



Innovation and
Advanced Learning

Innovation et
Études supérieures



Lending Services
Island Investment Development Inc.
94 Euston Street
PO Box 910, Charlottetown
Prince Edward Island
Canada C1A 7L9

Service de prêt
Island Investment Development Inc.
94, rue Euston
C.P. 910, Charlottetown
Île-du-Prince-Édouard
Canada C1A 7L9

PRIVATE & CONFIDENTIAL

December 12, 2011

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INNOVATION PEI

Mi'kmaq Confederacy of PEI Inc.
199 Grafton Street, Suite 501
Charlottetown, PE C1A 1L2

Attention: Ms. Sandra Gaudet, Executive Director

Dear Ms. Gaudet:

Re: Offer to Finance
Our File #2011-00347

On the basis of an application for a loan submitted by Mi'kmaq Confederacy of PEI Inc. (the "Borrower"), and the financial statements / other information provided in support of the request, we wish to advise that the Island Investment Development Inc., through the PEI Century 2000 Fund Inc. (the "Lender") is pleased to extend the following financing offer. Upon acceptance, this offer replaces, in its entirety, the Offer to Finance previously issued by the Lender to the Borrower dated November 24, 2011:

1.0 PURPOSE AND AMOUNT

- 1.1 A demand loan (hereinafter collectively called the "Loan") of up to a maximum of Nine Hundred and Fifty Thousand Dollars (\$950,000), the proceeds of which will be used by the Borrower to finance the continued development and establishment of an interactive gaming regulatory and taxation model for the Province of Prince Edward Island (hereinafter the "Project");
- 1.2 Disbursements will be based on 100% of actual invoiced costs as summarized in Schedule "A" and under no circumstances will the Loan exceed the maximum amount of \$950,000.

No change in the project and financing may be made without the Lender's prior written consent.

2.0 TERMS OF REPAYMENT

The Loan is repayable on demand. Until demand is made in writing the Borrower shall make repayment for the Loan as follows:

- 2.1 Interest shall be at the fixed rate of four percent per annum (4%), for a maximum term of five years, on the principal balance outstanding to maturity. Interest is calculated daily and shall commence upon the first disbursement and continue while the Loan remains outstanding;
- 2.2 Subject to paragraphs 2.5 and 2.6, the Borrower will make repayment arrangements, satisfactory to the Lender, for the Loan and any unpaid accrued interest by November 1, 2012 failing which the Loan, and any unpaid accrued interest, shall be immediately due and payable in full;
- 2.3 All payments will be applied firstly to unpaid interest and then to principal;
- 2.4 To facilitate ease of administration, the Borrower agrees that payments will be set-up on the Lender's pre-authorized payment system.
- 2.5 Notwithstanding that the Loan is repayable on demand, in the event that the Project fails to launch or achieve economic feasibility, and ceases operations voluntarily or otherwise, any amounts due to the Lender under this Loan, after realization of security pursuant to paragraph 4.2, shall be void and all previous advances to date shall be refundable by the Borrower to the Lender, unless such advances have been already been incurred by the Borrower in good faith and in keeping with the terms of the Loan;
- 2.6 It is expressly agreed and understood by the Borrower and the Lender that any and all repayments, of both principal and interest, shall be by way of expenditures from the general revenues generated by the Project.

3.0 PREPAYMENT

- 3.1 Advances made under this Loan may be repaid in whole, or in part, at any time, without penalty;
- 3.2 Prepayment effects a permanent reduction of the Loan, which may not be re-advanced to the Borrower thereafter.

4.0 SECURITY

The following security (hereinafter referred to collectively as the "Security") evidenced by documents, registrations, filings and opinions of legal counsel satisfactory to the Lender, is to be provided prior to any funds being disbursed:

- 4.1 Subject to paragraphs 2.5 and 2.6, a Promissory Note for the full amount of the Loan from the Borrower;
- 4.2 A registered General Security Agreement from the Borrower conveying a first security interest in any materials, contracts, agreements and/or intellectual property developed by virtue of the Project and the proceeds and revenues derived therefrom;

The General Security Agreement will be supported by a Priority Agreement signed by the Royal Bank of Canada and the Lender affirming the priorities of their respective interests

5.0 INSURANCE

5.1 Where applicable, the Borrower agrees to keep all personal property assigned, mortgaged or pledged as security for the Loan insured for physical damages and losses on an all risk basis for their replacement cost;

5.2 The Lender reserves the right to be named as loss payee, as its interest may appear, and include a standard mortgage clause applicable to the Borrower's particular coverage. The Lender reserves the right to request a certified copy of the insurance policies.

6.0 UNDERLYING CONDITIONS

During the term of the Loan, and as long as the Borrower is indebted or otherwise liable to the Lender, the Borrower will not without the prior written consent of the Lender:

6.1 Change the capital structure or ownership of the Borrower or redeem any of its shares. There shall be no amalgamation, merger, acquisition, or any other business combination; nor sale of the business or any of its assets; nor the creation of an affiliated company, nor granting of any operating license.

Requests for consent will not be withheld by the Lender unless such changes will materially impair the financial viability of the Borrower or otherwise compromise the integrity of the Borrower.

7.0 DISBURSEMENT

Subject to the Borrower's acceptance and compliance with the terms of this Offer, and satisfactory presentation of paid detailed invoices evidencing actual costs incurred, the Loan proceeds shall be disbursed as follows:

7.1 Up to \$750,000 will be available for disbursement within 3 business days of the Lender's satisfactory receipt of a complete claim;

7.2 Between November 30, 2011 and January 31, 2012, the balance of the Loan will be available for disbursement within 3 business days of the Lender's satisfactory receipt of a complete claim;

Where evidence of paid invoices is not available at the time of the Borrower's request for disbursement, the Borrower will be required to provide the Lender with satisfactory evidence that the Loan proceeds have been paid against the respective invoices with 5 business days of disbursement.

8.0 GENERAL CONDITIONS TO DISBURSEMENT

Notwithstanding anything herein to the contrary, the Lender has the right, at its option, to terminate this commitment, and shall not be required to disburse all or any further part of the Loan, at any time or times, and, subject to paragraphs 2.5 and 2.6, the balance owing on the Loan may, at its option, become immediately due and payable:

- 8.1 If an Event of Default has occurred or an event which, with the lapse of time or with notice and lapse of time specified herein would become an Event of Default, shall have occurred and be continuing; or
- 8.2 If, in the opinion of the Lender, there has been any material adverse change in the business, assets or financial condition of the Borrower; or
- 8.3 If there is any action, proceeding or investigation pending or threatened against the Borrower which would, in the opinion of the Lender, if successful, have a material adverse effect on the Borrower; or
- 8.4 If there has been any material discrepancy or inaccuracy in any written or oral representations, statements or information made or furnished to the Lender at any time; or
- 8.5 If, in the opinion of the Lender, any money loaned has not been or is not being applied for the purpose for which it was advanced, or if the security materially depreciates in value.

9.0 REPORTING COVENANTS

Upon request of the Lender, the Borrower shall, at its expense, deliver to the Lender, financial reports and other information in the form and content as the Lender may specify, on the following basis:

- 9.1 Within 120 days of year-end, annual audited financial statements of the Borrower prepared by a firm of professional accountants in accordance with the accounting standards adopted by the Borrower (either Canadian generally accepted accounting principles or International Financial Reporting Standards);
- 9.2 In the event of late filing of the Borrower's Financial Statements, a \$100 fee will be levied at the first of each week, starting 14 days after the statements were otherwise due. Waiver of this will be at the sole discretion of the Lender;
- 9.3 Upon the request of the Lender, the Borrower shall submit its internally prepared financial statements and other such information in respect of the financial operations of the Borrower as may be deemed necessary by the Lender, acting reasonably, from time to time;
- 9.4 Upon the request of the Lender, the Borrower shall provide copies of any materials developed under this Project as may be deemed necessary by the Lender, acting reasonably, from time to time.

10.0 UNDERTAKINGS OF THE BORROWER

The Borrower undertakes:

- 10.1 To comply with all applicable laws and regulations, and with the decisions, orders, instructions, directives, permits, authorizations or licenses given or issued pursuant to said laws and regulations;

- 10.2 To carry on its business in a manner that is appropriate, effective and consistent with generally accepted and recognized practices; to maintain in force the permits, authorizations or licenses required for that purpose;
- 10.3 To notify the Lender immediately of any emission, spill or discovery of any pollutant in connection with its assets or those of its subsidiaries, its activities evidencing a real or potential violation of environmental legislation or environmental permits;
- 10.4 In the case of the deposit, release or discharge of a pollutant into the environment contrary to any law, to contain the emission, deposit, release or discharge and immediately repair the damage caused;
- 10.5 Not to acquire businesses or interests in businesses or make investments in an entity that is not the Borrower and to ensure that the Borrower does not acquire businesses or interests in businesses or invest directly or indirectly, whether through the purchase of securities, assets or otherwise, in spheres of activity other than those in which the Borrower currently operates, without having first obtained the Lender's written consent;

The Lender agrees that any request advanced by the Borrower to amend the undertakings described in this Credit Agreement, will be dealt with in a timely manner and that consent to vary the Undertakings will not be unreasonably withheld.

11.0 EVENTS OF DEFAULT

Any one or more of the following events shall constitute an Event of Default (whether any such Event of Default shall be voluntary or involuntary or be effected by operation of law or pursuant to or in compliance with any judgment, decree or order of any court or any order, rule or regulation of any administrative government body):

- 11.1 If the Borrower makes default in the payment of any sum which is due and owing to the Lender hereunder and such default shall have continued for a period of fifteen (15) days;
- 11.2 If the Borrower shall neglect to observe or perform any other covenant or condition herein contained on its part to be observed or performed; and if the same is capable of being cured, after notice in writing has been given by the Lender specifying such default and requiring the Borrower to cure same, the Borrower shall have failed to cure same within a period of fifteen (15) days.
- 11.3 If an order shall be made or an effective resolution be passed for the winding-up or the liquidation of the Borrower;
- 11.4 If the Borrower shall make an assignment for the benefit of its creditors or shall be declared bankrupt or make a proposal or assignment under the Bankruptcy and Insolvency Act or if a custodian or sequestrator or receiver or a receiver and manager or any other officer with similar powers shall be appointed of the Borrower or of its property;
- 11.5 If an encumbrancer shall take possession of the property of the Borrower or any substantial part thereof or if a distress or execution or any similar process be levied or

enforced against such property and remain unsatisfied for such period as would permit such property or such part thereof to be sold there under;

- 11.6 If the Borrower shall make an application to any court for an order under the Companies Creditors Arrangement Act;
- 11.7 If the Lender in good faith believes that the ability to pay any monies hereby secured or to perform any covenant or condition hereof is impaired or that the assets pledged as security for the Loan are in danger of being lost, damaged or confiscated;
- 11.8 If the Borrower ceases to carry on its business in the Province of Prince Edward Island;
- 11.9 The making of any representation or warranty by the Borrower or the application in any document or certificate furnished to the Lender in connection herewith or pursuant hereto which shall prove at any time to be materially incorrect, as of the date made.

The Lender may, at any time it deems necessary to protect its Loans or security, obtain the advice and assistance of such lawyers, accountants, engineers or other professional or expert personnel as it may deem necessary.

12.0 ACKNOWLEDGEMENT

- 12.1 The Borrower acknowledges that it has independently satisfied itself respecting the feasibility of the project and has not relied in any way upon any oral or written representations by the Lender or the fact the Loan is being made;
- 12.2 The Borrower acknowledges that it recognizes that, although the Lender is a Crown corporation, it operates on the basis of an independent body for the purpose of dealing with applications for financial assistance made to it. Applications are considered strictly on their own merits and independent of other government departments or agencies;
- 12.3 The Borrower expressly waives the right to receive a copy of any financing statement or financing change statement which may be registered by the Lender in connection with any security interest taken by the Lender from the Borrower arising from this Letter of Offer, and also waives the right to receive a copy of any verification statement issued with respect thereto, where such waiver is not otherwise prohibited by law;
- 12.4 At some future date, the Lender may arrange for a public announcement of the essential facts of the offer, including the name of the applicant and its principals, the type of industry, a brief description of the project, the location, the estimated capital costs, and the amount of the offer made by the Lender. The Borrower is required to keep this offer confidential until this announcement, unless special arrangements are made with the Lender for an earlier announcement.

13.0 FREEDOM OF INFORMATION AND PROTECTION OF PRIVACY ACT

- 13.1 Information on this Letter of Offer will be treated in accordance with the Prince Edward Island Freedom of Information and Protection of Privacy Act. For additional information see: www.gov.pe.ca/foipp.

14.0 NOTICE

14.1 Any notice or correspondence to the Lender, including all inquiries with respect to this Agreement, should be directed to:

Attn: Bruce Johnston, Financial Analyst – Lending Services
Island Investment Development Inc.
PO Box 910
Charlottetown, PE C1A 7L9
T: (902) 894-0379, F: (902) 368-6255, E: bjohnston@gov.pe.ca

14.2 Any notice or correspondence to the Borrower, including all inquiries with respect to this Agreement, should be directed to:

Attn: Mr. Don MacKenzie, Legal Counsel – Intergovernmental Affairs
Mi'kmaq Confederacy of PEI Inc.
199 Grafton Street, Suite 501
Charlottetown, PE C1A 1L2
T: (902) 626-3345, F: (902) 367-3779, E: dmackenzie@mcpei.ca

15.0 ACCEPTANCE

If you agree with the terms and conditions as set forth in this Offer to Finance, please signify your acceptance by signing and returning this Offer to Finance to the Lender by December 31, 2011.

Upon receipt of the written acceptance, the Lender will have the required security documents prepared. All legal and any other related fees for preparation and registration of the Loan Security will be on the account of the Lender.

To further assist economic development and wealth creation in Prince Edward Island, the Borrower is encouraged to purchase materials, supplies, equipment and services from local Prince Edward Island companies, provided that these firms are able to supply your company with these goods and services at competitive prices, and of equal quality and service.

Innovation PEI is pleased to provide this offer to you and extend our best wishes for the success of this initiative.

Yours truly,




Norman MacDonald, CA
Director, Lending Services

The undersigned, does hereby accept this offer and agrees to all of the terms contained herein.

Dated the 14th day of December, 2011.

Signed sealed and delivered in the presence of:



Witness

MI'kmaq Confederacy of PEI Inc.

Per: 

Per: Chief W. Bernard

Schedule "A"

S. 14 (1)

Finance PEI

P.O. Box 1176
 Charlottetown, PE C1A 7M8
 Work: (902)368-6300
 Fax: (902)368-6255

Loan Details
 Between 1/1/2010, 12/31/2013

(902)626-3345 Work
S. 15019 Cell
 (902)367-3719 Fax

Mac Kenzie, Don
 Borrower

Loan # 2011-00347
 Account Name Mi'kmaq Confederacy Of P.E.I. Inc.
 Loan Type Demand
 Product IIDI Demand - Fixed Rate

Loan Date 11/29/2011
 Maturity Date 12/1/2016
 Interest Rate 4.00 % Fixed Rate

Transactions

Date	Action	Amount	Paid			Outstanding			Total Balance
			Interest	Principal	Insurance	Interest	Principal	Insurance	
10/1/2011	Commitment	950,000.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
11/29/2011	Advance: Principal	50,000.00	0.00	0.00	0.00	0.00	0.00	0.00	50,000.00
12/1/2011	Interest	10.96	10.96	0.00	0.00	10.96	0.00	0.00	50,010.96
12/22/2011	Advance: Principal	700,000.00	115.07	0.00	0.00	126.03	0.00	0.00	750,126.03
12/31/2011	Interest	739.73	739.73	0.00	0.00	865.76	0.00	0.00	750,865.76
1/31/2012	Interest	2,540.98	2,540.98	0.00	0.00	3,406.74	0.00	0.00	753,406.74
2/29/2012	Interest	2,377.05	2,377.05	0.00	0.00	5,783.79	0.00	0.00	755,783.79
3/14/2012	Fee: Legal	1,751.00	0.00	0.00	0.00	7,534.79	1,751.00	0.00	757,534.79
3/31/2012	Interest	2,540.98	2,540.98	0.00	0.00	10,783.79	1,751.00	0.00	760,075.77
4/30/2012	Interest	2,459.02	2,459.02	0.00	0.00	13,324.77	1,751.00	0.00	762,534.79
5/31/2012	Interest	2,540.98	2,540.98	0.00	0.00	15,783.79	1,751.00	0.00	765,075.77
6/30/2012	Interest	2,459.02	2,459.02	0.00	0.00	18,324.77	1,751.00	0.00	767,534.79
7/31/2012	Interest	2,540.98	2,540.98	0.00	0.00	20,865.75	1,751.00	0.00	770,075.77
8/31/2012	Interest	2,459.02	2,459.02	0.00	0.00	23,324.77	1,751.00	0.00	772,616.75
9/30/2012	Interest	2,540.98	2,540.98	0.00	0.00	25,865.75	1,751.00	0.00	775,075.77
10/31/2012	Interest	2,459.02	2,459.02	0.00	0.00	28,324.77	1,751.00	0.00	777,616.75
11/1/2012	Interest	81.97	81.97	0.00	0.00	29,800.18	1,751.00	0.00	779,118.70
11/30/2012	Interest	2,377.05	2,377.05	0.00	0.00	31,007.83	1,751.00	0.00	780,075.77
12/18/2012	Advance: Principal	100,000.00	1,475.41	0.00	0.00	31,100.98	1,751.00	0.00	881,551.18
12/31/2012	Interest	1,207.65	1,207.65	0.00	0.00	31,659.88	1,751.00	0.00	882,758.83
1/1/2013	Interest	93.15	93.15	0.00	0.00	31,558.51	1,751.00	0.00	882,851.98
1/7/2013	Advance: Principal	100,000.00	558.90	0.00	0.00	34,158.51	1,751.00	0.00	983,410.88
1/31/2013	Interest	2,498.63	2,498.63	0.00	0.00	37,073.58	1,751.00	0.00	985,909.51
2/28/2013	Interest	2,915.07	2,915.07	0.00	0.00	40,300.98	1,751.00	0.00	988,824.58
3/31/2013	Interest	3,227.40	3,227.40	0.00	0.00	43,424.27	1,751.00	0.00	992,051.98
4/30/2013	Interest	3,123.29	3,123.29	0.00	0.00	46,651.67	1,751.00	0.00	995,175.27
5/31/2013	Interest	3,227.40	3,227.40	0.00	0.00	49,774.96	1,751.00	0.00	998,402.67
6/30/2013	Interest	3,123.29	3,123.29	0.00	0.00	53,002.36	1,751.00	0.00	1,001,525.96
7/31/2013	Interest	3,227.40	3,227.40	0.00	0.00	56,229.76	1,751.00	0.00	1,004,753.36
8/31/2013	Interest	3,227.40	3,227.40	0.00	0.00	59,353.05	1,751.00	0.00	1,007,980.76
9/30/2013	Interest	3,123.29	3,123.29	0.00	0.00	62,580.45	1,751.00	0.00	1,011,104.05
10/31/2013	Interest	3,227.40	3,227.40	0.00	0.00	65,703.74	1,751.00	0.00	1,014,331.45
11/30/2013	Interest	3,123.29	3,123.29	0.00	0.00	68,931.14	1,751.00	0.00	1,017,454.74
12/31/2013	Interest	3,227.40	3,227.40	0.00	0.00	68,931.14	1,751.00	0.00	1,020,682.14
Loan Totals									0.00