The provisions of this Section 3.6 shall not merge on, but shall survive, Closing.

3.7 Statement of Adjustments

The statement of Adjustments shall be delivered to the Vendor by the Purchaser at least five Business Days prior to the Closing Date and shall have annexed to it the calculations used by the Purchaser to arrive at all debits and credits on the statement of Adjustments. The Vendor shall give the Purchaser's representatives reasonable access to the Vendor's working papers and backup materials in order to prepare the statement of Adjustments.

3.8 Purchase Price Allocation

The allocation of the Purchase Price between the different components of the Purchased Assets shall be as follows:

(a)	The Real Property	\$5,870,000.00
(b)	Chattels & Inventory located at Real Property	1,845,546.00
(c)	Chattels & Inventory located at Leased Premises	934,453.00
(d)	Books and Records	1.00

To the extent that any further allocation is required as between Chattels and Inventory, such allocation shall be made on a basis that is mutually agreeable to the Purchaser and the Vendor on or before Closing. If the parties fail to agree on such further allocation, each party shall be free to make its own allocation. The parties will cooperate in the filing of all elections under the ITA and other taxation statutes as required to give effect to the allocation for tax purposes and each party will prepare and file its tax returns in a manner consistent with that allocation and those elections.

3.9 Distribution

The Purchaser acknowledges and agrees that it will not object to any distribution made pursuant to the Approval and Vesting Order (or other Court order) or the BIA Proposal of all or any part of the Balance. The Vendor's Solicitor's shall distribute the Balance following the Closing or shortly thereafter in accordance with the Approval and Vesting Order and the Purchaser agrees that it shall:

- (a) not have any Claim against or in respect of any such distribution with respect to this Agreement or the Transaction, including, without limitation, in respect of any obligation or liability of the Vendor:
 - (i) with respect to any representation, warranty, covenant or condition contained herein;
or

- (ii) with respect to the Transaction after the closing of the Transaction;
- (b) have no claims against the Vendor or any Secured Lender in respect of any such distribution and shall have no right to trace or otherwise recover any portion of any such distribution from the Vendor or any Secured Lender or other creditor of the Vendor; and
- (c) not, at any hearing held for the purpose of obtaining Court approval of any distribution of all or part of the Balance, if applicable, object to such approval or such distribution or appeal any order of the Court approving any such distribution.

This Section 3.9 shall not merge on, but shall survive, Closing.

ARTICLE 4 CONDITIONS

4.1 Conditions for Vendor

The obligation of the Vendor to complete the agreement of purchase and sale constituted on the execution and delivery of this Agreement shall be subject to the following conditions:

- (a) on the Closing Date, all of the terms, covenants and conditions of this Agreement to be complied with or performed by the Purchaser on or before the Closing Date, shall have been complied with or performed in all material respects;
- (b) on the Closing Date, all of the representations and warranties of the Purchaser set out in Section 5.2 shall be true and accurate in all material respects as if made as of the Closing; and
- (c) on Closing, receipt of all deliveries to be made by the Purchaser as set out in Section 6.2.

The conditions set forth in this Section 4.1 are for the sole benefit of the Vendor and may be waived in whole or in part by both of the Vendor by Notice in writing to the Purchaser prior to or on the applicable date set forth above for their respective waiver or satisfaction.

4.2 Conditions for Purchaser

The obligation of the Purchaser to complete the agreement of purchase and sale constituted on the execution and delivery of this Agreement shall be subject to the following conditions:

- (a) on the Closing Date, all of the terms, covenants and conditions of this Agreement to be complied with or performed by the Vendor on or before the Closing Date, shall have been complied with or performed in all material respects;
- (b) on the Closing Date, all of the representations and warranties of the Vendor set out in Section 5.1 shall be true and accurate in all material respects as if made as of the Closing;
- (c) on Closing, receipt of all deliveries to be made by the Vendor as set out in Section 6.1; and
- (d) from the date of this Agreement to the Closing Date, there has been no Material Loss to the Purchased Assets.

The conditions set forth in this Section 4.2 are for the sole benefit of the Purchaser, and may be waived in whole or in part by the Purchaser by Notice to the Vendor prior to or on the applicable date set forth above for the waiver or satisfaction of each such condition.

4.3 Mutual Conditions

Subject to Section 2.5(b), the obligation of the Purchaser and Vendor to complete the agreement of purchase and sale constituted on the execution and delivery of this Agreement shall be subject to the following conditions (the “**Mutual Conditions**”):

- (a) on the Closing Date (as may be extended pursuant to Section 2.5(b)), the Approval and Vesting Order shall have been granted by the Court and such Approval and Vesting Order shall not have been enjoined, restricted, stayed, reversed, dismissed and/or appealed, or if appealed, the appeal shall have been dismissed and all relevant appeal periods shall have expired; and
- (b) on the Closing Date, the transactions contemplated under the US Property Purchase Agreement shall have concurrently completed with the agreement of purchase and sale contemplated herein.

The condition set forth in this Section 4.3 is for the benefit of the Purchaser and the Vendor, and may be satisfied in whole by Notice from each party to the other prior to or on the applicable date set forth above for the waiver or satisfaction of such condition

4.4 Satisfaction of Conditions

Each party agrees to proceed in good faith, with promptness and reasonable diligence to attempt to satisfy those conditions contained in Sections 4.1, 4.2 and 4.3, as applicable, that are within its control, acting reasonably; provided that nothing in this Agreement shall be interpreted as requiring the Vendor to spend money to satisfy any conditions, or to address any defects, deficiencies or concerns identified by the Purchaser (including any defects, deficiencies or concerns with title) with respect to the Purchased Assets or any other matter or aspect of the Transaction whatsoever. The parties shall co-operate with each other and the Purchaser shall provide the Vendor with information in its possession or control necessary to seek the Approval and Vesting Order.

4.5 Non-Satisfaction of Conditions

- (a) If any of the conditions set out in Section 4.1 or 4.3 are not satisfied or waived on or before the Closing Date, the Vendor may terminate this Agreement by Notice in writing to the Purchaser given on the Closing Date, after 5:00 P.M. PT in which event this Agreement shall be terminated and of no further force or effect whatsoever, each of the parties shall be released from all of its liabilities and obligations under this Agreement save for those specified to survive termination. Notwithstanding the foregoing, if the condition or conditions in Section 4.1(a), (b), or (c) or the Mutual Conditions that have not been satisfied or waived were not satisfied solely as a result of a default of the Purchaser, the Vendor shall have all rights and remedies against the Purchaser at law and in equity (including the remedy of specific performance). However, the Vendor may waive compliance with any of the conditions set out in Section 4.1 in whole or in part if it sees fit to do so, without prejudice to its rights of termination in the event of non-fulfilment of any other condition contained in Section 4.1 in whole or in part.

- (b) If any of the conditions set out in Section 4.2 or 4.3 are not satisfied or waived on or before the Closing Date, the Purchaser may terminate this Agreement by Notice in writing to the Vendor given on or before the Closing Date, in which event this Agreement shall be terminated and each of the parties shall be released from all of its liabilities and obligations under this Agreement save for those specified to survive termination. Notwithstanding the foregoing, if the condition or conditions in Section 4.2(a), (b), or (c) that have not been satisfied or waived were not satisfied solely as a result of a default of the Vendor, the Purchaser shall have all rights and remedies against the Vendor at law and in equity (including the remedy of specific performance). However, the Purchaser may waive compliance with any of the conditions set out in Section 4.2 in whole or in part if it sees fit to do so, without prejudice to its rights of termination in the event of non-fulfilment of any other condition contained in Section 4.2 in whole or in part.
- (c) Closing Conditions. All conditions to be satisfied on Closing shall be deemed to be satisfied if Closing occurs.

ARTICLE 5 REPRESENTATIONS AND WARRANTIES

5.1 Representations and Warranties of Vendor

The Vendor represents and warrants to and in favour of the Purchaser that as of the date of this Agreement:

- (a) Status. The Vendor is duly organized and subsisting under the laws of its respective jurisdiction of organization. Subject to the issuance of the Approval and Vesting Order, the Vendor has all necessary corporate power, authority and capacity to enter into this Agreement and all other agreements contemplated by this Agreement and to perform its obligations under this Agreement and all other agreements contemplated by this Agreement.
- (b) Authorization. Subject to the issuance of the Approval and Vesting Order, the execution and delivery of this Agreement and all other agreements contemplated by this Agreement by the Vendor, and the consummation of the Transaction contemplated by this Agreement, have been duly authorized by all necessary corporate action of the Vendor.
- (c) Enforceability. Subject to the issuance of the Approval and Vesting Order, this Agreement and all other instruments and agreements to be executed and delivered by the Vendor as contemplated hereby have been duly and validly executed and delivered by the Vendor, and each is a valid and legally binding obligation of the Vendor enforceable against each of them in accordance with its terms.
- (d) No Breach of Instruments or Applicable Laws. Neither the entering into nor the delivery of this Agreement nor the completion by the Vendor of the Transaction contemplated hereby will conflict with, or constitute a default under, or result in a violation of:
 - (i) any of the provisions of the constating documents or organizational documents of the Vendor; or
 - (ii) any Applicable Laws.

- (e) Good Title. The Vendor is in possession of and has good and marketable title to the Purchased Assets free and clear of all Encumbrances other than Permitted Encumbrances and such Encumbrances that will be discharged by the Vendor after Closing in accordance with the Approval and Vesting Order.
- (f) Real Property. The Real Property and the Leased Premises are the only real property used or owned in connection with the Business.
- (g) No Other Agreements. There are no agreements, options, contracts or commitments to sell, transfer or otherwise dispose of the Real Property or which would restrict the ability of the Vendor to transfer the Real Property to the Purchaser.
- (h) Residence. The Vendor is not a non-resident of Canada for the purposes of the ITA.

5.2 Representations and Warranties of Purchaser

The Purchaser covenants, represents and warrants to and in favour of the Vendor that, as of the date of this Agreement:

- (a) Status. The Purchaser is duly organized and subsisting under the laws of its jurisdiction of organization. The Purchaser has all necessary power, authority and capacity to enter into this Agreement and all other agreements contemplated by this Agreement and to perform its obligations under this Agreement and all other agreements contemplated by this Agreement.
- (b) Authorization. The execution and delivery of this Agreement and all other agreements contemplated by this Agreement by the Purchaser and the consummation of the Transaction contemplated by this Agreement by the Purchaser have been duly authorized by all necessary corporate action on the part of the Purchaser.
- (c) Enforceability. This Agreement and all other instruments and agreements to be executed and delivered by the Purchaser as contemplated hereby have been duly and validly executed and delivered by the Purchaser and each is a valid and legally binding obligation of the Purchaser enforceable against it in accordance with its terms, subject, as to enforcement, to bankruptcy, insolvency and other laws affecting creditors' rights generally and to general principles of equity.
- (d) No Breach. Neither the entering into nor the delivery of this Agreement nor the completion by the Purchaser of the Transaction contemplated hereby will conflict with, or constitute a default under, or result in a violation of:
 - (i) any of the provisions of the constating documents or organizational documents of the Purchaser; or
 - (ii) any Applicable Laws.
- (e) No Bankruptcy. The Purchaser:
 - (i) is not an insolvent Person within the meaning of the *Bankruptcy and Insolvency Act* (Canada) or the *Winding-up and Restructuring Act* (Canada);

- (ii) has not made an assignment in favour of its creditors or a proposal in bankruptcy to its creditors or any class thereof;
 - (iii) has not had any petition for a receiving order presented in respect of it; and
 - (iv) has not initiated proceedings with respect to a compromise or arrangement with its creditors or for its winding up, liquidation or dissolution.
- (f) GST. The Purchaser will on Closing be a GST/HST registrant under the ETA and be the sole “recipient” of a supply as defined thereunder.
- (g) No Broker. The Purchaser has not retained the services of any real estate broker or agent in connection with the Transaction.

5.3 GST/HST

The Purchaser hereby represents and warrants to the Vendor as follows:

- (a) the Purchaser shall be registered under subdivision d of Division V of Part IX of ETA for the purposes of collection and remittance of goods and services tax and harmonized sales tax (“**GST/HST**”);
- (b) the Purchaser shall tender on Closing a certificate and indemnity including verification of its registration number issued by Canada Revenue Agency under the ITA (the “**Purchaser’s GST/HST Certificate**”);
- (c) the Purchaser shall be purchasing the Purchased Assets on the Closing Date, as principal for its own account and not as an agent, trustee or otherwise on behalf of another person;
- (d) if the Section 167(1) election is not made pursuant to Section 3.3 or is unavailable for any reason, the Purchaser shall be liable for payment of all GST/HST which is payable under the ETA in connection with the transfer of the Purchased Assets made pursuant to the Agreement, all in accordance with the ETA, in addition to the Purchase Price; and
- (e) the Purchaser shall indemnify and save harmless the Vendor from and against any and all GST/HST, penalties, costs and/or interest which may become payable by or assessed against the Vendor as a result of any inaccuracy, misstatement or misrepresentation made by the Purchaser on the Closing Date in connection with any matter raised in this Section 5.3 or contained in any declaration referred to herein or arising out of the failure of the Vendor to collect, pay or remit GST/HST in respect of the purchase and sale of the Purchased Assets, including any GST/HST that may be collectible by the Vendor if the joint election under section 167(1) of the ETA is not made or unavailable for any reason.

ARTICLE 6 CLOSING DOCUMENTS

6.1 Vendor’s Closing Documents

On or before Closing, subject to the provisions of this Agreement, the Vendor shall execute or cause to be executed and shall deliver or cause to be delivered to the Purchaser the following:

- (a) such transfer documents as are required for title to the Real Property to be registered in the name of the Purchaser in the jurisdiction in which the Real Property is located, including a certified copy of the Approval and Vesting Order (in any case, the “**Transfer**”);
- (b) the Assignment and Assumption of Permitted Encumbrances, and such other assignment assumption or other documents as are required by the terms of the Permitted Encumbrances;
- (c) the Bill of Sale;
- (d) Form GST-44;
- (e) a statement of Adjustments prepared and delivered in accordance with Section 3.7;
- (f) an undertaking by the Vendor to re-adjust the Adjustments;
- (g) the Assignment and Assumption of Customer Contracts;
- (h) a certificate of an officer of the Vendor (in such capacity and without personal liability) confirming that it is not a non-resident pursuant to the provisions of the ITA and that the representations and warranties set out in Section 5.1 are true and accurate in all material respects;
- (i) to the extent in the Vendor’s possession or control, all keys to the Buildings, and all security cards relating to the Real Property;
- (j) an acknowledgement in favour of the Purchaser confirming that each of the Vendor’s conditions as set out in Section 4.1 have been satisfied or waived and the Mutual Conditions have been satisfied;
- (k) a license agreement from the Vendor to the Purchaser with respect to the use of the name “Viceroy” and any and all trademarks owned by the Vendor on a perpetual, worldwide, non-exclusive and royalty-free basis, in the form attached hereto as Schedule “F”; and
- (l) such other documents as may be reasonably required by the Purchaser to complete the purchase and sale of the Purchased Assets.

Except as otherwise set out in this Agreement, all documentation shall be prepared by the Purchaser’s Solicitors and shall be in form and substance acceptable to the Purchaser and the Vendor, each acting reasonably and in good faith, provided that none of such documents shall contain covenants, representations or warranties which are in addition to or more onerous upon any of the Vendor or the Purchaser than those expressly set forth in this Agreement or any of the Schedules hereto.

6.2 Purchaser’s Closing Documents

On or before Closing, subject to the provisions of this Agreement, the Purchaser or Viceroy 2015, as applicable, shall:

- (a) deliver to the Vendor’s Solicitor’s, the Balance; and
- (b) execute or cause to be executed and deliver or cause to be delivered to the Vendor’s Solicitors or the Vendor, as applicable, the following:

- (i) the Assignment and Assumption of Permitted Encumbrances, and other assignment, assumption and other documents as are required by the terms of the Permitted Encumbrances;
- (ii) an undertaking by the Purchaser to re-adjust the Adjustments;
- (iii) the Assignment and Assumption of Customer Contracts;
- (iv) a certificate of an officer of the Purchaser (in such capacity and without personal liability) confirming that the representations and warranties set out in Section 5.2 are true and accurate in all material respects;
- (v) the Purchaser's GST/HST Certificate;
- (vi) Form GST-44;
- (vii) a statement of Adjustments prepared and delivered in accordance with Section 3.7;
- (viii) an acknowledgement in favour of the Vendor confirming that each of the Purchaser's conditions as set out in Section 4.2 have been satisfied or waived and that the Mutual Conditions have been satisfied;
- (ix) a release (and any required discharge documents) executed by Wiston acknowledging the full repayment of the Wiston Loan by the Vendor and releasing and discharging the Vendor and the Guarantor from all obligations under the Wiston loan and discharging the Wiston Security from all property and assets of the Vendor, if required or applicable;
- (x) a release executed by the Purchaser releasing and discharging the Vendor (and any guarantors) from all obligations under the Elle Mortgage Loan, if required or applicable;
- (xi) a subordination agreement executed by Wiston and San Bao pursuant to which San Bao agrees that the San Bao Indebtedness shall be subordinated in right of payment to the prior payment of the Wiston Indebtedness and that the San Bao Security shall be subordinated in favour of the Wiston Security; and
- (xii) such other documents as may be reasonably required by the Vendor to complete the purchase and sale of the Purchased Assets.

Except as otherwise set out in this Agreement, all documentation shall be prepared by the Purchaser's Solicitors and shall be in form and substance acceptable to the Purchaser and the Vendor, acting reasonably and in good faith, provided that none of such documents shall contain covenants, representations or warranties which are in addition to or more onerous upon either of the Vendor, or the Purchaser than those expressly set forth in this Agreement.

6.3 Registration and Other Costs

- (a) Except as otherwise set out herein, the Vendor shall be responsible for the costs of the Vendor's Solicitors in respect of this Transaction. The Purchaser shall be responsible for the costs of the Purchaser's Solicitors in respect of this Transaction.
- (b) The Purchaser shall indemnify and save harmless the Vendor and their respective shareholders, directors, officers, employees, advisors and agents from all claims, actions, causes of action, proceedings, losses, damages, costs, liabilities and expenses incurred, suffered or sustained as a result of a failure by the Purchaser:
 - (i) to pay any federal, provincial or other taxes payable by the Purchaser in connection with the conveyance or transfer of the Purchased Assets whether arising from a reassessment or otherwise, including provincial sales tax and goods and services tax, if applicable; and/or
 - (ii) to file any returns, certificates, filings, elections, notices or other documents required to be filed by the Purchaser with any federal, provincial or other taxing authorities in connection with the conveyance or transfer of the Purchased Assets.
- (c) This Section shall survive and not merge on Closing.

6.4 Closing Escrow

All Closing Documents shall be delivered into escrow at the place of Closing on or before the Closing Date. Such Closing Documents shall be held by the Vendor's Solicitors in escrow until all parties, acting reasonably, are satisfied that all conditions set forth in Sections 4.1, 4.2 and 4.3 to be satisfied on or before Closing have been satisfied (or waived) other than:

- (a) the payment of the Balance; and
- (b) the registration of the Transfer,

whereupon the Purchaser shall cause the Balance to be delivered by certified cheque or wire transferred to the Vendor's Solicitor's account and, upon the Vendor's Solicitor's receiving the certified cheque or confirmation from the applicable bank that the Balance has been deposited, the Vendor's Solicitors shall release the Transfer for registration in accordance with the usual practice in the jurisdiction in which the Real Property is located for the purchase and sale of similar properties, the Closing Documents shall be released from escrow and the Balance shall be distributed by the Vendor's Solicitor's in accordance with the Approval and Vesting Order.

6.5 Discharge of Vendor's Encumbrances

The Purchaser acknowledges and agrees that if the Vendor's title to any of the Purchased Assets is subject to any Encumbrance which the Vendor is required to discharge, the Vendor will not be required to clear title to such Purchased Assets before the receipt by the Vendor's Solicitor's of the Balance but the Vendor will be obligated to do so within a reasonable time following Closing in accordance with the Approval and Vesting Order.

ARTICLE 7
OPERATION OF THE BUSINESS

7.1 Customer Contracts and Assumed Liabilities

As of the Closing Date, Viceroy 2015 shall assume, pursuant to the Assignment and Assumption of Customer Contracts:

- (a) the Customer Contracts from the Vendor to the extent they are assignable and in force on Closing; and
- (b) the Assumed Liabilities from the Vendor and Viceroy 2015 shall pay, perform, discharge or otherwise be responsible for the Assumed Liabilities. For greater certainty, Viceroy 2015 will not assume and will not be responsible for any liabilities other than the Assumed Liabilities.

7.2 Leased Premises

The parties acknowledge that the Existing Lease expires on November 30, 2015. In the event that the Closing Date occurs after November 30, 2015, the Vendor shall, at its cost and expense, extend the term of the Existing Lease to the Closing Date.

7.3 Employees

- (a) At least 7 days before the Closing Date, Viceroy 2015 will offer new employment only to those Employees set out in the attached Schedule "G", such employment to be effective as of the commencement date as set out in Schedule "G" (the "**Start Date**").
- (b) Viceroy 2015 will not recognize the prior service of the Viceroy 2015 Employees with the Vendor or any of its Affiliates for the purposes of calculating any length or period of employment with Viceroy 2015 as required by any Applicable Laws (including, for certainty, in relation to severance). Furthermore, Viceroy 2015 will assume responsibility, as employer with respect to the Viceroy 2015 Employees, and will only bear the obligations and liabilities accrued on and after the Start Date, whether arising by contract or Applicable Law, including wages, bonuses, commissions, vacation pay, severance pay, termination pay, notice of termination of employment or pay in lieu of such notice, damages for wrongful dismissal and other employee benefits and claims in respect of the Viceroy 2015 Employees.
- (c) For greater certainty, the parties acknowledge that:
 - (i) all liabilities related to the Employees accrued prior to the Closing Date, other than liabilities relating to Viceroy 2015 Employees accruing from the Start Date, will be dealt with in the BIA Proposal and that Viceroy 2015 will not be liable for any such liabilities;
 - (ii) the Vendor is responsible for all obligations and liabilities related to the Employees (whether or not they are offered employment by Viceroy 2015) that accrued prior to the Closing Date, other than any obligations and liabilities relating to Viceroy 2015 Employees that accrued from the Start Date to the Closing Date; and

- (iii) the Vendor is responsible for all obligations and liabilities that accrued prior to the Closing date with respect to all Employees that are offered employment by Viceroy 2015 and that decline such offer.

ARTICLE 8 GENERAL

8.1 Gender and Number

Words importing the singular include the plural and *vice versa*. Words importing gender include all genders.

8.2 Captions and Table of Contents

The caption, headings and table of contents contained herein are for reference only and in no way affect this Agreement or its interpretation.

8.3 Obligations as Covenants

Each agreement and obligation of any of the parties hereto in this Agreement, even though not expressed as a covenant, is considered for all purposes to be a covenant.

8.4 Applicable Law

This Agreement shall be construed and enforced in accordance with the laws of the Province of British Columbia and the laws of Canada applicable therein and shall be treated in all respects as an British Columbia contract.

8.5 Currency

All reference to currency in this Agreement shall be deemed to be reference to Canadian dollars.

8.6 Invalidity

If any immaterial covenant, obligation, agreement or part thereof or the application thereof to any Person or circumstance, to any extent, shall be invalid or unenforceable, the remainder of this Agreement or the application of such covenant, obligation or agreement or part thereof to any Person, party or circumstance other than those to which it is held invalid or unenforceable shall not be affected thereby. Each covenant, obligation and agreement in this Agreement shall be separately valid and enforceable to the fullest extent permitted by law.

8.7 Amendment of Agreement

Except as expressly provided otherwise in this Agreement, no supplement, modification, waiver or termination of this Agreement shall be binding unless executed in writing by the parties hereto in the same manner as the execution of this Agreement.

8.8 Time of the Essence

Time shall be of the essence of this Agreement.

8.9 Further Assurances

Each of the parties hereto shall from time to time hereafter and upon any reasonable request of the other, execute and deliver, make or cause to be made all such further acts, deeds, assurances and things as may be required or necessary to more effectually implement and carry out the true intent and meaning of this Agreement.

8.10 Entire Agreement

This Agreement and any agreements, instruments and other documents herein contemplated to be entered into between, by or including the parties hereto constitute the entire agreement between the parties hereto pertaining to the agreement of purchase and sale provided for herein and supersede all prior agreements, understandings, negotiations and discussions, whether oral or written, with respect thereto, and there are no other warranties or representations and no other agreements between the parties hereto in connection with the agreement of purchase and sale provided for herein except as specifically set forth in this Agreement or the Schedules attached hereto.

8.11 Waiver

No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provision (whether or not similar) nor shall any waiver constitute a continuing waiver unless otherwise expressed or provided.

8.12 Solicitors as Agents and Tender

Any Notice, approval, waiver, agreement, instrument, document or communication permitted, required or contemplated in this Agreement (including, without limitation, any agreement to amend this Agreement) may be given or delivered and accepted or received by the Purchaser's Solicitors on behalf of the Purchaser and by the Vendor's Solicitors on behalf of the Vendor and any tender of Closing Documents may be made upon the Vendor's Solicitors and the Purchaser's Solicitors, as the case may be.

8.13 Merger

Except as otherwise expressly set out herein, this Agreement shall merge with the Closing of the Transaction contemplated herein.

8.14 Successors and Assigns

All of the covenants and agreements in this Agreement shall be binding upon the parties hereto and their respective successors and permitted assigns and shall enure to the benefit of and be enforceable by the parties hereto and their respective successors and their permitted assigns pursuant to the terms and conditions of this Agreement.

8.15 Assignment

The Purchaser shall have the right to assign this Agreement, without the consent of the Vendor but on written notice to the Vendor upon such assignment taking place to an affiliate (as such term is defined in the *Canada Business Corporations Act*), provided in the case of such assignment that the assignee executes and delivers an agreement in favour of the Vendor agreeing to be bound by all obligations of the Purchaser hereunder. The Purchaser shall not otherwise assign its rights and/or obligations hereunder without the prior written consent

of the Vendor, which consent may be unreasonably withheld in the Vendor's sole discretion. Notwithstanding any assignment the Purchaser shall not be released or relieved from any of its obligations hereunder until Closing and shall be jointly and severally liable with the assignee hereunder until Closing.

8.16 Confidentiality

- (a) Except as may be required in connection with the BIA Proceedings, until Closing (and in the event this Agreement is terminated for any reason other than its completion, then also from and after such termination), the Purchaser and its consultants, agents, representatives, advisors, partners, solicitors, lenders and prospective lenders and their respective solicitors shall keep confidential all information, documentation and records obtained from the Vendor or its consultants, agents, representatives, advisors or solicitors with respect to the Purchased Assets, as well as any information arising out of the Purchaser's access to the Vendor's records and the Purchased Assets and the Purchaser's own due diligence with respect thereto (collectively, the "**Confidential Information**"). The Purchaser shall not use any Confidential Information for any purposes not related to this Transaction or in any way knowingly detrimental to the Vendor. Nothing herein contained shall restrict or prohibit the Purchaser from disclosing the Confidential Information to its consultants, agents, representatives, advisors, partners, solicitors, lenders and prospective lenders and their respective solicitors so long as the Purchaser instructs such parties to keep such information confidential.
- (b) The Confidential Information referred to in this Section shall not include:
 - (i) public information or information in the public domain at the time of receipt by the Purchaser or its consultants, agents, advisors, partners and solicitors;
 - (ii) information which becomes public through no fault or act of the Purchaser or its consultants, agents, advisors, partners and solicitors;
 - (iii) information required to be disclosed by law; or
 - (iv) information received in good faith from a third party lawfully in possession of the information and not in breach of any confidentiality obligations.
- (c) If this Agreement is terminated for any reason, the Purchaser shall promptly return to the Vendor, or destroy (and provide a certificate of an officer of the Purchaser certifying such destruction), all Confidential Information (other than the Purchaser's notes and due diligence materials) and similar material including all copies, and shall destroy all of the Purchaser's notes and due diligence materials in hard or soft copy containing Confidential Information related to this Transaction (and provide a certificate of an officer of the Purchaser certifying such destruction). The Purchaser shall also cause all of its consultants, agents, representatives, advisors, partners, solicitors, lenders and prospective lenders and their respective solicitors to comply with the terms of this Section 8.16(c) and to certify such compliance to the Vendor.

8.17 Notice

Any notice, demand, approval, consent, information, agreement, offer, request or other communication (a "**Notice**") to be given under or in connection with this Agreement shall be in writing and shall be given by personal delivery during regular business hours on any Business Day or by facsimile transmission or other

electronic communication which results in a written or printed notice being given, addressed or sent as set out below or to such other address or electronic number as may from time to time be the subject of a Notice:

(a) to the **Vendor**:

Viceroy Homes Limited

12211 Horseshoe Way,
Richmond, BC
V7A 4V4

Attention: Robert Hammell
Email: RHammell@viceroy.com

with a copy to the **Vendor's Solicitors**:

Clark Wilson LLP
900 – 885 West Georgia Street
Vancouver, BC
V6C 3H1

Attention: Christopher Ramsay
Facsimile: 604-687-6314
Email: CRamsay@cwilson.com

(b) to the **Purchaser**:

Besco International Investment Co., Ltd

120 4611 Viking Way
Richmond, BC
V6V 2K9

Facsimile: 604-805-9666

with a copy to the **Purchaser's Solicitors**:

McMillan LLP
1500-105 West Georgia Street
P.O. Box 11117
Vancouver, BC
V6E 4N7

Attention: Victor Tsao
Facsimile: 604-685-7084
Email: victor.tsao@mcmillan.ca

Any Notice, if personally delivered, shall be deemed to have been validly and effectively given and received on the date of such delivery and if sent by facsimile transmission or other electronic communication with confirmation of transmission prior to 5:00 P.M. PT, shall be deemed to have been validly and effectively given

and received on the Business Day it was sent unless the confirmation of transmission was after 5:00 P.M. PT in which case it shall be deemed to have been received on the next following Business Day.

8.18 Effect of Termination of Agreement

Notwithstanding the termination of this Agreement for any reason, the confidentiality provisions contained in Section 8.16 of this Agreement shall survive termination and shall remain in full force and effect.

8.19 No Registration of Agreement

The Purchaser covenants and agrees not to register this Agreement or any notice of this Agreement on title to the Lands or any part thereof or interest therein, save if the Vendor is in default hereunder.

8.20 Planning Act

This Agreement shall be effective to create an interest in the Real Property located in Ontario only if the subdivision control provisions of the *Planning Act* (Ontario) are complied with by the Vendor on or before the Closing Date.

8.21 Announcements

Except as otherwise required by Applicable Laws or a Governmental Authority, or as may be required in connection with the BIA Proceedings, including in order to obtain the Approval and Vesting Order, no press release or public announcement with respect to this Agreement or the Transaction may be made except with the prior written consent and joint approval of the Vendor and the Purchaser. Where the public disclosure is required by Applicable Laws, a Governmental Authority or in connection with the BIA Proceedings, the party required to make the public disclosure will use its reasonable commercial efforts to obtain the approval of the other party as to the form, nature and extent of the disclosure.

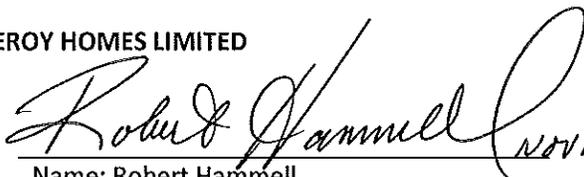
8.22 Counterparts; Electronic Transmission

This Agreement may be executed in any number of counterparts, all of which taken together shall be deemed to constitute one and the same instrument. All parties agree that this Agreement may be transmitted by electronic transmission via email and that the reproduction of signatures by way of electronic transmission via email will be treated as though such reproduction were executed originals and each party undertakes to provide the others with a copy of this Agreement bearing original signatures within a reasonable time after the date of execution.

IN WITNESS WHEREOF the parties have executed this Agreement as of the Execution Date.

VICEROY HOMES LIMITED

By:

 *Robert Hammell* NOV 10/15

Name: Robert Hammell

Title: CHAIRMAN

I have authority to bind the Corporation.

✓ **BESCO INTERNATIONAL INVESTMENT CO., LTD.**

By: _____
Name:
Title:

By: _____
Name:
Title:

I/We have authority to bind the Corporation.

VICEROY HOUSES (2015) LTD.

By: _____
Name: *Huigang Sun*
Title: *President*

By: _____
Name:
Title:

I/We have authority to bind the Corporation.

BESCO INTERNATIONAL INVESTMENT CO., LTD.

By: _____
Name: *Mingang Sun*
Title: *President*

By: _____
Name:
Title:

I/We have authority to bind the Corporation.

VICEROY HOUSES (2015) LTD.

By: _____
Name:
Title:

By: _____
Name:
Title:

I/We have authority to bind the Corporation.

SCHEDULE "A"

US PROPERTIES

Lands having the following municipal addresses:

(a) 10411 SW Barbur Blvd.
Portland, Oregon
USA

(b) 13022 E. Nora Avenue
Spokane, Washington
USA

SCHEDULE "B"

CHATELS

ITEM #	QTY	ITEM DESCRIPTION	FSV CDN\$
1	1	SR Industries "350" Radial Arm Saw w/ 14" Blade, 4 Hp, Bench	\$250
2	1	Progress 6" x 40" Horizontal Belt Sander	\$350
3	1	Delta Rockwell "Unisaw 34-450" Tilting Arbor Table Saw w/ 10" Blade, 36" x 27" Table	\$350
4	1	JS Poitras 8" Jointer	\$200
5	1	Griggio "T1000" Shaper	\$1,000
6	1	Beaver Delta "17-901" 17" Pedestal Drill Press	\$125
7	1	Cantek "WBS24L" Vertical Bandsaw S/N 8068	\$500
8	1	Electrim Poland "OMMR-40" Tablesaw S/N 8963	\$500
9	1	2004 Friulmac "Randomat-E" Double Head Profiler S/N 3611A	\$7,500
10	1	2004 Ganner "Gannomat 480FS" Dowel Boring, Gluing, and Inserting Machine S/N 252489	\$15,000
11	1	2000 Shoda "NCW516-2162" 4 Head CNC Gantry Type Router S/N E0501 w/ 2 - Vacuum Tables, 4 - ATC, Fanuc 18i-M Controller	\$20,000
12	1	2004 Shoda "Titanium A" CNC Gantry Style Router S/N T55-J0201 w/ Vacuum Table, Boring and Routing Capabilities	\$25,000
13	1	Videojet "Excel 2000" Marking System	\$1,500
14	1	Gorbel Overhead Crane System w/ Vacuum Lifting Device	\$3,000

ITEM #	QTY	ITEM DESCRIPTION	FSV CDN\$
15	1	Gorbel Jib Boom 750 lb. cap. w/ Tawai Vacuum Lifting Device s/n 19324	\$2,000
16	1	2004 Homag "Optimat KL-73/A3/S2" Horizontal Edge Bander S/N 0-200-66-1484 w/ Ligmatech "ZHR01/L/055" Return Table s/n 0-305-66-1726	\$15,000
17	1	2003 Samuel "SOA750/36" Orbital Stretch Wrapping System S/N 750/36-0422031286	\$4,000
18	1	Samuel "SHP175-NB/N-EZ/SB" Turmtable Type Pallet Wrapper S/N 175PB-0227041466	\$2,000
19	1	2000 Costa Levigatrici "KH2-CCC-1350" Pass Through Belt Sander S/N A06717AC1	\$15,000
20	1	2004 Strapack "RQ-8" Overarm Strapping Machine S/N 2494-6204	\$800
21	1	JTL "79K-6-DC" Assembly Clamp	\$300
22	1	2001 Gre-Con "Profi-Press 2500" Gluing Press S/N 0659-12 w/ Microwave High Speed Curing, Glue Dispensing	\$6,000
23	1	2000 Silver "SCC-AP24" Planer S/N 20207.195 (Not in Service)	\$2,000
24	1	2001 Raimann "KR US BV" Programmable Gang Rip Saw S/N 26739 w/ Infeed Conveyor System	\$12,000
25	1	2004 Weinig "Unimat 3000" Moulder w/ Infeed Conveyor	\$20,000
26	1	8 Strand Incline Transfer Conveyor	\$2,000
27	1	Programmable Belt Transfer and Alignment Conveyor	\$3,000

ITEM #	QTY	ITEM DESCRIPTION	FSV CDN\$
28	1	2005 Dimter "Opticut 350" Optimizing Saw S/N 2346.10	\$25,000
29	1	Discharge Belt Conveyor	\$3,000
30	1	Doucet "EM-2" Endmatch Tongue & Groove System S/N 97-10-292	\$15,000
31		2002/03 Finishing Line # 1 - Consisting of; - Cefla "TN 2500" Infeed Belt Conveyor s/n 03223/1 - 2004 Costa "CCCT 1350" 54" Pass Through Sander s/n A31105AC2 - Cefla "TN 2500" Belt Conveyor s/n 03223/4 - Sorbini "Smartcoater M" Roll Coater s/n MRITTO223394 - Sorbini "VS/26-3C" Conveyor s/n MT250023395 - Cefla "UV2000 M2-TTE2500" UV Dryer s/n 03223/6 - Sorbini "VS/32-BD" Brush s/n MP15TS23396 - Cefla "TN2500" Belt Conveyor s/n 03223/6 - Sorbini "Smartcoater SP1" Roll Coater s/n MR1TLL23397 - Cefla "UV2000 M1 TTE 2500" UV Dryer s/n 03223/10 - Sorbini "Smartcoater MF" Roll Coater s/n MR1TFF23398 - Cefla "UV2000 M1 TTE3000" UV Dryer s/n 03223/12 - 2004 Costa "CT-1350" 54" Pass Through Sander s/n A31105AC1 - Sorbini "Smartcoater MF" Roll Coater s/n MR1TFF23399 - Cefla "UV2000 M1 TTE 4000" UV Dryer s/n 03223/14 - Sorbini "Smartcoater Laser Roller" s/n MR2TSL23357 - Cefla "TR AD 2500/90/9" Conveyor s/n 03223/17 - Cefla "UV2000 M1 TTE 3500" UV Dryer s/n 03223/18 - Run Off Conveyor	\$75,000
32	1	2003/04 Finishing Line # 2 - Consisting of; - Cefla "TN3000" Infeed Belt Conveyor s/n 01326/1 - Passthrough Rotary Sander/Polisher - Cefla "TN 4000 A" Belt Conveyor s/n 11202/3 - Cefla "UR2/4-TTE 3000" Dryer s/n 03169/1 - Cefla "Ecosprayer Easy D" Dual Rotary Spray Heads s/n 01326/2 - Transfer Conveyor - 3 Kremlin Stain Pumps - Cefla 3 Stage Natural Gas Pass Through Oven - Cefla "Ecolight TLF B2/IC-TTE 3000" UV Dryer s/n 11202/7	\$50,000

ITEM #	QTY	ITEM DESCRIPTION	FSV CDN\$
33	1	Samuel "SHP175-NB/N-EZ" Turntable Type Pallet Wrapper S/N 175PB-0424031290	\$2,000
34	1	Weinig "Rondamat 960" Knife Grinder	\$6,000
35	1	Weinig "9980 OPTI" Knife Setter	\$1,500
36	1	Templatemakers 3 Axis Knife Profile Router	\$1,500
37	1	1997 Actual "A-4-V-3206" Vertical 4 Point Welder S/N 15-7387	\$8,000
38	1	Urban "AKS-5210/4F" 2 Point Corner Welder S/N 52310	\$2,500
39	1	Actual "A400-SE" 4 Point Welder S/N M15-0250	\$1,000
40	1	PV Technic "SA320" Single Corner Welder S/N 03-158	\$2,500
41	1	1998 Urban "SV 800/2.5M" Automatic 4 Point Cleaner and Trimmer S/N 80063/2	\$10,000
42	1	2000 Urban "SV 800/2.5M" Automatic 4 Point Cleaner and Trimmer S/N 80092/1	\$8,000
43	1	Pertici Certialdo "ML123/E-P" Profile Router S/N 061-166	\$800
44	1	2001 Joseph "ZDM-4590" Cut to Length Line S/N 2441-0501	\$4,000
45	1	2001 Joseph "ZHVN-4545" Cut to Length Line S/N 1610-00-100	\$4,000
46	1	Urban "AKX6105/4-30/25" 4 Point Welder and Conveyor S/N 610099	\$10,000
47	1	King "KC1433FX" Vertical Bandsaw	\$150

ITEM #	QTY	ITEM DESCRIPTION	FSV CDN\$
48	1	Penta "Penta LGF" Mitreing and Cut to Length Saw S/N 092 w/ Tiger Stop Measurement System	\$4,000
49	1	Industrial Cooling Equipment "SHA-40" Water Chilling System S/N 1186-1359-01 Consisting of: 40 Ton Refridgerated Chiller, 2 - 20 hp recirculating pumps, 1 - 7.5 hp recirculating pump, infloor pit type recirculation reservoir	\$3,000
50	1	1986 American Maplan "DSK52" Twin Screw Extruder S/N 120803	\$8,000
51	1	Actual "AE50B" Pedestal Type Co-extruder S/N M-15-0387	\$2,000
52	1	Actual Vacuum Sizing and Cooling Table S/N M-15-0591	\$2,000
53	1	Actual Puller and Cutoff Saw Combination S/N M-15-0364	\$2,500
54	1	Actual Dump Table	\$500
55	1	1987 American Maplan "DSK62" Twin Screw Extruder S/N 120808	\$10,000
56	1	Actual "AE50B" Pedestal Type Co-extruder S/N M-15-0386	\$2,000
57	1	Actual Vacuum Sizing and Cooling Table	\$2,000
58	1	Actual Puller and Cutoff Saw Combination	\$2,500
59	1	Actual Dump Table	\$500
60	1	1987 American Maplan "DSK62" Twin Screw Extruder S/N 120809	\$10,000
61	1	Actual "AE50B" Pedestal Type Co-extruder S/N M-15-0388	\$2,000

ITEM #	QTY	ITEM DESCRIPTION	FSV CDNS
62	1	Actual Vacuum Sizing and Cooling Table	\$2,000
63	1	Actual Puller and Cutoff Saw Combination S/N M-15-0023	\$2,500
64	1	Dump Table	\$500
65	1	Plencon 1 Ton Bridge Crane w/ 15' span, 35' runway	\$2,000
66	2	Dewalt Mitre Saws	\$300
67	1	Delta "17-901" Drill Press	\$150
68	1	Cyclone Sand Blast Cabinet	\$500
69	1	SR "350" Radial Arm Saw 14" Blade, 4 Hp, Bench	\$250
70	1	Actual "A100-B" Single Point Welder	\$500
71	1	Urban "AKS-3610" Single Point Welder S/N 10604	\$1,000
72	1	Spadix "Sureseal" Automatic Window Sealing System S/N 030923	\$1,500
73	2	Urban "KV2800" Window Clamp and Assembly Tables S/N 62023, 62024	\$2,000
74	2	Kear Tilting Assembly Table	\$1,500
75	1	Dewalt "DW 708" Mitre Saw	\$150
76	3	Makita Mitre Saw	\$225
77	1	SSC Vertical Panel Saw	\$800

ITEM #	QTY	ITEM DESCRIPTION	FSV CDN\$
78	1	Fairbanks Morse 2000 lb. cap Beam Scale	\$250
79	1	OMGA "RN450" Radial Arm Saw	\$300
80	Qty	Pneumatic Vinyl Window Pneumatic Punching Station	\$1,000
81	1	Miller "Millermatic 250" Mig Welder S/N KK153762	\$1,000
82	1	King 10" x 16" Horizontal Bandsaw S/N 690368	\$600
83	1	King Finger Brake	\$600
84	1	King 12" x 36" Metal Lathe S/N 432214	\$2,000
85	1	2004 King "942VS" Vertical Milling Machine S/N 10741 w/ Mitutoyo Digital Readout	\$3,000
86	1	King "KC-401V2F 401 Milling and Drilling Machine S/N 334075	\$2,000
87	2	Warehouse Rolling Ladders	\$300
88	2	Strahlkran Bridge Cranes w/ 4 Ton Cap.	\$10,000
89	1	2002 Weinmann Wall Assembly System S/N 0-309-06-0026 - Consisting of; infeed Conveyor, Weinmann Top and Bottom Auto Nailing System S/N 0-390-06-0026 w/ Discharge Conveyor Weinmann "WTW 10/6" Automated Shuttle Table S/N 0-390-06-0216	\$40,000

ITEM #	QTY	ITEM DESCRIPTION	FSV CDN\$
		Weinmann "WTW 10" Automated Nailing Station S/N 0-390-06-0003 w/ 2 Programmable Nailing Heads on Gantry Bridge, Associated Control & Electrical Panels, Conveyor, etc.	
90	1	2002 Weinmann Wall Assembly System S/N 01106.L74 - Consisting of; Infeed Conveyor, Weinmann Top and Bottom Auto Nailing System w/ Discharge Conveyor Weinmann "WTW 10/6" Automated Shuttle Table Weinmann "WTW 10" Automated Nailing Station w/ 2 Programmable Nailing Heads on Gantry Bridge, Associated Control & Electrical Panels, Conveyor, etc.	\$10,000
91	1	1998 Mitek Industries "Cybersaw" Component Saw S/N 066 w/ 5 Heads, Scrap Discharge Conveyor	\$17,000
92	1	Spanco Overhead Crane System w/ 500 lb, cap.	\$1,500
93	2	Manuel Paint Booths and Accessories	\$1,000
94	2	Strapak "RQ-8" Overarm Strapping Machines S/N 22130, 23607	\$1,000
95	1	Hotsy "1.109-033.0" Pressure Washer/Steam Genie S/N 163432	\$400
96	1	1997 Holtec "FSHK" Package Saw S/N 1182397086 w/ Scrap Conveyor	\$12,000
97	1	2004 Hundegger "K2A" CNC Cut to Length Line S/N 11153 Scissor Lift Tables, Air Compressor s/n 0003719	\$80,000

ITEM #	QTY	ITEM DESCRIPTION	FSV CDN\$
98	1	Stenner 48" Resaw S/N U5576	\$4,000
99	1	Timesaver "137-1HP75" Pass Through Sander S/N 26045	\$1,500
100	1	Custom Made Floor Joist Stringer Tacking Press	\$500
101	1	Pacific Automation "Auto 8" Truss Roller Press S/N PA325 w/ 8' x 40' Table	\$7,500
102	1	Jager Industries "Mini 8" Truss Roller Press S/N HB587	\$7,500
103	1	2008 Mitek Koskovich "Omni Miser 2" Cut to Length Line S/N OM2K8097020 w/ Sorter and Out Feed Conveyor	\$40,000
104	1	2008 Mitek Industries "Roof Tacker" Truss Manufacturing Table S/N 32008299121 w/ Truss Roller Press	\$125,000
105	1	2002 Dimter Weinig "OPTICUT 104R" Optimizing Saw S/N 756.1	\$25,000
106	3	Safety Speed Cut Vertical Panel Saws S/N 56783, 59938, 42838	\$2,400
107	1	MacDoanald - Conquest Dust Collector w/ Dynaload Bin Spreaders	\$6,000
108	1	Kraemer Dust Collector	\$4,000
109	1	Kraemer 150 HP Dust Collector w/ Control Panel, Ducting,	\$10,000
110	1	Conquest 150 HP Dust Collector w/ Control Panel, Ducting (Blue)	\$10,000

ITEM #	QTY	ITEM DESCRIPTION	FSV CDN\$
111	1	Power Pak Garabge Compactor w/ Garbage Bin	\$1,500
112	1	Miscellaneous Tooling - Consisting of; Router Tools, Moulder Tooling, Saw Blades, Lumber Clamp, Hand Tools, Workbenches, Conveyors, etc.	\$5,000
113	1	2002 Ingersoll Rand "SSR-EP100" Rotary Screw Air Compressor S/N CK5148U02117	\$5,000
114	1	Ingersoll Rand 75 HP Rotary Screw Air Compressor S/N NV5087U2081	\$4,000
115	1	2002 Ingersoll Rand "TMS-0670" Refridgerated Air Dryer S/N TMS 0670 020106	\$1,200
116	2	Hyster "S40XL" LPG Forklift S/N A187V05944H, A187V05140G	\$4,000
117	1	Toyota "42-5FG20" LPG Forklift S/N 16987	\$3,000
118	1	Tenant "3640" Walk Behind Floor Scrubber S/N 8881	\$500
119	1	Raymond "Easi R35TT" Electric Reach Truck S/N EZ-D-01-30229	\$3,000
120	1	Raymond "Easi R35TT" Electric Reach Truck S/N EZ-D-01-30331	\$3,000
121	1	Raymond "12AT5E404" Electric Pallet Walkie	\$800
122	2	Toyota "02-5FD35" LPG Froklift S/N 10825, 10843	\$8,000
123	1	Toyota "42-5FG20" LPG Forklift S/N 19656	\$3,000
124	1	Toyota "02-5FD35" LPG Forklift S/N 10850	\$3,000

ITEM #	QTY	ITEM DESCRIPTION	FSV CDN\$
125	1	Toyota "7FGCU25" LPG Forklift S/N 67609	\$4,000
126	1	Skyjack "SJIII-3220" Electric Scissor Lift S/N 610330	\$2,500
127	1	Doucet "SDM-1-30-72" Cabinet Door Clamps S/N 2014-06-090	\$1,000
128	1	Peston "DMMB" Sliding Table Saw S/N 8969	\$1,000
129	1	Merrick "Ruvo" Stair Router S/N SSR-80-00	\$2,500
130	1	Tennant "3640E" Floor Sweeper S/N 8040	\$300
131	1	Barberan "PUR-33-L Basic" Vinyl Wrapper S/N 13096-06-03	\$2,000
132	1	SCM "S630" Pass Through Planer S/N 9397	\$800
133	1	Guardian Plus "04390-3" Generator S/N 3963748	\$1,000
134	1	2011 GMC "Sierra 1500" Pickup Truck Vin - 1GTN2TEA4BZ121115	\$10,000
135	1	2011 GMC "Sierra 1500" Pickup Truck Vin - 1GTN2TEA4BZ135481	\$10,000
136	1	2009 Ford "E250" Commercial Van Vin - 1FTNE24WX9DAS4915	\$6,000
137	1	2012 Griffin Trailer Vin - 4C9BU1225DEO20473	\$2,500
138	1	Unknown Dry Van Trailer w/ Power Tail Gate	\$2,000

ITEM #	QTY	ITEM DESCRIPTION	FSV CDN\$
139	Lot	Miscellaneous Equipment - Consisting of; King Mitre Saw, Milwaukee Abrasive Saw, Shop Press, Bench Grinders, Precision Measuring Equipment, Tool Boxes, Oxy-actylene Torch, Worktables, Store Racking, Carts, Tubs, Router Tools, Moulder Tooling, Saw Blades, Lumber Clamp, etc.	\$10,000
140	Lot	Equipment in Storage - Consisting of; Kval Door Latch Machine, Kval Door lock Router, Itai Presse Falcon 2000, Blum Hinge Presses, Window Assembly Fixtures, Pneumatic Presses, Bridge Crane (Yard), etc.	\$20,000
141	Lot	Office Furniture and Computers - Consisting of; Desks, Chairs, File Cabinets, Storage Cabinets, Computers & Printers, Modular Workstations, etc.	\$20,000
			\$1,024,150

ITEM #	QTY	ITEM DESCRIPTION	FSV CDN\$
1	1	2000 Ingersoll Rand "SSR-EP50SE" Rotary Screw Air Compressor S/N G8526U00138	\$3,500
2	1	2000 Ingersoll Rand "SSR-EP30SE" Rotary Screw Air Compressor S/N JE2778U96201	\$3,000
3	1	2000 Ingersoll Rand "SSR-EP50SE" Rotary Screw Air Compressor S/N G4347U96020	\$3,500
4	1	Ingersoll Rand "TM400" Refrigerated Air Dryer S/N 00GTMA1560	\$1,000
5	1	2000 Urban "KV2800" Assembly Table S/N 719	\$1,500
6	1	1986 Actual "A-100-B" Ultrasonic Corner Welder S/N M150131	\$1,000
7	1	2000 Urban "AKS-6100" 4 Point Corner Welder	\$500
8	1	1998 Murphy 15 Hp Dust Collector w/ Ducting	\$2,000
9	Lot	Pallet Racking	\$3,000
10	1	1996 Calder Wilkinson "SC-2" Assembly Clamp S/N M4640-04-96	\$500
11	1	2004 Italpresse "Falcon 2000" Hydraulic Frame Press S/N 140650304	\$4,500

ITEM #	QTY	ITEM DESCRIPTION	FSV CDN\$
12	1	2004 Stegherr "KF-2" Coping Workstation S/N 82/0704-1	\$2,500
13	1	2003 SCM "T130" Shaper S/N AB/155685 w/ Feeder	\$1,500
14	1	1997 Casadel "R/63H3" Planer S/N 97-64-018	\$2,250
15	1	2000 Cantek "PR-4375DA" Pass Through Planer/Sander S/N 040642	\$4,000
16	1	2000 Accutek "MRS350" Multi-RIP Saw S/N 9955015	\$4,000
17	1	2000 Cantek "REC-450AC" Planer S/N 499020369	\$4,000
18	1	1999 Doucet "SRH-16-8.5-48-48-R" Frame Clamp S/N 99-10-061	\$4,000
19	2	2000 Bautech - Weinmann "SPL 160" Wall Production Lines S/N 9918, 91009 w/ Conveyors, Scissor Lift Table, Nailing Stations, Crane, Strapping Machine, etc.	\$100,000
20	1	2004 Nu Tech 75 Hp Dust Collector w/ Ducting	\$5,000
21	1	2000 Nu Tech 75 Hp Dust Collector w/ Ducting	\$5,000
22	2	2000 Nisshin "NM-20/4" Head Nailing Machines S/N 11 & 12	\$2,000

ITEM #	QTY	ITEM DESCRIPTION	FSV CDN\$
23	1	2000 Nisshin Single Head Nailing Machine S/N 101	\$1,000
24	1	2002 Kraemer 13000 Cfm Dust Collector	\$2,000
25	1	1997 Mi-Tek "Cybersaw" High Speed Component Saw S/N 031	\$12,000
26	1	2000 Timesaver "DA6037" Pass Through Sander S/N 20DA6037C02	\$2,000
27	1	Stenner "VHR" 48" Resaw S/N W6088	\$4,000
28	1	2000 Speedcut "SSA-J7" Truss Saw S/N AB2292	\$2,500
29	1	2004 Holzma "OPT.HPL 380/43/16" Panel Saw S/N 0-240-66-1489	\$30,000
30	1	2000 Western Intergrated "F7B6(6)" Automatic Strapping Machine S/N A1102	\$7,500
31	1	2007 Koskovich - Mitek "Omni Miser 2" Optimizing Saw S/N OM2K7078	\$35,000
32	1	2004 Hundegger "ABM-K2" CNC Joiner S/N 11121 w/ Conveyors, Scissor Lift Table	\$80,000
33	1	2000 Bautech "SPL180" Automated Assembly System S/N 9917	\$15,000

ITEM #	QTY	ITEM DESCRIPTION	FSV CDN\$
34	1	2007 Pacific Automated Truss Production Line S/N 1004E/1005E/1006E/PA453	\$75,000
35	1	Raymond "EASI-4D-R45TT Electric Reach Truck S/N EF-A-04-30525	\$3,000
36	1	BT Lifter "RRX35" Electric Reach Truck S/N RRX3527156001	\$500
37	1	Terex "TS-26" Scissor Lift Platform	\$2,000
38	1	Nor-Wes 27' Single Axle Trailer Vin - 2N9FD2615H1AL7063	\$500
39	1	2000 Freightliner Yard Truck Vin - 1FUYYDYBBYPG87781	\$2,000
40	1	Force "FRV 30-MD-25" Milling and Drilling Machine S/N 511023	\$350
41	1	Cantek Table Saw S/N 97922	\$500
42	1	Progress 6" Belt Sander S/N 97948	\$300
43	1	General Bandsaw	\$300
44	1	Rockwell Table Saw S/N UUB1012	\$300
45	1	General "480" Jointer S/N G6893	\$300

ITEM #	QTY	ITEM DESCRIPTION	FSV CDN\$
46	1	Rapid "SGS 500" Up Acting Mitre Saw S/N 1395	\$2,000
47	1	2000 Maka "HC-57R" Router S/N 22000600 w/ 32 Station ATC, Vacuum Table	\$15,000
48	3	Safety "Speed Cut H5" Vertical Panel Saws S/N 44176, 60939, 47426	\$1,500
49	1	NR Murphy 15 Hp Dust Collector w/ Ducting	\$1,500
50	1	Marathon "V6030" Heavy Duty Baler S/N 93033W	\$1,500
51	1	Rice Lake "IQ+350" Platform Scale S/N 98-04686	\$1,000
52	1	Reliable Electric Scissor Lift S/N 3773	\$2,000
53	Lot	Office Furniture and Computer - Consisting of: Desks, Chairs, Bookshelves, Storage Cabinets, Computers, Printers, Lunch Room, Plotters, Laminator, Scanners etc.	\$7,500
54	Lot	Maintenance Equipment - Consisting of: Storage Cabinets, Milling and Drilling Machine, Parts Washer, Welders, Battery Chargers, Work Tables, Hand Tools, Jointer, Router, Table Saw, Chop Saws, Warehouse Ladders, Material Handling Dollies, Self Dumping Bins, etc.	\$10,000
55	Lot	Paint Booth Equipment - Consisting of: Open Front Paint Booth, Light, Overhead Conveyor, Lemmer Airless Paint System, 2- IRT "400 XLNC" Infra-red Dryers, etc.	\$2,000

SCHEDULE "C"

CUSTOMER CONTRACTS

Order#	Customer	CDN\$	Type
253029	Applause Homes	CDN\$	PKG
252994	Hoeffken	US\$	PKG
252995	Hoeffken	US\$	PKG
252030	Hoeffken	US\$	PKG
252031	Hoeffken	US\$	PKG
195699	JEANNEAULT, SELINA & LEE	CDN\$	SC
195408	NOLL/WASHINGTON, ALICIA & MATT	CDN\$	SCF
195730	MCCLURE, BRIAN & CATHY	CDN\$	SC
195728	MERKLEY/HEALEY, DAN & C	CDN\$	SC
155708	Musyj, Joel	CDN\$	PKG
155715	Joanette, Dan	CDN\$	PKG

SCHEDULE "D"

LANDS

Lands having the following municipal addresses:

414 Croft Street East
Port Hope, Ontario
Canada

SCHEDULE "E"

PERMITTED ENCUMBRANCES

GENERAL ENCUMBRANCES

1. The reservations, limitations, exceptions, provisos and conditions, if any, expressed in any original grants from the Crown including, without limitation, the reservation of any mines and minerals in the Crown or in any other person.
2. Subdivision agreements, site plan control agreements, development agreements, heritage easements and agreements relating thereto, servicing agreements, utility agreements, permits, licenses, airport zoning regulations and other similar agreements with Government Authorities or private or public utilities affecting the development or use of the Real Property, provided same have been complied with.
3. Rail siding agreements or facility, cost sharing, servicing, reciprocal use or other similar agreements, provided same have been complied with and the provision of certificate from non-Vendor party to such agreements on or before Closing that there are no defaults by Vendor thereunder.
4. Any easements or rights of way in favour of any Governmental Authority, any private or public utility, any railway company or any adjoining owner which in the aggregate do not materially impair the current use, operation or marketability of the Real Property, provided same have been complied with.
5. Any unregistered easements, rights-of-way or other unregistered interests or claims not disclosed by registered title in respect of the provision of utilities to the Real Property, provided same have been complied with.
6. Any rights of expropriation, access or use or any other similar rights conferred or reserved by Applicable Law.
7. Encumbrances for real property taxes (which term includes charges, rates and assessments) or charges for electricity, power, gas, water and other services and utilities in connection with the Real Property that have accrued but are not yet due and owing or, if due and owing, are adjusted for on Closing.
8. Restrictive covenants, exclusivity provisions, and other similar land use control agreements, provided same have been complied with and which in the aggregate do not materially impair the current use, operation or marketability of the Real Property.
9. Minor encroachments by the Real Property over neighbouring lands and/or permitted under agreements with neighbouring landowners and minor encroachments over the Real Property by improvements of neighbouring landowners and/or permitted under agreements with neighbouring landowners that, in either case, do not materially and adversely impair the current use, operation or marketability of the Real Property.
10. The provisions of all Applicable Laws, including by-laws, regulations, ordinances and similar instruments relating to development and zoning of the Real Property, provided same have been complied with and there are no breaches of same.

11. Security given to a public utility or any Governmental Authority when required by the operations of the Real Property in the ordinary course of business.
12. Any statutory liens, charges, adverse claims, prior claims, security interests, deemed trusts or other encumbrances of any nature whatsoever which are not registered on the title to the Real Property and of which the Vendor does not have notice, claimed or held by Her Majesty the Queen in Right of Canada, Her Majesty the Queen in Right of the Province of Ontario or by any other Governmental Authority under or pursuant to any Applicable Laws, provided the Purchaser at law cannot become responsible to satisfy same.
13. All registrations on title to the Lands as of the date of this Agreement with the exception of registrations in favour of the Secured Lenders.
14. Security given in the ordinary course of business to any Governmental Authority in connection with the operations of the Business.
15. Security interests registered in the Personal Property Registry relating to leased personal property.

SCHEDULE "F"
TRADEMARK LICENSE

TRADEMARK LICENSE AGREEMENT

THIS AGREEMENT entered into and effective as of the 30th day of November, 2015

BETWEEN:

VICEROY HOMES LIMITED

(the “Licensor”)

AND:

BESCO INTERNATIONAL INVESTMENT CO. LTD.

(the “Licensee”)

WHEREAS:

- A. The Licensor is engaged in the business of design, engineering and manufacturing of panelized and pre-cut custom homes under the name “Viceroy Homes” (the “**Business**”).
- B. The Licensor is the owner of various registered and unregistered trademark and trade name rights related to the Business, including but not limited to the registered trademarks listed in Schedule “A” attached hereto (the “**Trademarks**”).
- C. Pursuant to an asset purchase agreement dated as of November ____, 2015, made between the Licensor, the Licensee and Viceroy Houses (2015) Ltd. (the “**Asset Purchase Agreement**”), the Licensor agreed to sell to the Licensee and the Licensee agreed to purchase certain personal and real property used in connection with the Business.
- D. As further contemplated in the Asset Purchase Agreement, the Licensor has agreed to grant to the Licensee a certain license to use the Trademarks on the terms set out in this Agreement.

NOW THEREFORE in consideration of the premises set out in this Agreement and other good and valuable consideration (including the payment of One Canadian Dollar (CDN\$1.00) by the Licensee to the Licensor), the receipt and sufficiency of which is hereby acknowledged, the parties hereby agree as follows:

1. GRANT OF LICENSE

1.1 Subject to the terms and conditions set forth in this Agreement, the Licensor grants to the Licensee, and the Licensee accepts, a perpetual, irrevocable, worldwide, non-exclusive, non-transferable, royalty-free license to use each of the Trademarks in connection with the business of the Licensee as conducted from time to time in relation to the assets and/or business purchased by the Licensee under the Asset Purchase Agreement (collectively, the “**Goods and Services**”).

1.2 The grant of license includes the right of the Licensee to sublicense its rights (on terms and conditions no less restrictive than those set out herein) to (i) its affiliates and subsidiaries (as determined pursuant to the *Business Corporations Act* (British Columbia)), and (ii) to any resellers, distributors, online hosting providers, contractors and representatives strictly as necessary for their reasonable use thereof in connection with the Licensee's permitted use as set out in Section 1.1, provided that such sublicenses are on terms no less protective of the Trademarks and the Licensor as those set out in this Agreement.

2. TRADEMARK OWNERSHIP AND REGISTRATION

2.1 The Trademarks, and the goodwill associated therewith, are the exclusive property of the Licensor and all use thereof by the Licensee, past, present and future, in association with the Goods and Services, shall enure exclusively to the benefit of the Licensor, without limiting the Licensee's rights to use the Trademarks as described in Section 1.1. No right, title or interest in or to the Trademarks is granted, nor shall such right, title or interest transfer at any time to the Licensee, except as expressly set out in this Agreement. All rights not expressly granted to the Licensee herein are expressly reserved by the Licensor.

2.2 For the term of this License, the Licensee recognizes the right of the Licensor to the Trademarks and shall not contest the validity of the Trademarks or the Licensor's ownership of and title to the Trademarks or the Licensor's right to restrict or restrain the use of the Trademarks by the Licensee in any manner that is not consistent with the terms of this Agreement.

2.3 The Licensee agrees that it shall not register or attempt to register any of the Trademarks in its own name or in the name of any other firm, person or corporation and that it shall assist the Licensor in obtaining any registrations for Trademarks which the Licensor may desire.

3. TERM

3.1 This Agreement shall be perpetual, for greater certainty continuing at all times as long as the Licensor, or any assignee of the Licensor under Article 8.1, has rights in the Trademarks (or any of them).

3.2 This Agreement is irrevocable and may not be terminated by the Licensor.

3.3 Notwithstanding the foregoing, the Licensee may at its option and in its sole discretion, immediately terminate this Agreement by providing written notice to the Licensor.

3.4 The parties acknowledge and agree that this Agreement is not an executory contract, and is intended to be a grant of a right to use intellectual property and is not capable of disclaimer or resiliation in the event of bankruptcy, insolvency, reorganization or similar event in respect of the Licensor or its permitted assigns.

4. ON TERMINATION

4.1 Upon termination of this Agreement pursuant to Article 3 above, the Licensee shall immediately discontinue all use of the Trademarks in association with all goods and services, including

the Goods and Services, and thereafter shall not use the Trademarks or any other trademark, trade name, corporate name, email address, internet domain name or any other textual or visual identifier that would infringe upon any Trademark.

4.2 The Licensor shall not, by reason only of the expiration of termination of this Agreement in accordance herewith, be liable to the Licensee for compensation, reimbursement or damages on any account, whether for loss of prospective revenues, on account of expenditures, investments, leases or commitments in connection with the use of the Trademarks or otherwise in connection with this Agreement.

5. QUALITY CONTROL

5.1 The Licensee acknowledges that the quality of the goods and services used by it in association with the Trademarks substantially affects the goodwill which the Licensor has in the Trademarks, accordingly, the Licensee shall:

- (a) ensure that any and all use of the Trademarks shall be of commercially reasonable and consistent quality;
- (b) perform, sell and supply the Goods and Services in association with the Trademarks in compliance with all applicable laws, regulations, government standards and policies; and
- (c) not use the Trademarks in a misleading or deceptive manner, or otherwise use the Trademarks in violation of any law or of this Agreement, nor do any other act detrimental to any of the Trademarks or to the Licensor's rights therein or to the Licensor by use of the Trademarks.

6. INFRINGEMENT

6.1 The Licensee shall promptly notify the Licensor of any attempt that it actually becomes aware of by any other person to use the Trademarks or any variation thereof that would constitute an infringement of the Licensor's (or the Licensee's, as the case may be) rights therein and thereto, and any action involving the Trademarks that is threatened or instituted by any person against the Licensee.

6.2 The Licensor has the sole right but not the obligation to enforce the rights appurtenant to the Trademarks. The Licensee shall upon request of the Licensor assist the Licensor in the investigation of any claim or legal action related to an infringement or suspected infringement of the Trademarks, such assistance to be at the expense of the Licensor except where otherwise agreed.

6.3 The Licensor alone may pursue, register, oppose or seek to cancel registrations or applications for registration of Trademarks or of marks that appear to be confusingly similar to the Trademarks and otherwise protect the Trademarks. The Licensee agrees to assist the Licensor in the prosecution of all such applications by providing such evidence and assistance as the Licensee may have within its control.

6.4 Notwithstanding the foregoing, before cancelling any registration or application for any of the Trademarks, and before abandoning or failing to do or cause to be done any act that is required to maintain any registration or application for any of the Trademarks, the Licensor will first offer to the Licensee the right to either (a) maintain, at its own expense but in the name of the Licensor or its permitted assigns, the registration of such Trademark, or (b) if Licensee has indicated or would reasonably be seen as intending to cease use of the Trademark in question, purchase from the Licensor or such permitted assign all right, title and interest in and to such Trademark for one dollar. In connection with that, the Licensor will notify the Licensee as soon as practicable upon determining that it will abandon or fail to take any action necessary to maintain the registration of the Trademarks, and will promptly forward to the Licensee a copy of each and every notice received by it from any authority, registrar or other third party in connection with the registration of Trademarks that indicates, or with the passage of time may result in, a cancellation, abandonment, or invalidity of any Trademark in question. To the extent that the Licensee receives any similar notice, it will notify the Licensor thereof on the same terms.

7. ASSIGNMENT

7.1 Except as set out in Section 1.2, the Licensee shall not assign, transfer, sublicense or otherwise convey any rights or obligations arising under this Agreement without the prior written consent of the Licensor, which consent may not be unreasonably withheld, conditioned or delayed. This Section 7.1, and such consent requirement, shall not apply to an assignment or transfer of this Agreement to a successor in interest to the Licensee or to an acquirer of all or substantially all of the Goods and Services and/or the Licensee's business relating thereto. The Licensee acknowledges and agrees that any attempted assignment, transfer, sublicense or other conveyance without a consent required by this Section 7.1 shall be null and void.

7.2 The Licensor may assign this Agreement, provided that it requires that any such assignee and any other party which succeeds to its rights to the Trademarks, in whole or in part, shall take all such rights subject to the license and terms set out in this Agreement. The Licensor acknowledges and agrees that any attempted assignment, transfer, sublicense or other conveyance without a consent required by this Section 7.2 (and, as applicable, Section 7.3) shall be null and void.

7.3 Notwithstanding the foregoing, before transferring to any *bona fide* third party any right, title or interest in or to the Trademarks in any manner that would require an assignment of this Agreement pursuant to Section 7.2, in whole or in part,

- (a) the Licensor shall notify the Licensee in writing of the terms and conditions under which the Licensor proposes to transfer such Trademarks, including but not limited to the name of the recipient, the commercial terms including purchase price and/or royalty payments, which notice shall include an offer to permit the Licensee to receive such Trademarks on the same terms (the "**Offer**");
- (b) the Licensee shall have thirty (30) days to accept the Offer, which it may do in writing, and if it does so, the Licensee and Licensor will complete such transaction expeditiously and in good faith; and
- (c) if the Licensee has not accepted the Offer during such thirty (30) day period, the

Licensor may complete the third party transfer described in the Offer on terms and conditions no more favourable than those set out in the Offer.

8. NO WARRANTIES AND LIMITATION OF LIABILITY

8.1 Except as may be set out in the Asset Purchase Agreement (if at all so set out), the Licensor makes no representations, promises or warranties (including, without limitation, warranties respecting ownership, title, non-infringement, registrability, and validity) pertaining to the Trademarks and hereby disclaims all covenants, undertakings, representations, warranties and conditions, whether express, implied or by operation of law. For greater certainty, nothing about the scope of the license in Section 1.1 implies any representation or warranty from the Licensor that the Trademarks may be used in respect of any goods or services (other than those expressly set out as the relevant Goods and Services in Schedule A, in the jurisdiction of such registration, for each Trademark in question).

8.2 Under no circumstances shall the Licensor or any of its respective agents, heirs, successors or assigns be liable for any direct or indirect losses or damages arising out of or in connection with the Licensee's use of or inability to use the Trademarks or otherwise in connection with this Agreement. Without limiting the generality of the foregoing, the Licensee agrees that the Licensor shall have no liability in the event that any of the Trademarks are held invalid or to be owned by others or in the event that any infringement occurs because of the Licensee's use of any Trademarks. This is a comprehensive limitation of liability that applies to all special, consequential, incidental, exemplary, punitive or other losses and damages whether based in contract, tort, strict liability or otherwise even if the Licensor has been advised of or should have known about such damages.

8.3 Notwithstanding the foregoing, Section 8.1 and 8.2 shall not apply in the case of the Licensor's fraud or any use by the Licensor of the Trademarks that gives rise to the liability so disclaimed, nor shall anything in this Agreement affect any liability Licensor may have to the Licensee pursuant to the terms of the Asset Purchase Agreement.

9. INJUNCTIVE RELIEF

9.1 The Licensee shall defend, indemnify and hold harmless the Licensor from and against any and all claims, actions, loss, liability, expenses, cost, and damages suffered or incurred by the Licensor, including actual legal fees and disbursements invoiced to the Licensor, arising out of, based upon or in connection with any use by the Licensee or any persons authorized by the Licensee of the Trademarks (including but not limited to the use of the Trademarks in any manner that is not consistent with the terms of this Agreement) and any breach by the Licensee of its covenants and obligations herein.

9.2 To the fullest extent permitted by law, each party hereby waives all defences to the strict enforcement, and each agrees that its breach of any of this Agreement shall cause the other party irreparable injury and damage and that such other party shall be entitled to injunctive and/or other equitable relief to prevent an anticipatory or continuing breach of this Agreement, or any part thereof, and to secure its enforcement without the burden of proving actual damage to the other party by reason of any such breach and without having to post security in respect of an application for such relief. Nothing herein shall be construed as a waiver by either party of any right it may now have or

hereafter acquire to monetary damages by reason of any injury to its property, business or reputation or otherwise arising out of any wrongful act or omission of the other party.

10. CUMULATIVE REMEDIES

10.1 All rights and remedies of the parties shall be cumulative and none of them shall limit or exclude any other right or remedy provided by this Agreement or by law. Should either party hereto institute any legal action to enforce any provision hereof, the other party shall be entitled to receive from such party such amount as the court may adjudge to be its costs and legal fees.

11. FURTHER ASSURANCES

11.1 Each party shall at its expense execute and deliver such other documents and do such other reasonable acts as necessary to give effect to the intent of this Agreement.

12. INDEPENDENT CONTRACTORS

12.1 Nothing in this Agreement shall be deemed to create an agency, partnership, franchise or joint venture relationship between the Licensor and the Licensee. Neither party shall have any right or authority to bind the other party to any obligation or responsibility, or to represent that it has such right or authority.

13. SEVERABILITY

13.1 If any provision of this Agreement shall be found to be void, invalid, illegal or unenforceable by a court of competent jurisdiction, then this Agreement shall continue in full force and effect with respect to the remaining provisions and any such void, invalid, illegal or unenforceable provision shall be deemed severable and stricken.

14. WAIVER

14.1 No provision of this Agreement shall be deemed waived and no breach excused, unless such waiver or consent shall be in writing, signed by the party claimed to have waived or consented. A waiver or a consent shall not be construed as a waiver of, or consent to, any other breach of the same or other provision. Any delay in exercising a right shall not be construed as a waiver of any rights.

15. ENTIRE AGREEMENT

15.1 Without affecting the Asset Purchase Agreement, this Agreement constitutes the entire agreement of the parties regarding the subject matter herein and supersedes all prior agreements, understandings, negotiations and discussions of the parties regarding such subject matter. There are no conditions, representations, warranties, covenants, agreements or other provisions relating to such subject matter except as expressly provided in this Agreement and the Asset Purchase Agreement.

16. ENUREMENT

16.1 This Agreement shall enure to the benefit of and be binding on the parties and their respective successors and permitted assigns.

17. NOTICES

17.1 Any notice permitted or required to be given hereunder shall be in writing and shall be delivered in accordance with the Asset Purchase Agreement.

18. COUNTERPARTS

18.1 This Agreement may be executed in any number of counterparts, all of which taken together shall be deemed to constitute one and the same instrument. The parties agree that this Agreement may be transmitted by electronic transmission via email and that the reproduction of signatures by way of electronic transmission via email shall be treated as though such reproduction were executed originals.

19. GOVERNING LAW

19.1 This Agreement shall be governed by and interpreted in accordance with the laws of the Province of British Columbia (excluding its conflict of laws rules) and the laws of Canada applicable herein.

IN WITNESS WHEREOF the parties hereto have executed and delivered into this Agreement by their duly authorized representatives, to have effect from the date first set out above.

VICEROY HOMES LIMITED

Name: Robert Hammell
Title:

I have authority to bind the Corporation.

BESCO INTERNATIONAL INVESTMENT CO., LTD.

Name:
Title:

Name:
Title:

I/We have authority to bind the Corporation.

SCHEDULE "A"

	Trade-mark	Registration No.	Goods/Services	Registration Date
1.	 (SUPERWINDOW DESIGN)	TMA383777	G: Doors, windows and skylights	1991-05-03
2.	VICEROY	TMA245178	G: Lumber, windows, doors, wall panels, roof trusses, floor joists, prefabricated houses and buildings. S: Builder and contractor for houses and buildings, the taking and holding of mortgages on real property. S: Operation of retail outlets for prefabricated houses and buildings and related products.	1980-05-23
3.	VICEROY BUILDING SOLUTIONS	TMA825135	S: Construction of pre-engineered houses, and supervising others in the construction of pre-engineered houses.	2012-05-30
4.	 (VICEROY Design)	TMA849442	G: Lumber, windows, doors, wall panels, roof trusses, floor joists; pre-engineered houses and buildings. S: Operation of a business manufacturing and selling pre-engineered house packages; building and contracting services for pre-engineered houses and buildings; the operation of retail outlets for pre-engineered houses and buildings and related products.	2013-04-25
5.	 (VICEROY Design)	TMA619981	G: Lumber, windows, doors, wall panels, roof trusses, floor joists; prefabricated houses and buildings. S: Builder and contractor for houses and buildings; the	2004-09-20

	Trade-mark	Registration No.	Goods/Services	Registration Date
			operation of retail outlets for prefabricated houses and buildings and a dealer network.	
6.	 (Viceroy Logo THE FINEST HOMES OF THEM ALL.)	TMA681508	S: Operation of a business manufacturing and selling pre-engineered house packages, and related products.	2007-02-12
7.	 (VICEROY & DESIGN)	TMA245215	G: Lumber, windows, doors, wall panels, roof trusses, floor joists, prefabricated houses and buildings. S: Builder and contractor for houses and buildings; the taking and holding of mortgages on real property. S: Operation of retail outlets for prefabricated houses and buildings and related products.	1980-05-23
8.	VICEROY HOMES	TMA681510	S: Operation of a business manufacturing and selling pre-engineered house packages, and related products.	2007-02-12

SCHEDULE "G"**VICEROY 2015 EMPLOYEES**

EMPLOYEE NAME	START DATE
Ronald Calliou	July 1, 2015
Pardeep Singh Sunner	July 1, 2015
Robert Hammell	July 1, 2015
Yichun Zhang	July 1, 2015
Juefeng Li	July 1, 2015
Rosario Defina	July 16, 2015
Dean Mawer	July 16, 2015
John Hache	August 11, 2015
Jeanette Bent	August 24, 2015
Chris Minns	September 8, 2015
Andy McQueen	September 8, 2015
Kin Leung	October 5, 2015
Rita Nelson	October 13, 2015
TanFang, Fang	October 19 , 2015
Qing, Shen	November 10, 2015

APPENDIX B



Full Narrative Appraisal

Single Tenant Industrial Building - Viceroy Homes

414 Croft Street East

Port Hope, Ontario

February 21, 2014

PREPARED BY:
Demetri Andros
Managing Director, Toronto
Valuation & Advisory Services

PREPARED FOR:
David Fisher
Chief Operating Officer
Viceroy Homes Ltd.



Our File: TOR-14-050/56575

February 25, 2014

Viceroy Homes Ltd.
414 Croft Street
Port Hope, Ontario L1A 4H1

Attention: David Fisher
Chief Operating Officer

Dear Mr. Fisher;

Re: Full Narrative Appraisal of Single Tenant Industrial Building - Viceroy Homes
414 Croft Street East, Port Hope, Ontario

In accordance with your request, we have inspected the above property and have carried out an analysis in order to estimate its current market value as is. Based on our investigations, it is our opinion that the current market value as is of the fee simple interest in the property, as at February 21, 2014, is estimated to be as follows:

Seven Million Five Hundred Thousand Dollars
\$7,500,000

The above value estimate is predicated on an exposure period of six to nine months assuming the basis of a transaction involving cash to the vendor. This report describes the methods and approaches to value in support of the conclusion and contains the pertinent data gathered in our investigation of the market.

Should you have any questions, we would be pleased to discuss the valuation further.

Yours very truly,

COLLIERS INTERNATIONAL REALTY ADVISORS INC.

A handwritten signature in blue ink, appearing to be "D. Andros".

Demetri Andros, AACI, MRICS
Managing Director, Toronto

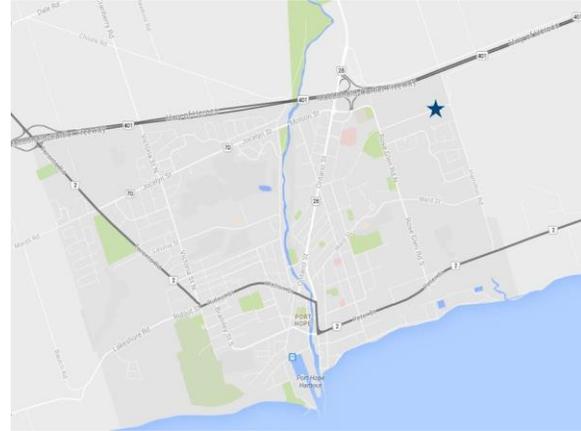
A handwritten signature in black ink, appearing to be "R. Purdy".

Rob Purdy,
Associate, Toronto

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Executive Summary



Single Tenant Industrial Building - Viceroy Homes
414 Croft Street East
Port Hope, Ontario

Final Value Estimate
\$7,500,000

Property Information

Property Type	Industrial / Manufacturing	Occupied (100%)	149,628
Year Built	1989	Vacant (0.00%)	0
Quality / Condition	Good / Good	Total	149,628
Site Area (acres)	25.22	Office Area (6.0%)	8,991
Density	0.14	Clear Height	24 feet
Excess Density	Yes	Loading Dock	19
Land Use/Zoning	Employment (EMP1-66)	Grade	4
		Rail	No

Value Conclusion

Final Value Estimate	\$7,500,000
Effective Date	February 21, 2014
Value per SF	\$50
Going-In Capitalization Rate	6.22%

Valuation Summary

Direct Comparison Approach	\$7,500,000
Income Approach	
Direct Income Capitalization	\$7,500,000

Direct Income Capitalization

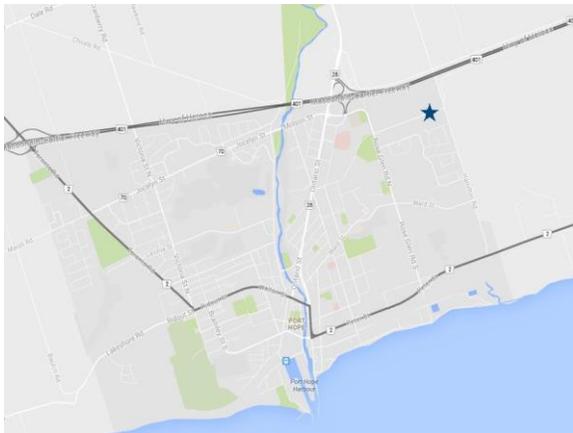
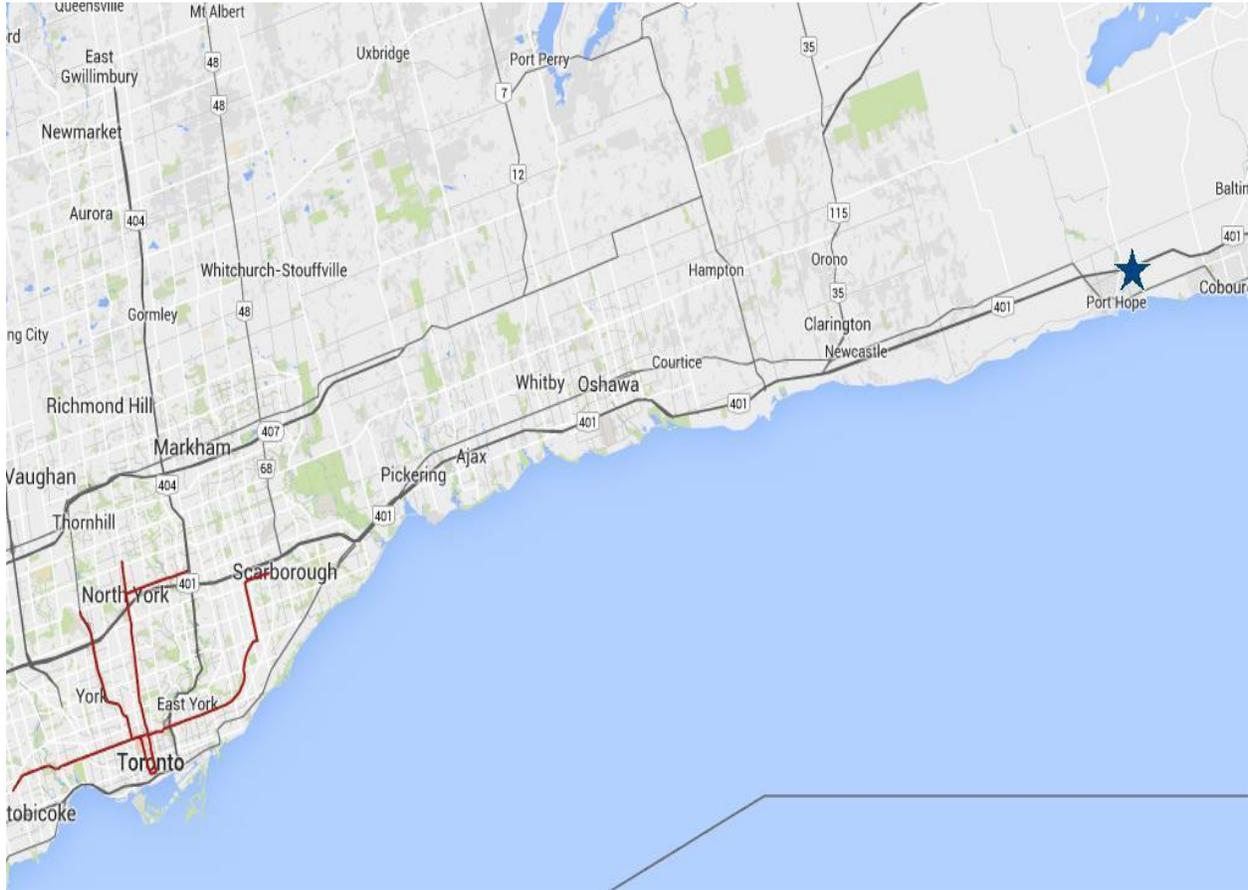
Market Rent	\$3.25 to \$3.75 per SF
Stabilized Net Operating Income	\$466,742
Vacancy Allowance	3.00%
Contingency Allowance	1.00%
Overall Capitalization Rate	7.75%
Stabilized Value	\$6,000,000
Adjustments (Excess Land Value)	\$1,500,000
Adjusted Value As Is	\$7,500,000
Value per SF	\$50

Direct Comparison Approach

Concluded Unit Value Range	\$35 to \$45
Size (SF)	149,628
Initial Value	\$6,000,000
Adjustments (Excess Land Value)	\$1,500,000
Adjusted Value As Is	\$7,500,000
Value per SF	\$50

Single Tenant Industrial Building - Viceroy Homes, 414 Croft Street East, Port Hope, Ontario

Maps



Photographs of Subject Property



Typical Office Area



Office Area



Sprinkler System



On-site Transformer



Mechanical Room



Typical Manufacturing Space



Typical Manufacturing Space



On-site Model Home



Excess Land North of Improvements



Storage Yard on East Side of Building



West Side Storage and Shipping Docks

Terms of Reference

Purpose and Intended Use of Report

The purpose of this valuation is to estimate the current market value of the property described herein

This appraisal is provided on a confidential basis and for the sole and exclusive use by Viceroy Homes Ltd. for first mortgage financing only and any third party use of or reliance on this Appraisal Report or any materials prepared by Colliers International Realty Advisors Inc., is strictly prohibited, except to the extent that Colliers International Realty Advisors Inc. has provided prior permission in writing, such permission to be provided or withheld in Colliers International Realty Advisors Inc.'s sole and exclusive discretion. In the event that Colliers International Realty Advisors Inc. has provided said permission Viceroy Homes Ltd. shall ensure and be responsible for notifying the third party in writing that it should not rely on the Appraisal Report and any use by such third party of the Appraisal Report or any materials prepared by Colliers International Realty Advisors Inc. shall be at its own risk and that Colliers International Realty Advisors Inc. makes no representations or warranties of any kind. Notwithstanding anything to the contrary, Colliers International Realty Advisors Inc. shall not owe any duty to any third party with respect to the Appraisal Report. Viceroy Homes Ltd. shall indemnify, defend and hold harmless Colliers International Realty Advisors Inc. for any and all claims, liabilities, damages, costs and expenses (including court costs and reasonable legal fees) in connection with or arising out of any breach of this Agreement by Viceroy Homes Ltd. or any unauthorized use or reliance by third parties of the Appraisal Report or any materials prepared by Colliers International Realty Advisors Inc.

Property Rights

The property rights appraised are those of the fee simple estate. The fee simple estate is defined as "absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat."

Effective Date

The effective date of this valuation is February 21, 2014.

This Appraisal Report is prepared in the context of the market conditions and other factors (including assumptions and/or materials provided by parties and sources outside of the control of Colliers Realty Advisors Inc.) prevailing as of the effective date. Real estate markets and assets are subject to significant volatility and change; and can be affected by numerous economic and political conditions as well as other conditions. The value contained (if any) in this Appraisal Report is made as of the effective date only and should not be relied on as of any other date without receiving prior written authorization from Colliers International Realty Advisors Inc. Colliers International Realty Advisors Inc. cannot be held liable for any errors in the information that was provided by third parties or by David Fisher of Viceroy Homes Ltd.. The Appraisal Report must be used in its entirety and any reliance on any portion of the appraisal report independent of others may lead to erroneous conclusions.

Inspection Date

An interior and exterior inspection of the property was conducted on February 21, 2014 by Rob Purdy. Demetri Andros did not conduct a personal inspection of the subject property.

Market Value Definition

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

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

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

(The Appraisal Institute of Canada "Canadian Uniform Standards of Professional Appraisal Practice". 2012 ed., p. 52)

Exposure Time

An estimate of market value is related to the concept of reasonable exposure time. Exposure time is the property's estimated marketing time prior to a hypothetical sale at market value on the effective date of the appraisal. Reasonable exposure time is a necessary element of a market value definition but is not a prediction of a specific date of sale.

The market value estimated herein is predicated on an exposure period of six to nine months.

Marketing Time

Marketing time is an estimate of the amount of time it most likely would require to sell an interest in real property at its estimated market value during the period immediately after the effective date of the appraisal.

Based on discussions with brokers familiar with the local market, an analysis of recent transactions, and the prevailing conditions of the local real estate market, a marketing time of six to nine months from the effective date of the appraisal would be required to sell the subject property at its estimated market value.

Scope of the Valuation

This is a *Full Narrative Appraisal Report* and complies with the reporting requirements set forth under the Canadian Uniform Standards of the Appraisal Institute of Canada. As such, all relevant material is provided in this report including the discussion of appropriate data, reasoning, and analyses that were used in the appraisal process to develop the appraiser's opinion of value. Additional supporting documentation concerning the data, reasoning, and analyses are retained in the appraiser's file. The depth of discussion contained in this report is specific to the needs of the client and for the intended use stated herein.

During the course of preparing this valuation, the following was completed:

- A personal inspection of the property
- No lease review or audit was conducted. This valuation has been prepared on the basis of summary financial and operating data provided directly to us by our client, in both hard copy and electronic form. It is assumed herein that this information, and specifically that relating to the financial performance of the property described herein, is accurate. This assumption is critical to the value estimate contained herein and the authors of this report, and Colliers International Realty Advisors Inc. reserves the right to amend our estimate(s) in whole or in part should the foregoing not be the case.
- A review of available data regarding the local market
- Verification of current land use and zoning regulations
- A review of sales and listing data on comparable properties
- Interview(s) with market participants

Contingent and Limiting Conditions

The report is subject to the Contingent and Limiting Conditions set forth herein in addition to any specific assumptions that may be stated in the body of the report.

Extraordinary Limiting Conditions

Within the appraisal of the property referred to herein, no Extraordinary Limiting Conditions were invoked.

Extraordinary Assumptions

We have relied on information provided to us by our client with respect to the status of the tenancy and their contractual rights and obligations, physical attributes of the property and environmental condition of the site. The assumptions stated herein are critical to the value estimate contained herein and the authors of this report and Colliers International Realty Advisors Inc. reserve the right to amend our estimates should any of these assumptions be altered in whole or in part.

We have not undertaken a detailed soil analysis, and as we are not qualified to comment on soil conditions, we have assumed that there are no contaminants affecting the site. However, a full environmental assessment would be required for certainty and any cost of remedy should be deducted from the reported value herein. The sub-soil is

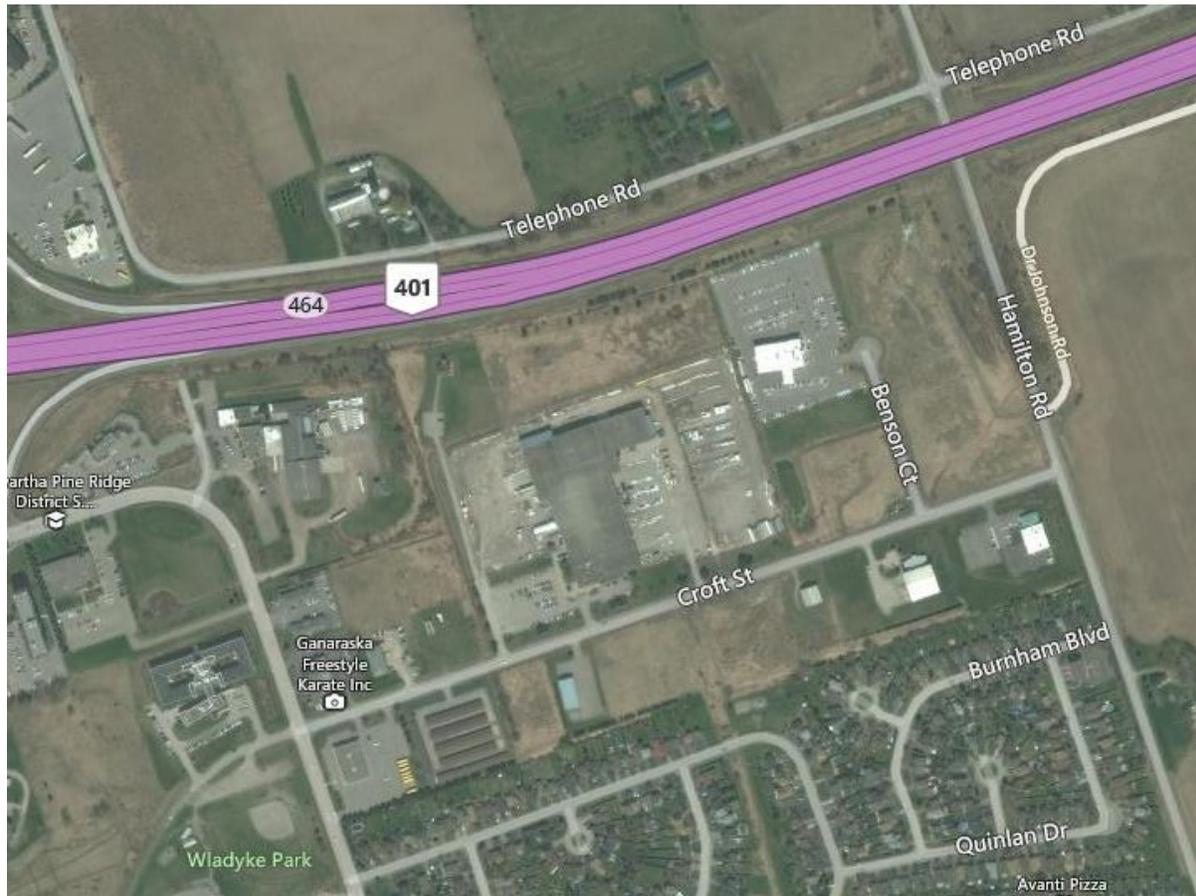
assumed to be similar to other lands in the area and suitable in drainage qualities and load bearing capacity to support the existing development.

With the exception of the foregoing, there have been no other Extraordinary Assumptions employed in the preparation of this appraisal or report.

Property Data

Municipal Address	414 Croft Street East, Port Hope, Ontario										
Legal Description	CON 1 PT LOT 1 & 2 RP 9R2307 PT PART 2										
Property Rights	This valuation pertains to the fee simple interest in the property described herein.										
Encumbrances	We are not aware of any encumbrances registered against the title of the subject property. For the purposes of this assignment, any encumbrances are assumed not to have any effect on the marketability or market value of the property. A copy of the Certificate of Title are included in the Addendum to this report to which the reader's attention is specifically directed.										
Ownership / Sale History	<p>Ownership of the property last transferred on January 2, 1989. According to the information available, the current owner, Viceroy Homes Limited, acquired the property from [redacted] for the reported consideration of \$797,886. This transaction was believed to have occurred at arms' length; no atypical conditions were known to have influenced the transaction. There have been no transfers of the property in the last three years. Likewise there have been no listings for sale of the property in the last three years.</p> <p>According to the information provided or available, the property is not currently offered for sale nor is it subject to any current agreement or option.</p>										
Realty Taxes / Assessment	<table border="0"> <tr> <td>Roll No.</td> <td>1423125020034500000</td> </tr> <tr> <td>Total Assessment</td> <td>\$5,092,000</td> </tr> <tr> <td style="padding-left: 20px;">per SF</td> <td>\$34.00</td> </tr> <tr> <td>Total Levy (2013)</td> <td>\$263,048</td> </tr> <tr> <td style="padding-left: 20px;">per SF</td> <td>\$1.75</td> </tr> </table>	Roll No.	1423125020034500000	Total Assessment	\$5,092,000	per SF	\$34.00	Total Levy (2013)	\$263,048	per SF	\$1.75
Roll No.	1423125020034500000										
Total Assessment	\$5,092,000										
per SF	\$34.00										
Total Levy (2013)	\$263,048										
per SF	\$1.75										

Neighbourhood Overview



The property is situated within a commercial/industrial district of Port Hope, characterized by smaller scale industrial and commercial properties, generally tenanted by local businesses.

District Boundaries

- North • Highway 401
- South • Croft Street East
- East • Hamilton Road
- West • Rose Glen Road North

Land Uses

- North • Highway, north of which is open space and agricultural land.
- South • Low-density residential
- East • Commercial, beyond which is open space and agricultural land.
- West • Commercial, industrial and retail land uses, along with access to Highway 401.

Site Description



Area	The site comprises a total area of 25.22 acres, more or less
Frontage	1,095 feet, more or less, onto Croft Street
Configuration	The site is essentially regular in its configuration
Land Use Classification (Zoning)	The property is currently classified Employment (EMP1-66)

<p>Access</p>	<p>Overall access to the property is considered to be very good. The subject benefits from its proximity to the major transportation route Highway 401, permitting for easy access and egress. The property itself has two access points from Croft Street, allowing access for both tenant parking and shipping.</p>
<p>Density/Site Coverage</p>	<p>The site has been developed to a 0.14 times density</p>
<p>Services</p>	<p>The site is fully serviced</p>
<p>Topography</p>	<p>The site's topography is level</p>
<p>Soil Conditions</p>	<p>See Extraordinary Assumptions</p>
<p>Summary</p>	<p>The site provides very good access and very good exposure characteristics and no adverse influences are visually apparent. We have not undertaken a detailed soil analysis, and as we are not qualified to comment on soil conditions, we have assumed that there are no contaminants affecting the site. However, a full environmental assessment would be required for certainty and any cost of remedy should be deducted from the reported value herein. The sub-soil is assumed to be similar to other lands in the area and suitable in drainage qualities and load bearing capacity to support the existing development.</p>

USE	EMP1	EMP2	EMPR	EMPX	EMPG	EMPW
Dry Cleaner's Distribution Station		X				
Dry Cleaning Establishment	X	X				
Dry Industrial Use	X	X	X		X	
Emergency Service Facility	X	X	X		X	
Equipment Sales and Rental Establishment	X		X			
Farm Implement Dealer	X	X	X			
Financial Institution		X				
Funeral Home		X				
Hotel		X				
Industrial Use	X	X				
Landscaping Operation	X		X			
Laundry Establishment	X	X				
Mineral Aggregate Resource Operation				X		
Motel		X				
Motor Vehicle Body Shop	X		X			
Outdoor Display and Sales Area, Accessory (4)	X	X	X			
Outdoor Storage, Accessory (5)	X	X	X	X	X	
Personal Service Shop		X (3)				
Power Generation Facility					X	
Place of Entertainment		X				
Printing and Publishing Establishment	X	X	X			
Private Club		X				
Public Works Yard	X		X			
Restaurant		X				
Retail Store, Accessory	X (1)	X (1)	X (1)			
Salvage Yard	X (2)		X			
Saw and/or Planing Mill			X			
School, Commercial	X	X (3)				
School, Private		X (3)				
Service Shop	X	X (3)				
Studio	X					
Taxi Service Depot/ Dispatch Establishment	X		X			
Waste Composting Site						X
Waste Management Facility						X
Waste Recycling Facility					X	X
Waste Transfer Facility						X

Table 8.2: Zone Standards in the Employment Zones

Zone	Minimum Lot Area	Minimum Lot Frontage	Minimum Required Front Yard	Minimum Required Exterior Side Yard	Minimum Required Interior Side Yard	Minimum Required Rear Yard	Maximum Lot Coverage	Maximum Height
EMP1 Full Services	n/a	30.0 m	15.0 m (1)	15.0 m (1)	3.0 m (2)	12.0 m (3)	n/a	n/a
EMP1 Partial or Private Services	4,000.0 m ²	30.0 m	20.0 m	20.0 m	10.0 m	15.0 m	50%	12.0 m
EMP2 Full Services	4,000.0 m ²	45.0 m	15.0 m (1)	15.0 m (1)	3.0 m (2)	12.0 m (3)	n/a	12.0 m
EMP2 Partial or Private Services	4,000.0 m ²	30.0 m	20.0 m	20.0 m	10.0 m	15.0 m	50%	12.0 m
EMPR	4,000.0 m ²	30.0 m	20.0 m	20.0 m	10.0 m	15.0 m	50%	12.0 m
EMPX	n/a	n/a	30.0 m	15.0 m	15.0 m	30.0 m	n/a	n/a
EMPG	n/a	n/a	15.0 m	15.0 m	6.0 m	15.0 m	30%	11.0 m
EMPW	n/a	n/a	100.0 m	15.0 m	6.0 m	15.0 m	30%	11.0 m

The property appears to conform to the requirements of the land use bylaw, however, if specific reliance on this information is required, written confirmation from the municipality should be obtained.

Description of the Improvements

Property Type	Single Tenant Industrial B Class Manufacturing		
No. of Stories / Buildings	Two Stories / One Building		
Size	Warehouse	140,637 SF	94.0 %
	Office	<u>8,991 SF</u>	<u>6.0 %</u>
	Gross Leaseable Area	149,628 SF	100.0 %
	Mezzanine	Yes (3,888 SF*)	
Clear Height	The clear height in the warehouse area(s) is estimated at 24 feet clear to the underside of the structural joists.		
Year Built	The improvements to the property were originally constructed in 1989. There have been no known expansions or substantial additions to the improvements since the date of original construction.		
Age/Life Analysis	Actual Age	25 years	
	Effective Age	25 years	
	Economic Life	60 years	
	Remaining Economic Life	35 years	
Quality & Condition	The property represents good quality construction in good overall condition.		
Foundation	The foundation was not fully visible, however, it is assumed that it consists of poured in place concrete grade beams, foundation wall and/or piles with a slab on grade floor system atop compacted gravel substrate.		
Superstructure	The superstructure consists of a conventional steel structure with insulated concrete pre-cast wall panels.		
Exterior Walls	The exterior consists primarily of concrete tilt up panels and corrugated metal siding.		

Roof	Flat, steel deck construction on open web steel joists with built up tar and gravel roof cover.						
Windows / Doors	Exterior windows and doors consist of commercial grade glass units in extruded aluminum frames.						
Interior Finishing	<p>The interior has been demised the tenants specific requirements and includes typical office interior finishing includes painted gypsum board on steel framing, suspended acoustic tile ceiling finish, and commercial sheet vinyl, ceramic tile, or commercial grade broadloom flooring.</p> <p>The warehouse areas are generally unfinished and comprise suspended light fixtures, open ceilings, and painted concrete walls.</p>						
Heating/Cooling	Office HVAC is provided by a series of roof top heating and cooling units. The warehouse heating is generally provided by suspended gas fired units.						
Life Safety / Security	A wet sprinkler system provides fire suppression within the warehouse areas.						
Lighting (Warehouse)	Lighting to the warehouse area(s) is by way of ceiling mounted metal halide fixtures.						
Power	Assume Adequate; requires confirmation by a qualified professional. 800 Amp, 600 Volt, 3 Phase, 4 Wire service.						
Cranes	None						
Truck Marshalling	The truck marshalling areas, with respect to size and configuration, are considered to be adequate for the property's current use.						
Loading Doors	<table border="0" style="width: 100%;"> <tr> <td style="padding-right: 20px;">Grade</td> <td style="text-align: right;">4</td> </tr> <tr> <td>Dock</td> <td style="text-align: right;">19</td> </tr> <tr> <td>Rail</td> <td style="text-align: right;">No</td> </tr> </table>	Grade	4	Dock	19	Rail	No
Grade	4						
Dock	19						
Rail	No						

Single Tenant Industrial Building - Viceroy Homes, 414 Croft Street East, Port Hope, Ontario

Parking

Surface parking is situated around the building's perimeter and available for use by employees and clients. The parking is assumed to be adequate for the tenant requirements.

Design and Functionality

The improvements provide good overall functional utility.

Comments

The property is in good overall condition and free from any visible deferred maintenance that would significantly impact the property's market value or its marketability. It is assumed herein that all mechanical equipment is in adequate working condition, has been maintained in a professional manner, and that no atypical capital expenses are required.

Market Overview

Q4 13 Canadian Economic Overview

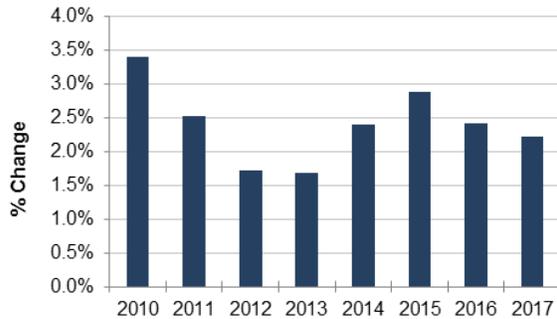
Healthier economic activity in the U.S. will contribute to stronger growth in Canada. Provinces that have underperformed the past two years will begin to see an increase in demand for their exports. Activity in the Prairie Provinces will continue to be brisk, albeit at a slower pace than previous years. The statistics detailed below summarize current Canadian market conditions based on the most up-to-date information available from the Conference Board of Canada and Statistics Canada for 2013.

Bond Yields



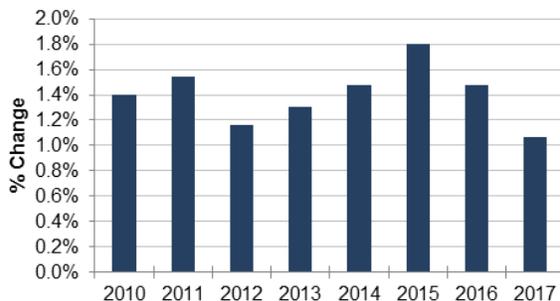
The Canadian commercial real estate market has been robust over the recent years due to strong market fundamentals. In addition, interest rates have been at a historical low, creating an enticing environment for investors following the recession. However, since May 2013, yields on Canadian 10 year bonds have been moving upward. Many are questioning what this impact will be on real estate value. If core IRRs are too close to bond and mortgage rates as they were in 2008-2009, that is a warning sign. However today, spreads are historically wide; subsequently they are not yet signalling danger for real estate IRRs. Survey respondents of the PWC's Emerging Trends in Real Estate 2014 report predict that long term bond rates will increase moderately over the next five years. With interest rates expected to rise, the market will begin to look at improving cash flows to drive returns. This transition from cap rate compression to fundamental performance will increase the emphasis on asset management to enhance returns.

Real Gross Domestic Product (GDP)



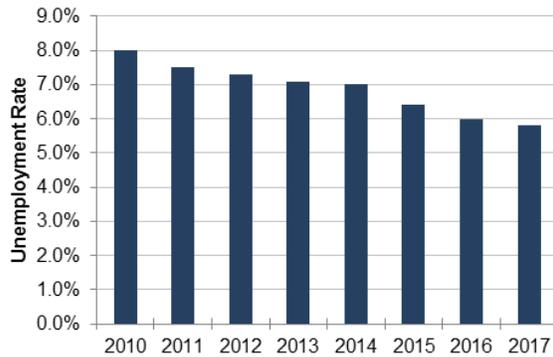
While booming activity in the resource sectors of the Prairie Provinces lead their growth for the previous two years, a lack of similar catalysts held back growth in other provinces leading to a wide disparity among various regions. This resulted in real GDP growth of just 1.7% in 2012 and 2013. Increased demand for Canadian exports such as building materials, motor vehicles, transportation equipment, machinery, and industrial goods will begin to stimulate exports from the previously underperforming provinces of Ontario, British Columbia, and Quebec. Real GDP is forecast to grow by 2.4% and 2.9% in 2014 and 2015, respectively.

Employment



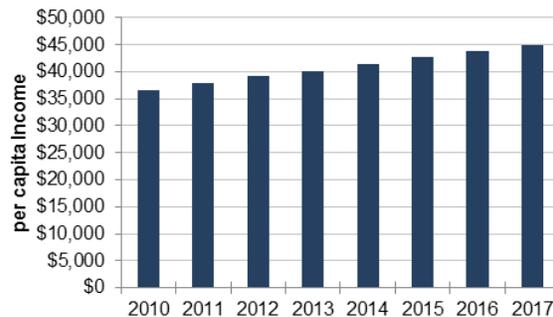
Employment is forecast to have grown by 1.3% in 2013. Several factors made employers reluctant to hire: slow growth, uneven external demand, lower commodity prices, increased competition, and reduced government budgets. Employment growth is projected to increase to 1.5% in 2014.

Unemployment



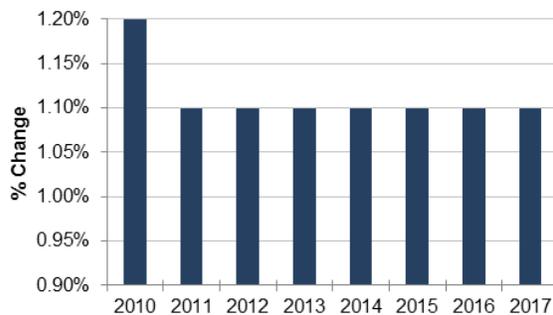
The 2013 unemployment rate for Canada remained at 7.1%. This was due in part to a number of companies that announced job cuts. In addition, a wave of manufacturers particularly those in central Canada announced that they plan to close plants. The unemployment rate is forecast to resume a downward trend in upcoming years falling to 7.0% in 2014 and reaching pre-recession levels of 5.8% by 2017.

Personal Income



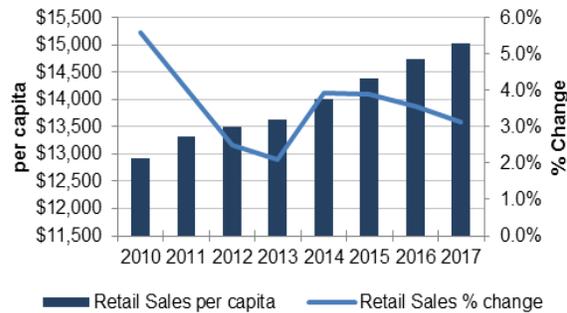
Canadian's are benefitting from relatively solid real wage gains. Canada's personal income per capita is anticipated to have surpassed \$40,000 in 2013. By 2017, income per capita is forecast to reach \$45,035.

Population Growth



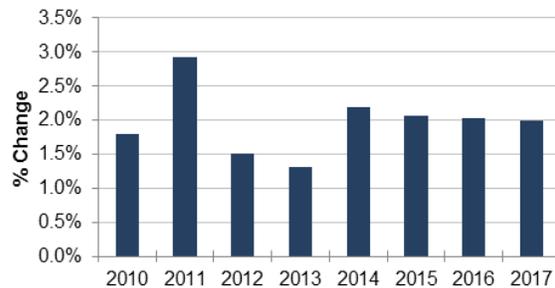
Canada's population growth rate is currently 1.1% per year and is forecast to continue rising at this constant rate in the forthcoming years, surpassing 36 million in 2016. Since 1993, net international migration has been the main source of population growth for Canada.

Retail Sales



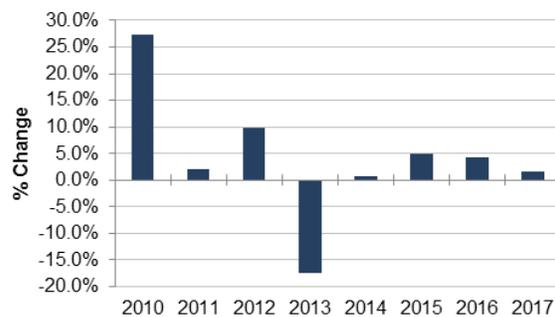
Retail sales are estimated to have increased by 2.1% in 2013, below the growth figure of 2.5% in 2012. Over the past few years, consumption has grown much faster in Canada than in the U.S. despite incomes growing at a slower pace. However, with interest rates slowly creeping up, Canadians may be taking a pause on consumption as debt burden rises. Between 2014 and 2017, retail growth is forecast to grow by an average of 3.6% annually.

Consumer Price Index (CPI)



With Canada's mediocre economic performance, inflation was kept well under wraps and is forecast to have been at 1.3% in 2013. This is below the 10 year annual average increase of 1.8%. Over the next four years, CPI is expected to average 2.1% annual increases.

Housing Starts



With interest rates starting to rise, debt servicing has become more onerous. Mortgage payment as a percentage of disposable income is at a multi-year high. As a result, Canada is experiencing a soft landing in the housing market. Total housing starts are forecast to have dropped by 17.4% in 2013. Housing starts are forecast to increase by 0.8% and 5.0% in 2014 and 2015, respectively.

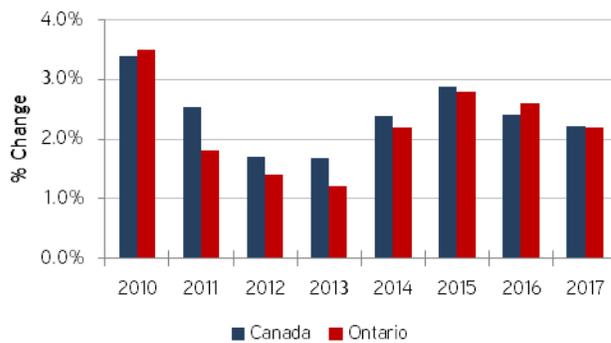
Summary

Canada's economic performance was unexceptional in 2013. However, the improvement in underperforming provincial economies will be reflected in Canada's real GDP growth in 2014.

Q3 13 Ontario Economic Overview

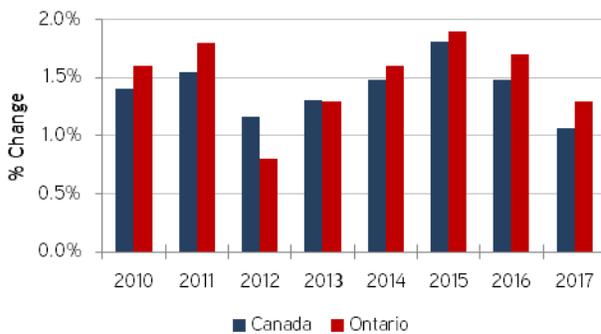
Fiscal restraints from the federal and provincial government will dampen Ontario's growth this year. Improved business confidence, consumer spending and exports will help with economic growth next year. The statistics detailed below summarize current Canadian market conditions based on information provided by the Conference Board of Canada and Statistics Canada for 2013.

Real Gross Domestic Product (GDP)



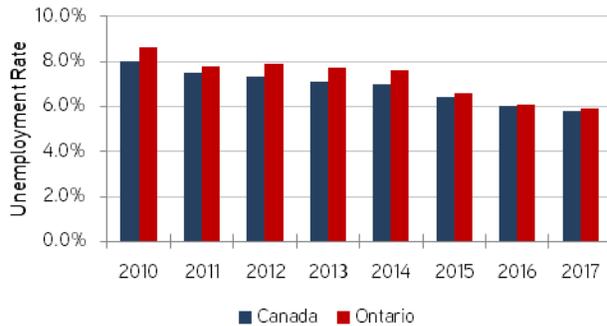
Weak demand across households, government, and businesses will continue to weigh on Ontario's economic growth. Real GDP will rise only by 1.2% in 2013, the slowest since the recession. Modest improvements are in store over the next four years as the average annual GDP growth rate is estimated at 2.5% due in part to government investment in infrastructure.

Employment



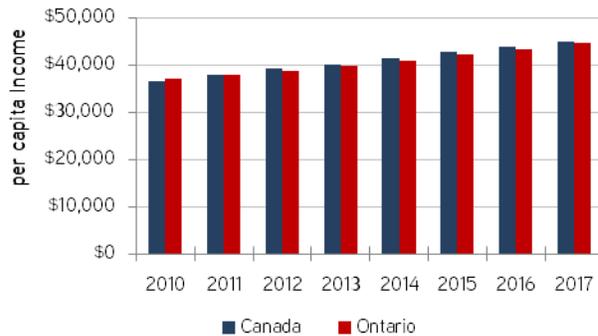
Job creation is expected to be at 1.3% in 2013, an improvement from 2012's 0.8%. Even more progress will be made in 2014 as this figure climbs to 1.6%.

Unemployment



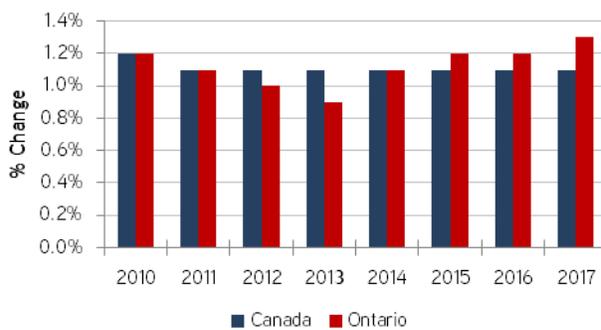
The unemployment rate in Ontario has been on a steady decline since peaking in 2009. This figure is expected to register at 7.7% in 2013. The labour market is anticipated to tighten even further in the upcoming years, falling to 5.9% in 2017.

Personal Income



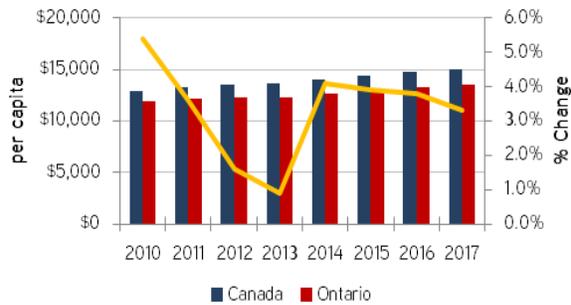
With impressive job gains recorded in recent months, personal income per capita is set to rise accordingly. Personal income per capita is estimated at \$39,681 for 2013, largely consistent with the national average. Average personal income in Ontario is expected to exceed \$44,000 in 2017.

Population Growth



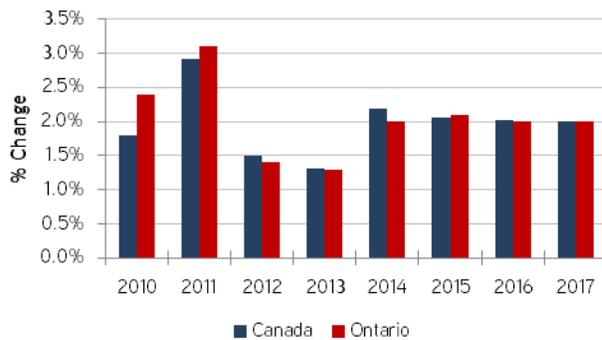
Ontario's population is forecast to experience steady growth over the medium term, starting with a 0.9% rise this year. By the end of 2013, Ontario will be home to approximately 13.6 million people. Starting in 2015, Ontario's population growth will outpace the national average.

Retail Sales



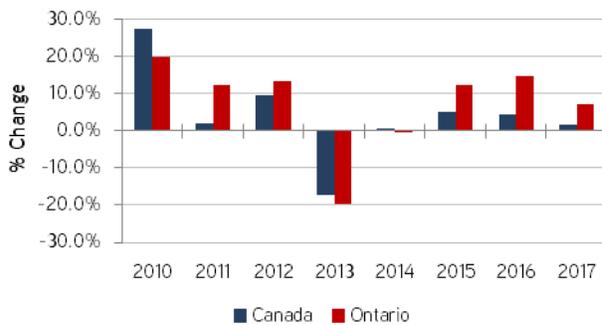
Consumer spending is set to pick up any slack in the economy given the strong job gains in recent months. Retail sales are on pace to post a 0.9% increase in 2013, which translates to more than \$167 billion in spending. Retail sales will reach over \$193 billion in 2017.

Consumer Price Index (CPI)



The provincial CPI is projected to increase by 1.3% in 2013, on par with the national average. Between 2014 and 2017, CPI is estimated to increase on an average of 2.0% per year.

Housing Starts



Despite condo construction remaining near a 30 year high, lower home sales, sharp declines in housing starts, and completion of units under construction will dampen residential construction activity for 2013. Housing starts will decrease from its seven-year high of 78,500 units in 2012 to 61,800 units in 2013.

Summary

Government cutbacks, slow employment growth and the lacklustre pace of economic growth in 2012 have carried into 2013. Fortunately, public sector investment will hold up over the medium term despite federal and provincial budget cuts.

Port Hope Economic Overview

Location

The Town of Port Hope is located near the intersections of Highway 28 and Highway 401, about one hour and fifteen minutes east of the City of Toronto. The Town of Port Hope is situated on the shores of Lake Ontario, with a small port facility.

Transportation

The Town of Port Hope is very accessible as Highway 401 acts as a main artery to the city, providing access west to the City of Toronto and east Ottawa, Montreal and numerous border crossings. It is also accessible by rail and is accompanied by a small port facility, which provides access to the St. Lawrence Seaway. In addition to the foregoing, Highway 28 travels north from the Town of Port Hope, providing access to the City of Peterborough and the popular cottage destination, known as the Kawarthas.

Economy

The Town of Port Hope has a limited economic base, with some jobs being accounted for within the manufacturing sector, particularly by Viceroy Homes Ltd., Cameco Corporation and ESCO Limited. The balance of job creation with Port Hope revolves around the service industry, catering to both local residents and the increasing tourism population within the Town.

Town of Port Hope Economic Profile			
Population			
Population (est July 1, 2012)	% of Canadian Total	% Change 2006-2012	Average Annual Growth Rate
17,406	0.05%	-1.1%	-0.18%
Income			
National Rank	Total Income 2012 Estimate	% Canadian Total	Per Household
91	\$2,670,000	0.22%	\$76,611
Retail Sales			
National Rank	Retail Sales 2012 Estimate	% Canadian Total	Per Household
95	\$1,116,600	0.23%	\$32,039

Source: Financial Post Markets, Canadian Demographics 2012

Valuation

Highest and Best Use

The principle of highest and best use is fundamental to the concept of value in real estate. Highest and best use, in general, may be defined as follows:

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

Analysis

Legal Permissibility

The current use is a permitted use within the applicable zoning and/or land use bylaw requirements affecting the property. There are no known private or other restrictions negatively impacting use of the property. Therefore the current use is legally permissible.

Physical Possibility

The site is of a sufficient size, configuration, and topography to accommodate the property's present use as improved in an efficient and functional manner. Therefore the current use is physically possible.

Financial Feasibility

As improved, the property provides a sufficient return (and/or enduring benefit in the case of an owner/occupied property) that the property as presently improved is considered to be financially feasible.

Maximum Productivity

Of the various legally permissible, physically possible, and financially feasible uses available, the current use represents the maximum productivity of the property.

Conclusion

As vacant

The improvements to the property contribute positively and substantially to the overall value of the property such that the value of the site as though vacant is significantly lower than the value of the property as though improved. As such, a thorough examination of the highest and best use of the property as vacant has not been completed. It is our considered and professional opinion that the highest and best use of the



land as though vacant is as a development site for a property similar to that which exists at present.

[As improved](#)

Based on the foregoing, the highest and best use of the property is considered to be a continuation of its current use for the foreseeable future. This opinion of the property's highest and best use forms the basis of our valuation.

Valuation Methodology

Traditionally, there are three accepted methods of valuing real property:

- Cost Approach;
- Direct Comparison Approach; and
- Income Approach

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

- 1) **The Cost Approach** to value is based upon the economic principle of substitution, which holds that the value of a property should not be more than the amount by which one can obtain, by purchase of a site and construction of a building without undue delay, a property of equal desirability and utility.
- 2) **The Direct Comparison Approach** examines the cost of acquiring equally desirable and valuable substitute properties, indicated by transactions of comparable properties, within the market area. The characteristics of the sale properties are compared to the subject property on the basis of time and such features as location, size and quality of improvements, design features and income generating potential of the property.
- 3) **The Income Approach** to value is utilized to estimate real estate value of income-producing or investment properties.

The Direct Capitalization Method is based on the conversion of current earnings directly into an expression of market value. The net income for the current or forthcoming fiscal year is capitalized with an overall rate, which reflects the investment characteristics offered by the asset.

The capitalization rate used is based on the analysis of sales and interviews with people active in the market.

Discounted Cash Flow Analysis allows the appraiser to account for the anticipated growth or decline in income over the term of a prescribed holding period.

Two rates must be selected for an application of the DCF process:

- The internal rate of return or discount rate used to discount the projected receivables; and
- An overall capitalization rate used in estimating reversionary value of the asset.

The reversionary capitalization rate utilized is usually similar to the rate that would be applied in present market conditions.

Selection of Relevant Methodology

As the property is an owner-occupied building, the Direct Comparison approach is considered to be the primary method of valuation. As a secondary approach, the Direct Capitalization approach has been included to demonstrate the income earning potential for the subject, should it become vacant. For this reason, we have included the Income Approach. Notwithstanding the current owner-occupied status for the subject property, a potential rental market for the property exists such that it could have income producing potential and therefore we have included the Income Approach in a supportive capacity.

The Direct Comparison Approach is most appropriate when valuing owner-occupied properties, as such, we have included it herein as the primary analysis, supported by the Income Approach. The vast majority of single-tenant industrial properties in this market are purchased by owner/users. Such purchasers are most concerned with the property's physical and locational characteristics rather than its income earning ability. This suggests that the Direct Comparison Approach is a relevant valuation technique for the subject property and will therefore be employed herein.

Investors or analysts do not typically use the Cost Approach to value properties such as the subject. The inherent difficulties in accurately estimating developer's profit and all forms of depreciation restrict the reliability of this approach. For these reasons, we have not utilized the Cost Approach to value the property.

Excess Land Calculation

The subject property has a relatively low density ratio of approximately 14%. In order to address value we have initially undertaken a Land Value analysis with respect to the excess land area. It is noted that buildings of this type and size in this market more typically have building to site ratios of 25% to 35%. A mid- range estimate of 30% is reasonable. In order to attribute value to the subject property's excess land this ratio is adopted and the following estimate (based upon a site area of 25.22 acres or 1,098,583 square feet) of excess site area results:

Total Site Area (Square feet) Less (Building Area / Building to Site Ratio) = Excess Land area

$$1,098,583\text{s.f.} - (149,628 \text{ s.f./}0.30)$$

$$=1,098,583 - 498,760$$

$$= 599,823 \text{ square feet}$$

The excess land area is thus estimated at 599,823 square feet or 13.77 acres. This area has been valued on the following pages, followed by the Income and Direct Comparison Approaches to value.

Excess Land - Direct Comparison Approach

The Direct Comparison Approach to value is one of the most applied approaches to value, for all types of properties. As the name implies, it involves the in-depth comparison of sales data with the subject. Property rights, dates of sale or listing, motivation, financing, legal, physical, location, and economic characteristics are among those criteria analyzed in sales and listings of "index properties," used to indicate a value for the Subject.

The reliability of the results is directly attributable to the quality of the comparable data available. The following are five generally accepted steps for this method of appraisal.

1. Survey the area to locate reasonably comparable properties that have sold recently, that are listed for sale, or on which offers have been made.
2. Gather and validate all pertinent information about each comparable property.
3. Analyze sales, listings and offers, the length of time the property was listed for sale; the advertising and sales effort involved; the terms of sale; and the motivations of both buyer and seller.
4. Compare data pertaining to each index property to the Subject in detail, and make the necessary adjustments.
5. Reconcile the data to arrive at an indicated value.

The Direct Comparison Approach has been relied upon as it is a viable method of estimating the current market value of the excess land present upon the subject. The industrial land market within Durham Region has been reasonably active over the last several years, enough so to present an adequate number of transactions which can be relied upon to estimate a unit rate for the excess land upon the subject. In this regard there is a sufficient pool of transaction from which conclusions can be drawn.

Selection of Comparable Sales

As one sale is not necessarily indicative of market value, an appraiser examines a number of market transactions. When properly reconciled, trends emerge, leading to the estimate of market value of the property being appraised.

The surrounding market within Northumberland Region was researched for recent transactions of industrial development sites. The search did not yield sufficient market evidence, as a result, surrounding municipalities and markets deemed similar to the subject market were also surveyed. The comparable sales listed in the chart below are a reflection of the sales activity for industrial land sales within Northumberland Region and markets considered similar. The sales took place between September 2011 and January 2014. The site areas ranged from 8.10 acres to 25.15 acres. The sale prices per acre ranged from \$93,555 per acre to \$119,635 per acre, a relatively narrow range by appraisal standards.

Index	Address	Date of Sale	Sale Price	Site Area (Acres)	Price Per Acre
1	31-37 Anderson Blvd., Uxbridge	9-Jan-14	\$1,853,000	10.90	\$170,000
2	1125 Elgin Street, Cobourg	17-Oct-13	\$1,280,352	9.14	\$140,082
3	232-234 Mackenzie Avenue & 285-289 Hunt Street, Ajax	22-Jan-13	\$3,300,000	22.96	\$143,728
4	631 Gardiners Road, Kingston	4-May-12	\$1,170,000	8.10	\$144,444
5	1955 Clements Road, Pickering	31-Jan-12	\$4,650,000	25.15	\$184,891
6	901 Hopkins Street, Whitby	13-Jan-12	\$1,887,000	20.17	\$93,555
7	953 Farewell Street, Oshawa	3-Sep-11	\$2,358,000	19.71	\$119,635
Subject - 414 Croft Street East, Port Hope				13.77	

The chart identifies the sales we researched. In valuing the subject property, we focused on sales most similar to the subject in terms of neighbourhood location, potential development, timing and density. A detailed analysis of each of the key sales outlining our adjustments and reasoning follows.

The basis for comparison included the consideration of the following:

- Sale Date;
- Property Rights Conveyed;
- Financing Terms;
- Conditions of Sale;
- Location;
- Development Timeline.

Analysis

Sale Date

- Where the market is changing, it may be necessary to adjust prices to reflect the time difference between the date of sale of a comparable property and the date of valuation.

Property Rights Conveyed

- When real property rights are sold, they may be the sole subject of the contract or the contract may include other rights. In the sales comparison analysis, it is pertinent that the property rights of the comparable sale be similar to the property rights of the subject property. All the sales considered were fee simple transfers, no adjustments were necessary.

Financing Terms

- The transaction price of one property may differ from that of a similar property due to different financing arrangements. Financing arrangements may include existing mortgages at favourable interest rates or paying cash to a lender so that a mortgage with a below-market interest rate could be offered. While selected comparable sales had VTBs in their transactions, the terms of the mortgage were considered in making adjustments to the sale price.

Conditions of Sale

- Adjustments for conditions of sale usually reflect the motivations of the purchaser and vendor. In some cases the conditions of sale significantly affect transaction prices. Sales that reflect unusual situations, require an appropriate adjustment for motivation or sale condition. For example, power-of-sale conditions involve a certain degree of urgency on part of the lender - leading to a somewhat lower sale price than what would otherwise be expected. All the sales considered were normal market transactions with no undue motivation, no adjustments were necessary.

Location

- An adjustment for location within a market area may be required when the locational characteristics of a comparable property are different from those of the subject property. Although no location is inherently desirable or undesirable, the market recognizes that one location is better than, similar to, or worse than another.



Development Timeline

- An adjustment for the anticipated time to development may be required when the site requires demolition, rezoning, and site plan approval. The time required to prepare the site for development may affect the sale price (a longer development timeline requires a downward adjustment). Development timeline adjustments were made when necessary.

Analysis

In combination, all 7 Indices are thought to fulfill the criteria and are felt to demonstrate a reasonably narrow range before adjustment, ranging from \$93,555 to \$184,891 per acre. The low end of the range is represented by a 20.17 acre development site located on the border of Oshawa and Whitby and as of the date of sale the land was vacant and unimproved. It is felt that the subject would reasonably achieve a unit rate in excess of the \$93,555 per acre demonstrate by this sale due largely to its small size and the access to an active rail spur.

The high end of the range, \$84,891 per acre, is a smaller development site located within an established industrial node within the City of Pickering. This index has ample frontage onto the nearby roadways, whereas the subject excess land has an irregular configuration, with only a small frontage and the balance of the excess land being removed from adjacent roadways. In this regard, it is felt that the subject would reasonably fall at the low end of the range.

Taking into account these Indices and the subject property’s attributes and location, along with ready potential for interim use and long term development, leads us to conclude that a unit price of \$110,000 per acre is currently applicable to the subject property’s excess land component.

On this basis the current market value of the excess land component of the subject, as of the effective date, is indicated as follows:

Site Area	X	Unit Price	=	Value Estimate
13.77 acres	X	\$110,000 per acre	=	\$1,500,000 (rounded)

Overall Income Capitalization

Revenue and Expense Analysis

To estimate the market value of a property by the Income Approach, the main criteria for the measurement of value is the property's ability to generate income. To this end, an analysis of the potential income and the probable expenses associated with maintaining this income stream is undertaken in order to estimate the net operating income the property is capable of producing.

The net operating income is then converted into an expression of market value through the application of an appropriate technique. The most commonly utilized methods for valuing real estate such as the subject are the *Overall Income (Direct) Capitalization* and *Discounted Cash Flow* techniques. The Overall Income Capitalization method has been included in our analysis.

Tenancy Summary and Leasing Profile

Area Measurement	The total Gross Leasable Area of the property is 149,628 square feet, more or less.
Occupancy	As of the effective date of the property was 100% occupied.
Leasing Practice/Status	Fully Net.
Tenancy Schedule	The subject is 100% occupied by the client and owner, Viceroy Homes, and has owned the building since its construction in 1989.
Market Lease Survey	In order to determine how the subject's contract rents currently in place compare to market levels, a lease survey has been conducted. The results of this survey are summarized in the table on the following page.

Single Tenant Industrial Building - Viceroy Homes, 414 Croft Street East, Port Hope, Ontario

	Property Name Address Class / Sub Class GLA (SF) / Year Built	Tenant GLA Lease Commencement Terms Escalations	Base Rent Op. Costs / Taxes Tenant Allowances Free Rent LL's Work Net Effective Rate	Comments
	Multi-Tenant Industrial 1172 Erie Street Stratford, Ontario General / B Class 295,000 SF	New Lease 25,280 SF 6-Jun-12 36 months No	\$5.00/SF	The base rent is fixed throughout the lease term.
	Multi-Tenant Industrial 405 College Street East Belleville, Ontario General / B Class 26,523	New Lease 26,523 SF 26-Nov-12 No	\$4.50/SF	The base rent is fixed throughout the lease term.
	Confidential Confidential Kingston, Ontario General / B Class 10,000	New Lease 4,000 SF 9-Apr-13 No	\$6.00/SF	The base rent is fixed throughout the lease term.
	Multi-Tenant Industrial 225 Henry Street Brantford, Ontario Distribution Warehouse / B Class 124,000 SF	New Lease 76,000 SF 30-Oct-13 42 months No	\$3.75/SF	The base rent is fixed throughout the lease term. Clear Height: 24 ft
	Single Tenant Industrial 724 Erskine Ave Peterborough, Ontario General / B Class 9,500 SF /	New Lease 9,500 SF 18-Mar-10 No	\$4.20/SF	The base rent is fixed throughout the lease term.

Market Rent

Based on the foregoing survey, we are of the professional opinion that current market rent for occupancy within the subject property would be in the range of \$3.25 to \$3.75 per square foot per annum, fully net to the landlord. In general, market rents are projected to vary depending on the size and quality of the premises, the percentage of office space and the clear height of the warehouse space. Giving consideration to the results of our market lease survey and recent leasing within the subject, we have assigned a market rental rate of \$3.50 per square foot net per annum to the subject property.

It should be noted that there is an expired listing for an industrial building located at 260 Peter Street in Port Hope. This building constitutes 131,960 of industrial space, with approximately 23,000 square feet of office space. The building was listed for a net rent of \$3.75 square feet and expired on December 31, 2013. Despite numerous attempts to reach the listing broker, we were unable to determine if any offers to lease came forward during the listing period.

Projected Base Rent

Based on the contract revenue in place and assuming full occupancy of any presently vacant areas at market rental rates, base rental revenue is projected to be **\$523,698** in Year One.

Recovery Revenue

The leasing within the subject property is on a ---select--- basis. Based on the nature of the leases in place, Year One Recovery Revenue is estimated at **\$780,700**.

Total Potential Gross Income

Adding all the sources of revenue described above results in a Year One Potential Gross Income forecast of **\$1,304,398**.

General Vacancy

Within our analysis we have incorporated a stabilized vacancy allowance equal to 3.00 % of the Potential Gross Income.

While single-tenant buildings are not typically the object of a vacancy allowance, given the nature of the Port Hope market, and limited demand for competing buildings, a small vacancy allowance was deemed prudent.

In Year One, the projected general vacancy allowance amounts to **\$39,132**.

Effective Gross Income

Deducting the Vacancy Allowance above from the Potential Gross Income forecast results in a Year One Effective Gross Income estimate of **\$1,265,266**.

Expense Analysis

Operating Expense Summary

Operating expenses are based upon the information as provided by the client. These expenses are detailed as follows:

Operation Expense Summary			
Single Tenant Industrial Building - Viceroy Homes			
	2013 Annualized	Colliers Forecast	per SF
	per SF		
Utilities	\$3.01		\$3.05
Repairs & Maintenance	\$0.56		\$0.65
Insurance	\$0.13		\$0.15
Other	\$0.02		\$0.05
Sub-Total	\$3.72	\$583,549	\$3.90
Realty Taxes	\$1.29		\$1.32
Total Occupancy Costs	\$5.01	\$780,700	\$5.22

Operating Expense Survey

In order to determine how the operating expenses, summarized above and applicable to occupancy within the subject property, compare to competing developments, a brief survey has been conducted. The results of the survey are presented in table following. It should be noted that a large portion of the subject's project expenses include utilities consumed by the tenant, whereas the comparables in the following table consist of properties where tenants are responsible for direct payment of utilities.

Operating Expense Survey						
Single Tenant Industrial Building - Viceroy Homes						
	No. 1	No. 2	No. 3	Mean	Subject	Variance
Property Type	Industrial	Industrial	Industrial		Industrial	
Sub-Type	Warehouse/Storage	Warehouse	Warehouse		Manufacturing	
Location	Cobourg, ON	Belleville, ON	Port Hope, ON		Port Hope, Ontario	
Size (approx. SF)	52,200 SF	26,523 SF	131,960 SF		149,628 SF	
Year Built	Former Military	TBC	TBC		1989	
Total Op. Exp.	\$1.11	\$1.00	\$1.17	\$1.09	\$3.90	\$2.81

Contingency/Structural Allowance

In addition to the operating expenses above, investors typically include an allowance for structural repairs or other non-recoverable expenses for the purpose of valuation. In this respect, a Contingency Allowance equal to 1.00 % of the Effective Gross Income has been deducted within our Pro Forma Income Projection. In Year One this allowance has been forecast at \$12,653.

Total Expenses Adding the expenses as described above results in forecast Year One Operating Expenses in an amount equal to **\$798,524**.

Net Operating Income Based on the foregoing, Year One Net Operating Income is projected at **\$466,742**.

Pro Forma Income Statement Based on the foregoing, a Pro Forma Income statement for the property is presented on the following page.

Pro Forma Income Statement	
Single Tenant Industrial Building - Viceroy Homes	
(Twelve months forthcoming as of Feb-21-14)	
Base Rent	\$523,698
Recoveries	780,700
Potential Gross Income	<u>\$1,304,398</u>
Less: Vacancy/Collection Loss Allowance @ 3.00% PGI	(\$39,132)
Effective Gross Income	\$1,265,266
Operating Expenses	
Realty Taxes	\$197,151
Utilities	456,365
Repairs / Maintenance	97,258
Insurance	22,444
Administration / Management	12,653
Contingency/Structural Allowance @ 1.00% EGI	<u>12,653</u>
Total Operating Expenses/Allowances	\$798,524
Net Operating Income	<u>\$466,742</u>

Significant Investment Characteristics of Subject

The following summarizes the major investment attributes of the property that potential investors would consider when determining an appropriate return and yield when making a purchase decision.

Location The property offers a good overall location with very good access and very good exposure characteristics. The location of the property is considered to be good relative to typical market competitors. Its site specific location affords for good access and exposure and no negative influences are noted.

Physical Attributes The improvements to the property were originally constructed in 1989 and represent good quality construction in good overall condition, providing good functional utility. No known deficiencies exist. The property appears to be in good overall condition and no significant capital expenditures or maintenance are considered to be required in the short term.

Operational The property is assumed to be occupied by a good quality tenant at rental rates that are reflective of market levels. The forecast operating expenses are consistent with those of competitive properties. There are no apparent atypical risks associated with the forecast income of the property.

Market Given the location of Port Hope in comparison to other established industrial markets within the Province of Ontario, including proximity to border crossings and large populations, the subject is considered to be somewhat isolated. While the industrial market in established centres remains healthy, with moderate downward pressure on capitalization rates, there is felt to be limited demand for industrial improvements such as the subject in the immediate market.

Conclusions

Positive Aspects The property is well located and represents good quality construction in good overall condition. The property is 100% occupied by good quality tenants.

Negative Aspects The building reflects somewhat dated construction.

Investment Analysis

Investment Alternatives

Following are current investment yields with respect to various alternative investments.

Investment Alternatives		Current
Prime Rate		3.00%
Long Term Canada Bond		3.05%
REIT Units (CREIT)		3.75%
REIT Units (RioCan)		5.32%

Source: TD Bank, Bank of Canada, Globe Investor

Real Estate Surveys

Following are the results of the most recent commercial real estate return surveys, as expressed by overall capitalization rates.

Q4 2013 Investment Parameters - Toronto		
Investment Type	Overall Capitalization Rates	Discount Rates
Industrial		
Single	5.50% - 6.50%	6.50% - 8.00%
Multi	6.25% - 7.00%	6.50% - 8.00%
Office		
Downtown - Class 'AA'	5.00% - 5.50%	5.80% - 7.50%
Suburban - Class 'A'	6.00% - 7.00%	6.30% - 7.80%
Retail		
Regional/Power	4.75% - 5.75%	5.50% - 7.50%
Strip Plaza	5.75% - 6.75%	6.50% - 7.80%
Multi-Residential		
High Rise	3.75% - 4.75%	
Low Rise	4.75% - 5.25%	

Source: Colliers International Realty Advisors (OCR), Altus InSite (IRR)

Comparable Transactions

The most appropriate method of determining an appropriate overall capitalization rate is best served through an analysis of current market activity. In consideration of the characteristics described above, the transactions summarized in the table on the following page have been selected and analyzed.

Industrial Investment Transactions & Analysis

Single Tenant Industrial Building - Viceroy Homes

	Subject	Transaction One		Transaction Two		Transaction Three		Transaction Four	
Property Name	Single Tenant Industrial Building - Viceroy Homes	Single Tenant Industrial		Single Tenant Industrial		Single Tenant Industrial Building		Single Tenant Industrial	
Address	414 Croft Street East Port Hope, Ontario	11000 Steeles Avenue Milton, Ontario		18 Cherry Blossom Road Cambridge, Ontario		710 Neal Drive Peterborough, Ontario		1 Rutherford Court Guelph, Ontario	
Transaction Date	---	21-May-13		8-Mar-13		5-Oct-12		11-Mar-11	
Transaction Status	---	Closed		Closed		Closed		Closed	
Transaction Price	---	\$9,800,000		\$6,751,287		\$5,250,000		\$6,050,000	
Transaction Price per SF	---	\$79		\$66		\$52		\$60	
Property Type	Industrial	Industrial		Industrial		Industrial		Industrial	
Sub-Type	Manufacturing	Distribution Warehouse		Manufacturing		Manufacturing		Distribution Warehouse	
Rentable Area	149,628 SF	123,750 SF		101,765 SF		101,601 SF		101,130 SF	
Actual Occupancy	100%	100%		100%		100%		100%	
Overall Capitalization Rate ⁽¹⁾	---	6.37%		6.24%		7.62%		6.96%	
NOI /SF	\$3.12/SF	\$5.04/SF		\$4.14/SF		\$3.94/SF		\$4.17/SF	
Transaction & Adjustments		Description		Adj.		Description		Adj.	
Property Rights Conveyed	Fee Simple	Leased Fee		None		Leased Fee		None	
Financing	---	Market (Assumed)		None		Market (Assumed)		None	
Conditions of Sale	---	Arm's Length		None		Arm's Length		None	
Market Conditions (Time)	21-Feb-14	276 days		Downward		504 days		Downward	
Location	Good	Very Good		Upward		Good		None	
Access	Good	Very Good		Upward		Good		None	
Physical Characteristics									
Site									
Size	25.220 Acres	13.770 Acres		None		8.690 Acres		None	
Topography	Level	Level		None		Level		None	
Configuration	Regular	Irregular		None		Regular		None	
Density	0.14	0.21		None		0.27		None	
Excess Density	Yes	Yes		None		No		None	
Zoning/Land Use	Employment (EMP1-66)	(H)(M7)		None		M1.2		None	
Access	Very Good	Very Good		None		Good		None	
Exposure	Very Good	Excellent		None		Good		None	
Improvements									
Size	149,628 SF	123,750 SF		None		101,601 SF		None	
Design / Layout	Good	Good		Upward		Good		None	
Year Built	1989	1998		Upward		1973		None	
Quality	Good	Good		Upward		Good		None	
Condition	Good	Very Good		Upward		Good		None	
Economic Characteristics									
Income Growth Potential	Good	Good		Upward		Good		None	
Tenancy Strength	Good	Very Good		Upward		Good		None	
Income Stability	Good	Good		Upward		Very Good		None	
Non-Realty	---	None		None		None		None	
Overall Comparability & Adjust.		Superior		Upward		Similar		Insignificant	
Conclusion		Higher Than		Higher Than		Similar to		Higher Than	
		6.37%		6.24%		7.62%		6.96%	

(1) The stabilized overall capitalization rates summarized above have been analyzed with the same vacancy and contingency provisions as the subject property. It is of note that the stabilized overall capitalization rates presented within the Sale Summary Sheets in the Addenda to this report may differ from those within the above analysis due to differences in the vacancy and contingency provisions included therein.

Capitalization rates tend to vary between properties depending to some extent on such factors as location, size and type of development, quality and condition of improvements, and amenities provided. Combining all of these features with considerations of leasing history and trends, strength of tenancy and income security, the overall capitalization rate tends generally to reflect the perceived quality and durability of the property's income earning capacity.

Analysis

The selected transactions pertain to activity that occurred between March 2011 and May 2013. The properties vary in size from 101,130 square feet to 123,750 square feet and were originally constructed between 1973 and 1998. These transactions represent capital investments that range from a low of \$5,250,000 to \$9,800,000 at the upper end of the range. The stabilized overall capitalization rates indicated by these transactions vary from a low of 6.24% to a high of 7.62%.

Transaction No. 1 pertains to the May 21, 2013 sale of a industrial development located at 11000 Steeles Avenue, Milton, Ontario at a price of \$9,800,000, and indicating a stabilized overall capitalization rate of 6.37%. This transaction involved the transfer of the owner's interest in the leased fee estate and therefore no adjustment was required for the property rights conveyed in this transaction. Financing is not believed to be a factor influencing this transaction. As such, no adjustment has been made. In the time spanning the date of this transaction and the effective date of this valuation, market conditions have improved. As such, a downward adjustment is required for changing market conditions. This property occupies a very good overall location and possesses very good regional access characteristics. Relative to the locational attributes of the subject property an upward adjustment is required. The site area totals 13.77 acres, offers level topography, is irregular in its configuration, and based on the gross leaseable area of the improvements, has been developed to a 0.21 times site area density. Relative to the characteristics of the subject site, these attributes are thought to be similar by comparison and therefore no adjustment for site characteristics is required. This property has a total gross leaseable area of 123,750 square feet, was constructed in 1998 and is considered to represent good quality construction in very good overall condition. Relative to the improvements to the subject property, this comparable is superior and therefore an upward adjustment to the indicated overall capitalization rate is required. This property is considered to provide good income growth potential, very good tenancy strength, and good income stability. Therefore, and relative to the subject property, an upward adjustment is warranted. Overall, Index No. 1 is considered to be superior to the subject property and therefore, an overall capitalization rate higher than 6.37% is considered appropriate for the subject property.

Located at 18 Cherry Blossom Road, Cambridge, Ontario, Transaction No. 2 relates to the sale of a 101,765 square foot industrial development at a price of \$6,751,287, and reflecting an overall capitalization rate of 6.24%. The property rights transferred relate to those of the leased fee estate and therefore no adjustment was required for

the property rights that were transferred. Financing is not believed to be a factor influencing this transaction. As such, no adjustment has been made. Market conditions have improved between the date that this transaction occurred and the effective date of this valuation. Therefore, a downward adjustment is required for changing market conditions. With regard to location, this property occupies a very good overall location with very good access characteristics. When compared to the subject property, an upward adjustment is thought to be warranted. This property's site is irregular in its configuration, is level with respect to topography, comprises a total area measuring 5.39 acres, and has been developed to a density of 0.43 times its area. When compared to the attributes of the subject site, these qualities are thought to be similar and no adjustment has been made. The improvements to this property were originally constructed in 1998 and represent very good quality construction in very good overall condition, providing very good functional utility and/or layout. The gross leaseable area of this property is 101,765 square feet, more or less. When compared to the subject property, the improvements to Transaction No. 2 are considered to be superior and therefore an upward adjustment is warranted. This property is considered to provide very good income growth potential, very good tenancy strength, and very good income stability. Therefore, and relative to the subject property, an upward adjustment is warranted. In terms of overall comparability, this property is thought to be superior to the subject and therefore an upward overall adjustment is warranted, suggesting that an appropriate overall capitalization rate for the subject property should be higher than 6.24%.

An industrial development comprising a total gross leaseable area of 101,601 square feet, Transaction No. 3 is located in Peterborough, Ontario at 710 Neal Drive and pertains to a sale at a price of \$5,250,000, and suggesting a capitalization rate of 7.62%. Involving the transfer of the owner's interest in the leased fee estate, no adjustment was required for the property rights conveyed in this transaction. Financing is not believed to be a factor influencing this transaction. As such, no adjustment has been made. In the time between the date of this transaction and the valuation date of subject property the market for real estate similar to the subject property has improved and as a consequence a downward adjustment to this transaction has been made. Occupying a good overall location with good access, no adjustment is required for overall locational characteristics relative to those offered by the subject property. Regular in its configuration and offering level topography, this site comprises a total area of 8.69 acres, more or less. Based on the gross leaseable area of the improvements, the site has been developed to a 0.27 times density. These characteristics are, in general, similar to those of the subject and therefore no adjustment has been made. Comprising a gross leaseable area of 101,601 square feet, more or less, and originally constructed in 1973, the improvements to this property represent good quality construction in good overall condition, providing good overall design/layout characteristics. When these attributes are considered, no adjustment is warranted, reflecting the similar nature of the improvements when compared to the subject. This property is considered to provide good income growth potential, good tenancy strength, and very good income stability. Therefore, and relative to the subject property, no adjustment is warranted. In summary, this property is considered to be similar to the subject and consequently no overall adjustment is required, indicating that an appropriate overall capitalization for the subject should be similar to 7.62%.

Transaction No. 4 pertains to sale of a industrial development located at 1 Rutherford Court, Guelph, Ontario at a price of \$6,050,000, and indicating a 6.96% overall capitalization rate. The property rights transferred relate to those of the leased fee estate and therefore no adjustment was required for the property rights that were transferred. Financing is not believed to be a factor influencing this transaction. As such, no adjustment has been made. In the time spanning the date of this transaction and the effective date of this valuation, market conditions have improved. As such, a downward adjustment is required for changing market conditions. With regard to location, this property occupies a very good overall location with very good access characteristics. When compared to the subject property, an upward adjustment is thought to be warranted. Regular in its configuration and offering level topography, this site comprises a total area of 5.15 acres, more or less. Based on the gross leaseable area of the improvements, the site has been developed to a 0.45 times density. These characteristics are, in general, similar to those of the subject and therefore no adjustment has been made. This property has a total gross leaseable area of 101,130 square feet, was constructed in 1986 and is considered to represent good quality construction in good overall condition. Relative to the improvements to the subject property, this comparable is similar and therefore no adjustment is required to the overall capitalization rate indicated by this transaction. This property is considered to provide good income growth potential, good tenancy strength, and good income stability. Therefore, and relative to the subject property, no adjustment is warranted. In terms of overall comparability, this property is thought to be superior to the subject and therefore an upward overall adjustment is warranted, suggesting that an appropriate overall capitalization rate for the subject property should be higher than 6.96% as indicated by this transaction.

Based on the foregoing analysis, it is our opinion that an appropriate overall capitalization rate applicable to the subject property is lower than Transaction No. 3 (7.62%); and higher than Transaction Nos. 1 (6.37%), 2 (6.24%), and 4 (6.96%).

Direct Capitalization

On the basis of our Revenue and Expense Analysis, the Stabilized Net Operating Income for the forthcoming 12 months is projected to be **\$466,742**.

As summarized on the previous page, capitalization rates for properties similar to the subject are trading at “going-in” returns of 6.24 % to 7.62 %. Taking into consideration the investment characteristics of the property including its location, size, building quality and security of income, it is our opinion that an overall capitalization rate of between 7.50 % and 8.00 % would be appropriate. Applying this rate to the projected Year One net operating income results in the following estimate of value, adjusted for holding and lease up costs and capital expenses, if required.

Value Matrix - Direct Overall Capitalization Single Tenant Industrial Building - Viceroy Homes

OCR	Stabilized NOI	Value ⁽¹⁾	Adjusted Value ⁽¹⁾⁽²⁾
7.50%	\$466,742	\$6,200,000	\$7,700,000
7.75%	\$466,742	\$6,000,000	\$7,500,000
8.00%	\$466,742	\$5,800,000	\$7,300,000

(1) Rounded to nearest \$100,000

(2) Adjusted for \$1,500,000 Excess Land Value

Summary

The foregoing analysis indicates an estimated value by way of Direct Income Capitalization of between **\$7,300,000** and **\$7,700,000** (rounded) as of the effective date of this valuation. The value has been adjusted to include \$1,400,000 attributed to the 13.77 acres of excess land associated with the subject, as per the analysis contained herein.

Direct Comparison Approach

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

In valuing the subject property, it has been compared to each of the index sales. The basis for comparison included the consideration of the following:

The basis for comparison included the consideration of the following:

- Property Rights Conveyed
- Financing Terms
- Conditions of Sale
- Market Conditions
- Location
- Physical Characteristics
- Zoning/Use
- Economic Characteristics

It is noted that investment producing properties, like the subject, are most relevantly valued through their income characteristics and therefore economic characteristics as they relate to individual elements of comparison will be given particular consideration within our analysis.

Given the investment nature of the property, the indicators presented within the Income Approach are considered to be reasonable for use under this method of valuation. These transactions are summarized in the table on the following page.

Industrial Transactions & Analysis																
	Subject	Transaction One		Transaction Two		Transaction Three		Transaction Four		Transaction Five						
Property Name	Single Tenant Industrial Building	Single Tenant Industrial Building		Single Tenant Industrial Building		Single Tenant Industrial Building		Single Tenant Industrial Building		Single Tenant Industrial Building						
Address	414 Croft Street East Port Hope, Ontario	94 Willmott Street Cobourg, Ontario		321 University Avenue Belleville, Ontario		420 Sidney Street Quinte West, Ontario		36 Wolfe Street Quinte West, Ontario		260 Toronto Street Clarington, Ontario						
Transaction Date	---	12-Dec-13		20-Nov-13		31-Dec-12		29-Jun-12		7-Jan-11						
Transaction Status	---	Closed		Closed		Closed		Closed		Closed						
Transaction Price	---	\$2,500,000		\$3,500,000		\$1,000,000		\$1,050,000		\$1,400,000						
Property Type	Industrial	Industrial		Industrial		Industrial		Industrial		Industrial						
Sub-Type	Manufacturing	Warehouse		Manufacturing		Warehouse		Warehouse		Warehouse						
Rentable Area	149,628 SF	44,917 SF		220,837 SF		220,000 SF		40,700 SF		50,000 SF						
Actual Occupancy	100%	0%		0%		0%		0%		0%						
Sale Price/SF	---	\$56/SF		\$16/SF		\$5/SF		\$26/SF		\$28/SF						
Transaction & Adjustments																
		Description	Adj.	Description	Adj.	Description	Adj.	Description	Adj.	Description	Adj.					
Property Rights Conveyed	Fee Simple	Fee Simple	None	Fee Simple	None	Fee Simple	None	Fee Simple	None	Fee Simple	None					
Financing	---	Market (Assumed)	None	Market (Assumed)	None	Market (Assumed)	None	Market (Assumed)	None	Market (Assumed)	None					
Conditions of Sale	---	Arm's Length	None	Arm's Length	None	Arm's Length	None	Arm's Length	None	Arm's Length	None					
Market Conditions (Time)	21-Feb-14	71 days	None	93 days	None	417 days	Upward	602 days	Upward	1,141 days	Upward					
Location	Good	Good	}	Good	}	Good	}	Average	}	Good	}					
Access	Good	Good		Good		Good		Average		Upward		Good				
Physical Characteristics																
Site																
Size	25.220 Acres	6.300 Acres	}	22.900 Acres	}	23.400 Acres	}	8.200 Acres	}	7.800 Acres	}					
Level	Level	Level		Level		Level		Level		Level						
Configuration	Regular	Regular		Irregular		Regular		Regular		Regular						
Density	0.14	0.16		0.22		0.22		0.11		0.15						
Excess Density	Yes	Yes	}	Yes	}	Yes	}	Yes	}	Yes	}					
Zoning/Land Use	Employment (EMP1-66)	TBC		TBC		TBC		TBC		TBC						
Access	Very Good	Good	}	Good	}	Good	}	Average	}	Good	}					
Exposure	Very Good	Good		Good		Good		Average		Good						
Improvements																
Size	149,628 SF	44,917 SF	}	220,837 SF	}	220,000 SF	}	40,700 SF	}	50,000 SF	}					
Design / Layout	Good	Good		Good		Good		Average		Average						
Year Built	1989	1989		}		1696		}		TBC		}	TBC	}	1981	}
Quality	Good	Good				Good				Good			Average		Average	
Condition	Good	Good	Good	Good	Average	Good										
Non-Ready		None	None	None	None	None	None	None	None	None	None					
Overall Comparability & Adjust.		Superior	Downward	Sig. Inferior	Sig. Upward	Sig. Inferior	Sig. Upward	Inferior	Upward	Inferior	Upward					
Conclusion		Lower Than \$56/SF		Sig. Higher Than \$16/SF		Sig. Higher Than \$5/SF		Higher Than \$26/SF		Higher Than \$28/SF						

Analysis

The selected transactions pertain to activity that occurred between January 2011 and December 2013. The properties vary in size from 40,700 square feet to 220,837 square feet and were originally constructed between 0 and 1989. These transactions represent capital investments that range from a low of \$1,000,000 to \$3,500,000 at the upper end of the range. The unit prices per square foot indicated by these transactions vary from a low of \$5 per square foot to a high of \$56.

Transaction No. 1 pertains to the December 12, 2013 sale of a industrial development located at 94 Willmott Street, Cobourg, Ontario at a price of \$2,500,000, or \$56 per square foot. This transaction involved the transfer of the owner's interest in the fee simple estate and therefore no adjustment was required for the property rights conveyed in this transaction. Financing is not believed to be a factor influencing this transaction. As such, no adjustment has been made. In the time spanning the date of this transaction and the effective date of this valuation, market conditions have been stable. As such, no adjustment is required for changing market conditions. This property occupies a good overall location and possesses good regional access characteristics. Relative to the locational attributes of the subject property no adjustment is required. The site area totals 6.30 acres, offers level topography, is regular in its configuration, and based on the gross leaseable area of the improvements, has been developed to a 0.16 times site area density. Relative to the characteristics of the subject site, these attributes are thought to be similar by comparison and therefore no adjustment for site characteristics is required. This property has a total gross leaseable area of 44,917 square feet, was constructed in 1989 and is considered to represent good quality construction in good overall condition. Relative to the improvements to the subject property, this comparable is superior and therefore a downward adjustment is required. Overall, Index No. 1 is considered to be superior to the subject property and required downward adjustments. Therefore, a unit value per square foot lower than \$56 is considered appropriate for the subject property.

Located at 321 University Avenue, Belleville, Ontario, Transaction No. 2 relates to the sale of a 220,837 square foot industrial development at a price of \$3,500,000, or \$16 per square foot. The property rights transferred relate to those of the fee simple estate and therefore no adjustment was required for the property rights that were transferred. Financing is not believed to be a factor influencing this transaction. As such, no adjustment has been made. Market conditions have been stable between the date that this transaction occurred and the effective date of this valuation. Therefore, no adjustment is required for changing market conditions. With regard to location, this property occupies a good overall location with good access characteristics. When compared to the subject property, no adjustment is thought to be warranted. This property's site is regular in its configuration, is level with respect to topography, comprises a total area measuring 22.90 acres, and has been developed to a density of 0.22 times its area. When compared to the attributes of the subject site, these qualities are thought to be similar and no adjustment has been made. The improvements to this property were originally constructed in 1696 and represent good quality construction in good overall condition, providing good functional utility and/or layout. The gross leaseable area of this property is 220,837 square feet, more or less. When compared to the subject property, the improvements to Transaction No. 2 are considered to be inferior and therefore an upward

adjustment is warranted. In terms of overall comparability, this property is thought to be significantly inferior to the subject and therefore a significant upward overall adjustment is warranted, suggesting that an appropriate unit value for the subject property should be significantly higher than \$16 per square foot.

A industrial development comprising a total gross leaseable area of 220,000 square feet, Transaction No. 3 is located in Quinte West, Ontario at 420 Sidney Street and pertains to a sale at a price of \$1,000,000, or \$5 per square foot. Involving the transfer of the owner's interest in the fee simple estate, no adjustment was required for the property rights conveyed in this transaction. Financing is not believed to be a factor influencing this transaction. As such, no adjustment has been made. In the time between the date of this transaction and the valuation date of the subject property the market for real estate similar to the subject property has improved and as a consequence an upward adjustment to this transaction has been made. Occupying a good overall location with good access, no adjustment is required for overall locational characteristics relative to those offered by the subject property. Regular in its configuration and offering level topography, this site comprises a total area of 23.40 acres, more or less. Based on the gross leaseable area of the improvements, the site has been developed to a 0.22 times density. These characteristics are, in general, similar to those of the subject and therefore no adjustment has been made. Comprising a gross leaseable area of 220,000 square feet, more or less, and originally constructed in TBC, the improvements to this property represent good quality construction in good overall condition, providing good overall design/layout characteristics. When these attributes are considered, an upward adjustment is warranted, reflecting the inferior nature of the improvements when compared to the subject. In summary, this property is considered to be significantly inferior to the subject and consequently a significant upward overall adjustment is required, indicating that an appropriate unit value for the subject should be significantly higher than \$5 per square foot of gross leaseable area.

Transaction No. 4 pertains to a sale of a industrial development located at 36 Wolfe Street, at a price of \$1,050,000, or \$26 per square foot. The property rights transferred relate to those of the fee simple estate and therefore no adjustment was required for the property rights that were transferred. Financing is not believed to be a factor influencing this transaction. As such, no adjustment has been made. In the time spanning the date of this transaction and the effective date of this valuation, market conditions have improved. As such, an upward adjustment is required for changing market conditions. With regard to location, this property occupies an average overall location with average access characteristics. When compared to the subject property, an upward adjustment is thought to be warranted. Regular in its configuration and offering level topography, this site comprises a total area of 8.20 acres, more or less. Based on the gross leaseable area of the improvements, the site has been developed to a 0.11 times density. These characteristics are, in general, similar to those of the subject and therefore no adjustment has been made. This property has a total gross leaseable area of 40,700 square feet, was constructed in TBC and is considered to represent average quality construction in average overall condition. Relative to the improvements to the subject property, this comparable is similar and therefore no adjustment is required. In terms of overall comparability, this property is thought to be inferior to the subject and therefore an upward overall adjustment is warranted, suggesting that an appropriate unit value for the subject property should be higher than \$26 per square foot.

Located at 260 Toronto Street, Clarington, Ontario, Transaction No. 5 relates to the sale of a 50,000 square foot industrial development at a price of \$1,400,000, or \$28 per square foot. Involving the transfer of the owner's interest in the fee simple estate, no adjustment was required for the property rights conveyed in this transaction. Financing is not believed to be a factor influencing this transaction. As such, no adjustment has been made. Market conditions have improved between the date that this transaction occurred and the effective date of this valuation. Therefore, an upward adjustment is required for changing market conditions. Occupying a good overall location with good access, no adjustment is required for overall locational characteristics relative to those offered by the subject property. The site area totals 7.80 acres, offers level topography, is regular in its configuration, and based on the gross leaseable area of the improvements, has been developed to a 0.15 times site area density. Relative to the characteristics of the subject site, these attributes are thought to be similar by comparison and therefore no adjustment for site characteristics is required. The improvements to this property were originally constructed in 1981 and represent average quality construction in average overall condition, providing average functional utility and/or layout. The gross leaseable area of this property is 50,000 square feet, more or less. When compared to the subject property, the improvements to Transaction No. 5 are considered to be similar and therefore no adjustment is warranted. In summary, this property is considered to be inferior to the subject and consequently an upward overall adjustment is required, indicating that an appropriate unit value for the subject property should be higher than \$28 per square foot.

Conclusion

Based on the preceding analysis, an appropriate unit value per square foot for the subject property should be lower than Transaction No. 1 (\$56); higher than Transaction Nos. 4 (\$26) and 5(\$28); and significantly higher than Transaction Nos. 2 (\$16) and 3(\$5). As such, a unit value of between \$35 and \$45 is considered to be appropriate for the subject property. Applying values per square foot within this range to the area of the property results in the following estimates of value:

Value Matrix - Direct Comparison			
Single Tenant Industrial Building - Viceroy Homes			
Size	\$/SF	Value ⁽¹⁾	Adjusted Value ⁽¹⁾⁽²⁾
149,628 SF	\$35	\$5,200,000	\$6,700,000
149,628 SF	\$40	\$6,000,000	\$7,500,000
149,628 SF	\$45	\$6,700,000	\$8,200,000

(1) Rounded to nearest \$100,000

(2) Adjusted for \$1,500,000 Excess Land Value

The foregoing analysis indicates an estimated value of between **\$6,600,000** and **\$8,100,000** (rounded) as of the effective date of this valuation. The value has been adjusted to include \$1,400,000 attributed to the 13.77 acres of excess land associated with the subject, as per the analysis contained herein.

Reconciliation and Final Estimate of Value

The approaches used in this valuation provide the following values:

Valuation Summary	
Single Tenant Industrial Building - Viceroy Homes	
Income Approach	
<i>Overall Capitalization⁽¹⁾</i>	\$7,300,000 to \$7,700,000
<i>Discounted Cash Flow Analysis</i>	Not Completed
Direct Comparison Approach⁽¹⁾	\$6,700,000 to \$8,200,000
Cost Approach	Not Completed
<i>Replacement Cost New⁽²⁾</i>	Not Completed

(1) Adjusted for Holding/Lease Up Costs, if required
(2) Excludes consideration of land value and all forms of depreciation

For Owner Occupied properties such as the subject, potential purchasers would place moderate emphasis on the income earning potential of the property. In this regard, the Income Approach would be the secondary method of valuation, in that owner user purchasers are primarily concerned with a buildings capability to fit their personal requirements, and not the marketability and investment return of the purchase. In general, the Direct Capitalization method is favored over Discounted Cash Flow Analysis, as it is less subjective.

The Direct Comparison Approach, which is primarily used with respect to the valuation of owner occupied building, is based on the price per square foot of similar property transactions. The Direct Comparison Approach, in this case, is supportive of the indications of value in the Income Approach.

Based on the foregoing, and with most weight applied to the Direct Comparison Approach, it is our opinion that the market value of the property, subject to the assumptions set forth herein, and as at February 21, 2014, was:

Seven Million Five Hundred Thousand Dollars
\$7,500,000

The above value estimate is predicated on an exposure period of six to nine months and assumes a sale on the basis of cash being paid to the vendor.

Appendices

Appendix A Contingent and Limiting Conditions

Appendix B Definitions

Appendix C Certificate of Title

Appendix D Comparable Sales

Appendix E Certification



Appendix A

Contingent and Limiting Conditions

Contingent and Limiting Conditions

1. This report has been prepared at the request of **David Fisher** of **Viceroy Homes Ltd.** for the purpose of providing an estimate of the market value of **414 Croft Street East Port Hope, Ontario**. It is not reasonable for any person other than the person or those to whom this report is addressed to rely upon this appraisal without first obtaining written authorization from **David Fisher** of **Viceroy Homes Ltd.** and the author of this report. This report has been prepared on the assumption that no other person will rely on it for any other purpose and all liability to all such persons is denied.
2. This report has been prepared at the request of **David Fisher** of **Viceroy Homes Ltd.** and for the exclusive (and confidential) use of, the recipient as named herein and for the specific purpose and function as stated herein. All copyright is reserved to the author and this report is considered confidential by the author and **David Fisher** of **Viceroy Homes Ltd.**. Possession of this report, or a copy thereof, does not carry with it the right to reproduction or publication in any manner, in whole or in part, nor may it be disclosed, quoted from or referred to in any manner, in whole or in part, without the prior written consent and approval of the author as to the purpose, form and content of any such disclosure, quotation or reference. Without limiting the generality of the foregoing, neither all nor any part of the contents of this report shall be disseminated or otherwise conveyed to the public in any manner whatsoever or through any media whatsoever or disclosed, quoted from or referred to in any report, financial statement, prospectus, or offering memorandum of the client, or in any documents filed with any governmental agency without the prior written consent and approval of the author as to the purpose, form and content of such dissemination, disclosure, quotation or reference.
3. The estimated market value of the real estate that is the object of this appraisal pertains to the value of the **fee simple interest** in the real property. The property rights appraised herein exclude mineral rights, if any.
4. The concept of market value presumes reasonable exposure. The exposure period is the estimated length of time the asset being valued would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of valuation. The overall concept of reasonable exposure encompasses not only adequate, sufficient and reasonable time but also adequate, sufficient and reasonable effort. The reasonable exposure period is a function not only of time and effort, but will depend on the type of asset being valued, the state of the market at the date of valuation and the level at which the asset is priced. (The estimated length of the exposure period needed to achieve the estimated market value is set forth in the Letter of Transmittal, prefacing this report).
5. The estimate of value contained in this report is founded upon a thorough and diligent examination and analysis of information gathered and obtained from numerous sources. Certain information has been accepted at face value, especially if there was no reason to doubt its accuracy. Other empirical data required interpretative analysis pursuant to the objective of this appraisal. Certain inquiries were outside

the scope of this mandate. For these reasons, the analyses, opinions and conclusions contained in this report are subject to the following Contingent and Limiting conditions.

6. The property has been valued on the basis that title to the real estate herein appraised is good and marketable.
7. The author of this report is not qualified to comment on environmental issues that may affect the market value of the property appraised, including but not limited to pollution or contamination of land, buildings, water, groundwater or air. Unless expressly stated, the property is assumed to be free and clear of pollutants and contaminants, including but not limited to moulds or mildews or the conditions that might give rise to either, and in compliance with all regulatory environmental requirements, government, or otherwise, and free of any environmental condition, past, present or future, that might affect the market value of the property appraised. If the party relying on this report requires information about environmental issues then that party is cautioned to retain an expert qualified in such issues. We expressly deny any legal liability relating to the effect of environmental issues on the market value of the property appraised.
8. The legal description of the property and the area of the site were obtained from the Ontario. Further, the plans and sketches contained in this report are included solely to aid the recipient in visualizing the location of the property, the configuration and boundaries of the site and the relative position of the improvements on the said lands.
9. The property has been valued on the basis that the real estate is free and clear of all value influencing encumbrances, encroachments, restrictions or covenants except as may be noted in this report and that there are no pledges, charges, liens or special assessments outstanding against the property other than as stated and described herein.
10. The property has been valued on the basis that there are no outstanding liabilities except as expressly noted herein, pursuant to any agreement with a municipal or other government authority, pursuant to any contract or agreement pertaining to the ownership and operation of the real estate or pursuant to any lease or agreement to lease, which may affect the stated value or saleability of the subject property or any portion thereof.
11. The interpretation of the leases and other contractual agreements, pertaining to the operation and ownership of the property, as expressed herein, is solely the opinion of the author and should not be construed as a legal interpretation. Further, the summaries of these contractual agreements are presented for the sole purpose of giving the reader an overview of the salient facts thereof.
12. The property has been valued on the basis that the real estate complies in all material respects with any restrictive covenants affecting the site and has been built and is occupied and being operated, in all material respects, in full compliance with all requirements of law, including all zoning, land use classification, building, planning, fire and health by-laws, rules, regulations, orders and codes of all federal, provincial, regional and municipal governmental authorities having jurisdiction with respect thereto. (It is recognized there may be work orders or other notices of violation of law outstanding with

respect to the real estate and that there may be certain requirements of law preventing occupancy of the real estate as described in this report. However, such circumstances have not been accounted for in the appraisal process).

13. Investigations have been undertaken in respect of matters which regulate the use of land. However, no inquiries have been placed with the fire department, the building inspector, the health department or any other government regulatory agency, unless such investigations are expressly represented to have been made in this report. The subject property must comply with such regulations and, if it does not comply, its non-compliance may affect the market value of this property. To be certain of such compliance, further investigations may be necessary.
14. The property has been valued on the basis that there is no action, suit, proceeding or investigation pending or threatened against the real estate or affecting the titular owners of the property, at law or in equity or before or by any federal, provincial or municipal department, commission, board, bureau, agency or instrumentality which may adversely influence the value of the real estate herein appraised.
15. The data and statistical information contained herein were gathered from reliable sources and are believed to be correct. However, these data are not guaranteed for accuracy, even though every attempt has been made to verify the authenticity of this information as much as possible.
16. The estimated market value of the property does not necessarily represent the value of the underlying shares, if the asset is so held, as the value of the share could be affected by other considerations. Further, the estimated market value does not include consideration of any extraordinary financing, rental or income guarantees, special tax considerations or any other atypical benefits which may influence the ordinary market value of the property, unless the effects of such special conditions, and the extent of any special value that may arise therefrom, have been described and measured in this report.
17. Should title to the real estate presently be held (or changed to a holding) by a partnership, in a joint venture, through a Co-tenancy arrangement or by any other form of divisional ownership, the value of any fractional interest associated therewith may be more or less than the percentage of ownership appearing in the contractual agreement pertaining to the structure of such divisional ownership. For the purposes of our valuation, we have not made any adjustment for the value of a fractional interest.
18. In the event of syndication, the aggregate value of the limited partnership interests may be greater than the value of the freehold or fee simple interest in the real estate, by reason of the possible contributory value of non-realty interests or benefits such as provision for tax shelter, potential for capital appreciation, special investment privileges, particular occupancy and income guarantees, special financing or extraordinary agreements for management services.
19. Unless otherwise noted, the estimated market value of the property referred to herein is predicated upon the condition that it would be sold on a cash basis to the vendor subject to any contractual agreements and encumbrances as noted in this report as-is and where-is, without any contingent agreements or caveats. Other financial arrangements, good or cumbersome, may affect the price at which this property might sell in the open market.

20. Should the author of this report be required to give testimony or appear in court or at any administrative proceeding relating to this appraisal, prior arrangements shall be made beforehand, including provisions for additional compensation to permit adequate time for preparation and for any appearances that may be required. However, neither this, nor any other of these assumptions or limiting conditions, is an attempt to limit the use that might be made of this report should it properly become evidence in a judicial proceeding. In such a case, it is acknowledged that it is the judicial body which will decide the use of this report which best serves the administration of justice.
21. Because market conditions, including economic, social and political factors, change rapidly and, on occasion, without notice or warning, the estimate of market value expressed herein, as of the effective date of this appraisal, cannot necessarily be relied upon as of any other date without subsequent advice of the author of this report.
22. The value expressed herein is in Canadian dollars.
23. This report is only valid if it bears the original signature(s) of the author(s).
24. These Contingent and Limiting Conditions shall be read with all changes in number and gender as may be appropriate or required by the context or by the particulars of this mandate.



Appendix B

Definitions

Definitions

Property Interests

- Fee Simple***
- Absolute ownership unencumbered by any other interest or estate subject only to the four powers of government.
- Leased Fee Estate***
- An ownership interest held by a landlord with the right of use and occupancy conveyed by lease to others; the rights of lessor or the leased fee owner and leased fee are specified by contract terms contained within the lease.
- Leasehold Estate***
- The right to use and occupy real estate for a stated term and under certain conditions; conveyed by a lease.

General Definitions

Adjusted or Stabilized Overall Capitalization Rate is usually derived from transactions with excessive vacancy levels or contract rents over/under market levels. In such cases, net operating income is “normalized” to market levels and the price adjusted to reflect expected costs required to achieve the projected net operating income.

The Cost Approach to value is based upon the economic principle of substitution, which holds that the value of a property should not be more than the amount by which one can obtain, by purchase of a site and construction of a building without undue delay, a property of equal desirability and utility.

Direct or Overall Capitalization refers to the process of converting a single year’s income with a rate or factor into an indication of value.

The Direct Comparison Approach examines the cost of acquiring equally desirable and valuable substitute properties, indicated by transactions of comparable properties, within the market area. The characteristics of the sale properties are compared to the subject property on the basis of time and such features as location, size and quality of improvements, design features and income generating potential of the property.

Discount Rate is a yield rate used to convert future payments or receipts into a present value.

Discounted Cash Flow Analysis offers an opportunity to account for the anticipated growth or decline in income over the term of a prescribed holding period. More particularly, the value of the property is equivalent

Single Tenant Industrial Building - Viceroy Homes, 414 Croft Street East, Port Hope, Ontario

to the discounted value of future benefits. These benefits represent the annual cash flows (positive or negative) over a given period of time, plus the net proceeds from the hypothetical sale at the end of the investment horizon.

Two rates must be selected for an application of the DCF process:

- the internal rate of return or discount rate used to discount the projected receivables;
- an overall capitalization rate used in estimating reversionary value of the asset.

The selection of the discount rate or the internal rate of return is based on comparing the subject to other real estate opportunities as well as other forms of investments. Some of the more common bench marks in the selection of the discount rate are the current yields on long term bonds and mortgage interest rates.

Exposure Time is the property's estimated marketing time prior to a hypothetical sale at market value on the effective date of the appraisal. Reasonable exposure time is a necessary element of a market value definition but is not a prediction of a specific date of sale.

Highest and Best Use - The purpose of a highest and best use analysis is to provide a basis for valuing real property. Highest and best use is defined by the Appraisal Institute of Canada as:

*"that use which is most likely to produce the greatest net return over a period of time."
The highest and best use must be legally permissible, physically possible, financially feasible and maximally productive.*

The Income Approach to value is utilized to estimate real estate value of income-producing or investment properties.

Internal Rate of Return is the yield rate that is earned or expected over the period of ownership. It applies to all expected benefits including the proceeds of sale at the end of the holding period. The IRR is the Rate of Discount that makes the net present value of an investment equal zero.

Market Value - The Uniform Standards of Professional Appraisal Practice adopted by the Appraisal Institute of Canada define market value as:

"The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus."

Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- Buyer and seller are typically motivated;
- Both parties are well informed or well advised and acting in their own best interests;
- A reasonable time is allowed for exposure in the market; and
- Payment is made in cash in Canadian dollars or in terms of financial arrangements comparable thereto.

The price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

Net Operating Income is the actual or anticipated net income remaining after all operating expenses are deducted from effective gross income before debt service and depreciation. Net Operating Income is usually calculated for the current fiscal year or the forthcoming year.

Overall Capitalization Rate is an income rate that reflects the relationship between a single year's net operating income expectancy and the total property price. The Overall Capitalization Rate converts net operating income into an indication of a property's overall value.

Reasonable Exposure Time - Exposure time is always presumed to precede the effective date of the appraisal. It may be defined as:

"The estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal. It is a retrospective estimate based upon an analysis of past events assuming a competitive and open market."

A **Yield Rate** is applied to a series of individual incomes to obtain a present value of each.



Appendix C

Certificate of Title(s)

Single Tenant Industrial Building - Viceroy Homes, 414 Croft Street East, Port Hope, Ontario

414 CROFT ST E

PORT HOPE

PIN 510820010

Colliers International

340 Albert Street Suite 930

Ottawa, Ontario

K1R7Y6

Phone +1 613 683 8050

Fax +1 613 567 8035

Email frannie.heeney@colliers.com

Property Details - PIN: 510820010

Address	414 CROFT ST E				
Municipality	PORT HOPE	LRO	39	Land Registry Status	ACTIVE
Registration Type	LT	Area	102,069 m2	Perimeter	1,294 m
Short Description	PT LT 1-2 CON 1 HOPE PT 2 9R2307 EXCEPT PT 1 39R9406; PORT HOPE				

Aerial View of Property



Street View



Sales History

DATE	TYPE	AMOUNT
02/28/1989	T	\$797,886

Full Property Description

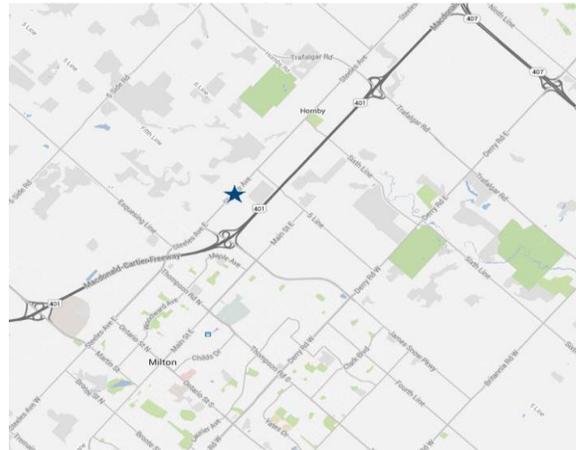
PT LT 1-2 CON 1 HOPE PT 2 9R2307 EXCEPT PT 1 39R9406; PORT HOPE

Appendix D

Comparable Transactions

Single Tenant Industrial

11000 Steeles Avenue, Milton, Ontario



Property Description

Tenancy Type	Single Tenant
Property Type	Industrial
Property Sub-Type	Distribution Warehouse
Property Class	B Class
Construction	Steel frame with metal cladding
Year Built	1998
Rentable Area	123,750 SF
Density (Excess)	0.21 (Yes)
No. of Buildings	Two Buildings
Office Build-Out (%)	4.0 %
Clear Height (feet)	24 feet
Loading	
Dock	8
Grade	6
Rail	No

Transaction Details

Sale Price	\$9,800,000 (100% Equivalent)
Interest Transferred	100 %
Sale Price per SF	\$79
Status	Closed
Date	21-May-13
Occupancy	100 %
Vendor	2334189 Ontario Ltd
Purchaser	PIRET
Document No.	
Rights Conveyed	Leased Fee

Comments

There were no known factors influencing this transaction; further confirmation may be required. - Record No. 47636

Location / Legal / Land Use

Address	11000 Steeles Avenue
Municipality	Milton
Province	Ontario
District	Boston
Roll No.	2415090100111550000
Legal	PT LT 15, CON 5 TRAF NS DES AS PT 1 ON 20R10271 EXCEPT
Zoning / Land Use	(H)(M7)

Tenant Profile(s)

Tenant Name	Leaseable Area	Expiry
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Income Analysis

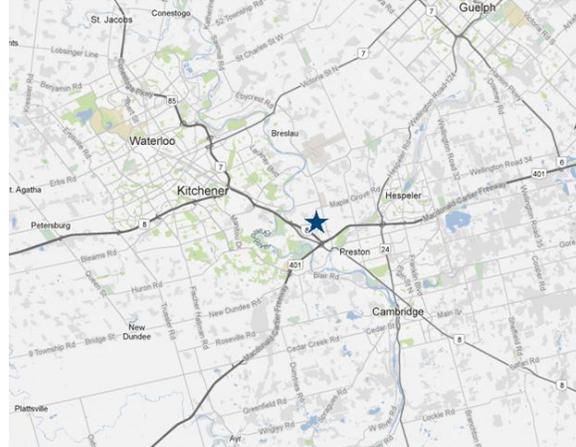
Base Rent	\$649,740
Recovery Income	\$0
Other Income	\$0
Potential Gross Income	\$649,740
Vacancy Allow. (0.0 %)	\$0
Effective Gross Income	\$649,740
Less: Operating Expenses	\$0
Less: Realty Taxes	\$0
Less: Struct. Allow. (0.0 %)	\$0
Net Operating Income	\$649,740
NOI per SF	\$5.25

Return / Yield Analysis

OCR - Stabilized	6.63 %
OCR - Actual	6.63 %

Single Tenant Industrial

18 Cherry Blossom Road, Cambridge, Ontario



Property Description

Tenancy Type	Single Tenant
Property Type	Industrial
Property Sub-Type	Manufacturing
Property Class	B Class
Construction	
Year Built	1998
Rentable Area	101,765 SF
Density (Excess)	0.43 (No)
No. of Buildings	One Building
Office Build-Out (%)	13.7 %
Clear Height (feet)	26
Loading	
Dock	5
Grade	1
Rail	

Transaction Details

Sale Price	\$6,751,287 (100% Equivalent)
Interest Transferred	100 %
Sale Price per SF	\$66
Status	Closed
Date	8-Mar-13
Occupancy	100 %
Vendor	Bock PPL
Purchaser	Navona Investor Services Limited
Document No.	
Rights Conveyed	Leased Fee

Comments

The property was leased back by the vendor. - Record No. 46430

Location / Legal / Land Use

Address	18 Cherry Blossom Road
Municipality	Cambridge
Province	Ontario
District	Cambridge
Roll No.	TBC
Legal	
Zoning / Land Use	M3

Tenant Profile(s)

Tenant Name	Leaseable Area	Expiry
Bock PPL	---	---
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Income Analysis

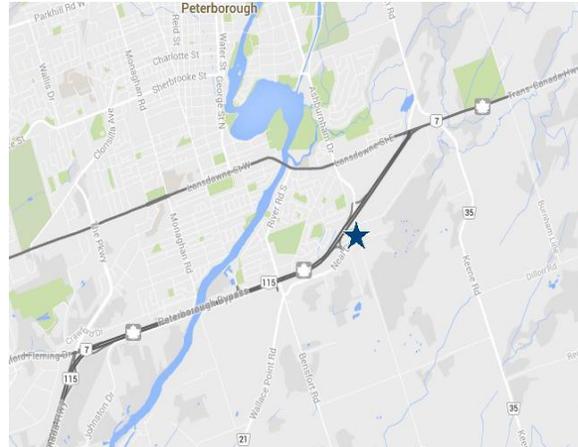
Base Rent	\$439,000
Recovery Income	\$0
Other Income	\$0
Potential Gross Income	\$439,000
Vacancy Allow. (0.0 %)	\$0
Effective Gross Income	\$439,000
Less: Operating Expenses	\$0
Less: Realty Taxes	\$0
Less: Struct. Allow. (0.0 %)	\$0
Net Operating Income	\$439,000
NOI per SF	\$4.31

Return / Yield Analysis

OCR - Stabilized	6.50 %
OCR - Actual	6.50 %

Single Tenant Industrial Building

710 Neal Drive, Peterborough, Ontario



Property Description

Tenancy Type	Single Tenant
Property Type	Industrial
Property Sub-Type	Manufacturing
Property Class	B Class
Construction	
Year Built	1973
Rentable Area	101,601 SF
Density (Excess)	0.27 (No)
No. of Buildings	One Building
Office Build-Out (%)	TBC
Clear Height (feet)	
Loading	
Dock	
Grade	
Rail	

Transaction Details

Sale Price	\$5,250,000 (100% Equivalent)
Interest Transferred	100 %
Sale Price per SF	\$52
Status	Closed
Date	5-Oct-12
Occupancy	100 %
Vendor	IGRI Industrial Fund GP Ltd.
Purchaser	2342997 Ontario Inc.
Document No.	
Rights Conveyed	Leased Fee

Comments

- Record No. 57140

Location / Legal / Land Use

Address	710 Neal Drive
Municipality	Peterborough
Province	Ontario
District	
Roll No.	TBC
Legal	
Zoning / Land Use	M1.2

Tenant Profile(s)

Tenant Name		Leaseable Area	Expiry
Dynacast	Ontario	101,601	1-Jul-18
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Income Analysis

Base Rent	\$416,382
Recovery Income	\$0
Other Income	\$0
Potential Gross Income	\$416,382
Vacancy Allow. (0.0 %)	\$0
Effective Gross Income	\$416,382
Less: Operating Expenses	\$0
Less: Realty Taxes	\$0
Less: Struct. Allow. (0.0 %)	\$0
Net Operating Income	\$416,382
NOI per SF	\$4.10

Return / Yield Analysis

OCR - Stabilized	7.93 %
OCR - Actual	7.93 %

Single Tenant Industrial

1 Rutherford Court, Guelph, Ontario



Property Description

Tenancy Type	Single Tenant
Property Type	Industrial
Property Sub-Type	Distribution Warehouse
Property Class	B Class
Construction	
Year Built	1986
Rentable Area	101,130 SF
Density (Excess)	0.45 (None)
No. of Buildings	One Building
Office Build-Out (%)	4.0 %
Clear Height (feet)	24 feet
Loading	
Dock	2
Grade	2
Rail	

Transaction Details

Sale Price	\$6,050,000 (100% Equivalent)
Interest Transferred	100 %
Sale Price per SF	\$60
Status	Closed
Date	11-Mar-11
Occupancy	100 %
Vendor	Oprust East Industrial Inc.
Purchaser	Piert Holdings Ltd
Document No.	
Rights Conveyed	Leased Fee

Comments

There were no known factors influencing this transaction; further confirmation may be required. - Record No. 17091

Location / Legal / Land Use

Address	1 Rutherford Court
Municipality	Guelph
Province	Ontario
District	
Roll No.	TBC
Legal	
Zoning / Land Use	M1

Tenant Profile(s)

Tenant Name	Leaseable Area	Expiry
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Income Analysis

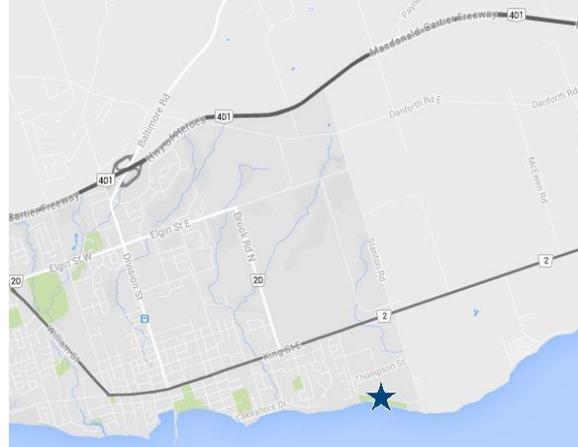
Base Rent	\$438,625
Recovery Income	\$0
Other Income	\$0
Potential Gross Income	\$438,625
Vacancy Allow. (0.0 %)	\$0
Effective Gross Income	\$438,625
Less: Operating Expenses	\$0
Less: Realty Taxes	\$0
Less: Struct. Allow. (0.0 %)	\$0
Net Operating Income	\$438,625
NOI per SF	\$4.34

Return / Yield Analysis

OCR - Stabilized	7.25 %
OCR - Actual	7.25 %

Single Tenant Industrial Building

94 Willmott Street, Cobourg, Ontario



Property Description

Tenancy Type	Single Tenant
Property Type	Industrial
Property Sub-Type	Warehouse
Property Class	B Class
Construction	
Year Built	1989
Rentable Area	44,917 SF
Density (Excess)	0.16 (Yes)
No. of Buildings	1
Office Build-Out (%)	TBC
Clear Height (feet)	
Loading	
Dock	
Grade	
Rail	

Transaction Details

Sale Price	\$2,500,000 (100% Equivalent)
Interest Transferred	100 %
Sale Price per SF	\$56
Status	Closed
Date	12-Dec-13
Occupancy	0 %
Vendor	Diamond Hard Industrial Mall Inc.
Purchaser	Resolute Holdings Inc.
Document No.	
Rights Conveyed	Fee Simple

Comments

- Record No. 57100

Location / Legal / Land Use

Address	94 Willmott Street
Municipality	Cobourg
Province	Ontario
District	
Roll No.	TBC
Legal	
Zoning / Land Use	

Tenant Profile(s)

Tenant Name	Leaseable Area	Expiry
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Income Analysis

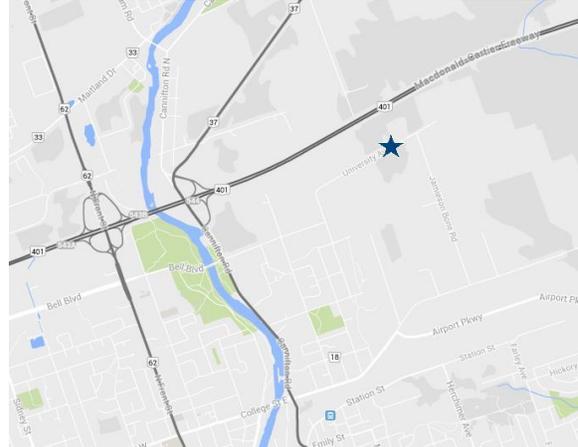
Base Rent	\$0
Recovery Income	\$0
Other Income	\$0
Potential Gross Income	\$0
Vacancy Allow. (0.0 %)	\$0
Effective Gross Income	\$0
Less: Operating Expenses	\$0
Less: Realty Taxes	\$0
Less: Struct. Allow. (0.0 %)	\$0
Net Operating Income	\$0
NOI per SF	\$0.00

Return / Yield Analysis

OCR - Stabilized	0.00 %
OCR - Actual	0.00 %

Single Tenant Industrial Building

321 University Avenue, Belleville, Ontario



Property Description

Tenancy Type	Single Tenant
Property Type	Industrial
Property Sub-Type	Manufacturing
Property Class	B Class
Construction	
Year Built	1696
Rentable Area	220,837 SF
Density (Excess)	0.22 (Yes)
No. of Buildings	1
Office Build-Out (%)	TBC
Clear Height (feet)	
Loading	
Dock	
Grade	
Rail	

Transaction Details

Sale Price	\$3,500,000 (100% Equivalent)
Interest Transferred	100 %
Sale Price per SF	\$16
Status	Closed
Date	20-Nov-13
Occupancy	0 %
Vendor	ExxonMobil Chemical Films Canada Ltd.
Purchaser	2390110 Ontario Inc.
Document No.	
Rights Conveyed	Fee Simple

Comments

- Record No. 57098

Location / Legal / Land Use

Address	321 University Avenue
Municipality	Belleville
Province	Ontario
District	
Roll No.	TBC
Legal	
Zoning / Land Use	

Tenant Profile(s)

Tenant Name	Leaseable Area	Expiry
---	---	---
---	---	---

Income Analysis

Base Rent	\$0
Recovery Income	\$0
Other Income	\$0
Potential Gross Income	\$0
Vacancy Allow. (0.0 %)	\$0
Effective Gross Income	\$0
Less: Operating Expenses	\$0
Less: Realty Taxes	\$0
Less: Struct. Allow. (0.0 %)	\$0
Net Operating Income	\$0
NOI per SF	\$0.00

Return / Yield Analysis

OCR - Stabilized	0.00 %
OCR - Actual	0.00 %

Single Tenant Industrial Building

420 Sidney Street, Quinte West, Ontario



Property Description

Tenancy Type	Single Tenant
Property Type	Industrial
Property Sub-Type	Warehouse
Property Class	B Class
Construction	
Year Built	0
Rentable Area	220,000 SF
Density (Excess)	0.22 (Yes)
No. of Buildings	1
Office Build-Out (%)	TBC
Clear Height (feet)	
Loading	
Dock	
Grade	
Rail	

Transaction Details

Sale Price	\$1,000,000 (100% Equivalent)
Interest Transferred	100 %
Sale Price per SF	\$5
Status	Closed
Date	31-Dec-12
Occupancy	0 %
Vendor	Crane Plumbing Canada Corp
Purchaser	2354121 Ontario Inc.
Document No.	
Rights Conveyed	Fee Simple

Comments

- Record No. 57096

Location / Legal / Land Use

Address	420 Sidney Street
Municipality	Quinte West
Province	Ontario
District	
Roll No.	TBC
Legal	
Zoning / Land Use	

Tenant Profile(s)

Tenant Name	Leaseable Area	Expiry
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Income Analysis

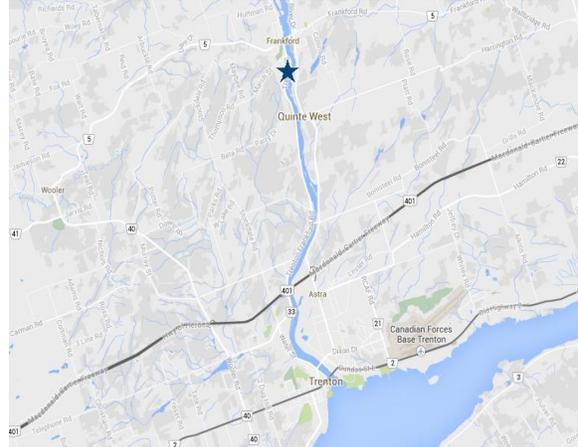
Base Rent	\$0
Recovery Income	\$0
Other Income	\$0
Potential Gross Income	\$0
Vacancy Allow. (0.0 %)	\$0
Effective Gross Income	\$0
Less: Operating Expenses	\$0
Less: Realty Taxes	\$0
Less: Struct. Allow. (0.0 %)	\$0
Net Operating Income	\$0
NOI per SF	\$0.00

Return / Yield Analysis

OCR - Stabilized	0.00 %
OCR - Actual	0.00 %

Single Tenant Industrial Building

36 Wolfe Street, Quinte West, Ontario



Property Description

Tenancy Type	Single Tenant
Property Type	Industrial
Property Sub-Type	Warehouse
Property Class	C Class
Construction	
Year Built	0
Rentable Area	40,700 SF
Density (Excess)	0.11 (Yes)
No. of Buildings	1
Office Build-Out (%)	TBC
Clear Height (feet)	
Loading	
Dock	
Grade	
Rail	

Transaction Details

Sale Price	\$1,050,000 (100% Equivalent)
Interest Transferred	100 %
Sale Price per SF	\$26
Status	Closed
Date	29-Jun-12
Occupancy	0 %
Vendor	Colibri Furniture (Canada) Ltd.
Purchaser	Anamet Canada Inc.
Document No.	
Rights Conveyed	Fee Simple

Comments

- Record No. 57094

Location / Legal / Land Use

Address	36 Wolfe Street
Municipality	Quinte West
Province	Ontario
District	
Roll No.	TBC
Legal	
Zoning / Land Use	

Tenant Profile(s)

Tenant Name	Leaseable Area	Expiry
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Income Analysis

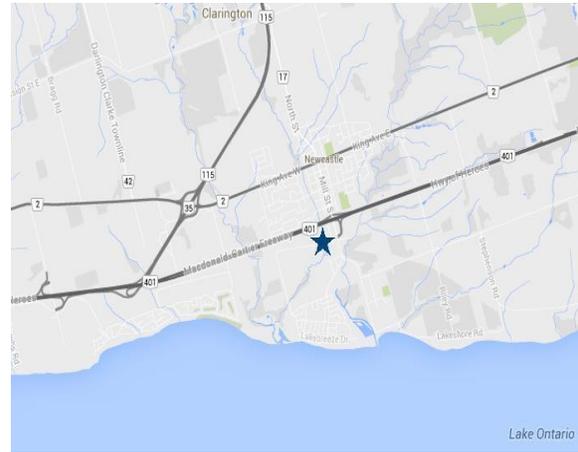
Base Rent	\$0
Recovery Income	\$0
Other Income	\$0
Potential Gross Income	\$0
Vacancy Allow. (0.0 %)	\$0
Effective Gross Income	\$0
Less: Operating Expenses	\$0
Less: Realty Taxes	\$0
Less: Struct. Allow. (0.0 %)	\$0
Net Operating Income	\$0
NOI per SF	\$0.00

Return / Yield Analysis

OCR - Stabilized	0.00 %
OCR - Actual	0.00 %

Single Tenant Industrial Building

260 Toronto Street, Clarington, Ontario



Property Description

Tenancy Type	Single Tenant
Property Type	Industrial
Property Sub-Type	Warehouse
Property Class	C Class
Construction	
Year Built	1981
Rentable Area	50,000 SF
Density (Excess)	6,410.26 (No)
No. of Buildings	1
Office Build-Out (%)	TBC
Clear Height (feet)	
Loading	
Dock	
Grade	
Rail	

Transaction Details

Sale Price	\$1,400,000 (100% Equivalent)
Interest Transferred	100 %
Sale Price per SF	\$28
Status	Closed
Date	7-Jan-11
Occupancy	0 %
Vendor	Motor Coach Industries Ltd
Purchaser	2265598 Ontario Inc.
Document No.	
Rights Conveyed	Fee Simple

Comments

- Record No. 57102

Location / Legal / Land Use

Address	260 Toronto Street
Municipality	Clarington
Province	Ontario
District	
Roll No.	TBC
Legal	
Zoning / Land Use	

Tenant Profile(s)

Tenant Name	Leaseable Area	Expiry
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Income Analysis

Base Rent	\$0
Recovery Income	\$0
Other Income	\$0
Potential Gross Income	\$0
Vacancy Allow. (0.0 %)	\$0
Effective Gross Income	\$0
Less: Operating Expenses	\$0
Less: Realty Taxes	\$0
Less: Struct. Allow. (0.0 %)	\$0
Net Operating Income	\$0
NOI per SF	\$0.00

Return / Yield Analysis

OCR - Stabilized	0.00 %
OCR - Actual	0.00 %

Appendix E

Certification

Certification

Single Tenant Industrial Building - Viceroy Homes 414 Croft Street East, Port Hope, Ontario

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

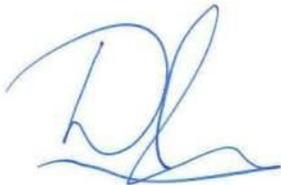
- The statements of fact contained in this report are true and correct;
- The reported analyses, opinions and conclusions are limited only by the reported Contingent and Limiting conditions, and are our personal, unbiased professional analyses, opinions and conclusions;
- We have no present or prospective interest in the property that is the subject of this report, and we have no personal interest or bias with respect to the parties involved;
- We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment;
- Our engagement in and compensation for this assignment were not contingent upon developing or reporting predetermined results, the amount of the value estimate, or a conclusion favouring the client;
- Our analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the Canadian Uniform Standards of Professional Appraisal Practice and with the requirements of the Code of Professional Ethics and Standards of Professional Practice of the Appraisal Institute of Canada;
- A personal inspection of the property that is the subject of this report was made on February 21, 2014;
- We have the knowledge and experience to complete the assignment competently.
- Rob Purdy provided significant professional assistance in the preparation of this report;
- As of the date of this report the undersigned have fulfilled the requirements of The Appraisal Institute of Canada's Continuing Professional Development Program for designated and candidate members; and
- We are licensed to practice in the province of Ontario.

Final Estimate of Value

Based upon the data, analyses and conclusions contained herein, the current market value of the fee simple interest in the property described herein, as at February 21, 2014, is estimated to be as follows:

Seven Million Five Hundred Thousand Dollars
\$7,500,000

This value is based on an exposure time of six to nine months.



Demetri Andros, AACI, P.App, MRICS
Managing Director, Toronto



Rob Purdy,
Associate, Toronto

APPENDIX C

**NARRATIVE APPRAISAL REPORT
OF AN INDUSTRIAL PROPERTY
LOCATED AT
414 CROFT STREET EAST
IN THE MUNICIPALITY OF PORT HOPE
OWNER: VICEROY HOMES LIMITED**

PREPARED FOR

Hillmount Capital Inc.
137 Finch Avenue West
Toronto, Ontario M2N 2J1

PREPARED BY

Cornwall Property Consultants Ltd.
812 Browns Line
Toronto, Ontario M8W 3W2

CORNWALL PROPERTY CONSULTANTS LTD.

812 Browns Line
Toronto, Ontario M8W 3W2

Tel: (416) 252-7878
Fax: (416) 252-3621

Hillmount Capital Inc.
137 Finch Avenue West
Toronto, Ontario M2N 2J1

December 1, 2014

Attention: Mr. Yitz Levinson

Re: Our File No: 4199
Narrative Appraisal Report of an industrial property located at 414 Croft
Street East in the Municipality of Port Hope
Owner: Viceroy Homes Limited

In accordance with your request, we have carried out a valuation analysis to express an opinion of value on the above captioned property. The above captioned property was inspected by Patrick Cornwall, AACI, P. App on November 28, 2014 and Terence Lau, AIC Candidate Member of Cornwall Property Consultants Ltd. on November 19, 2014. This value estimate is for the use of Hillmount Capital Inc. to assist in conventional first mortgage financing and we accept no responsibility whatsoever if this value estimate or any part of this report is used otherwise. This report is not valid unless an original signature is evident.

As a result of this investigation, and subject to the assumptions and limiting conditions contained in this report, it is our opinion that the estimated market value of the fee simple interest in the above captioned property, based upon a land area of 25.27 acres and a gross floor area of 150,861 square feet above grade, as of November 19, 2014 is:

\$5,870,000.
(\$38.91 per square foot of floor area)

The attached pages describe the methods of valuation and contain some of the data gathered during the course of the investigation.

We certify that we have no present or prospective interest in the above captioned property of any kind whatsoever. This valuation has been performed in accordance with the Canadian Uniform Standards of Professional Appraisal Practice of the Appraisal Institute of Canada.

Yours sincerely,
CORNWALL PROPERTY CONSULTANTS LTD.



This Report has been reviewed by:
Patrick Cornwall, AACI, P. App

PHOTOGRAPHS OF SUBJECT PROPERTY



Front view



Rear view



Unenclosed Rear Storage



Transformer (West Elevation)



North Elevation



Model Home on Excess Land

PHOTOGRAPHS OF SUBJECT PROPERTY



Lunch Room



Plant View



Plant View from Mezzanine



Boardroom



Electrical Room



Sprinkler Room

PHOTOGRAPHS OF SUBJECT PROPERTY



Production Office



Printing Room



Lobby on Second Floor



Work Station

PHOTOGRAPHS OF STREETScape



Croft Street (East View)



Croft Street (West View)

SUMMARY OF SALIENT FACTS AND CONCLUSIONS

<u>Client Name</u>	Hillmount Capital Inc.
<u>Owner</u>	Viceroy Homes Limited
<u>Effective Date of Valuation</u>	November 19, 2014
<u>Purpose of Appraisal</u>	To estimate the market value of the property under appraisal
<u>Intended Use of Appraisal</u>	To assist in conventional first mortgage financing
<u>Municipal Address</u>	414 Croft Street East, in the Municipality of Port Hope
<u>Location</u>	On the north side of Croft Street East between Glen Rose Road and Benson Court in the Municipality of Port Hope.
<u>Legal Description</u>	Part of Lots 1 and 2 of Concession 1 and designated as part of part 2 of Plan 9R2307, in the Municipality of Port Hope
<u>Lot Frontage</u>	1,096.0 feet
<u>Land Area</u>	25.27 acres
<u>Official Plan</u>	"General Employment"
<u>Zoning</u>	"Employment"
<u>Existing Improvements</u>	A one and two level industrial building likely built in the late 1980's having a total gross floor area of 150,861 square feet including 9,707 square feet of office space on the second level as well as some office space on the ground floor (4,400+/- square feet). Total office area about 14,107 square feet or 9.40% of total area. Plant height is about 23.5 to 24.0 feet.
<u>Estimate of Economic Life</u>	In our opinion, the remaining economic life of the existing building and improvements is estimated to be 35 year, assuming competent management and a competent maintenance schedule

Summary of Salient Facts and Conclusions - (cont'd)

Highest and Best Use

A continuation of the existing manufacturing and ancillary office use as approved by the municipality

Estimated Value

\$5,870,000.
(\$38.91 per square foot of floor area)

INTRODUCTION

Type of Report

The Canadian Uniform Standards of Professional Appraisal Practice of the Appraisal Institute of Canada refers to various types of appraisal reports including: a Narrative Appraisal Report, a Short Narrative Appraisal Report and a Form Appraisal Report. The Narrative Appraisal Report is defined as a comprehensive and detailed appraisal report. The Short Narrative Appraisal Report is defined as a concise and briefly descriptive appraisal report. The Form Appraisal Report is a standardized format combining check-off boxes and narrative comments.

This appraisal is prepared as a Narrative Appraisal Report.

Purpose and Intended Use of Appraisal

The purpose of this appraisal report is to estimate the market value of the within described property.

The format is prepared specifically and exclusively for Hillmount Capital Inc. to assist in conventional first mortgage financing of the subject property. It is not reasonable, and may be misleading, for any person or corporation other than the said recipient to rely upon this report without written authorization from Cornwall Property Consultants Ltd. The report is subject to the assumptions and limiting conditions as listed in this report, as well as those identified throughout this report.

It is our understanding that this valuation is intended to be used for conventional first mortgage financing. It is not reasonable, and may be misleading, for the said recipient to rely upon this report for any other use.

Subject Property

The property under appraisal is referred to as the "subject property" in this report.

Effective Date of Valuation

This valuation applies as of November 19, 2014 (inspection date).

This valuation pertains to the effective date and reflects the market conditions that prevail as of that specific date. Sudden changes in value could occur due to economic conditions, regulatory changes, political factors, physical changes etc. to the property. The market value expressed in this report applies as of the effective date of the appraisal, and may not be a reliable indication of value as of another date.

Introduction - (cont'd)

Inspection of Subject Property

The subject property was inspected on November 19, 2014 by Terence Lau and on November 28, 2014 by Patrick Cornwall, AACI, P. App. A visual inspection of the site and the exterior of the building were performed at grade level. The roof was not inspected. The interior of the building was visually inspected where access was available.

The subject boundaries are identified by a site plan dated March 15, 1989 prepared by Cooper Corporation Limited.

We have not been provided with any leases of the subject property. The subject property is owner occupied.

We have been provided with a copy of a 2014 property tax bill.

Definition of Market Value

The Appraisal Institute of Canada defines market value as follows:

"The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby: buyer and seller are typically motivated; both parties are well informed or well advised, and acting in what they consider their best interest; a reasonable time is allowed for exposure in the open market; payment is made in terms of cash in Canadian dollars or in terms of financial arrangements comparable thereto; and the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale."

Exposure Time

The estimate of market value is predicated on a reasonable period of exposure in the real estate market. A reasonable exposure period is a function of price, time and use, not an estimate of time alone. The Appraisal Institute of Canada defines exposure time as follows:

"The estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective estimate based upon an analysis of past events assuming a competitive and open market".

Based on our market research, a reasonable exposure period for the subject property is 6 to 12 months. The exposure time inherent in the market value concept is always presumed to precede the effective date of the appraisal.

Introduction - (cont'd)

Exposure Time – (cont'd)

Based on marketing trends in the vicinity as well as properties similar to the subject property, a reasonable marketing time is estimated to be about 9 to 12 months. The marketing time is presumed to be subsequent to the effect date of the appraisal.

Property Interest Appraised

This report pertains to the fee simple interest of the subject property, as if free and clear of all encumbrances (unless otherwise noted), and held under responsible ownership. We did not review any title documents or conduct a title search to validate title or and other legal interests in the subject property.

Municipal Address

The subject property is known municipally as 414 Croft Street East, in the Municipality of Port Hope.

Owner and Legal Description

Assessed Owner	Viceroy Homes Limited
Legal Description	Parts of Lots 1 and 2 of Concession 1 and designated as part of Part 2 of Plan 9R2307, in the Municipality of Port Hope
Source	2014 Property Tax Bill

Scope of Valuation and Reporting Process

- Inspection of the subject property
- A review of available data and information regarding the subject neighbourhood
- Assembly of relevant information on the subject property so far as it relates to this appraisal process
- Review and analysis of the pertinent land use controls
- Analysis of the highest and best use

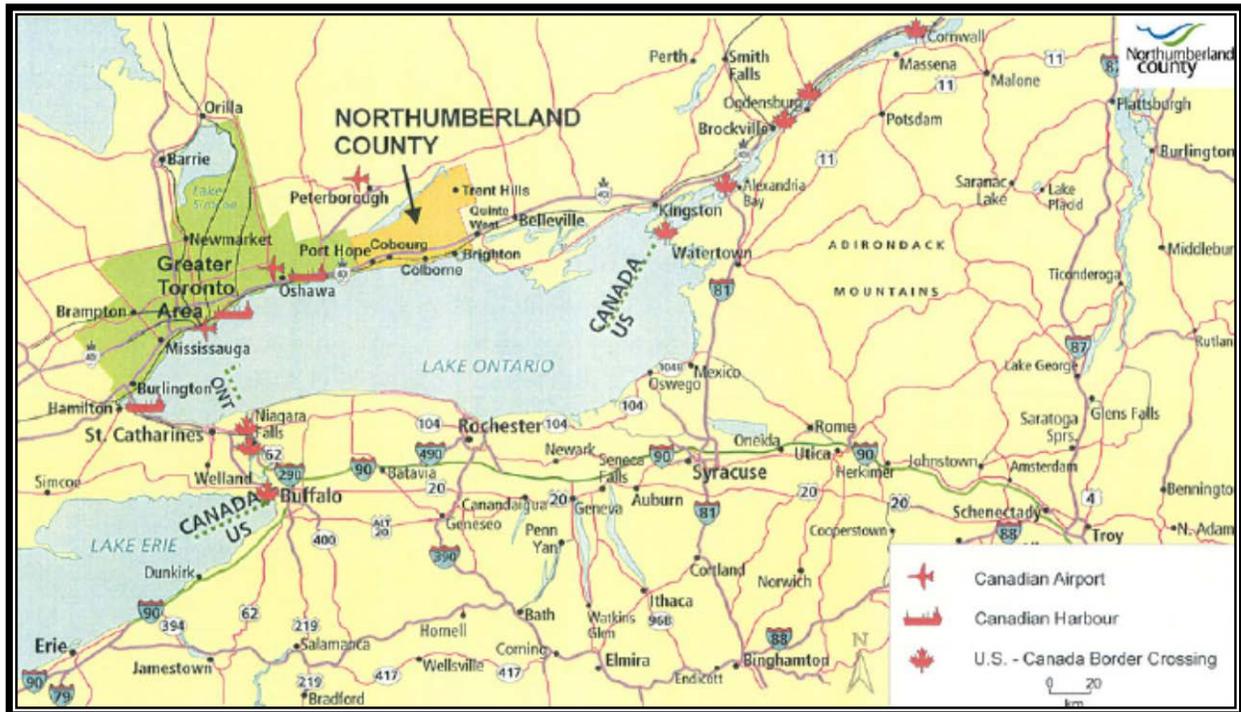
Introduction - (cont'd)

Scope of Valuation and Reporting Process – (cont'd)

- Research, assembly and analysis of most relevant sales and market data gathered from Marsh Report of Toronto Real Estate Sales, Real Track registry sales data, and Toronto Real Estate Board Multiple Listing Service (MLS), assuming the market data is accurate and complete
- A visual exterior inspection was conducted from grade level of relevant comparable properties
- Review of the appraisal methodologies
- Valuation analysis of the subject property
- Preparation of this report

The inspection of the subject property, the assembly of the subject's information, analysis of the highest and best use, the research, assembly and analysis of market and sales data, the valuation of the subject property, and the preparation of this report were undertaken by Terence Lau AIC Candidate Member of Cornwall Property Consultants Ltd. Patrick Cornwall, AACI, P. App also inspected the property, and concurs with the content, methodology and value estimate contained herein.

AREA MAP



AREA DESCRIPTION

Northumberland County

Northumberland County having a land area of 470,420 acres is located along Highway 401 to the immediate east of the Greater Toronto Area. The Municipality of Port Hope is one of seven townships/municipalities in Northumberland County. According to the 2011 Census, the population of Northumberland was 85,390 with a labour force of 52,690. The median household income was \$70,000. The total number of private dwellings in the county was 37,226.

The Municipality of Port Hope

The municipality of Port Hope having a land area of 67,467 acres is approximately 68 miles to the east of the City of Toronto and 99 miles to the west of Kingston. It is located at the mouth of the Ganaraska River on the north shore of Lake Ontario in the west end of Northumberland County.

According to the 2011 Census, the population of Port Hope was 16,215, which represents a negative change of 1.1% from 2006. Approximately 65% of the population was of working age (between 15 and 64 years old). The number of census families was 4,848, a change of +1.4% from 2006. There were 6,555 private households in 2011 which represented a positive change of 4.1% from 2006. 74.5% of private households resided in single detached houses and 5.5% lived in apartments.

The Municipality of Port Hope has a stable industrial base with ten manufacturers employing over 20 employees. The top industries in Port Hope by employment are Cameco Corporation, CPK Interior Products, Cameco Fuel Services, Viceroy Home Ltd. and Esco Ltd. The major industry products are vinyl and urethane plastics auto interiors, prefab homes, alloy and stainless steel casting, industrial paints and lacquers, uranium conversion, nuclear fuel bundles and custom steel fabricators.

Highway 401 runs through the Municipality of Port Hope with three interchanges exiting to the municipality. The CP and CN rail services are available in Port Hope with direct access to the ports of Montreal, Vancouver and U.S. Seaway. VIA Rail provides regular weekday commuting services to Toronto.

Radiation and Cleanup

Port Hope is known for having the largest volume of historic low-level radioactive waste in Canada. The waste is composed of soil mixed with small amounts of historic refinery waste left over from uranium and radium refining operations between 1930's and 1970's.

Area Description – (cont'd)

Radiation and Cleanup – (cont'd)

The waste was discarded around the processing plant on Port Hope's waterfront or was swept into the harbour. It was also dumped to local dumpsters or was used as construction fill throughout the community. In the 1970's and 1980's, a large scale radiation waste cleanup was carried out in which 100,000 tonnes of contaminated soil was transferred for storage to Chalk River Laboratories, north of Ottawa.

A legal agreement was struck in 2001 between the Canadian Government, Port Hope and Clarington to form the Port Hope Area Initiative (PHAI) for the cleanup and management of historic radioactive waste in Port Hope and Clarington. The Port Hope Project involves the construction of a long-term waste management facility and supporting infrastructure for the safe, long-term management of approximately 1.2 million cubic metres of low-level radioactive waste, cleanup of the waste from various sites in Port Hope and its transportation to the facility, and long-term maintenance and monitoring.

It is anticipated that more than 5,000 private and public properties will undergo testing for low level radioactive waste. The waste from all over the town will be dug up and trucked to the storage facility in the municipality where it will be sealed and monitored.

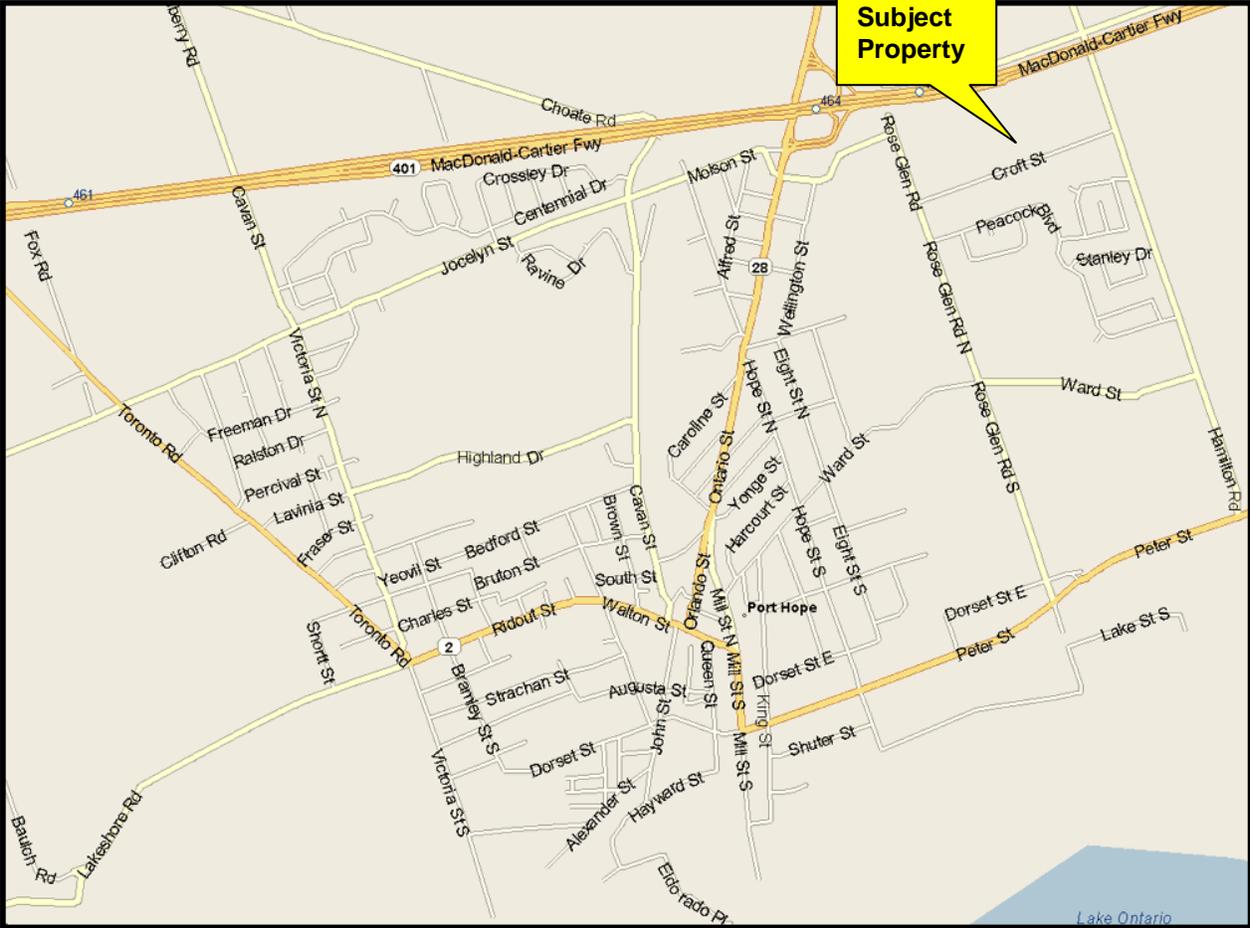
According to PHAI, the transportation of waste to the storage facility will start after 2016.

Real Estate Market

According to information provided and in the past several years, residential real estate values in the urban area of Port Hope have been stagnant over the uncertainties in the removal, transportation and permanent storage of the low-level radioactive waste. However the population of Port Hope has remained stable. The residential building permit values were \$10,690,195 in 2012 and \$14,768,415 in 2013, indicating a change of +38%.

The industrial base in the municipality is relatively limited. Currently, the municipality is promoting a 19-acre business park subdivision in the northwest quadrant of the urban area to the south of Highway 401 at an asking price of \$95,000 per acre of land area. It appears that the municipality is committed to expanding the employment profile in Port Hope.

LOCATION MAP



NEIGHBOURHOOD DESCRIPTION

Geographic Location

The neighbourhood is within an industrial area bounded by Highway 401 on the north, Croft Street East on the south, Hamilton Road on the east and Rose Glen Road on the west.

The subject property is located in the northeast quadrant of the urban area of Port Hope.

Land Use

Lands throughout the neighbourhood are utilized for a variety of purposes. However, lands are given principally to industrial uses in the form of enclosed industrial buildings for manufacturing, assembling, storage, car repair shop, as well as service commercial uses. A Hyundai car dealership is on Benson Court to the immediate east of the subject property. Lands to the south and west of the subject neighbourhood are developed for residential uses.

Rose Glen Road is the major arterial roadway and is utilized for commercial and residential uses. A MacDonald's fast food restaurant is located on the east side of Glen Rose Road in close proximity to the Highway 401 interchange.

Transportation

Vehicular access to the neighbourhood is considered to be good. Rose Glen Road is the main north-south route, while Croft Street East is the main east-west route. Croft Street is a two-way roadway. A Highway 401 interchange is available on Ontario Street (Highway 28) which is approximately a three minute drive from the subject property.

Conclusion

The subject neighbourhood is predominantly industrial in character and is complemented by service commercial uses. Vehicular access is good.

PROPERTY DESCRIPTION

Location

The subject property is located on the north side of Croft Street East between Rose Glen Road and Benson Court and backing onto the Highway 401 corridor.

Adjacent Land Uses

To the north	Highway 401 corridor
To the south	Croft Street East, then a 1-storey metal clad structure for community service use
To the east	Vacant land, then car a dealership
To the west	1-storey block and metal clad commercial structure

Land Details

Frontage	1,096.0 feet
Depth	1,076.21 feet (maximum depth on the west boundary)
Area	25.27 acres
Shape	Slightly irregular
Source	Site Plan and MPAC Property Detail Report, we did not review any title documents or conduct a title search to verify the foregoing information

Easements

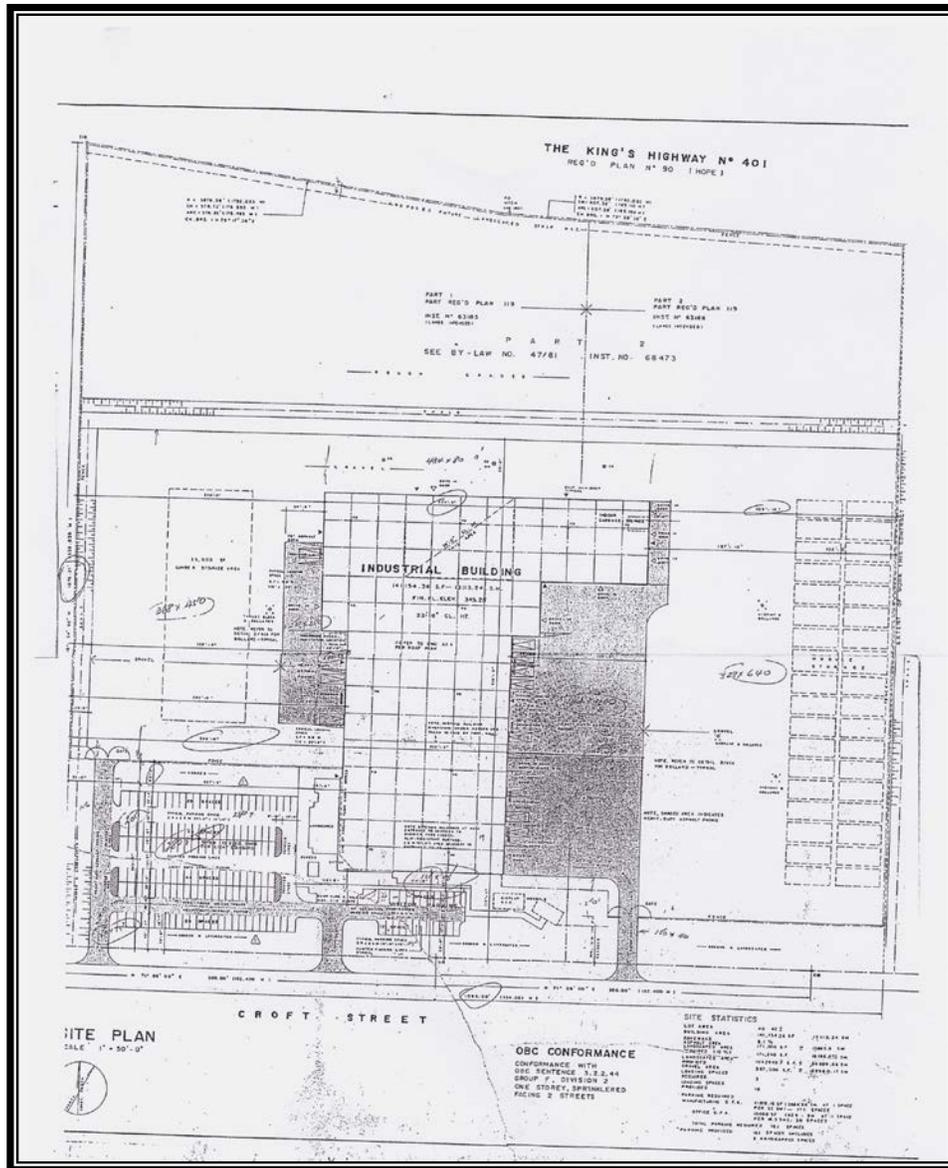
We are not aware of any easements or right-of-ways on the subject property. It is assumed that any easements or right-of-ways that may exist on the subject property are minor in nature and do not adversely affect value. We did not review any title documents or conduct a title search to verify the foregoing information.

Topography

Based on our observations, the subject property is reasonably level at street grade.

Property Description – (cont'd)

SITE PLAN



Property Description – (cont'd)

Environmental

According to the property owner, the subject property was utilized as farmland and was undeveloped prior to the construction of the existing improvements in or about 1989. Hence, it is the belief of the property owner that the historic low-level radioactive waste has not contaminated the subject property.

It is our understanding that Croft Street East is a part of the future truck route transporting the low-level radioactive waste to the permanent storage site from the waterfront area. Port Hope Area Initiative (PHAI) claimed that it will use “proven internationally accepted practice to protect people and the environment while safely transporting the low-level radioactive waste”. For the purpose of this valuation, it is assumed that the future transportation of low-level radioactive waste via Croft Street East will not have any negative impact on the value of the subject property.

An environmental audit of the property has not been provided. We assume the property is free of contaminated and/or hazardous substance and we accept no responsibility if an environmental audit reveals otherwise.

Municipal Services

Based upon our observations, standard municipal services are available to the subject property.

Official Plan

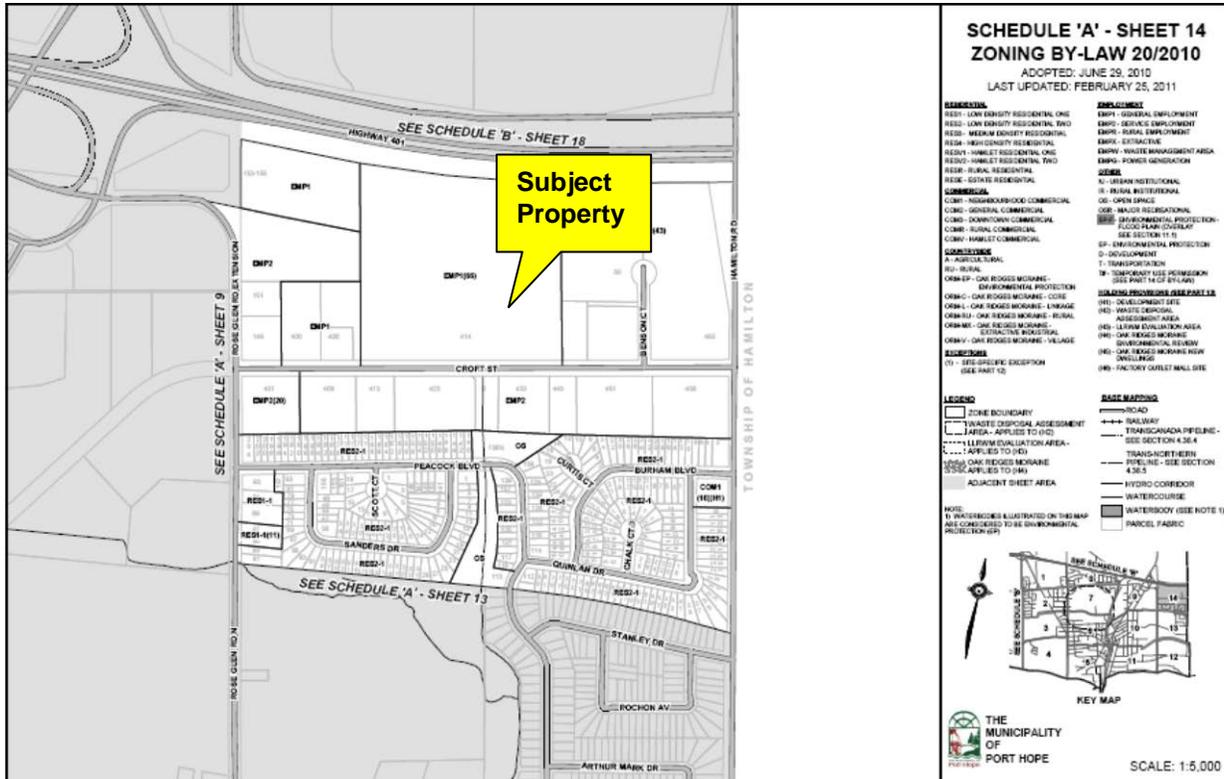
According to the official plan for the Municipality of Port Hope, the subject property is designated for “General Employment” use. Permitted uses include manufacturing, processing, storage, assembly, fabricating of goods and materials and assembly, wholesale distribution centres, warehousing, building or contracting yards, transportation terminals, repair and service operations, existing automotive recycling facilities and similar uses, business and professional offices, and research and development facilities. In addition, accessory sales outlets, truck and machinery rental, and sales and servicing, equipment repair and service shops may be permitted.

Zoning

The subject property is zoned for “EMP (66)” – an employment use classification. Permitted uses include animal shelter, banquet hall, building supply outlet, business office, commercial fitness centre, contractor’s supply establishment, contractor’s yard, dry cleaning establishment, emergency service facility, equipment sales and rental establishment, farm implement dealer, industrial use, landscape operation, laundry establishment, motor vehicle body shop, outdoor display and sales area, accessory outdoor storage, printing and publishing establishment, public works yard, accessory retail store, salvage yard, commercial school, service shop, studio, and taxi service depot.

Property Description – (cont'd)

ZONING MAP



SCHEDULE 'A' - SHEET 14 ZONING BY-LAW 20/2010

ADOPTED: JUNE 29, 2010
LAST UPDATED: FEBRUARY 25, 2011

- | | |
|--|--|
| <p>RESIDENTIAL</p> <ul style="list-style-type: none"> RES-1 LOW DENSITY RESIDENTIAL ONE RES-2 LOW DENSITY RESIDENTIAL TWO RES-3 MEDIUM DENSITY RESIDENTIAL RES-4 HIGH DENSITY RESIDENTIAL RES-5 HAMLET RESIDENTIAL ONE RES-6 HAMLET RESIDENTIAL TWO RES-7 RURAL RESIDENTIAL RES-8 DOWNSIDE RESIDENTIAL <p>COMMERCIAL</p> <ul style="list-style-type: none"> COM-1 NEIGHBOURHOOD COMMERCIAL COM-2 GENERAL COMMERCIAL COM-3 DOWNTOWN COMMERCIAL COM-4 RURAL COMMERCIAL COM-5 HAMLET COMMERCIAL <p>INDUSTRIAL</p> <ul style="list-style-type: none"> I-1 RURAL I-2 RURAL IND-1 OAK RIDGES MORANE - ENVIRONMENTAL PROTECTION IND-2 OAK RIDGES MORANE - CORE IND-3 OAK RIDGES MORANE - ENERGY IND-4 OAK RIDGES MORANE - RURAL IND-5 OAK RIDGES MORANE - EXTRACTIVE INDUSTRIAL IND-6 OAK RIDGES MORANE - VILLAGE <p>UTILITIES</p> <ul style="list-style-type: none"> U-1 SITE SPECIFIC EXCEPTION (SEE PART 12) | <p>ENVIRONMENTAL PROTECTION</p> <ul style="list-style-type: none"> EMP-1 REGIONAL EMPLOYMENT EMP-2 SERVICE EMPLOYMENT EMP-3 RURAL EMPLOYMENT EMP-4 EXTRACTIVE EMP-5 WASTE MANAGEMENT AREA EMP-6 POWER GENERATION <p>OPEN SPACE</p> <ul style="list-style-type: none"> OS-1 OPEN INSTITUTIONAL OS-2 RURAL INSTITUTIONAL OS-3 OPEN SPACE OS-4 RECREATION OS-5 ENVIRONMENTAL PROTECTION - ECOCORRIDOR OUTLET OS-6 ENVIRONMENTAL PROTECTION - SEE SECTION 11.5 OS-7 ENVIRONMENTAL PROTECTION - DEVELOPMENT OS-8 TRANSPORTATION OS-9 TRANSPORTATION PERMISSON (SEE PART 14 OF BY-LAW) <p>WATERBODIES (SEE PART 12)</p> <ul style="list-style-type: none"> WB-1 DEVELOPMENT SITE WB-2 WASTE DISPOSAL ASSESSMENT AREA WB-3 ALONG EXISTENCE AREA WB-4 OAK RIDGES MORANE QUANTIFICATION REVIEW WB-5 OAK RIDGES MORANE RURAL DEVELOPMENT WB-6 FACTORY OUTLET MALL SITE |
|--|--|

LEGEND

- ZONE BOUNDARY
- WASTE DISPOSAL ASSESSMENT AREA - APPLIED TO (H)
- 11.5 ENVIRONMENTAL PROTECTION AREA - APPLIED TO (H)
- OAK RIDGES MORANE - APPLIED TO (H)
- ADJACENT SHEET AREA

BASE MAP

- ROAD
- RAILWAY
- TRANSCANADA PIPELINE - SEE SECTION 4.36.4
- TRANSCANADA RIVER
- PIPELINE - SEE SECTION 4.36.5
- HYDRO CORRIDOR
- WATERCOURSE
- WATERBODY (SEE NOTE 1)
- PARCEL FABRIC

NOTE: 11.5 BOUNDARIES ILLUSTRATED ON THIS MAP ARE CONSIDERED TO BE ENVIRONMENTAL PROTECTION (H)

KEY MAP

THE MUNICIPALITY OF PORT HOPE

SCALE: 1:5,000

Property Description – (cont’d)

Zoning – (cont’d)

Exception (66) is a special provision which permits a maximum of three model homes, and an accessory outdoor display and sales area limited to the yard abutting Highway 401.

For the purposes of this appraisal report, the existing use and improvements are assumed to be legally permissible by the municipality.

Source: The stated zoning has been based on the Municipality’s Zoning By-law 20/2010 and/or other data sources. We did not conduct a compliance analysis to confirm the legal status of the existing uses and structures/improvements. If the foregoing proves other than stated, then our estimated value may be impacted.

Description of Improvements

General

Type of Building	Industrial
Existing Use	Manufacturing with ancillary offices
Age/Life Estimate	Estimated Age 25 years (built 1989+/-) Effective Age 25 years Economic Life 60 years Remaining Life 35 years* *Assuming competent management and a competent maintenance schedule
No. of Storeys	1 and 2
Basement	Nil
Ground Floor Area	136,754+/- square feet. (Plant area)
Ground Floor area	4,400 square feet (finished office space)
Second Floor Area	<u>9,707</u> square feet (finished offices)
Total Floor Area	150,861 square feet (13.7% of land area)
Building Height	25.67 feet (as per site plan)
Estimated Clear Height	23.50 to 24.0 feet
No. of Overhead Shipping Doors	23 (various sizes, drive through and dock level)

Property Description - (cont'd)

Description of Improvements – (cont'd)

General – (cont'd)

Condition Exterior	Good, conform to industrial properties of similar age
Condition Interior	Good, conform to industrial properties of similar age and no visible deferred maintenance
No. of Parking Spaces	161 surface spaces as per site plan

Exterior

Roof Type	Flat
Roof Covering	4-ply built-up membrane and gravel (as reported)
Exterior Wall	Pre-cast concrete panel, metal siding
Windows	Metal sash double glazed
Foundation Wall	Poured Concrete

Interior

Floors	Carpet, laminate, vinyl (office), concrete (plant)
Walls	Painted gypsum board (office), Plaster on lath, concrete panel (plant)
Ceilings	T-bar suspended acoustic tile (office), metal deck (plant)
Light Fixtures	Fluorescent
Plumbing	Copper pipe, ABS plastic drains
Electrical	Adequate for the present use (assumed) 4000 amps (reported and to be verified by qualified professional)
Heating	Gas, 14 suspended heaters in the plant, roof-mounted HVAC system for the office with supplementary baseboard heating (reported)
Air Conditioning	Central for the office (assumed)

Property Description - (cont'd)

Description of Improvements - (cont'd)

Remarks

The ground floor area is based on the site statistics as shown on the site plan. The second floor area is based on our estimate and calculation from the second floor plan. According to information provided, the gross leaseable area of the subject building is 149,628 square feet, which is 1,233 square feet or 0.80% smaller than our stated gross floor area. In our opinion, the discrepancy of floor areas is marginal and will not have a material impact on the value of the subject property. We accept no responsibility if an updated building survey reveals otherwise.

The main entrance is located at the southwest corner of the building. There is a lobby and reception area inside the main entrance. A portion of the ground floor on the west elevation is partitioned into offices, lunch room, washrooms, change room and lockers, meeting room, first aid room, etc. The partial second level is located in the southwest quadrant of the building. It is accessible from a stairwell in the lobby. The second level is finished for an office and is partitioned into conference rooms, private offices, work stations, two washrooms, print room, storage room, etc. The building has a water sprinkler system.

The plant area on the ground floor is mostly open area for manufacturing of various building components such as windows, cabinetry and other wood products. There is a separate area for spraying and drying of manufactured products. A mezzanine having a reported area of 3,888 square feet is located in the central part of the plant. The mezzanine has an open production office. The plant has two 4-tonne cranes.

There are three vehicular entrances from Croft Street to the subject property. The parking lot is in the southwest quadrant of the site and at the front part of the building abutting Croft Street East. The parking lot is asphalt paved. A portion of open space abutting Croft Street East is covered with sod. There is an asphalt paved open space on the east side of the site which appears to be used for loading and shipping purposes.

A transformer and a storage structure can be found outside the west elevation of the building. A covered unenclosed storage area is attached to the rear part of the plant. There are four dust collectors outside the plant.

A model home with a partial second level having a reported gross floor area of 2,426 square feet is constructed in the northwest extremity of the site. The model home has wood exterior with various types of wood and other finishes. The model home consists of three bedrooms on the second level and is used as a sales office.

Property Description - (cont'd)

Description of Improvements - (cont'd)

Remarks – (cont'd)

In our view, the equipment and chattels used for manufacturing as well as the model home are trade fixtures and they will not be included in our estimate of value.

Assessment and Property Taxes

2015 Phased-In Assessment	\$ 159,750 (commercial) <u>\$4,891,500</u> (industrial) \$5,021,250
2012 Assessed Value	\$ 161,000 (commercial) <u>\$4,931,000</u> \$5,092,000
2014 Property Taxes	\$265,320.27 (\$1.76 per square foot GFA)
Source	MPAC Property Assessment Notice and 2014 Final Tax Bill

Acquisition

We were unable to find information on the acquisition of the subject property from the Toronto Real Estate Board Multiple Listing Services (MLS). According to the MPAC property report obtained through the MLS system, the subject property was last sold for \$797,886 in February 1989. The property was acquired vacant and unimproved.

It is our understanding that the subject property has not sold during the past three years. According to the MLS, the property is not currently available for sale on the open market, nor are we aware of any agreements or options pertaining to the acquisition and/or disposition of the property.

The MPAC property report revealed the latest registry transaction of the subject property only. We did not conduct a title search or review any title documents to verify other registry transactions (if any) that might have occurred. We accept no responsibility if a title search reveals otherwise.

VALUATION ANALYSIS

Highest and Best Use

The Appraisal Institute of Canada, defines highest and best use as follows: *"that use which, at the time of the appraisal, is most likely to produce the greatest net return in money or amenities over a given period of time"*.

The subject property is zoned for an employment use and is in close proximity to Highway 401. Given the location of the property, the size of the site, as well as the size, design and condition of the building, and in conjunction with the stated zoning, the continued use as approved by the municipality is assumed to generate the greatest return, and therefore represents the highest and best use. Any unused building density on the subject property is ignored for the purpose of this valuation.

The existing use is manufacturing with ancillary offices.

The highest and best use of the land as if vacant has been considered and viewed as not being relevant in this valuation.

Method of Valuation

There are three traditional approaches to value, namely, the Direct Comparison Approach, the Cost Approach, and the Income Approach. The Direct Comparison Approach is based upon sales and listings of comparable properties. The Cost Approach stresses the physical characteristics of the improvements and the site, and is based upon the estimated value of the land, plus the current construction costs of the improvements, less the estimated reduction in value due to depreciation (if any). The Income Approach is applicable to income producing properties and is based upon rents, operating expenses, and capitalization rates.

In this valuation, the Direct Comparison Approach is used to estimate the market value of the subject property. The Income Approach is also used, however, this approach to value is for information purposes and is not relied upon in formulating the final value conclusion. The Cost Approach is not utilized due to the physical characteristics of the improvements and the age of the building. The estimate of value as concluded by the Direct Comparison Approach will be presented hereinafter, followed by the Income Approach.

Valuation Analysis – (cont'd)

Estimate of Excess Land Area

It is noted that industrial properties of similar size and market would have a building to site ratio from 0.18 to 0.22. The subject property comprises 25.27 acres and is improved with an industrial building of 150,861 square feet. The indicated building to site ratio of 0.14 is lower than the typical ratio. Thus, for the purpose of this valuation, we have hypothetically divided the subject property into improved and excess land components.

According to the site plan provided, the improved land component refers to lands that adjoin Croft Street East at the front. The excess land component refers to the lands that abut the Highway 401 corridor at the rear with no direct access to public roadways.

Based on the site plan, the improved land component of the subject property is calculated to be 771,584 square feet (1,096 feet x 704 feet) or 17.71 acres. Hence the building to site ratio of the improved land component is estimated to be 0.20 (150,861/771,584) which is reasonable for this valuation, in our opinion.

Therefore, the excess land component of the subject property is calculated to be 7.56 acres (25.27 acres -17.71 acres).

The Direct Comparison Approach is used to estimate the contributory value of the excess land component.

DIRECT COMPARISON APPROACH

Introduction

The Direct Comparison Approach is a process of comparing market data; that is the price paid for similar properties, prices asked by owners, and offers made by prospective purchasers willing to buy. It is good evidence of value because it represents the actions of buyers and sellers in the market.

The Direct Comparison Approach is based on the principle of “substitution”, which implies that a prudent purchaser will not pay more to buy or rent a property than what it will cost to buy or rent a comparable substitute property. This approach to value recognizes that a typical buyer will compare properties which constitute the market for a given type and class of property.

In making comparisons between properties similarities and dissimilarities must be recognized. The conclusions which are deemed to be most dependable are those based upon comparisons of factors and conditions which are very much alike. However in the valuation analysis, consideration must be given to dissimilarities which affect the relative desirability and utility of the sales, compared to that of the subject property.

Traditionally, the major elements of comparison are location, physical characteristics and sale date, with the objective being to deduce from the sale data, the price which the subject property would command, if exposed for sale on the market for a reasonable time, as of the date of valuation.

We were unable to find sufficient meaningful comparables in Port Hope. Thus we have extended our research of improved sales along the Highway No. 401 corridor between Belleville and Clarington.

Estimated Value of Improved Component

In our search for improved comparables, we have defined search parameters of comparable sales in terms of their sale date, location, price, property size and other physical characteristics. Based on our defined search parameters, we have reviewed seven sold properties and selected five sales which are in our opinion the most relevant in providing an indication of the market value of the improved component of the subject property. Only the most relevant comparable properties are detailed in this report and are summarized on the following chart titled “Summary of Most Relevant Improved Comparables”. This is followed by an analysis providing further details of the comparable properties, and their comparison to the subject property.

Direct Comparison Approach - (cont'd)

Estimated Value of Improved Component – (cont'd)

SUMMARY OF MOST RELEVANT IMPROVED COMPARABLES

Comp No.	Sale Date	Location	Sale Price	Land Area	Floor Area	Bldg Density	Clear Ht	Office %	Price psf
1	Nov/13	321 University Ave., Belleville	\$3,500,000	22.89	220,837	0.22	26-36	0.10	\$15.85
2	Apr/14	260 Peter St., Port Hope	\$2,100,000	16.56	131,960	0.18	18-40	0.17	\$15.91
3	Jun/12	269 University Ave., Belleville	\$800,000	1.93	40,000	0.48	18	0.38	\$20.00
4	Dec/13	94 Willmott St., Cobourg	\$2,500,000	6.30	44,917	0.16	18	0.16	\$55.66
5	May/14	314 Bennett Road, Clarington	\$3,250,000	6.70	56,000	0.19	18	0.07	\$58.04
	Average		\$2,430,000	10.88	98,743	0.25			\$33.09
	Subject	414 Croft Rd. E., Port Hope		17.71	150,861	0.20	23.5	0.06	

Direct Comparison Approach – (cont'd)

Estimated Value of Improved Component – (cont'd)

PHOTOGRAPHS OF COMPARABLES



Comparable No. 1



Comparable No. 2



Comparable No. 3



Comparable No. 4



Comparable No. 5

Direct Comparison Approach – (cont'd)

Estimated Value of Improved Component – (cont'd)

The most relevant comparable properties were visually inspected from street grade along public roadways. In this valuation, the unit of comparison is “price per square foot”.

Comparable Statistical Summary

Number	5 comparables	
Land Area	Low	1.93 acres
	High	22.89 acres
	Average	10.88 acres
	Improved	17.71 acres
Floor Area	Low	40,000 square feet
	High	220,837 square feet
	Average	98,743 square feet
	Subject	150,861 square feet
Overall Price	Low	\$ 800,000
	High	\$3,500,000
	Average	\$2,430,000
Unit Price	Low	\$15.85 per square foot
	High	\$58.04 per square foot
	Average	\$33.09 per square foot

Adjustments

In our opinion, the variance in price indicated by the comparables is due to a number of factors including date of sale, location, size, motivation, condition and age of the improvements and other physical characteristics of each of the comparable properties. Therefore, adjustments have been applied to selected comparables.

Direct Comparison Approach – (cont'd)

Estimated Value of Improved Component – (cont'd)

Comparables Analysis

Comparable No. 1 (321 University Avenue, Belleville) at \$15.85 per square foot of floor area was registered in November 2013. The sale was located about 50 miles to the east of the subject property on the south side of University Avenue, west of Jamieson Bone Road in close proximity to Highway 401. The site was improved with an industrial building having two levels of office space. The floor area was about 46% larger than the subject. There were 12 overhead shipping doors in the building. The building was originally constructed about 45 years ago with subsequent additions and the building to site ratio was 0.22. The clear heights were higher than the subject. Upward adjustments are needed for the size, condition and amenities. A downward adjustment is required for the plant height. Overall, an upward adjustment is warranted.

Comparable No. 2 (260 Peter Street, Port Hope) sold at \$15.91 per square foot of floor area in April 2014 under a court order. The sale was located about one mile to the south of the subject property in the waterfront area of Port Hope. The site was improved with an industrial building having two levels of office space. The floor area was slightly smaller than the subject. There were eight overhead shipping doors in the building. The age of the building was estimated to be 25 years and the building to site ratio was 0.18. The clear heights were partially higher than the subject. The office was reportedly renovated about five years ago. Upward adjustments are needed for the location, motivation and amenities. An overall upward adjustment is essential.

Comparable No. 3 (269 University Avenue Belleville) at \$20.00 per square foot of floor area was registered in June 2012. The comparable was located on the east side of University Avenue, north of Adam Street in close proximity to Highway 401 and Comparable No. 1. The site was improved with a single-level industrial building having a sizeable office area. The building area was about 73% smaller than the subject. There were four overhead shipping doors in the building. The building was estimated to be about 30 years old and the building to site ratio was 0.48 which was significantly higher than the subject. A downward adjustment is needed for the size. Upward adjustments are required for the location, clear height and amenities. Overall, an upward adjustment is necessary.

Direct Comparison Approach - (cont'd)

Estimated Value of Improved Component – (cont'd)

Comparables Analysis – (cont'd)

Comparable No. 4 (94 Willmott Street, Cobourg) at \$55.66 per square foot of floor area was registered in December 2013. The property was located about 10 miles to the east of the subject property on the north side of Willmott Street, west of Normar Road, east of downtown Cobourg. The site was improved with a modern industrial building having a partial office space on the second level. The building area was 70% smaller than the subject. There were four overhead shipping doors in the building. The building was constructed 25 years ago. The building to site ratio of 0.16 was lower than the subjects' improved component. The plant height was lower than the subject. Downward adjustments are needed for the location, size and amenities. An upward adjustment is required for the plant height. An overall downward adjustment is appropriate.

Comparable No. 5 (314 Bennett Road, Clarington) at \$58.04 per square foot of floor area was registered in May 2014. The sale was located 20 miles to the west of the subject property on the west side of Bennett Street, the second property south of the Highway 401 interchange in a rural industrial area. The urban area of Bowmanville was about two miles to the west. Municipal services were available for the property. The site was improved with an industrial building having an office section. There were seven overhead shipping doors in the building. The building was originally constructed about fifty years ago and the building to site ratio was 0.19. The plant height was lower than the subject. Downward adjustments are needed for the location and size. An upward adjustment is required for the plant height. Overall, a downward adjustment is warranted.

Having regard to the comparables, it is our considered opinion that the value of the subject property is likely greater than that of Comparable No. 3 at \$20.00 per square foot of floor area, but less than that of Comparable No. 4 at \$55.66 per square foot of floor area. In our view a range of values between \$32.00 and \$37.00 per square foot of floor area is appropriate, and the subject property would likely command a rate of \$35.00 per square foot of floor area.

Therefore, the following estimate of market value of the improved component is indicated:

150,861 square foot x \$35.00 = \$5,280,135

Direct Comparison Approach - (cont'd)

Estimated Contributory Value of Excess Land Component

In order to estimate the contributory land value of the excess land component (7.56 acres), the land value of the subject property as though vacant and unimproved (25.27 acres) is to be estimated.

We were unable to find sufficient meaningful land comparables in Port Hope. Thus we have extended our research of employment land sales along the Highway No. 401 corridor between Belleville and Clarington.

In our search for comparables, we have defined search parameters of comparable sales in terms of their sale date, location, price, property size and other physical characteristics. Based on our defined search parameters, we have selected five sales which are in our opinion the most relevant in providing an indication of the market value of the subject property as though vacant and unimproved. Only the most relevant comparable properties are detailed in this report and are summarized on the following chart titled "Summary of Most Relevant Land Comparables". This is followed by an analysis providing further details of the comparable properties, and their comparison to the subject property.

Summary of the Most Relevant Land Comparables

Comp No.	Reg Date	Location	Sale Price	Land Area	Price per acre
6	Sep/10	Enterprise Dr, Belleville	\$3,050,000	54.89	\$55,566
7	Avail	520 William St., Cobourg	\$2,600,000	37.65	\$69,057
8	Oct/11	641 Lamb Rd. S., Clarington	\$890,000	10.06	\$88,469
9	Avail	Henderson St., Port Hope	\$95,000	1.00	\$95,000
10	Apr/13	Salem Rd. N., Ajax	\$6,393,420	51.37	\$124,458
	Mean		\$2,605,684	30.99	\$86,510
	Subject	414 Croft Rd. E., Port Hope		25.27	

Direct Comparison Approach - (cont'd)

Estimated Contributory Value of Excess Land Component – (cont'd)

Adjustments

In our opinion, the variance in price indicated by the comparables is due to a number of factors including date of sale, location, size, motivation, “for sale” status and other physical characteristics of each of the comparable properties. Therefore, adjustments have been applied to selected comparables.

Comparables Analysis

Comparable No. 6 (Enterprise Drive, Belleville) at \$55,566 per acre was registered in September 2010. The comparable was located within an industrial and commercial neighbourhood, 1.2 miles to the west of the commercial node of Belleville near the intersection of Highway No. 401 and Front Street. The comparable was comprised of four separate parcels of lands (1.4 to 26.2 acres) with exposure on Enterprise Drive. It appears municipal servicing was available to the comparable. Upward adjustments are required for the time and size. A downward adjustment is needed for the potential commercial use. Overall, an upward adjustment is essential.

Comparable No. 7 (520 William Street Cobourg) is available for sale at an asking price of \$69,057 per acre. The listing is vacant and unimproved. The vendor is also the property owner of an adjacent industrial property having a gross floor area of 581,538 square feet. It is anticipated that the listing will be separately developed upon acquisition. The land is irregular in shape with exposure on both William and Ontario Streets. The listing price might reflect the upper limit of value. Upward adjustments are needed for the amenities and size. A downward adjustment is required for the anticipated lower selling price. An overall upward adjustment is necessary.

Comparable No. 8 (641 Lamb Road, Clarington) sold at \$88,469 per acre in October 2011. The sale was located on the east side of Lamb Road just south of Baseline Road East in part of the community of Bowmanville. The neighbourhood was rural industrial in character. The site was rectangular in shape and is improved with a bungalow at the front. The lot also consisted of open space, bushes and a pond. The zoning was for prestige employment uses. It appears that rural municipal service was available to the property. Downward adjustments are required for the location, size and inclusion of the value of improvements price. An upward adjustment is needed for servicing. Overall, an upward adjustment is appropriate

Direct Comparison Approach - (cont'd)

Estimated Contributory Value of Excess Land Component – (cont'd)

Comparables Analysis – (cont'd)

Comparable No. 9 (Henderson Street, Port Hope) is available at an asking price of \$95,000 per acre. The listing is located in a newly created industrial area known as Port Hope Business Park in the northwest quadrant of the urban area of Port Hope. The listing involves a total of 19 acres of land which may be subdivided into different lot sizes with a minimum of 1 acre. Downward adjustments are needed for the size, motivation and anticipated lower selling price. An overall downward adjustment is warranted.

Comparable No. 10 (Salem Road North, Ajax) at \$124,458 per acre was registered in April 2013. The property was located on the east side of Salem Road, south of Kerrison Drive West in the northern part of the urban area of Ajax. The site was comprised of a vacant parcel of industrial land for a business park development. The land area was larger than the subject. An upward adjustment is needed for the size. Downward adjustments are required for the location and potential use and motivation. Overall, a downward adjustment is essential.

Having regard to the land comparables, it is our considered opinion that the value of the subject property as though vacant and unimproved is likely greater than that of Comparable No. 7 at \$69,057 per acre, but less than that of Comparable No. 8 at \$88,469 per acre. In our view, a range of values between \$75,000 and \$80,000 per acre is appropriate, and the subject property as though vacant and unimproved would command a rate of \$78,000 per acre.

The excess land component is located at the rear of the subject property with Highway 401 exposure (no access). The zoning consists of a special provision which permits a maximum of three model homes, and an accessory outdoor display and sales area abutting Highway 401. In our opinion, the excess land component has similar utility to the improved land component and has 100% contributory value to the subject property.

Therefore, the contributory value of the excess land component to the subject property is indicated:

7.56 acres x \$78,000 per acre = \$589,680

Conclusion

Estimated Value of Improved Component	\$5,280,135
Estimated Value of Excess Land Component	<u>\$ 589,680</u>
Total Estimated Value of the Subject Property	\$5,869,815

Rounded to \$5,870,000.

INCOME APPROACH

Introduction

The Income Approach employs the process of capitalizing the property’s net income into a value indication. Capitalization is the process of converting a series of anticipated future annual installments of income into a present value by discounting them into a present worth at a rate that will attract purchase capital.

Several different techniques are used to analyze the characteristics of an investment, ranging from a traditional overall capitalization rate to a more sophisticated discounted cash flow analysis. The overall capitalization approach is used in this appraisal report.

Estimated Gross Annual Income

The improved component consists of an industrial building with a gross floor area of 150,861 square feet including a partial second level of 9,707 square feet for office use. The subject property is owner-occupied. Hence, we have performed a market survey of industrial properties to estimate an economic rent for the subjects' improved component.

Schedule of Industrial Market Rental Rates

Lease Date	Location	Leased Area	Clear Ht	TMI	Net Rent
Jan/11	1055 Squire Beach Rd., Pickering	191,079	28	\$2.63	\$2.50
Dec/13	200 Industrial Pkwy N., Aurora	167,958	33	\$2.30	\$3.50
Oct/13	225 Henry St., Brantford	124,000	24	\$2.40	\$3.75
Aug/11	550 Industrial Dr., Milton	134,535	24	\$2.45	\$4.25
Oct/11	200 Montecorte St. E., Whitby	178,355	28	\$3.25	\$4.75
Avail	321 University Ave., Belleville	220,837	36	\$2.85	\$4.95

The foregoing Schedule of Industrial Market Rental Rates shows that industrial space (124,000 square feet to 220,837 square feet) rented/listed from \$2.50 to \$4.95 per square foot. Most of the surveyed properties are located within the Greater Toronto Area. The clear plant heights vary between 24.0 to 36.0 feet. The TMI (property taxes, maintenance and insurance) ranged from \$2.40 to \$3.25 per square foot of leased area. The terms were mostly from three to five years.

The property taxes of the subject property were \$1.76 per square foot of GFA. Assuming the maintenance and insurance expenses are \$1.0 per square foot, the TMI of the subject property is estimated at \$2.76 per square foot and it conforms to the TMI of the surveyed industrial spaces. The TMI is fully recoverable from the tenant.

Income Approach – (cont'd)

Estimated Gross Annual Income – (cont'd)

Having regard to the industrial market rental rates, we are of the opinion that the improved component would command a range of rental rates from \$2.75 to \$3.25 per square foot of gross floor area net, and a net rental rate of \$3.00 per square foot would be reasonable for the purpose of this analysis.

Therefore, the estimated gross annual income of the subject property is indicated:

150,861 square feet x \$3.00 = \$452,583

Vacancy and Bad Debt Allowance

It is normal to make an allowance for vacancies and bad debts, which may occur during the long-term ownership of the property. At the termination of an industrial lease, it would normally take 2 to 3 months to find a substitute tenant. Once a tenant is found, a 3 to 5 year lease would likely be signed. Based upon these assumptions, a vacancy rate of 5% would seem reasonable for the purpose of this analysis.

Structural Reserve

The deterioration of the structure and equipment due to wear and tear over time is not uncommon. Hence, an allowance for structural maintenance is reasonable to preserve the remaining economic life of the structural components and equipment. In our opinion, 2% of the effective gross income is appropriate for structural reserve.

Non-Recoverable Management Expense

Generally industrial rents are net and carefree to the landlord. All operating expenses of the subject property would be paid by or fully recovered from the tenants. However, non-recoverable management expenses are typically reserved for fixed operating costs (taxes, maintenance and insurance) and leasing costs (such as marketing and real estate commissions) when the property becomes vacant or partially vacant. In our view, an allowance of 3% of the effective gross income is reasonable for non-recoverable management expenses.

Income Approach – (cont'd)

Estimated Net Income

The estimated net income before debt service for the subject property is calculated as follows:

Estimated Gross Annual Income		\$452,583
Less: Vacancy and Bad Debt 5%		\$ <u>22,629</u>
Estimated Effective Gross Income		\$429,954
Less:		
Structural Reserve (2% EGI)	\$ 8,599	
Management (3% EGI)	<u>\$12,899</u>	<u>\$ 21,498</u>
Estimated Net Income		\$408,456

Overall Capitalization Rate

The final step in the application of the Income Approach involves capitalizing the estimated net income at an overall capitalization rate deemed sufficient to attract capital to an investment such as the subject property. This rate is derived from the market place and is a general reflection of the risk involved in acquiring a particular property.

Schedule of Market Derived Overall Capitalization Rates

Sale Date	Location	Sale Price	Floor Area	NOI	Unadj OCR	Adj OCR
May/13	11000 Steeles Ave. Halton Hills	\$9,800,000	123,750	\$650,000	6.63%	5.99%
Jul/14	1100 Skae Dr., Oshawa	\$1,350,000	15,380	\$102,533	7.60%	6.85%
Jul/11	50-70 Snidercroft Rd., Vaughan	\$6,350,000	105,657	\$504,228	7.94%	7.17%
Jun/13	850 Wilson Rd. S., Oshawa	\$2,594,000	42,234	\$206,000	7.94%	7.17%
Jun/13	333 Station St., Ajax	\$1,880,000	25,616	\$151,000	8.03%	7.25%

The foregoing Schedule of Market Derived Overall Capitalization Rates shows that overall capitalization rates (OCR) of industrial properties ranged from 6.63% to 8.03% unadjusted, and from 5.99% to 7.25% adjusted to vacancy, structural and /or management allowances. All surveyed sold industrial properties were located within the GTA. The floor areas ranged from 15,380 to 123,750 square feet.

Income Approach – (cont'd)

Overall Capitalization Rate

Generally, lower capitalization rates are indicated for those properties that have rents below market level, superior location, and/or well maintained, while properties with rents higher than market level, in inferior neighbourhoods, and/or inferior conditions tend to sell at a higher OCR. The location of all surveyed properties were superior to the subject property. They were improved with modern industrial facilities and smaller in size than the subject property.

Having regard to the foregoing market derived OCR, we are of the opinion that a range of rates from 7.5% to 8.0% is reasonable, and an OCR of 8.0% is appropriate for the purpose of this analysis.

Conclusion

An application of 8.0% overall capitalization rate yields the following indicated market value:

Estimated Net Income	\$408,456
Divided by OCR	<u>8.0%</u>
Estimated Capitalized Value	\$5,105,700
Add: Contributory Value of Excess Land	<u>\$ 589,680</u>
	\$5,695,380
Rounded to	\$5,700,000.

CORRELATION OF VALUE ESTIMATES

Summary

The following estimated value was indicated for the subject property in the foregoing valuation analysis:

Direct Comparison Approach	\$5,870,000.
Income Approach	\$5,700,000.

Two methods of valuation indicated a range of values of about 3.0% or from \$37.78 to \$38.91 per square foot of floor area for the fee simple interest of the subject property.

The value indicated by the Direct Comparison Approach is based upon comparison of similar properties in the general vicinity of the subject property. Properties similar to the subject property are typically occupied by the owners, rarely trade in relation to their income generating potential, while they often trade in direct relation to size, condition, utility and location. This approach is deemed to be a reliable indicator of value as it is based upon the actions of buyers and sellers in the market place.

The value produced by the Income Approach is based upon the estimate of the market rent, vacancy and landlord expenses and a market related capitalization rate. The subject property is a single user industrial property. It is common for a property owner to occupy a part of or the entire property. Although the property could also be leased for an extended period of time, a typical purchaser would seldom base his decision solely on the income producing capabilities. The Income Approach to value is considered less reliable and is included for information purposes only.

Conclusion

We conclude that the estimated value by the Direct Comparison Approach has provided the best indicator of value. As a result of this investigation, and subject to the assumptions and limiting conditions contained in this report, it is our opinion that the estimated market value of fee simple interest in the subject property, based upon a land area of 25.27 acres and a gross floor area of 150,861 square feet above grade, as of November 19, 2014 is:

\$5,870,000.
(\$38.91 per square foot of floor area)

In our opinion, a reasonable exposure period for the subject property is 6 to 9 months. The exposure period inherent in the market value concept is always presumed to precede the effective date of the appraisal.

CERTIFICATION

I/we certify that, to the best of our knowledge and belief:

- a) A personal inspection of the subject property located at 414 Croft Street East in the Municipality of Port Hope was undertaken by Terence Lau, AIC Candidate Member of Cornwall Property Consultants Ltd. on November 19, 2014. Patrick Cornwall AACI, P. App also inspected the property, and concurs with the content, methodology and value estimate contained herein;
- b) This appraisal report and value estimate is for the exclusive internal use of Hillmount Capital Inc. and we accept no responsibility whatsoever if this value estimate or any part of this analysis is used otherwise;
- c) The statements of fact contained in this report are true and correct;
- d) The reported analysis, opinions and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, unbiased professional analyses, opinions, and conclusions;
- e) We have no present or prospective interest in the property that is the subject of this report, and we have no personal interest with respect to the parties involved;
- f) We have no bias with respect to the property that is the subject of this report or the parties involved with this assignment;
- g) Our engagement in and compensation for this assignment were not contingent upon developing or reporting predetermined results, the amount of the value estimate, or a conclusion favouring the client;
- h) Our analysis, opinions and conclusions were developed, and this report has been prepared in conformity with the Canadian Uniform Standards of the Appraisal Institute of Canada;
- i) I, the undersigned designated member, have the knowledge and experience to complete the assignment competently;
- j) No one provided significant professional assistance to the person signing this report, save for the Appraisal Institute of Canada member who prepared the report;
- k) As of the date of the report the undersigned designated member has fulfilled the requirements of the Appraisal Institute of Canada's Mandatory Recertification Program;

Certification - (cont'd)

- l) As a result of this investigation, and subject to the assumptions and limiting conditions contained in this report, it is our opinion that the estimated market value of the fee simple interest in the subject property, based upon a land area of 25.27 acres and a gross floor area of 150,861 square feet above grade, as of November 19, 2014 is:

\$5,870,000.
(\$38.91 per square foot of floor area)



Patrick Cornwall, AACI, P. App
Dated: December 1, 2014



Terence Lau, AIC Candidate Member
Dated: December 1, 2014

ASSUMPTIONS AND LIMITING CONDITIONS

1. It is assumed that the legal description as supplied is correct.
2. We did not conduct a title search of the property. The title of the property is assumed to be good and not clouded, and if there are any liens or encumbrances they have been disregarded and the property appraised as though free and clear, except as otherwise addressed in the report.
3. It is not uncommon for urban easements or right-of-ways to exist on properties in major urban areas. Generally, such easements are in the form of hydro lines, overhead wires (telephone, cable tv, etc.) and possibly underground easements or rights-of-ways for municipal water mains or sanitary sewer mains. The presence of these easements, if they exist, are typically within the zoning setback requirements and generally do not adversely affect value, in our opinion. However, if a title search or survey reveals otherwise, then the impact of the encumbrance may affect the final estimate of value.
4. This report does not constitute an opinion as to title or any other legal matters.
5. The data and statistical information contained herein and forming a part of this report was gathered from reliable sources and assumed to be correct.
6. If a survey of the site has been provided, we have assumed it to be complete and accurate and accept no responsibility if another plan or survey proves otherwise.
7. All measurements are approximations only, and no responsibility is accepted for anything that a plan or survey may reveal.
8. An environmental assessment (audit) has not been provided. For the purposes of this report, we have assumed that the property is not contaminated or has hazardous substances. We accept no responsibility if an environmental assessment reveals otherwise.
9. Possession of this report or any copy thereof does not carry with it the right of publication, and the copyright of the report remains with Cornwall Property Consultants Ltd. Neither the report, nor any copies or any part thereof, are to be delivered or sold to any person, nor any part of the contents of this report shall be disseminated or otherwise conveyed to the public through advertising, public relations, news media, sales media, or other means of communications, without the prior written consent and approval of Cornwall Property Consultants Ltd.
10. The author(s) is not required to give testimony or attendance in any court or public hearing by reason of the appraisal with reference to the subject property unless prior arrangements have been made.
11. This report is only valid if it bears the original signature of the author.

Assumptions And Limiting Conditions - (cont'd)

12. If the site is improved with a structure(s), it is assumed that there are no patent or latent defects in the building and that it is structurally sound and in no immediate need of repairs, unless expressly noted within this report. The mechanics of the building such as the heating, plumbing, electrical, air-conditioning, other systems, etc. are assumed to be in good working order.
13. It is assumed that there are no work orders or charges against the subject property which have a bearing on the market value except for those, if any, noted in the report.
14. It is assumed that the subject property meets all requirements of the Fire Marshall, Health Inspector, and any other Government Agency, unless noted to the contrary within this report.
15. If there is a residential component, the residential rents as supplied or as stated in this report are assumed to be legal rents and permissible under the rent control regulations. We have not undertaken an independent analysis to confirm the rents and therefore accept no responsibility for their accuracy.
16. If there is a difference between the date of valuation and the date of inspection, we have assumed that there are no physical changes to the subject property between the two dates, which may affect the value.
17. This report has been prepared exclusively for Hillmount Capital Inc. to assist in conventional first mortgage financing of the subject property. The author(s) accepts no responsibility whatsoever if this report is used by another without written permission by Cornwall Property Consultants Ltd.

APPENDIX D



VICEROY HOMES LIMITED

EFFECTIVE DATE: DECEMBER 11, 2014
INVENTORY DATE: NOVEMBER 30, 2014
INSPECTION DATES: NOVEMBER 27, 2014
DECEMBER 5, 2014

INVENTORY APPRAISAL

ORDERLY LIQUIDATION VALUE



CENTURY
SERVICES INC.

"Dedicated to identifying and unlocking corporate value."

CENTURY SERVICES INC.
6 DIRECTOR COURT, SUITE 200
VAUGHAN, ON L4L 3Z5

PROJECT TEAM:
TOM HAW
ERIC WAS, JAMIE DUNBAR

December 11, 2014

William Simpson
CFO

Viceroy Homes Limited
414 Croft Street East,
Port Hope, ON L1A 4H1

Re: Inventory Appraisal - **Viceroy Homes Limited**

Bill,

Century would like to thank you for the opportunity to submit this inventory appraisal report.

The purpose of this appraisal is to provide a perspective on the orderly liquidation value of the total inventory of Viceroy Homes Limited under an Orderly Liquidation Value (“**OLV**”) scenario if for any reason the inventory were to be liquidated.

Century understands that this appraisal will be used to assist Viceroy Homes in establishing advance rates for the company. The scope of this appraisal also includes a discussion of primary factors affecting recovery values.

Century has analyzed certain financial and operating data, visited the company facility on November 27, 2014 and reviewed the results of operations of Viceroy Homes. The effective date of the appraisal is December 11, 2014.

This appraisal has been developed and is being submitted in conformance with the Uniform Standards of Professional Appraisal Practice (USPAP), as promulgated by the Appraisal Standards Board of the Appraisal Foundation. Unless otherwise indicated, this appraisal is a complete appraisal submitted in a summary report format as defined by USPAP.

Should you have any questions regarding the foregoing value estimates or require any further information, please do not hesitate to contact us.

Sincerely,

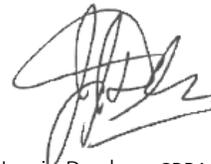
Century Services Inc.



Tom Haw, BA, MBA, CPPA
Century Services Inc.



Eric Was, AM, CPPA
Century Services Inc.



Jamie Dunbar, CPPA
Century Services Inc.

EXECUTIVE SUMMARY

COMPANY OVERVIEW | PRIMARY CONTACT INFORMATION

COMPANY NAME:	Viceroy Homes Limited
INDUSTRY:	Panelized and Pre-Cut Custom Homes
NAICS CODE:	321992, Prefabricated Wood Building Manufacturing
HEAD OFFICE:	414 Croft Street East, Port Hope, ON, L1A 4H1
# OF LOCATIONS:	2
CURRENCY:	All financial information in this report is presented in CAD, which is in conformance with the Company's financial reporting.

CLIENT INFORMATION:	William Simpson, CFO, Viceroy Homes Limited
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APPRAISER INFORMATION:	Tom Haw, BA, MBA, CPPA thaw@centuryservices.com Eric Was, AM, CPPA ewas@centuryservices.com Jamie Dunbar, CPPA jdunbar@centuryservices.com
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APPRAISAL OVERVIEW

VALUATION APPROACH:	ORDERLY LIQUIDATION VALUE
EFFECTIVE DATE:	December 11, 2014
INVENTORY DATE:	November 30, 2014
INSPECTION DATE(S):	November 27, 2014 & December 5, 2014
LIQUIDATION SALE TERM:	6 Weeks
SALE START DATE:	December 1, 2014

SUMMARY OF VALUE CONCLUSIONS

Century projects a Net Orderly Liquidation Value (NOLV) recovery of **4.90% of cost on Viceroy Homes's inventory**. This would be on Viceroy Homes's eligible inventory, under an orderly liquidation scenario. The Net Recovery Summary is provided in the table below; for more detailed information, please see **Exhibit A-1: Illustration of Net Recovery Analysis – INVENTORY**.

**PROJECTED GOLV & NOLV RECOVERIES
ELIGIBLE REPORTED INVENTORY**

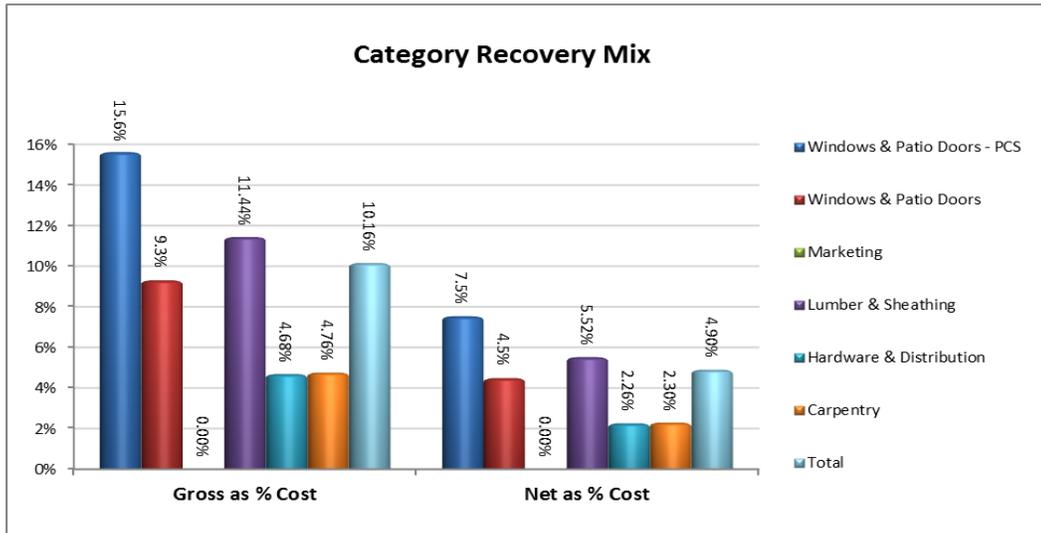
INVENTORY AS AT: November 30, 2014	LIQUIDATION SALE TERM: 6 WEEKS
GOLV	NOLV
10.16%	4.90%

Category	On hand Inventory	Gross Recovery	Gross as % Cost	Net Recovery	Net as % Cost
Windows & Patio Doors - PCS	\$939.3	\$146.7	15.62%	\$70.7	7.53%
Windows & Patio Doors	\$638.9	\$59.4	9.30%	\$28.7	4.49%
Marketing	\$19.9	\$0.0	0.00%	\$0.0	0.00%
Lumber & Sheathing	\$347.2	\$39.7	11.44%	\$19.2	5.52%
Hardware & Distribution	\$392.8	\$18.4	4.68%	\$8.9	2.26%
Carpentry	\$496.3	\$23.6	4.76%	\$11.4	2.30%
Total	\$2,834.4	\$287.9	10.16%	\$138.8	4.90%

MARGINING CATEGORY DESCRIPTIONS

Category	Type	Value	Description
Windows & Patio Doors - PCS	Finished Goods	\$939.3	Finished windows and doors with a range of delivery dates.
Windows & Patio Doors	Finished Goods Raw Materials	\$638.9	A mix of Finished windows and doors, along with raw materials (glass, trim).
Marketing	Raw Materials	\$19.9	Catalogues and other marking materials.
Lumber & Sheathing	Raw Materials	\$347.2	Bulk lifts of lumber and sheathing, along with individual items located throughout the plants.
Hardware & Distribution	Raw Materials	\$392.8	Hardware, fasteners, in bulk and open containers throughout the plants.
Carpentry	Raw Materials	\$496.3	Doors, trim, cabinet hardware, siding, paint and paint supplies.
	Total	\$2,834.4	

CATEGORY RECOVERY RANGES

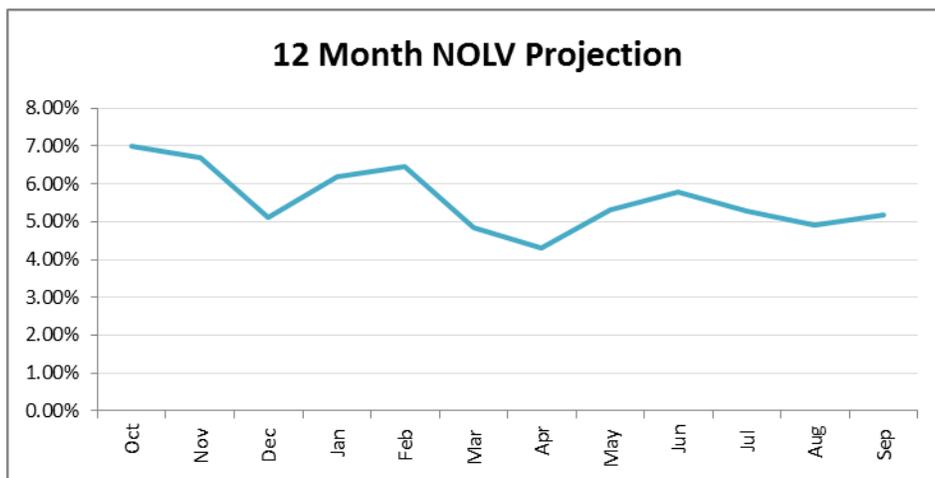


12 MONTH NOLV PROJECTIONS

MTHLY RANGE: PROJECTED NOLV %'s			MTHLY RANGE: ACTUAL (\$)	
			SALES	INV
MAX	Oct	7.01%	\$5,986,541	\$3,977,309
MIN	Apr	4.31%	\$836,673	\$2,439,724
RANGE		2.70%	\$5,149,869	\$1,537,585

Projected NOLV recoveries assume no material changes in monthly inventory balances, inventory mix, operating expenses, among other factors, the above table and graph is for illustration purposes only.

This appraisal should not be relied upon by any person or corporation other than the client without first obtaining written authorization from Century Services Inc. There may be qualifications, assumptions or limiting conditions in addition to those set out in the appraisal which may be relevant to the client for their intended use.



INVENTORY DASHBOARD

Viceroy Homes Limited

INVENTORY DASHBOARD: PERFORMANCE TRENDS | IMPACT ON RECOVERY

TREND PERIODS: | YEAR-OVER YEAR | LAST QUARTER |

PERFORMANCE MEASUREMENT	SOURCE	TRENDS					IMPACT	
		Year over Year (Rolling 12 months)		Quarter (vs prior period)		Year vs. Quarter	Impact on Recovery	
		Rate	Trend	Rate	Trend	Trend	Prior Appraisal	Current Appraisal
SALES TREND ANALYSIS	Exhibit Viceroy Homes B-1	-22.9%	Declining	-45.8%	Declining	Declining		Negative
GROSS MARGIN ANALYSIS (% PTS)	Exhibit Viceroy Homes C-1	-8.36	Declining	-11.39	Declining	Improving		Negative
INVENTORY HISTORY & % vs AVG COST TOTAL INVENTORY	Exhibit Viceroy Homes D-1	-19.7%	Lower	-41.9%	Lower	Declining		Neutral
INVENTORY HISTORY & % vs AVG COST FINISHED GOODS	Exhibit Viceroy Homes D-2	-0.8%	Continuing	-72.5%	Lower	Declining		Negative
INVENTORY HISTORY & % vs AVG COST RAW MATERIAL	Exhibit Viceroy Homes D-3	-26.1%	Lower	-29.7%	Lower	Declining		Negative
INVENTORY HISTORY & % vs AVG COST WIP	Exhibit Viceroy Homes D-4	-43.8%	Lower	-40.4%	Lower	Accelerating		Neutral
INVENTORY TURNOVER & DAYS SALES IN INVENTORY TOTAL INVENTORY	Exhibit Viceroy Homes E-1	7.5	Improving	8.9	Improving	Improving		Neutral
INVENTORY TURNOVER & DAYS SALES IN INVENTORY FINISHED GOODS	Exhibit Viceroy Homes E-2	36.2	Declining	71.0	Improving	Improving		Neutral
INVENTORY TURNOVER & DAYS SALES IN INVENTORY RAW MATERIAL	Exhibit Viceroy Homes E-3	17.7	Improving	17.4	Declining	Declining		Neutral
INVENTORY TURNOVER & DAYS SALES IN INVENTORY WIP	Exhibit Viceroy Homes E-4	141.5	Improving	149.9	Declining	Improving		Neutral

The Inventory Dashboard, **Exhibit A-2.1**, is shown above. **Exhibit A-2.2** provides supporting details, while **Exhibit A-2.3** shows trend lines for Sales, Margins, Inventory and Inventory Turns in a one-page format to show how the trends relate to each other. The purpose of the Dashboard is to highlight key areas of performance which would be prudent to monitor, as they are fundamental to projecting the timing and potential outcome of a liquidation. When quarterly trends are under-performing in comparison to annual trends, it would be useful to consider increased collateral monitoring until conditions improve.

Century discussed the buildup of inventory highlighted by the Dashboard. **Viceroy Homes** advised that financial restrictions were hampering the ability of the company to generate sales, and stricter inventory controls could not offset cashflow restrictions.

While annual inventory turns are improving, from an inventory liquidation perspective, stock reductions are impacting the liquidation value of the total inventory. The turns are currently rated as neutral, and the lender is advised to monitor the stock positions going forward.

INVENTORY DASHBOARD: YEAR OVER YEAR TREND LINES

The Trend Lines provide an “at-a-glance” overview of recent company performance in four areas: Sales, Margins, Inventory levels and Turns. Refer to Exhibits B, C, D & E for the supporting detail.

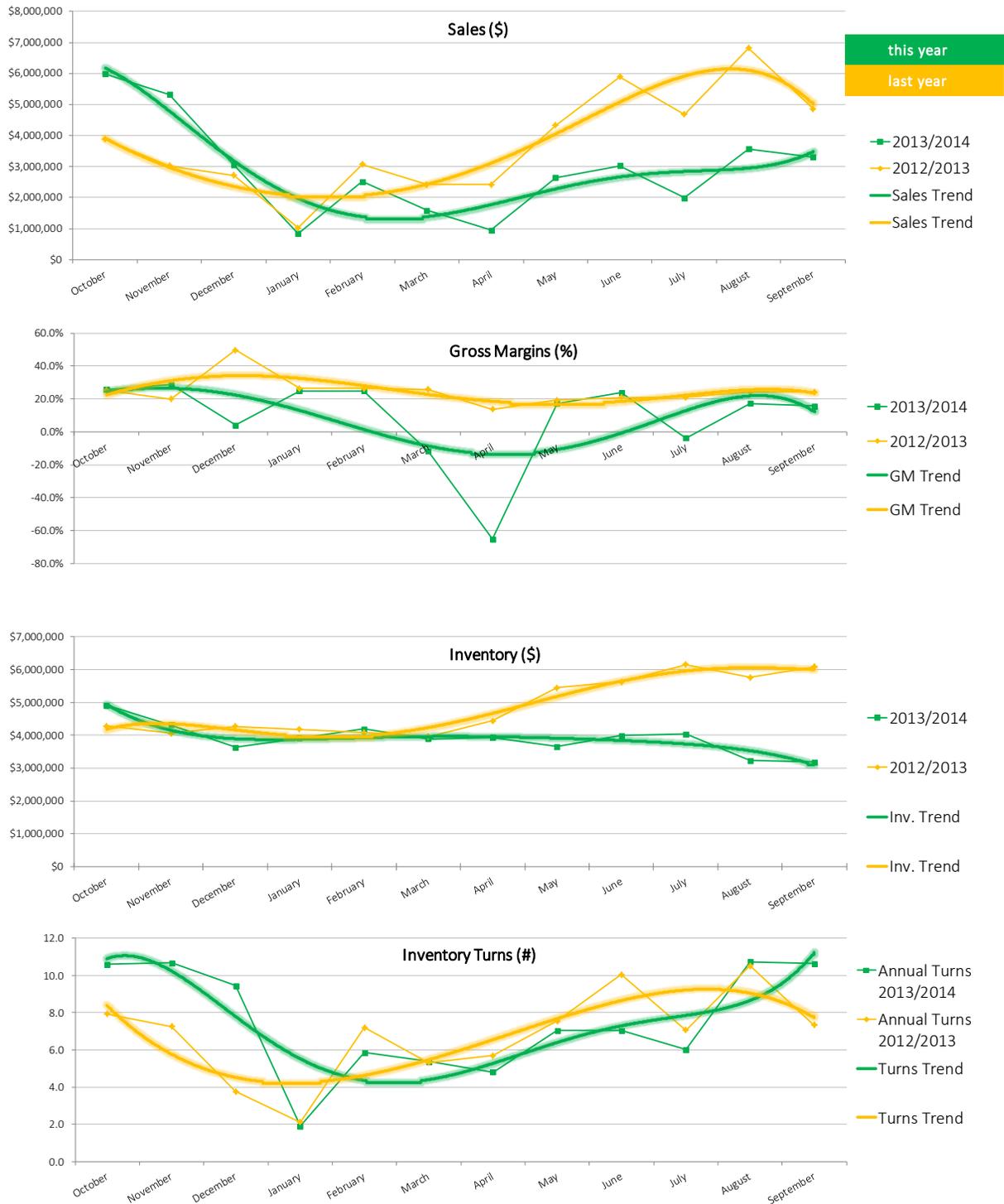


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VICEROY HOMES LIMITED

INVENTORY APPRAISAL

December 11, 2014

Viceroy Homes Limited
414 Croft Street East,
Port Hope, ON L1A 4H1

Attention: William Simpson

Re: Viceroy Homes Limited
414 Croft Street East,
Port Hope, ON L1A 4H1

1. OVERVIEW OF COLLATERAL

Century Services Inc. (“**Century**”) was retained by Viceroy Homes Limited (“**Viceroy Homes**” or “**Lender**”) to provide a perspective on the orderly liquidation value of the eligible inventory of Viceroy Homes Limited (“**Viceroy Homes**” or “**Company**”) under an **Orderly Liquidation Value (“OLV”)** scenario if for any reason the inventory were to be liquidated.

Century understands that this appraisal will be used to assist Viceroy Homes in establishing advance rates for the company. The scope of this appraisal also includes a discussion of primary factors affecting recovery values, and a recommendation on the frequency of appraisal updates.

Century has analyzed certain financial and operating data, visited the company facilities on November 27, 2014 & December 5, 2014 and reviewed the results of operations of Viceroy Homes.

COMPANY PROFILE

Viceroy Homes designs, engineers and manufactures panelized and pre-cut custom Home Packages. Viceroy custom home packages are available through a wide network of sales offices and independent distributors. The Company ships home packages to clients throughout North America and around the world. For more detailed information please visit the company website www.viceroy.com

Viceroy Homes Limited is located at 414 Croft Street East, Port Hope, ON, manufacturing, distribution and Head Office complex. The company has an additional manufacturing and warehouse facility in Richmond, BC. The company has a staff count of 207. Century has attended the above locations.

Please note that the recoveries identified in this appraisal assume that the above facilities would be in limited operation at the time of the recovery; please see **Section 5: Liquidation Assumptions** for further discussion on factors that can affect overall recoveries.

SITE VISIT OVERVIEW

Century has visited the company’s Richmond BC location on November 27, 2014 and Port Hope ON on December 5th, 2014. The purpose of the site visit was to view the current location, mix, condition, and marketability of the inventory. Furthermore, Century has reviewed the company’s inventory handling procedures and processes, to gain insight for any inventory related issues that may exist, including but not limited to potential obsolescence, damages, and slow moving inventory that might impact the recovery value.

EFFECTIVE DATE OF THE APPRAISAL

The effective date of the appraisal is December 11, 2014. This is the date that Century Services Inc. personnel completed the review of the assets.

2. PROJECTED NET RECOVERY – INVENTORY

Century projects a Net Orderly Liquidation Value (NOLV) recovery of **4.90% of cost on Viceroy Homes’s inventory**. This would be on Viceroy Homes’s eligible inventory, under an orderly liquidation scenario. The Net Recovery Summary is provided in the table below; for more detailed information, please see **Exhibit A-1: Illustration of Net Recovery Analysis – INVENTORY**.

The net recovery values represent the net cash value obtained from the sale and disposition of the Company’s total inventory after deduction of all associated costs and fees including administrative costs.

Orderly Liquidation Value for the inventory is defined as a professional opinion of the estimated most profitable price expressed in terms of currency which the subject inventory could typically realize at an orderly liquidation, properly advertised and professionally managed, by a seller obligated to sell over an extended period of time, usually within 60 to 90 days, as of the effective date of the appraisal report. It is based on the premise that the facility is in limited operation, utilizing select current employees of the above-referenced Company, for the purpose of liquidating the inventory. All inventory is sold on a piecemeal basis “as-is”, “where-is” for cash or cash equivalent. The terms are sold on a Free On Board (“F.O.B.”) warehouse basis, with purchasers responsible for removal of inventory at their own risk and expense.

Conclusions taken into consideration are physical location, difficulty of removal, physical condition, adaptability, specialization, marketability, overall appearance, and psychological appeal. Further, the ability of the asset group to draw sufficient prospective buyers to insure competitive offers is considered. Any deletions or additions to the total inventory appraised could change the psychological and/or monetary appeal necessary to gain the value indicated.

Note that while the Company’s business is partly seasonal in nature, Century has determined that a liquidation would not be materially affected by specific seasons, subject to the conditions set out in **Section 3** of this report.

Gross and Net OLV recoveries by inventory category are summarized in the following table.

Gross and Net OLV Recovery Summary - INVENTORY
(\$ in 000’s)

Category	On hand Inventory	Gross Recovery	Gross as % Cost	Net Recovery	Net as % Cost
Windows & Patio Doors - PCS	\$939.3	\$146.7	15.62%	\$70.7	7.53%
Windows & Patio Doors	\$638.9	\$59.4	9.30%	\$28.7	4.49%
Marketing	\$19.9	\$0.0	0.00%	\$0.0	0.00%
Lumber & Sheathing	\$347.2	\$39.7	11.44%	\$19.2	5.52%
Hardware & Distribution	\$392.8	\$18.4	4.68%	\$8.9	2.26%
Carpentry	\$496.3	\$23.6	4.76%	\$11.4	2.30%
Total	\$2,834.4	\$287.9	10.16%	\$138.8	4.90%

Summary:

Century Services projects a Net Orderly Liquidation Value (“NOLV”) recovery of CDN\$139,000 on eligible Canadian inventory of CDN\$2.834 million at cost, or 4.90% on cost.

3. APPRAISAL DISCUSSION

The company inventory lists contained codes which permit the segregation of the inventory. The appraisal has used the codes to develop the six (6) margining categories shown in **Exhibit A-1**.

These margining categories have been discussed with company management, and they have advised they will be able to provide timely reporting to the Lender, in a format compatible with the appraisal.

Eligible Inventory

Total eligible inventory as at November 30, 2014 was reported by management to total \$2,834,400 at cost and was comprised of:

- **Windows & Patio Doors - PCS** Inventory: \$939,255 at cost
- **Windows & Patio Doors** Inventory: \$638,899 at cost
- **Marketing** Inventory: \$19,896 at cost
- **Lumber & Sheathing** Inventory: \$347,187 at cost
- **Hardware & Distribution** Inventory: \$392,818 at cost
- **Carpentry** Inventory: \$496,318 at cost

WIP Inventory

The company did not provide a list of WIP inventory. Note that no recovery would be projected for WIP inventory. It is Century's opinion that the company's use of this inventory would increase during the period immediately prior to a liquidation as it attempts to maximize cashflow, resulting in significantly depleted inventory levels. Residual WIP inventory would be offered for sale during the liquidation and, depending on the level of stock remaining at that time, could add to the projected gross recovery.

SKU ANALYSIS

Century has performed an in-depth analysis of the inventory at the SKU level. This type of analysis helps identify potential slow moving inventory that could have been hidden among category averages. The identification of slow moving inventory provides better insight into the true marketability of the inventory. In addition to identifying slow moving inventory, Century has used this analysis to detect any ineligible items that may be in the inventory listing provided by the Company.

INVENTORY OVERVIEW AND FACTORS AFFECTING THE PROJECTED LIQUIDATION VALUE

Raw Materials Inventory Status

Century was advised during the appraisal site visits that the Viceroy Raw Materials inventory has been depleted during recent months and that the current mix of stock was not representative of the typical mix when the company is in full, regular operation. The depletion of stock has negatively impacted a number of quantity, quality and condition factors, which consequently impacted the projected inventory recovery.

During a liquidation, buyers look for opportunities to buy first quality stock in bulk at reduced price, and will avoid stock which appears to be shop-worn, dated, or in unsealed boxes and containers. The Viceroy stock contained

products with limited depth and no opportunity to consolidate inventory between the BC and Ontario locations. The stock is a mix of opened and sealed containers/boxes, with evidence of wear and tear from multiple handling. Taken together, these factors have resulted in a reduced recovery.

Windows Inventory Status

The company provided 3 inventory lists: **Viceroy**, **PCS** and **Selco**, as summarized in **Exhibit F-2**.

- The **Viceroy** list totaled \$1,609,771 at cost and contained 5 major categories:
 - **Carpentry** (\$496,318)
 - **Hardware & Distribution** (\$392,818)
 - **Windows & Patio Doors** (\$353,553)
 - **Lumber & Sheathing** (\$347,187)
 - **Marketing** (\$19,896).
- The **PCS** (Process Control System) list totaled \$939,255 and consisted of finished windows for projects with a range of delivery dates.
- The **Selco** (its Japan affiliate Selco Home) list totaled \$285,346, consisting of finished windows.

Taken together, over half of the total inventory falls into the Windows & Patio Doors category, with 45% of the category being windows and doors manufactured and warranted by Viceroy.

In a liquidation, products are sold “as is, where is”, with no warranties or representation by the liquidator as to the quality or suitability of the product for use by the purchaser. In the event of a liquidation, buyers are aware that they would be assuming the risk for defects and imperfections, and make their purchasing decisions accordingly.

As a channel, window distributors are very reluctant to make bulk purchases of windows due to long-term warranty concerns and the cost of product quality verifications, as well as impairing their relationship with their current suppliers for a one-time bulk purchase opportunity.

Large scale residential home builders are a potential liquidation channel as warranty issues are of lesser concern. The industry has moved to fresh incorporations for every large residential construction project, winding up the company once the development is sold to avoid long-term warranty concerns. However, Viceroy’s window specifications vary by project, so the quantities currently available limits their appeal to large residential home builder.

Smaller home building competitors are less affected by quantity concerns, however, this channel buys at deep discounts as they purchase extra stock at little or no cost in order to be able to deal with damages during the installation process.

The most likely purchaser of the PCS inventory would be the Viceroy home buyers who have already put down a deposit and wish to have their dream home completed. Their deposits are typically used to prepare architectural drawings, develop BOM/bill of material, and therefore represent a sunk cost to the home buyers.

Century has projected a higher recovery for the PCS inventory associated with projects with short-term deliveries, on the basis that not all buyers would be willing to walk away from their deposits. Century recommends that, going forward, the Lender review the status of these projects and delivery dates and margin accordingly.

3.1. MIS SYSTEM

Viceroy Homes utilizes a Baan Version Baan4c4 EDP system from Disus. Originally installed in 1999, the system has been upgraded in 2007. The system is fully integrated with the company G/L and is EDI-enabled. Data entry is done using barcodes.

Inventory is counted quarterly, with unscheduled spot checks. A full count of was undertaken on January 14, 2014. Inventory is carried on a FIFO basis. Adjustments are made annually. Slow-moving inventory is identified as items older than 1 year. Obsolete is defined as items over 2 years old. Reserve for slow and obsolete inventory currently being carried on financial statements is \$210,507. All financial information in this report is shown in CAD. The company year-end is December 31st.

Note that the company provided combined financial information for January and February. For graphing purposes, Century prorated the sales and inventory data. January inventory was set as the average of December and February balances, while the February sales number was prorated 25%/75% between January and February.

3.2. REPORTING REQUIREMENTS AND RECOMMENDATIONS

Viceroy Homes provided Century with inventory reports in electronic format. These reports were used to develop the projected GOLV recoveries, and should be included as supporting documents for any margining report made by Viceroy Homes to the Lender.

4. SEASONALITY AND RECOVERY

Century would project that recoveries would vary for Viceroy Homes's inventory during peak vs. non-peak selling months. These peak vs. non-peak months can be seen in **Exhibit A-3: Liquidation Expense Sensitivity Analysis – Projected Recovery Ranges**.

Exhibit A-3 applies the **current** appraised GOLV recoveries against the **prior year's** actual monthly inventory levels, sales levels and category mix, and includes four analysis tools:

Graph: Sales to Inventory: shows sales and inventory levels by month for the past 12 months.
Graph: NOLV%: shows how NOLV varies by month, using the prior 12 months sales level and inventory balances.

Table: Range: Projected NOLV%'s: highlights the 2 months with the highest and the lowest NOLV, and the potential range of NOLV over the prior year.

Table: Range: Actual (\$): shows the maximum, minimum and average sales and inventory for the 12 month period.

Note: **Exhibit A-3** is intended only as a simple illustration of the potential variability in NOLV due to changes in sales, inventory levels and mix. No adjustment has been made for any other changes, such as in operating costs, in the cost of inventory due to new sources of supply, or changes in selling prices due to the entry or exit of competitors into the marketplace.

5. OBJECTIVES AND SCOPE OF THE ENGAGEMENT

Century's principle objectives were to:

1. Provide Viceroy Homes with highly reliable net recovery valuations. Century reviewed and addressed changes in inventory that affect the inventory valuation, more specifically:
 - Change in inventory turnover and days sales in inventory
 - Change in gross margin
 - Change in the mix of the inventory by category
 - Material buildup of unproductive inventory
2. Develop informative and insightful analysis that may be used by Viceroy Homes in assessing the Company's advance rates.
3. Compare and contrast the findings with Century's industry knowledge and comparable case studies.

5.1. SCOPE OF THE ENGAGEMENT

The scope of Century's collateral review was comprised of qualitative and quantitative analyses inclusive of the following:

5.2. QUALITATIVE ANALYSES

- Visited Viceroy Homes's locations on November 27, 2014 and December 5, 2014 to inspect and analyze the current inventory layout and SKU composition with respect to breadth and depth of stock.
- Held discussions with William R. Simpson, CFO, Ryan Sequire, Supply Chain Manager, Jerrad Zdebiak, Factory Controller, ON, Pervinder Kajla, Production Manager, BC, and Peter Versteeg, Maintenance Manager, BC, concerning financial and operational results, inventory management & systems, and competitive strategies.
- Analyzed the Company's sales trends in conjunction with trends in the industry.
- Reviewed Viceroy Homes's direct competition and the effect on the net liquidation value of the company's inventory.
- Considered the current prices alternate users would pay for similar inventory, on an "as is, where is" basis.

5.3. QUANTITATIVE ANALYSES

Century has provided Viceroy Homes with a series of Charts and Tables in the attached Exhibits as a basis for comparison of historical/year-over-year monthly positions for Viceroy Homes Sales, Gross Margins, Inventory Balances and Inventory turns. Each exhibit highlights an area of company performance that Century considers as fundamental to projecting the timing and potential outcome of a liquidation.

- A. **Inventory Dashboard.** Exhibit A-2.1 summarizes company performance trends and identifies the trend impact on recoveries.

The Dashboard data is drawn from the following Exhibits:

- B. **Sales Trend Analysis.** Exhibits B-1 and B-2 establish baseline sales performance and sales trend history by season.
- C. **Gross Margin Analysis.** Exhibit C-1 sets out margins maintained over the prior two years.
- D. **Inventory History and Month % to Average Cost.** Exhibits D-1 to D-4 track variations in inventory levels for the prior 24 months, by month and against the annual average balance, exposing potential inventory buildup.
- E. **Inventory Turnover & Days Sales in Inventory.** Exhibits E-1 to E-4 chart historical performance trends with respect to inventory turnover.

6. LIQUIDATION SCENARIO AND EXIT STRATEGY

The inventory would be liquidated under the sales conditions outlined below. Century has projected a six (6) week selling period.

Prior to the start of the liquidation, it is essential for the liquidator to be given access and/or control as soon as possible of all data and systems regarding the inventory, customer lists, accounts receivable, and other key information. In addition, the Company's website should also be secured and must remain operational throughout the liquidation period to retain current online customers, and as an advertising channel to attract potential new buyers to the liquidation sale.

Century's services would include marketing and inventory strategies, pricing and inventory management, and on-site supervision. Existing warehouse, sales, MIS and other administrative staff would be retained on a performance basis only, with non-essential personnel eliminated during the initial weeks. Outside personnel could be brought in to aid in warehousing operations; however existing staff would be preferred, to ensure fill-rate accuracy and limit potential product shrinkage.

Market performance and ongoing operating expenses would be monitored, with product line volume and single-unit pricing set to maximize recoveries. Inventory would not be returned to manufacturers or distributors, based on the assumption of higher cash recoveries as against potential accounts payable offsets.

It will be critical to maintain MIS performance and outbound/inbound communications for the entire duration of the liquidation to ensure timely stock reporting and order fulfillment.

This report provides the estimated orderly liquidation value expenses in the event of a liquidation and does not represent a proposal for disposition by Century. Century reserves the right to independently verify the accuracy of the MIS reporting and operating expenses, and to propose alternative liquidation strategies. The expenses do not include environmental remediation costs, lender expenses, legal fees, and other professional fees which can be incurred in the liquidation process, but are outside the control of the liquidator.

Appraisal and Liquidation Experience

Century has appraised companies within Viceroy Homes' industry, including direct competitors, as well as analyzed bids and liquidations conducted for related companies. This affords Century an understanding as to the nature of the Company's products and the market. Century's appraisal and liquidation experience has provided insight as to

the nature of the Company's products, the industry in which it operates, and an understanding of the consumer response that could be expected during a liquidation.

6.1. LIQUIDATION ASSUMPTIONS

Certain assumptions were utilized and are implicit in Century's net recovery projections. Included in these assumptions are overhead wind-down costs, which include labour, occupancy, advertising, website and related IT infrastructure, and storage clearing expenses. While these assumptions are conservative, they are subject to certain economic, competitive and operational risks beyond the control of either the Company or Century and may lessen the recovery value of the assets significantly.

The Inventory would be liquidated under an orderly liquidation sale. The sale term would be approximately 6 week. All non-essential expenses would be eliminated as soon as possible.

- **Windows & Patio Doors - PCS** Inventory would be approximately \$939,255 at cost
- **Windows & Patio Doors** Inventory would be approximately \$638,899 at cost
- **Marketing** Inventory would be approximately \$19,896 at cost
- **Lumber & Sheathing** Inventory would be approximately \$347,187 at cost
- **Hardware & Distribution** Inventory would be approximately \$392,818 at cost
- **Carpentry** Inventory would be approximately \$496,318 at cost

A lower inventory level would result in higher operating expenses as a percentage and reduce the net recovery.

- All essential distribution and head office operating expenses have been considered and deducted from gross recoveries to reach the projected net recoveries. Operating expenses are based on information provided by company management, and include payroll (including costs to retain key employees), advertising and promotion, website and related IT infrastructure, transportation, sales supervision (to control inventory losses and shrinkage), occupancy costs and taxes, and liquidation management fees. Please note that our estimate of the liquidation costs is only an estimate of probable sale expenses and does not constitute a proposal for a sale.
- The liquidation agent would be given uninterrupted access to the production and distribution facilities and head office, without interference from creditors or landlords. Furthermore, the agent would be able to vacate the distribution facilities and head office incurring no further occupancy costs. Century reserves the right to abandon any unsold assets. Century's projected recoveries are conditional on being given uninterrupted access to the distribution facilities without interference from creditors or landlords and that the Lender would obtain a waiver enabling Century to conduct a sale. It is a condition of the projected recovery values that the inventory would be sold from the existing premises, using the current assets (racking, forklifts, MIS, POS, etc.) now in use for inventory handling and management.
- All liquidation sales would be final and without representation or warranty, and would not be subject to the Company's current product return policy.
- Century has assumed that there would be no environmental clean-up costs, including but not limited to site remediation or garbage removal, that there would be no liability for the inventory, eligible or otherwise, and that no restrictions, liens, or other legal remedies that otherwise could delay or impede the liquidation would be applied against the inventory.
- The net recovery value in this report applies to the total company en bloc, and therefore, the net liquidation value would be different for a partial liquidation of the company assets.

- Century’s projected net recovery values are dependent upon a number of key factors. Should there be material shifts in the inventory mix or locations, or a shutdown of the business prior to the proper implementation of the exit strategy as outlined in this report; the projected net recovery values would be significantly affected.
- The values reflect the product mix as of **November 30, 2014** and locations as of **November 27, and December 5th, 2014**. Values were projected on the basis that the inventory composition, mix, condition, and age were, in all material respects, consistent with the inventory portrayed in the information the Company supplied, as summarized in this report, and that inventory viewed was considered representative of that in other locations where Century did not visit. Material shifts in the inventory mix or locations may affect the gross and net realization.
- The values reflect the assumption that there are no repurchase or buyback agreements in place governing any or all of the company inventory. Under valid and enforceable agreements, the inventory could potentially have a significantly enhanced value.
- If a strategic buyer were to acquire the company and continue the company as a going concern, the inventory could potentially have a significantly enhanced value.
- The Wage Earner Protection Program Act (“WEPPA”) and amendments to the Bankruptcy and Insolvency Act (“BIA”) gives superior-priority right to employees to claim wages and pension contributions that will take priority over existing secured creditors in the event of bankruptcy or receivership (court and privately appointed). Century is not a legal authority and has made no provisions for the WEPP in the presented analysis.

7. KEY MONITORING POINTS AND APPRAISAL FREQUENCY

A company’s financial condition and asset mix are key factors in any net recovery. Significant deterioration in performance is generally associated with a declination in inventory value as the best quality, fast moving stock is sold at discount, cost or lower, and not replaced. This is also generally associated with temporary increases in sales and gross margins.

Left unchecked, this discounting activity pollutes the market, reduces the overall attractiveness of the inventory to any potential acquiring company, and the inventory’s appeal at liquidation.

Given the nature of the market and the goods, the inventory should be fully appraised semi-annually or as required in order to support prudent lending margins and rates of advance. It would be fiscally responsible to have the inventory fully re-appraised if at any time company reporting to the lender indicates a significant change in business performance, including but not limited to:

- continual reduction in sales, cashflow, gross margins, profit, first quality inventory
- a buildup of inventory with a reduction in overall inventory turns, turns in major SKU’s, etc. including increasing levels of slow-moving and/or obsolete stock
- sharp increase or one-time spike in overall sales and gross margins
- change in the business model/business operations, or change in inventory locations

8. USPAP AND APPRAISAL METHODOLOGY

This appraisal has been developed and is being submitted in conformance with the Uniform Standards of Professional Appraisal Practice (USPAP), as promulgated by the Appraisal Standards Board of the Appraisal

Foundation. Unless otherwise indicated, this appraisal is a complete appraisal submitted in a summary report format as defined by USPAP.

Three basic valuation methods can be used to derive an indication of the value of the assets – cost approach, sales comparison approach, and income capitalization approach. Each is defined below.

Cost Approach

“A set of procedures in which an appraiser derives a value indication by estimating the current cost to reproduce or replace the personal property, deducting for all accrued depreciation.”

Sales Comparison Approach

“A set of procedures in which an appraiser derives a value indication by comparing the personal property being appraised to similar assets that have been sold recently, applying appropriate units of comparison, and making adjustments based on the elements of comparison to the sale prices of the comparable.”

Income Capitalization Approach

“A set of procedures in which an appraiser derives a value indication for income-producing personal property by converting anticipated benefits into value. This conversion is accomplished either by: (1) capitalizing a single year’s income expectancy or an annual average of several years’ income expectancies at a market derived capitalization rate or capitalization rate that reflects a specified income pattern, return on investment, and change in value of the investment; or (2) discounting the annual cash flows for the holding period and the reversion at a specified yield rate.”

Century’s analysis included a consideration of all three approaches to value. The approaches were then utilized, and the resulting value conclusions were reconciled. Based upon our analysis, the Sales Comparison Approach and Cost Approach were deemed appropriate for this valuation.

9. LIMITATIONS AND CERTIFICATION

Century was provided with certain financial and supplemental information. Century relied upon Viceroy Homes’s representation and has assumed without independent verification that all such information was reasonably prepared and is accurate and complete in all material respects.

The information gathered for this report whether through documented, hearsay, or other means is believed to be both reliable and correct, however Century Services Inc. shall not be held liable whatsoever for any errors and/or omissions. No investigation of legal title to the assets has been made and the Owner’s claim to the assets has been assumed to be valid. In addition, no investigation has been made to determine if there are any liens and encumbrances registered against any of the assets in our appraisal.

The appraised value herein, calculated on a piece by piece basis, does not contemplate an en bloc specific use buyer of the entire inventory, from whom a higher value may be obtained. Projected liquidation values are based on market conditions and demand as at the effective date of the appraisal, and are subject to the ready availability of financial institution lines of credit, sufficient to support of the purchase of the appraised assets.

Century further reserves the right to revise the values set out in this appraisal in the event of the occurrence of an event of force majeure which shall include, but not be limited to, acts of God, riots, civil disturbances, strikes, lockouts, acts of war, terrorism, insurrection and the like.

The company to whom this appraisal is addressed, shall not use it for any other purpose than that specified. This appraisal should not be relied upon by any person or corporation other than the client without first obtaining

written authorization from Century Services Inc. There may be qualifications, assumptions or limiting conditions in addition to those set out in the appraisal which may be relevant to the client for their intended use. This report is prepared on the assumption that no other person will rely on it for any other purpose and that all liability to such persons is denied.

Neither the appraiser nor any Century Services officer has any financial interest in the appraised assets. The fee for this appraisal is not contingent upon the values reported. This fee does not cover further expenses relating to attendance at hearings, judicial or otherwise, although such attendance may always be available at our standard rates.

Century has performed no services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.

The liability of Century to the Client in relation to this Appraisal, regardless of the basis of liability or form of action, shall in no event exceed the total fees paid by the Client to Century for this Appraisal. In no event shall Century be liable for lost profits, or any indirect, special, incidental, consequential or punitive damages, however caused, whether for breach of contract, negligence or otherwise, and whether or not Century has been advised of the possibility of such damages. These limitations will apply notwithstanding any failure of the essential purpose of any limited remedy.

This appraisal was performed in accordance with the guidelines established by the Uniform Standards of Professional Appraisal Practices.

Sincerely,



Tom Haw, BA, MBA, CPPA
Century Services Inc.



Eric Was, AM, CPPA
Century Services Inc.



Jamie Dunbar, CPPA
Century Services Inc.

9.1. CERTIFICATION OF VALUE

It is hereby certified that:

- The statements of fact contained in this report are true and correct.
- The analyses, opinions, and conclusions set forth in this report are limited only by the assumptions and limiting conditions (imposed by the terms of the assignment or by the undersigned) set forth by this report, and are our personal, unbiased, professional analyses, opinions, and conclusions.
- This appraisal report has been made in conformity with and is subject to the requirements of the Code of Professional Ethics and Standards of Professional Practice of The Appraisal Institute, the Uniform Standards of Professional Appraisal Practice (“USPAP”) adopted by the Appraisal Standards Board of the Appraisal Foundation, and the Principles of Appraisal Practice and Code of Ethics of the American Society of Appraisers and/or The Association of the Machinery and Equipment Appraisers.
- The use of this report is subject to the requirements of the American Society of Appraisers relating to review by its duly authorized representatives. Disclosure of the contents of the appraisal report is governed by the Bylaws and Administrative Rules of the American Society of Appraisers.
- Century Services Inc. has no present or contemplated future interest in the property nor any personal interest or bias in the subject matter or the parties involved.
- The engagement of Century Services Inc. in this assignment was not contingent upon developing or reporting predetermined results.
- Neither the appraisal assignment nor the amount of the fee is contingent upon developing or reporting a predetermined value, requested minimum value, a direction in the value that favors the cause of the client, a specific valuation, the approval of a loan, the amount of the value estimates or attainment of a stipulated result, nor is our compensation contingent upon an action or event resulting from the analyses, opinions, or conclusions in, or the use of, this report, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- The appraiser(s) disclaim knowledge as to the appraised asset(s) operability, historical performance, and/or the existence of any hidden, latent, or undisclosed defects.
- Any statement(s) of condition are the result of visual inspection only and should not be construed as an opinion of operability or utility.
- No person or persons other than those acknowledged below prepared the analysis, conclusions, and opinions, or provided significant professional assistance.
- The undersigned, unless denoted by an (*), has made an inspection of the personal property that is the subject of this report.
- Should you have any questions regarding the foregoing value estimates or require any further information, please contact the undersigned.

Respectfully submitted,

Century Services Inc.



Tom Haw, BA MBA CPPA



Eric Was, AMI, CPPA (*)



Jamie Dunbar, CPPA (*)



Thomas (Tom) M. Haw, BA, MBA, CPPA
Regional Manager, Inventory Valuations

6 Director Court, Suite 200

Vaughan, Ontario, Canada L4L 3Z5

c: (416) 729-1263 o: (416) 862-8100 x2488 f: (416) 862-8121

thaw@centuryservices.com | www.centuryservices.com

EDUCATION

Master of Business Administration York University
BA, Psychology and Statistical Analysis University of Guelph

EXPERIENCE

2001- Present

Century Services Inc.

Regional Manager, Inventory Valuations

- An industrial and commercial appraisal firm providing valuations of inventory, machinery & equipment, A/R; asset-based advisory services to lenders.
- Head of the inventory appraisal group. Offices across Canada and in the US.

1996 - 2001

TCE Capital Corporation

Business Manager

- An asset-based lender offering factoring of A/R, operating loans against inventory, and term loans on machinery & equipment and real estate.
- Deal origination. Hands-on management of troubled businesses, as required.

1993 - 1996

Canadian Tire Corporation Canada

Regional Business Manager, Petroleum Division

- Turnaround management of under-performing retail operations.

1990 -1993

Petro-Canada Inc. / formerly Gulf Canada Limited

Retail Sales Manager, GTA

- Retail distribution, inventory management and price control of fuels, automotive parts and services, and consumer goods.
- Three channels: Company Store, Franchisee, Independent/Owner-Operated.

1986 - 1990

Manager, Forecasting and Planning

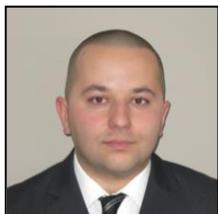
- Developed mainframe & desktop-based MIS applications for
 - Inventory modeling and optimization, regional and national levels
 - Fixed Asset and Rolling Stock relational databases
 - Statistical forecasting: Industrial and Commercial Bid Tendering Processes

Professional Affiliations:

Certified Appraiser, Canadian Personal Property Appraisers Group

Professional Education:

Canadian Personal Property Appraisers Group course
Uniform Standards of Professional Appraisal Practice (USPAP) course
Commercial Finance Association – Inventory Valuation Workshop



Eric Was, AM, CPPA

Appraisal Manager

6 Director Court, Suite 200

Vaughan, Ontario, Canada L4L 3Z5

c: (416) 317-3860 o: (416) 862-8100 x 2230 f: (416) 862-8121

ewas@centuryservices.com | www.centuryservices.com

EDUCATION

Business Management Diploma

Humber College - Institute of Technology and Advanced Learning

Professional Affiliations:

Accredited Member, **The American Society of Appraisers**

Certified Appraiser, **Canadian Personal Property Appraisers Group**

EXPERIENCE

2009- Present

Century Services Inc.

Appraisal Manager

- Conduct asset appraisals, including Inventory and M&E assets
- Management of client and appraisal database
- Management of Social Media presence
- Ongoing online and first-person research on industrial sectors, current market and liquidation values, as well as economic trends and forecasting

2002 – 2009

Parmalat Canada - Etobicoke, Ontario

2008 - 2009

Inventory & Losses Analyst

- Inventory management, reporting to plant manager.
- Reconciliation of monthly inventory and production, statistical analysis.

2008 - 2009

Supply Chain Analyst

- Weekly forecast analysis; identify deviation in demand & report for validation
- Demand planning

2002 - 2008

Parmalat Canada - Intern

- Inventory reporting, tracking and purchase order records maintenance
- Maintaining administrative control of purchase ordering processes

Professional Education:

The American Society of Appraisers:

- Introduction to Machinery & Equipment Valuation (ME201)
- Machinery & Equipment Valuation Methodology (ME202)
- Advanced Topics and Case Studies (ME203)
- Advanced Topics and Report Writing (ME204)

Commercial Finance Association

- Inventory Valuation Workshop
- Field Examiner Course

Uniform Standards of Professional Appraisal Practice (USPAP) course

Canadian Personal Property Appraisers Group course



Jamie Dunbar, CPPA

Vice President Liquidations

6 Director Court, Suite 200

Vaughan, Ontario, Canada L4L 3Z5

c: (416) 801-0101 o: (416) 862-8100 x 2290 f: (416) 862-8121

jdunbar@centuryservices.com | www.centuryservices.com

EXPERIENCE

2011- Present

Century Services Inc.

Vice President Liquidations

An industrial and commercial appraisal firm providing valuations of inventory, machinery & equipment, A/R; asset-based advisory services to lenders.

- Specializing in Liquidations, Receivership & Bankruptcy Sales.
- Advisory services to financial professionals: bankers, lawyers, accountants, trustees and receivers.
- Direct insight on all inventory appraisal reports.

1997 – 2011

Century Services Inc. 1997 – 2006, 2011 to present

Asset Appraisal Corporation 2006 - 2011

General Manager for national liquidations.

- Projects ranging from single warehouse sites to retail chains with over 500 locations.
- Responsible for all aspects of liquidation process, from origination through completion.
- Direct control over bidding & negotiation, sales and cost recovery.

1989 – 1997

PWF Corporation

An industrial and commercial appraisal and auction firm providing appraisal and auction services throughout Canada.

- Head appraiser and liquidator. Auctioneer.

1984 – 1988

Patio Warehouse Furniture

A major Canadian importer, distributor and retailer of outdoor furniture.

- Operations Manager – 9 retail locations in Ontario
- Purchasing Manager – sourcing inventory throughout Europe and North America

1980 - 1983

Probilt Insulation

Sales Manager, Commercial and Residential installations

Education

Northwestern Secondary School - Honors

Professional Education:

Reisch World Wide College of Auctioneers

Auctioneer Certificate

Uniform Standards of Professional Appraisal Practice (USPAP) Course

Canadian Personal Property Appraisers Group

Certified appraiser

TERMINOLOGY AND DEFINITIONS

- **Assets:** Assets are things of value, such as employees, equipment, inventory, trademarks or intellectual property.
- **Average Discount:** The difference between gross sales and net sales, as a percentage of gross sales. Also the average total markdowns expressed as a percentage of the original selling price. Calculated as $\text{Markdowns as a \% of Sales} / (1 \text{ plus } \text{Markdowns as a \% of Sales})$.
- **Back Order:** Back Order is an item or order that is presently not in stock, but is being re-ordered and will be available at a later time
- **Commodity Good:** A product that is sold at a variety of retail outlets whose only distinguishable feature at any given outlet is price and where the buying decision is solely price related.
- **Cost Factor:** Cost value of inventory as a percentage of retail value inventory. Calculated as $\text{cost inventory} / \text{retail inventory}$, or as the inverse of the initial mark-up.
- **Cost Inventory Value:** The inventory balance sheet value that reflects the acquisition and/or manufacturing cost before the addition of anticipated gross margin.
- **Damaged goods:** Merchandise that has been damaged
- **DC:** Distribution Centre.
- **Distribution Channels:** The selling channels supported by an enterprise. These may include retail sales, distribution partner (e.g., wholesale) sales, original equipment manufacturer (OEM) sales, Internet exchange or marketplace sales, and Internet auction or reverse auctions sales.
- **Distributor:** A wholesale middleman, especially in lines where selection or exclusive distribution is common at the wholesale level and the manufacturer expects strong promotional support. It is often a synonym for wholesaler. Also: supply house and wholesale merchant.
- **Electronic Commerce / E-Commerce:** Buying and selling through the Internet. It can also describe electronic-based business transactions (e.g., the transmission of purchase orders or other documents between business partners, procurement, order entry, transaction processing, payment, inventory and fulfillment), and includes technologies like EDI.
- **EDI (Electronic Data Interchange):** An electronic merchandising system which connects vendors, stores, and warehouse personnel. It allows for constant monitoring of inventory levels and their replenishment.
- **Finished Goods Inventory (FGI):** Products completely manufactured, packaged, stored and ready for distribution.
- **GOB:** Acronym for Going Out of Business, which is the strongest language that can be used for a store closing sale.
- **Gross Margin:** Gross Margin is the profit before deducting operating expenses.
- **Gross Recovery:** Gross dollar volume of sales generated in a liquidation sale defined as the retail sellers price less the average discount given to attract consumers to purchase inventory. It is usually expressed as a percentage of beginning retail inventory.
- **Industrial Distributor:** A wholesaler who sells primarily to business or institutional customers who purchase items for business use rather than for resale.
- **Inventory Composition:** The percentage merchandise category make-up of total inventory (also referred to as inventory mix).

- **Inventory Categories:** Logical breakdown of inventory into classifications based on common characteristics.
- **Inventory Shortage/Overages:** Variance between perpetual inventory and the physically counted inventory. It also sometimes refers to the variance between actual shrink and reserve shrink.
- **Inventory Shrink:** Reduction in physical inventory caused primarily by shoplifting and employee theft
- **Inventory Turnover:** Number of times per year on average that inventory is turned over or sold. It is calculated as Retail Sales/Average Inventory for a given period. Note: In some cases (particularly where seasonality is a factor) an average inventory may not be appropriate.
- **Landed Cost:** Cost of merchandise inventory including duty and freight.
- **Life Cycle:** the phases of a product or system: need determination, system planning, research, design, production or construction, system evaluation, use and support, and phase out, disposal, or reuse.
- **Merchandise Categories:** Groups of merchandise that comprise total inventory which share a common feature or characteristic and are combined for consistency, evaluation, and management purpose.
- **Net Gross Margin Percentage (Achieved or Maintained):** Gross margin after deduction of POS markdowns, hard markdowns, and shrink. This number appears as the gross margin on financial reports. Also referred to as achieved or maintained gross margin.
- **Net Recovery:** The revenue (gross recovery) generated from the liquidated inventory, less specific operating costs and fees associated with a liquidation sale. This is the amount of the guarantee (or check) that would be paid for an inventory.
- **Periodic Inventory:** Periodic inventory is a method of finding the value of merchandise at periodic intervals by taking a physical count of the stock.
- **Perpetual Inventory:** A method for tracking and knowing the value of inventory and quantity of merchandise on hand at any time by tracking sales, returns and receipts with information systems.
- **Physical Inventory:** Physical Inventory is physically counting the individual items in stock at a particular date and time.
- **POS:** Point of Sale.
- **Period Multiplier:** The amount by which normally anticipated period sales can be multiplied to obtain probable liquidation scenario sales volume. ie: if anticipated January liquidation sales are \$150K and regular store sales are \$100K, the period multiplier is 1.5.
- **Primary Recovery Factors:** The factors considered essential to consider when projected gross recovery values for a particular retail or wholesale inventory.
- **Recovery Point:** One percent of the applicable inventory balance.
- **Retail Inventory:** Inventory value stated at its initial selling price.
- **Damaged goods:** Merchandise that has been damaged in transit or storage or on the selling floor
- **Seasonal merchandise:** Products that are in demand at a certain time of the year, such as Christmas or Back-to-School.
- **Shrink:** Variance between inventories recorded in a perpetual system and physically counted inventory.
- **SKU / Stock Keeping Unit:** An identification number assigned to a unique item by the retailer. The SKU may be an internal number

to that retailer or may be tied to an item's UPC or EAN.

- **Soft Goods:** Primarily, apparel. Non-durable goods.
- **Special Order:** A custom or one-off order for a specific customer, usually of a product not carried in normal inventory.
- **Stock Replenishment Programs:** Programs which a company uses to restock inventory. Two examples are an auto-replenishment system and an Open to Buy system.
- **Store Operating Expenses:** All expenses directly attributable to store operations. Expenses allocated from corporate expenses are not included in this figure.
- **Trend in Sales:** Historical sales pattern over a defined time period.
- **Universal Vendor Marking (UVM):** The pre-marking of merchandise by manufacturers that can be read by people and machines.
- **Universal Product Code (UPC):** The Universal Product Code is a standard for encoding a set of lines and spaces that can be scanned and interpreted into numbers to identify a product.
- **Vendor:** A Vendor is a person or company providing merchandise or services to a retail store, also known as a supplier
- **Warehouse Management System (WMS):** A software application that manages the operations of a warehouse or distribution center. Application functionality includes receiving, putaway, inventory management, cycle counting, task interleaving, wave planning, order allocation, order picking, replenishment, packing, shipping, labor management and automated material-handling equipment interfaces. The use of radio frequency technology in conjunction

with bar codes provides the foundation of a WMS, delivering accurate information in real time.

- **Warranty:** A warranty is a written guarantee of a manufacturer's or retailer's responsibility. A limited warranty is a statement of under what conditions and for how long a manufacturer guarantees that an item will work or repair/replace if there is a problem.
- **Work-in-Process:** Parts and subassemblies in the process of becoming completed Finished goods.

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Viceroy Homes Limited

ILLUSTRATION OF NET RECOVERY ANALYSIS

ELIGIBLE INVENTORY

(CDN\$ in 000's)

Net Recovery Analysis		Inventory Value (\$)	% of Wholesale Price	% of Inventory @Cost	% of Gross Recovery
Inventory Available for "Sale" at Cost					
	Windows & Patio Doors - PCS	\$ 939.3			
	Windows & Patio Doors	\$ 638.9			
	Marketing	\$ 19.9			
	Lumber & Sheathing	\$ 347.2			
	Hardware & Distribution	\$ 392.8			
	Carpentry	\$ 496.3			
	Total	\$ 2,834.4			
Inventory at Wholesale Selling Price					
	Windows & Patio Doors - PCS	\$ 939.3			
	Windows & Patio Doors	\$ 638.9			
	Marketing	\$ 19.9			
	Lumber & Sheathing	\$ 347.2			
	Hardware & Distribution	\$ 392.8			
	Carpentry	\$ 496.3			
	Total	\$ 2,834.4			
GROSS RECOVERY					
	Windows & Patio Doors - PCS	\$ 146.7	15.62%	15.62%	
	Windows & Patio Doors	\$ 59.4	9.30%	9.30%	
	Marketing	\$ -	0.00%	0.00%	
	Lumber & Sheathing	\$ 39.7	11.44%	11.44%	
	Hardware & Distribution	\$ 18.4	4.68%	4.68%	
	Carpentry	\$ 23.6	4.76%	4.76%	
	Total	\$ 287.9	10.16%	10.16%	
Liquidation Expenses					
Liquidation Period: 6 Weeks					
	Payroll - Labour	\$ 25.9	0.91%	0.91%	9.00%
	Advertising & Promotion	\$ 6.0	0.21%	0.21%	2.08%
	Credit Card Charges	\$ 4.0	0.14%	0.14%	1.38%
	Miscellaneous	\$ 1.2	0.04%	0.04%	0.40%
	On-site Management	\$ 34.1	1.20%	1.20%	11.84%
	Liquidation Costs	\$ 71.1	2.51%	2.51%	24.70%
	Liquidation Occupancy Costs	\$ 56.3	1.99%	1.99%	19.57%
	Liquidation Fees	\$ 21.6	0.76%	0.76%	7.50%
	Total Liquidation Expenses	\$ 149.1	5.26%	5.26%	51.77%
	NET RECOVERY	\$ 138.8	4.90%	4.90%	48.23%

Net Recovery by Category

Category	Gross Recovery	Gross as % Cost	Net Recovery	Net as % Cost
Windows & Patio Doors - PCS	\$146.7	15.62%	\$70.7	7.53%
Windows & Patio Doors	\$59.4	9.30%	\$28.7	4.49%
Marketing	\$0.0	0.00%	\$0.0	0.00%
Lumber & Sheathing	\$39.7	11.44%	\$19.2	5.52%
Hardware & Distribution	\$18.4	4.68%	\$8.9	2.26%
Carpentry	\$23.6	4.76%	\$11.4	2.30%
Total	\$287.9	10.16%	\$138.8	4.90%

Viceroy Homes Limited

MAJOR INVENTORY CATEGORY DESCRIPTIONS
as at November 30, 2014

Category Name	Category Type	Value \$ 000s	Category Description
Windows & Patio Doors - PCS	Finished Goods	\$939	Finished windows and doors with a range of delivery dates.
Windows & Patio Doors	Finished Goods/Raw Materials	\$639	A mix of Finished windows and doors, along with raw materials (glass, trim).
Marketing	Raw Materials	\$20	Catalogues and other marking materials.
Lumber & Sheathing	Raw Materials	\$347	Bulk lifts of lumber and sheathing, along with individual items located throughout the plants.
Hardware & Distribution	Raw Materials	\$393	Hardware, fasteners, in bulk and open containers throughout the plants.
Carpentry	Raw Materials	\$496	Doors, trim, cabinet hardware, siding, paint and paint supplies.
TOTAL THIS REPORT		\$2,834	

Viceroy Homes Limited

INVENTORY DASHBOARD: PERFORMANCE TRENDS | IMPACT ON RECOVERY

TREND PERIODS: | YEAR-OVER YEAR | LAST QUARTER |

PERFORMANCE MEASUREMENT	SOURCE	TRENDS: 24 months trailing from September, 2014					IMPACT	
		Year over Year (Rolling 12 months)		Quarter (vs prior period)		Year vs. Quarter	Impact on Recovery	
		Rate	Trend	Rate	Trend	Trend	Prior Appraisal	Current Appraisal
SALES TREND ANALYSIS	Exhibit Viceroy Homes B-1	-22.9%	Declining	-45.8%	Declining	Declining		Negative
GROSS MARGIN ANALYSIS (% PTS)	Exhibit Viceroy Homes C-1	-8.36	Declining	-11.39	Declining	Improving		Negative
INVENTORY HISTORY AND MONTH % TO AVERAGE COST - TOTAL INVENTORY	Exhibit Viceroy Homes D-1	-19.7%	Lower	-41.9%	Lower	Declining		Neutral
INVENTORY HISTORY AND MONTH % TO AVERAGE COST - FINISHED GOODS	Exhibit Viceroy Homes D-2	-0.8%	Continuing	-72.5%	Lower	Declining		Negative
INVENTORY HISTORY AND MONTH % TO AVERAGE COST - RAW MATERIAL	Exhibit Viceroy Homes D-3	-26.1%	Lower	-29.7%	Lower	Declining		Negative
INVENTORY HISTORY AND MONTH % TO AVERAGE COST - WIP	Exhibit Viceroy Homes D-4	-43.8%	Lower	-40.4%	Lower	Accelerating		Neutral
INVENTORY TURNOVER & DAYS SALES IN INVENTORY - TOTAL INVENTORY	Exhibit Viceroy Homes E-1	7.5	Improving	8.9	Improving	Improving		Neutral
INVENTORY TURNOVER & DAYS SALES IN INVENTORY - FINISHED GOODS	Exhibit Viceroy Homes E-2	36.2	Declining	71.0	Improving	Improving		Neutral
INVENTORY TURNOVER & DAYS SALES IN INVENTORY - RAW MATERIAL	Exhibit Viceroy Homes E-3	17.7	Improving	17.4	Declining	Declining		Neutral
INVENTORY TURNOVER & DAYS SALES IN INVENTORY - WIP	Exhibit Viceroy Homes E-4	141.5	Improving	149.9	Declining	Improving		Neutral

Purpose of Exhibit: Summary of 12 months vs. 3 months Trends
Source: Viceroy Homes Limited Management prepared spreadsheet

Viceroy Homes Limited

INVENTORY DASHBOARD: PERFORMANCE TREND DATA

YEAR OVER YEAR. 24 months trailing from September, 2014						
PERFORMANCE MEASUREMENT	SOURCE	Prior Year	Rolling 12 Months	Difference	Rate	Trend
MONTHLY SALES AVERAGE MONTH	Exhibit Viceroy Homes B-1	\$3,761,023	\$2,898,069	-\$862,954	(22.94%)	Declining
GROSS MARGINS	Exhibit Viceroy Homes C-1	24.02%	15.66%	-8.36	(34.82%)	Declining
TOTAL INVENTORY AVERAGE MONTH	Exhibit Viceroy Homes D-1	\$4,864,765	\$3,908,744	-\$956,020	(19.65%)	Lower
FINISHED GOODS AVERAGE MONTH	Exhibit Viceroy Homes D-2	\$811,557	\$805,298	-\$6,258	(0.77%)	Lower
RAW MATERIALS AVERAGE MONTH	Exhibit Viceroy Homes D-3	\$2,649,203	\$1,958,518	-\$690,684	(26.07%)	Lower
WIP AVERAGE MONTH	Exhibit Viceroy Homes E-4	\$434,818	\$244,438	-\$190,379	(43.78%)	Lower
TOTAL INVENTORY AVERAGE TURNS	Exhibit Viceroy Homes E-1	7.01	7.46	0.45	6.42%	Improving
FINISHED GOODS AVERAGE TURNS	Exhibit Viceroy Homes E-2	42.02	36.22	-5.80	(13.80%)	Declining
RAW MATERIALS AVERAGE TURNS	Exhibit Viceroy Homes E-3	16.94	17.66	0.72	4.25%	Improving
WIP AVERAGE TURNS	Exhibit Viceroy Homes E-4	103.23	141.5	38.27	37.07%	Improving

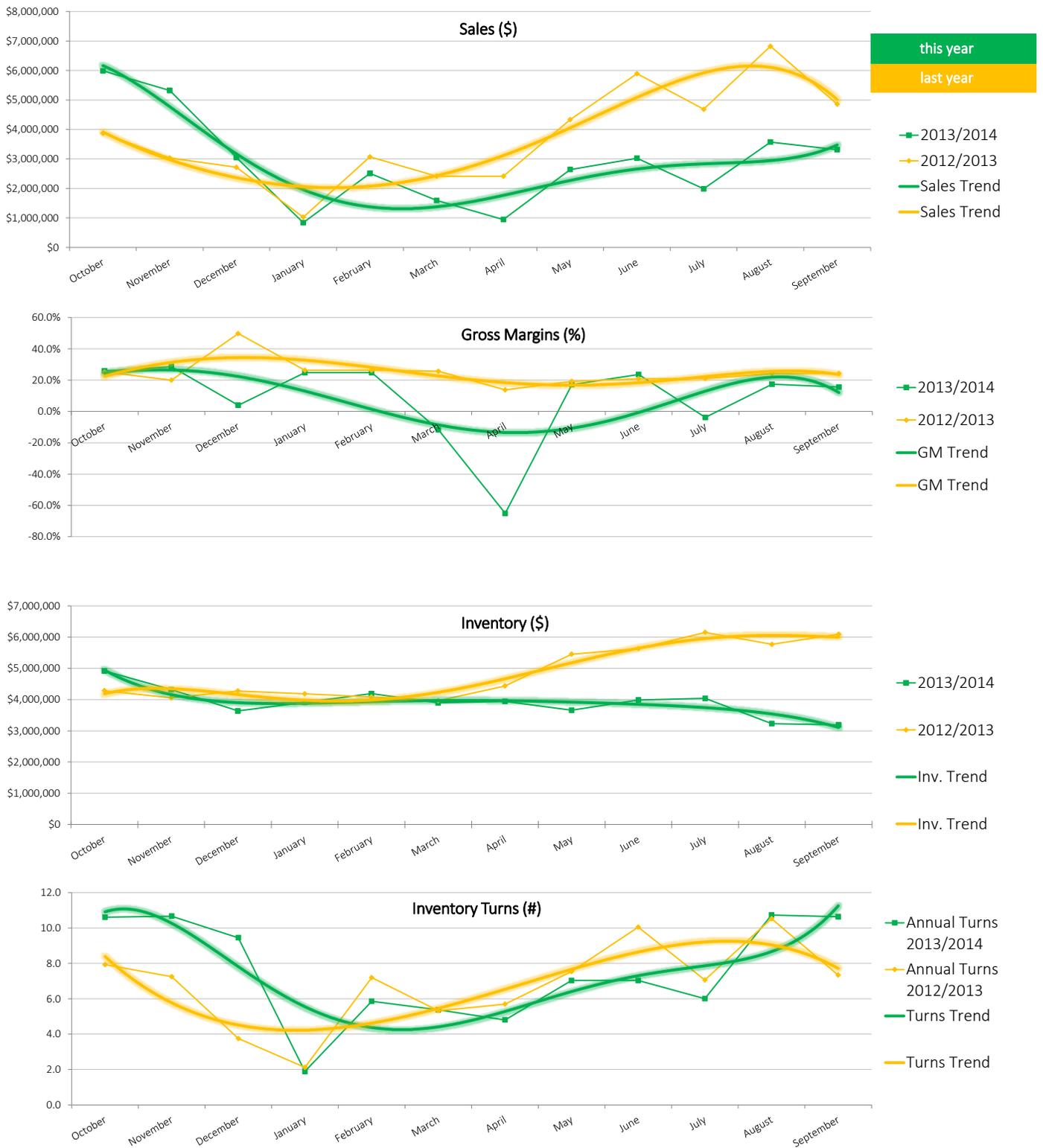
QUARTER VS. QUARTER 24 months trailing from September, 2014						
PERFORMANCE MEASUREMENT	SOURCE	Quarter Prior Period	Last 3 Months	Difference	Rate	Trend
MONTHLY SALES AVERAGE MONTH	Exhibit Viceroy Homes B-1	\$5,455,772	\$2,957,069	-\$2,498,703	(45.80%)	Declining
GROSS MARGINS	Exhibit Viceroy Homes C-1	23.32%	11.93%	-11.39	(48.85%)	Declining
TOTAL INVENTORY AVERAGE MONTH	Exhibit Viceroy Homes D-1	\$6,003,078	\$3,485,185	-\$2,517,893	(41.94%)	Lower
FINISHED GOODS AVERAGE MONTH	Exhibit Viceroy Homes D-2	\$1,590,780	\$437,816	-\$1,152,963	(72.48%)	Lower
RAW MATERIALS AVERAGE MONTH	Exhibit Viceroy Homes D-3	\$2,881,943	\$2,024,632	-\$857,311	(29.75%)	Lower
WIP AVERAGE MONTH	Exhibit Viceroy Homes E-4	\$394,837	\$235,493	-\$159,344	(40.36%)	Lower
TOTAL INVENTORY AVERAGE TURNS	Exhibit Viceroy Homes E-1	8.32	8.92	0.60	7.21%	Improving
FINISHED GOODS AVERAGE TURNS	Exhibit Viceroy Homes E-2	31.39	70.99	39.60	126.15%	Improving
RAW MATERIALS AVERAGE TURNS	Exhibit Viceroy Homes E-3	22.59	17.43	-5.16	(22.84%)	Declining
WIP AVERAGE TURNS	Exhibit Viceroy Homes E-4	164.91	149.86	-15.05	(9.13%)	Declining

Purpose of Exhibit: Summary of 12 months vs. 3 months Trends
Source: Viceroy Homes Limited Management prepared spreadsheet

Viceroy Homes Limited

INVENTORY DASHBOARD: YEAR OVER YEAR TREND LINES

The Trend Lines provide an “at-a-glance” overview of recent company performance in four areas: Sales, Margins, Inventory levels and Turns. Refer to Exhibits B, C, D & E for the supporting detail.

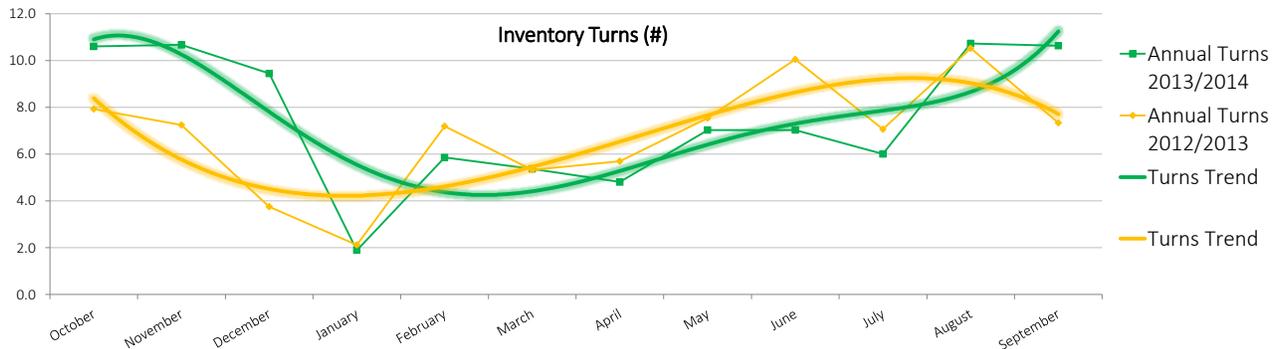
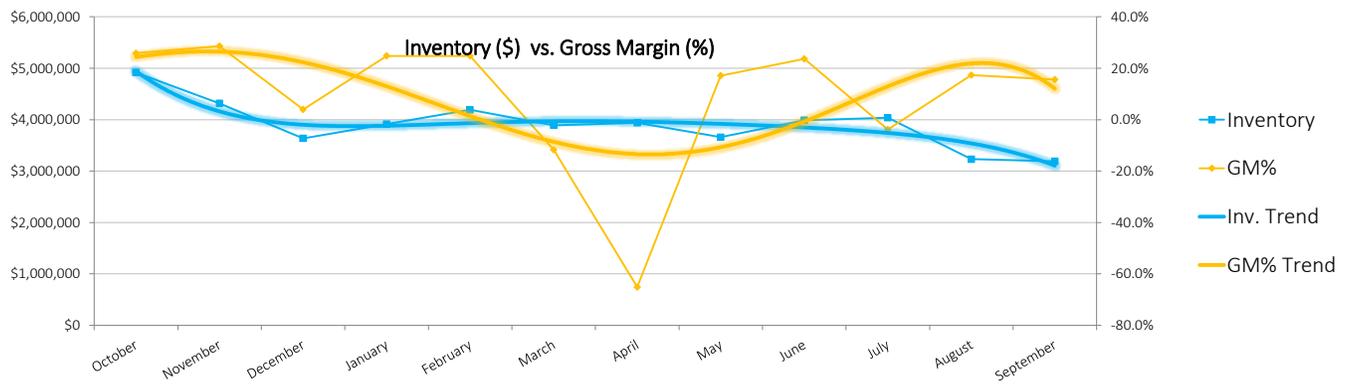
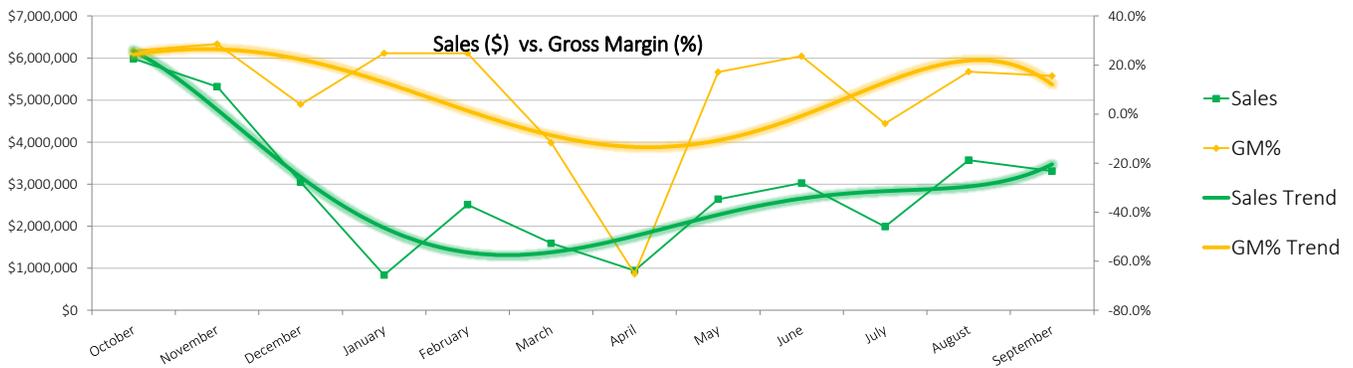
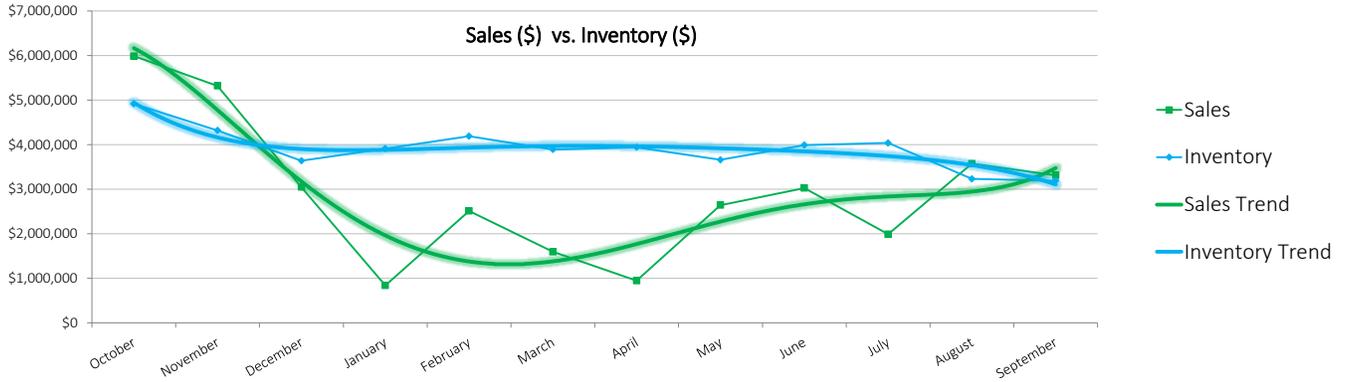


Purpose of Exhibit: Year over Year Sales, Gross Margins, Inventory and Inventory Turns Trends Comparison
Source: Viceroy Homes Limited Management prepared spreadsheet

Viceroy Homes Limited

INVENTORY DASHBOARD: TREND LINE COMPARISONS

The Trend Lines provide an "at-a-glance" view of the comparison between the monthly sales, inventory and gross margins.
Refer to Exhibits B, C, D & E for the supporting detail.



Purpose of Exhibit: Year over Year Sales, Gross Margins, Inventory and Inventory Turns Trends Comparison
Source: Viceroy Homes Limited Management prepared spreadsheet

Viceroy Homes Limited

LIQUIDATION EXPENSE SENSITIVITY ANALYSIS - PROJECTED RECOVERY RANGES
as at November 30, 2014

Liquidation expenses combine variable (labour, etc.) and fixed expenses (rent, etc.).

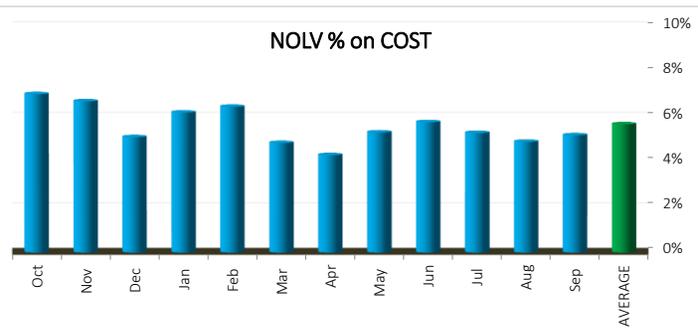
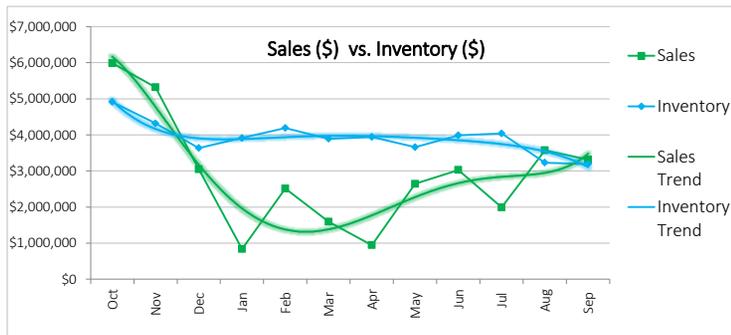
Variable expenses mainly depend on inventory levels. Fixed expenses mainly depend on the liquidation period; the period itself is affected by inventory levels.

Note: this liquidation expense sensitivity analysis does not take into account seasonal changes in inventory mix, and is expressly not intended to replace a full appraisal.

ROLLING 12 MONTH SELLING PERIOD													
HISTORICAL	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	
SALES \$	\$5,986,541	\$5,319,435	\$3,046,999	\$836,673	\$2,510,018	\$1,593,168	\$944,338	\$2,641,524	\$3,026,930	\$1,987,363	\$3,571,452	\$3,312,392	\$2,898,069
SELLING PERIOD	High	High	---avg---	Low	---avg---	Low	Low	---avg---	---avg---	Low	---avg---	---avg---	---avg---
Finished Goods	\$1,356,653	\$1,168,099	\$639,373	\$932,247	\$1,225,120	\$710,296	\$775,348	\$703,343	\$839,651	\$795,080	\$246,526	\$271,843	\$805,298
Raw Material	\$2,289,226	\$2,032,804	\$1,964,602	\$1,897,180	\$1,829,757	\$1,979,398	\$1,931,368	\$1,706,583	\$1,797,404	\$2,066,180	\$1,952,046	\$2,055,670	\$1,958,518
WIP	\$331,430	\$264,723	\$273,797	\$255,985	\$238,173	\$214,691	\$197,841	\$218,282	\$231,857	\$229,252	\$241,152	\$236,075	\$244,438
INVENTORY \$	\$3,977,309	\$3,465,626	\$2,877,772	\$3,085,411	\$3,293,050	\$2,904,385	\$2,904,557	\$2,628,208	\$2,868,912	\$3,090,512	\$2,439,724	\$2,563,588	\$3,008,255
GM %	25.83%	28.63%	3.97%	24.82%	24.82%	-11.73%	-65.15%	17.12%	23.63%	-3.87%	17.32%	15.59%	8.42%
Finished Goods	\$1,829,233	\$1,636,682	\$665,793	\$1,240,079	\$1,629,660	\$635,708	\$469,494	\$848,660	\$1,099,492	\$765,459	\$298,180	\$322,042	\$953,373
Raw Material	\$2,289,226	\$2,032,804	\$1,964,602	\$1,897,180	\$1,829,757	\$1,979,398	\$1,931,368	\$1,706,583	\$1,797,404	\$2,066,180	\$1,952,046	\$2,055,670	\$1,958,518
WIP	\$331,430	\$264,723	\$273,797	\$255,985	\$238,173	\$214,691	\$197,841	\$218,282	\$231,857	\$229,252	\$241,152	\$236,075	\$244,438
INVENTORY @ SP	\$4,449,889	\$3,934,209	\$2,904,192	\$3,393,243	\$3,697,590	\$2,829,797	\$2,598,703	\$2,773,525	\$3,128,753	\$3,060,891	\$2,491,378	\$2,613,787	\$3,156,330
INVENTORY LEVEL	High	High	---avg---	Low	Low	---avg---							
vs. Annual Average	132%	115%	96%	103%	109%	97%	97%	87%	95%	103%	81%	85%	100%
vs. Current Inventory	140%	122%	102%	109%	116%	102%	102%	93%	101%	109%	86%	90%	106%

PROJECTED ROLLING 12 MONTH SELLING PERIOD													
GOLV \$	\$452,002	\$399,621	\$294,996	\$344,672	\$375,586	\$287,439	\$263,966	\$281,723	\$317,806	\$310,913	\$253,064	\$265,498	\$320,607
FIXED LIQ. COSTS \$	\$68,000	\$65,673	\$57,630	\$59,950	\$63,826	\$57,049	\$53,897	\$55,229	\$59,384	\$57,418	\$51,816	\$51,440	\$58,443
FIXED OCCUPANCY \$	\$56,344	\$57,752	\$57,752	\$56,344	\$57,752	\$56,344	\$56,344	\$56,344	\$57,752	\$56,344	\$55,002	\$53,661	\$56,595
VARIABLE EXPENSE \$	\$48,703	\$44,136	\$32,580	\$37,138	\$41,481	\$31,746	\$28,442	\$30,356	\$35,100	\$33,501	\$26,618	\$27,245	\$34,754
EXPENSE \$	\$173,047	\$167,561	\$147,963	\$153,433	\$163,059	\$146,548	\$138,683	\$141,929	\$152,236	\$147,263	\$133,437	\$132,346	\$149,792
NOLV \$	\$278,954	\$232,060	\$147,033	\$191,239	\$212,527	\$140,892	\$125,282	\$139,795	\$165,570	\$163,650	\$119,627	\$133,152	\$170,815

RANGE (%) ROLLING 12 MONTH SELLING PERIOD													
GOLV % on SP	10.16%												
GOLV % on COST	11.36%	11.53%	10.25%	11.17%	11.41%	9.90%	9.09%	10.72%	11.08%	10.06%	10.37%	10.36%	10.66%
LIQ. EXPENSE %	4.35%	4.83%	5.14%	4.97%	4.95%	5.05%	4.77%	5.40%	5.31%	4.77%	5.47%	5.16%	4.98%
NOLV % on COST	7.01%	6.70%	5.11%	6.20%	6.45%	4.85%	4.31%	5.32%	5.77%	5.30%	4.90%	5.19%	5.68%



MTHLY RANGE: PROJECTED NOLV %'s		
MAX	Oct	7.01%
MIN	Apr	4.31%
RANGE		2.70%

MTHLY RANGE: ACTUAL (\$) SALES		
MAX	\$5,986,541	\$3,977,309
MIN	\$836,673	\$2,439,724
RANGE		\$5,149,869

Purpose of Exhibit: Projected NOLV Recoveries, assuming no material changes in monthly inventory balances, inventory mix, operating expenses, etc. For illustration purposes ONLY.

Source: Viceroy Homes Limited Management prepared spreadsheet

Viceroy Homes Limited

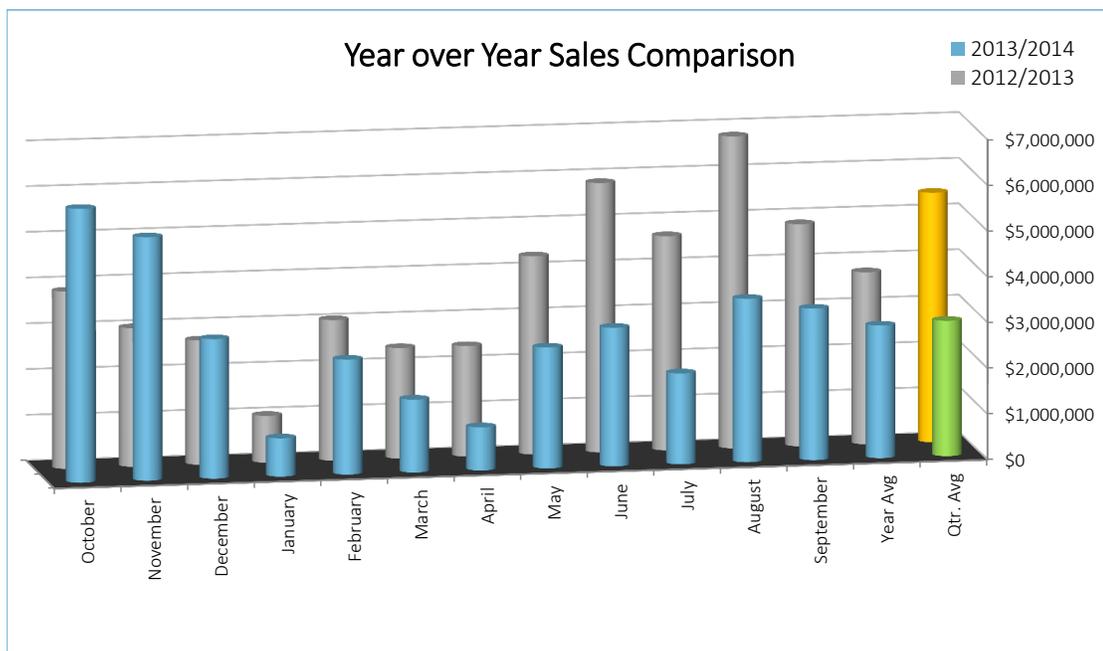
SALES TREND ANALYSIS - 24 MONTHS

Year over Year Comparison

24 months trailing from September, 2014

Month	Prior 12 mths 2012/2013	Current 12 mths 2013/2014	Change 2012/2013 vs. 2013/2014	
October	\$3,873,093	\$5,986,541	\$2,113,448	54.57%
November	\$3,028,633	\$5,319,435	\$2,290,802	75.64%
December	\$2,714,965	\$3,046,999	\$332,034	12.23%
January	\$1,023,470	\$836,673	-\$186,797	(18.25%)
February	\$3,070,409	\$2,510,018	-\$560,391	(18.25%)
March	\$2,415,953	\$1,593,168	-\$822,785	(34.06%)
April	\$2,413,975	\$944,338	-\$1,469,637	(60.88%)
May	\$4,331,840	\$2,641,524	-\$1,690,316	(39.02%)
June	\$5,892,626	\$3,026,930	-\$2,865,696	(48.63%)
July	\$4,684,949	\$1,987,363	-\$2,697,586	(57.58%)
August	\$6,823,507	\$3,571,452	-\$3,252,055	(47.66%)
September	\$4,858,860	\$3,312,392	-\$1,546,468	(31.83%)
Year Avg	\$3,761,023	\$2,898,069	-\$862,954	(22.94%)
Qtr. Avg	\$5,455,772	\$2,957,069	-\$2,498,703	(45.80%)

TOTALS				
Last Quarter	\$16,367,316	\$8,871,207	-\$7,496,109	(45.80%)
Year over Year	\$45,132,279	\$34,776,832	-\$10,355,447	(22.94%)



Viceroy Homes Limited

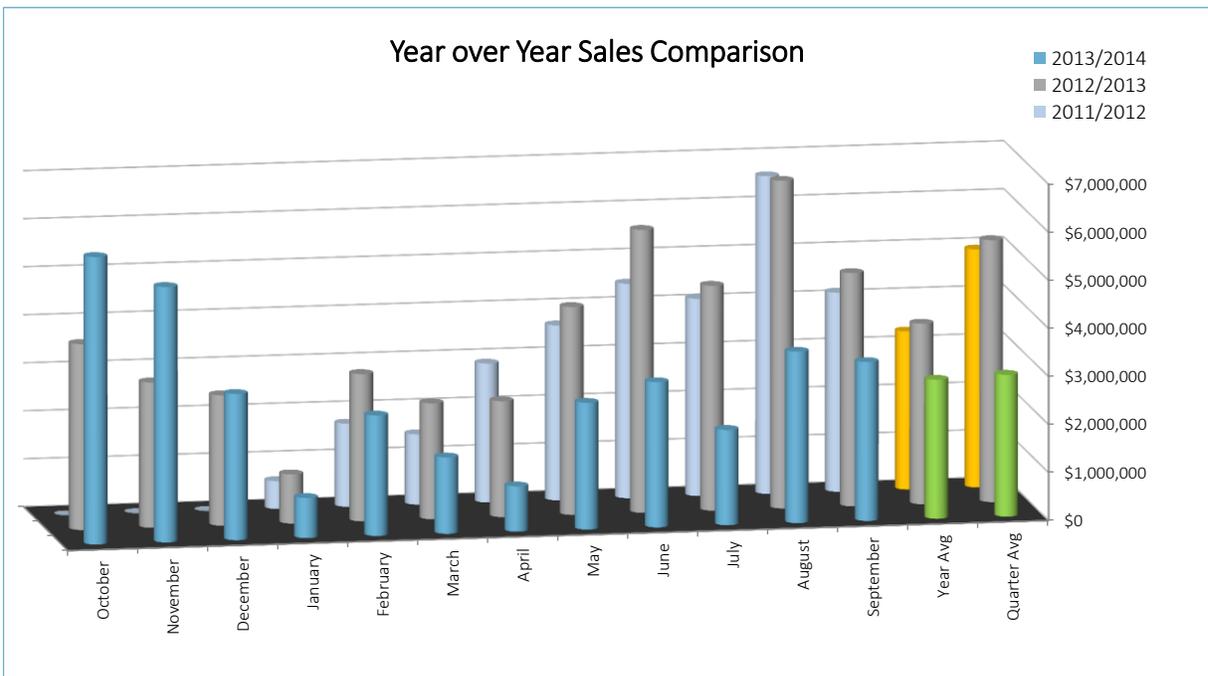
SALES TREND ANALYSIS - 36 MONTHS

Year over Year Comparison

36 months trailing from September, 2014

Month	Trailing 36 mths 2011/2012	Trailing 24 mths 2012/2013	Current 12 mths 2013/2014	Change 2011/2012 vs. 2013/2014	
October		\$3,873,093	\$5,986,541		
November		\$3,028,633	\$5,319,435		
December		\$2,714,965	\$3,046,999		
January	\$577,183	\$1,023,470	\$836,673	\$259,489	44.96%
February	\$1,731,550	\$3,070,409	\$2,510,018	\$778,468	44.96%
March	\$1,464,475	\$2,415,953	\$1,593,168	\$128,693	8.79%
April	\$2,895,182	\$2,413,975	\$944,338	-\$1,950,844	(67.38%)
May	\$3,646,144	\$4,331,840	\$2,641,524	-\$1,004,620	(27.55%)
June	\$4,468,561	\$5,892,626	\$3,026,930	-\$1,441,631	(32.26%)
July	\$4,111,546	\$4,684,949	\$1,987,363	-\$2,124,183	(51.66%)
August	\$6,615,752	\$6,823,507	\$3,571,452	-\$3,044,300	(46.02%)
September	\$4,148,246	\$4,858,860	\$3,312,392	-\$835,854	(20.15%)
Year Avg	\$3,295,404	\$3,761,023	\$2,898,069	-\$1,026,087	(31.14%)
Quarter Avg	\$4,958,515	\$5,455,772	\$2,957,069	-\$2,001,446	(40.36%)

TOTALS					
Last Quarter	\$14,875,544	\$16,367,316	\$8,871,207	-\$6,004,337	(40.36%)
Comparable	\$29,658,639	\$35,515,588	\$20,423,857	-\$9,234,782	(31.14%)
Year over Year	\$29,658,639	\$45,132,279	\$34,776,832	-\$9,234,782	(31.14%)



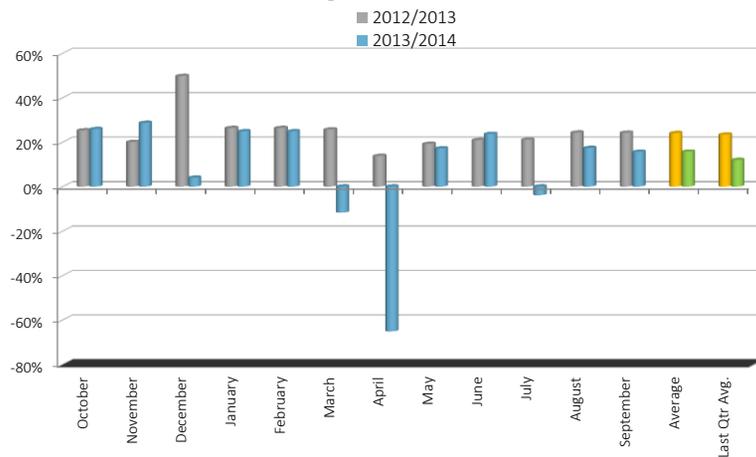
Purpose of Exhibit: Highlight sales patterns, seasonality and Y-O-Y trends
Source: Viceroy Homes Limited Management prepared spreadsheet

Viceroy Homes Limited

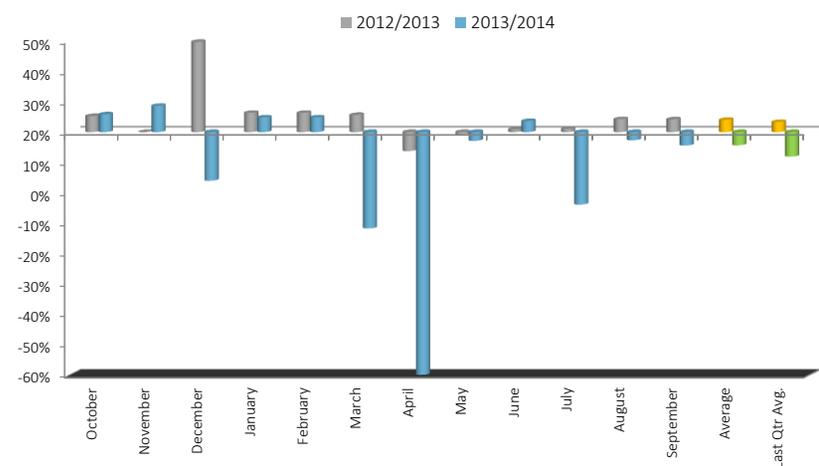
GROSS MARGIN ANALYSIS
Year over Year Comparison
12 months trailing from September, 2014

Month	2012/2013				2013/2014				YEAR OVER YEAR	
	Year	Sales	COS	GM	Year	Sales	COS	GM	% Pt Diff	% Chg
October	2012	\$3,873,093	\$2,894,528	25.3%	2013	\$5,986,541	\$4,439,926	25.8%	0.57%	2.25%
November	2012	\$3,028,633	\$2,422,423	20.0%	2013	\$5,319,435	\$3,796,478	28.6%	8.61%	43.04%
December	2012	\$2,714,965	\$1,364,645	49.7%	2013	\$3,046,999	\$2,926,089	4.0%	(45.77%)	(92.02%)
January	2013	\$1,023,470	\$754,115	26.3%	2014	\$836,673	\$628,980	24.8%	(1.49%)	(5.68%)
February	2013	\$3,070,409	\$2,262,344	26.3%	2014	\$2,510,018	\$1,886,941	24.8%	(1.49%)	(5.68%)
March	2013	\$2,415,953	\$1,796,559	25.6%	2014	\$1,593,168	\$1,780,095	-11.7%	(37.37%)	(145.76%)
April	2013	\$2,413,975	\$2,082,109	13.7%	2014	\$944,338	\$1,559,532	-65.1%	(78.89%)	(573.86%)
May	2013	\$4,331,840	\$3,501,604	19.2%	2014	\$2,641,524	\$2,189,213	17.1%	(2.04%)	(10.66%)
June	2013	\$5,892,626	\$4,662,064	20.9%	2014	\$3,026,930	\$2,311,581	23.6%	2.75%	13.17%
July	2013	\$4,684,949	\$3,699,263	21.0%	2014	\$1,987,363	\$2,064,269	-3.9%	(24.91%)	(118.39%)
August	2013	\$6,823,507	\$5,168,700	24.3%	2014	\$3,571,452	\$2,952,762	17.3%	(6.93%)	(28.57%)
September	2013	\$4,858,860	\$3,682,828	24.2%	2014	\$3,312,392	\$2,796,064	15.6%	(8.62%)	(35.60%)
Average	Avg. Month	\$3,761,023	\$2,857,598	24.0%	Avg. Month	\$2,898,069	\$2,444,328	15.7%	(8.36%)	(34.82%)
Last Qtr Avg.	Last Qtr Total	\$16,367,316	\$12,550,791	23.3%	Last Qtr Total	\$8,871,207	\$7,813,095	11.9%	(11.39%)	(48.85%)
	Total	\$45,132,279	\$34,291,181	24.0%	Total	\$34,776,832	\$29,331,930	15.7%	(8.36%)	(34.82%)

Gross Margin - Year over Year



Gross Margin: Month % to Average Gross Margin



Purpose of Exhibit: Highlight gross margin patterns, seasonality and Y-O-Y trends
Source: Viceroy Homes Limited Management prepared spreadsheet

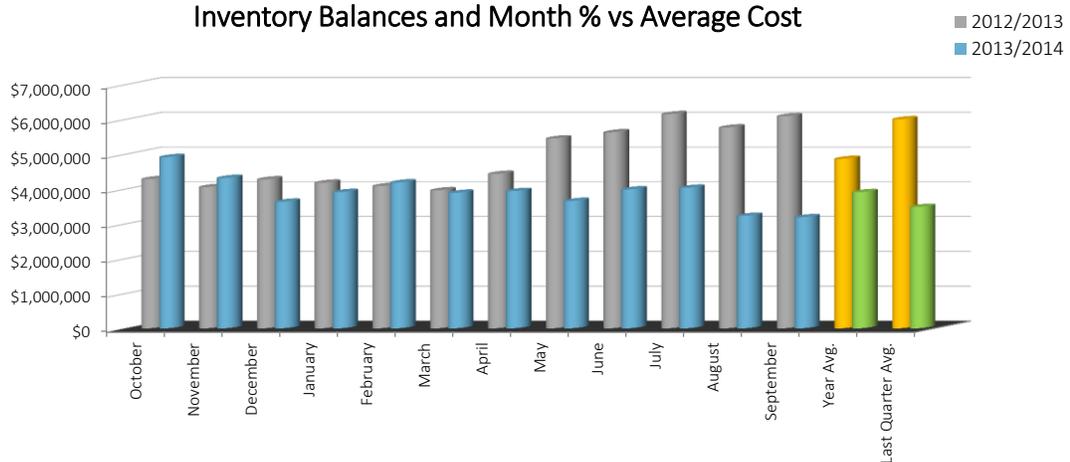
Viceroy Homes Limited

INVENTORY COST HISTORY: MONTH % TO AVERAGE COST - TOTAL INVENTORY

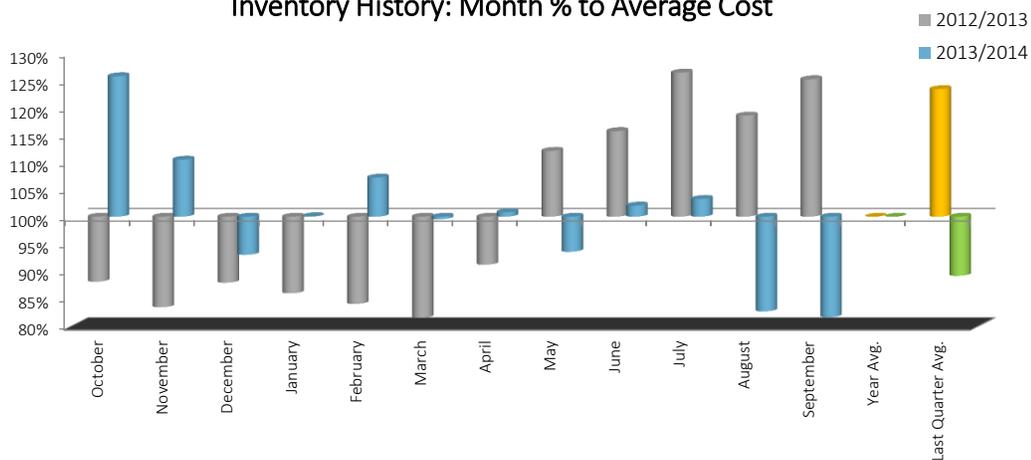
Year over Year Comparison
12 months trailing from September, 2014

Month	Inventory @ Cost			Month % to Average Cost		YoY %
	2012/2013	2013/2014	\$ Diff	2012/2013	2013/2014	
October	\$4,285,283	\$4,916,162	\$630,879	88.09%	125.77%	14.72%
November	\$4,057,407	\$4,317,720	\$260,313	83.40%	110.46%	6.42%
December	\$4,276,135	\$3,635,669	-\$640,466	87.90%	93.01%	(14.98%)
January	\$4,181,652	\$3,912,339	-\$269,313	85.96%	100.09%	(6.44%)
February	\$4,087,168	\$4,189,008	\$101,840	84.02%	107.17%	2.49%
March	\$3,962,992	\$3,891,708	-\$71,284	81.46%	99.56%	(1.80%)
April	\$4,436,461	\$3,940,612	-\$495,849	91.20%	100.82%	(11.18%)
May	\$5,452,379	\$3,657,569	-\$1,794,810	112.08%	93.57%	(32.92%)
June	\$5,628,464	\$3,988,591	-\$1,639,873	115.70%	102.04%	(29.14%)
July	\$6,150,877	\$4,036,263	-\$2,114,614	126.44%	103.26%	(34.38%)
August	\$5,767,007	\$3,230,083	-\$2,536,924	118.55%	82.64%	(43.99%)
September	\$6,091,351	\$3,189,209	-\$2,902,142	125.21%	81.59%	(47.64%)
Year Avg.	\$4,864,765	\$3,908,744	-\$956,020	100.00%	100.00%	(19.65%)
Last Quarter Avg.	\$6,003,078	\$3,485,185	-\$2,517,893	123.40%	89.16%	(41.94%)

Inventory Balances and Month % vs Average Cost



Inventory History: Month % to Average Cost



Purpose of Exhibit: Comparison of Y-O-Y inventory balances and seasonality patterns
Source: Viceroy Homes Limited Management prepared spreadsheet

Viceroy Homes Limited

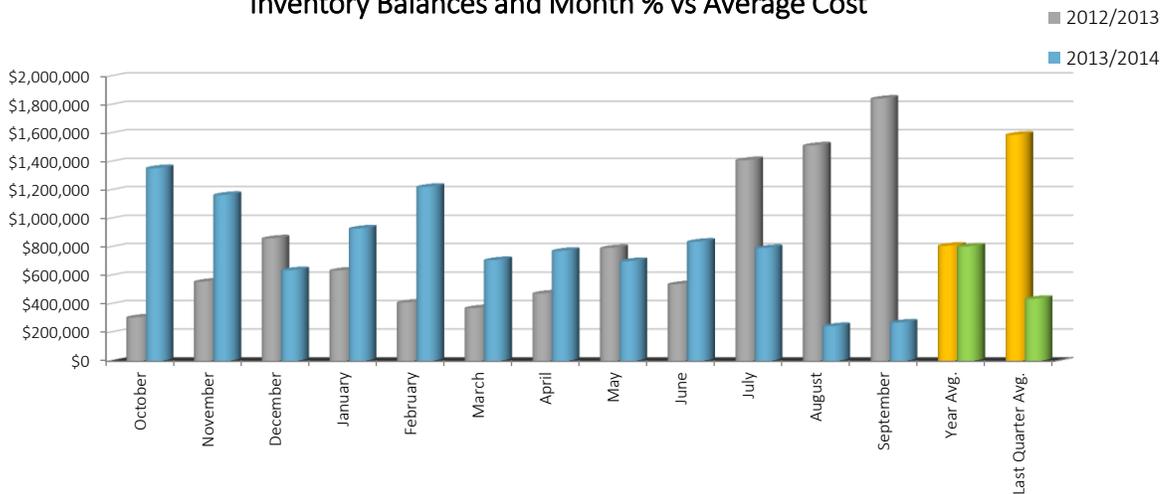
INVENTORY COST HISTORY: MONTH % TO AVERAGE COST - FINISHED GOODS

Year over Year Comparison

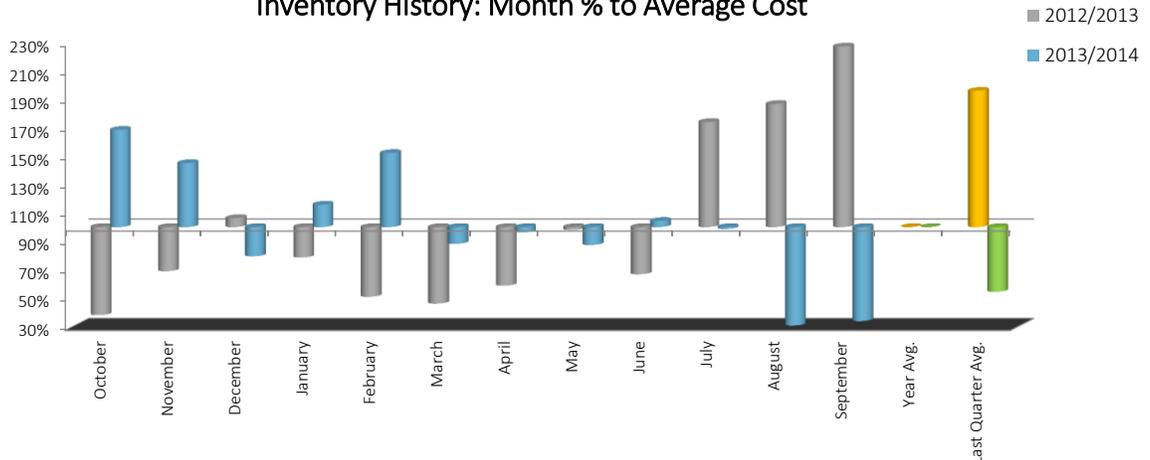
12 months trailing from September, 2014

Month	Inventory @ Cost			Month % to Average Cost		YoY %
	2012/2013	2013/2014	\$ Diff	2012/2013	2013/2014	
October	\$308,168	\$1,356,653	\$1,048,485	37.97%	168.47%	340.23%
November	\$559,173	\$1,168,099	\$608,926	68.90%	145.05%	108.90%
December	\$862,442	\$639,373	-\$223,069	106.27%	79.40%	(25.86%)
January	\$637,519	\$932,247	\$294,728	78.56%	115.76%	46.23%
February	\$412,596	\$1,225,120	\$812,524	50.84%	152.13%	196.93%
March	\$373,355	\$710,296	\$336,941	46.00%	88.20%	90.25%
April	\$476,537	\$775,348	\$298,811	58.72%	96.28%	62.70%
May	\$795,132	\$703,343	-\$91,789	97.98%	87.34%	(11.54%)
June	\$541,418	\$839,651	\$298,233	66.71%	104.27%	55.08%
July	\$1,412,376	\$795,080	-\$617,296	174.03%	98.73%	(43.71%)
August	\$1,515,649	\$246,526	-\$1,269,123	186.76%	30.61%	(83.73%)
September	\$1,844,314	\$271,843	-\$1,572,471	227.26%	33.76%	(85.26%)
Year Avg.	\$811,557	\$805,298	-\$6,258	100.00%	100.00%	(0.77%)
Last Quarter Avg.	\$1,590,780	\$437,816	-\$1,152,963	196.02%	54.37%	(72.48%)

Inventory Balances and Month % vs Average Cost



Inventory History: Month % to Average Cost



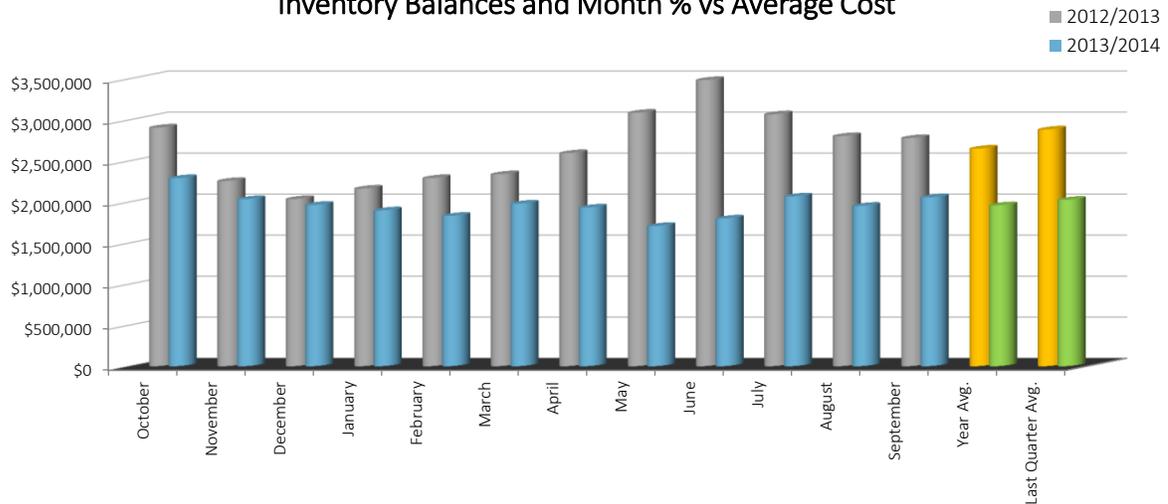
Purpose of Exhibit: Comparison of Y-O-Y inventory balances and seasonality patterns
Source: Viceroy Homes Limited Management prepared spreadsheet

Viceroy Homes Limited

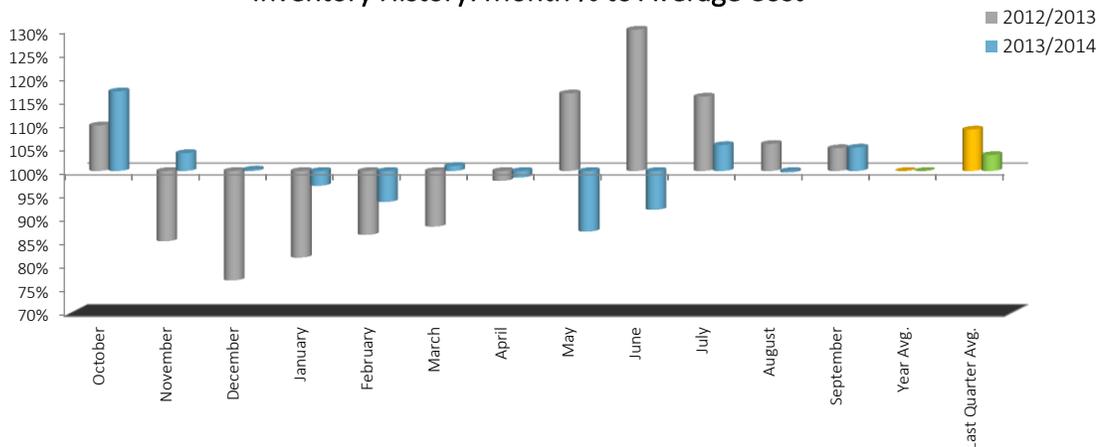
INVENTORY COST HISTORY: MONTH % TO AVERAGE COST - RAW MATERIALS
Year over Year Comparison
12 months trailing from September, 2014

Month	Inventory @ Cost			Month % to Average Cost		YoY %
	2012/2013	2013/2014	\$ Diff	2012/2013	2013/2014	
October	\$2,905,165	\$2,289,226	-\$615,939	109.66%	116.89%	(21.20%)
November	\$2,254,835	\$2,032,804	-\$222,031	85.11%	103.79%	(9.85%)
December	\$2,034,258	\$1,964,602	-\$69,656	76.79%	100.31%	(3.42%)
January	\$2,162,156	\$1,897,180	-\$264,976	81.62%	96.87%	(12.26%)
February	\$2,290,053	\$1,829,757	-\$460,296	86.44%	93.43%	(20.10%)
March	\$2,336,433	\$1,979,398	-\$357,035	88.19%	101.07%	(15.28%)
April	\$2,593,243	\$1,931,368	-\$661,875	97.89%	98.61%	(25.52%)
May	\$3,084,966	\$1,706,583	-\$1,378,383	116.45%	87.14%	(44.68%)
June	\$3,483,494	\$1,797,404	-\$1,686,090	131.49%	91.77%	(48.40%)
July	\$3,066,928	\$2,066,180	-\$1,000,748	115.77%	105.50%	(32.63%)
August	\$2,801,424	\$1,952,046	-\$849,378	105.75%	99.67%	(30.32%)
September	\$2,777,476	\$2,055,670	-\$721,806	104.84%	104.96%	(25.99%)
Year Avg.	\$2,649,203	\$1,958,518	-\$690,684	100.00%	100.00%	(26.07%)
Last Quarter Avg.	\$2,881,943	\$2,024,632	-\$857,311	108.79%	103.38%	(29.75%)

Inventory Balances and Month % vs Average Cost



Inventory History: Month % to Average Cost



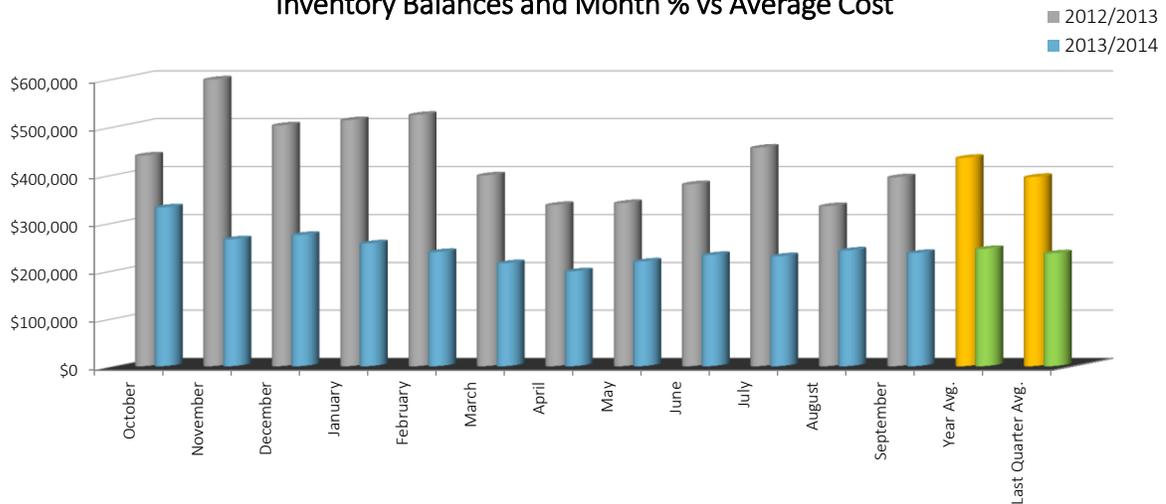
Purpose of Exhibit: Comparison of Y-O-Y inventory balances and seasonality patterns
Source: Viceroy Homes Limited Management prepared spreadsheet

Viceroy Homes Limited

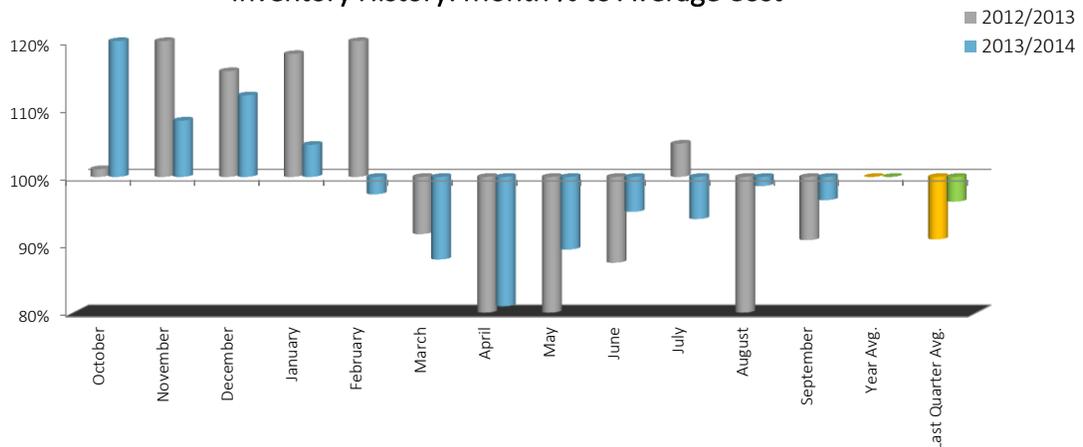
INVENTORY COST HISTORY: MONTH % TO AVERAGE COST - WIP
Year over Year Comparison
12 months trailing from September, 2014

Month	Inventory @ Cost			Month % to Average Cost		YoY %
	2012/2013	2013/2014	\$ Diff	2012/2013	2013/2014	
October	\$439,778	\$331,430	-\$108,348	101.14%	135.59%	(24.64%)
November	\$598,331	\$264,723	-\$333,608	137.61%	108.30%	(55.76%)
December	\$502,514	\$273,797	-\$228,717	115.57%	112.01%	(45.51%)
January	\$513,504	\$255,985	-\$257,519	118.10%	104.72%	(50.15%)
February	\$524,493	\$238,173	-\$286,320	120.62%	97.44%	(54.59%)
March	\$398,227	\$214,691	-\$183,536	91.58%	87.83%	(46.09%)
April	\$336,293	\$197,841	-\$138,452	77.34%	80.94%	(41.17%)
May	\$340,323	\$218,282	-\$122,041	78.27%	89.30%	(35.86%)
June	\$379,838	\$231,857	-\$147,981	87.36%	94.85%	(38.96%)
July	\$456,116	\$229,252	-\$226,864	104.90%	93.79%	(49.74%)
August	\$334,067	\$241,152	-\$92,915	76.83%	98.66%	(27.81%)
September	\$394,328	\$236,075	-\$158,253	90.69%	96.58%	(40.13%)
Year Avg.	\$434,818	\$244,438	-\$190,379	100.00%	100.00%	(43.78%)
Last Quarter Avg.	\$394,837	\$235,493	-\$159,344	90.81%	96.34%	(40.36%)

Inventory Balances and Month % vs Average Cost



Inventory History: Month % to Average Cost

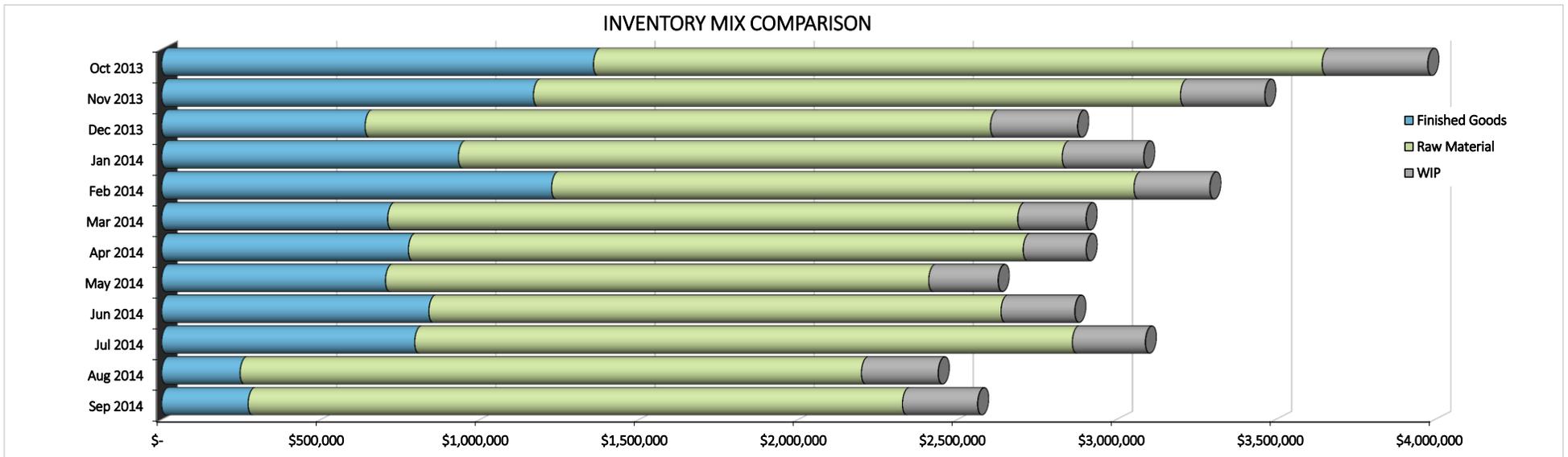


Purpose of Exhibit: Comparison of Y-O-Y inventory balances and seasonality patterns
Source: Viceroy Homes Limited Management prepared spreadsheet

Viceroy Homes Limited
INVENTORY MIX COMPARISON
as at November 30, 2014

Month	Oct 2013	Nov 2013	Dec 2013	Jan 2014	Feb 2014	Mar 2014	Apr 2014	May 2014	Jun 2014	Jul 2014	Aug 2014	Sep 2014	Year Avg.
Finished Goods	\$1,356,653	\$1,168,099	\$639,373	\$932,247	\$1,225,120	\$710,296	\$775,348	\$703,343	\$839,651	\$795,080	\$246,526	\$271,843	\$805,298
Raw Material	\$2,289,226	\$2,032,804	\$1,964,602	\$1,897,180	\$1,829,757	\$1,979,398	\$1,931,368	\$1,706,583	\$1,797,404	\$2,066,180	\$1,952,046	\$2,055,670	\$1,958,518
WIP	\$331,430	\$264,723	\$273,797	\$255,985	\$238,173	\$214,691	\$197,841	\$218,282	\$231,857	\$229,252	\$241,152	\$236,075	\$244,438
TOTAL	\$3,977,309	\$3,465,626	\$2,877,772	\$3,085,411	\$3,293,050	\$2,904,385	\$2,904,557	\$2,628,208	\$2,868,912	\$3,090,512	\$2,439,724	\$2,563,588	\$3,008,255

Monthly Mix %	Oct 2013	Nov 2013	Dec 2013	Jan 2014	Feb 2014	Mar 2014	Apr 2014	May 2014	Jun 2014	Jul 2014	Aug 2014	Sep 2014	Mix % of Avg.
Finished Goods	34.11%	33.71%	22.22%	30.21%	37.20%	24.46%	26.69%	26.76%	29.27%	25.73%	10.10%	10.60%	26.77%
Raw Material	57.56%	58.66%	68.27%	61.49%	55.56%	68.15%	66.49%	64.93%	62.65%	66.86%	80.01%	80.19%	65.10%
WIP	8.33%	7.64%	9.51%	8.30%	7.23%	7.39%	6.81%	8.31%	8.08%	7.42%	9.88%	9.21%	8.13%
TOTAL	100.00%												



Purpose of Exhibit: Comparison of inventory mix
Source: Viceroy Homes Limited Management prepared spreadsheet

Viceroy Homes Limited

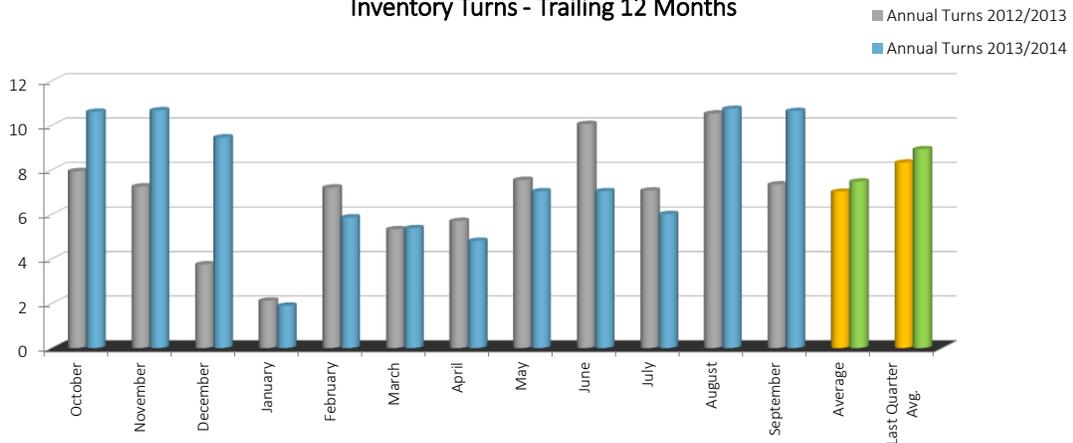
INVENTORY TURNOVER & DAYS SALES IN INVENTORY - TOTAL INVENTORY
12 months trailing from September, 2014

Period	Monthly Sales 2012/2013	Inventory On Hand 2012/2013	Monthly Sales 2013/2014	Inventory On Hand 2013/2014	Days in Inventory 2012/2013	Days in Inventory 2013/2014	Annual Turns 2012/2013	Annual Turns 2013/2014
October	\$3,873,093	\$4,285,283	\$5,986,541	\$4,916,162	46	34	7.9	10.6
November	\$3,028,633	\$4,057,407	\$5,319,435	\$4,317,720	50	34	7.2	10.7
December	\$2,714,965	\$4,276,135	\$3,046,999	\$3,635,669	97	39	3.7	9.5
January	\$1,023,470	\$4,181,652	\$836,673	\$3,912,339	172	193	2.1	1.9
February	\$3,070,409	\$4,087,168	\$2,510,018	\$4,189,008	51	62	7.2	5.9
March	\$2,415,953	\$3,962,992	\$1,593,168	\$3,891,708	68	68	5.3	5.4
April	\$2,413,975	\$4,436,461	\$944,338	\$3,940,612	64	76	5.7	4.8
May	\$4,331,840	\$5,452,379	\$2,641,524	\$3,657,569	48	52	7.5	7.0
June	\$5,892,626	\$5,628,464	\$3,026,930	\$3,988,591	36	52	10.1	7.0
July	\$4,684,949	\$6,150,877	\$1,987,363	\$4,036,263	52	61	7.1	6.0
August	\$6,823,507	\$5,767,007	\$3,571,452	\$3,230,083	35	34	10.5	10.7
September	\$4,858,860	\$6,091,351	\$3,312,392	\$3,189,209	50	34	7.3	10.6
Average	\$3,761,023	\$4,864,765	\$2,898,069	\$3,908,744	52	49	7.0	7.5
Last Quarter Avg.	\$5,455,772	\$6,003,078	\$2,957,069	\$3,485,185	44	41	8.3	8.9

Days in Inventory - Trailing 12 Months



Inventory Turns - Trailing 12 Months



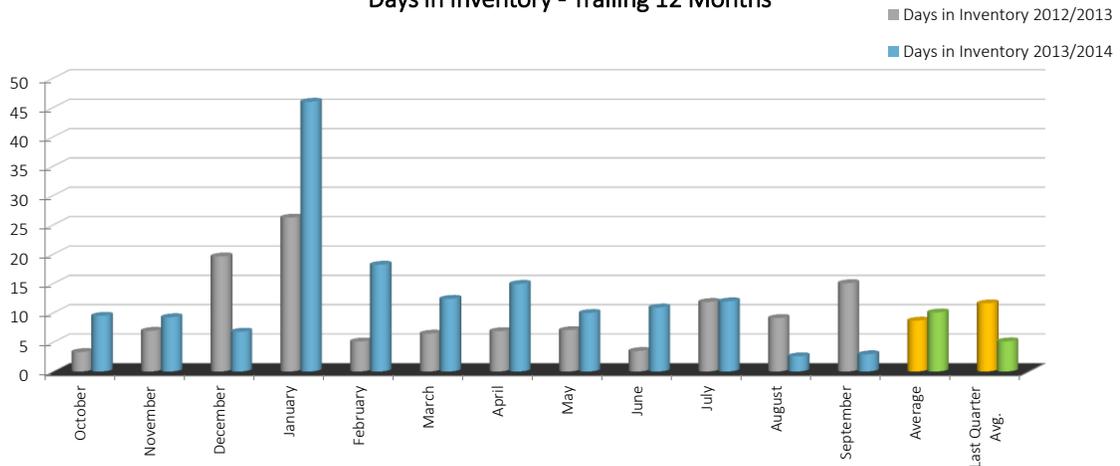
Purpose of Exhibit: Demonstrate year-over-year inventory efficiency
Source: Viceroy Homes Limited Management prepared spreadsheet

Viceroy Homes Limited

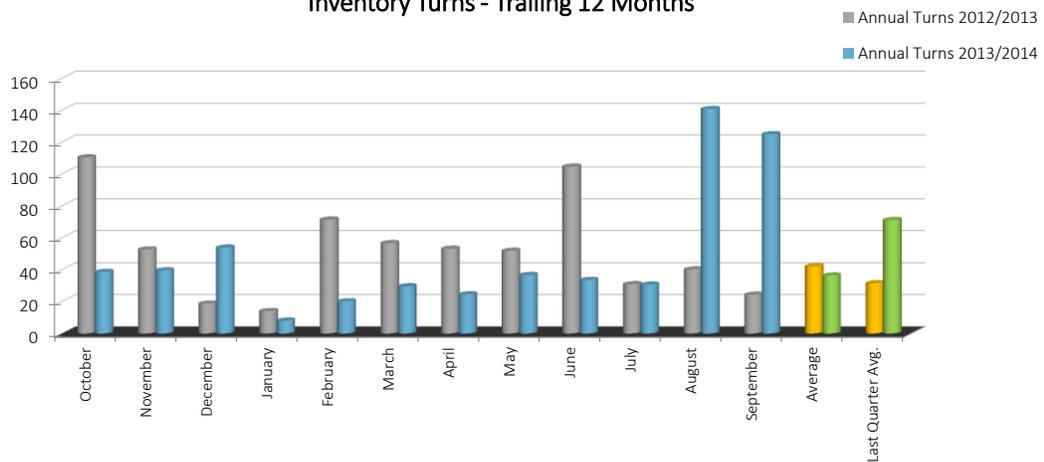
INVENTORY TURNOVER & DAYS SALES IN INVENTORY - FINISHED GOODS
12 months trailing from September, 2014

Period	Monthly Sales 2012/2013	Inventory On Hand 2012/2013	Monthly Sales 2013/2014	Inventory On Hand 2013/2014	Days in Inventory 2012/2013	Days in Inventory 2013/2014	Annual Turns 2012/2013	Annual Turns 2013/2014
October	\$3,873,093	\$308,168	\$5,986,541	\$1,356,653	3	9	110.3	38.4
November	\$3,028,633	\$559,173	\$5,319,435	\$1,168,099	7	9	52.6	39.4
December	\$2,714,965	\$862,442	\$3,046,999	\$639,373	20	7	18.6	53.7
January	\$1,023,470	\$637,519	\$836,673	\$932,247	26	46	13.9	7.9
February	\$3,070,409	\$412,596	\$2,510,018	\$1,225,120	5	18	71.3	20.0
March	\$2,415,953	\$373,355	\$1,593,168	\$710,296	6	12	56.5	29.4
April	\$2,413,975	\$476,537	\$944,338	\$775,348	7	15	53.0	24.4
May	\$4,331,840	\$795,132	\$2,641,524	\$703,343	7	10	51.7	36.5
June	\$5,892,626	\$541,418	\$3,026,930	\$839,651	3	11	104.5	33.4
July	\$4,684,949	\$1,412,376	\$1,987,363	\$795,080	12	12	30.8	30.5
August	\$6,823,507	\$1,515,649	\$3,571,452	\$246,526	9	3	40.0	140.6
September	\$4,858,860	\$1,844,314	\$3,312,392	\$271,843	15	3	24.2	124.8
Average	\$3,761,023	\$811,557	\$2,898,069	\$805,298	9	10	42.0	36.2
Last Quarter Avg.	\$5,455,772	\$1,590,780	\$2,957,069	\$437,816	12	5	31.4	71.0

Days in Inventory - Trailing 12 Months



Inventory Turns - Trailing 12 Months



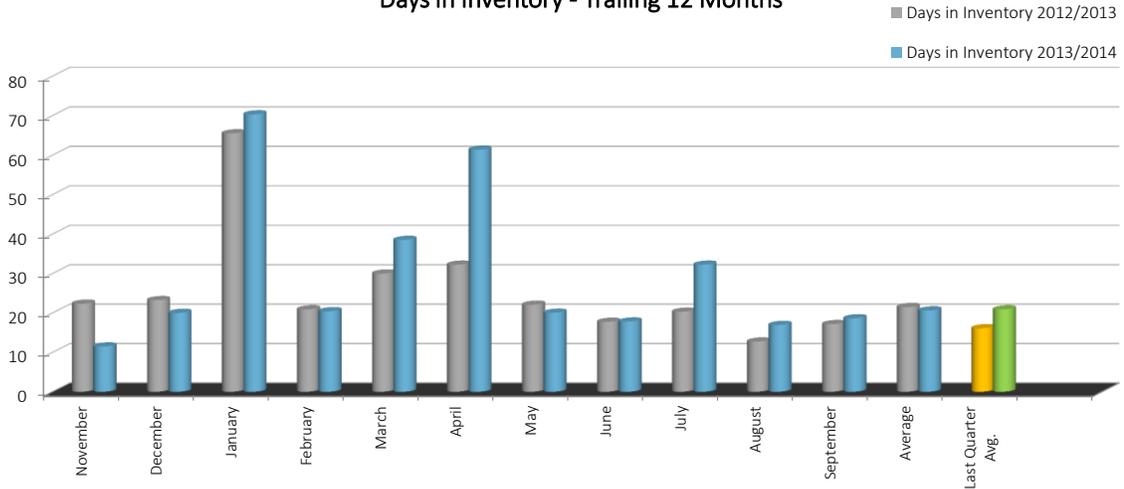
Purpose of Exhibit: Demonstrate year-over-year inventory efficiency
Source: Viceroy Homes Limited Management prepared spreadsheet

Viceroy Homes Limited

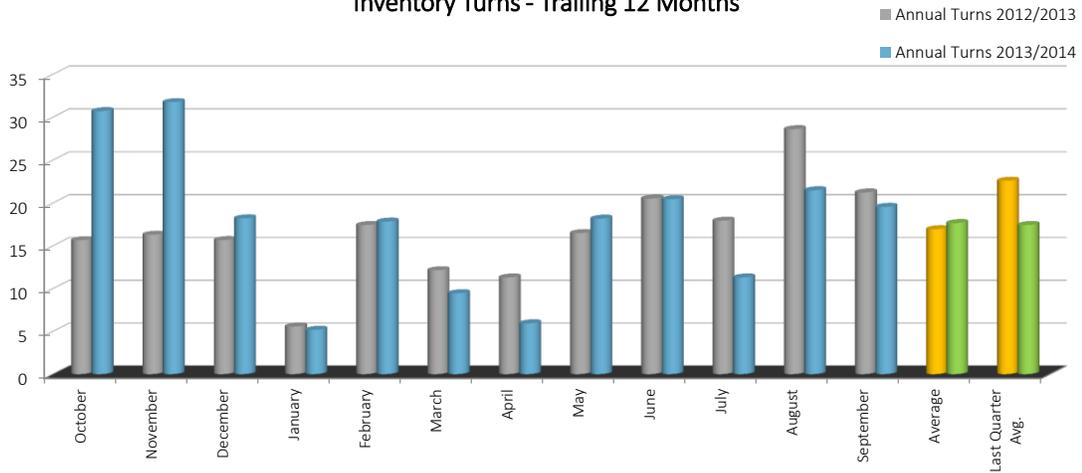
INVENTORY TURNOVER & DAYS SALES IN INVENTORY - RAW MATERIAL
12 months trailing from September, 2014

Period	Monthly Sales 2012/2013	Inventory On Hand 2012/2013	Monthly Sales 2013/2014	Inventory On Hand 2013/2014	Days in Inventory 2012/2013	Days in Inventory 2013/2014	Annual Turns 2012/2013	Annual Turns 2013/2014
October	\$3,873,093	\$2,905,165	\$5,986,541	\$2,289,226	23	12	15.7	30.7
November	\$3,028,633	\$2,254,835	\$5,319,435	\$2,032,804	22	11	16.3	31.8
December	\$2,714,965	\$2,034,258	\$3,046,999	\$1,964,602	23	20	15.7	18.2
January	\$1,023,470	\$2,162,156	\$836,673	\$1,897,180	65	70	5.6	5.2
February	\$3,070,409	\$2,290,053	\$2,510,018	\$1,829,757	21	20	17.4	17.8
March	\$2,415,953	\$2,336,433	\$1,593,168	\$1,979,398	30	39	12.1	9.5
April	\$2,413,975	\$2,593,243	\$944,338	\$1,931,368	32	61	11.3	5.9
May	\$4,331,840	\$3,084,966	\$2,641,524	\$1,706,583	22	20	16.5	18.2
June	\$5,892,626	\$3,483,494	\$3,026,930	\$1,797,404	18	18	20.5	20.4
July	\$4,684,949	\$3,066,928	\$1,987,363	\$2,066,180	20	32	17.9	11.3
August	\$6,823,507	\$2,801,424	\$3,571,452	\$1,952,046	13	17	28.6	21.5
September	\$4,858,860	\$2,777,476	\$3,312,392	\$2,055,670	17	19	21.2	19.6
Average	\$3,761,023	\$2,649,203	\$2,898,069	\$1,958,518	21	21	16.9	17.7
Last Quarter Avg.	\$5,455,772	\$2,881,943	\$2,957,069	\$2,024,632	16	21	22.6	17.4

Days in Inventory - Trailing 12 Months



Inventory Turns - Trailing 12 Months



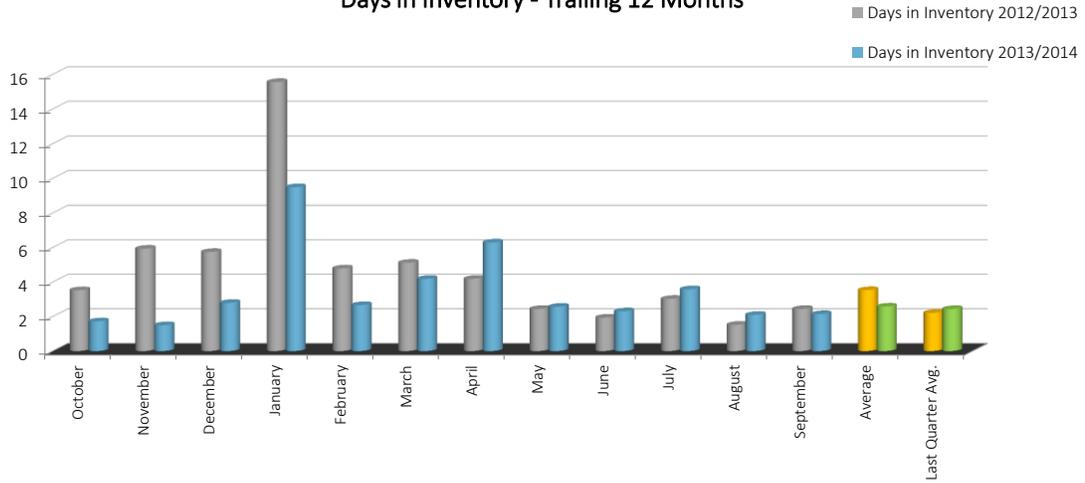
Purpose of Exhibit: Demonstrate year-over-year inventory efficiency
Source: Viceroy Homes Limited Management prepared spreadsheet

Viceroy Homes Limited

INVENTORY TURNOVER & DAYS SALES IN INVENTORY - WIP
12 months trailing from September, 2014

Period	Monthly Sales 2012/2013	Inventory On Hand 2012/2013	Monthly Sales 2013/2014	Inventory On Hand 2013/2014	Days in Inventory 2012/2013	Days in Inventory 2013/2014	Annual Turns 2012/2013	Annual Turns 2013/2014
October	\$3,873,093	\$439,778	\$5,986,541	\$331,430	4	2	103.4	212.1
November	\$3,028,633	\$598,331	\$5,319,435	\$264,723	6	1	61.4	243.8
December	\$2,714,965	\$502,514	\$3,046,999	\$273,797	6	3	63.4	130.7
January	\$1,023,470	\$513,504	\$836,673	\$255,985	16	9	23.4	38.4
February	\$3,070,409	\$524,493	\$2,510,018	\$238,173	5	3	76.1	137.0
March	\$2,415,953	\$398,227	\$1,593,168	\$214,691	5	4	71.2	87.1
April	\$2,413,975	\$336,293	\$944,338	\$197,841	4	6	87.1	57.9
May	\$4,331,840	\$340,323	\$2,641,524	\$218,282	2	3	149.5	142.1
June	\$5,892,626	\$379,838	\$3,026,930	\$231,857	2	2	188.2	158.4
July	\$4,684,949	\$456,116	\$1,987,363	\$229,252	3	4	120.6	101.8
August	\$6,823,507	\$334,067	\$3,571,452	\$241,152	2	2	239.8	173.9
September	\$4,858,860	\$394,328	\$3,312,392	\$236,075	2	2	149.5	170.2
Average	\$3,761,023	\$434,818	\$2,898,069	\$244,438	4	3	103.2	141.5
Last Quarter Avg.	\$5,455,772	\$394,837	\$2,957,069	\$235,493	2	2	164.9	149.9

Days in Inventory - Trailing 12 Months



Inventory Turns - Trailing 12 Months



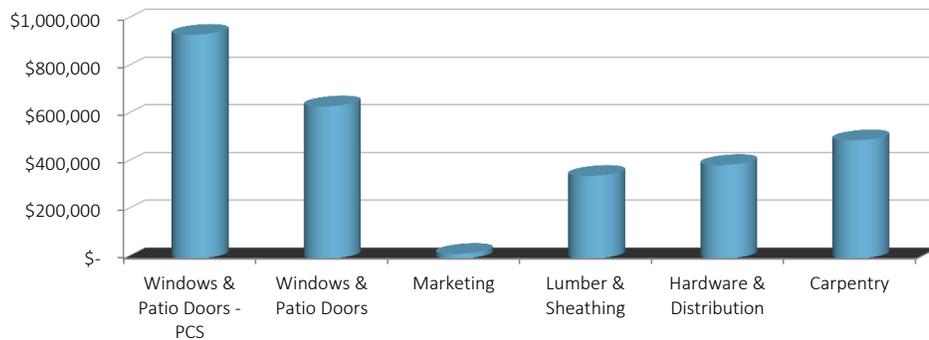
Purpose of Exhibit: Demonstrate year-over-year inventory efficiency
Source: Viceroy Homes Limited Management prepared spreadsheet

Viceroy Homes Limited

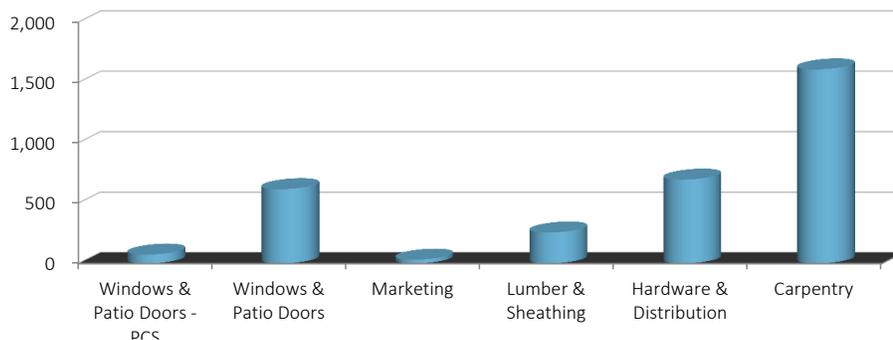
INVENTORY RECOVERY ANALYSIS - SUMMARY - ELIGIBLE FG + RM
as at November 30, 2014

Category	SKU #	Qty	Unit Cost	Ext. Cost	Rec %	Rec \$
Windows & Patio Doors - PCS	73	73	\$12,866.51	\$939,255	15.62%	\$146,701
Windows & Patio Doors	615	3,876,302	\$0.16	\$638,899	9.30%	\$59,446
Marketing	31	30,694	\$0.65	\$19,896	0.00%	\$0
Lumber & Sheathing	256	50,752	\$6.84	\$347,187	11.44%	\$39,720
Hardware & Distribution	694	1,102,473	\$0.36	\$392,818	4.68%	\$18,401
Carpentry	1,608	571,359	\$0.87	\$496,318	4.76%	\$23,636
Viceroy Homes Limited Total	3,277	5,631,654	\$0.50	\$2,834,372	10.16%	\$287,904

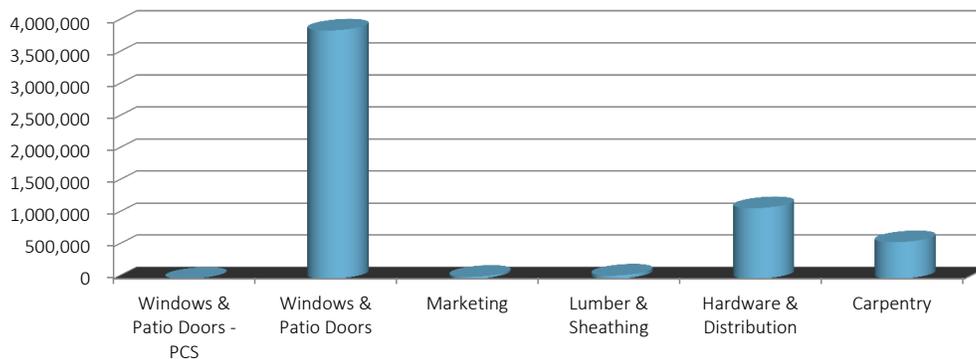
Inventory Value (\$)



of SKU's by Category



Qty by Category



Purpose of Exhibit: Analysis of expected recovery values at current cost, selling price at current inventory levels.
Source: Viceroy Homes Limited Inventory Listing, as at November 30, 2014

Viceroy Homes Limited

INVENTORY RECOVERY ANALYSIS - BY LIST, LOCATION & TYPE as at November 30, 2014

Co. List	Skus	Qty	Unit Cost	Ext Cost	Rec%	Rec\$
PCS	73	73	\$12,866.51	\$939,255	15.62%	\$146,701
Selco	150	852	\$334.91	\$285,346	13.94%	\$39,774
Viceroy	3,054	5,630,729	\$0.29	\$1,609,771	6.30%	\$101,429
Grand Total	3,277	5,631,654	\$0.50	\$2,834,372	10.16%	\$287,904

Location	Skus	Qty	Unit Cost	Ext Cost	Rec%	Rec\$
Port Hope ON	2,227	4,485,676	\$0.32	\$1,435,873	8.77%	\$125,964
Richmond BC	1,050	1,145,978	\$1.22	\$1,398,499	11.58%	\$161,940
Grand Total	3,277	5,631,654	\$0.50	\$2,834,372	10.16%	\$287,904

Item Type	Skus	Qty	Unit Cost	Ext Cost	Rec%	Rec\$
Manufactured	836	89,318	\$14.94	\$1,334,662	14.32%	\$191,171
Purchased	2,441	5,542,336	\$0.27	\$1,499,710	6.45%	\$96,733
Grand Total	3,277	5,631,654	\$0.50	\$2,834,372	10.16%	\$287,904

Purpose of Exhibit: Analysis of expected recovery values at current cost, selling price at current inventory levels.
Source: Viceroy Homes Limited Inventory Listing, as at November 30, 2014

Viceroy Homes Limited

INVENTORY RECOVERY ANALYSIS - BY GROUP, LIST & TYPE as at November 30, 2014

Grouping	Co. List	Item Type	SKU's	Qty	Unit Cost	Ext Cost	Rec%	Rec\$
Windows & Patio Doors	PCS	Manufactured	73	73	\$12,866.51	\$939,255	15.62%	\$146,701
	PCS Total		73	73	\$12,866.51	\$939,255	15.62%	\$146,701
	Selco	Manufactured	150	852	\$334.91	\$285,346	13.94%	\$39,774
	Selco Total		150	852	\$334.91	\$285,346	13.94%	\$39,774
	Viceroy	Purchased	410	3,835,962	\$0.08	\$312,258	5.76%	\$17,975
		Manufactured	55	39,488	\$1.05	\$41,294	4.11%	\$1,697
Viceroy Total		465	3,875,450	\$0.09	\$353,553	5.56%	\$19,672	
Windows & Patio Doors Total			688	3,876,375	\$0.41	\$1,578,154	13.06%	\$206,147
Carpentry	Viceroy	Purchased	1,092	530,151	\$0.83	\$441,429	4.92%	\$21,717
		Manufactured	516	41,208	\$1.33	\$54,890	3.50%	\$1,919
	Viceroy Total		1,608	571,359	\$0.87	\$496,318	4.76%	\$23,636
Carpentry Total			1,608	571,359	\$0.87	\$496,318	4.76%	\$23,636
Hardware & Distribution	Viceroy	Purchased	680	1,100,539	\$0.35	\$390,115	4.70%	\$18,342
		Manufactured	14	1,934	\$1.40	\$2,702	2.18%	\$59
	Viceroy Total		694	1,102,473	\$0.36	\$392,818	4.68%	\$18,401
Hardware & Distribution Total			694	1,102,473	\$0.36	\$392,818	4.68%	\$18,401
Lumber & Sheathing	Viceroy	Purchased	237	45,061	\$7.46	\$336,025	11.52%	\$38,699
		Manufactured	19	5,691	\$1.96	\$11,162	9.15%	\$1,021
	Viceroy Total		256	50,752	\$6.84	\$347,187	11.44%	\$39,720
Lumber & Sheathing Total			256	50,752	\$6.84	\$347,187	11.44%	\$39,720
Marketing	Viceroy	Purchased	22	30,622	\$0.65	\$19,883	0.00%	\$0
		Manufactured	9	72	\$0.18	\$13	0.00%	\$0
	Viceroy Total		31	30,694	\$0.65	\$19,896	0.00%	\$0
Marketing Total			31	30,694	\$0.65	\$19,896	0.00%	\$0
Grand Total			3,277	5,631,654	\$0.50	\$2,834,372	10.16%	\$287,904

Purpose of Exhibit: Analysis of expected recovery values at current cost, selling price at current inventory levels.
 Source: Viceroy Homes Limited Inventory Listing, as at November 30, 2014

Viceroy Homes Limited

INVENTORY RECOVERY ANALYSIS - BY LIST, GROUP & UNIT COST STRATA
as at November 30, 2014

Co. List	Grouping	Unit Cost2	Sku's	Qty	Unit Cost	Ext Cost	Rec%	Rec\$
PCS	Windows & Patio Doors	Unit Cost: 1. under \$10	2	2	\$1.85	\$4	8.36%	\$0
		Unit Cost: 2. \$10 to \$50	9	9	\$34.96	\$315	9.14%	\$29
		Unit Cost: 3. \$50 to \$100	2	2	\$65.73	\$131	9.08%	\$12
		Unit Cost: 4. \$100 to \$500	15	15	\$293.18	\$4,398	13.30%	\$585
		Unit Cost: 5. \$500 to \$1,000	7	7	\$747.58	\$5,233	13.91%	\$728
		Unit Cost: 6. over \$1,000	38	38	\$24,451.96	\$929,175	15.64%	\$145,347
	Windows & Patio Doors Total	73	73	\$12,866.51	\$939,255	15.62%	\$146,701	
PCS Total		73	73	\$12,866.51	\$939,255	15.62%	\$146,701	
Selco	Windows & Patio Doors	Unit Cost: 4. \$100 to \$500	120	751	\$297.60	\$223,495	14.51%	\$32,418
		Unit Cost: 5. \$500 to \$1,000	30	101	\$612.39	\$61,851	11.89%	\$7,355
	Windows & Patio Doors Total	150	852	\$334.91	\$285,346	13.94%	\$39,774	
Selco Total		150	852	\$334.91	\$285,346	13.94%	\$39,774	
Viceroy	Carpentry	Unit Cost: 1. under \$10	954	561,847	\$0.40	\$222,827	4.21%	\$9,385
		Unit Cost: 2. \$10 to \$50	539	8,108	\$21.04	\$170,618	4.42%	\$7,543
		Unit Cost: 3. \$50 to \$100	90	1,263	\$65.36	\$82,575	6.59%	\$5,441
		Unit Cost: 4. \$100 to \$500	24	139	\$133.08	\$18,540	6.36%	\$1,179
		Unit Cost: 5. \$500 to \$1,000	1	2	\$785.00	\$1,758	5.00%	\$88
		Carpentry Total	1,608	571,359	\$0.87	\$496,318	4.76%	\$23,636
	Hardware & Distribution	Unit Cost: 1. under \$10	408	1,094,468	\$0.16	\$170,573	3.85%	\$6,571
		Unit Cost: 2. \$10 to \$50	224	7,202	\$21.04	\$151,561	3.71%	\$5,630
		Unit Cost: 3. \$50 to \$100	47	705	\$77.76	\$54,843	9.07%	\$4,977
		Unit Cost: 4. \$100 to \$500	14	96	\$150.09	\$14,445	8.13%	\$1,174
		Unit Cost: 5. \$500 to \$1,000	1	2	\$697.92	\$1,396	3.50%	\$49
		Hardware & Distribution Total	694	1,102,473	\$0.36	\$392,818	4.68%	\$18,401
	Windows & Patio Doors	Unit Cost: 1. under \$10	396	3,872,014	\$0.06	\$248,532	4.39%	\$10,917
		Unit Cost: 2. \$10 to \$50	52	2,681	\$18.11	\$48,567	6.69%	\$3,249
		Unit Cost: 3. \$50 to \$100	14	661	\$65.16	\$43,073	9.82%	\$4,232
		Unit Cost: 4. \$100 to \$500	3	94	\$142.35	\$13,381	9.53%	\$1,275
		Windows & Patio Doors Total	465	3,875,450	\$0.09	\$353,553	5.56%	\$19,672
	Lumber & Sheathing	Unit Cost: 1. under \$10	112	39,767	\$3.55	\$141,014	11.12%	\$15,674
		Unit Cost: 2. \$10 to \$50	105	10,578	\$16.37	\$173,195	11.51%	\$19,942
		Unit Cost: 3. \$50 to \$100	14	332	\$57.72	\$19,164	12.33%	\$2,363
		Unit Cost: 4. \$100 to \$500	23	70	\$136.24	\$9,537	12.33%	\$1,176
		Unit Cost: 5. \$500 to \$1,000	2	5	\$855.31	\$4,277	13.20%	\$564
		Lumber & Sheathing Total	256	50,752	\$6.84	\$347,187	11.44%	\$39,720
	Marketing	Unit Cost: 1. under \$10	25	30,540	\$0.45	\$13,594	0.00%	\$0
		Unit Cost: 2. \$10 to \$50	4	70	\$29.67	\$2,077	0.00%	\$0
		Unit Cost: 3. \$50 to \$100	2	84	\$50.30	\$4,225	0.00%	\$0
	Marketing Total	31	30,694	\$0.65	\$19,896	0.00%	\$0	
Viceroy Total		3,054	5,630,729	\$0.29	\$1,609,771	6.30%	\$101,429	
Grand Total		3,277	5,631,654	\$0.50	\$2,834,372	10.16%	\$287,904	

Purpose of Exhibit: Analysis of expected recovery values at current cost, selling price at current inventory levels.
Source: Viceroy Homes Limited Inventory Listing, as at November 30, 2014

Viceroy Homes Limited

INVENTORY RECOVERY ANALYSIS - BY LIST, GROUP & EXT. COST STRATA
as at November 30, 2014

Co. List	Grouping	Cost Strata	SKU's	Qty	Unit Cost	Ext Cost	Rec%	Rec\$	
PCS	Windows & Patio Doors	Cost: 1. under \$750	30	30	\$198.53	\$5,956	14.23%	\$848	
		Cost: 2. \$750 to \$2,500	13	13	\$1,468.98	\$19,097	15.32%	\$2,926	
		Cost: 3. \$2,500 to \$5,000	4	4	\$3,767.63	\$15,071	15.41%	\$2,322	
		Cost: 4. \$5,000 to \$10,000	5	5	\$7,419.70	\$37,098	14.24%	\$5,285	
		Cost: 5. \$10,000 to \$20,000	2	2	\$19,350.38	\$38,701	15.24%	\$5,899	
		Cost: 6. over \$20,000	19	19	\$43,333.29	\$823,332	15.72%	\$129,423	
	Windows & Patio Doors Total		73	73	\$12,866.51	\$939,255	15.62%	\$146,701	
PCS Total			73	73	\$12,866.51	\$939,255	15.62%	\$146,701	
Selco	Windows & Patio Doors	Cost: 1. under \$750	74	110	\$258.73	\$28,460	11.49%	\$3,271	
		Cost: 2. \$750 to \$2,500	54	265	\$308.28	\$81,694	11.32%	\$9,252	
		Cost: 3. \$2,500 to \$5,000	9	87	\$353.07	\$30,717	11.28%	\$3,466	
		Cost: 4. \$5,000 to \$10,000	8	184	\$274.29	\$50,469	16.37%	\$8,260	
		Cost: 5. \$10,000 to \$20,000	2	61	\$494.97	\$30,193	15.15%	\$4,575	
		Cost: 6. over \$20,000	2	146	\$439.42	\$64,156	17.07%	\$10,950	
		Cost: 8. Returns	1	-1	\$343.00	-\$343	0.00%	\$0	
			Windows & Patio Doors Total		150	852	\$334.91	\$285,346	13.94%
Selco Total			150	852	\$334.91	\$285,346	13.94%	\$39,774	
Viceroy	Carpentry	Cost: 1. under \$750	1,441	338,442	\$0.53	\$178,340	3.40%	\$6,061	
		Cost: 2. \$750 to \$2,500	138	179,542	\$1.03	\$184,432	4.33%	\$7,988	
		Cost: 3. \$2,500 to \$5,000	21	35,879	\$1.84	\$66,106	3.64%	\$2,409	
		Cost: 4. \$5,000 to \$10,000	6	10,744	\$3.68	\$39,557	10.09%	\$3,992	
		Cost: 5. \$10,000 to \$20,000	2	6,753	\$4.13	\$27,883	11.43%	\$3,186	
		Carpentry Total		1,608	571,359	\$0.87	\$496,318	4.76%	\$23,636
	Hardware & Distribution	Cost: 1. under \$750	558	405,617	\$0.22	\$90,075	1.88%	\$1,695	
		Cost: 2. \$750 to \$2,500	104	327,097	\$0.43	\$140,189	4.38%	\$6,134	
		Cost: 3. \$2,500 to \$5,000	22	360,084	\$0.22	\$79,950	4.57%	\$3,657	
		Cost: 4. \$5,000 to \$10,000	9	5,931	\$11.30	\$67,033	7.54%	\$5,052	
		Cost: 5. \$10,000 to \$20,000	1	3,744	\$4.16	\$15,571	11.97%	\$1,864	
		Hardware & Distribution Total		694	1,102,473	\$0.36	\$392,818	4.68%	\$18,401
	Windows & Patio Doors	Cost: 1. under \$750	338	505,927	\$0.16	\$80,723	4.17%	\$3,365	
		Cost: 2. \$750 to \$2,500	93	1,063,759	\$0.12	\$127,428	4.95%	\$6,307	
		Cost: 3. \$2,500 to \$5,000	27	1,802,858	\$0.05	\$89,099	5.48%	\$4,880	
		Cost: 4. \$5,000 to \$10,000	5	501,361	\$0.07	\$35,321	10.02%	\$3,538	
		Cost: 5. \$10,000 to \$20,000	2	1,545	\$13.58	\$20,982	7.54%	\$1,582	
		Windows & Patio Doors Total		465	3,875,450	\$0.09	\$353,553	5.56%	\$19,672
	Lumber & Sheathing	Cost: 1. under \$750	129	5,174	\$6.42	\$33,218	5.51%	\$1,830	
		Cost: 2. \$750 to \$2,500	84	17,599	\$6.76	\$118,883	11.78%	\$14,007	
		Cost: 3. \$2,500 to \$5,000	31	15,353	\$6.89	\$105,774	12.27%	\$12,979	
		Cost: 4. \$5,000 to \$10,000	11	11,578	\$6.65	\$76,988	12.23%	\$9,415	
		Cost: 5. \$10,000 to \$20,000	1	1,048	\$11.76	\$12,324	12.09%	\$1,490	
		Lumber & Sheathing Total		256	50,752	\$6.84	\$347,187	11.44%	\$39,720
	Marketing	Cost: 1. under \$750	24	1,118	\$1.01	\$1,130	0.00%	\$0	
		Cost: 2. \$750 to \$2,500	4	24,083	\$0.27	\$6,619	0.00%	\$0	
		Cost: 3. \$2,500 to \$5,000	2	1,792	\$3.73	\$6,676	0.00%	\$0	
		Cost: 4. \$5,000 to \$10,000	1	3,701	\$1.48	\$5,470	0.00%	\$0	
	Marketing Total		31	30,694	\$0.65	\$19,896	0.00%	\$0	
Viceroy Total			3,054	5,630,729	\$0.29	\$1,609,771	6.30%	\$101,429	
Grand Total			3,277	5,631,654	\$0.50	\$2,834,372	10.16%	\$287,904	

Purpose of Exhibit: Analysis of expected recovery values at current cost, selling price at current inventory levels.
Source: Viceroy Homes Limited Inventory Listing, as at November 30, 2014

Viceroy Homes Limited

INVENTORY RECOVERY ANALYSIS - BY LIST, GROUP & DELIVERY TIME
as at November 30, 2014

Co. List	Grouping	Delivery/Obs	SKU's	Qty	Unit Cost	Ext Cost	Rec%	Rec\$
PCS	Windows & Patio Doors	1. Delivery in 45 days	31	31	\$16,331.93	\$506,290	20.00%	\$101,248
		2. Delivery over 45 days	42	42	\$10,308.70	\$432,965	10.50%	\$45,453
	Windows & Patio Doors Total		73	73	\$12,866.51	\$939,255	15.62%	\$146,701
PCS Total			73	73	\$12,866.51	\$939,255	15.62%	\$146,701
Selco	Windows & Patio Doors	3. No delivery date	150	852	\$334.91	\$285,346	13.94%	\$39,774
	Windows & Patio Doors Total		150	852	\$334.91	\$285,346	13.94%	\$39,774
Selco Total			150	852	\$334.91	\$285,346	13.94%	\$39,774
Viceroy	Carpentry	3. No delivery date	1,608	571,359	\$0.87	\$496,318	4.76%	\$23,636
	Carpentry Total		1,608	571,359	\$0.87	\$496,318	4.76%	\$23,636
	Hardware & Distribution	3. No delivery date	659	1,096,587	\$0.34	\$368,950	4.99%	\$18,401
		4. Obsolete	35	5,887	\$4.05	\$23,868	0.00%	\$0
	Hardware & Distribution Total		694	1,102,473	\$0.36	\$392,818	4.68%	\$18,401
	Windows & Patio Doors	3. No delivery date	464	3,875,443	\$0.09	\$353,187	5.57%	\$19,672
		4. Obsolete	1	7	\$52.16	\$365	0.00%	\$0
	Windows & Patio Doors Total		465	3,875,450	\$0.09	\$353,553	5.56%	\$19,672
	Lumber & Sheathing	3. No delivery date	256	50,752	\$6.84	\$347,187	11.44%	\$39,720
	Lumber & Sheathing Total		256	50,752	\$6.84	\$347,187	11.44%	\$39,720
Marketing	3. No delivery date	31	30,694	\$0.65	\$19,896	0.00%	\$0	
Marketing Total		31	30,694	\$0.65	\$19,896	0.00%	\$0	
Viceroy Total			3,054	5,630,729	\$0.29	\$1,609,771	6.30%	\$101,429
Grand Total			3,277	5,631,654	\$0.50	\$2,834,372	10.16%	\$287,904

Purpose of Exhibit: Analysis of expected recovery values at current cost, selling price at current inventory levels.
Source: Viceroy Homes Limited Inventory Listing, as at November 30, 2014

Viceroy Homes Limited

WEBSITE

www.viceroy.com



THE FERNCLIFF
3 BED, 2.5 BATH

Footprint 73'-4" x 34'-8"
Living Area 2354 Sq.Ft.

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THE GLENDALE
2 BED, 2 BATH

Footprint 51'-4" x 51'-4"
Living Area 1896 Sq.Ft.

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THE GLENDORA
3 BED, 2 BATH

Footprint 30'-8" x 40'-0"
Living Area 1682 Sq.Ft.

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Viceroy Homes Limited

SITE VISIT PHOTOS

1) Port Hope, ON - Warehouse View



2) Port Hope, ON - Window Inventory



3) Richmond, BC - Warehouse View



4) Richmond, BC - Lumber Inventory



Purpose of Exhibit: Representative photos taken during site visit.
Source: Century Services

Viceroy Homes Limited

FACILITY OPERATING COSTS

	Port Hope, ON 2014-2015 forecast	Richmond, B.C. 2014-2015 forecast	Total
Monthly Occupancy			
Lease	\$0	\$0	\$0
Rent	\$0	\$0	\$0
Mortgage	\$0	\$0	\$0
Property Taxes, Insurance:	\$22,500	\$20,000	\$42,500
Common Area Charges	\$0	\$0	\$0
Other	\$0	\$0	\$0
Total	\$22,500	\$20,000	\$42,500
Monthly Utilities			
Telephone	\$18,000	\$4,000	\$22,000
Water	\$0	\$0	\$0
Electricity	\$31,000	\$7,000	\$38,000
Gas	\$4,000	\$1,250	\$5,250
Other	\$0	\$0	\$0
Other	\$0	\$0	\$0
Total	\$53,000	\$12,250	\$65,250
Monthly Payroll			
Payroll - Indirect	\$172,450	\$159,184	\$331,634
Payroll - Manufacturing	\$204,377	\$167,218	\$371,595
Payroll - Retail Store(s)	\$0	\$0	\$0
Payroll - Sales and Commission	\$75,387	\$22,518	\$97,905
Payroll - Salary, Mgmt., IT, Admin.	\$97,000	\$0	\$97,000
Payroll - Union [in Mfg. Labour]	\$0	\$0	\$0
Total	\$549,214	\$348,920	\$898,134
Average Monthly Costs	\$ 624,714	\$ 381,170	\$ 1,005,884
# of Employees			
# SALARY : Executive	5	1	6
# SALARY : Staff	51	19	70
# HOURLY : Supervisory	5	6	11
# HOURLY : Labour	70	50	120
Total	131	76	207
Total # UNIONIZED	70	56	126

Viceroy Homes Limited

TRENDSHEET SOURCE DATA AND F/S RECONCILIATION

MONTH	YEAR	Sales	COGS	Income before Income Taxes	Inventory	GM %	Turns (@Sales)	Finished Goods	Raw Material	WIP	Other: (Explain)	TOTAL INVENTORY
January	2012	\$577,183	\$451,674	\$0	\$3,933,051	21.7%	1.8	\$675,814	\$2,032,504	\$463,482	\$761,253	\$3,933,051
February	2012	\$1,731,550	\$1,355,021	-\$1,123,176	\$3,589,967	21.7%	5.8	\$489,185	\$2,030,749	\$424,449	\$645,584	\$3,589,967
March	2012	\$1,464,475	\$1,125,881	-\$888,404	\$3,855,457	23.1%	4.6	\$613,843	\$2,114,546	\$424,440	\$702,628	\$3,855,457
April	2012	\$2,895,182	\$1,911,282	-\$360,072	\$4,286,033	34.0%	8.1	\$359,618	\$2,810,631	\$363,622	\$752,162	\$4,286,033
May	2012	\$3,646,144	\$2,506,970	-\$321,219	\$4,788,318	31.2%	9.1	\$745,600	\$2,855,219	\$426,648	\$760,851	\$4,788,318
June	2012	\$4,468,561	\$3,129,188	-\$198,916	\$4,411,090	30.0%	12.2	\$505,577	\$2,762,489	\$401,253	\$741,771	\$4,411,090
July	2012	\$4,111,546	\$2,947,065	-\$196,982	\$4,768,994	28.3%	10.3	\$756,861	\$2,868,418	\$400,978	\$742,737	\$4,768,994
August	2012	\$6,615,752	\$4,558,715	\$370,737	\$5,038,350	31.1%	15.8	\$517,076	\$3,410,038	\$420,998	\$690,238	\$5,038,350
September	2012	\$4,148,246	\$3,053,963	-\$350,643	\$4,678,663	26.4%	10.6	\$487,382	\$3,142,406	\$375,568	\$673,307	\$4,678,663
October	2012	\$3,873,093	\$2,894,528	-\$473,021	\$4,285,283	25.3%	10.8	\$308,168	\$2,905,165	\$439,778	\$632,172	\$4,285,283
November	2012	\$3,028,633	\$2,422,423	-\$765,808	\$4,057,407	20.0%	9.0	\$559,173	\$2,254,835	\$598,331	\$645,068	\$4,057,407
December	2012	\$2,714,965	\$1,364,645	-\$3,422,639	\$4,276,135	49.7%	7.6	\$862,442	\$2,034,258	\$502,514	\$876,921	\$4,276,135
2012 Total		\$39,275,330	\$27,721,354	-\$7,730,143	\$4,330,729	29.4%	9.1	\$573,395	\$2,601,771	\$436,838	\$718,724	\$4,330,729
January	2013	\$1,023,470	\$754,115	\$0	\$4,181,652	26.3%	2.9	\$637,519	\$2,162,156	\$513,504	\$868,474	\$4,181,652
February	2013	\$3,070,409	\$2,262,344	-\$1,835,287	\$4,087,168	26.3%	9.0	\$412,596	\$2,290,053	\$524,493	\$860,026	\$4,087,168
March	2013	\$2,415,953	\$1,796,559	-\$767,855	\$3,962,992	25.6%	7.3	\$373,355	\$2,336,433	\$398,227	\$854,977	\$3,962,992
April	2013	\$2,413,975	\$2,082,109	-\$841,947	\$4,436,461	13.7%	6.5	\$476,537	\$2,593,243	\$336,293	\$1,030,388	\$4,436,461
May	2013	\$4,331,840	\$3,501,604	-\$606,794	\$5,452,379	19.2%	9.5	\$795,132	\$3,084,966	\$340,323	\$1,231,958	\$5,452,379
June	2013	\$5,892,626	\$4,662,064	-\$423,395	\$5,628,464	20.9%	12.6	\$541,418	\$3,483,494	\$379,838	\$1,223,714	\$5,628,464
July	2013	\$4,684,949	\$3,699,263	-\$724,196	\$6,150,877	21.0%	9.1	\$1,412,376	\$3,066,928	\$456,116	\$1,215,457	\$6,150,877
August	2013	\$6,823,507	\$5,168,700	\$7,108	\$5,767,007	24.3%	14.2	\$1,515,649	\$2,801,424	\$334,067	\$1,115,867	\$5,767,007
September	2013	\$4,858,860	\$3,682,828	-\$450,886	\$6,091,351	24.2%	9.6	\$1,844,314	\$2,777,476	\$394,328	\$1,075,233	\$6,091,351
October	2013	\$5,986,541	\$4,439,926	-\$264,569	\$4,916,162	25.8%	14.6	\$1,356,653	\$2,289,226	\$331,430	\$938,853	\$4,916,162
November	2013	\$5,319,435	\$3,796,478	-\$143,227	\$4,317,720	28.6%	14.8	\$1,168,099	\$2,032,804	\$264,723	\$852,094	\$4,317,720
December	2013	\$3,046,999	\$2,926,089	-\$1,968,242	\$3,635,669	4.0%	10.1	\$639,373	\$1,964,602	\$273,797	\$757,897	\$3,635,669
2013 Total		\$49,868,563	\$38,772,078	-\$8,019,290	\$4,885,658	22.3%	10.2	\$931,085	\$2,573,567	\$378,928	\$1,002,078	\$4,885,658
January	2014	\$836,673	\$628,980	\$0	\$3,912,339	24.8%	2.6	\$932,247	\$1,897,180	\$255,985	\$826,928	\$3,912,339
February	2014	\$2,510,018	\$1,886,941	-\$2,026,648	\$4,189,008	24.8%	7.2	\$1,225,120	\$1,829,757	\$238,173	\$895,958	\$4,189,008
March	2014	\$1,593,168	\$1,780,095	-\$1,535,091	\$3,891,708	-11.7%	4.9	\$710,296	\$1,979,398	\$214,691	\$987,323	\$3,891,708
April	2014	\$944,338	\$1,559,532	-\$1,940,057	\$3,940,612	-65.1%	2.9	\$775,348	\$1,931,368	\$197,841	\$1,036,055	\$3,940,612
May	2014	\$2,641,524	\$2,189,213	-\$1,055,364	\$3,657,569	17.1%	8.7	\$703,343	\$1,706,583	\$218,282	\$1,029,361	\$3,657,569
June	2014	\$3,026,930	\$2,311,581	-\$572,704	\$3,988,591	23.6%	9.1	\$839,651	\$1,797,404	\$231,857	\$1,119,679	\$3,988,591
July	2014	\$1,987,363	\$2,064,269	-\$1,564,017	\$4,036,263	-3.9%	5.9	\$795,080	\$2,066,180	\$229,252	\$945,751	\$4,036,263
August	2014	\$3,571,452	\$2,952,762	-\$774,793	\$3,230,083	17.3%	13.3	\$246,526	\$1,952,046	\$241,152	\$790,359	\$3,230,083
September	2014	\$3,312,392	\$2,796,064	-\$844,511	\$3,189,209	15.6%	12.5	\$271,843	\$2,055,670	\$236,075	\$625,621	\$3,189,209
October	2014	\$0	\$0	\$0	\$0	0.0%	-	\$0	\$0	\$0	\$0	\$0
November	2014	\$0	\$0	\$0	\$0	0.0%	-	\$0	\$0	\$0	\$0	\$0
December	2014	\$0	\$0	\$0	\$0	0.0%	-	\$0	\$0	\$0	\$0	\$0
2014 Total		\$20,423,857	\$18,169,437	-\$10,313,185	\$2,836,282	11.0%	7.2	\$541,621	\$1,434,632	\$171,942	\$688,086	\$2,836,282
Averages		\$2,282,661	\$1,763,810	-\$542,971	\$3,013,167	22.7%	9.1	\$511,525	\$1,652,493	\$246,927	\$602,222	\$3,013,167
Grand Total		\$109,567,750	\$84,662,869	-\$26,062,618		22.7%						

Purpose of Exhibit: Source information for preparation of trend analyses.
Source: Viceroy Homes Limited Management prepared spreadsheet

Viceroy Homes Limited

MANAGEMENT INFORMATION SYSTEMS AND INVENTORY REPORTING POLICIES

Category	Questions	Management Responses
MIS Software	Name of Software used. Version #:	Baan Version Baan4c4
	External Vendor/Supplier/Supported by:	Disus
	Install date. Date of last upgrade.	Installed 1999, upgrade in 2007
	Is the inventory MIS fully integrated with the company G/L? EDI compatible?	The system is fully integrated
	Can the software produce electronic reporting ? Format - .xl .db .txt .pdf etc.	Yes, it can produce reports in electronic format
Data Entry	Are incoming goods/RM entered with Barcode/Wand or manually?	Barcode
	Are Finished Goods shipped using Barcode/Wand?	Barcode
Inventory	Inventory counted: ie cycle, monthly, quarterly, annual basis:	Quarterly, and some products weekly
	Last full count:	14-Jan-14
Inventory Costing	Inventory carried at: ie actual cost, average, most recent, standard cost, etc.? FIFO, LIFO?	FIFO
Inventory Cost Adjustments	Perpetual basis, monthly, annual?	Annual
	Date, amount and reason for last adjustment:	
Slow Moving Inventory Obsolete Inventory	Slow moving inventory is defined as:	Slow moving inventory is defined as items older than 1 year old.
	Obsolete inventory is defined as:	Items over 2 years old
	Slow & Obsolete inventory is sold or disposed how? If sold at a discount, how much was the discount?	We sell it by auction. Irregularly, as it accumulates.
	When was date of last sale? Who was it sold to?	In 2012, it was sold to whomever came to the auction
	Date of next sale, items to be sold:	Nothing scheduled
Inventory Reserve	Amount of reserve for slow moving and obsolete inventory : 1) Currently being carried on financial statements	Currently: 210,507 CAD; Projected year end: 210,507 CAD
Currency	All financial information in this report is shown in:	Canadian Dollars
Financial Year End	DD/MM/YYYY	31-Dec-14
Exit/Discontinued	Product lines or businesses planned for exit or to be discontinued in next 12 months:	none

Purpose of Exhibit: Table of MIS and Inventory systems and procedures.

Source: Viceroy Homes Limited Management prepared spreadsheet



Appraisals

Century provides comprehensive and guaranteed appraisal services throughout North America.

Our clients include public and private corporations, financial institutions, court appointed and privately engaged corporate advisers. These clients rely on our professional appraisers to accurately value assets for the purposes of financing, mergers/acquisitions, insurance, and asset disposal.

Our valuation assignments cover a full range of assets, including machinery and equipment, consumer/industrial inventories, real estate and accounts receivables, to commonly undervalued assets such as customer lists, fixtures and leases.

The Century Guarantee

Clients rely on Century valuations. We will guarantee our Forced Sale Value appraisals with a net minimum guaranteed return, or an outright purchase.



Auctions & Liquidations

Century's experts provide tailored recovery strategies through auctions, liquidations and other methods best suited to maximize the asset-to-cash realization for each client.

Auctions

Century conducts widely advertised Unreserved/Absolute Auctions which ensures maximum attendance and competitive bidding. We continually update our extensive database so motivated potential buyers are notified of upcoming sales.

Liquidations

Century has extensive experience operating Liquidation Sales of products in Retail, Wholesale and Commercial and Industrial settings.

Other Methods of Sale

Century markets less commonly traded assets by employing different sales strategies, which include Tenders, Offers for Sale, and Direct Sales campaigns.

Century will sell assets on a straight commission or fixed fee basis. Alternately, we can provide a net minimum guaranteed return or outright purchase option.



Asset Based Financing

Century provides financing to North American based companies who require short-term capital where conventional sources may be unavailable. We emphasize swift turnarounds for clients with pressing and immediate needs.

APPENDIX E



VICEROY HOMES LIMITED

VALUATION DATE: DECEMBER 15, 2014

EFFECTIVE DATE: DECEMBER 3, 2014

MACHINERY AND
EQUIPMENT APPRAISAL

FORCED SALE VALUE
SUMMARY APPRAISAL REPORT



CENTURY
SERVICES INC.

"Dedicated to identifying and unlocking corporate value."

CENTURY SERVICES INC.
6 DIRECTOR COURT, SUITE 200
VAUGHAN, ON L4L 3Z5

APPRAISER:

RAYMOND BROWN

COMPANY OVERVIEW | PRIMARY CONTACT INFORMATION

COMPANY NAME:	Viceroy Homes Limited
INDUSTRY:	Other Building Material Dealers
NAICS CODE:	444190
HEAD OFFICE:	Port Hope, ON
# OF LOCATIONS:	2
CLIENT INFORMATION:	William R Simpson, Vice President Finance Viceroy Homes Limited, BSimpson@viceroy.com
APPRAISER INFORMATION:	Raymond Brown, CEA, rbrown@centuryservices.com

APPRAISAL OVERVIEW

VALUATION TYPE:	FORCED SALE VALUE
VALUATION DATE:	DECEMBER 15, 2014
EFFECTIVE DATE:	DECEMBER 3, 2014
INSPECTION DATES:	NOVEMBER 27 & DECEMBER 3, 2014

SUMMARY OF VALUE CONCLUSIONS

ASSET CLASS		FSV (\$CAD)
Port Hope, ON Facility		\$1,024,000
Richmond, BC Facility		\$478,000
TOTAL		\$1,502,000

December 15, 2014

Sent via E-mail: BSimpson@viceroy.com

Revised

Viceroy Homes Limited
414 Croft Road
Port Hope, ON L1A 4H1

Attention: Mr. William R. Simpson

RE: Viceroy Homes Limited
414 Croft Road
Port Hope, ON L1A 4H1

Dear Sir:

Century Services Inc. (“**Century**”) provides herewith a valuation of certain fixed assets and inventory (“**Assets**”) of Viceroy Homes Limited (“**Viceroy**” or the “**Company**”). The value conclusions expressed in this letter of transmittal and in the accompanying report shall be effective as of December 3, 2014 (the “**Effective Date**”).

The purpose of Century’s engagement was to provide a written opinion assessing the gross recovery values of the Assets under a **Forced Sale Value** scenario. Century understands this valuation is being prepared for financing purposes.

This Appraisal is intended for the sole use of Viceroy Homes Limited and not intended for general circulation or distribution, nor is it to be reproduced or used for any purpose other than expressly indicated.

SUMMARY OF VALUE CONCLUSIONS:

Based upon our analysis, data maintained in our work files, and the methodology outlined in the accompanying report, Century estimates the **Forced Sale Value** of the Assets to be **ONE MILLION FIVE HUNDRED TWO THOUSAND DOLLARS (\$1,502,000)**, as of the Effective Date.

The value conclusions expressed herein are subject to the Methodology, Analyses, Observations, Comments, Limiting Conditions, and Critical Assumptions identified in the accompanying report. Consequently, the results stated in this letter of transmittal cannot be fully understood without the accompanying report, and shall be considered incomplete in the event this letter is separated from the report.

The scope of Century’s work included field inspections, discussions with Company representatives, a Non-inspected Analysis of uninspected equipment, and an analysis and valuation of certain Assets identified by William R Simpson as being property of Viceroy Homes Limited. Assets such as real estate, leased equipment, third party property, spare parts, materials and supplies, and any intangible assets have been excluded from this valuation as they have been deemed outside the scope of this engagement.

The projections of value identified above and in the accompanying report are based upon an analysis of the Assets and the consideration and reconciliation of the three accepted approaches to value. These valuation approaches include the **Cost Approach**, the **Sales Comparison (Market) Approach**, and the **Income Approach**.

The attached report has been prepared in conformance with the **Uniform Standards of Professional Appraisal Practice ("USPAP")** published by the Appraisal Standards Board, and the **Principles of Appraisal Practice and Code of Ethics** of the Association of Machinery and Equipment Appraisers. Specifically, this report complies with the reporting requirements set forth under Standards Rule 8-2 (b) of USPAP for a Summary Appraisal Report.

The accompanying Summary Appraisal Report provides a summary discussion of the data, analyses, and reasoning used by Century to arrive at the opinions of value identified above and in the accompanying report. A copy of this report and the data, reasoning, and analyses supporting Century's value conclusions shall remain in our files and be retained for a period of at least five (5) years after preparation, or at least two (2) years after final disposition of any judicial proceeding as required by the Records Keeping section of USPAP.

The value opinions expressed in this appraisal are contingent upon the analysis, facts, and conditions presented in the accompanying report.

Respectfully yours,
CENTURY SERVICES INC.



Per: _____
Raymond Brown, CEA
Regional Manager

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December 15, 2014

Sent via E-mail: BSimpson@viceroy.com

Revised

Viceroy Homes Limited
414 Croft Road
Port Hope, ON L1A 4H1

Attention: Mr. William R. Simpson

RE: Viceroy Homes Limited
414 Croft Road
Port Hope, ON L1A 4H1

I. INTRODUCTION

CLIENT

Century Services Inc. (“**Century**”) was retained by Viceroy Homes Limited to provide a valuation of certain fixed assets (the “**Assets**”) belonging to Viceroy Homes Limited (“**Viceroy**” or “**Company**”).

INTENDED USER

This Appraisal is intended for the sole use of Viceroy Homes Limited and not intended for general circulation or distribution, nor is it to be reproduced or used for any purpose other than that outlined herein.

PURPOSE OF APPRAISAL AND PREMISE OF VALUE

Century understands this valuation is being prepared for financing purposes. Based upon the aforementioned purpose and discussions with the Client and Intended User, Century has valued the Assets under the premise of **Forced Sale Value (“FSV”)**. This appraisal shall not be reproduced or used for any purpose other than expressly indicated.

VALUATION AND INSPECTION DATES

This appraisal and the opinions of value expressed herein shall be effective as of December 3, 2014 (the “**Effective Date**”). Inspection of the Assets was executed by Raymond Brown and Tom Haw at the locations identified below on November 27 & December 3, 2014.

Century executed site visits and Asset inspections at the following locations:

1. 414 Croft Road, Port Hope, ON
2. 12211 Horseshoe Way, Richmond, BC

II. SUMMARY OF VALUE CONCLUSIONS

Based upon our analysis, data maintained in our work files, and the methodology outlined in this report, Century estimates the **Forced Sale Value** of the Assets to be **ONE MILLION FIVE HUNDRED TWO THOUSAND DOLLARS (\$1,502,000)**, as of December 3, 2014.

III. COMPANY AND ASSET DISCUSSION

COMPANY OVERVIEW

Viceroy Homes designs, engineers and manufactures panelized and precut custom homes.

ASSET OVERVIEW

As set out in the attached Schedule "B"- "C" listings, the Assets appraised within this engagement included Woodworking Equipment, Truss Manufacturing Equipment, Plastic Extrusion Equipment, Window Manufacturing Equipment, Warehouse and Material Handling Equipment.

Generally speaking, Century deemed the Assets to be in good overall condition. Some of the production equipment is currently not installed and will be reinstalled as the manufacturing process is realigned. This opinion of overall condition was based upon discussions with Company representatives, information provided by the Company, and observation of readily apparent physical condition attributes at time of site visits.

IV. SCOPE OF WORK AND CONSIDERATIONS

The scope of Century's work included field inspections, discussions with Company representatives, a Non-inspected Analysis of uninspected equipment, and an analysis and valuation of certain Assets identified by William R Simpson as being property of Viceroy Homes Limited. Assets such as real estate, leased equipment, third party property, spare parts, materials and supplies, and any intangible assets have been excluded from this valuation as they have been deemed outside the scope of this engagement.

The scope of Century's work did not include investigation of any financial data to substantiate present or prospective earning capacities of business operations in which the Assets are currently employed. Unless expressly stated otherwise, Century has assumed prospective earnings would provide a fair return on the value of the Assets.

The projections of value identified herein are subject to the Methodology, Analyses, Observations, Comments, Limiting Conditions and Critical Assumptions identified below.

The projections of value identified herein are based upon an analysis of the Assets and a consideration and reconciliation of the three generally accepted approaches to value. These valuation approaches include the **Cost Approach**, the **Sales Comparison (Market) Approach**, and the **Income Approach**.

This report has been prepared in conformance with the **Uniform Standards of Professional Appraisal Practice ("USPAP")** published by the Appraisal Standards Board, and the **Principles of Appraisal Practice and Code of Ethics** of

the Association of Machinery and Equipment of Appraisers. Specifically, this report complies with the reporting requirements set forth under Standards Rule 8-2 (b) of USPAP for a Summary Appraisal Report.

This Summary Appraisal Report provides a summary discussion of the data, analysis, and reasoning used by Century to arrive at the opinions of value identified herein. A copy of this report and the data, reasoning, and analysis supporting Century's value conclusions shall remain in our files and be retained for a period of at least five (5) years after preparation, or at least two (2) years after final disposition of any judicial proceeding as required by the Records Keeping section of USPAP.

USPAP requires the appraiser analyze the appraisal problem to be solved and the work necessary to develop credible results when setting the scope of work for a given appraisal assignment. Century has deemed the scope of work outlined above and in the Valuation Process section below sufficient to produce credible results for this appraisal assignment.

V. VALUATION PROCESS

METHODOLOGY

Century employed the following procedures to determine the value conclusions rendered herein:

1. Review and analysis of Asset records and other informational materials supplied by Viceroy Homes Limited.
2. Site visitations conducted November 27 and December 3, 2014 to inspect and analyze the Assets and to prepare a detailed listing, per the attached Schedule "B" – "C", complete with descriptions, and serial numbers where available.
3. Discussions with company personnel of Viceroy concerning condition, cost, age, utilization and ownership of the Assets.
4. Consideration of data obtained from Assets at time of site visits including, but not limited to, age, hours, kilometres, and other readily apparent and discernable operational condition and physical deterioration attributes. Said data was in turn measured against available market comparables where appropriate.
5. Utilization of certain data resources including, but not limited to, related auction houses, online database sites, original equipment manufacturers, and used machinery and equipment publications. Specific sources and contacts included:
 - a. Data Ref Online published by L&M Publications;
 - b. Top Bid, published by Randall Publishing Co.;
 - c. Last Bid, published by Primedia Publication
 - d. Various Industry Websites;
6. Review and analysis of Century's proprietary in-house auction and liquidation library and archives. Adjustments have been made, where applicable, to reflect differences between the specific Assets and that sold in previous sales.

7. Consideration of current market and geographical conditions for Assets of like kind.
8. Consideration of applicable functional and economic obsolescence factors.
9. Discussions regarding the following factors with various machinery and equipment suppliers, dealers and manufactures:
 - a. marketability and timing issues,
 - b. general market conditions, and
 - c. market trends and prices.
10. Consideration of current auction, used machinery and equipment dealer, and alternate end user prices that may be realized for similar Assets, on an “as is condition, where is location” basis.
11. Consideration of the cost to acquire similar machinery and equipment, if available, and the expense and difficulty of removal of the Assets from their present locations.

VI. VALUATION THEORY

APPROACHES TO VALUE

There are three generally accepted approaches to estimate value:

SALES COMPARISON (MARKET) APPROACH

The Sales Comparison Approach relies upon an analysis of recently consummated sales transactions and offering prices of similar property to arrive at an indication of the most probable selling price of the contemplated property. If the comparables are not exactly like the items being appraised, the selling prices are adjusted to equate them to the selling characteristics of the subject property. Examples of possible adjustments include those for the age, condition, and capacity of the assets; the location, date, and type of sale (e.g., retail sale, auction sale, or asking price); and, when appraising under the concept of continued use, the value associated with putting the asset to use.

The logic behind the Sales Comparison Approach is the principle of substitution, wherein a prudent buyer would not pay more for a certain asset than the cost to acquire a similar asset of equivalent utility. The market typically consists of used equipment dealers, auctions, liquidations, and public and private sales transactions. Century also relied on our transactional experience and proprietary database of appraisal, liquidation, and auction results.

COST APPROACH

The Cost Approach begins with current replacement cost of the contemplated property and deducts the loss in value caused by Physical Deterioration, Functional Obsolescence, and Economic Obsolescence.

As with the Sales Comparison Approach, the logic behind the Cost Approach is the principle of substitution, wherein a prudent buyer would not pay more for a certain asset than the cost to acquire a substitute asset of equivalent utility.

INCOME APPROACH

The Income Approach considers the value of the assets in relation to the present worth of future benefits from ownership, and is typically measured through the capitalization of a specific level of income. This approach is seldom used for individual pieces of machinery because of the difficulty arising from assigning income to any particular fixed asset.

Century's analysis included a consideration of all three approaches to value. The approach was then utilized, and the resulting value conclusions were reconciled. Based upon our analysis, the Sales Comparison Approach was deemed appropriate for this valuation.

ALTERNATE USE & APPROPRIATE MARKET

The process of determining the Alternate Use & Appropriate Market of the Subject Assets includes an analysis of the current use and alternative uses to identify what is profitable, legally permissible, physically possible, and financially feasible, as relevant to the type and definition of value and the intended use of the appraisal.

According to the 2012-2013 version of USPAP, Alternate Use & Appropriate Market in the context of personal property typically equates to choosing: (a.) analyze the property's current use and alternative uses as relevant to the type and definition of value and intended use of the appraisal; (b.) define and analyze the appropriate market consistent with the type and definition of value; (c.) and analyze the relevant economic conditions that exist on the effective date of the valuation, including market acceptability of the property and supply, demand, scarcity, or rarity. (Comment to Standards Rule 7-3).

As such, in the process of developing our conclusions of value, Century considered the appropriate market and level of trade for the Subject Assets, the availability of reliable market data, the market conditions as of the Valuation Date, and the marketing period consistent with the purpose and intended use identified above.

VII. OBSERVATIONS AND COMMENTS

The recovery values set out in this Appraisal are based on a review by Century of prior appraisals it has conducted, utilization of a proprietary in-house database, research through contacts in various related industries, the list of Assets and other informational materials supplied to Century by Viceroy, and our experience as auctioneers and liquidators. Adjustments may have been made, where considered appropriate by Century, to reflect differences between the specific Assets and assets sold in previous sales.

In arriving at its opinion as to the recovery values, Century has taken into consideration, to the extent of the information available to it, various factors it considered relevant in the particular circumstances including physical location of the Assets, difficulty of removal, physical condition, adaptability, specialization, marketability, overall appearance and appeal, and the ability of the Asset group to draw sufficient prospective buyers to insure competitive offers.

Generally speaking, Century deemed the Assets to be in good overall condition. Given our opinion of overall condition, a 10-20% adjustment to market comparables was deemed necessary to account for physical condition differences.

Available data and market comparables may be up to 180 days old. Increased weighting was given to recent regionally specific comparables when available. Generally speaking, Century has not observed any notable increase or decrease in values over the past 90 days.

VIII. DEFINITIONS AND TERMINOLOGY

The definitions and appraisal terminology identified below are taken from the American Society of Appraisers (ASA) 2005 second edition Machinery and Technical Specialties publication entitled “Valuing Machinery and Equipment: The Fundamentals of Appraising Machinery and Technical Assets” (pages 553 -595).

FORCED SALE VALUE (“FSV”)

The estimated amount, expressed in terms of cash in Canadian dollars, that could typically be realized from a properly advertised and conducted public auction, with the seller being compelled to sell with a sense of urgency, on an “as-is condition, where-is location” basis, as of a specific date.

For the purpose of this appraisal, Century has considered an unreserved public auction sale, held under present day economic trends, within 30 days of the effective date of this Appraisal, with the buyer responsible for dismantling and removal at their own risk and expense. In arriving at an opinion of value, Century has taken into consideration, among other things, the ability of the Asset group to draw sufficient prospective buyers to insure competitive offers. Any deletions or additions to the total Assets appraised could change Century’s opinion as to the projected recovery values set out in this Appraisal.

NON-INSPECTED ASSETS

An opinion as to recovery value based solely on the list of Assets and images thereof supplied to Century by Viceroy, without the benefit of an actual on-site inspection. Recovery value shall depend on, among other things, condition of the Assets.

PHYSICAL DETERIORATION

A form of depreciation where the loss in value or usefulness of a property is due to the using up or expiration of its useful life caused by wear and tear, deterioration, exposure to various elements, physical stresses, and similar factors.

FUNCTIONAL OBSOLESCENCE

A form of depreciation in which the loss in value or usefulness of an Asset is caused by inefficiencies or inadequacies of the Asset itself, when compared to a more efficient or less costly replacement property that new technology has developed. Symptoms suggesting the presence of functional obsolescence are excess operating cost, excess construction (excess capital cost), over-capacity, inadequacy, lack of utility, or similar conditions.

ECONOMIC OBSOLESCENCE

A form of depreciation or loss in value or usefulness of an Asset caused by factors external to the Asset. These may include such things as the economics of the industry; availability of financing; loss of material and/or labour sources; passage of new legislation; changes in ordinances; increased cost of raw materials; labour or utilities (without an offsetting increase in product price); reduced demand for the product; increased competition; inflation or high interest rates; or similar factors.

IX. LIMITING CONDITIONS AND CRITICAL ASSUMPTIONS

This appraisal report and the above noted recovery values are based on and subject to the following conditions, qualifications, assumptions and limitations:

VALUATION DATE

The Opinions of Value and other conclusions expressed herein shall be valid as of the Valuation Date identified in Section I above.

INTENDED USE AND PURPOSE

This Appraisal is intended for the sole use of Viceroy Homes Limited and not intended for general circulation or distribution, nor is it to be reproduced or used for any purpose other than indicated in Section I above.

TITLE TO ASSETS

No investigation of title to any of the Assets has been made by Century and Viceroy's claim to same has been assumed valid. In addition, no investigation has been made by Century to determine if there are any liens, security interest, or other encumbrances registered against, or attaching to, any of the Assets. Unless otherwise noted in this report, title is assumed to be good and marketable.

CONDITION OF ASSETS

Unless explicitly stated otherwise, all Assets have been assumed by Century to be in good working order and functioning condition, and subject to industry standard maintenance and repair programs. Testing and/or confirming the status of individual Assets was beyond the defined scope of work.

INFORMATION AND DATA PROVIDED BY OTHERS

For the purpose of determining its opinion as to recovery values of the Assets, Century has also relied upon certain supplemental information provided by Viceroy and has assumed, without independent verification, all such information was reasonably prepared, accurate, and complete in all material respects.

CHANGE IN MARKET CONDITIONS

The recovery values set out in this Appraisal are based on Century's assessment of current economic conditions. The amount that could actually be realized from the sale and disposition of the Assets may be affected by changes in economic conditions.

Century shall not be responsible for changes in market conditions and no obligation is assumed to revise this report to reflect events or conditions which occur subsequent to the Valuation Date. Additionally, Century cannot be held responsible for the inability of the owner to locate a purchaser at the appraised value.

EXTRANEOUS CONDITIONS

The amount that could actually be realized may also be affected by factors such as changes in the condition of the Assets and the occurrence of acts of God, riots, civil disturbances, strikes, lock-outs, acts of war, terrorism, insurrection, or other events that may be beyond the control of the seller and/or the buyer.

REPORT FORMAT

This report is being presented in a summary format. As such, it presents only a summary or limited discussion of our opinion of value. Supporting documentation concerning the data, reasoning and analyses is retained in Century's files. The depth of discussion contained in this report is specific to the needs of the Client and for the intended use of the report.

REPORT CONFORMANCE

This appraisal has been made in conformance with, and is subject to, the requirements of the Code of Professional Ethics and Standards of Professional Conduct of the Association of Machinery and Equipment Appraisers and the Uniform Standards of Professional Appraisal Practice published by the Appraisal Standards Board, and reflects the best judgment of the appraiser.

CONFIDENTIALITY

This report and supporting file documentation are confidential. Neither all nor any part of the contents of this appraisal (including the report and the supporting file documentation) shall be disclosed to any party, or conveyed orally or in writing through advertising, public relations, news, sales, or in any other manner without the prior written consent and approval of both Century and the Client.

COURT TESTIMONY

Neither Century nor any individuals signing or associated with this report shall be required by reason of this report to give further consultation, to provide testimony, or appear in court or other legal proceedings, unless specific arrangements for such services have been made.

RELIED UPON INFORMATION

While Century believes the information gathered and used for this Appraisal, whether through written, oral, electronic, or other means, to be both reliable and correct, Century does not warrant the reliability or correctness of the information and assumes no liability whatsoever for any errors and/or omissions.

X. GENERAL SERVICE CONDITIONS

Century reserves the right, but shall be under no obligation, to review the recovery values set out in this Appraisal and all calculations included or referred to in, or made for the purpose of, this Appraisal. Should Century consider it necessary to revise this Appraisal in light of any information existing as of the date of this Appraisal, which becomes known after that date, it may do so.

Century assumes no responsibility or liability for losses suffered by any parties as a result of the circulation, distribution, publication, reproduction or other use of this report contrary to the provisions of this paragraph without prior written authorization from Century.

The liability of Century to the Client in relation to this Appraisal, regardless of the basis of liability or form of action, shall in no event exceed the total fees paid by the Client to Century for this Appraisal. In no event shall Century be liable for lost profits, or any indirect, special, incidental, consequential or punitive damages, however caused, whether for breach of contract, negligence or otherwise, and whether or not Century has been advised of the

possibility of such damages. These limitations will apply notwithstanding any failure of the essential purpose of any limited remedy.

XI. COMPETENCY

Under USPAP, Century must disclose if there is a lack of knowledge and/or experience that would not allow us to complete this appraisal in a competent manner or to develop credible results.

Century and the appraiser performing this appraisal have performed valuations of assets similar to the Subject Assets for various purposes in the past. In addition, the appraiser performing this appraisal has the appropriate knowledge and experience to be able to develop credible results for the purpose and use outlined in this report.

XII. CERTIFICATIONS

The undersigned appraiser certifies that, to the best of their knowledge and belief:

1. The Statements of fact contained within this report are true and correct.
2. The reported analyses, opinions, and conclusions identified herein are impartial and unbiased, and are limited only by the Limiting Conditions and Critical Assumptions identified above.
3. Neither the appraiser, nor any officer of Century, possess any present or prospective financial interest in the valued Assets, or any personal interest with respect to the parties involved.
4. Neither the appraiser, nor any officer of Century, possess any bias to the valued Assets or the parties involved with this assignment.
5. This engagement was not contingent upon developing or reporting predetermined results.
6. Compensation for completing this Valuation was not contingent upon the development or reporting of predetermined opinions of value or direction in value favouring the cause of the client, the attainment of a specified result, or the occurrence of a subsequent event relating to the intended use of this report. Said compensation does not however cover further expenses relating to attendance at hearings, judicial or otherwise, although such attendance may always be available at Century's standard rates.
7. This report and all analyses, opinions, and conclusions expressed herein have been prepared in conformity with the Uniform Standards of Professional Appraisal Practice ("USPAP") guidelines and the Code of Professional Ethics of the Association of Machinery and Equipment Appraisers.
8. The data used in this report was obtained from sources believed to be reliable. All known facts that have bearing on the values presented in this report have been considered, and no facts of importance have been intentionally omitted herein.
9. A personal inspection of the valued Asset has been executed.
10. No one other than the undersigned and listed personnel provided significant appraisal assistance in the preparation, analysis, opinions, and conclusions concerning the property that is set forth in this appraisal report.

11. USPAP requires an appraiser disclose any services regarding the Subject Assets performed by the appraiser within a period of the last three (3) years. Our firm has performed the following services regarding the Subject Assets within the past three (3) years: A valuation of certain identified Subject Assets in 2014;

We trust the above is to your satisfaction. Should you require additional information, please do not hesitate to contact the undersigned.

Respectfully yours,
CENTURY SERVICES INC.



Per: _____
Raymond Brown, CEA
Regional Manager

XIII. CERTIFICATION OF VALUE

I certify that, this is my Opinion of Value of the property belonging to:

Viceroy Homes Limited
414 Croft Road
Port Hope, ON L1A 4H1

As of the Effective Date given in this Certification of Value.....\$1,502,000
On the Basis of Forced Sale Value.

Distribution of Values are as follows:

Description		FSV
Port Hope, ON Facility		\$1,024,000
Richmond, BC Facility		\$478,000
Total:		\$1,502,000

Effective Date: December 3, 2014



By: _____

Raymond Brown, CEA



Raymond Brown, CPPA, CEA
Regional Manager, Asset Valuations
6 Director Court, Suite 200
Vaughan, Ontario, Canada L4L 3Z5
c: (647) 272-4848 o: (416) 862-8100 x 2288 f: (416) 862-8121
rbrown@centuryservices.com | www.centuryservices.com

EXPERIENCE

- 2011- Present** **Century Services Inc.**
Regional Manager, Asset Valuations
An industrial and commercial appraisal firm providing valuations of inventory, machinery & equipment, A/R; asset-based advisory services to lenders.
- 1997 - 2011** **Century Services Inc. 1997 – 2006, 2011 to present**
Asset Appraisal Corporation 2006 - 2011
Accredited Machinery & Equipment Appraiser
Auctioneer
- 1993 - 1997** **PWF Corporation**
An industrial and commercial appraisal and auction firm providing appraisal and auction services throughout Canada
Accredited Machinery & Equipment Appraiser
Auctioneer
- 1988 -1993** **Raymond K. Brown & Associates**
An auction services firm, operating across Canada and the United States.
Auctioneer & Auction Service
- 1986 – 1988** **United Co-Operatives of Ontario**
Livestock Marketing Division

Professional Affiliations: Member, **Ontario Auctioneers Association**
Member, **The Equipment Appraisers of North America**
Certified Appraiser, **Association of Machinery & Equipment Appraisers (“CEA”)**
Certified Appraiser, **Canadian Personal Property Appraisers Group (“CPPA”)**

Markham and East York Agricultural Society
Past President, Markham Fair, 2001
Board of Directors, 1986 -2001
Committee Member, 1986 to present

EDUCATION **University of Guelph - OAC**
Associate Diploma in Agriculture

Professional Education: International College of Auctioneering
Canadian Personal Property Appraisers Group
Uniform Standards of Professional Appraisal Practice (“USPAP”) Course

APPRAISAL SCHEDULES

Viceroy Homes Limited

414 Croft Street,
Port Hope, ON L1A 4H1

Summary

	FSV CDN\$
<i>Schedule B</i> Port Hope, ON Facility	\$1,024,150
<i>Schedule C</i> Richmond, BC Facility	\$478,300
Schedule A Summary Total	\$1,502,450

Viceroy Homes LimitedPort Hope, ON Facility
414 Croft Road,
Port Hope, ON L1A 4H1

ITEM #	QTY	ITEM DESCRIPTION	FSV CDN\$
1	1	SR Industries "350" Radial Arm Saw w/ 14" Blade, 4 Hp, Bench	\$250
2	1	Progress 6" x 40" Horizontal Belt Sander	\$350
3	1	Delta Rockwell "Unisaw 34-450" Tilting Arbor Table Saw w/ 10" Blade, 36" x 27" Table	\$350
4	1	JS Poitras 8" Jointer	\$200
5	1	Griggio "T1000" Shaper	\$1,000
6	1	Beaver Delta "17-901" 17" Pedestal Drill Press	\$125
7	1	Cantek "WBS24L" Vertical Bandsaw S/N B068	\$500
8	1	Electrim Poland "DMMR-40" Tablesaw S/N 8963	\$500
9	1	2004 Friulmac "Randomat-E" Double Head Profiler S/N 3611A	\$7,500
10	1	2004 Ganner "Gannomat 480FS" Dowel Boring, Gluing, and Inserting Machine S/N 252489	\$15,000
11	1	2000 Shoda "NCW516-2162" 4 Head CNC Gantry Type Router S/N E0501 w/ 2 - Vacuum Tables, 4 - ATC, Fanuc 18i-M Controller	\$20,000
12	1	2004 Shoda "Titanium A" CNC Gantry Style Router S/N T5S-J0201 w/ Vacuum Table, Boring and Routing Capabilities	\$25,000
13	1	Videojet "Excel 2000" Marking System	\$1,500
14	1	Gorbel Overhead Crane System w/ Vacuum Lifting Device	\$3,000

Viceroy Homes LimitedPort Hope, ON Facility
414 Croft Road,
Port Hope, ON L1A 4H1

ITEM #	QTY	ITEM DESCRIPTION	FSV CDN\$
15	1	Gorbel Jib Boom 750 lb. cap. w/ Tawai Vaccum Lifting Device s/n 19324	\$2,000
16	1	2004 Homag "Optimat KL-73/A3/S2" Horizontal Edge Bander S/N 0-200-66-1484 w/ Ligmatech "ZHR01/L/055" Return Table s/n 0-305-66-1726	\$15,000
17	1	2003 Samuel "SOA750/36" Orbital Stretch Wrapping System S/N 750/36-0422031286	\$4,000
18	1	Samuel "SHP175-NB/N-EZ/SB" Turmtable Type Pallet Wrapper S/N 175PB-0227041466	\$2,000
19	1	2000 Costa Levigatrici "KH2-CCC-1350" Pass Through Belt Sander S/N A06717AC1	\$15,000
20	1	2004 Strapack "RQ-8" Overarm Strapping Machine S/N 2494-6204	\$800
21	1	JTL "79K-6-DC" Assembly Clamp	\$300
22	1	2001 Gre-Con "Profi-Press 2500" Gluing Press S/N 0659-12 w/ Microwave High Speed Curing, Glue Dispensing	\$6,000
23	1	2000 Silver "SCC-AP24" Planer S/N 20207.195 (Not in Service)	\$2,000
24	1	2001 Raimann "KR US BV" Programmable Gang Rip Saw S/N 26739 w/ Infeed Conveyor System	\$12,000
25	1	2004 Weing "Unimat 3000" Moulder w/ Infeed Conveyor	\$20,000
26	1	8 Strand Incline Transfer Conveyor	\$2,000
27	1	Programmable Belt Tranfer and Alignment Conveyor	\$3,000

Viceroy Homes Limited

**Port Hope, ON Facility
414 Croft Road,
Port Hope, ON L1A 4H1**

ITEM #	QTY	ITEM DESCRIPTION	FSV CDN\$
28	1	2005 Dimter "Opticut 350" Optimizing Saw S/N 2346.10	\$25,000
29	1	Discharge Belt Conveyor	\$3,000
30	1	Doucet "EM-2" Endmatch Tongue & Groove System S/N 97-10-292	\$15,000
31		2002/03 Finishing Line # 1 - Consisting of; - Cefla "TN 2500" Infeed Belt Conveyor s/n 03223/1 - 2004 Costa "CCCT 1350" 54" Pass Through Sander s/n A31105AC2 - Cefla "TN 2500" Belt Conveyor s/n 03223/4 - Sorbini "Smartcoater M" Roll Coater s/n MRITT0223394 - Sorbini "VS/26-3C" Conveyor s/n MT2S0023395 - Cefla "UV2000 M2-TTE2500" UV Dryer s/n 03223/6 - Sorbini "VS/32-BD" Brush s/n MP1STS23396 - Cefla "TN2500" Belt Conveyor s/n 03223/6 - Sorbini "Smartcoater SP1" Roll Coater s/n MR1TLL23397 - Cefla "UV2000 M1 TTE 2500" UV Dryer s/n 03223/10 - Sorbini "Smartcoater MF" Roll Coater s/n MR1TFF23398 - Cefla "UV2000 M1 TTE3000" UV Dryer s/n 03223/12 - 2004 Costa "CT-1350" 54" Pass Through Sander s/n A31105AC1 - Sorbini "Smartcoater MF" Roll Coater s/n MR1TFF23399 - Cefla "UV2000 M1 TTE 4000" UV Dryer s/n 03223/14 - Sorbini "Smartcoater Laser Roller" s/n MR2TSL23357 - Cefla "TR AD 2500/90/9" Conveyor s/n 03223/17 - Cefla "UV2000 M1 TTE 3500" UV Dryer s/n 03223/18 - Run Off Conveyor	\$75,000
32	1	2003/04 Finishing Line # 2 - Consisting of; - Cefla "TN3000" Infeed Belt Conveyor s/n 01326/1 - Passthrough Rotary Sander/Polisher - Cefla "TN 4000 A" Belt Conveyor s/n 11202/3 - Cefla "UR2/4-TTE 3000" Dryer s/n 03169/1 - Cefla "Ecosprayer Easy D" Dual Rotary Spray Heads s/n 01326/2 - Transfer Conveyor - 3 Kremlin Stain Pumps - Cefla 3 Stage Natural Gas Pass Through Oven - Cefla "Ecolight TLF B2/IC-TTE 3000" UV Dryer s/n 11202/7	\$50,000

Viceroy Homes LimitedPort Hope, ON Facility
414 Croft Road,
Port Hope, ON L1A 4H1

ITEM #	QTY	ITEM DESCRIPTION	FSV CDN\$
33	1	Samuel "SHP175-NB/N-EZ" Turntable Type Pallet Wrapper S/N 175PB-0424031290	\$2,000
34	1	Weinig "Rondamat 960" Knife Grinder	\$6,000
35	1	Weinig "9980 OPTI" Knife Setter	\$1,500
36	1	Templatemakers 3 Axis Knife Profile Router	\$1,500
37	1	1997 Actual "A-4-V-3206" Vertical 4 Point Welder S/N 15-7387	\$8,000
38	1	Urban "AKS-5210/4F" 2 Point Corner Welder S/N 52310	\$2,500
39	1	Actual "A400-SE" 4 Point Welder S/N M15-0250	\$1,000
40	1	PV Technic "SA320" Single Corner Welder S/N 03-158	\$2,500
41	1	1998 Urban "SV 800/2.5M" Automatic 4 Point Cleaner and Trimmer S/N 80063/2	\$10,000
42	1	2000 Urban "SV 800/2.5M" Automatic 4 Point Cleaner and Trimmer S/N 80092/1	\$8,000
43	1	Pertici Certialdo "ML123/E-P" Profile Router S/N 061-166	\$800
44	1	2001 Joseph "ZDM-4590" Cut to Length Line S/N 2441-0501	\$4,000
45	1	2001 Joseph "ZHVN-4545" Cut to Length Line S/N 1610-00-100	\$4,000
46	1	Urban "AKX6105/4-30/25" 4 Point Welder and Conveyor S/N 610099	\$10,000
47	1	King "KC1433FX" Vertical Bandsaw	\$150

Viceroy Homes LimitedPort Hope, ON Facility
414 Croft Road,
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ITEM #	QTY	ITEM DESCRIPTION	FSV CDN\$
48	1	Penta "Penta LGF" Mitreing and Cut to Length Saw S/N 092 w/ Tiger Stop Measurement System	\$4,000
49	1	Industrial Cooling Equipment "SHA-40" Water Chilling System S/N 1186-1359-01 Consisting of: 40 Ton Refrigerated Chiller, 2 - 20 hp recirculating pumps, 1 - 7.5 hp recirculating pump, infloor pit type recirculation reservoir	\$3,000
50	1	1986 American Maplan "DSK52" Twin Screw Extruder S/N 120803	\$8,000
51	1	Actual "AE50B" Pedestal Type Co-extruder S/N M-15-0387	\$2,000
52	1	Actual Vacuum Sizing and Cooling Table S/N M-15-0591	\$2,000
53	1	Actual Puller and Cutoff Saw Combination S/N M-15-0364	\$2,500
54	1	Actual Dump Table	\$500
55	1	1987 American Maplan "DSK62" Twin Screw Extruder S/N 120808	\$10,000
56	1	Actual "AE50B" Pedestal Type Co-extruder S/N M-15-0386	\$2,000
57	1	Actual Vacuum Sizing and Cooling Table	\$2,000
58	1	Actual Puller and Cutoff Saw Combination	\$2,500
59	1	Actual Dump Table	\$500
60	1	1987 American Maplan "DSK62" Twin Screw Extruder S/N 120809	\$10,000
61	1	Actual "AE50B" Pedestal Type Co-extruder S/N M-15-0388	\$2,000

Viceroy Homes LimitedPort Hope, ON Facility
414 Croft Road,
Port Hope, ON L1A 4H1

ITEM #	QTY	ITEM DESCRIPTION	FSV CDN\$
62	1	Actual Vacuum Sizing and Cooling Table	\$2,000
63	1	Actual Puller and Cutoff Saw Combination S/N M-15-0023	\$2,500
64	1	Dump Table	\$500
65	1	Plencon 1 Ton Bridge Crane w/ 15' span, 35' runway	\$2,000
66	2	Dewalt Mitre Saws	\$300
67	1	Delta "17-901" Drill Press	\$150
68	1	Cyclone Sand Blast Cabinet	\$500
69	1	SR "350" Radial Arm Saw 14" Blade, 4 Hp, Bench	\$250
70	1	Actual "A100-B" Single Point Welder	\$500
71	1	Urban "AKS-3610" Single Point Welder S/N 10604	\$1,000
72	1	Spadix "Sureseal" Automatic Window Sealing System S/N 030923	\$1,500
73	2	Urban "KV2800" Window Clamp and Asembly Tables S/N 62023, 62024	\$2,000
74	2	Kear Tilting Assembly Table	\$1,500
75	1	Dewalt "DW 708" Mitre Saw	\$150
76	3	Makita Mitre Saw	\$225
77	1	SSC Vertical Panel Saw	\$800

Viceroy Homes Limited

Port Hope, ON Facility
414 Croft Road,
Port Hope, ON L1A 4H1

ITEM #	QTY	ITEM DESCRIPTION	FSV CDN\$
78	1	Fairbanks Morse 2000 lb. cap Beam Scale	\$250
79	1	OMGA "RN450" Radial Arm Saw	\$300
80	Qty	Pneumatic Vinyl Window Pneumatic Punching Station	\$1,000
81	1	Miller "Millermatic 250" Mig Welder S/N KK153762	\$1,000
82	1	King 10" x 16" Horizontal Bandsaw S/N 690368	\$600
83	1	King Finger Brake	\$600
84	1	King 12" x 36" Metal Lathe S/N 432214	\$2,000
85	1	2004 King "942VS" Vertical Milling Machine S/N 10741 w/ Mitutoyo Digital Readout	\$3,000
86	1	King "KC-401V2F 401 Milling and Drilling Machine S/N 334075	\$2,000
87	2	Warehouse Rolling Ladders	\$300
88	2	Strahlkran Bridge Cranes w/ 4 Ton Cap.	\$10,000
89	1	2002 Weinmann Wall Assembly System S/N 0-309-06-0026 - Consisting of; infeed Conveyor, Weinmann Top and Bottom Auto Nailing System S/N 0-390-06-0026 w/ Discharge Conveyor Weinmann "WTW 10/6" Automated Shuttle Table S/N 0-390-06-0216	\$40,000

Viceroy Homes Limited

Port Hope, ON Facility
414 Croft Road,
Port Hope, ON L1A 4H1

ITEM #	QTY	ITEM DESCRIPTION	FSV CDN\$
		Weinmann "WTW 10" Automated Nailing Station S/N 0-390-06-0003 w/ 2 Programmable Nailing Heads on Gantry Bridge, Associated Control & Electrical Panels, Conveyor, etc.	
90	1	2002 Weinmann Wall Assembly System S/N 01106.L74 - Consisting of; Infeed Conveyor,	\$10,000
		Weinmann Top and Bottom Auto Nailing System w/ Discharge Conveyor	
		Weinmann "WTW 10/6" Automated Shuttle Table	
		Weinmann "WTW 10" Automated Nailing Station w/ 2 Programmable Nailing Heads on Gantry Bridge, Associated Control & Electrical Panels, Conveyor, etc.	
91	1	1998 Mitek Industries "Cybersaw" Component Saw S/N 066 w/ 5 Heads, Scrap Discharge Conveyor	\$17,000
92	1	Spanco Overhead Crane System w/ 500 lb, cap.	\$1,500
93	2	Manuel Paint Booths and Accessories	\$1,000
94	2	Strapak "RQ-8" Overarm Strapping Machines S/N 22130, 23607	\$1,000
95	1	Hotsy "1.109-033.0" Pressure Washer/Steam Genie S/N 163432	\$400
96	1	1997 Holtec "FSHK" Package Saw S/N 1182397086 w/ Scrap Conveyor	\$12,000
97	1	2004 Hundegger "K2A" CNC Cut to Length Line S/N 11153 Scissor Lift Tables, Air Compressor s/n 0003719	\$80,000

Viceroy Homes LimitedPort Hope, ON Facility
414 Croft Road,
Port Hope, ON L1A 4H1

ITEM #	QTY	ITEM DESCRIPTION	FSV CDN\$
98	1	Stenner 48" Resaw S/N U5576	\$4,000
99	1	Timesaver "137-1HP75" Pass Through Sander S/N 26045	\$1,500
100	1	Custom Made Floor Joist Stringer Tacking Press	\$500
101	1	Pacific Automation "Auto 8" Truss Roller Press S/N PA325 w/ 8' x 40' Table	\$7,500
102	1	Jager Industries "Mini 8" Truss Roller Press S/N HB587	\$7,500
103	1	2008 Mitek Koskovich "Omni Miser 2" Cut to Length Line S/N OM2K8097020 w/ Sorter and Out Feed Conveyor	\$40,000
104	1	2008 Mitek Industries "Roof Tacker" Truss Manufacturing Table S/N 32008299121 w/ Truss Roller Press	\$125,000
105	1	2002 Dimter Weinig "OPTICUT 104R" Optimizing Saw S/N 756.1	\$25,000
106	3	Safety Speed Cut Vertical Panel Saws S/N 56783, 59938, 42838	\$2,400
107	1	MacDoonald - Conquest Dust Collector w/ Dynaload Bin Spreaders	\$6,000
108	1	Kraemer Dust Collector	\$4,000
109	1	Kraemer 150 HP Dust Collector w/ Control Panel, Ducting,	\$10,000
110	1	Conquest 150 HP Dust Collector w/ Control Panel, Ducting (Blue)	\$10,000

Viceroy Homes LimitedPort Hope, ON Facility
414 Croft Road,
Port Hope, ON L1A 4H1

ITEM #	QTY	ITEM DESCRIPTION	FSV CDN\$
111	1	Power Pak Garabge Compactor w/ Garbage Bin	\$1,500
112	1	Miscellaneous Tooling - Consisting of; Router Tools, Moulder Tooling, Saw Blades, Lumber Clamp, Hand Tools, Workbenches, Conveyors, etc.	\$5,000
113	1	2002 Ingersoll Rand "SSR-EP100" Rotary Screw Air Compressor S/N CK5148U02117	\$5,000
114	1	Ingersoll Rand 75 HP Rotary Screw Air Compressor S/N NV5087U2081	\$4,000
115	1	2002 Ingersoll Rand "TMS-0670" Refridgerated Air Dryer S/N TMS 0670 020106	\$1,200
116	2	Hyster "S40XL" LPG Forklift S/N A187V05944H, A187V05140G	\$4,000
117	1	Toyota "42-5FG20" LPG Forklift S/N 16987	\$3,000
118	1	Tenant "3640" Walk Behind Floor Scrubber S/N 8881	\$500
119	1	Raymond "Easi R35TT" Electric Reach Truck S/N EZ-D-01-30229	\$3,000
120	1	Raymond "Easi R35TT" Electric Reach Truck S/N EZ-D-01-30331	\$3,000
121	1	Raymond "12AT5E404" Electric Pallet Walkie	\$800
122	2	Toyota "02-5FD35" LPG Froklift S/N 10825, 10843	\$8,000
123	1	Toyota "42-5FG20" LPG Forklift S/N 19656	\$3,000
124	1	Toyota "02-5FD35" LPG Forklift S/N 10850	\$3,000

Viceroy Homes LimitedPort Hope, ON Facility
414 Croft Road,
Port Hope, ON L1A 4H1

ITEM #	QTY	ITEM DESCRIPTION	FSV CDN\$
125	1	Toyota "7FGCU25" LPG Forklift S/N 67609	\$4,000
126	1	Skyjack "SJIII-3220" Electric Scissor Lift S/N 610330	\$2,500
127	1	Doucet "SDM-1-30-72" Cabinet Door Clamps S/N 2014-06-090	\$1,000
128	1	Peston "DMMB" Sliding Table Saw S/N 8969	\$1,000
129	1	Merrick "Ruvo" Stair Router S/N SSR-80-00	\$2,500
130	1	Tennant "3640E" Floor Sweeper S/N 8040	\$300
131	1	Barberan "PUR-33-L Basic" Vinyl Wrapper S/N 13096-06-03	\$2,000
132	1	SCM "S630" Pass Through Planer S/N 9397	\$800
133	1	Guardian Plus "04390-3" Generator S/N 3963748	\$1,000
134	1	2011 GMC "Sierra 1500" Pickup Truck Vin - 1GTN2TEA4BZ121115	\$10,000
135	1	2011 GMC "Sierra 1500" Pickup Truck Vin - 1GTN2TEA4BZ135481	\$10,000
136	1	2009 Ford "E250" Commercial Van Vin - 1FTNE24WX9DA54915	\$6,000
137	1	2012 Griffin Trailer Vin - 4C9BU1225DEO20473	\$2,500
138	1	Unknown Dry Van Trailer w/ Power Tail Gate	\$2,000

Viceroy Homes LimitedPort Hope, ON Facility
414 Croft Road,
Port Hope, ON L1A 4H1

ITEM #	QTY	ITEM DESCRIPTION	FSV CDN\$
139	Lot	Miscellaneous Equipment - Consisting of; King Mitre Saw, Milwaukee Abrasive Saw, Shop Press, Bench Grinders, Precision Measuring Equipment, Tool Boxes, Oxy-actylene Torch, Worktables, Store Racking, Carts, Tubs, Router Tools, Moulder Tooling, Saw Blades, Lumber Clamp, etc.	\$10,000
140	Lot	Equipment in Storage - Consisting of; Kval Door Latch Machine, Kval Door lock Router, Ital Presse Falcon 2000, Blum Hinge Presses, Window Assembly Fixtures, Pneumatic Presses, Bridge Crane (Yard), etc.	\$20,000
141	Lot	Office Furniture and Computers - Consisting of; Desks, Chairs, File Cabinets, Storage Cabinets, Computers & Printers, Modular Workstations, etc.	\$20,000
			\$1,024,150

Viceroy Homes LimitedRichmond, BC Facility
414 Croft Road,
Port Hope, ON L1A 4H1

ITEM #	QTY	ITEM DESCRIPTION	FSV CDN\$
1	1	2000 Ingersoll Rand "SSR-EP50SE" Rotary Screw Air Compressor S/N G8526U00138	\$3,500
2	1	2000 Ingersoll Rand "SSR-EP30SE" Rotary Screw Air Compressor S/N JE2778U96201	\$3,000
3	1	2000 Ingersoll Rand "SSR-EP50SE" Rotary Screw Air Compressor S/N G4347U96020	\$3,500
4	1	Ingersoll Rand "TM400" Refrigerated Air Dryer S/N 00GTMA1560	\$1,000
5	1	2000 Urban "KV2800" Assembly Table S/N 719	\$1,500
6	1	1986 Actual "A-100-B" Ultrasonic Corner Welder S/N M150131	\$1,000
7	1	2000 Urban "AKS-6100" 4 Point Corner Welder	\$500
8	1	1998 Murphy 15 Hp Dust Collector w/ Ducting	\$2,000
9	Lot	Pallet Racking	\$3,000
10	1	1996 Calder Wilkinson "SC-2" Assembly Clamp S/N M4640-04-96	\$500
11	1	2004 Italpresse "Falcon 2000" Hydraulic Frame Press S/N 140650304	\$4,500

Viceroy Homes LimitedRichmond, BC Facility
414 Croft Road,
Port Hope, ON L1A 4H1

ITEM #	QTY	ITEM DESCRIPTION	FSV CDN\$
12	1	2004 Stegherr "KF-2" Coping Workstation S/N 82/0704-1	\$2,500
13	1	2003 SCM "T130" Shaper S/N AB/155685 w/ Feeder	\$1,500
14	1	1997 Casadei "R/63H3" Planer S/N 97-64-018	\$2,250
15	1	2000 Cantek "PR-4375DA" Pass Through Planer/Sander S/N 040642	\$4,000
16	1	2000 Accutec "MRS350" Multi-RIP Saw S/N 9955015	\$4,000
17	1	2000 Cantek "REC-450AC" Planer S/N 499020369	\$4,000
18	1	1999 Doucet "SRH-16-8.5-48-48-R" Frame Clamp S/N 99-10-061	\$4,000
19	2	2000 Bautech - Weinmann "SPL 160" Wall Production Lines S/N 9918, 91009 w/ Conveyors, Scissor Lift Table, Nailing Stations, Crane, Strapping Machine, etc.	\$100,000
20	1	2004 Nu Tech 75 Hp Dust Collector w/ Ducting	\$5,000
21	1	2000 Nu Tech 75 Hp Dust Collector w/ Ducting	\$5,000
22	2	2000 Nisshin "NM-20/4" Head Nailing Machines S/N 11 & 12	\$2,000

Viceroy Homes LimitedRichmond, BC Facility
414 Croft Road,
Port Hope, ON L1A 4H1

ITEM #	QTY	ITEM DESCRIPTION	FSV CDN\$
23	1	2000 Nisshin Single Head Nailing Machine S/N 101	\$1,000
24	1	2002 Kraemer 13000 Cfm Dust Collector	\$2,000
25	1	1997 Mi-Tek "Cybersaw" High Speed Component Saw S/N 031	\$12,000
26	1	2000 Timesaver "DA6037" Pass Through Sander S/N 20DA6037C02	\$2,000
27	1	Stenner "VHR" 48" Resaw S/N W6088	\$4,000
28	1	2000 Speedcut "SSA-J7" Truss Saw S/N AB2292	\$2,500
29	1	2004 Holzma "OPT.HPL 380/43/16" Panel Saw S/N 0-240-66-1489	\$30,000
30	1	2000 Western Intergrated "F7B6(6)" Automatic Strapping Machine S/N A1102	\$7,500
31	1	2007 Koskovich - Mitek "Omni Miser 2" Optimizing Saw S/N OM2K7078	\$35,000
32	1	2004 Hundegger "ABM-K2" CNC Joiner S/N 11121 w/ Conveyors, Scissor Lift Table	\$80,000
33	1	2000 Bautech "SPL180" Automated Assembly System S/N 9917	\$15,000

Viceroy Homes LimitedRichmond, BC Facility
414 Croft Road,
Port Hope, ON L1A 4H1

ITEM #	QTY	ITEM DESCRIPTION	FSV CDN\$
34	1	2007 Pacific Automated Truss Production Line S/N 1004E/1005E/1006E/PA453	\$75,000
35	1	Raymond "EASI-4D-R45TT Electric Reach Truck S/N EF-A-04-30525	\$3,000
36	1	BT Lifter "RRX35" Electric Reach Truck S/N RRX3527156001	\$500
37	1	Terex "TS-26" Scissor Lift Platform	\$2,000
38	1	Nor-Wes 27' Single Axle Trailer Vin - 2N9FD2615H1AL7063	\$500
39	1	2000 Freightliner Yard Truck Vin - 1FUYYDDYBBYPG87781	\$2,000
40	1	Force "FRV 30-MD-25" Milling and Drilling Machine S/N 511023	\$350
41	1	Cantek Table Saw S/N 97922	\$500
42	1	Progress 6" Belt Sander S/N 97948	\$300
43	1	General Bandsaw	\$300
44	1	Rockwell Table Saw S/N UUB1012	\$300
45	1	General "480" Jointer S/N G6893	\$300

Viceroy Homes Limited

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ITEM #	QTY	ITEM DESCRIPTION	FSV CDN\$
46	1	Rapid "SGS 500" Up Acting Mitre Saw S/N 1395	\$2,000
47	1	2000 Maka "HC-57R" Router S/N 22000600 w/ 32 Station ATC, Vaccum Table	\$15,000
48	3	Safety "Speed Cut H5" Vertical Panel Saws S/N 44176, 60939, 47426	\$1,500
49	1	NR Murphy 15 Hp Dust Collector w/ Ducting	\$1,500
50	1	Marathon "V6030" Heavy Duty Baler S/N 93033W	\$1,500
51	1	Rice Lake "IQ+350" Platform Scale S/N 98-04686	\$1,000
52	1	Reliable Electric Scissor Lift S/N 3773	\$2,000
53	Lot	Office Furniture and Computer - Consisting of: Desks, Chairs, Bookshelves, Storage Cabinets, Computers, Printers, Lunch Room, Plotters, Laminator, Scanners etc.	\$7,500
54	Lot	Maintenance Equipment - Consisting of: Storage Cabinets, Milling and Drilling Machine, Parts Washer, Welders, Battery Chargers, Work Tables, Hand Tools, Jointer, Router, Table Saw, Chop Saws, Warehouse Ladders, Material Handling Dollies, Self Dumping Bins, etc.	\$10,000
55	Lot	Paint Booth Equipment - Consisting of: Open Front Paint Booth, Light, Overhead Conveyor, Lemmer Airless Paint System, 2- IRT "400 XLNC" Infra-red Dryers, etc.	\$2,000

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ITEM #	QTY	ITEM DESCRIPTION	FSV CDN\$
			\$478,300

Services



Appraisals

Century provides comprehensive and guaranteed appraisal services throughout North America.

Our clients include public and private corporations, financial institutions, court appointed and privately engaged corporate advisers. These clients rely on our professional appraisers to accurately value assets for the purposes of financing, mergers/acquisitions, insurance, and asset disposal.

Our valuation assignments cover a full range of assets, including machinery and equipment, consumer/industrial inventories, real estate and accounts receivables, to commonly undervalued assets such as customer lists, fixtures and leases.

The Century Guarantee

Clients rely on Century valuations. We will guarantee our Forced Sale Value appraisals with a net minimum guaranteed return, or an outright purchase.



Auctions & Liquidations

Century's experts provide tailored recovery strategies through auctions, liquidations and other methods best suited to maximize the asset-to-cash realization for each client.

Auctions

Century conducts widely advertised Unreserved/Absolute Auctions which ensures maximum attendance and competitive bidding. We continually update our extensive database so motivated potential buyers are notified of upcoming sales.

Liquidations

Century has extensive experience operating Liquidation Sales of products in Retail, Wholesale and Commercial and Industrial settings.

Other Methods of Sale

Century markets less commonly traded assets by employing different sales strategies, which include Tenders, Offers for Sale, and Direct Sales campaigns.

Century will sell assets on a straight commission or fixed fee basis. Alternately, we can provide a net minimum guaranteed return or outright purchase option.



Asset Based Financing

Century provides financing to North American based companies who require short-term capital where conventional sources may be unavailable. We emphasize swift turnarounds for clients with pressing and immediate needs.

APPENDIX F

Estimated Net Realizable Value of Asset Purchase Agreement Vs. Liquidation			Notes
Assets being acquired by Proposed Purchaser	Low	High	
Real Property	5,870,000	7,500,000	1
Less			
Estimated cost of roof repair	(1,200,000)	(1,200,000)	2
Adjusted Real Property	4,670,000	6,300,000	
Machinery and Equipment			
Richmond	478,000	478,000	
Port Hope	1,024,000	1,024,000	
	1,502,000	1,502,000	3
Inventory	139,000	139,000	4
Total Appraised Asset Value	6,311,000	7,941,000	
Liquidation Costs			
Real Estate Commission	116,750	157,500	5
Auction Commission	150,200	150,200	6
Port Hope Holding Cost	285,000	285,000	7
Richmond Holding Cost	141,000	141,000	8
Total Liquidation Costs	692,950	733,700	
Estimated Liquidation Proceeds	5,618,050	7,207,300	9
APA Purchase Price	8,650,000	8,650,000	10
Net Proceeds Exceeding Liquidation Value	3,031,950	1,442,700	11

1 The low end of the range for the real property value is based on an appraisal completed by Cornwall Property Consultants Ltd. as at December 1, 2014. The high end of the range for the real property value is based on appraisal completed by Colliers International as at February 14, 2014.

2 Based on discussions with VHL management, the roof of the Port Hope Facility requires approximately \$1.2M in repairs based on a quote VHL received in 2013. As the appraisal did not take into account the condition of the roof when appraising the property the appraised value of the property has been reduced by the estimated cost of the repairs.

3 The equipment value is based on an appraisal prepared by Century Services Inc. as at December 15, 2014. Based on discussion with management and Century Services Inc., the value has not materially changed since the date of the appraisal.

4 The inventory value is based on appraisal completed by Century Services Inc. as at December 11, 2014. The appraised value is the net realizable value after taking into account selling and holding costs for the 6 weeks it would take to sell the inventory.

5 This represents the estimated selling commission at 2.5% of the estimated real property value.

6 Auction commission is estimated to be 10% on the appraised value of the machinery and equipment.

7 Estimated holding costs for 6 months while the real property is marketed and sold. The monthly holding costs include property tax (\$22,500), mortgage interest (\$17,000), and utilities (\$4,000), and insurance (\$4,000).

8 Estimated 6 weeks holding cost while the equipment is auctioned. The monthly costs include rent for the Richmond facility (\$85,000), utilities (\$2,000), and insurance (\$2,000).

9 The liquidation value is the appraised value of the assets less the estimated holding and selling costs.

10 This is the purchase price outlined in the asset purchase agreement between the Potential Purchaser and Viceroy Homes Ltd.

11 This represents the low and high range of the excess proceeds expected from the APA compared to the estimated liquidation value.

APPENDIX G

APPENDIX G

**Viceroy Homes Ltd. and Viceroy Building Solutions Ltd.
Summary of Proposal Trustee's Invoices**

Invoice Number	Date	Period Covered	Hours	Fees	Expenses	Total	Status
29001491	Jun 23/15	Jun 8, 2015 to Jun 21, 2015	87.8	30,926.00	-	30,926.00	Paid
29001500	Jun 30/15	Jun 22/15 to Jun 30/15	58.0	21,547.00	3,642.23	25,189.23	Paid
29001525	Jul 15/15	Jul 1, 2015 to Jul 12, 2015	41.0	14,084.00	22.68	14,106.68	Paid
29001551	Jul 31/15	Jul 13, 2015 to Jul 31, 2015	66.5	27,348.50	-	27,348.50	Paid
29001588	Aug 13/15	Aug 1, 2015 to Aug 16, 2015	71.1	27,018.00	6,751.79	33,769.79	Paid
29001621	Aug 31/15	Aug 17, 2015 to Aug 31, 2015	66.2	22,232.00	140.90	22,372.90	Paid
29001629	Aug 31/15	Fasken Martineau Retainer	-	-	10,000.00	10,000.00	Paid
29001644	Sep 13/15	Sep 1, 2015 to Sep 13, 2015	68.1	25,036.50	-	25,036.50	Paid
29001672	Sep 30/15	Sep 14, 2015 to Sep 30, 2015	91.0	33,551.50	1,241.79	34,793.29	Outstanding
29001688	Oct 18/15	Oct 1, 2015 to Oct 18, 2015	35.5	13,405.00	-	13,405.00	Outstanding
29001711	Oct 31/15	Oct 19, 2015 to Oct 31, 2015	32.2	15,644.50	627.20	16,271.70	Outstanding
			617.4	230,793.00	22,426.59	253,219.59	

Summary of Receiver's legal counsel's Invoices

Invoice Number	Date	Period Covered	Fees	Expenses	Total	Status
934918	Aug 10/15	Jun 8, 2015 to July 31, 2015	6,870.00	150.95	7,020.95	Paid
942744	Sep 9/15	Aug 1, 2015 to Aug 31, 2015	6,225.00	47.88	6,272.88	Paid
951900	Oct 13/15	Sep 1, 2015 to Sep 30, 2015	20,849.00	734.80	21,583.80	Paid
			27,074.00	782.68	34,877.63	

APPENDIX H

Waterfall of secured claims based on Asset Purchase Agreement
Appendix H

			Notes	
Purchase price	8,650,000			1
Allocation to Port Hope real property	5,870,000			2
Residual allocated to equipment and inventory	<u>2,780,000</u>			
Port Hope Real Property	5,870,000			
Less property taxes outstanding	(1,000,000)			3
Less mortgage due to Besco	(2,105,000)			4
Residual allocated to Port Hope creditors from the real property	<u>2,765,000</u>			
	Richmond	Port Hope	Total	Notes
Appraised value of equipment and inventory	600,000	1,185,000		5
Proportionate share of total	0.34	0.66		
Allocation of purchase price attributable to equipment and inventory located in Port Hope and Richmond facilities	934,454	1,845,546	2,780,000	6
Residual proceeds of Port Hope real property		2,765,000	2,765,000	
Total purchase price allocation	<u>934,454</u>	<u>4,610,546</u>	<u>5,545,000</u>	
Secured claims				
Dejun Yao	(934,454)		(934,454)	
San Bao		(4,610,546)	(4,610,546)	
	<u>-</u>	<u>-</u>	<u>-</u>	

Notes:

1. Based on purchase price in the Asset Purchase Agreement.
2. Based on the appraisal report from Cornwall Property Consultants dated December 1, 2014.
3. Estimate based on recent assessment notice.
4. Estimate based on assignment agreement.
5. Based on appraisal from Century Services dated December 3, 2014.
6. Allocation of purchase price attributable to equipment and inventory as between Port Hope and Richmond based on appraised value.