

Clerk's Stamp

COURT FILE NUMBER 1901-11574

COURT COURT OF QUEEN'S BENCH OF ALBERTA

JUDICIAL CENTRE CALGARY

PLAINTIFF PANTERRA MORTGAGE & FINANCIAL CORPORATION LTD.

DEFENDANTS 1075397 ALBERTA LTD., RIGSAT COMMUNICATIONS INC.,  
PETROCRAFT PRODUCTS LTD., TERENCE PHILLIPS, and  
LISA PHILLIPS

DOCUMENT **AFFIDAVIT**

ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT **Burnet, Duckworth & Palmer LLP**  
2400, 525 – 8 Avenue SW  
Calgary, Alberta T2P 1G1  
Lawyer: David LeGeyt / Ryan Algar  
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ralgar@bdplaw.com  
File No. 49075-61

**AFFIDAVIT #3 OF BRIAN BECK**  
**Sworn on June 29, 2020**

I, Brian Beck, of Calgary, Alberta, swear THAT:

1. I am the sole director of Panterra Mortgage & Financial Corporation Ltd. and the President of Cococo Chocolatiers Inc. and as such have personal knowledge of the matters herein deposed to except where stated to be based upon information and belief, in which case I verily believe the same to be true.
2. Panterra is a member of a diverse group of private companies, referred to as the GLBH Group of Companies (the "**GLBH Group**" or the "**Group**"). I am employed as Chief Operating Officer and Corporate Counsel for the GLBH Group and report directly to Mr. Kenneth Black.

3. Mr. Black is the owner of all of the issued and outstanding shares of 261820 Alberta Ltd. ("**261**"). An Alberta corporate search of 261 is attached as **Exhibit "1"**.
4. 261 is a holding company that sits atop of the GLBH Group and Cococo is an affiliate member of the Group.
5. I am employed as Chief Operating Officer and Corporate Counsel for the GLBH Group. I also hold other positions, such as my position with Panterra or with Cococo, by appointment. Cococo is an affiliate member of the Group.
6. Capitalized terms not otherwise defined herein have the meanings set forth in my Affidavit of Default sworn January 30, 2020 in these proceedings and in my Affidavit #2 sworn June 16, 2020 in these proceedings ("**Beck Affidavit # 2**").
7. I make this Affidavit in response to the Affidavits of Terry Phillips filed in these proceedings as those Affidavits are incomplete and inaccurate. My intention in making this Affidavit is to complete the record before this Court and correct Mr. Phillips' incorrect evidence.

#### **Panterra acquires the Mortgage**

8. On June 15, 2018, Adriana Cabrera, Cococo's Finance Manager at the time, forwarded me an email. A copy of that e-mail is attached as **Exhibit "2"**. Reading that email is how I learned that Abby Steinberg and/or Norman Steinberg of Paragon wished to contact me. I did not know either of them at the time, and had never had any contact with them personally before I received the email message and then returned their call.
9. When I returned Paragon's call, Mr. Steinberg told me that Paragon was planning to foreclose imminently upon the Mortgage affecting the Lands. He further explained that he was calling in case Cococo, the tenant of the Lands, or anyone interested in Cococo, might consider purchasing the Mortgage as an alternative to an imminent foreclosure.

10. On June 18, 2018, Kenneth Black and I met with Mr. and Ms. Steinberg and GLBH Group and Paragon reached an agreement in principle for the purchase of the Mortgage by GLBH Group. Panterra, a subsidiary of 261, was subsequently put forward to be the nominated purchaser of the Mortgage on behalf of GLBH Group.
11. The GLBH Group, through Panterra, was motivated to acquire the Mortgage exclusively because Cococo is the tenant of the Lands under a lease (as amended, the "**Lease**"). Panterra is Cococo's sole secured lender, with Cococo owing many millions of dollars to Panterra.
12. By 2017, Cococo had been experiencing negative cash flows for several years, as a result of, among other things, Cococo never financially recovering from its operations having been destroyed during Calgary's 2013 flood. Cococo's position was further impaired when 107 failed to pay Cococo the \$300,000 tenant improvement allowance that Cococo was owed under the Lease with 107 (the "**TI Allowance**"). In 2018, the GLBH Group took the view that an imminent foreclosure by Paragon upon the Lands could very well be the last financial straw for Cococo, especially if Cococo's Lease were foreclosed off title.
13. Panterra acquired the Mortgage to exert some control over, and to ensure some sense of stability in respect of, the precarious financial situation of Cococo, and having regard for the Lease. Acquiring the Mortgage was never a stratagem to acquire title to the Lands. Even today, in fact, Panterra does not particularly want to own the Lands, in the sense that the GLBH Group has no subjective desire to own the property as part of its real-estate portfolio. The GLBH Group owns extensive real estate interests elsewhere in which it would prefer to focus its investment dollars.
14. Panterra paid Paragon face value for the Mortgage, which was approximately \$3,300,000. Panterra had secured an appraisal of the Lands as part of its due diligence before acquiring the Mortgage. A copy of that appraisal is attached as **Exhibit "3"**, and it values the Lands at \$3,200,000 as of June 19, 2018.

### **Cococo's ownership**

15. Although it is true that I am nominally and indirectly a shareholder of the company that is itself a shareholder of Cococo, for many years those shares in Cococo have been valueless. I do not have any reasonable expectation today of my indirect shareholding in Cococo ever having any value in future.
16. There is another arm's length shareholder in Cococo, DKM Holdings ("**DKM**"). I understand that DKM entirely wrote off its investment in Cococo for tax purposes many years ago.

### **Early dealings with 107**

17. Mr. Black and I were familiar with the Defendant Terry Phillips before Panterra had acquired the Mortgage. We had dealt with him previously, when 107 had failed to pay Cococo the TI Allowance. At that time, Mr. Phillips advised us of his ongoing efforts to refinance the Lands and his ongoing litigation involving the Quinneys, who had (and still have) writs registered against title to the Lands. Ultimately, 107, or Mr. Phillips on its behalf, never came forward with any proposal to satisfy that unpaid debt under the TI Allowance, with the exception of 107 suggesting that it could provide Cococo (or, later, Panterra) a subordinate-mortgage position on the Lands.
18. Cococo ultimately chose to sue 107 to recover a judgment for its unpaid TI Allowance, and 107 executed a Consent Judgment for the amount owing, which was then registered on title to the Lands (the "**Consent Judgment**"). That is how matters sat when Paragon unexpectedly contacted me in 2018.
19. Pursuant to the terms of an assignment of rents and leases, Paragon in 2016 had directed Cococo to pay its rent due under the Lease to Paragon directly, so the parties had earlier been in contact, in that limited sense. A copy of the letter that Cococo received from Paragon's legal counsel, dated September 2, 2016, is attached as **Exhibit "4"**.

### **Dealings with 107 when the Mortgage was acquired**

20. Panterra's purchase of the Mortgage closed August 9, 2018. By letter dated September 10, 2018, Panterra wrote to 107 to propose a meeting to discuss the terms pursuant to which Panterra would consider discussing a renewal of the Mortgage, the terms of which included a six-month renewal to March 1, 2019, and a \$32,000 renewal fee. The \$32,000 renewal fee was the same fee that Paragon had been charging 107 for its past renewals of the Mortgage. A copy of the letter to 107 is attached as **Exhibit "5"**.
  
21. On September 17, 2018, Kristy Hicks and I, on behalf of Panterra, met with Mr. Phillips and Lisa Phillips, on behalf of 107 (the "**Meeting**"). We learned at the Meeting that the Phillipses were then estranged and in the process of getting a divorce. For the purpose of the meeting, I had prepared notes to summarize the circumstances and key proposed terms, which I used as a sort of a "script" for the meeting. A copy of those notes is attached as **Exhibit "6"**. Key points from the notes and covered by me during the meeting included:
  - (a) Panterra was offering a six-month renewal term;
  - (b) a proposed amendment to the Lease so that Cococo could set-off rent otherwise payable to 107 in an amount equal to the unpaid Consent Judgment;
  - (c) in the event that 107 might default—as especially in the case of a failure to refinance on or before March 1, 2019—then Cococo would have the right to "Redefine the term (length)" of its Lease; and
  - (d) in default of agreement about such terms, Panterra would proceed with foreclosure.
  
22. At the meeting, I presented Mr. Phillips with certain legal documents which had been previously prepared by counsel for Panterra and Cococo, to give effect to the terms proposed (the "**Amending Agreement**"). I advised the Phillipses at the meeting that they might wish to obtain independent legal advice, and the meeting

- concluded with the Amending Agreement and the other documents being taken away for consideration by 107, and with Mr. Phillips indicating that he was generally in agreement.
23. The next day, on September 18, 2018, I received an email from Ms. Phillips (née Chisholm), to which I replied the following day. A copy of our email exchange is attached as **Exhibit "7"**.
  24. On September 28, 2018, I exchanged emails with Mr. Phillips. A copy of our email exchange is attached as **Exhibit "8"**. In my email to Mr. Phillips I had asked for a clear position failing which foreclosure would proceed. In reply, Mr. Phillips wrote: "I'm in favour of signing but I'm getting push back from Lisa."
  25. After the email exchanges above, I met with Mr. Phillips, on behalf of 107, at Cococo's offices to exchange signed copies of the Amending Agreement, and he left Cococo in possession of his own duplicate set of original copies.

#### **107 Default**

26. 107 failed to refinance the Mortgage before the deadline of March 1, 2019. In anticipation of that deadline, Mr. Phillips and I had been in contact. At his request, I provided him again with copies of all key documents, which he had evidently misplaced. A copy of Mr. Phillips e-mail request for these documents is attached as **Exhibit "9"**.
27. Despite 107's failure to refinance, Panterra hoped to negotiate a solution and conversations toward this end were ongoing from February through August 2019. In furtherance of such discussions, Panterra commissioned another appraisal of the Lands. A copy of that June 3, 2019 appraisal is attached as Exhibit "1" to the Affidavit of Value previously filed in these proceedings. That appraisal assessed the value of the Lands at \$3,000,000. On July 9, 2019, Panterra provided a copy of the appraisal to 107 under cover of letter. A copy of that letter is attached as **Exhibit "10"**.

28. During this period, Mr. Phillips and I had extensive discussions with respect to the valuation of the Lands. Mr. Phillips had represented to me during a meeting that he had a draft appraisal in hand for the Lands indicating a valuation of \$4,000,000 (or, later, \$4,125,000). Eventually it was clarified, though, that no such appraisal had in fact existed at the time at all, but then a subsequent appraisal was eventually provided by 107 indicating a \$3,720,000 valuation for the Lands. A copy of the pertinent email chain between Mr. Phillips and me is attached as **Exhibit "11"**. That \$3,720,000 appraisal is Exhibit "H" to the Affidavit of Terry Phillips sworn March 6, 2020 in these proceedings.
29. On August 6, 2019, I advised 107 by email that Panterra would be proceeding with foreclosure. A copy of that email chain is attached as **Exhibit "12"**.

### **Competing Appraisals**

30. During the relevant period of time, the history of appraisals affecting the Lands—which 107 had originally acquired on January 13, 2015 for \$3,700,000—is the following:
- (a) Avison Young appraisal effective **June 19, 2018**, obtained by 261 in support of Panterra acquiring the \$3,300,000 Mortgage from Paragon - **\$3,200,000** (Exhibit "3" to this Affidavit #3).
  - (b) Avison Young appraisal effective **June 3, 2019**, obtained by Panterra in support of negotiations with 107 after the Mortgage was in default by reason of 107 not having secured refinancing before the deadline of March 1, 2019 - **\$3,000,000** (Exhibit "1" to the Affidavit of Value: Valuators Report of Patrick J. James sworn January 30, 2020 in these proceedings).
  - (c) Colliers appraisal effective **June 15, 2019**, obtained by 107 in relation to the same negotiations - **\$3,720,000** (Exhibit "H" to the Affidavit of Terry Phillips sworn March 6, 2020 in these proceedings) (the "**Colliers Appraisal**").

- (d) CBRE appraisal effective **April 1, 2020** filed by 107 in opposition to Panterra's application to appoint a receiver - **\$4,050,000** (Exhibit "A" to the Affidavit of Value and Valuator's Report sworn June 22, 2020 in these proceedings) (the "**CBRE Appraisal**").
  - (e) Avison Young appraisal effective **May 29, 2020**, commissioned by me on behalf of Panterra in support of the present application to appoint a receiver - **\$2,900,000** (Exhibit "5" to Beck Affidavit #2) (the "**Third Avison Young Appraisal**").
31. Neither the Colliers Appraisal nor the CBRE Appraisal were based upon an interior inspection of the building on the Lands. Further:
- (a) the Colliers Appraisal states on page 4: "at the express request of the client no interior inspection was performed. An exterior inspection was performed on June 13, 2019";
  - (b) the CBRE Appraisal states as an "Extraordinary Limiting Condition" on page 8:

CBRE Limited only inspected the exterior of the subject building and the site improvements, as well as its surrounding environs on the effective date of the appraisal. An interior inspection was not completed as a result of COVID-19 concerns.
  - (c) the effective date of the CBRE Appraisal is April 1, 2020, but paragraph 3 of the Affidavit of Chris Marlyn sworn June 22, 2020 in these proceedings clarifies that the exterior inspection in question was completed on March 25, 2020. March 25, 2020 predated Alberta's March 27, 2020 public health order CMOH 07-2020, which was the main COVID-19 order that, among other things, closed non-essential businesses. Cococo staff were present in the building on the Lands, and Cococo was operating at that location, on both March 25, 2020 and April 1, 2020. No one contacted Cococo concerning arrangements that might have been made at the time for an



interior inspection, and under the Lease, 107 has a right to enter the building on two days' notice at any time;

- (d) the Colliers Appraisal has not been put into evidence in these proceedings as a Valuator's Opinion, but only as an Exhibit to the Affidavit of Terry Phillips sworn March 6, 2020 in these proceedings; and
- (e) the CBRE Appraisal values the Lands by capitalizing the value of the Cococo Lease. The CBRE Appraisal states (at page 9) that: "It is assumed that lease (*sic*) in (*sic*) place for the subject property is in full force and effect and that both the landlord and tenant are in good standing."

The "Tenant Profile" on page 4 of the CBRE Appraisal identifies the Lease, without qualification, as having an expiry date of December 2025. The CBRE Appraisal nowhere references the amendment to the Lease dated August 31, 2018 (Exhibit "F" to the Affidavit of Terry Phillips sworn March 6, 2020 in these proceedings) (the "**Amending Agreement**"), and its effect upon the appropriateness of the adopted capitalization approach. The CBRE Appraisal therefore values the Land as if the Cococo Lease is a valuable financial instrument (the enforceable obligation of a creditworthy counterparty), whereas the reality today is that Cococo is presently evaluating whether it can define for itself any going-concern future at all, and with Panterra being owed a large sum as secured creditor.

### **The Listing for Sale**

- 32. On June 22, 2020, I learned through legal counsel that 107 had listed the Lands for sale. By email on June 23, 2020, Panterra's legal counsel informed 107's legal counsel that, in response to a request for access by the realtor, Iain Ferguson, Mr. Ferguson could contact me directly to arrange for a site visit of the building on the Lands. Mr. Ferguson called me the same day, and we arranged for a site meeting two days later, on June 25, 2020.

33. Mr. Ferguson told me that he had been instructed to list the property for sale at an asking price of \$3,995,000, and that the listing price was not his recommendation. Mr. Ferguson also told me that he had been provided with information concerning the original Lease, but had not been given any information concerning the Amending Agreement.

**Status of the Cococo lease**

34. The dealings between Panterra and 107 were always centred on Cococo's interest in the Lease and this was made abundantly clear to 107 throughout the course of the relationship.
35. By means of the Amending Agreement, Panterra, as reluctant Mortgage purchaser, sought and obtained two Lease concessions as part of the price of its willingness to afford 107 a six-month grace period during which it could pursue refinancing. First, it sought and obtained a right for Cococo to set-off rent otherwise payable under the Lease, which Cococo used to collect the Consent Judgment. Second, it sought and obtained a right—in the case of the Landlord's default—to amend the term of the Lease. It did this to secure flexibility given the precarious state of Cococo's finances.
36. After Panterra acquired the Lease, Panterra subordinated its Mortgage to the Cococo Lease, as amended. Panterra took this step to protect against unforeseen events that could arise during foreclosure or other proceedings, and to heighten the visibility of the Lease and the dynamics affecting Cococo, especially so that third parties would be on notice about the need to interact with Cococo and to assess as might be necessary the true value of Cococo's tenancy. In Panterra's experience with 107, 107 has frequently failed to disclose to third parties—whether in relation to refinancing efforts or in respect of appraisal—the fact that Cococo is in considerable financial distress, and that the value of the Lands cannot therefore reasonably be defined with reference to the capitalized value of Cococo's Lease.
37. In the affidavit of Terry Phillips sworn March 6, 2020 in these proceedings, Mr. Phillips deposes that there has occurred no "Landlord Event of Default" under the

Amending Agreement, such as would trigger Cococo's right to redefine the term of the Lease. That is false. A "Landlord Event of Default" occurred because 107 failed to pay amounts when due on the maturity date of March 1, 2019, and this was a cross-default under the Lease as amended by the Amending Agreement. Notice of default was given over one year ago, on May 24, 2019.

38. By letter dated August 6, 2019 (a copy of which is attached as "**Exhibit 13**"), which was sent only after efforts to negotiate an outcome with 107 had finally proved unsuccessful, Cococo exercised the option to redefine the term of the Lease. At all times prior to August 6, 2019, 107 could have refinanced the Lands in circumstances where the Lease had not then been amended from its original form in relation to the term, because Cococo had not previously exercised its option.

### **Refinancing**

39. In paragraph 11 of the Affidavit of Terry Phillips sworn June 25, 2020 in these proceedings, he deposes that:

I have made application to various lenders for financing sufficient to payout the Panterra mortgage, but no financing is possible until the writs on the property are retired and/or information to assess Cococo's financial ability to pay the rent as well as a report on the structure and maintenance of the building has been provided. Cococo has failed to provide such information.

40. 107 has never requested from Cococo interior access to the building on the Lands in connection with refinancing. The only request for access was the recent request in relation to Mr. Ferguson attending the site as selling realtor (paragraphs 32 and 33 above).
41. Cococo also has not "failed" to provide financial information. The email exchange between Terry Phillips and me attached as Exhibit "C" to his affidavit sworn June 25, 2020 in these proceedings explains the circumstances reasonably well. To be more specific about those circumstances, however, the last formal financial statements prepared for Cococo by its auditors, in draft (never finalized) form only,

were dated October 31, 2017. Those statements were never completed because Cococo has not, since that time, and including in view of the ongoing problems with the Lands, been able to define any "going concern" business model for itself.

42. I am very well acquainted with Cococo's financial circumstances. I can say with a high degree of confidence that a financing party with a clear understanding of those circumstances would not place any significant value at all upon Cococo's Lease or tenancy. This is why Panterra has repeatedly had the Lands appraised for itself as if vacant.
43. In paragraph 12 of the Affidavit of Terry Phillips sworn June 25, 2020 in these proceedings, he deposes that, "In addition to refinancing efforts, I have also made several suggestions to Panterra regarding a repayment plan for the Mortgage." I do not understand this statement, because 107 has never proposed a repayment plan for the Mortgage. As mentioned above, on several occasions Terry Phillips has asked in a vague way whether Panterra might agree to accept a "second mortgage position" on the Lands for amounts that it is owed, and Panterra has always been very clear and firm about rejecting this idea.
44. In paragraph 13 of the Affidavit of Terry Phillips sworn June 25, 2020 in these proceedings, he deposes that: "In April of 2019, I wrote to Brian Beck and inquired about whether Panterra would consider taking a second mortgage on my home for the Mortgage arrears. A copy of this correspondence is attached to this Affidavit as Exhibit 'D'". Upon reading this statement in Mr. Phillips' affidavit, I reviewed again the email correspondence in question. That correspondence does not mention a "home" at all, and I never understood the inquiry at the time as pertaining to the idea of Panterra taking a second mortgage on Mr. Phillips' home. Terry Phillips on several occasions verbally raised with me the idea of Panterra accepting a second-mortgage position on the Lands, and he never verbally raised with me the idea of a second mortgage on a residence with me. Regardless, and even had he done so, it would have made no sense to me since Panterra already at the time possessed collateral mortgages on the residences occupied by both Terry Phillips and Lisa Phillips.

### **The 'no interest' letter and the request for a satisfaction piece**

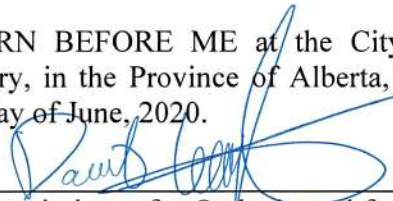
45. Cococo declined to sign a satisfaction piece in respect of the Consent Judgment when that was recently requested by counsel for 107, except upon terms that were explained, and at the same time declined to sign a 'no interest' letter.
46. Although in Cococo's view the amounts protected by the Consent Judgment have been recovered by way of Cococo's rent having been set off for a period under the Lease, in these proceedings 107 has adduced evidence and made arguments with a seeming intent to call into question the legitimacy of transactions that occurred in 2018. Cococo therefore refused to sign a satisfaction piece without being provided with assurance that the setoff transaction would not then be attacked collaterally. Neither 107 nor 107's counsel responded to that request for reasonable assurance.
47. The technical terms of the 'no interest' letter were of some concern to Cococo and, upon advice from counsel, Cococo likewise declined to entertain the signing of that letter. Beyond having been provided with a copy of the 'no interest' letter, though, Cococo was not given any information at all concerning potential financing efforts involving Jim Peplinski Leasing. On the face of things, Cococo formed the impression that the 'no interest' letter in question may have pertained only to vehicle refinancing and not any significant effort on the part of 107 to refinance the Mortgage. In any event, however, since 107's total indebtedness to Panterra may or may not be satisfied by realization upon the Lands, Panterra could not—on the face of the information provided—conclude for itself that it would have no interest, in any circumstances whatsoever, in whatever property was then being considered by Jim Peplinski Leasing as "collateral".

### **Prejudice**

48. The position of Cococo has greatly worsened during the period of delay that has been experienced since these proceedings were first commenced in August 2019, and even since the foreclosure application was filed February 3, 2020. Cococo has foregone opportunities to restructure its operations, precisely because of the cloud of uncertainty related to the Mortgage and the Lands.

49. The worsening of Cococo's business equates to the worsening of Panterra's business. At present, all but one of Cococo's retail stores is closed, and almost all of Cococo's staff are laid off. Cococo is evaluating various restructuring opportunities, and other options and forecasts, to see if a viable business model going forward can be defined. The continuing uncertainty surrounding the Lands is materially and adversely affecting the ability of Cococo and Panterra to work together on any sort of business model that that could be acceptable to both. Further, approximately 80 jobs for Albertans are at risk while this dispute about 107's unpaid debt remains stuck.
50. Cococo has been paying base rent under the Lease at the rate of \$12.19 per square foot. When Patrick James was discussing with me his work in relation to producing the Third Avison Young Appraisal, he told me that in his experience in the market right now, especially post-COVID-19, \$12 per square foot is enough to secure new or nearly-new buildings of the sort occupied by Cococo, and that there are many examples of buildings like the older Cococo building that are leasing for \$8 per square foot, or even less. This matches my own experience with real estate in the GLBH Group.

SWORN BEFORE ME at the City of )  
Calgary, in the Province of Alberta, this )  
29<sup>th</sup> day of June, 2020.

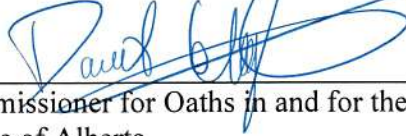
  
A Commissioner for Oaths in and for the  
Province of Alberta.

DAVID LEGEYT  
A Commissioner for Oaths and Notary Public  
in and for the Province of Alberta  
My Commission expires at the  
Pleasure of the Lieutenant-Governor

  
BRIAN BECK

THIS IS EXHIBIT "1" REFERRED TO IN  
THE AFFIDAVIT OF BRIAN BECK.

SWORN BEFORE ME THIS 29<sup>TH</sup> DAY OF  
JUNE, 2020.



A Commissioner for Oaths in and for the  
Province of Alberta

DAVID LEGEYT

A Commissioner for Oaths and Notary Public  
in and for the Province of Alberta

My Commission expires at the  
Pleasure of the Lieutenant-Governor

# Government Corporation/Non-Profit Search of Alberta ■ Corporate Registration System

Date of Search: 2020/06/26  
Time of Search: 12:47 PM  
Search provided by: ELDOR-WAL REGISTRATIONS (1987) LTD  
Service Request Number: 33656919  
Customer Reference Number:

**Corporate Access Number:** 202618203  
**Business Number:** 106085665  
**Legal Entity Name:** 261820 ALBERTA LTD.

**Legal Entity Status:** Active  
**Alberta Corporation Type:** Numbered Alberta Corporation  
**Registration Date:** 1981/08/05 YYYY/MM/DD

## Registered Office:

**Street:** 5505 6 STREET SE  
**City:** CALGARY  
**Province:** ALBERTA  
**Postal Code:** T2H1L6

## Records Address:

**Street:** 5505 6 STREET SE  
**City:** CALGARY  
**Province:** ALBERTA  
**Postal Code:** T2H1L6

**Email Address:** BRIANBECK@GLBH.COM

## Directors:

**Last Name:** BLACK  
**First Name:** KENNETH  
**Middle Name:** M  
**Street/Box Number:** 2414 HOPE STREET SW  
**City:** CALGARY  
**Province:** ALBERTA



**Postal Code:** T2S2H5

**Voting Shareholders:**

**Last Name:** BLACK  
**First Name:** K.  
**Middle Name:** M.  
**Street:** 5505 6TH STREET SE  
**City:** CALGARY  
**Province:** ALBERTA  
**Postal Code:** T2H1L6  
**Percent Of Voting Shares:** 100

**Holding Shares In:**

<b>Legal Entity Name</b>
G. L. BLACK HOLDINGS LTD.
766089 ALBERTA LTD.
CONEMATIC HEATING SYSTEMS INC.
GLOBAL PLANNING SERVICES INC.
88 REAL ESTATE HOLDINGS LTD.
G. L. BLACK HOLDINGS LTD.
INSTANT POTATOES HOLDINGS LTD.
COCOCO CHOCOLATIERS OTTAWA INC.
HOUSE OF MIRRORS LTD.
G. L. BLACK HOLDINGS LTD.
FIBERBUILT MANUFACTURING INC.
PANTERRA MORTGAGE & FINANCIAL CORPORATION LTD.

**Other Information:**

**Last Annual Return Filed:**

<b>File Year</b>	<b>Date Filed (YYYY/MM/DD)</b>
2019	2019/07/15

**Continued Under the Business Corporations Act on:** 1985/08/30 YYYY/MM/DD

**Filing History:**

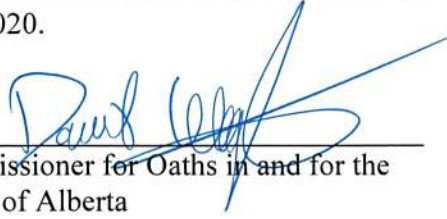
<b>List Date (YYYY/MM/DD)</b>	<b>Type of Filing</b>
2010/10/26	Change Address
2015/10/22	Change Director / Shareholder
2019/07/15	Enter Annual Returns for Alberta and Extra-Provincial Corp.
2020/02/17	Update BN

The Registrar of Corporations certifies that, as of the date of this search, the above information is an accurate reproduction of data contained in the official public records of Corporate Registry.



THIS IS EXHIBIT "2" REFERRED TO IN  
THE AFFIDAVIT OF BRIAN BECK.

SWORN BEFORE ME THIS 29<sup>TH</sup> DAY OF  
JUNE, 2020.



A Commissioner for Oaths in and for the  
Province of Alberta

DAVID LEGEYT

A Commissioner for Oaths and Notary Public  
in and for the Province of Alberta  
My Commission expires at the  
Pleasure of the Lieutenant-Governor

**From:** Adriana Cabrera ACabrera@cococoinc.com  
**Subject:** FW: Contact  
**Date:** June 15, 2018 at 3:33 PM  
**To:** Brian Beck BBeck@cococoinc.com



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**Hi Brian:**

The “factory-HO” mortgage owners are trying to reach you, let me know if you need any information from me prior to talking to them.

Thank you,

Adriana

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**From:** Abby Steinberg [<mailto:abby@paragoncorp.ca>]  
**Sent:** Friday, June 15, 2018 3:25 PM  
**To:** Adriana Cabrera <[ACabrera@cococoinc.com](mailto:ACabrera@cococoinc.com)>  
**Cc:** Norman Steinberg <[norman@paragoncorp.ca](mailto:norman@paragoncorp.ca)>  
**Subject:** Contact

Good afternoon, Adriana

We are trying to reach Mr. Brian Beck and you are our contact on file.

Kindly forward contact info for Brian or alternatively, please ask him to call me or Norman Steinberg (cc'd) directly.

With appreciation,

Abby

Abby Steinberg, President  
Paragon Capital Corp. Inc.  
ROQ Capital Partners Ltd.  
1200, 1015 Fourth Street, SW  
Calgary, Alberta T2R 1J4  
T: (403) 263-6446 F: (403) 263-6445  
E: [abby@paragoncorp.ca](mailto:abby@paragoncorp.ca)

THIS IS EXHIBIT "3" REFERRED TO IN  
THE AFFIDAVIT OF BRIAN BECK.

SWORN BEFORE ME THIS 29<sup>TH</sup> DAY OF  
JUNE, 2020.



A Commissioner for Oaths in and for the  
Province of Alberta

DAVID LEGEYT

A Commissioner for Oaths and Notary Public  
in and for the Province of Alberta

My Commission expires at the  
Pleasure of the Lieutenant-Governor



Partnership. Performance.

## **A SHORT NARRATIVE APPRAISAL REPORT**

Subject Property : Office/Warehouse Facility  
2320 – 2<sup>nd</sup> Avenue SE, Calgary Alberta

Effective Date : June 19, 2018  
Prepared for : 261820 Alberta Ltd.  
Prepared By : Patrick J. James, CRA, P.App



Intelligent  
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June 27, 2018

261820 Alberta Ltd.  
c/o 2320 – 2<sup>nd</sup> Avenue SE  
Calgary, Alberta  
T2E 6J9



ATTENTION: Mr. Brian Beck

**ACCOUNT NUMBER 10881**

RE: Appraisal: *Office/Warehouse Facility*  
2320 – 2<sup>nd</sup> Avenue SE, Calgary, Alberta

In response to your authorization, we have conducted the required investigation, gathered the necessary data, and made certain analyses that have enabled us to form an opinion of the market value, in Fee Simple Estate of the above captioned office/warehouse building.

Based on an inspection of the property and the investigation and analyses undertaken herein, we have formed the opinion that as of June 19, 2018, with a preceding exposure time of up to six months, the subject property has a market value in Fee Simple Estate of:

**– THREE MILLION TWO HUNDRED THOUSAND DOLLARS –**

**– ( \$3,200,000 ) –**

The Short Narrative Appraisal that follows sets forth a brief description of the property, a synopsis of the appraisal process used, and the reconciled estimate of value. Use of the report is restricted to representatives of 261820 Alberta Ltd. only for information purposes.

**AVISON YOUNG VALUATION & ADVISORY SERVICES**

  
\_\_\_\_\_  
**Patrick J. James, CRA, P.App**  
(RECA Licensed Alberta Appraiser)

  
\_\_\_\_\_  
**Terry Taylor, B.Comm., AACI, P.App**  
(RECA Licensed Alberta Appraiser)

Subject Photograph



**2320 – 2<sup>nd</sup> Avenue SE**

**Calgary, Alberta**



## SUBJECT OF THE APPRAISAL

### PROPERTY TYPE:

- Single legally described 0.86 acre fully serviced industrial development site having an I-G, Industrial General land use classification.
- Interior site was improved in 1978 (*as per City*) with a freestanding office/warehouse facility.
- The building has a reported gross size of 23,269 sf, including a 6,400 sf± two storey office component and a 16,869 sf warehouse.
- Site coverage equates to approximately 53.7%.
- The client, who is the current tenant, has upgraded the building interior and exterior to accommodate its own offices and government certified food production facility.
- On client instruction, we have been asked to disregard the lease in place and value the property "as if vacant".
- The property is well located within the established inner-city industrial district of Mayland in southeast Calgary.



### LOCATION PROFILE:

- The subject is located in the southeast sector of Calgary in the district known as Mayland Heights.
- District is essentially divided into two parts, with commercial and industrial development located south of 3rd Avenue N.E. and residential development to the north.
- District is generally bound by the Trans-Canada Highway (16<sup>th</sup> Avenue NE) to the north; Barlow Trail NE to the east; Deerfoot Trail (QE II) to the west; and Memorial Drive SE to the south.
- District is accessible from westbound Memorial Drive S.E., Barlow Trail NE or 19<sup>th</sup> Street NE.
- Location benefits from close proximity to the core and a number of major transportation corridors.
- Property is also in close proximity to the Barlow/Max Bell LRT station.



**MUNICIPAL ADDRESS AND LOCATION:**

- 2320 – 2<sup>nd</sup> Avenue SE, Calgary, Alberta
- City indicates the subject is within the Mayland Industrial District in southeast Calgary.
- The subject parcel is amongst other similar single and multi-tenant office/warehouse developments, located in an area north of Memorial Drive, east of Deerfoot Trail and west of Barlow Trail SE.

**LEGAL DESCRIPTION**

PLAN 7810519  
BLOCK 5  
LOT 2  
EXCEPTING THEREOUT ALL MINES AND MINERALS

ESTATE : FEE SIMPLE  
MUNICIPALITY : CITY OF CALGARY  
SOUTH ALBERTA LAND REGISTRATION DISTRICT

**LAND DESCRIPTION:**

- Fully serviced, rectangular shaped interior parcel with 170 feet of frontage along the south boundary, formed by 2<sup>nd</sup> Avenue SE, and a depth of about 219 feet.
- Gross assessed site area of 37,373 sf (0.86 acres).
- Site is bound on the east and west by similar office/warehouse developments. An abandoned rail line is located along the north boundary of the site. The site has no back lane. Access is off 2<sup>nd</sup> Avenue SE.
- Second Avenue SE generally slopes from east to west, thus most sites along the street have required some extra site work to bring them to level grade, with some retaining walls required from site to site. The subject site is generally level throughout and at grade with adjoining roadways. There did not appear to be any drainage problems at the time of inspection.

- The site is improved with a single building improvement, oriented toward the east boundary of the site.
- Where not covered by the building improvement the balance of the site is mostly improved with paved asphalt surface parking. A portion of the south boundary is improved with landscaping, while the southeast corner is finished with a poured concrete apron to service the loading area. The back (north) part of the site has been fenced and provides secure outside storage.
- Site condition and appeal is average. Given the above average site coverage ratio, surface parking and ease of loading is somewhat restricted.
- The current Certificate of Title is not encumbered with any Right-of-Ways, Easements or Setbacks.
- The subject site provides good industrial use potential in the southeast sector of Calgary.

### **BUILDING IMPROVEMENT:**

The improvements remain as described in our previous file on the subject (*our file #10187*). The subject building was constructed in 1978 (*as per City*).

<b>SIZE</b>	:	Main Floor Office:	3,200 sf±
		Second Floor Office:	3,200 sf±
		Warehouse:	<u>16,869 sf±</u>
		Total:	23,269 sf±
<b>FOOTPRINT/SITE COVERAGE</b>	:	20,069 sf/53.7%	
<b>SUPERSTRUCTURE</b>	:	Structural steel frame with concrete blocks walls.	
<b>FOUNDATION</b>	:	Cast in place concrete slab floor	
<b>EXTERIOR WALLS</b>	:	Primarily painted concrete block walls with some metal cladding on the west and south elevations. Two storey front office pod finished with painted wood trim and curtain wall glazing along the south and west elevations.	
<b>ROOF</b>	:	Low sloped metal clad	
<b>ELECTRICAL</b>	:	1,200 amp. ( <i>to be verified</i> )	
<b>LOADING</b>	:	1 – 14 foot overhead drive-in door	
		1 – 8 foot dock height door, complete with bumpers, lights and a load leveler.	
		1 – 10 foot dock height door	
<b>CEILING HEIGHT</b>	:	Warehouse estimated at 18 feet	
		Office areas estimated at 7.5 (upper) to 8 feet	
<b>LIGHTING</b>	:	Mix of fluorescent and metal halide fixtures.	
<b>HEATING/COOLING</b>	:	Office areas heated by several conventional gas fired forced air units located on each floor. Cooling provided by roof mounted units, as advised. Warehouse includes radiant gas tubes and gas fired unit heaters.	

### **INTERIOR FINISHES AND LAYOUT**

The front office pod is comprised of 6,400 sf of developed space equally split between two levels. The primary access is along the south elevation which leads to a small foyer providing access to both the main and upper levels. The main floor is primarily dedicated as staff areas including a lunchroom, change rooms and washrooms. Finishes include vinyl tile flooring, decorated drywall and suspended ceilings. There are several locations from which the warehouse can be accessed from the main floor staff areas. Main floor condition is good.

The upper level is developed entirely as office and boardroom space and includes demised offices, a reception area and washrooms. The second floor is serviced by two separate staircases. Ceiling height is lower, in the 7.5 foot range. Overall condition, function and appeal of the space is good.

The client operates a certified food processing facility, and as such the warehouse has undergone upgrades to meet standards required for this type of operation. This has included painting the majority of the floor space, installing FRP wall panels on the lower portions of the walls, painting and cleaning of block walls and suspended ceiling panels. New lighting and air make-up facilities have been installed. The layout includes a number of coolers and freezers along with dry storage and loading areas. Condition and function of the space is good. Overall the subject building is viewed as being in good overall condition considering its age. The layout is functional and recent upgrades have helped enhance the appeal of the property.

The preceding description of the improvements is based on the inspection and information provided and is offered here to assist the reader in visualizing the property. No architectural, engineering or any other technical advice or examination has been obtained with reference to structural, mechanical or any other physical faults or deficiencies. These concerns are not addressed in this report. The appraisal is based on the assumption the proposed property is not lacking in this regard. Questions of survey, legal matters, hidden or unapparent conditions of the property; soil or subsoil conditions and other professional or technical matters which might influence the value of this property have not been investigated. Please refer to the photographs included in the Addenda of this report.

### **PROPERTY ASSESSMENT**

The following information was provided by the City of Calgary Tax and Assessment Department.

Property Assessment 2018:	\$3,010,000
Property Tax Levy 2018:	\$58,473.46

### **PURPOSE AND INTENDED USE OF THE APPRAISAL**

The purpose of the appraisal is to estimate the fair market value of the subject property as defined herein. The appraisal report may be relied upon by the client, 261820 Alberta Ltd. for information purposes.

### **SCOPE OF THE APPRAISAL**

The scope of this appraisal pertains to the extent of the process in which market data is collected, confirmed and reported. The research conducted in this analysis relative to comparable industrial leasing and sales has included data from our own files (Avison Young Valuation & Advisory Services) as well as real estate brokers, property owners and developers, RealNet, Commercial Edge and the Calgary Real Estate Board. The subject property was inspected by the appraiser as at the date specified herein. Techniques used in this appraisal are deemed relevant for the particular valuation.

## **OWNERSHIP AND SALES HISTORY**

The current Certificate of Title associated with the subject site is registered in the name of 1075397 Alberta Ltd. The title was created January 13, 2015 as a result of a transfer of land for a stated value and consideration of \$3,700,000. To the best of our knowledge the subject is not being actively marketed, nor is it under contract for sale at this time.

## **DEFINITION OF MARKET VALUE**

Market Value is defined as:

*"The most probable price, as of a specified date, in cash, or in terms equivalent to cash, or in other precisely revealed terms, for which the specified property rights should sell after reasonable exposure in a competitive market under all conditions requisite to a fair sale, with the buyer and seller each acting prudently, knowledgeably, and for self-interest, and assuming that neither is under undue duress.*

Implicit in this definition are the consummation of a sale as of the 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 interests;
- 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;
- 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.

Market Value paragraph 29 of the International Valuation Standards 2013, defines market value as follows:

*"Market value is the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."*

## **EXPOSURE TIME**

Exposure time is 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. Exposure time is always presumed to occur prior to the effective date of the appraisal. The overall concept of reasonable exposure encompasses not only adequate, sufficient and reasonable time but also adequate, sufficient and reasonable effort. Exposure time is different for various types of real estate and value ranges and under various market conditions.

With respect to a reasonable time frame for exposure of the subject property required to achieve a sale in the open market, we are of the opinion a period of up to six months is realistic.

## PROPERTY RIGHTS APPRAISED

The property rights appraised in this report as it relates to the subject property, are those of a Fee Simple Estate, which 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."*

## DATE OF THE APPRAISAL

DATE OF VALUE & SITE INSPECTION : June 19, 2018  
INSPECTED BY : Patrick J. James, CRA, P.App

## LAND USE CLASSIFICATION

The subject property, like all lands within the City of Calgary are classified as to land use under Bylaw 1P2007. This by-law sets out various districts in the City of Calgary with specific guidelines. Under this Bylaw the subject property falls under an I-G, Industrial General District land use classification.

Based on a review of the land use by-law guidelines for the I-G district, we are of the opinion, the subject, as developed, is a legal and conforming use of the land.

## HIGHEST AND BEST USE ANALYSIS

Highest and Best Use is defined as "The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value".

The four criteria the Highest and Best Use must meet are:

- I. *Physical Possibility* - site size, configuration, topography, availability of utilities, street improvements, accessibility.
- II. *Legal Permissibility* - public restrictions including zoning guidelines, utility right-of-way, etc., and private restrictions such as easements.
- III. *Financial Feasibility* - marketability in terms of supply/demand characteristics, profitability as relates to return on cost, market rent levels etc., and the availability and cost of capital.
- IV. *Maximum Profitability* - use that produces the highest residual land value consistent with the rate of return warranted by the market for that use.

Two concepts of Highest and Best Use are presented:

**A. HIGHEST AND BEST USE OF LAND OR A SITE AS THOUGH VACANT.** Among all reasonable, alternative uses, the use that yields the highest present land value, after payments are made for labour, capital, and coordination. The use of a property based on the assumption that the parcel of land is vacant or can be made vacant by demolishing any improvements.

**B. HIGHEST AND BEST USE OF PROPERTY AS IMPROVED.** The use that should be made of a property as it exists. An existing property should be renovated or retained as is so long as it continues to contribute to the total market value of the property, or until the return from a new improvement would more than offset the cost of demolishing the existing building and constructing a new one.

**A. HIGHEST AND BEST USE OF LAND OR A SITE AS THOUGH VACANT**

i) PHYSICAL POSSIBILITY

The subject parcel is generally level in topography, rectangular in shape and has a gross site area of 37,373 sf (0.86 acres). The site is fully serviced with all available municipal utilities and is accessible from adjoining thoroughfares. The property is located in the Mayland Industrial District of southeast Calgary. There are no apparent physical deficiencies that would preclude typical development of the land. Possibilities exist for a variety of uses.

ii) LEGAL PERMISSIBILITY

Legal restrictions that apply to the subject include public and private restrictions. With respect to public restrictions, the land falls under I-G Land Use Guidelines. Subject to City planning approval, any of the permitted and discretionary uses under the I-G guidelines would be appropriate for the property, to a maximum density of 1x FAR. Given the parcel's current zoning, various industrial uses would be permitted.

iii) FINANCIAL FEASIBILITY

Of the uses which could be physically and legally accommodated on the site, the economics are such that some form of industrial development would likely provide the greatest monetary return to the land given current market demands and rent levels. The Calgary and area industrial market appears to have stabilized after several years of declines. That said, no new development would be advisable without substantial pre-leasing in place, or as a design-build for a specific user.

iv) MAXIMUM PROFITABILITY

Given the physical attributes of the site, as well as permitted legal uses and financial feasibility of development, we are of the opinion, the development which would result in maximum profitability to the lands is of an industrial nature.

**B. HIGHEST AND BEST USE OF PROPERTY AS IMPROVED**

The existing use of the subject land as developed with an office/warehouse facility appears to conform with the current zoning for the subject site. Given the subject's location and surrounding developments, which are compatible and/or similar to the construction, we are of the opinion the existing development will deliver the greatest net return over the longest period or until such time as redevelopment is economically feasible.

## **CRITICAL ASSUMPTIONS**

- a. *Sketches, drawings, diagrams and photographs presented in this report are included for the sole purpose of illustration. No soil testing concerning the subject property has been provided. Accordingly, no responsibility is assumed concerning these matters, or other technical, engineering or survey techniques which would be required to discover any inherent or hidden condition of the property.*
- b. *We have assumed there are no environmental problems associated with the property. In our personal inspection of the property we did not find evidence of hazardous substances. However, we are not inspectors or qualified environmental consultants. In this regard, we recommend the services of an appropriate expert in environmental matters be obtained for a thorough detailed analysis.*
- c. *We have assumed there are no structural, mechanical or roof problems associated with the building improvements. As indicated by a representative of the client, the subject roof has been repaired on a number of occasions and will need a full replacement at some point. In our personal inspection of the property, we did not find obvious evidence of any problems. However, we are not structural or mechanical engineers or qualified experts in such matters. Our final value assumes the roof to be in good serviceable condition and does not consider any required capital expenditure. Services of an appropriate expert should be obtained for a thorough detailed analysis.*
- d. *Building size is as indicated in our previous report on the subject (our file #10187), and is assumed to be correct. If the building size is found to be significantly different from what has been reported, the appraiser reserves the right to amend the report accordingly.*
- e. *The building includes a number of walk-in freezers and coolers. These chattels have not been included as part of the value stated herein.*
- f. *Site size was confirmed by The City of Calgary Assessment Department, and is assumed to be correct.*
- g. *As viewed the subject was occupied by the client, who is also the current tenant. On client instruction, the subject lease has been disregarded and the final value as stated assumes the building to be vacant.*
- h. *The existing improvement represents a legal and conforming use of the site.*
- i. *The subject property is appraised as though free and clear of any long term assumable financing.*

## **APPRAISAL PROCEDURE AND VALUATION:**

The subject is a freestanding office/warehouse facility within an established, southeast Calgary Industrial District. Given the nature of the asset, and assumed vacancy, our appraisal has primarily relied upon the Direct Comparison Approach. In this scenario, purchasers of office/warehouse buildings such as the subject are typically not motivated by the potential income/cash flow return or current cost to construct, but rather on property based on functional utility and desirability relative to other properties available in the market. As such, the Direct Comparison Approach will be applied in this case.

Neither the Income or Cost Approaches have been not been developed in this report.



## THE DIRECT COMPARISON APPROACH

The Direct Comparison Approach involves the principle of substitution which states:

*"when several similar or commensurate commodities, goods, or services are available, the one with the lowest price will attract the greatest demand and widest distribution".*

Application of the Direct Comparison Approach typically involves comparison of similar property sales to the property being appraised, on the basis of some unit of comparison. Adjustments are made to the comparables to account for differences in comparison to the property under appraisal. A range in potential market value is thus established.

The subject is a 1978 vintage office/warehouse facility having a ground cover of 20,069 sf on a fully serviced 0.86 acre rectangular shaped interior site having an I-G land use designation.

The subject property will be valued on the basis of comparison to similar property sales in the market place. The unit of comparison typically applied in the valuation of industrial buildings is the value on a per square foot of building footprint area basis. Consideration is given to qualitative differences between the comparable and the subject property in terms of location, building quality, features, and site coverage to name a few.

Comparable owner/occupied industrial buildings have been researched in the Calgary market place. Given the subject's southeast Calgary location, comparables have primarily been researched from this area of the city, although sale from other sectors of the City have been considered. The following sales data is presented in chronological order:

**INDEX NO. 1**



Property Information			
<b>Civic Address:</b>	4357 – 14 <sup>th</sup> Street NE, Calgary, AB		
<b>Legal Description:</b>	Plan 7711617, Block 3, Lot 14		
<b>Registration Date:</b>	April 11, 2018		
<b>Sale Price:</b>	\$2,900,000		
<b>Vendor:</b>	1814591 Alberta Ltd.		
<b>Purchaser:</b>	1958582 Alberta Ltd.		
Building Data		Site Data	
<b>Type:</b>	Office/Warehouse	<b>Site Area:</b>	0.99 acres (43,249 sf)
<b>Building Size:</b>	16,060 sf (footprint)	<b>Configuration:</b>	Irregular Pie
<b>Building Age:</b>	1979 (39 yrs)	<b>Topography:</b>	Generally level
<b>Ceiling Height:</b>	18 feet (est.)	<b>Site Coverage:</b>	37%±
<b>Construction:</b>	Steel frame/concrete blk./brick veneer and metal cladding	<b>Land Use:</b>	I-G, Industrial General
Sale Indication			
<b>Sale Price:</b>	\$2,900,000		
<b>Sale Price/sf:</b>	\$180.57 (footprint)		
Comments			
<b>Location:</b>	McCall Industrial District	<b>Other:</b>	- 2 – 12' & 3 – 14' DI doors
<b>Building:</b>	Single or Multi-Tenant		- mix of paved and graveled site cover
<b>Occupancy:</b>	Tenanted		- fenced yard
<b>Comments:</b> 1979 vintage freestanding office/warehouse facility developed on a low exposure 0.99 acre site in the McCall Industrial District of northeast Calgary. Recent upgrades included new furnaces, new overhead and man doors and exterior paint (2014). Was occupied by three tenants at the time of sale whose leases could be terminated or renewed. 800 amp. power.			

**INDEX NO. 2**



Property Information	
<b>Civic Address:</b>	4335 – 116 <sup>th</sup> Avenue SE, Calgary, AB
<b>Legal Description:</b>	Plan 0012811, Block 4, Lot 9
<b>Registration Date:</b>	March 16, 2018
<b>Sale Price:</b>	\$4,800,000
<b>Vendor:</b>	Lebman's Holdings Ltd.
<b>Purchaser:</b>	NEEI Real Estate Holdings Inc.
Building Data	Site Data
<b>Type:</b> Office/Warehouse	<b>Site Area:</b> 1.80 acres (78,413 sf)
<b>Building Size:</b> 25,340 sf (footprint)	<b>Configuration:</b> Rectangular interior site
<b>Building Age:</b> 2001 (17 yrs)	<b>Topography:</b> Generally level
<b>Ceiling Height:</b> 22 feet (est.)	<b>Site Coverage:</b> 32.3%±
<b>Construction:</b> Steel frame/concrete blk. and metal cladding	<b>Land Use:</b> I-G, Industrial General
Sale Indication	
<b>Sale Price:</b> \$4,800,000	
<b>Sale Price/sf:</b> \$189.42 (footprint)	
Comments	
<b>Location:</b> South Bend Industrial District	<b>Other:</b> - 2 DI and 2 frontloading DH doors - mix of paved and graveled site cover - fenced and secured yard
<b>Building:</b> Single Tenant	
<b>Occupancy:</b> Owner Occupied	
<b>Comments:</b> Manufacturing facility located in suburban southeast Calgary. Gross building area of 27,274 (plus 2,100 sf of concrete mezz.) includes 1,934 sf of developed main floor office and 1,396 sf of developed second floor office. Warehouse included air make-up and ventilation and upgraded floors. Building is sprinklered and includes 800 amp. power.	

**INDEX NO. 3**



Property Information			
<b>Civic Address:</b>	2903 – 61 <sup>st</sup> Avenue SE, Calgary, AB		
<b>Legal Description:</b>	Plan 751LK, Block 10, Lot 30		
<b>Registration Date:</b>	October 24, 2017		
<b>Sale Price:</b>	\$3,540,000		
<b>Vendor:</b>	HCT Holdings Inc.		
<b>Purchaser:</b>	2903 Holdings Ltd.		
Building Data		Site Data	
<b>Type:</b>	Office/Warehouse	<b>Site Area:</b>	2.00 acres (86,941 sf)
<b>Building Size:</b>	15,107 sf (footprint)	<b>Configuration:</b>	Irregular
<b>Building Age:</b>	1974/ w add. 2005	<b>Topography:</b>	Generally level
<b>Ceiling Height:</b>	18 -24 feet (est.)	<b>Site Coverage:</b>	17.4%±
<b>Construction:</b>	Steel frame/concrete blk.	<b>Land Use:</b>	I-G, Industrial General
Sale Indication			
<b>Sale Price:</b>	\$3,540,000		
<b>Sale Price/sf:</b>	\$234.32 (footprint)		
Comments			
<b>Location:</b>	Foothills Industrial District	<b>Other:</b>	- 5 DI doors
<b>Building:</b>	Single Tenant		- paved, fenced, some gravel yard
<b>Occupancy:</b>	Owner Occupied		- 2 – 10 ton cranes; MUA
<b>Comments:</b> 1974 vintage freestanding office/warehouse facility developed to a low site coverage on a corner site in the Foothills Industrial District of southeast Calgary. Gross building area of 18,019 sf includes 5,824 sf of developed office split equally between two floors. Good quality concrete block building has good quality office space. 600 amp. power.			

**INDEX NO. 4**



Property Information			
<b>Civic Address:</b>	3815 – 9 <sup>th</sup> Street SE, Calgary, AB		
<b>Legal Description:</b>	Plan 107JK, Block 22, Lot 4		
<b>Registration Date:</b>	June 14, 2017		
<b>Sale Price:</b>	\$2,500,000		
<b>Vendor:</b>	Grover Properties Inc.		
<b>Purchaser:</b>	2025521 Alberta Ltd.		
Building Data		Site Data	
<b>Type:</b>	Office/Warehouse	<b>Site Area:</b>	1.00 acre (43,674 sf)
<b>Building Size:</b>	16,230 sf (footprint)	<b>Configuration:</b>	Rectangular interior site
<b>Building Age:</b>	1962 (55 yrs)	<b>Topography:</b>	Generally level
<b>Ceiling Height:</b>	14 feet (est.)	<b>Site Coverage:</b>	37.2%±
<b>Construction:</b>	Concrete block	<b>Land Use:</b>	I-G, Industrial General
Sale Indication			
<b>Sale Price:</b>	\$2,500,000		
<b>Sale Price/sf:</b>	\$154.04 (footprint)		
Comments			
<b>Location:</b>	Highfield Industrial District	<b>Other:</b>	- 2 DI and 1 DH
<b>Building:</b>	Single or Multi-Tenant		- paved and landscaped site
<b>Occupancy:</b>			
<b>Comments:</b> Freestanding office/warehouse facility developed on a 1.00 acre site in the Highfield Industrial District in southeast Calgary. Building had a tenant in place with a vacant space that will be occupied by the purchaser. Estimated to have about 25% office build-out, or about 4,000 sf. Site is bound on the west by a rail line.			

Industrial Comparable Summary Chart						
Index No.	Building Size (sf footprint)	Building Age	Site Coverage	Sale Date	Sale Price	Sale \$/sf
1	16,060	1979	37%	04/18	\$2,900,000	\$180.57
2	25,340	2001	32.3%	03/18	\$4,800,000	\$189.42
3	15,107	1974/05	17.4%	10/17	\$3,540,000	\$234.32
4	16,230	1962	37.2%	06/17	\$2,500,000	\$154.04
<b>Subject</b>	<b>20,069</b>	<b>1978</b>	<b>53.7%</b>			

Efforts were made to find sales of similar office/warehouse facilities, ideally from within inner-city districts. Focus was also placed on buildings of similar size, age, site coverage and utility. The market data frames a range in unadjusted values between \$154.04/sf to \$234.32/sf of footprint area. A brief analysis of each sale follows:

**INDEX NO. 1** represents the April 2018 transfer of a freestanding office/warehouse located in the northeast sector of the City. No time adjustment is deemed necessary. The subject location in Mayland is closer to the inner-city core and has superior underlying land value, thus an upward location adjustment is warranted. The subject is developed to an above average site coverage ratio for the typical industrial sites. The index shows a lower site coverage ratio. Properties with lower site coverages tend to sell at a higher price per unit value as compared to properties developed to higher site coverage ratios, thus a downward site coverage adjustment is required. The subject is a larger building, and as smaller buildings tend to sell at a higher price per unit value, a downward size adjustment has been applied. The subject has a superior amount of developed office, and as office space can be expensive to develop, an upward adjustment is required. On balance, a net downward adjustment to the \$180.57/sf sale price indicator is required to equate the index to the subject.

**INDEX NO. 2** reflects the March 2018 transfer of a similar sized freestanding office/warehouse facility within the Southbend District of suburban southeast Calgary. No time adjustment is required, while an upward location adjustment is warranted. The index is superior relative to site coverage ratio, age and overall condition. The Index also has superior clear warehouse height. The subject has a superior amount of developed office. The subject is inferior in most categories with exception of location, and size, as such the \$189.42/sf sale price indicator is viewed as being high for the subject and requires significant downward adjustment to equate it to the subject.

**INDEX NO 3** is the October 2017 transfer of a similar vintage smaller sized office/warehouse in the Foothills Industrial District in southeast Calgary. Underlying land values in locations closer to the core are higher than those in suburban locations, and as such an upward location adjustment is required. The index is developed to a below average site coverage, warranting a significant downward site coverage adjustment. The index has superiority relative to clear height, cranes as well as age/condition. The subject is superior relative to office build-out. After considering perceived variances, a net downward adjustment to the \$234.32/sf sale price indicator is required.

**INDEX NO. 4** is the June 2017 transfer of a smaller and older office/warehouse property located in a similar inner-city district of southeast Calgary. No time or location adjustments have been applied. The index is developed to a lower site coverage and is smaller in overall size. The subject has superiority in terms of age, overall condition, clear height and office build-out. Overall, little to know adjustment to the \$154.04/sf sale price indicator is required to equate it to the subject.

In reviewing the sales evidence, it should be noted that sales price per square foot as a unit of measurement by which to compare properties can be influenced by many factors. This stems from the fact that owner/user properties tend to be more varied in terms of building sizes, site sizes and the relationship between the two. Other amenities such as mezzanine offices, overhead cranes, loading bays/doors, covered loading docks, ceiling height, building location, exposure, age, and appeal will have a greater or lessor value, depending on the nature of the owner's business. In short, the particular value given a property is governed in part by the owners' need, together with the nature and scope of the business. As a result, the value conclusion is a matter of judgement viewing each sale in terms of dollar value.

The market data frames a range in unadjusted values between \$154 and \$234/sf. Consideration has been given to the location, site coverage ratio, size, age and condition of the improvements, clear height, loading capacity and the amount and quality of the office components. After adjustments, the more narrow general value range is \$155 to \$170/sf of building footprint area. A more narrow range that would be most appropriate for the subject is between \$155 and \$160/sf, from which a single point value of \$160.00/sf has been selected for the subject by the Direct Comparison Approach.

This extends as follows:

$$20,069 \text{ sf} \times \$160.00/\text{sf} = \$3,200,000 \text{ rounded}$$

**CERTIFICATION**

Re: 2320 – 2<sup>nd</sup> Avenue SE, Calgary, Alberta, I certify that to the best of my knowledge and belief:

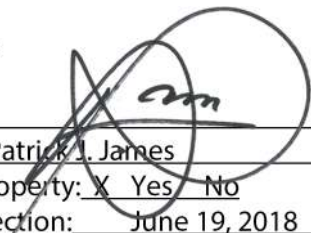
- *the statements of fact contained in this report are true and correct.*
- *the reported analyses, opinions, and conclusions are limited only by the reported assumptions and contingent and limiting conditions, and are my personal, unbiased professional analyses, opinions, and conclusions.*
- *I have no present or prospective interest in the property that is the subject of this report, and I have no personal interest or bias with respect to the parties involved.*
- *my compensation is not contingent upon the reporting of a predetermined value or direction in value that favours the cause of the client, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event.*
- *my analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.*
- *I have made a personal inspection of the property that is the subject of this report.*
- *no other individual or firm provided significant professional assistance in writing this report.*
- *the appraisers signing the report are registered in the Professional Liability Insurance Program of the AIC.*
- *the appraisers signing this report have fulfilled the Continuing Recertification Program (CPD) for designated members of the Appraisal Institute of Canada.*
- *the appraisers signing this report are licensed in the Province of Alberta as members of the Real Estate Council of Alberta (RECA).*

Based on an inspection of the property and the investigation and analyses undertaken herein, we have formed the opinion that as of June 19, 2018, with a preceding exposure time of up to six months, the subject property has a market value in Fee Simple Estate of:

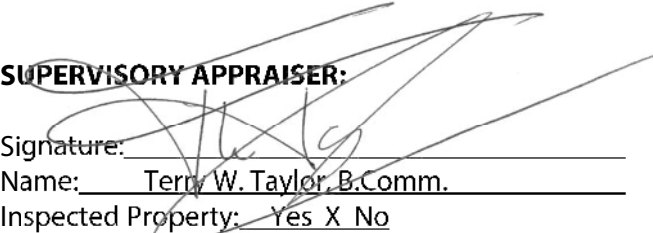
**– THREE MILLION TWO HUNDRED THOUSAND DOLLARS –**

**– ( \$3,200,000 ) –**

**APPRAISER:**

Signature:   
Name: Patrick J. James  
Inspected Property:  Yes  No  
Date of Inspection: June 19, 2018  
Date Signed: June 27, 2018  
Designation: CRA, P.App

**SUPERVISORY APPRAISER:**

Signature:   
Name: Terry W. Taylor, B.Comm.  
Inspected Property:  Yes  No  
Date Signed: June 27, 2018  
Designation: AACI, P.App





Intelligent  
Real Estate  
Solutions

## **ADDENDA**

- **Subject Photographs**
  - **Certificate of Title**
- **Contingent and Limiting Conditions**
- **Qualifications of your Appraisers/Consultants**



Front Elevation



Front Elevation



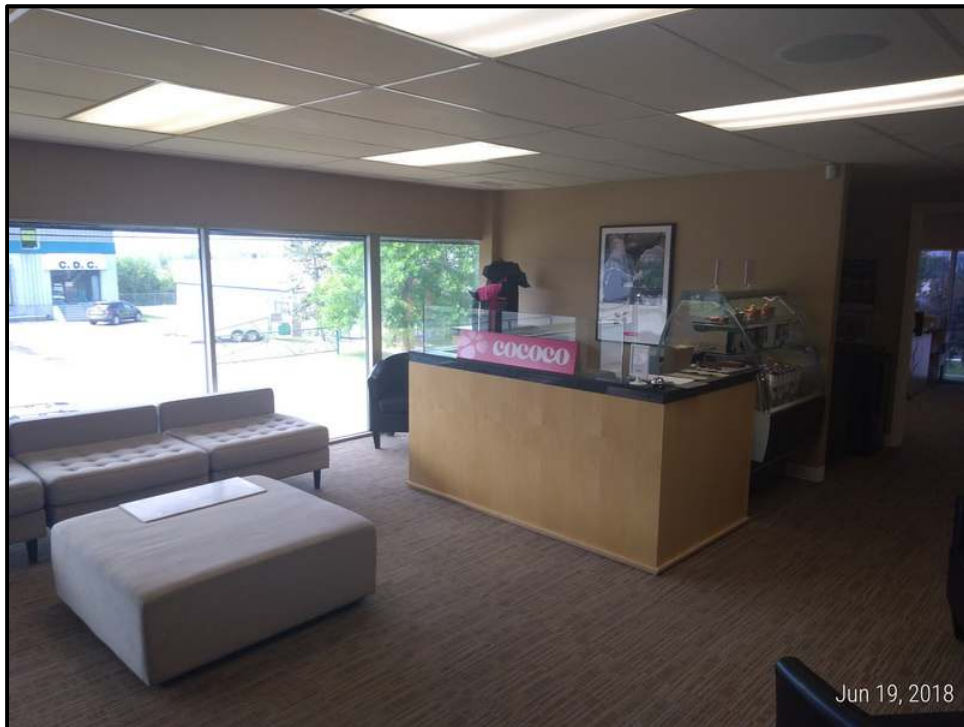
West Elevation



East Elevation



Main Lobby



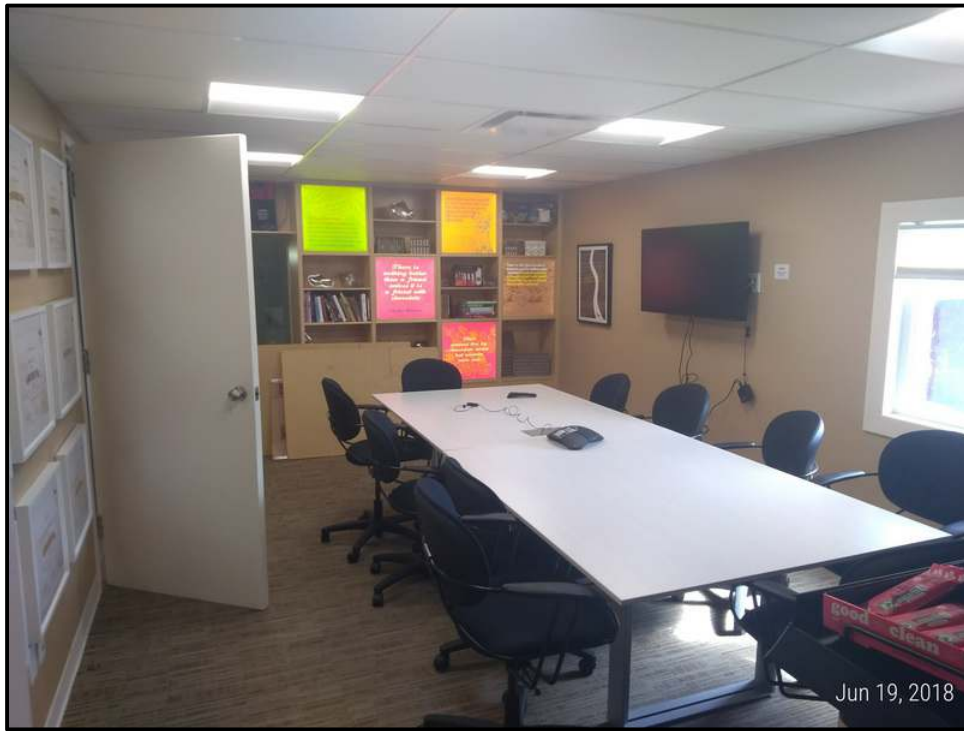
2<sup>nd</sup> Floor Office



2<sup>nd</sup> Floor Office



2<sup>nd</sup> Floor Office



Board Room



Main Floor Staff Room



Main Floor Staff Room



Processing Plant



Processing Area



Processing Area





Warehouse



Warehouse



LAND TITLE CERTIFICATE

S  
LINC                      SHORT LEGAL                      TITLE NUMBER  
0016 666 357        7810519;5;2                      151 008 894

LEGAL DESCRIPTION  
PLAN 7810519  
BLOCK 5  
LOT 2  
EXCEPTING THEREOUT ALL MINES AND MINERALS

ESTATE: FEE SIMPLE  
ATS REFERENCE: 5;1;24;13;NE

MUNICIPALITY: CITY OF CALGARY

REFERENCE NUMBER: 981 322 464

-----

REGISTERED OWNER(S)				
REGISTRATION	DATE(DMY)	DOCUMENT TYPE	VALUE	CONSIDERATION
151 008 894	13/01/2015	TRANSFER OF LAND	\$3,700,000	\$3,700,000

-----

OWNERS  
1075397 ALBERTA LTD.  
OF 220-19 STREET SE  
CALGARY  
ALBERTA T2E 6P5  
(DATA UPDATED BY: CHANGE OF ADDRESS 151188505)

-----  
ENCUMBRANCES, LIENS & INTERESTS

REGISTRATION		
NUMBER	DATE (D/M/Y)	PARTICULARS
771 147 064	20/10/1977	ZONING REGULATIONS SUBJECT TO CALGARY INTERNATIONAL AIRPORT ZONING REGULATIONS
151 008 895	13/01/2015	MORTGAGE MORTGAGEE - PARAGON CAPITAL CORPORATION LTD. #1200, 1015 4TH ST. SW CALARY ALBERTA T2R1J4

( CONTINUED )

-----  
ENCUMBRANCES, LIENS & INTERESTS

PAGE 2

# 151 008 894

## REGISTRATION

NUMBER      DATE (D/M/Y)      PARTICULARS  
-----

ORIGINAL PRINCIPAL AMOUNT: \$3,200,000

151 008 896    13/01/2015 CAVEAT  
RE : ASSIGNMENT OF RENTS AND LEASES  
CAVEATOR - PARAGON CAPITAL CORPORATION LTD.  
1200, 1015-4 ST SW  
CALGARY  
ALBERTA T2R1J4  
AGENT - NIKOLAUS DEMIANTSCHUK

151 157 226    24/06/2015 CAVEAT  
RE : LEASE INTEREST  
CAVEATOR - COCOCO CHOCOLATIERS INC.  
ATTN: PRESIDENT  
1313-1 ST SE  
CALGARY  
ALBERTA T2G5L1  
AGENT - CLARK KASSIAN

151 277 736    27/10/2015 WRIT  
CREDITOR - D ARTHUR QUINNEY  
C/O KIRWIN LLP  
SUITE 100, 12420 104 AVENUE NW  
EDMONTON  
ALBERTA T5N3Z9  
DEBTOR - 1075397 ALBERTA LTD.  
220-19 STREET SE  
CALGARY  
ALBERTA T2E6P5  
AMOUNT: \$527,861 AND COSTS IF ANY  
ACTION NUMBER: 1403 00272

151 277 737    27/10/2015 WRIT  
CREDITOR - SUZANNE QUINNEY.  
C/O KIRWIN LLP  
SUITE 100, 12420 104 AVENUE NW  
EDMONTON  
ALBERTA T5N3Z9  
DEBTOR - 1075397 ALBERTA LTD.  
220-19 STREET SE  
CALGARY  
ALBERTA T2E6P5  
AMOUNT: \$207,442 AND COSTS IF ANY  
ACTION NUMBER: 1403 00272

161 247 239    18/10/2016 CERTIFICATE OF LIS PENDENS

161 269 190    09/11/2016 WRIT  
CREDITOR - COCOCO CHOCOLATIERS INC.

( CONTINUED )

-----  
ENCUMBRANCES, LIENS & INTERESTS

PAGE 3  
# 151 008 894

REGISTRATION

NUMBER      DATE (D/M/Y)      PARTICULARS

-----  
1313 FIRST STREET SE  
CALGARY  
ALBERTA T2G5L1  
DEBTOR - 1075397 ALBERTA LTD.  
220-19 STREET SE  
CALGARY  
ALBERTA T2E6P5  
AMOUNT: \$300,000 AND COSTS IF ANY  
ACTION NUMBER: 1601-12986  
  
161 292 238      07/12/2016 WRIT  
CREDITOR - BARCLAY STREET REAL ESTATE LTD.  
200, 407 - 8TH AVENUE SW  
CALGARY  
ALBERTA T2P1E5  
DEBTOR - 1075397 ALBERTA LTD.  
2320 - 2ND AVENUE SE  
CALGARY  
ALBERTA T2E6J9  
AMOUNT: \$38,631 AND COSTS IF ANY  
ACTION NUMBER: 1601-15434

TOTAL INSTRUMENTS: 009

THE REGISTRAR OF TITLES CERTIFIES THIS TO BE AN  
ACCURATE REPRODUCTION OF THE CERTIFICATE OF  
TITLE REPRESENTED HEREIN THIS 26 DAY OF JUNE,  
2018 AT 10:21 A.M.

ORDER NUMBER: 35386189

CUSTOMER FILE NUMBER:



\*END OF CERTIFICATE\*

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

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

## Contingent and Limiting Conditions

The certification that appears in the appraisal report is subject to the following conditions:

The use of our appraisal for the purpose of a tax assessment appeal may require different or other data to be scrutinized which may conflict with the conclusions reached in a report prepared for a different purpose or value. Unless expressly **authorized in writing** this report and contents are **not** to be used for the purposes of a tax assessment appeal by third parties other than the client to whom this report is addressed.

2. Because market conditions, including economic, social and political factors change rapidly and on occasion, without warning, the market value estimate expressed as of the date of appraisal cannot be relied upon as of any other date except with further advice from the appraiser confirmed in writing.
3. No responsibility is assumed for matters of a legal nature that affect either the property being appraised or the title to it. It has been assumed that the title is good and marketable and, therefore, no opinion is rendered about the title. The subject property must comply with government regulations, including zoning, building code and health regulations and, if it doesn't comply, its non-compliance may affect market value. To be certain of compliance, further investigation may be necessary. The property is appraised on the basis of it being under responsible ownership.
4. No survey of the property has been made. Any sketch in the appraisal report shows approximate dimensions and is included only to assist the reader of the report in visualizing the property.
5. This report is completed on the basis that testimony or appearance in court is not required as a result of this appraisal unless specific arrangements to do so have been made beforehand. Such arrangements will include, but not necessarily be limited to, adequate time to review the appraisal report and data related thereto and the provision of appropriate compensation.
6. The appraiser 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.
7. Information, estimates, and opinions that have been expressed in the appraisal report are obtained from sources considered to be reliable and they are believed to be true and correct. No responsibility is assumed for the accuracy of such items that were furnished by other parties.

8. The opinions of value and other conclusions contained herein assume satisfactory completion of any work remaining to be completed in a good workmanlike manner. Further inspection may be required to confirm completion of such work.
9. The contents of this report are considered confidential and will not be disclosed by the author to any party except as provided for in the Standards of Professional Practice of the Appraisal Institute of Canada and/or when properly entered into evidence of a duly qualified judicial or quasi-judicial body.
10. Other than the permitted users and uses of the appraisal report outlined under the heading "Purpose and Function of the Appraisal", written consent from the author and supervisory appraiser must be obtained before all (or any part) of the content of the appraisal report can be used for any purposes by anyone except: the client specified in the report and, where the client is the mortgagee, its insurer and the borrower, if he/she paid the appraisal fee. The author's written consent and approval must also be obtained before the appraisal (or any part of it) can be conveyed by anyone to any other parties, including mortgagees other than the client and the public through prospectus, offering memo, advertising, public relations, news, sales, or other media.
11. All factors known to the appraiser (and to the extent that the data permits) that have an impact on value have been taken into consideration to the extent felt necessary in rendering a considered opinion of value. No significant information has been knowingly withheld from the appraisal report and it is believed, to the best of my knowledge, that all statements and information in the appraisal report are true and correct.
12. This appraisal has been performed in conformity with the Standards of the Appraisal Institute of Canada, as well as the Canada Deposit Insurance Corporation Standards of Sound Business and Financial Practices - Real Estate Appraisals.
13. No authorization has been given to anyone other than the appraiser to make a change to any item in the report; therefore, if an unauthorized change is made to the appraisal report, no responsibility for such changes is assumed.
14. The appraiser has no liability, obligation, or responsibility to any other person other than the party to whom the report is addressed.



Terry W. Taylor  
B. Comm., AACI, P.App

### EDUCATION/QUALIFICATIONS

Bachelor of Commerce, Urban Land Economics  
University of British Columbia, Vancouver, BC, 1976

### PROFESSIONAL AFFILIATIONS

Appraisal Institute of Canada, AACI Accredited Appraiser  
(Member No. 184080)

### EXPERTISE IN

Commercial Real Property Valuation and Consultation  
Highest and Best Use Analyses  
Market Rent Studies and Lease Arbitrations

### PROFESSIONAL CAREER

#### **Avison Young Valuation & Advisory Services**

*Director, Principal*  
April 2016 – Present

#### **Linnell Taylor Lipman & Associates Ltd.**

*Partner*  
1987 – March 2016

#### **Wernick & Company Ltd.**

*Senior Real Estate Appraiser*  
1982 – 1987

#### **Bryce, Kipp and Company**

*Real Estate Appraiser*  
1979 – 1982

#### **The Yorkshire Trust Company**

*Mortgage Officer, Commercial and Residential Appraisers*  
1978 – 1979

### EXPERIENCE

Terry Taylor is a Principal and Director of Valuation and Appraisal Services with Avison Young in Calgary. Previously he was a Partner at Linnell Taylor Lipman & Associates Ltd. Originally founded in 1987 the company had been providing real estate appraisal services since that time. Mr. Taylor had been providing real estate services prior to that for 10 years with other appraisal firms in Calgary. With over forty years of commercial real estate appraisal and consulting experience, Mr. Taylor has extensive expertise in various Alberta real estate markets, as well as British Columbia.

Property types appraised by Mr. Taylor include warehouse and industrial building, automobile dealerships, restaurants, strip, neighbourhood and regional shopping centres, office buildings, condominiums, rental apartment and townhouse projects, vacant subdivision land and serviced land.

Assignment types include appraising and consulting for mortgage financing and general information purposes, court presentation and arbitration involving real estate matters, expropriation, feasibility and market studies, Estate planning, bankruptcy, foreclosure and general consulting as well as due diligence regarding acquisitions of large investment properties.

Mr. Taylor has provided valuation and consultancy services to a broad array of clients including The Government of Canada, Provincial of Alberta, pension funds, asset managers, public companies, institutional investors, real estate developers, financial institutions, private investors and lawyers.

Mr. Taylor's academic background includes a Bachelor of Commerce degree specializing in Urban Land Economics from the University Of British Columbia. All educational and experience requirements were met in 1984 to be granted the AACI, P. App (#2325) designation from the Appraisal Institute of Canada (AIC). Mr. Taylor is licensed as a practicing Real Estate Appraiser by the Real Estate Council of Alberta (RECA).

A sampling of clients for which Mr. Taylor has recently been involved in: GWL Realty Advisors, Standard Life Assurance Company, Alberta Investment Management Corporation (AIMCo), Sun Life Financial, Canadian Pacific Railway, Bentall LP, Morguard REIT, H & R REIT, The Government of Canada, The Province Of Alberta, Manulife Financial, Bank of Montreal, Royal Bank of Canada.



## Curriculum Vitae



Patrick J. James  
CRA, P.App

### PROFESSIONAL AFFILIATIONS

Member Appraisal Institute of Canada (AIC) Since 1993  
Accredited Appraiser, CRA  
(Member No. 302605)

Real Estate Council of Alberta (RECA)

### PROFESSIONAL CAREER

#### **Avison Young Valuation & Advisory Services**

*Principal, Valuation Consultant*  
*April 2016 – Present*

#### **Linnell Taylor Lipman & Associates Ltd.**

*Commercial Appraiser*  
*2003 – March 2016*

#### **James Appraisal Ltd.**

*Appraiser, Owner/Operator*  
*1993 – 2003*

### EXPERIENCE

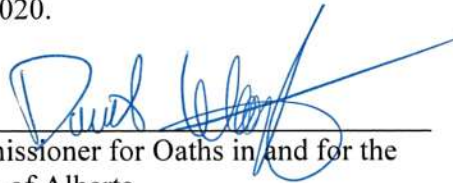
Patrick James is a Principal with Avison Young Valuation and Advisory Services in Calgary. Previously Mr. James was a senior commercial appraiser at Linnell Taylor Lipman & Associates Ltd. in Calgary. Mr. James joined the firm in 2003. Mr. James has expertise in various Alberta real estate markets.

Property types appraised by Patrick include single and multi-tenant industrial, single and multi-tenant retail, suburban office, community (schools), neighbourhood and power shopping centres. Other projects have included multi-family developments, vacant development land, lease arbitrations, going concern properties, market rental surveys and automotive dealerships.

Mr. James has provided valuation and consulting services to a broad array of clients including the Government of Canada, Province of Alberta, City of Calgary, pension funds, asset managers, public companies including REIT's, institutional investors, real estate developers, financial institutions, private investors, lawyers and accountants.

THIS IS EXHIBIT "4" REFERRED TO IN  
THE AFFIDAVIT OF BRIAN BECK.

SWORN BEFORE ME THIS 29<sup>TH</sup> DAY OF  
JUNE, 2020.



A Commissioner for Oaths in and for the  
Province of Alberta

DAVID LEGEYT

A Commissioner for Oaths and Notary Public  
in and for the Province of Alberta  
My Commission expires at the  
Pleasure of the Lieutenant-Governor



CARSCALLEN LLP

September 2, 2016

DELIVERED

Michael J. Whiting

Direct Line: (403) 298-8473  
whiting@carscallen.com

File No. 19042.001

Cococo Chocolatiers Inc.  
1313 - 1st Street SE  
Calgary, Alberta T2G 5L1

COPY

Dear Sir/Madam:

**Re: Lease Interest – 2320 2<sup>nd</sup> Avenue SE, Calgary, Alberta  
Landlord: 1075397 Alberta Ltd.**

Carscallen LLP is legal counsel for Paragon Capital Corporation Ltd. (“Paragon”).

Paragon is a secured creditor of 1075397 Alberta Ltd. (“107 Alberta”), and has a mortgage and an assignment of rents and leases registered against title to land owned by 107 Alberta, which is municipally described as 2320 2<sup>nd</sup> Avenue SE, Calgary, Alberta (the “Land”). Attached hereto is a copy of the Land Titles Certificate (the “Certificate of Title”) for the Land as evidence of Paragon’s registered security.

It is our understanding that Cococo Chocolatiers Inc. (“Cococo”) is a lessee under the terms of a lease agreement that it entered into with 107 Alberta in 2015 (the “Lease”). We note from a review of the Certificate of Title that Cococo registered its lease interest against the Land on June 24, 2015.

Pursuant to Paragon’s rights under the terms of the assignment of rents and leases, we hereby demand that from the date of this notice, and until further written notice is provided to you by Paragon, that you pay all monthly amounts due and owing under the terms of the Lease directly to Paragon at the following address:

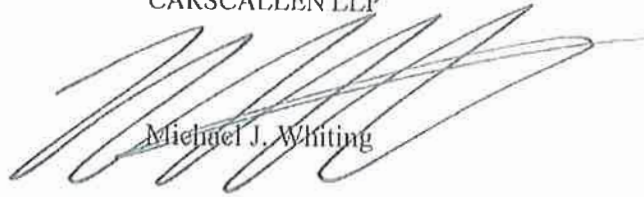
Paragon Capital Corporation Ltd.  
1200-1015 4<sup>th</sup> Street SW  
Calgary, Alberta  
T2R 1J4  
Attention: Ken Fedoretz

September 2, 2016  
Page 2

Should you have any questions for concerns, please do not hesitate to contact the writer directly at 403-298-8473.

Yours truly,

CARSCALLEN LLP

A large, stylized handwritten signature in black ink, appearing to read "Michael J. Whiting".

Michael J. Whiting

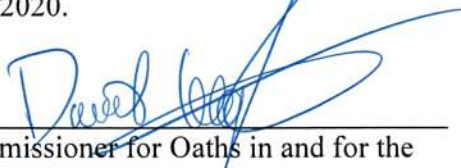
HN

cc: 1075397 Alberta Ltd.  
c/o Gregory Liakopoulos – Bennett Jones LLP  
cc: Paragon Capital Corporation Ltd.

COPY

THIS IS EXHIBIT "5" REFERRED TO IN  
THE AFFIDAVIT OF BRIAN BECK.

SWORN BEFORE ME THIS 29<sup>TH</sup> DAY OF  
JUNE, 2020.



A Commissioner for Oaths in and for the  
Province of Alberta

DAVID LEGEYT

A Commissioner for Oaths and Notary Public  
in and for the Province of Alberta

My Commission expires at the  
Pleasure of the Lieutenant-Governor

September 10, 2018

1075397 Alberta Ltd.  
220 – 19 Street SE  
Calgary AB T2E 6P5

**VIA COURIER**

**Attn: Mr. Terry Phillips**

Dear Sir:

**Re: Mortgage to Paragon Capital Corp. Inc. ("Paragon"), assigned to Panterra Mortgage & Financial Corporation Ltd. ("Panterra")  
Property: 2320 – 2 Avenue SE, 94 and 11 Gladys Ridge Road SW, Calgary AB  
Guarantors: Terry Phillips, Lisa Phillips, Rigsat Communications Inc., and Petrocraft Products Ltd.**

Further to recent correspondence regarding the captioned matter, the Paragon position has been acquired by Panterra. The term of the loan matured on July 1, 2018, with Paragon having declined to extend or renew.

Panterra is today prepared to discuss a renewal on the following terms:

**Renewal**

**Term:** Six Months, September 1, 2018 to March 1, 2019

**Interest Rate:** 9% per annum, compounded monthly

**Payments:** \$24,000 per month, interest only.

**Renewal Fee:** \$32,000 due upon agreement of renewal terms and will be capitalized to the loan.

*Other Terms:* Loan and Security amendment to be signed in a form to be provided by Panterra's counsel, and otherwise the terms and conditions of the original mortgage and loan agreements are to remain in full force.

Panterra to confirm satisfaction with the terms of the lease (as may be amended) and agreement as between 1075397 Alberta Ltd. and Cococo Chocolatiers Inc.

An introductory meeting will make sense to discuss these proposed renewal terms and to present paperwork that will be required for signature if these terms are acceptable to you.

We suggest a meeting at our corporate office, 6086 – 86 Avenue SE, Calgary AB at 10:00 AM on any of the following dates:

- Monday September 17<sup>th</sup>, 2018
- Thursday September 20<sup>th</sup>, 2018
- Friday September 21<sup>st</sup>, 2018

Would you please confirm your selection of the date and confirm your attendance at the proposed meeting by sending an email to that effect to: [mortgage@panterraproperties.ca](mailto:mortgage@panterraproperties.ca)

If we do not hear from you before 5:00 pm on September 14, 2018, then we will assume you have no interest in discussing a renewal with us, in which case we will proceed accordingly, meaning that we may then reconsider our position and take whatever steps we feel are appropriate, all without further notice being given to you.

Sincerely,

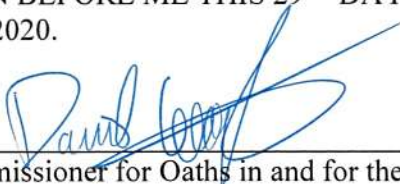
**PANTERRA MORTGAGE & FINANCIAL CORPORATION LTD.**



Kristy Hicks  
Controller

THIS IS EXHIBIT "6" REFERRED TO IN  
THE AFFIDAVIT OF BRIAN BECK.

SWORN BEFORE ME THIS 29<sup>TH</sup> DAY OF  
JUNE, 2020.



A Commissioner for Oaths in and for the  
Province of Alberta

DAVID LEGEYT

A Commissioner for Oaths and Notary Public  
in and for the Province of Alberta  
My Commission expires at the  
Pleasure of the Lieutenant-Governor



## **Panterra Mortgage**

Meeting with 1075397 Alberta Ltd.

September 17, 2018

### Background

- Paragon (Norm Steinberg) phoned Cococo (Brian Beck) mid-June 2018.
  - Paragon had decided to foreclose.
  - Would Cococo have an interest in purchasing the mortgage?
- Panterra (Ken Black & Brian Beck) met with Paragon (June 18, 2018).
- Basic deal to purchase the mortgage soon agreed in principle > due diligence, legal work, summer holidays > closed August.
- Sent notices that led to this meeting.
- Originally we hoped Ken would be here / he is in Europe.
- Main points arising from the background:
  - We did not seek this out. Zero contact with Paragon since TIA debt issues.
  - We do not seek to own the building > this is not a strategy to foreclose and acquire title. Ken would say: I don't want to own the building.
  - We have acted to secure / stabilize the position of Cococo as tenant.
  - Cococo itself is experiencing financial distress.
  - The value of the Cococo lease is dubious > in the case of a judicial sale, its proper valuation would create uncertainty.
  - The fact that 1075397 has never paid Cococo the \$300K TIA amount is part of the story of Cococo's financial distress.

### Proposed Path Forward

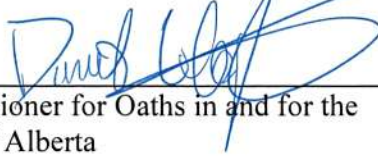
- A 6-month renewal (Sept > Mar) as outlined in the Sept 10 letter, same renewal fee as Paragon, same interest rate.
  - Note: Panterra has incurred substantial costs to purchase the mortgage.
- Loan Agreement / Mortgage Agreements > amendments to:

- Confirm amounts owing.
- Extend term.
- Confirm interest rate.
- Lease Agreement > amendments to:
  - Allow set off of rent up to the total (\$300K) TIA owed.
    - Amounts set off will accumulate to the outstanding amount under the mortgage.
    - This achieves the result once discussed, *i.e.* this is how things would have looked if 1075397 had borrowed an additional \$300K from Paragon to pay Cococo, as once indicated.
    - This creates no new cash for Panterra / Cococo, but means that in the case of a future mortgage redemption, we would be paid in full, or in priority to others registered against title.
  - Identify Landlord events of default > essentially bankruptcy, insolvency, failure to refinance, etc. > 1075397 has lost control despite the mortgage's renewal.
    - Cococo in that case can exercise an option to:
      - Redefine the term (length).
      - Redefine the option term (length).
    - Why?
      - Because if we find ourselves in this scenario, we want to protect against third parties who might seek to purchase the building:
        - No arguments about value.
        - Better freedom to restructure Cococo in this difficult situation.

ALTERNATIVE: a return to the pending foreclosure dynamic, *i.e.* Panterra no different from Paragon in this respect.

THIS IS EXHIBIT "7" REFERRED TO IN  
THE AFFIDAVIT OF BRIAN BECK.

SWORN BEFORE ME THIS 29<sup>TH</sup> DAY OF  
JUNE, 2020.



A Commissioner for Oaths in and for the  
Province of Alberta

DAVID LEGEYT

A Commissioner for Oaths and Notary Public  
in and for the Province of Alberta

My Commission expires at the  
Pleasure of the Lieutenant-Governor

**From:** Brian Beck brianbeck@glbh.com  
**Subject:** Re: Panterra Loan - Cococo Building 2430 - 2 Ave SE  
**Date:** September 19, 2018 at 3:55 PM  
**To:** RigSat Accounting Department accounting@rigsat.com  
**Cc:** ljcutiep@gmail.com, Panterra Mortgage mortgage@panterraproperties.ca



Hi Lisa, please see my embedded comments in your note below.

Brian

On Sep 19, 2018, at 3:00 PM, RigSat Accounting Department <[accounting@rigsat.com](mailto:accounting@rigsat.com)> wrote:

Hi Brian,

No apologies required. I wasn't able to speak to my lawyer until about an hour ago anyways.

Who would I contact regarding a definitive answer on the interest rates and renewal fees? I was not meaning to sound indecisive about this by saying "I do not expect Panterra's position to change". I was simply reflecting whatever uncertainty exists before the time when a deal has been done; something could always unexpectedly arise that might change a position. At this time, however, the answer is clearly - "no, reductions are not possible" - but really that is an answer to the borrower, who has not asked as such (*i.e.* you have asked, but you are a guarantor, not the borrower). It is not enough that I take action based on what you expect of Panterra. I want a definitive no, reductions are not possible, or, yes, revised rates are possible as attached. I will want to run the rates by the lawyer and accountant.

If the issue was for 1075397 to decide for itself, then the documents would have been signed already. As Terry commented in the meeting, he is very interested in pursuing this mortgage and avoiding foreclosure. Panterra will rely upon its counsel to confirm who needs to sign what at the end of the day, but suffice to say that the positions of borrower and guarantor are different.

Alternately, Panterra could consider revising the documents to remove the personal guarantees (both 11 and 94 Gladys Ridge Rd) and just run the mortgage with the guarantees of RigSat and Petrocraft. I have no signing authority on any of the companies and my contention to this whole arrangement will be irrelevant once my personal guarantees are removed. You are referring here, I guess, to the draft documents that were presented at the meeting. These were prepared in the form given to you before Panterra had any knowledge as to the circumstances today existing between you and Terry personally. We had anticipated that all of the involved parties were still working together.

Lisa, I don't want to be difficult but also don't want to build up a big email chain between us that might just complicate understandings. Perhaps you could have your counsel contact Ms. Ionescu-Mocanu if there are further questions?

Let me know.  
Thanks  
Lisa Phillips

---

**From:** Brian Beck [<mailto:brianbeck@glbh.com>]  
**Sent:** Wednesday, September 19, 2018 1:45 PM  
**To:** RigSat Accounting Department  
**Cc:** [ljcutiep@gmail.com](mailto:ljcutiep@gmail.com); Panterra Mortgage  
**Subject:** Re: Panterra Loan - Cococo Building 2430 - 2 Ave SE

Hi Lisa,

My apologies for the slow reply; I was in meetings yesterday.

In answer to your question, I do not expect Panterra's position to change as regards the interest rate and renewal fees. The latter will help cover substantial transaction costs, as mentioned at the meeting (also that renewal fee simply replicates prior fees charged by Paragon for renewals), and the former is built into the existing loan structure which currently has no term protection and therefore is exposed to foreclosure. Obviously the dynamic bears considerable risk from Panterra's perspective and the proposed renewal structure reflects this risk profile, in part.

Certainly I do understand the concerns you are raising below about the providence of the building as an investment given the cost of its financing, but ultimately those are issues either for 1075397 to decide for itself and/or that involve the dynamic between you and Terry as individuals. Basically Panterra's focus must necessarily be upon its borrower, which is 1075397.

For your information, I spoke with Simina Ionescu-Mocanu of Burnet, Duckworth & Palmer LLP after our meeting, and let her know that she might be hearing from counsel acting either on behalf of you or 1075397 / Terry.

Sincerely,

Brian

<image001.png>

Brian Beck | Director | Panterra Mortgage & Financial Corporation Ltd. | Meeting Venue: 6086 - 86 Avenue SE Calgary AB Canada T2H 1L6 | Corporate/Mailing: 5505 - 6 Street SE Calgary AB Canada T2H 1L6 | CEL: 403.554.6448 | [mortgage@panterraproperties.ca](mailto:mortgage@panterraproperties.ca)

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On Sep 18, 2018, at 10:48 AM, RigSat Accounting Department <[accounting@rigsat.com](mailto:accounting@rigsat.com)> wrote:

Good morning Brian.

Regarding this loan agreement, how flexible is Panterra on interest rate and renewal fees?

My concern is that Terry's debt related to this building is steadily heading north.

107 is carrying the cost of the property taxes and insurance because the triple net income on the Cococo lease is partially subsidizing the interest and renewal fees.

Eventually I need to count on Terry to have enough equity to buy out my half of the personal assets. This arrangement with finance companies is doing the opposite.

If there is a way to reduce the interest rate and renewal fees so that his payments are enough to pay down principle, then I can rationalize signing off on this again.

Let me know if there is anything Panterra can do.

My lawyer is on holidays, but he is phoning me this afternoon to discuss the documents you left me yesterday.

Thanks  
Lisa Phillips

THIS IS EXHIBIT "8" REFERRED TO IN  
THE AFFIDAVIT OF BRIAN BECK.

SWORN BEFORE ME THIS 29<sup>TH</sup> DAY OF  
JUNE, 2020.



A Commissioner for Oaths in and for the  
Province of Alberta

DAVID LEGEYT  
A Commissioner for Oaths and Notary Public  
in and for the Province of Alberta  
My Commission expires at the  
Pleasure of the Lieutenant-Governor

**From:** Terry Phillips tphillips@rigsat.com  
**Subject:** Re: 1075397 Alberta Ltd. / Panterra Mortgage  
**Date:** September 28, 2018 at 11:36 AM  
**To:** Brian Beck brianbeck@glbh.com  
**Cc:** Kristy Hicks kristyhicks@glbh.com



Thanks

Terry

Please excuse any auto corrections  
Sent from my iPhone

On Sep 28, 2018, at 11:14 AM, Brian Beck <brianbeck@glbh.com> wrote:

Hi Terry - yes, I have time for a call, but first I am trying to connect with counsel so that I will have a better understanding of things myself. I will call you a bit later whether I am able to speak with counsel first or not.

Brian

On Sep 28, 2018, at 10:51 AM, Terry Phillips <tphillips@rigsat.com> wrote:

Hi Brian

Thanks for reaching out  
Do you have time for a call 403-880-1441

I'm in favour in signing but I'm getting push back from Lisa  
How will this effect things

Terry

Please excuse any auto corrections  
Sent from my iPhone

On Sep 28, 2018, at 9:12 AM, Brian Beck <brianbeck@glbh.com> wrote:

Terry,

We have not heard from you since our meeting of September 17, 2018. Lisa Phillips contacted me directly a couple of times right after the meeting, but the fact of her doing so ultimately led me to advise her that she should have her legal counsel contact ours instead. (She then tried to communicate directly with Simina Ionescu-Mocanu by email, but Ms. Ionescu-Mocanu replied to let her know that as counsel she is ethically obligated to speak only with Ms. Phillips's lawyer; I have not heard of there being any further communication since.)

Leaving aside all of that background — which concerns Ms. Phillips as a guarantor and essentially collateral matrimonial matters — and also after a few days that have had me focused on other business, I am now looking for an update as regards the mortgage and related topics. I gave you executable paperwork at our September 17th meeting, and understood you to say that the proposed renewal terms, and related terms, as discussed, were ones that you were then anticipating that you would accept. However, as against the background of me having also said that the path forward must be clarified this month, I have heard nothing further.

Although I do appreciate that matrimonial issues may have complicated matters unexpectedly, from the mortgage perspective clarity is nevertheless required. The end of September is almost upon us. Given that fact, I am asking that you either respond by providing signed copies of the paperwork presented to you, or else by default your confirmation that you do not intend to accept the terms as proposed — in which case Panterra must necessarily interpret your position to mean that (whether for personal / matrimonial reasons or otherwise) a foreclosure is preferred.

Can you please respond as soon as possible today?

Thank you.

Brian



<PastedGraphic-4.tiff>

Brian Beck | Director | Panterra Mortgage & Financial Corporation Ltd. | Meeting Venue:  
6086 - 86 Avenue SE Calgary AB Canada T2H 1L6 | Corporate/Mailing: 5505 - 6 Street  
SE Calgary AB Canada T2H 1L6 | CEL: 403.554.6448 | [mortgage@panterraproperties.ca](mailto:mortgage@panterraproperties.ca)

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<PastedGraphic-4.tiff>

THIS IS EXHIBIT "9" REFERRED TO IN  
THE AFFIDAVIT OF BRIAN BECK.


SWORN BEFORE ME THIS 29<sup>TH</sup> DAY OF  
JUNE, 2020.



A Commissioner for Oaths in and for the  
Province of Alberta

DAVID LEGEYT

A Commissioner for Oaths and Notary Public  
in and for the Province of Alberta  
My Commission expires at the  
Pleasure of the Lieutenant-Governor

**From:** Panterra Mortgage mortgage@panterraproperties.ca   
**Subject:** Re: Meeting and documents  
**Date:** February 21, 2019 at 12:54 PM  
**To:** Terry Phillips tphillips@rigsat.com  
**Cc:** Panterra Mortgage mortgage@panterraproperties.ca



Hi Terry,

I am attaching scans of the following:

1. Loan and Security Agreement.
2. Mortgage Amending Agreement.
3. Lease Amending Agreement.
4. Consent Judgment.

Let me know if I have missed something you were hoping to receive. I am attaching #4 because Lisa had separately sent an email asking for documentation regarding the amount of the tenant improvement indebtedness.

I think this should give you everything that you — or that Lisa, separately — might have been asking about, but please let me know if there are other requests.

See you Monday.

Brian

On Feb 21, 2019, at 9:37 AM, Terry D Phillips <tphillips@rigsat.com> wrote:

Hi Brian

Thanks for chatting

If you can just scan and send those documents to me today that would be great

Also see you Monday morning at 1030 am

Thanks

**Terry D Phillips**  
**[tphillips@rigsat.com](mailto:tphillips@rigsat.com)**  
**Tel: (403)250-5417**  
**Fax:(403)250-5452**  
**Cell:(403)880-1441**  
**<image001.jpg>**



Loan and  
Securit...ent.pdf



Mortgage  
Amend...ent.pdf



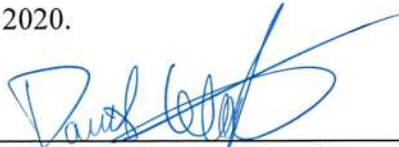
Lease Amending  
Agreement.pdf



FILED Consent  
Judgm...3\_1.pdf

THIS IS EXHIBIT "10" REFERRED TO IN  
THE AFFIDAVIT OF BRIAN BECK.

SWORN BEFORE ME THIS 29<sup>TH</sup> DAY OF  
JUNE, 2020.



A Commissioner for Oaths in and for the  
Province of Alberta

DAVID LEGEYT

A Commissioner for Oaths and Notary Public  
in and for the Province of Alberta

My Commission expires at the  
Pleasure of the Lieutenant-Governor

**July 9, 2019**

**Hand Delivered**

1075397 Alberta Ltd.  
220 – 19 Street SE  
Calgary AB T2E 6P5

**Attention: Terry Phillips**

**“WITHOUT PREJUDICE”**

Dear Terry:

**Subject: Panterra Mortgage & Financial Corporation Ltd. (“Panterra”) re: 1075397 Alberta Ltd. (“107”)**

I am writing to propose terms of settlement regarding the demand for repayment made upon 107 by Panterra and as expressed in my letter to you dated May 24, 2019 (the **“Demand”**).

Capitalized terms used in this letter and not otherwise defined have the meanings ascribed to them in the Demand.

Terry, this is a long letter. Much of the background will be very familiar to you, but I am including that detail in case the longer narrative form of this letter helps you in communicating about the circumstances with others who may be interested, including both Lisa Phillips and the Quinney group.

## **Background**

Panterra became a lender to 107 only because of Cococo Chocolatiers Inc. (**“Cococo”**). Panterra is a subsidiary of the same corporation that also indirectly owns and controls Cococo. Cococo is a manufacturing and retail business, and it operates principally from 2320 – 2 Avenue SE (**“2320”**). 2320 is owned by 107, and a mortgage granted by 107 on the title to 2320 is a key part of the security package that was taken by 107’s original lender, Paragon Capital Corporation Ltd. (**“Paragon”**), when Paragon first extended financing to 107. Paragon initially loaned funds to 107 for a short term, at 9% interest, and with interest-only payment terms. The term was subsequently renewed several times, however, and the debt owing by 107 to Paragon increased accordingly, including by way of renewal costs. Panterra became involved only when Paragon approached me to say that Paragon would not consider any further renewals to the term, and therefore (among other things) then intended to foreclose upon 107’s title to 2320, unless Cococo or an affiliate would instead acquire its position. Panterra was motivated to respond in these circumstances out of a concern to mitigate risks that would otherwise then have been faced by its affiliate, Cococo, in relation to such foreclosure proceedings.

As expressed in the Demand, as of May 24, 2019, 107 owed Panterra CAD \$3,576,869.09. The amount of the Indebtedness continues to grow. The Loan matured March 1, 2019 without being repaid or otherwise negotiated.

### **Cococo's Non-Payment of Rent and Recovery of a Tenant Improvement Allowance**

Since September 2018, Cococo has not been paying rent to 107, and, during that same period, 107 has not been paying Panterra as required by the Loan Agreement. My understanding is that, unless Cococo pays rent, 107 is otherwise financially incapable of servicing the Loan Agreement.

Cococo has not been paying rent to 107 recently because it has been setting off amounts owed to it by 107 in respect of an unpaid tenant improvement allowance owed by 107 under the lease between 107 and Cococo regarding 2320 (the "**Lease**"). As noted above, Cococo operates from 2320, and before it commenced operations at 2320 Cococo made significant and costly tenant improvements for the benefit of the premises. When 107 failed to pay Cococo the resulting tenant improvement allowance as required by the Lease, and in consideration of Cococo's investment in improving 2320, Cococo obtained a judgment against 107 in 2016 for the \$300,000 allowance amount, plus interest (the "**TIA Debt**"). A copy of the Consent Judgment is enclosed for your ease of reference.

Under the terms of the Lease, Cococo is entitled to set off amounts owed by 107 against rent otherwise payable. Through this set-off mechanism, soon Cococo will have recovered the entire amount of the TIA Debt owing to it by 107 pursuant to the Consent Judgment. In the meantime, however, the total Indebtedness owing from 107 to Panterra will have grown to more than \$3,620,000.

### **The Position Going Forward**

As we have discussed recently, at the conclusion of the set-off period, it is reasonably anticipated that Cococo will not be able to pay rent to 107 except with the continuing support of its financial backers. In addition to being Paragon's assignee, Panterra is also a principal financial backer of Cococo. Cococo is experiencing negative cash flows, and, although much work is presently underway within Cococo to reverse those negative cash flows, Panterra reasonably believes that Cococo must—for the foreseeable future—be considered insolvent.

### **The Value of 2320**

Panterra acquired its position from Paragon for its face value at the time, being approximately \$3.3 million. An appraisal conducted for Panterra on 2320 in support of the transaction suggested that 2320 had, at that same time, a fair market value in that same amount of \$3.3 million.

Panterra has recently obtained an updated appraisal on the building from the same appraiser. A copy is enclosed. The fair market value is now estimated at \$3.0 million; in short, in a somewhat worsened Calgary economy, the fair market value has deteriorated somewhat. Note that the appraisal takes into account the lack of value attributable to the Lease. Panterra is firmly of the view that Cococo's Lease has no capitalizable value, given Cococo's present and foreseeable insolvent condition. Furthermore, and in any event, as the appraisal itself notes (at page 3, paragraph (g)), Cococo's Lease contains a provision that allows Cococo to terminate the Lease

upon 60 days' notice. The existence of this term effectively contradicts any capitalizable Lease value.

### **Summary of the Current Position**

Stated simply, 107 owes Panterra approximately \$3.6 million. 2320 is worth \$3.0 million today. Most recently, Cococo has not been paying rent to 107 while setting off its TIA Debt, but Cococo will also be unable to pay rent to 107 once that set off is complete. With Cococo not paying rent, 107 has not been able to make loan payments to Panterra, and likewise we reasonably anticipate that 107 would not be able to make such payments to any other financing party that might theoretically take Panterra's place, either. Furthermore, no financing party would capitalize the value of Cococo's Lease in the circumstances, which means that nobody would lend money to 107 based upon 2320 except with reference to the \$3.0 million base-property value.

Panterra intends to foreclose upon the 2320 mortgage, as indicated in the Demand. We have not yet sent similar notices to other affected parties, and therefore we have not commenced mortgage foreclosure proceedings yet, either, although preparations have been made. Once we commence formal legal proceedings, other parties interested in 2320 will have formal notice of these matters. We have held off giving other parties notice of the Demand and then commencing proceedings so that we can present you with this settlement proposal instead. This may afford you some opportunity to get out ahead of conversations with such other interested parties.

### **Proposal**

In circumstances where there is no equity for 107 in 2320, and where Cococo's circumstances obviously serve to compound the financial challenges for 107 (and for Panterra, too), we believe it would be in the best interests of all concerned to proceed amicably through the mortgage foreclosure process. Our focus is the stability of the real estate underlying an operating business, and not the Loan Agreement as a financial instrument. In that context, we have occasionally told you that our preference will be an outcome that does not involve us realizing upon personal guarantees, especially as they relate to the residences occupied by you and by your spouse, Lisa Phillips. In all of these circumstances, we therefore propose the following terms of settlement:

1. All Security parties (107, Terry Phillips, Lisa Phillips, Rigsat Communications Inc. ("**Rigsat**"), and Petrocraft Products Ltd. ("**Petrocraft**") (the "**Security Parties**")) will agree not to take any step in opposition to, and therefore, among other things, will expressly consent to: (a) Panterra's foreclosure upon the title to 2320, Panterra taking title to 2320 by way of judicial sale to lender, and Panterra's recovery thereby of \$3.0 million in value which will correspondingly reduce the Indebtedness by that same amount, and (b) a judgment in favour of Panterra for the deficiency that remains after such foreclosure and title transfer (for reference, this amount is anticipated to be approximately \$600,000 (the "**Deficiency**")). To satisfy this term, we understand that you would need to secure the agreement and participation of Lisa Phillips, which we expect would be forthcoming, based upon things you and she have said in the past.

2. Panterra will agree not to pursue recovery of the Deficiency via enforcement of the Guarantees and Postponements of Claim executed by each of Terry Phillips and Lisa Phillips and all related personal security instruments (and therefore expressly including the Collateral Mortgage in respect of the properties municipally described as 11 Gladys Ridge Road SW and 94 Gladys Ridge Road SW, Calgary, Alberta) except in the case where any other party takes action against such interests. In substance, Panterra is prepared not to pursue enforcement against you or Lisa personally, and, in particular, not to enforce against the Gladys Ridge Road homes. Note, however, that the Quinney claims are registered by way of writs against the Gladys Ridge Road properties. Therefore, if Panterra were to agree simply to discharge its security, that would free up the Quinneys to enforce their writs. Subject to the condition noted in this paragraph, Panterra would agree to release these personal claims outright in your favour and upon request—a request that we anticipate you would make only if , and a request we would only agree to if, some arrangement has been negotiated first regarding the Quinney writs. This approach would effectively keep your personal residences beyond the enforcement reach of your business creditors.
3. For greater certainty, Panterra will be free to pursue the Deficiency against the other Security Parties—therefore meaning 107, Rigsat, and Petrocraft—but at the same time will agree to standstill in respect of such pursuit for a period of 6 months following the date of the Deficiency judgment (the “**Standstill Period**”).

It is understood by Panterra that its ability to recover the Deficiency Amount from 107, Rigsat, or Petrocraft must contend, among other things, with the reality that other parties have prior secured claims against those entities. Priority claims include not just ordinary-course banking claims, but also the claims of the Quinney parties in respect of judgments arising from unrelated litigation. The purpose of the Standstill Period is to afford you a reasonable period of time within which to resolve your affairs with those other parties. Furthermore, during such Standstill Period, Panterra will agree to stand ready, willing, and able to consider any and all proposals that might be forthcoming from you in respect of satisfying or compromising the Deficiency.

Please let us know your position on or before 5:00 PM on July 12, 2019, as of which time the settlement proposal expressed in this letter should be considered automatically withdrawn. If you accept this settlement proposal it will be formalized in a settlement/forebearance agreement which will be drafted by our legal counsel.

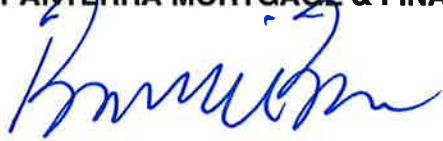
Considering the position of both 107 and Cococo, we believe that the proposal outlined above is very fair and reasonable. The alternative we foresee is simply untenable. Panterra is not prepared to watch the Indebtedness amount continue to increase, which is surely what will happen once the TIA Debt has been fully set-off by Cococo, because in that case today's \$3.6M+ Indebtedness will continue to increase by approximately \$26,000 per month, with the principal security for that Indebtedness being 2320 and its appraised value of \$3.0 million. Panterra will



therefore proceed with foreclosure without offering further accommodations or compromises if this offer is not accepted within the time frame allowed.

Sincerely,

**PANTERRA MORTGAGE & FINANCIAL CORPORATION LTD.**




**Brian Beck**

[mortgage@panterraproperties.ca](mailto:mortgage@panterraproperties.ca)

Enclosures: 2

THIS IS EXHIBIT "11" REFERRED TO IN  
THE AFFIDAVIT OF BRIAN BECK.

SWORN BEFORE ME THIS 29<sup>TH</sup> DAY OF  
JUNE, 2020.



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A Commissioner for Oaths in and for the  
Province of Alberta

DAVID LEGEYT  
A Commissioner for Oaths and Notary Public  
in and for the Province of Alberta  
My Commission expires at the  
Pleasure of the Lieutenant-Governor

**From:** Panterra Mortgage mortgage@panterraproperties.ca  
**Subject:** Re: Appraisals - 2320 - 2 Avenue SE Calgary AB  
**Date:** July 24, 2019 at 11:55 AM  
**To:** Terry Phillips tphillips@rigsat.com

PM

Hi Terry - as a first step, please send me a copy of the appraisal you have received. I won't have any comment on the balance of what you have written before I have been able to review in detail the contents of any competing appraisal.

Can you send me a scanned copy of the appraisal today, please? I am keeping to the schedule indicated in my July 22 email below, and therefore am playing phone tag today with legal counsel seeking instructions.

Brian

On Jul 24, 2019, at 9:43 AM, Terry D Phillips <tphillips@rigsat.com> wrote:

Hey Brian

Yes I got an appraisal

It came in at \$3,720,000.00 a little bit difference from yours

I owe \$3,600,000.00 according to your paperwork, I have been paying the taxes for the a while and that amount.

What I propose you take the building and give me the \$120,000.00 my appraisal is over what I owe and pay me the taxes I paid, that I shouldn't have been paying.

I want the option to buy it back at the same price next year and have first right of refusal if decided you want to sell it earlier once COCOCO has gotten through these troubled times

As you mentioned its best for both of us not to go the litigation route as it's a long and costly process.

Please get back to me with your comments I think this is a good start.

Thanks Terry

**Terry D Phillips**  
**[tphillips@rigsat.com](mailto:tphillips@rigsat.com)**  
**Tel: (403)250-5417**  
**Fax:(403)250-5452**  
**Cell:(403)880-1441**  
**<image002.jpg>**

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**From:** Panterra Mortgage [<mailto:mortgage@panterraproperties.ca>]  
**Sent:** July-22-19 8:11 AM  
**To:** Terry Phillips  
**Subject:** Re: Appraisals - 2320 - 2 Avenue SE Calgary AB

Hi Terry - I just wanted to send a quick email about my schedule this week.

I leave for vacation on Sat Jul 27 and will have patchy connectivity while away. Whatever is happening next I therefore hope to have coordinated and underway not later than Fri Jul 26 — *i.e.* documenting a settlement, if applicable; sending out notices of enforcement to the other secured parties; or whatever. To that end Panterra's legal counsel will be checking with me for instructions as of this Wed Jul 24.

I realize that you are not in control of your appraiser's timetable, but anyway now you know my schedule. Obviously I am hoping that any appraisal report you might want Panterra to consider will be made available as early as possible this week.

Thanks.

Brian

On Jul 18, 2019, at 7:35 AM, Terry D Phillips <[tphillips@rigsat.com](mailto:tphillips@rigsat.com)> wrote:

Oh ya sorry

That one I mentioned in the meeting I said around 4 that actual one said \$4,150,000.00

**Terry D Phillips**  
**[tphillips@rigsat.com](mailto:tphillips@rigsat.com)**  
**Tel: (403)250-5417**  
**Fax:(403)250-5452**  
**Cell:(403)880-1441**  
**<image001.jpg>**

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**From:** Panterra Mortgage [<mailto:mortgage@panterraproperties.ca>]

**Sent:** July-18-19 7:24 AM

**To:** Terry Phillips

**Subject:** Re: Appraisals - 2320 - 2 Avenue SE Calgary AB

What I am getting at Terry is the question whether there is an appraisal in existence that:

- comes from an accredited appraiser
- indicates a value greater than \$3M
- has been prepared by somebody who has seen the Avison Young appraisal that I shared with you, and
- values the building as if vacant — *i.e.* without the Cococo lease, the condition stated in condition (g) on page 3 of the Avison Young appraisal

This is what we talked about at our meeting

This is what we talked about at our meeting.

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I will be seeing Ken this morning. I would like to be able to get some instructions from him at that time. Can you clarify?

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And yours is 3

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Sent from my iPhone

On Jul 17, 2019, at 6:44 PM, Panterra Mortgage <[mortgage@panterraproperties.ca](mailto:mortgage@panterraproperties.ca)> wrote:

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Hi Terry - any update?

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On Jul 12, 2019, at 10:03 AM, Panterra Mortgage <[mortgage@panterraproperties.ca](mailto:mortgage@panterraproperties.ca)> wrote:

Hi Terry,

As discussed, here is an electronic copy of the Avison Young appraisal that I had recently sent you in print form. As you know this report appraises the property at \$3MM.

Like I said I would, I have already called and spoken with Patrick James of Avison Young, the report's author.

I understand from our meeting this morning that you are working with somebody at Colliers, and that based upon a "draft" document from Colliers, you have been anticipating a report indicating an **accredited appraisal** for the property at \$4MM. You mentioned that the draft was substantiating this value even with the property **appraised as vacant—i.e. with no Cococo lease in place.**

Anyway, as we discussed this morning, if there are any disconnects between us that derive directly from appraisal differences, it makes sense to clarify things as much as possible right away if we can—in other words, to make sure that we are not talking

about apples and oranges, before any proceedings commence.

Please get back to me ASAP regarding Colliers, but only after Colliers has seen and taken into account the entire Avison Young document, including paragraph (g) on page 3 of the Report.

Thanks.

Brian

<Avison Young - Appraisal Report - 2320 - 2 Ave SE June 3 2019.pdf>

THIS IS EXHIBIT "12" REFERRED TO IN  
THE AFFIDAVIT OF BRIAN BECK.

SWORN BEFORE ME THIS 29<sup>TH</sup> DAY OF  
JUNE, 2020.



A Commissioner for Oaths in and for the  
Province of Alberta

DAVID LEGEYT

A Commissioner for Oaths and Notary Public  
in and for the Province of Alberta

My Commission expires at the  
Pleasure of the Lieutenant-Governor



**From:** Panterra Mortgage mortgage@panterraproperties.ca  
**Subject:** Re: Appraisals - 2320 - 2 Avenue SE Calgary AB  
**Date:** August 6, 2019 at 5:00 PM  
**To:** Terry Phillips tphillips@rigsat.com

PM

Hi Terry,

I had a chance to review the appraisal report you sent me while I was away on vacation last week. Thank you for sending me a copy. Any specific concerns I have with the appraisal are probably beside the point right now.

The main point, I think, is that we are seeing the world too differently at the moment to continue with discussions of settlement or compromise. In particular, we have a different view of the property's value than you do, and a different view also about what can realistically happen today, especially on a timeline that is acceptable to Panterra Mortgage.

Nobody will be happier than us if we find that the building is ultimately proved to have a high value, such that our indebtedness is paid out, either via a third-party sale or if you are able to re-finance and pay out the loan. In such cases, of course, actions on the personal guarantees would prove to be unnecessary.

Regardless, we need to move forward with foreclosure. To that end, we plan to issue demands upon the loan guarantors as of Thursday this week, and then to proceed with foreclosure proceedings right after that. I wanted to send you this note as a courtesy, first.

Regarding your comment below — “the taxes I paid, that I shouldn't have been paying” — under paragraph 9(1) of the Mortgage - Collateral to Guarantee, 1075397 is obligated to pay and keep current all tax obligations on the lands.

Thanks.

Brian

On Jul 24, 2019, at 11:55 AM, Panterra Mortgage <mortgage@panterraproperties.ca> wrote:

Hi Terry - as a first step, please send me a copy of the appraisal you have received. I won't have any comment on the balance of what you have written before I have been able to review in detail the contents of any competing appraisal.

Can you send me a scanned copy of the appraisal today, please? I am keeping to the schedule indicated in my July 22 email below, and therefore am playing phone tag today with legal counsel seeking instructions.

Brian

On Jul 24, 2019, at 9:43 AM, Terry D Phillips <tphillips@rigsat.com> wrote:

Hey Brian

Yes I got an appraisal

It came in at \$3,720,000.00 a little bit difference from yours

I owe \$3,600,000.00 according to your paperwork, I have been paying the taxes for the a while and that amount.

What I propose you take the building and give me the \$120,000.00 my appraisal is over what I owe and pay me the taxes I paid, that I shouldn't have been paying.

I want the option to buy it back at the same price next year and have first right of refusal if decided you want to sell it earlier once COCOCO has gotten through these troubled times

As you mentioned its best for both of us not to go the litigation route as it's a long and costly process.

Please get back to me with your comments I think this is a good start.

Thanks Terry

**Terry D Phillips**  
**[tphillips@rigsat.com](mailto:tphillips@rigsat.com)**  
**Tel: (403)250-5417**  
**Fax:(403)250-5452**  
**Cell:(403)880-1441**  
**<image002.jpg>**

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**From:** Panterra Mortgage [<mailto:mortgage@panterraproperties.ca>]  
**Sent:** July-22-19 8:11 AM  
**To:** Terry Phillips  
**Subject:** Re: Appraisals - 2320 - 2 Avenue SE Calgary AB

Hi Terry - I just wanted to send a quick email about my schedule this week.

I leave for vacation on Sat Jul 27 and will have patchy connectivity while away. Whatever is happening next I therefore hope to have coordinated and underway not later than Fri Jul 26 — *i.e.* documenting a settlement, if applicable; sending out notices of enforcement to the other secured parties; or whatever. To that end Panterra's legal counsel will be checking with me for instructions as of this Wed Jul 24.

I realize that you are not in control of your appraiser's timetable, but anyway now you know my schedule. Obviously I am hoping that any appraisal report you might want Panterra to consider will be made available as early as possible this week.

Thanks.

Brian

On Jul 18, 2019, at 7:35 AM, Terry D Phillips <[tphillips@rigsat.com](mailto:tphillips@rigsat.com)> wrote:

Oh ya sorry

That one I mentioned in the meeting I said around 4 that actual one said \$4,150,000.00

**Terry D Phillips**  
**[tphillips@rigsat.com](mailto:tphillips@rigsat.com)**  
**Tel: (403)250-5417**  
**Fax:(403)250-5452**  
**Cell:(403)880-1441**

<image001.jpg>

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**From:** Panterra Mortgage [<mailto:mortgage@panterraproperties.ca>]

**Sent:** July-18-19 7:24 AM

**To:** Terry Phillips

**Subject:** Re: Appraisals - 2320 - 2 Avenue SE Calgary AB

What I am getting at Terry is the question whether there is an appraisal in existence that:

- comes from an accredited appraiser
- indicates a value greater than \$3M
- has been prepared by somebody who has seen the Avison Young appraisal that I shared with you, and
- values the building as if vacant — *i.e.* without the Cococo lease, the condition stated in condition (g) on page 3 of the Avison Young appraisal

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Thanks.

Brian

<Avison Young - Appraisal Report - 2320 - 2 Ave SE June 3 2019.pdf>

THIS IS EXHIBIT "13" REFERRED TO IN  
THE AFFIDAVIT OF BRIAN BECK.

SWORN BEFORE ME THIS 29<sup>TH</sup> DAY OF  
JUNE, 2020.



A Commissioner for Oaths in and for the  
Province of Alberta

DAVID LEGEYT

Commissioner for Oaths and Notary Public  
in and for the Province of Alberta  
My Commission expires at the  
Pleasure of the Lieutenant-Governor



**August 6, 2019**

**Hand Delivered**

1075397 Alberta Ltd.  
220 – 19 Street SE  
Calgary AB T2E 6P5

**Attn: Terry Phillips**

Dear Mr. Phillips:

**Subject: Lease dated the \_\_\_ day of \_\_\_\_\_, 2015, between 1075397 Alberta Ltd. (the 'Landlord') and Cococo Chocolatiers Inc. (the 'Tenant') as amended by Lease Amending Agreement made as of August 3, 2018 (the "Lease")**

Pursuant to section 8(a) of Schedule "D" of the Lease as amended, the Tenant hereby exercises its option to redefine the Term of the Lease, as follows:

In Article 1.2(f)(i) of the Lease, the words "Ten (10) years" are hereby amended to read, "Ten (10) years or any shorter period of time as the Tenant may, at any time, but upon at least 60 days' notice given to the Landlord, define."

Sincerely,

**COCOCO CHOCOLATIERS INC.**

A handwritten signature in blue ink, appearing to read "Brian Beck".

Brian Beck  
President