

COURT FILE NUMBER 1501-08634

COURT COURT OF QUEEN'S BENCH OF ALBERTA

JUDICIAL CENTRE CALGARY

PLAINTIFF ROYAL BANK OF CANADA

DEFENDANT SPRAGUE-ROSSER CONTRACTING CO. LTD.,
SPRAGUE-ROSSER DEVELOPMENTS INC., PACIFIC
FEDERATION EQUITY GROUP INC., JEFFERY JESSAMINE,
DANIEL EDWARDS AND MATTHEW MACKAY

DOCUMENT SEVENTH REPORT OF ALVAREZ & MARSAL CANADA
INC., IN ITS CAPACITY AS COURT APPOINTED
RECEIVER OF SPRAGUE-ROSSER CONTRACTING CO.
LTD., SPRAGUE-ROSSER DEVELOPMENTS INC.,
PACIFIC FEDERATION EQUITY GROUP INC.

March 7, 2016

ADDRESS FOR SERVICE AND
CONTACT INFORMATION OF
PARTY FILING THIS
DOCUMENT

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ALVAREZ & MARSAL

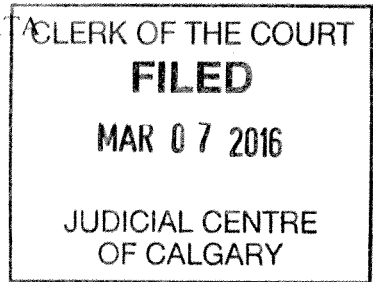


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INTRODUCTION AND BACKGROUND

1. Alvarez & Marsal Canada Inc. was appointed Receiver (the “**Receiver**” or “**A&M**”) of all of the assets, undertakings and properties of Sprague-Rosser Contracting Co. Ltd., Sprague-Rosser Developments Inc. and Pacific Federation Equity Group Inc. (collectively, “**SR**”) pursuant to an order of Honourable Madam Justice J. B. Veit (the “**Receivership Order**”) granted on July 31, 2014.
2. On August 7, 2014 this Honourable Court amended and restated the Receivership Order (the “**Amended Receivership Order**”) in the within proceedings (the “**Receivership Proceedings**”) to provide for certain rights to Western Surety Company (“**Western**”) in respect of ongoing bonded construction contracts undertaken by SR in Alberta and Saskatchewan that the Receiver does not intend to complete.
3. On July 17, 2015 this Honourable Court granted an order:
 - a) authorizing the Receiver to make distributions to Royal Bank of Canada (“**RBC**”); and
 - b) transferring the Receivership action to the judicial centre of Calgary.
4. The Receiver has filed a Notice of Application to be heard on March 18, 2016 seeking the following orders:
 - a) an order (the “**Sale and Vesting Order**”) approving the sale and vesting of an approximately 4 acre parcel of development land (the “**Maple Ridge Property**”) in the Maple Ridge Industrial Subdivision in Edmonton, Alberta; and
 - b) a temporary sealing order (the “**Sealing Order**”) with respect to the appraisal of the Maple Ridge Property prepared by Altus Group dated March 16, 2015 (the “**Altus Appraisal**”).
5. Further background including a copy of the Amended Receivership Order, the previous six reports of the Receiver and other motion materials are posted on the Receiver’s website at www.alvarezandmarsal.com/sprague.
6. Capitalized terms not defined in this Seventh report of the Receiver (the “**Seventh Report**”) are as defined in the Amended Receivership Order.
7. All references to dollars are in Canadian currency unless otherwise noted.

PURPOSE

8. The Seventh Report is a special purpose report intended to provide this Honourable Court with information with respect to the following:

- a) the process undertaken by the Receiver to solicit offers for the purchase of the Maple Ridge property;
- b) the Receiver's application for the Sale and Vesting Order; and
- c) the Receiver's application for the Sealing Order.

MAPLE RIDGE PROPERTY

Background

- 9. The Maple Ridge Property is a 4.03 acre vacant industrial development property owned by SR and located in the Maple Ridge Industrial Subdivision in Edmonton, Alberta. The property is zoned for light industrial uses and is serviced to municipal standards.
- 10. The Maple Ridge Property was included as an asset parcel in the sales process (the "**Sales Process**") undertaken by the Receiver in September and October 2014 to solicit offers for the purchase of the capital assets of SR. When the Sales Process did not result in the completion of a transaction in respect of the Maple Ridge Property, the Receiver retained Colliers Macaulay Nicolls Inc. ("**Colliers**") in May 2015 to act as exclusive real estate broker to list it for sale.
- 11. Details of the Receiver's efforts to market the property and related background are set out in paragraph 14 below.

Receiver's Powers to Market the Maple Ridge Property

- 12. Pursuant to section 3 of the Amended Receivership Order, the Receiver is empowered to among other things:

"3. . . . (k) to market any and all of the Property, including advertising and soliciting offers in respect of the Property or any part or parts thereof and negotiating such terms and conditions of sale as the Receiver in its discretion may deem appropriate;

(l) to sell, convey, transfer, lease or assign the Property or any part or parts thereof out of the ordinary course of business,

(i) without the approval of this Court in respect of any transaction not exceeding \$500,000 provided that the aggregate consideration for all such transactions does not exceed \$1,000,000; and

(ii) with the approval of the Court in respect of any transaction in which the purchase price or the aggregate purchase price exceeds the applicable amount set out in the preceding clause,

and in each such case notice under subsection 60(8) of the PPSA shall not be required;

(m) to apply for any vesting order or other such orders necessary to convey the Property or and part or parts thereof to a purchaser or purchasers thereof, free and clear of any liens or encumbrances affecting such Property; . . ."

Sales Process

13. Details of the Sales Process are set out in the Third Report of the Receiver dated October 21, 2014. For ease of reference, highlights of the Sales Process are summarized below:
 - a) the Receiver prepared an information package (the "**Sale Information Package**") which was made available to all interested parties on a secure web based data site (the "**Data Site**") and included details of the Sales Process, tentative dates for inspection of assets and a deadline for submission of offers of October 3, 2014 (the "**Offer Deadline**"). The Sale Information Package stratified the assets of SR into twelve parcels, one of which was comprised of the Maple Ridge Property;
 - b) through discussions with former management of SR, industry association databases and independent research, the Receiver contacted 105 parties including competitors of SR, construction and equipment companies, auctioneers and real estate brokers;
 - c) in addition to direct solicitation of the parties indicated above, the Receiver advertised the Sales Process in the following regional and national Canadian newspapers:
 - i) Globe & Mail (National Edition), September 13, 2014;
 - ii) Edmonton Journal, September 11, 2014;
 - iii) Calgary Herald, September 12, 2014; and
 - iv) Saskatoon Star Phoenix, September 11, 2014.
 - d) prospective purchasers were provided access to the Data Site which included the Sale Information Package and other due diligence materials.
14. As of the Offer Deadline, four offers were received for the Maple Ridge Property, ranging from an offer of \$2,000,000 to an offer of \$3,224,000 which was subject to conditions including satisfactory completion of environmental due diligence. Following the Offer Deadline, the Receiver entered into discussions with the party that submitted the conditional offer of \$3,224,000 and that party subsequently reduced its offer to \$2,400,000. By March 2015, the Receiver had exhausted negotiations with this particular purchaser without being able to conclude a transaction.

Engagement of Colliers

15. On May 12, 2015 the Receiver retained Colliers to act as exclusive broker in respect of the Maple Ridge Property and to market it for a list price of \$3,750,000. Highlights of Colliers' marketing efforts are as follows:
 - a) posting onsite signage;
 - b) uploading property listing to the Colliers website;
 - c) print advertising in the July 2015 issue of Western Investor; and
 - d) broad email distribution to the commercial real estate brokerage community.
16. On July 31, 2015, an offer (the "**July 31 Offer**") was received from a potential purchaser for \$2,800,000. The Receiver issued a counter offer at \$3,425,500 but this counter offer was not accepted by the potential purchaser.
17. On October 15, 2015, a second offer was received, from the same potential purchaser as the July 31 Offer, for \$2,921,750. The Receiver issued a counter offer at \$3,150,000 but this counter offer was not accepted by the potential purchaser.
18. On December 1, 2015 the listing agreement with Colliers was renewed with a reduced list price of \$3,425,000.

Offer Accepted Subject to Court Approval

19. On February 26, 2016, following a series of negotiations, the Receiver was presented with an offer for the Maple Ridge Property of \$2,900,000 (the "**Supreme Offer**") from a private company named Supreme Star Holdings Inc. ("**Supreme**").
20. Select commercial terms of the Supreme Offer are summarized below:
 - a) a purchase price for the Maple Ridge Property of \$2,900,000;
 - b) a deposit of \$100,000 to be placed with the Receiver to be applied against the purchase price upon closing which will be paid to the Receiver as liquidated damages in the event that Supreme fails to complete the transaction after Court approval is obtained;
 - c) the property is to be sold on an "as is and where is" without recourse basis;
 - d) the offer is subject to Court approval. If Court approval is not granted within 30 days from the date of acceptance by the Receiver, the agreement shall automatically terminate and be null and void and the deposit shall be returned to Supreme;

- e) the closing date for the transaction will be five days following Court approval or as otherwise agreed in writing by the parties; and
 - f) at the closing date, the Receiver shall provide a vesting order or any other documentation necessary to give effect to the transaction which will vest the title to the Maple Ridge Property in the name of Supreme free and clear of all encumbrances and charges.
21. The Receiver accepted the Supreme Offer, subject to Court approval, based on the following considerations:
- a) it is the highest and best offer currently available for the Maple Ridge Property. As described in paragraph 17, an offer that was \$21,750 (1%) higher was received in October 2015 but the Receiver issued a counter offer that was not accepted;
 - b) the Maple Ridge Property has been exposed to the market for approximately 16 months and has been listed with an experienced real estate broker for approximately 10 months;
 - c) the Supreme Offer is more favorable than those resulting from the Sales Process;
 - d) the purchase price in the Supreme Offer is consistent with the range of values provided in the Altus Appraisal. A copy of the Altus Appraisal is attached as Confidential Appendix “A”;
 - e) Colliers has recommended that the Receiver accept the Supreme Offer;
 - f) the near term outlook and current state of the industrial economy in Edmonton remains challenging; and
 - g) the Supreme Offer is supported by RBC who are the first ranking secured creditor of SR and hold a mortgage registered against the Maple Ridge Property.
22. On February 26, 2016, the Receiver accepted the Supreme Offer, subject to the Court’s approval. A copy of the Supreme Offer is attached as Appendix “B”.

Confidential Appendix “A” and Sealing Order

23. Confidential Appendix “A” contains information of a commercial nature which, if disclosed to third parties, could materially jeopardize the value that could be obtained from a subsequent sale of the Maple Ridge Property if the sale to Supreme does not close. Accordingly, the Receiver is respectfully of the view that it is appropriate that this Honourable Court grant the Sealing Order in relation to Confidential Appendix “A”.

SALE AND VESTING ORDER

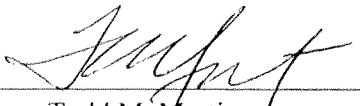
24. The Sale and Vesting Order provides for, among other things:
- a) authorization for and direction to the Receiver to conclude the transaction contemplated by the Supreme Offer as accepted by the Receiver;
 - b) upon closing of the sale to Supreme, vesting title of the Maple Ridge Property in Supreme or its assignee, free and clear of all security interests, liens, executions, levies, charges, or other financial or monetary claims;
 - c) direction to the Registrar of Lands, upon being presented with an original letter confirming that all conditions required to permit the registration of a transfer of the lands have been met, to cancel the existing certificate of title and issue a new certificate in the name of Supreme, free and clear of all encumbrances;
 - d) authorization for the Receiver, upon closing of the transaction contemplated in the Supreme Offer, to distribute the net proceeds from the sale of the Maple Ridge Property in accordance with the terms of the order issued in the Receivership Proceedings in Edmonton in Court File No. 1403-10990 on July 17, 2015; and
 - e) approval of the actions, conduct and activities of the Receiver, as outlined in this Seventh Report.

RECOMMENDATION

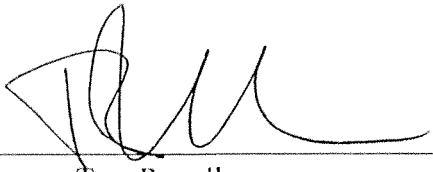
25. The Receiver respectfully recommends that this Honourable Court grant the following orders:
- a) the Sale and Vesting Order; and
 - b) the Sealing Order.

All of which is respectfully submitted to this Honourable Court this 7th day of March, 2016.

**Alvarez & Marsal Canada Inc.,
in its capacity as Receiver and Manager of
Sprague-Rosser Contracting Co. Ltd,
Sprague-Rosser Developments Inc. and
Pacific Federation Equity Group Inc.**



Per: Todd M. Martin
Senior Vice President



Per: Tom Powell
Director

OFFER-SPRAGUE-ROSSER CONTRACTING CO. LTD., SPRAGUE-ROSSER DEVELOPMENTS INC.
& PACIFIC FEDERATION EQUITY GROUP INC.
(COLLECTIVELY REFERRED TO AS THE "COMPANY") IN RECEIVERSHIP

To: Alvarez and Marsal Canada Inc
in its capacity as Receiver and Manager of the Company
and not in its personal capacity

400 Burrard Street
Suite 1680, Commerce Place
Vancouver, BC, V6C 3A6

Attention: Tom Powell

1. Supreme Star Hotel ^{Wise Inc} (the "Offeror")
157 Kubekey Dr
Edm. AB
T66-689

2. The Offeror hereby offers to purchase from the Vendor, subject to the Terms and Conditions, the Assets as defined in Schedule I - Definitions of Offer.
~~3,000,000~~
3. The total amount offered is ~~\$2,800,000~~ plus GST and PST (if applicable). *2,900,000*
4. This Offer is irrevocable. *2,900,000*
5. The Offeror hereby acknowledges and agrees that the Definitions and the Terms and Conditions attached hereto as **Schedule I** and **Schedule II** are incorporated by reference and made a part of this Offer and made a part of any Agreement constituted by the acceptance of this Offer.

DATED at Edmonton this 9 day of February 2016 *CS*

Okthou
(Signature of Authorized Representative of Offeror)

DALIT SECTION
(Name and Position)

ACCEPTED:

Alvarez & Marsal Canada Inc.
in its capacity as Receiver of Sprague-Rosser Contracting Co. Ltd., Sprague Developments Inc. & Pacific
Federation Equity Group Inc. and not in its personal capacity

Todd Martin
Per: Todd Martin, Senior Vice President

SCHEDULE I
DEFINITIONS OF OFFER

Alvarez & Marsal Canada Inc. in its capacity as
Receiver of Sprague-Rosser Contracting Co. Ltd., Sprague-Rosser Developments Inc. & Pacific
Federation Equity Group Inc.
and not in its personal capacity

In this Offer and in the Agreement constituted by acceptance hereof, including the Terms and Conditions of this Offer contained in Schedule II hereof, the following words and phrases shall have the following meanings:

"Agreement" means the agreement constituted by the acceptance of the Offer;

"Assets" means the real property commonly known as Maple Ridge, municipally described as 104 – 69th Avenue, Edmonton, AB and legally described as Plan 0821861, Block 2, Lot 15, excepting thereout all mines and minerals;

"Business Day" means Monday to Friday inclusive of each week, excluding days which are statutory holidays in the Province of Alberta;

"Closing" means the completion of the purchase and sale of the Assets pursuant to the Offer;

"Closing Date" means five (5) Business Days after Court Approval or such later date as may be agreed to in writing by the Vendor and the Offeror;

"Court Approval" means the day in which the court approves accepted Offer and grants the Vesting Order;

"Deposit" means \$100,000 to be delivered to the Vendor concurrent with the delivery of the Offer executed by the Offeror to the Vendor and payable by way of **certified cheque, bank draft or wire (in each case drawn on a Canadian Chartered Bank)** in trust to be utilized and applied in accordance with the terms of the Offer payable to "Alvarez & Marsal Canada Inc. - In Trust",

"GST" means Goods and Services Tax.

"Offer" means the OFFER TO PURCHASE the Assets from the Offeror to the Vendor;

"Offeror" and **"Purchaser"** means the person described as Offeror in the Offer;

"Purchase Price" means the amount set forth in the Offer, adjusted only for property taxes, plus GST or PST (if applicable in accordance with the Terms and Conditions) and any other applicable taxes payable in cash (or by certified cheque, bank draft or wire, in each case drawn on a Canadian Chartered Bank) by the Purchaser to the Vendor on the Closing Date;

"PST" means Provincial Sales Tax.

"Terms and Conditions" means all of the terms and conditions contained in Schedule II to the Offer;

"Vendor" means Alvarez & Marsal Canada Inc. in its sole capacity as Receiver of Sprague-Rosser Contracting Co. Ltd., Sprague-Rosser Developments Inc. & Pacific Federation Equity Group Inc. and not in its personal capacity (the **"Receiver"**);

"Vesting Order" means the Court of Queen's Bench of the Province of Alberta or such other Court as may be required authorizing the sale of the Assets and vesting title of the Assets in the Offeror in accordance with the terms of this Offer or on such other terms as are agreed to by the Vendor and the Offeror.

SCHEDULE II
TERMS AND CONDITIONS OF OFFER
Alvarez & Marsal Canada Inc. in its capacity as
Receiver of Sprague-Rosser Contracting Co. Ltd., Sprague-Rosser Developments Inc. & Pacific
Federation Equity Group Inc.
and not in its personal capacity

1. The Offeror acknowledges and agrees that acceptance of the Offer by the Vendor is made by it solely in its capacity as Receiver of the Company and not in its personal capacity, and that the Vendor and its respective employees, servants and agents shall have no personal or corporate liability whatsoever with respect to any matter(s) relating to or arising out of the Offer, the Agreement or the advertisement or sale of the Assets. Any suit, claim, demand or cause of action of the Offeror, in any way arising out of or related to the Offer, the Agreement or the advertisement or sale of the Assets, shall be restricted solely to the Assets and the Deposit.
2. Nothing herein shall be construed as a warranty, agreement or representation that the Vendor, as the Receiver of the Company, is the owner of the Assets or that there are or will be no restrictions, encumbrances, burdens or obligations against the Assets.
3. The Vendor, in its sole discretion, may waive any or all of the Terms and Conditions of the Agreement which are for the benefit of the Vendor, provided however that any waiver shall only be effective if in writing and any such waiver shall not apply to waive any other provisions unless expressly stated in writing.
4. The Vendor has specified certain details respecting the Assets. The descriptions herein contained are not warranted to be complete or accurate.
5. The Assets are being sold on an "as is and where is" without recourse basis.
6. The Offeror acknowledges that it was entitled to and had the opportunity to consult with its own independent legal counsel prior to making the Offer.
7. The Offeror, with this Offer, delivered to the Vendor the Deposit. If the Offer is accepted, then subject to Paragraph 8 hereof, the Deposit shall be applied to the Purchase Price.
8. If the Offer is accepted and the Offeror fails to comply with any term or condition of the Agreement, or if the Offeror is unable or unwilling to complete this transaction for any reason whatsoever, the Deposit and all payments made on account of the Purchase Price shall be forfeited to the Vendor as a genuine pre-estimate of liquidated damages and not as a penalty.
9. The Offeror acknowledges that the Vendor is not obligated to accept this Offer. Any offer accepted by the Vendor is subject to Court Approval. If Court Approval is not granted within 15 days from the date of acceptance of the Offer by the Vendor, this Agreement shall automatically terminate and be null and void and the Deposit shall be immediately returned to the Offeror.
10. If the Offer is accepted, then notification of such acceptance shall be made effective upon delivery of such notification in writing to the address of the Offeror set forth in the Offer and shall be deemed to have been received by the Offeror on the day on which such delivery is made. Subject to the satisfaction of the condition precedent upon acceptance as aforesaid, the accepted Offer shall constitute a binding agreement of purchase and sale. Unless otherwise agreed between the parties, the closing of this transaction shall take place on the Closing Date.
11. Time shall be of the essence of this Offer.
12. This Offer and the Agreement shall be governed by and construed in accordance with the laws of the Province of Alberta and the Offeror irrevocably attorns to the jurisdiction of the Courts of the Province of Alberta.

13. In consideration of the Vendor making available to the Offeror information relating to the Assets and the opportunity of inspection of such information, and in consideration of the Vendor receiving offers, the Offeror agrees that its Offer is irrevocable and cannot be retracted, withdrawn, varied or countermanded prior to acceptance or rejection thereof.

14. The Offeror shall, after the Purchase Price has been paid in full, take delivery and possession of the Properties on an "as is and where is" basis on the Closing Date, without recourse to the Vendor or their respective employees, servants and agents. The Purchase Price shall be paid to the Vendor on the Closing Date in cash or by certified cheque, bank draft or wire, in each case drawn on a Canadian Chartered Bank by the Offeror.

15. In the event of any damage occurring prior to the Closing Date, the Offeror shall not have the right to rescind, but, rather, shall have all of the rights of the insured party under the terms of the insurance policy under which the Assets are insured. The Offeror shall arrange for its own insurance as at and from the Closing Date.

16. At the Closing Date, the Vendor shall provide a Vesting Order or any other documentation necessary to give effect to this transaction which will vest title to the Assets in the name of the Purchaser free and clear of all encumbrances and charges.

17. There are no representations, warranties, collateral agreements, or conditions whatsoever by the Vendor, and the Offeror, having been afforded all reasonable opportunity to examine the Assets and all documents and information pertaining to or affecting the Properties insofar as such documents and information are in the Vendor's possession, acknowledges and agrees that there are no representations, collateral agreements, conditions or warranties, expressed or implied, by statute, custom or otherwise, on the part of the Vendor or their respective agents, servants or employees, affecting the rights of the Offeror hereunder, and that, without restricting the generality of the foregoing, there are no representations regarding the Assets as to title, location, existence, fitness for particular purpose, condition, quality, quantity, merchantability or suitability for intended purpose, or as to any other attributes which the Offeror considers relevant. The Offeror further acknowledges and agrees that it is not relying upon any representations made by the Vendor or their respective agents, servants or employees and that the Agreement is and shall be the entire agreement between the parties.

18. The Offeror (if a corporation) represents and warrants to the Vendor that as of the date hereof, to and including the Closing Date:

- A. the Offeror is and will be a corporation duly incorporated, validly subsisting and in good standing under the laws of the Province of Alberta or Saskatchewan or is and will be a corporation duly incorporated, validly subsisting and in good standing under the laws of the jurisdiction of its incorporation and duly qualified and registered in the province of Alberta, and the Offeror has the full legal right, power, capacity and authority to acquire and own the Assets;
- B. the Offeror has and had at the time of execution, all requisite corporate power, authority and capacity to execute and deliver this Offer to the Vendor and to make and fully observe and perform all terms, covenants, conditions, agreements, representations and warranties contained in this Offer;
- C. the execution and delivery of this Offer has been duly authorized by all necessary corporate action of the Offeror and all necessary resolutions have been taken or passed by the Offeror and its shareholders, directors and officers in order to authorize the execution and delivery of this Offer and the carrying out of the transaction contemplated hereunder, and this Offer together with the acceptance thereof shall constitute a legal, valid and binding agreement for sale enforceable against the Offeror in accordance with its terms, with respect to those obligations of the Offeror set forth herein;
- D. the Offeror has duly executed and delivered this Offer and the execution, delivery and performance by the Offeror of this Offer does not and will not violate or conflict with the constituting documents and by-laws (if any) of the Offeror, nor any resolution of the directors or shareholders of the Offeror nor with any agreements, instruments, injunctions, judgments, decrees or writs to which the Offeror is a party or is bound, nor

- result in a violation of any law, statute, regulation, ordinance or rule to which the Offeror is subject;
- E. no registration with, giving of notice to, or consent or approval of, any governmental or public bodies or authorities, or any other parties, is necessary for the execution and delivery by the Offeror of the Offer or for the performance by the Offeror of the terms and conditions contained herein;
- F. the Offeror is not a non-Canadian as defined in the Investment Canada Act or if the Offeror is such a non-Canadian, then either the transaction herein is not notifiable or reviewable under such Act or the Offeror has satisfied the requirements of such Act such that the transaction herein provided for may be completed without contravention of such Act.

19. The obligation of the Vendor to complete the sale of the Assets pursuant hereto is subject to the following conditions precedent: (i) that the Vesting Order is obtained from the Court of Queen's Bench of the Province of Alberta or such other Court as may be required authorizing the sale of the Assets and vesting title of the Assets in the Offeror in accordance with the terms of this Offer or on such other terms as are agreed to by the Vendor and the Offeror.

20. The Offeror shall cause to be paid and delivered to the Vendor on the Closing Date the Purchase Price plus any applicable goods and services tax or provincial sales tax if payable in accordance with the Terms and Conditions and any other applicable taxes.

21. No amendment or variation of the Agreement shall be of any force or effect unless the same is reduced to writing and duly executed by the Vendor and the Offeror.

22. Interest on the Deposit and all other funds paid to the Vendor pursuant to this Offer shall accrue and be applied to the Purchase Price on Closing.

23. The Offeror and the Vendor mutually agree to do all such further acts and execute all such further documents and instruments as may reasonably be necessary or convenient to give full effect to the Agreement.

24. This Agreement shall endure to the benefit of and be binding upon the Offeror and Vendor and their respective successors and assigns.

25. Any GST or PST applicable to the purchase and sale of the Assets shall be payable as part of the Purchase Price subject to the remaining terms of this paragraph. The Purchaser hereby represents and warrants to the Vendor that it is or will become registered for the purposes of Part IX of the *Excise Tax Act* (Canada) in accordance with the requirements of Subdivision (d) of Division V thereof and it will continue to be so registered as of the Closing Date. The Purchaser covenants to deliver to the Vendor upon Closing (i) a notarial copy of the certificate evidencing its registration for purposes of GST, including the registration number assigned to it; and (ii) a declaration and indemnity of the Purchaser confirming the accuracy, as at Closing, of the representations and warranties set out herein and agreeing to indemnify the Vendor for any amounts for which the Vendor may become liable as a result of any failure by the Purchaser to pay the GST payable in respect of the sale of the Purchased Assets under Part IX of the *Excise Tax Act* (Canada) and that the Purchaser is buying for its own account and not as trustee or agent for any other party. Provided that the Purchaser delivers a notarial copy of the certificate and the declaration and indemnity as set out above, the Purchaser shall not be required to pay to the Vendor, nor shall the Vendor be required to collect from the Purchaser, the GST in respect of the Properties. In the event that the Purchaser shall fail to deliver the notarial copy of the certificate and the declaration and indemnity as set out above, then the Purchaser shall pay to the Vendor, as part of the Purchase Price, in pursuance of the Purchaser's obligation to pay and the Vendor's obligation to collect GST under the provisions of the *Excise Tax Act* (Canada), an amount equal to five (5%) percent of the Purchase Price. If the Vendor and the Purchaser are both registrants and the election is available, the Vendor and the Purchaser agree to elect pursuant to Section 167(1) of the *Excise Tax Act* that no GST shall apply in respect of the supply of the Assets.

26. This counter offer is open for acceptance
until 5:00 PM Edmonton Time on February 28, 2016.



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