

# **DPVC INC.**

## **FORM 51-102F1 MANAGEMENT'S DISCUSSION & ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2009**

### **Date**

This management discussion and analysis ("MD&A") dated April 28, 2010 is in respect of the year ended December 31, 2009, and should be read in conjunction with the audited financial statements for the year ended December 31, 2009.

### **Forward-Looking Statements**

This MD&A may contain forward-looking statements with respect to DPVC Inc. ("DPVC" or the "Company"). These forward-looking statements by their nature involve risks and uncertainties that could cause actual results to differ materially from those contemplated by such statements. The Company considers the assumptions on which these forward-looking statements are based to be reasonable at the time they were prepared, but cautions the reader that these assumptions regarding future events, many of which are beyond the control of management, may ultimately prove to be incorrect. Investors are cautioned that any such statements are not guarantees of future performance and actual results or developments may differ materially from those projected in the forward-looking statements.

### **Overall Performance**

DPVC is classified as a Capital Pool Company ("CPC") for the purposes of the policies of the TSX Venture Exchange (the "Exchange"). As a result, the Company's current business is to identify and evaluate businesses and assets with a view to completing a "qualifying transaction". Any proposed qualifying transaction must be accepted by the Exchange and in the case of a non-arm's length qualifying transaction is also subject to "majority of the minority approval" in accordance with Policy 2.4 of the Exchange. The Company has not conducted commercial operations other than to identify and pursue potential acquisitions or interests.

Until completion of the qualifying transaction, the Company will not carry on any business other than the identification and evaluation of businesses or assets with a view to completing a potential qualifying transaction. With the consent of the Exchange, this may include the raising of additional funds in order to finance an acquisition. Except as described in the Company's final prospectus dated September 26, 2008, the funds raised pursuant to the Company's initial public offering and any subsequent financing will be utilized only for the identification and evaluation of potential qualifying transactions and not for any deposit, loan or direct investment in a potential acquisition.

On April 16, 2010, the Company completed a public offering (the "Offering") by the issuance of 19,952,983 common shares at a price of \$0.35 per common share for gross proceeds of \$6,983,544. The agents for the Offering, (the "Agents"), received a cash commission of 7% of

the gross proceeds of the Offering (\$488,848) and reimbursement of the Agents' legal fees and an administration fee.

On April 16, 2010, the Company acquired a 50% interest in each of two Nevada limited partnerships, Deer Springs Crossing, LP ("DSC LP") and LV Loan Holdings LP ("LVLH LP"). DSC LP owns certain land located in Las Vegas, Nevada (the "Deer Springs Property") and LVLH LP owns a promissory note (with respect to a loan related to the Deer Springs Property) and certain related security documents (the "Deer Springs Note"). The transaction has received approval by the TSX Venture Exchange as a Qualifying Transaction pursuant to Exchange Policy 2.4 *Capital Pool Companies*.

The Company's fiscal year end is December 31 and December 31, 2008 was the first fiscal year end.

## Selected Financial Information

### Annual Results

A summary of selected financial information for the year ended December 31, 2009 and the period from June 3, 2008 to December 31, 2008 and is as follows:

	<b>Year ended December 31, 2009</b>	<b>Period from date of incorporation (June 3, 2008) to December 31, 2008</b>
Interest income	\$ 20	\$ 1,802
Net loss before discontinued operations and extraordinary items	(\$23,675)	(\$ 6,486)
Net loss per share before discontinued operations and extraordinary items, basic and diluted	(\$ 0.01)	(\$ 0.01)
Net loss	(\$23,675)	(\$ 6,486)
Net loss per share, basic and diluted	(\$ 0.01)	(\$ 0.01)
Total assets	\$374,418	\$327,731
Long-term financial liabilities	\$ -	\$ -
Cash dividends declared per share	\$ -	\$ -

For the year ended December 31, 2009, the Company had minimal interest income as interest rates are at historical lows.

The expenses incurred related primarily to filings and professional fees for the year and period ended December 31, 2008 and 2009. The increase for the year ended December 31, 2009 from period ended December 31, 2008 is a result of the Company starting operations on September 30, 2008, which resulted in minimal costs. In the year ended December 31, 2009, the Company wrote down costs of \$1,318 related to a potential acquisition, which were legal costs related to an acquisition that did not move forward.

Total assets as at December 31, 2009 included \$72,608 of deferred charges related to costs incurred for the issuance of shares related to a public offering and acquisitions costs of completing the Qualifying Transaction (see “Subsequent Events”). These costs are anticipated to be allocated as appropriate against share equity and the Qualifying Transaction.

It is expected that the addition of the Qualifying Transaction will increase expenses with additional costs related to filing tax returns and increased audit expenses related to the acquisition of the Nevada Partnerships.

A comparative of the Company’s financial condition as at December 31, 2009 and December 31, 2008:

	<b>December 31, 2009</b>	<b>December 31, 2008</b>
Total Assets	\$ 374,418	\$ 327,731
Long-Term Financial Liabilities	-	-
Working Capital	\$ 223,697	\$ 319,980

The Company’s working capital as at December 31, 2009 has decreased as general and administrative expenses were incurred while no interest income was earned. The increase in total assets is due to deferral of expenses related to the Offering and acquisition of the Nevada Partnerships (See “Subsequent Events”).

## Results of Operations

A summary of selected financial information for the year ended December 31, 2009 and period ended December 31, 2008 is as follows:

	<b>For the year ended December 31, 2009</b>	<b>For the period from June 3, 2008 to December 31, 2008</b>
<b>Interest income</b>	<b>\$ 20</b>	<b>\$ 1,802</b>
Bank charges	\$ 170	\$ 9
Filing fees	11,729	3,128
General and administrative expenses	621	-
Professional fees	9,857	5,151
Write down of acquisition costs	1,318	-
<b>Total expenses</b>	<b>\$ 23,695</b>	<b>\$ 8,288</b>
<b>Net loss from operations</b>	<b>(\$ 23,675)</b>	<b>(\$ 6,486)</b>

For the year ended December 31, 2009, the Company had minimal interest income as interest rates are at historical lows.

The expenses incurred related primarily to filings and professional fees for the year ended December 31, 2009 and period ended December 31, 2008. The increase for the year ended December 31, 2009 from period ended December 31, 2008 is a result of the Company starting operations on September 30, 2008, which resulted in minimal costs. In the year ended December 31, 2009, the Company wrote down costs of \$1,318 related to a potential acquisition, which were legal costs related to an acquisition that did not move forward.

## Quarterly results

A summary of selected financial information for the quarter ended December 31, 2009 and 2008 is as follows:

	<b>Quarter ended December 31, 2009</b>	<b>Quarter ended December 31, 2008</b>
Interest income	\$ -	\$ 514
Net loss before discontinued operations and extraordinary items	(\$ 7,388)	(\$ 7,355)
Net loss per share before discontinued operations and extraordinary items, basic and diluted	\$ 0.00	\$ 0.00
Net loss	(\$ 7,388)	(\$ 7,355)
Net loss per share, basic and diluted	\$ 0.00	\$ 0.00
Total assets	\$374,418	\$327,731
Long-term financial liabilities	\$ -	\$ -
Cash dividends declared per share	\$ -	\$ -

For the quarter ended December 31, 2009, the Company had minimal interest income as interest rates are at historical lows.

The expenses incurred related primarily to filings and professional fees for the quarter ended December 31, 2009 and 2008. There was minimal change in expenses over the same quarter last year, as there were no significant transactions in either quarter.

Total assets as at December 31, 2009 included \$72,608 of deferred charges related to costs incurred for the issuance of shares related to a public offering and acquisitions costs of completing the Qualifying Transaction (see "Subsequent Events"). These costs are anticipated to be allocated as appropriate against share equity and the Qualifying Transaction.

It is expected that the addition of the Qualifying Transaction will increase expenses with additional costs related to filing tax returns and increased audit expenses related to the acquisition of the Nevada Partnerships.

## Results of Operations

A summary of selected financial information for the quarter ended December 31, 2009 and 2008 is as follows:

	<b>For the Quarter ended December 31, 2009</b>	<b>For the Quarter ended December 31, 2008</b>
<b>Interest income</b>	<b>\$ -</b>	<b>\$ 514</b>
Bank charges	\$ 22	\$ 9
Filing fees	2,727	2,709
General and administrative expenses	621	-
Professional fees	3,998	5,151
Write down of acquisition costs	0	-
<b>Total expenses</b>	<b>\$ 7,368</b>	<b>\$ 7,869</b>
<b>Net loss from operations</b>	<b>(\$ 7,368)</b>	<b>(\$ 7,355)</b>

For the quarter ended December 31, 2009, the Company had no interest income as interest rates are at historical lows.

The expenses incurred related primarily to filings and professional fees for the quarter ended December 31, 2008 and 2009. There was minimal change in expenses over the same quarter last year, as there were no significant transactions in either quarter.

## Selected Quarterly Financial Information

A summary of selected quarterly financial information for period from June 3, 2008 to December 31, 2009 is as follows:

	Period from date of incorporation (June 3, 2008) to June 30, 2008	Quarter ended September 30, 2008	Quarter ended December 31, 2008
Interest income	-	\$ 1,288	\$ 514
Net earnings/(loss) before discontinued operations and extraordinary items	-	869	( 7,355)
Net earnings/ (loss) per share before discontinued operations and extraordinary items, basic and diluted	-	\$ 0.00	\$ 0.00
Net earnings/(loss)	-	869	( 7,355)
Net earnings/ (loss) per share, basic and diluted	-	\$ 0.00	\$ 0.00

	Quarter Ended March 31, 2009	Quarter Ended June 30, 2009	Quarter Ended September 30, 2009	Quarter Ended December 31, 2009
Interest income	\$ 20	\$ -	\$ -	\$ -
Net earnings/(loss) before discontinued operations and extraordinary items	( 7,142)	( 4,508)	( 4,657)	(7,368)
Net earnings/ (loss) per share before discontinued operations and extraordinary items, basic and diluted	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Net loss	( 7,142)	( 4,508)	( 4,657)	(7,368)
Net loss per share, basic and diluted	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00

The difference in the expenses between the fiscal periods is due to the amount of activity by the Company in each period, relating to filing and professional fees. Interest income decreased significantly due to a decrease in bank interest rates.

## Financings

No financings occurred during the year ended December 31, 2009 but subsequent to December 31, 2009, a public offering of common shares was completed (see “Subsequent Events”).

## **Liquidity and Capital Resources**

As at December 31, 2009, the Company had working capital of \$223,697. Management believes the Company currently has sufficient capital to carry on its current business.

Subsequent to year end, the Company closed a public offering and raised \$6,983,544. It is expected that the funds raised will be enough to carry on its current business. The Company expects to continue identifying potential acquisitions with its current resources.

The Company had no capital resource commitments as at December 31, 2009.

## **Transactions with Related Parties**

For the year ended December 31, 2009, the Company had no transactions with related parties.

On April 16, 2010, the Company entered into an asset management agreement with TitanStar Capital Corporation (the "Asset Manager"), pursuant to which the Asset Manager will provide asset management, administrative and other services to the Company and its subsidiaries. On April 16, 2010, the Company granted to the Asset Manager options to purchase 100,000 common shares. Each option will allow the Asset Manager to purchase one common share at a price of \$0.35 per Share from the date of issuance until the fifth anniversary of the issuance of such options.

TitanStar Capital Corporation is a Corporation owned by TitanStar Investment Group Inc., which is owned by T. Richard Turner, Chief Executive Officer of the Company. Denise Turner, Executive Vice President and Secretary of the Company is also a Director and Officer of TitanStar Capital Corporation and TitanStar Investment Group Inc.

## **Off Balance Sheet Arrangements**

The Company has no off-balance sheet arrangements.

## **Commitments and Contingent Liabilities**

The Company has no commitments or contingent liabilities.

## **Changes in Accounting Policies**

The Canadian Institute of Chartered Accountants amended Section 3862, titled "Financial Instruments – Disclosures" to improve disclosures related to fair value measurements of financial instruments, including the relative reliability of the inputs used in those measurements and liquidity risk. These disclosures are effective for the Company's December 31, 2009 annual financial statements. These amendments did not impact the Company's financial position or results of operations.



## **Future Changes to Significant Accounting Policies**

CICA Handbook Section 1582 – Business Combinations will apply prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1st, 2011. CICA Handbook Sections 1601 – Consolidations and 1602 – Non-controlling interests will be effective for interim and annual financial statements relating to fiscal years beginning on or after January 1st, 2011. Earlier adoption of these sections is permitted as of the beginning of a fiscal year. All three sections must be adopted concurrently. These sections replace the former CICA Handbook Sections 1581 – Business Combinations and 1600 – Consolidated Financial Statements. CICA Handbook Section 1582 establishes standards for the accounting for a business combination. CICA Handbook Section 1601 establishes standards for the preparation of consolidated financial statements. CICA Handbook Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. The Company is currently considering the effect on the financial statements of the new standards.

The CICA Accounting Standards Board has adopted a strategic plan for the direction of accounting standards in Canada. As part of that plan, accounting standards for public companies will be required to converge with International Financial Reporting Standards for fiscal years beginning on or after January 1, 2011 with comparative figures presented on the same basis.

The Company is currently in the process of evaluating the potential impact of IFRS to its consolidated financial statements. This will be an ongoing process as the International Accounting Standards Board and the AcSB issue new standards and recommendations. The Company's consolidated financial performance and financial position as disclosed in Company's current GAAP financial statements may be significantly different when presented in accordance with IFRS.

As the Company continues business operations and identifies potential acquisition targets, accounting policies will be adopted with consideration for IFRS compliance. All changes to accounting policies and reporting disclosures will be reviewed and approved by the Audit Committee, which will continue to receive quarterly updates on the status of the conversion process.

## **Financial Instruments and Other Instruments**

The Company's financial instruments consist of cash, accounts receivable and accounts payable. It is management's opinion that the Company is not exposed to significant liquidity, interest, currency or credit risks arising from these financial instruments and that the fair value of these financial instruments approximates their carrying values.

## **Proposed Transactions**

The Company does not have any proposed transactions.

### Subsequent Events

On April 16, 2010, the Company completed a public offering (the “Offering”) by the issuance of 19,952,983 common shares at a price of \$0.35 per common share for gross proceeds of \$6,983,544. The agents for the Offering, (the “Agents”), received a cash commission of 7% of the gross proceeds of the Offering (\$488,848) and reimbursement of the Agents’ legal fees and an administration fee.

On April 16, 2010, the Company acquired a 50% interest in each of two Nevada limited partnerships, Deer Springs Crossing, LP (“DSC LP”) and LV Loan Holdings LP (“LVLH LP”). DSC LP owns certain land located in Las Vegas, Nevada (the “Deer Springs Property”) and LVLH LP owns a promissory note (with respect to a loan related to the Deer Springs Property) and certain related security documents (the “Deer Springs Note”).

On April 16, 2010, the Company also entered into an asset management agreement with TitanStar Capital Corporation (the “Asset Manager”), pursuant to which the Asset Manager will provide asset management, administrative and other services to the Company and its subsidiaries. On April 16, 2010, the Company granted to the Asset Manager options to purchase 100,000 common shares. Each option will allow the Asset Manager to purchase one common share at a price of \$0.35 per Share from the date of issuance until the fifth anniversary of the issuance of such options.

### Additional Disclosure for Venture Issuers without Significant Revenue

As the Company has not had significant revenue from operations in the last two financial years, the following is a breakdown of the material costs incurred:

Material Components	For the year ended December 31, 2009	From the date of incorporation (June 3, 2008) to December 31, 2008
Expenses	\$23,695	\$ 8,288
Other material costs, whether capitalized, deferred or expensed, not referred to above		
- stock options issued	\$ -	\$ 8,169
- share issuance costs	\$ -	73,354
- deferred charges	\$72,608	-

## Disclosure of Outstanding Share Data

As at December 31, 2009 and the date of this MD&A, the following is a description of the outstanding equity securities and convertible securities previously issued by the Company:

	<b>As at December 31, 2009</b>	<b>As at the Date of this MD&amp;A</b>
Voting or equity securities authorized	Unlimited	Unlimited
Securities convertible or exercisable into voting or equity securities – stock options	Stock options to acquire up to 10% of outstanding common shares	Stock options to acquire up to 10% of outstanding common shares
Voting or equity securities issued and outstanding	3,000,000 common shares	22,952,983 common shares
Securities convertible or exercisable into voting or equity securities – stock options	NIL	NIL
Securities convertible or exercisable into voting or equity securities – agent’s stock options	100,000	100,000
Securities convertible or exercisable into voting or equity securities – asset manager’s stock options	-	100,000
Voting or equity securities issuable on conversion or exchange of outstanding securities	100,000	200,000

## Risks and Uncertainties

### General Business Risks

The Corporation will be subject to general business risks and to risks inherent in the commercial real estate industry, including the ownership of real property. These risks include general economic and market factors, local real estate conditions, competition, changes in government regulation, interest rates, the availability of equity and debt financing, environmental and tax related matters, availability of specialized trades people and reliance on key personnel. Any one of, or a combination of, these factors may adversely affect the financial position of the Corporation.

### Real Property Ownership

All real property investments are subject to elements of risk. Such investments are affected by general economic conditions, local real estate markets, the attractiveness of the properties to residents, supply and demand for space, and competition from other available space and various other factors.

The performance of the economy in the area in which the Deer Springs Property is located affects occupancy, market rental rates and expenses. These factors consequently can have an impact on future revenues from the Deer Springs Property and its underlying value.

Other factors may further adversely affect revenues from and value of the Deer Springs Property. These factors include local conditions in the areas in which the Deer Springs Property is located, such as an oversupply of commercial real estate properties or a reduction in the demand for commercial real estate properties, the attractiveness of the Deer Springs Property to tenants, competition from other properties and the Corporation's ability to provide adequate facilities, maintenance, services and amenities. Operating costs, including real estate taxes, insurance and maintenance costs, and mortgage payments, if any, do not, in general, decline when circumstances cause a reduction in income from a property. The Corporation could sustain a loss as a result of foreclosure on the Deer Springs Property if it is mortgaged to secure payment of indebtedness and the Corporation or its wholly-owned subsidiary, Canco Holdings, as applicable, was unable to meet its mortgage payments. In addition, applicable laws, including tax laws, interest rate levels and the availability of financing also affect revenues from properties and real estate values generally.

### **Asset and Development Strategy**

It is intended that the Corporation's business strategy will involve expansion through acquisitions and further development projects that are in addition to the Deer Springs Property. These activities require the Corporation to identify acquisition or development candidates or investment opportunities that meet its criteria and are compatible with its growth strategy. The Corporation may not be successful in identifying commercial real estate properties that meet its acquisition or development criteria or in completing acquisitions, developments, or investments on satisfactory terms. Failure to identify or complete acquisitions or developments or the failure to purchase the DSC LP Interest will slow the Corporation's growth. The Corporation could also face significant competition for acquisitions and development opportunities. Some of the Corporation's competitors have greater financial resources than the Corporation and, accordingly, have a greater ability to borrow funds to acquire and develop properties. These competitors may also be willing and/or able to accept more risk than the Corporation can prudently manage, including risks with respect to the geographic concentration of investments and the payment of higher prices. This competition for investments may reduce the number of suitable investment opportunities available to the Corporation and may increase acquisition costs in certain areas where the Corporation's facilities are located or in areas targeted for growth and, as a result, may adversely affect the Corporation's operating results.

In addition, even if the Corporation were successful in identifying suitable acquisitions or development projects, newly acquired properties may fail to perform as expected and management of the Corporation may underestimate the costs associated with the integration of the acquired properties. In addition, any expansions the Corporation undertakes in the future are subject to a number of risks, including, but not limited to, construction delays or cost overruns that may increase project costs, financing risks, the failure to meet anticipated occupancy or rent levels, failure to receive required zoning, land use and other governmental permits and authorizations and changes in applicable zoning and land use laws. If any of these problems

occur, expansion costs for a project will increase, and there may be significant costs incurred for projects that are not completed. In deciding whether to acquire or expand a particular property, the Corporation will make certain assumptions regarding the expected future performance of that property. If the Corporation's acquisition or expansion of properties fails to perform as expected or incurs significant increases in projected costs, the Corporation's revenues could be lower, and its operating expenses higher, than expected.

It is intended that the Corporation will invest in new developments which carry a certain risk that projected financial returns may not be achieved and that cost overruns, or start-up losses may require further equity injections. The Corporation manages this risk through detailed evaluation of each development separately and ensuring certain criteria have been met, including an extensive supply and demand analysis and establishing capital participants.

### **Dependence on and Relationship with Asset Manager**

The financial performance of the Corporation will depend in part on the performance of the Asset Manager. The success of the Corporation is dependent on the services of certain management personnel, including T. Richard Turner, the Chief Executive Officer of the Corporation. The loss of the services of such personnel could have an adverse effect on the Corporation.

### **Joint Venture Investments**

The Corporation, through its wholly-owned subsidiary, Canco Holdings, will have a 50% ownership interest in the Deer Springs Property (through the DSC LP Interest) with LV Loan DSC Partners, LLC holding the remaining 50% ownership interest (through its 50% partnership interest in DSC LP). The Corporation may also enter into further joint ventures with respect to other properties in the future. In any such joint venture, the Corporation may not be in a position to exercise sole decision-making authority regarding the properties owned through joint ventures. Investments in joint ventures may, under certain circumstances, involve risks not present when a third party is not involved, including the possibility that joint venture partners might become bankrupt or fail to fund their share of required capital contributions. Joint venture partners may have business interests or goals that are inconsistent with the Corporation's business interests or goals and may be in a position to take actions contrary to the Corporation's policies or objectives. Such investments also have the potential risk of impasse on strategic decisions, such as a sale, because neither the Corporation nor the joint venture partner would have full control over the joint venture. Any disputes that may arise between the Corporation and its joint venture partners could result in litigation or arbitration that could increase the Corporation's expenses and distract its officers and/or directors from focusing their time and effort on the Corporation's business. In addition, the Corporation might in certain circumstances be liable for the actions of its joint venture partners.

### **Investment Concentration**

The Corporation will be susceptible to adverse developments in Las Vegas, Nevada, the sole market in which it will initially operate upon Completion of the Qualifying Transaction, such as

new developments, changing demographics and other factors. Upon Completion of the Qualifying Transaction, the Corporation's 50% interest in the Deer Springs Property (through its indirect ownership of the DSC LP Interest) will account for 100% of the Corporation's total real property assets and the Deer Springs Note will be secured by the Deer Springs Property. As a result of this concentration of assets, the Corporation will be particularly susceptible to adverse market conditions in Las Vegas, Nevada. Any adverse economic or real estate developments in the area in which the Deer Springs Property is located, or in the future in any of the other markets in which the Corporation operates, or any decrease in demand for commercial real estate resulting from the local economy or demographics could adversely affect the Corporation's rental revenues, which could impair its ability to satisfy its debt service obligations and generate stable positive cash flow from its operations.

In addition, because the Corporation's investments will initially consist solely of its indirect ownership of the Deer Springs Property and the Deer Springs Note, it will be subject to risks inherent in investments in a single industry. Demand for commercial real estate could be adversely affected by weakness in the national, regional and local economies, changes in supply of, or demand for, similar or competing properties in an area and the excess amount of units in a particular market. To the extent that any of these conditions occur, they are likely to affect market rents for space, which could cause a decrease in the Corporation's future potential rental revenue from the Deer Springs Property. Any such decrease could impair the Corporation's ability to satisfy any debt service obligations and generate stable positive cash flow from its operations.

### **Illiquidity**

Real property investments tend to be relatively illiquid, with the degree of liquidity generally fluctuating in relation to demand for and the perceived desirability of such investments. Such illiquidity may tend to limit the Corporation's ability to vary its portfolio promptly in response to changing economic or investment conditions.

### **Uninsured Losses**

DSC LP will carry comprehensive general liability, fire, flood, extended coverage and rental loss insurance with policy specifications, limits and deductibles customarily carried for properties similar to the Deer Springs Property. There are, however, certain types of risks, generally of a catastrophic nature, such as wars or environmental contamination, which are either uninsurable or not insurable on an economically viable basis. Should an uninsured or under-insured loss occur, the Corporation could lose its investment in, and anticipated profits and cash flows from the Deer Springs Property.

### **Appraised Value of Deer Springs Property**

The appraised value of the Deer Springs Property in the Appraisal prepared by the Appraiser is an estimate only, is made effective as at the date set forth in the Appraisal and is subject to a number of assumptions, qualifications and limiting conditions, including but not limited to those described in the Appraisal. Such assumptions, qualifications and limiting conditions generally

include, among other things: (i) that title to the Deer Springs Property is good and marketable; (ii) there are no encroachments, encumbrances, restrictions, leases or covenants that would in any way affect valuation, except as noted in the Appraisal; (iii) the existing use of the Deer Springs Property is legal and may be continued by any purchaser of the Deer Springs Property; (iv) there has been no delinquency in the payment of taxes relating to the Deer Springs Property; and (v) that environmental laws have been complied with and there are no potentially hazardous materials on the Deer Springs Property or any adjoining property.

There can be no assurance that the appraised value of the Deer Springs Property is an accurate reflection of the value of such property as at the effective date set forth in the Appraisal or on any other date. In addition, there can be no assurance that the valuation method used in appraising the Deer Springs Property was appropriate for such property as at the effective date set forth in the Appraisal or on any other date. The Corporation undertakes no obligation to update appraisals of its properties, including the Deer Springs Property.

### **Dependence on Ability to Retain and Recruit Personnel**

The Corporation's business will be dependent on the highly skilled, and often highly specialized, individuals that the Corporation will employ. Competition for employees with the qualifications desired is intense. Competition for the recruiting and retention of employees has increased compensation costs, and the Corporation expects that continuing competition will cause compensation costs to continue to increase. There can be no assurance that the Corporation will be able to recruit a sufficient number of new employees with the desired qualifications, in a timely manner and on financial terms that are acceptable to the Corporation. The failure to recruit new employees could materially and adversely affect future operating results.

### **Environmental Matters**

As an indirect owner of real property the Corporation will be subject to various state, federal and municipal laws relating to environmental matters. Such laws provide that the Corporation could be liable for the costs of removal of certain hazardous substances and repair of certain hazardous locations. The failure to remove or remediate such substances or locations, if any, could adversely affect the Corporation's ability to sell such real estate or to borrow using such real estate as collateral and could potentially also result in claims against the Corporation. Management is not aware of any material non compliance with environmental laws with respect to the Deer Springs Property. The Corporation is also not aware of any pending or threatened investigations or actions by environmental regulatory authorities in connection with the Deer Springs Property. However, The Corporation cannot guarantee that any material environmental conditions do not or will not otherwise exist with respect to the Deer Springs Property.

### **Public Market Risk**

It is not possible to predict the price at which the Shares will trade and there can be no assurance that an active trading market for the Shares will be sustained. The Shares will not necessarily trade at values determined solely by reference to the value of the underlying business of the Corporation or its assets. Accordingly, the Shares may trade at a premium or a discount to the

value implied by the value of the Corporation's assets. The market price for the Shares may be affected by changes in general market conditions, fluctuations in the markets for equity securities and numerous other factors beyond the control of the Corporation.

## **Debt Financing**

The Corporation may incur indebtedness in the future in connection with the future acquisition or expansion of facilities and its business. The Corporation may incur unsecured debt or mortgage debt by obtaining loans secured by some or all of its real estate properties or assets. The Corporation's debt may harm its business and operating results by:

- requiring the Corporation to use a substantial portion of its cash flow from operations to pay principal and interest, which will reduce the amount of cash available for other purposes;
- limiting the Corporation's ability to borrow more money for operating or capital needs or to finance acquisitions in the future; and
- making the Corporation more vulnerable to economic and industry downturns and reducing its flexibility in responding to changing business and economic conditions.

In addition to the risks discussed above and those normally associated with debt financing, including the risk that the Corporation's cash flow will be insufficient to meet required payments of principal and interest, the Corporation will also be subject to the risk that it will not be able to refinance potential future indebtedness on its properties and that the terms of any refinancing it could obtain would not be as favourable as the terms of its existing indebtedness. If the Corporation is not successful in refinancing debt when it becomes due, it may be forced to dispose of properties on disadvantageous terms, which might adversely affect its ability to service other debt and to meet its other obligations. In addition, the financing arrangements of the Corporation may contain covenants that will restrict its ability to operate its business in certain ways. If the Corporation fails to comply with the restrictions in its financing arrangements, its lenders may be able to accelerate related debt as well as any other debt to which a cross-default or cross-acceleration provision applies. A default could also allow creditors to foreclose, sell or realize on the property securing such debt or exercise other remedies against the Corporation. Credit facilities also typically require repayment of funds or cash flow sweeps when certain coverage ratios are not met. In connection with its financing arrangements, the Corporation expects that it will grant security interests over substantially all of its assets. If the Corporation is not able to meet its debt service obligations, it risks the loss of some or all of its assets to foreclosure or sale.

## **Interest Fluctuations and Financing Risk**

The Corporation may finance future acquisitions in part with debt borrowings, which could bear interest at fixed or variable rates. The interest expense on any variable rate indebtedness of the Corporation will increase when interest rates increase. Interest rates are currently low relative to



historical levels and may increase significantly in the future. A significant increase in interest expense could adversely affect the Corporation's results of operations.

### **Failure to Obtain Additional Financing**

The Corporation may require additional financing in order to grow and expand its operations. It is possible that such financing will not be available or, if it is available, will not be available on favourable terms. Future financing may take many forms, including debt or equity financing which could alter the debt-to-equity ratio of the Corporation or which could be dilutive to Shareholders.

### **Dilution**

The number of Shares that the Corporation is authorized to issue is unlimited. The directors of the Corporation will have the discretion to issue additional Shares in order to raise additional capital or in connection with future acquisitions, which may have a dilutive effect on Shareholders.

### **Potential Volatility of Share Price**

It is not possible to predict the price at which the Shares will trade and there can be no assurance that an active trading market for the Shares will be sustained. The market price of the Shares may be volatile and could be subject to wide fluctuations due to a number of factors, including but not limited to: (i) actual or anticipated fluctuations in the Corporation's results of operations; (ii) changes in estimates of the Corporation's future results of operations by management or securities analysts; and (iii) general industry changes. In addition, the financial markets have in the past experienced significant price and value fluctuations that have particularly affected the market prices of equity securities of many venture and real estate issuers and that sometimes have been unrelated to the operating performance of these companies. Broad market fluctuations, as well as economic conditions generally and in the real estate industry specifically, may adversely affect the market price of the Shares.

### **Limited Prior Public Market**

The Shares have a very limited record of trading publicly on the Exchange. The Corporation cannot predict at what price the Shares will trade after the Completion of the Qualifying Transaction and there can be no assurance that an active trading market will be maintained or, if maintained, that such a market will be sustained at the price level existing prior to the announcement or completion of the Qualifying Transaction. A publicly traded real estate company will not necessarily trade at values determined solely by reference to the underlying value of its real estate assets. Accordingly, the Shares may trade at a premium or a discount to values implied by the Appraisal prepared by the Appraiser or any other valuation.

## **Potential Conflicts of Interest**

Situations may arise where the interests of directors and officers may conflict with the interests of the Corporation. Conflicts, if any, will be subject to the procedures and remedies provided by the CBCA.

## **Foreign Currency**

The results of operations of the Corporation will be reporting in Canadian dollars. The Corporation's operations are anticipated to be conducted almost exclusively in the United States. Any fluctuations in the value of the US dollar relative to the Canadian dollar may result in variations in the revenue and net income of the Corporation. The Corporation does not plan on undertaking any hedging in order to mitigate its foreign currency risks.

## **Foreign Political Risk**

The Deer Springs Property is located in the United States and, as such, a substantial portion of the Corporation's business will be exposed to various degrees of political, economic and other risks and uncertainties. The Corporation's operations and investments may be affected by local political and economic developments, including expropriation, nationalization, invalidation of governmental orders, permits or agreements pertaining to property rights, political unrest, labour disputes, limitations on repatriation of earnings, limitations on foreign ownership, inability to obtain or delays in obtaining necessary permits, opposition to property development from local, environmental or other non-governmental organizations, government participation, royalties, duties, rates of exchange, high rates of inflation, price controls, exchange controls, currency fluctuations, taxation and changes in laws, regulations or policies as well as by laws and policies of Canada affecting foreign trade, investment and taxation.

## **Inability to Resell Shares**

There can be no assurance that an active and liquid market for the Shares will develop following Completion of the Qualifying Transaction and a holder of Shares may find it difficult to resell those Shares.

## **Critical Accounting Estimates**

The preparation of financial statements requires the Company to select from possible alternative accounting principles, and to make estimates and assumptions that determine the reported amounts of assets and liabilities at the balance sheet date and reported costs and expenditures during the reporting period. Estimates and assumptions may be revised as new information is obtained, and are subject to change. The Company's accounting policies and estimates used in preparation of the financial statements are considered appropriate in the circumstances, but are subject to judgments and uncertainties inherent in the financial reporting process.

## **Other MD&A Requirements**

Additional information relating to the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com).