

MARKHAM SHELTER

Budgeted annual expense	585,000	
6 months actual expense	211,080	two current vacancies resulting in annual savings of 130000
Projected year end expense	460,000	
building cost msh	70,000	
pr campaign	<u>15,000</u>	
ask yr 1	550,000	

Financing

1 yr: 3.94 2 yr- 3.71 3 Yy 3.76 4 yr 3.82 5 yr 3.87

set up cost	\$ 5,000	\$ 5,000	\$ 5,000
-------------	----------	----------	----------

borrow 550000

interest	\$ 21,300
principal	<u>\$ 18,500</u>
TOTAL COST	\$ 44,800

\$ 1 million

interest (36K yr 1)	\$ 36,200	\$ 76,252
principal (34K yr 1)	\$ 34,500	\$ 68,425
penalty to pay back mortgage	\$ -	<u>\$ 9,500</u>
TOTAL COST	<u>\$ 75,700</u>	\$ 159,177

1.5M

interest	\$ 55,000	\$ 107,312	\$ 160,604
principal	\$ 51,500	\$ 105,078	\$ 159,834
penalty for paying mortgage back	\$ -	<u>\$ 13,400</u>	<u>\$ 13,500</u>
TOTAL COST	<u>111,500</u>	230,790	338,938

2016-2017 Capital Projects and Major R&M						
		Markham				
		Date	Cost (excl HST)			
Kitchen improvements						
	remove island, move sink, replace faucet	Jun-16	3,350.00	PFR*		* some of these expenses were paid for through savings from Partner Facility Renewal funds in prior fiscal year
	range hood/fire suppression unit	Jul-16	8,975.00	PFR*		
Laundry room						
	installation overage from UW project	Jun-16	4,250.00	PFR*		
	build room (fire inspection)		14,081.48	work in progress ; will be expensed in Current year		
Fire Inspection						
	Craig Security (rapid entry box and door closers)	Oct-16	739.75	expensed in current year		
	Georgian Bay (door holders)	Oct-16	4,604.00	expensed in current year		
	Gallaugher (cement patching)	Oct-16	1,417.62	expensed in current year		
Security system r&m						
	Georgian Bay	Aug-16	1,483.00	PFR*		
Storage						
	crawl space shelves		1,515.00	PFR*		
	cabinets in coat/shoe area		1,935.00	PFR*		
	bsmt shelves		585.00	PFR*		
			42,935.85			
		13% HST	5,581.66			
		refundable HST	(3,890.42)			
		net cost	44,627.09			

		Reta's Place					
		Date	Cost (excl HST)				
exterior lighting		Oct-16	2,879.25	PFR*			
		13% HST	2,879.25				
		refundable HST	(2,006.84)				
		net cost	3,751.66				
Total YTD expenditures			144,917.48				

**Uptown Market
3985 HWY 7 East
Markham, ON
L3R 2A2
PH: 905-305-1084
FX: 905-305-0203**

November 1st, 2016

Re: Financing for Yellow Brick House.

This letter is to confirm that the request for financing for the Yellow Brick House will need the additional security for BMO to proceed for underwriting.

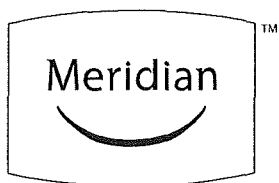
- 1) Additional tangible collateral security, outside the subject property.
- OR
- 2) Personal Guarantees from the Board Members of the Yellow Brick house.

If you have any other questions or concerns please feel free to contact me at the number below.

Sincerely,



Priti Kakar
Commercial Account Manager
BMO Bank of Montreal
Tel: 905-305-1084



St. Catharines Commercial Business Centre
75 Corporate Park Drive
St. Catharines, Ontario L3C 1L8
Tel: (905) 988-1000
Fax: (905) L2S 3W3

October 31, 2016

Yellow Brick House
C/O Mark Hart
RDM Financial Consultants
2904 South Sheridan Way, Suite 301
Oakville, ON
L6J 7L7

Attention: Mr. Mark Hart

Re: Discussion Paper

Meridian Credit Union (Meridian) is pleased to provide this Discussion Paper, outlining the terms, conditions, security and pricing to which Meridian is prepared to consider a formal credit application for Yellow Brick House. This paper is for discussion purposes only and does not constitute an offer, agreement, or commitment to lend by Meridian. This content is to be held confidential and may not be shared with any outside parties.

CREDIT FACILITIES

1	Term Loan *	\$1,500,000	at a fixed interest rate of 3.81%, based on Meridian Cost of Funds + 2.00%. Monthly blended payments of \$8,950 based on an amortization of 20 years, maximum term 5 years. Alternatively, a floating rate of Prime + 1.00% will be available.
2	Operating Line of Credit	\$1,500,000	at an interest rate of prime plus 1.25%, repayable at interest only monthly. The Line of Credit is to record wide fluctuations and an annual liquidation period.

NOTE:

- *The Credit Facilities above shall not exceed \$3,000,000 or 75% of the appraised value of the real property located at 8870 Warden Ave, Markham, ON.*
- *The amount availed by way of Operating Line of Credit shall at no time exceed 50% of the appraised value of the real property located at 8870 Warden Ave, Markham, ON.*

**Meridian's Prime Rate is currently 2.70%.

All Credit Facilities, unless otherwise noted, are available on a demand basis only. Above noted fixed rates are provided for indicative purposes and subject to change at any time and without notice.

FEES

<u>Arrangement Fee:</u>	An arrangement fee of \$15,000, of which \$10,000 is waived due to the not for profit nature of the organization. The balance of \$5,000 is due and payable on acceptance of this discussion paper and should accompany the return of an executed copy. This fee is non refundable, subject to Meridian providing a firm commitment consistent with the spirit of this Discussion Paper no later than November 30 th , 2016.
<u>Administration Fees:</u>	An annual administration fee of \$250 for review and monitoring of the account on an ongoing basis.
<u>Amendment Fees:</u>	Amendments to authorized Credit Facility, as requested by the Member, will be subject to a minimum fee of \$500 per request, subject to the complexity and circumstances of each request as mutually agreed upon between the Member and Meridian.
<u>Additional Fees:</u>	Covenant Breaches/Late Reporting/Events of Default – will be subject to a minimum fee of \$500 per occurrence where such condition has not received the prior written approval of the lender.

SECURITY

- General Security Agreement providing a first charge over all present and after acquired assets of Yellow Brick House.
- First Position Collateral Mortgage, for \$3,000,000 registered in the name of Yellow Brick House, on the property located at 8870 Warden Ave, Markham, ON. Notwithstanding the face amount of the mortgage being registered as security, the Borrower acknowledges that the Lender has made no commitment to provide additional funding).
- Assignment of Business Interruption Insurance.
- Assignment of Fire and Liability Insurance, indicating Meridian as first loss payee or first mortgagee on the subject property. The fire insurance is to be on a full replacement basis with no cross liability.

COVENANTS & CONDITIONS

Customary for this type of transaction, including but not limited to:

Reporting Covenants:

- Financial Statement as at the borrower's fiscal year end, prepared by a Chartered Accountant on the basis of a "Audit", within 120 days of the fiscal year end date.
- Annual Budget to be provided concurrently with Annual fiscal year end statements; to include Profit and Loss, Balance Sheet, and Cash Flow Statement presented on an annual basis.
- Capital expenditure Budget for the ensuing year within XX days of fiscal year end.
- Annual confirmation that property taxes are current through copy of a paid tax receipt or interim billing showing no arrears amount.

- Annual confirmation of valid insurance coverage as stipulated under Security through copy of certificate of renewal.

Financial Covenants:

- Minimum Debt Service Coverage ratio of 1.20, defined as:

$$\frac{\text{Net Income before taxes, depreciation and amortization expense,} \\ \text{plus interest expense, less disbursements to shareholders and dividends}}{\text{All Interest and Principal Payments}}$$

Positive and Negative Covenants:

- Must conduct all day to day business banking with Meridian.

We have attached a "Schedule A", to provide insight as to typical / standard terms which can be expected in a formalized credit agreement.

Disbursement
Conditions:

- Funds under the Credit Facilities shall only be disbursed upon satisfaction of each of the following conditions:
 - A current market value appraisal report prepared by an independent AACI appraiser pre-approved by Meridian on the property located at 8870 Warden Ave, Markham, ON providing a minimum value of \$4,000,000. The Member is responsible for the appraisal report fees.
 - Letter of Transmittal from the Appraiser confirming the appraisal report may be relied upon by Meridian.
 - A Phase I – Environmental Site Assessment (ESA) Report for the real property located at 8870 Warden Ave, Markham, ON prepared by an external consultant pre-approved by Meridian. The contents and the conclusions of the report must be acceptable to Meridian. The Member is responsible for the payment of all charges relative to the preparation of the report.
 - Reliance Letter from the external consultant confirming the ESA report may be relied upon by Meridian.
 - Completion of the Commercial Borrower Environmental Questionnaire.

EXPENSES:

The Member shall pay all reasonable legal fees and disbursements in respect of this Credit Agreement, the preparation and issue of the Security Documents, the enforcement and preservation of Meridian's rights and remedies, and all reasonable fees and costs relating to appraisals, insurance consultation, credit reporting and responding to demands of any government or any agency or department thereof, whether or not the documentation is completed or any funds are advanced under this Credit Agreement.

We thank you for providing Meridian with this opportunity to assist with your financing requirements. As previously noted, this Discussion Paper is intended for discussion purposes and, accordingly, we will be pleased to review with you any of the terms prior to proceeding with a formal loan application.

Kindly indicate your acceptance of this Discussion Paper by signing below and returning with your application fee in the amount of \$500.

Yours truly,
MERIDIAN CREDIT UNION

David Merritt
Account Manager, Commercial Services
Director, Commercial Services

John Alfieri
Senior Director & Regional Manager,
Commercial Services

ACCEPTANCE

Agreed and accepted this _____ day of _____ 201 .

Yellow Brick House

Signature of Authorized Officer (I have the authority to bind the Corporation)	Name/Title	Date
---	------------	------

Signature of Authorized Officer (I have the authority to bind the Corporation)	Name/Title	Date
---	------------	------

COMMERCIAL FINANCING DISCUSSION PAPER

Summary of Indicative Terms and Conditions

Private and ConfidentialDate: November 1, 2016

The terms and conditions set forth herein are for discussion purposes only. They are not intended to be, and shall not constitute or be construed in any way to represent, a commitment by Royal Bank of Canada to provide credit. The terms and conditions described in this non-binding discussion paper are not intended to cover all of the terms and conditions of a definitive term sheet or credit agreement and related loan and security documents that may be negotiated in due course. In the event of any conflict between the terms and conditions summarized herein and the terms and conditions of any term sheet, credit agreement or related loan and security documents, the terms and conditions of the term sheet, credit agreement or related loan or security documents will govern and prevail.

This discussion paper is provided to you on a confidential basis and on the condition that you will not disclose the existence or contents of this document to anyone (other than your professional advisors on a confidential basis for the sole purpose of providing professional advice to you) without first obtaining our prior written consent.

BORROWER:Project Hostel o/a Yellow Brick House
(the "Borrower")**LENDER:**

Royal Bank of Canada (the "Bank")

CREDIT FACILITIES:

Facility (1): \$1,800,000 Non-Revolving Term Loan (limit may be divided amongst two separate Term Loans)

During the Term Period:

- (a) Royal Bank Prime based loans ("RBP Loans"); or
- (b) Fixed Rate Business Term loans ("FRBT Loans"); or

PURPOSE:

Facility (1): To finance equity take-out of 8870 Warden Ave., Markham

AVAILABILITY:

Facility (1):

- (a) an Event of Default shall not have occurred and be continuing as at the time of any Borrowing;
- (b) a maximum amortization of 20 years

REPAYMENT:

Facility (1):

Borrowings under the facility shall be repayable by consecutive blended monthly payments of principal and interest on the first day of each month commencing 30 days after drawdown.

INDICATIVE INTEREST RATES AND APPLICATION FEE:

Indicative Interest Rates as of November 1, 2016:

Facility (1):

- 1 year Fixed Rate 3.3%
- 2 year Fixed Rate 3.45%
- 3 year Fixed Rate 3.75%
- 4 year Fixed Rate 3.85%
- 5 year Fixed Rate 4.1%
- 1 year Variable Rate RBP + 1.85%

SECURITY:

The security for the Borrowings and all other obligations of the Borrower to the Bank shall include but not be limited to:

- (a) Loan Agreement listing specific transaction terms and conditions, including standard representations and warranties, covenants and events of default;
- (b) General Security Agreement signed by the Borrower constituting a first ranking security interest in all personal property of the Borrower (except Quebec);
- (c) First Collateral Charge in the amount of \$1,800,000 again the subject property
- (d) Assignment of appropriate insurance policies.
- (e) Short-Form Environmental Questionnaire satisfactory to the Bank
- (f) Other security as the Bank's counsel deems reasonable.

COVENANTS:

The Borrower to covenant and agree to provide the Bank with:

- (a) annual Audited financial statements for the Borrower, within 120 days of each fiscal year end;
- (b) annual Fiscal Year End minimum debt service coverage of 1.25:1
- (c) such other financial and operating statements and reports as and when the Bank may reasonably require; and
- (c) any further information the Bank and its solicitor deems necessary

PREDISBURSEMENT CONDITION:

- (a) Satisfactory appraisal of property showing value of \$3,000,000. Loan not to exceed 60% of appraised value by bank approved appraiser
- (b) Short-Form Environmental questionnaire satisfactory to RBC
- (c) Confirmation letter from the Ministry of Community and Social Services that all Principal and Interest payments related to 8870 Warden Avenue will be fully supported by MCSS
- (d) Satisfactory year to date in-house financial statements.

In order to structure this Discussion Paper, certain assumptions have been made based on information supplied. Additional information will be required to determine the exact extent of financing available, and terms to be established.

	Agenda	Decisions, Discussions, Recommendations	Person In-Charge	Date Due
		It was confirmed that MCSS will be joining the board meeting on November 17.		
2	Adjournment	The meeting adjourned at 12:45pm		
3	Next Meeting	Thursday, November 17, 2016 6:30 pm at YBH administration office		