

STANDARD TERMS AND CONDITIONS - OPERATING LOAN

PART 1 - DEFINITIONS AND INTERPRETATION

1.1 **Definitions** - In this Agreement, unless the context otherwise requires:

"Advance" includes a re-advance and the verb "advance" has a corresponding meaning;

"Agreement" means these Standard Terms and Conditions - Operating Loan and the letter to which they are attached as the same may be amended from time to time and the expression "hereof", "herein", "hereto", "hereunder", and "hereby", and similar expressions refer to this Agreement and not to any particular provision;

"Business Day" means each day Monday through Friday inclusive other than a day which is a statutory holiday in British Columbia;

"Cheque" means any cheque, bill of exchange, draft or order for the payment of money;

"CreditMaster" Mortgage" means a mortgage in favour of the Credit Union incorporating Standard Mortgage Terms MT980021 or MT030098 as Part 2 thereof and registered or to be registered in the applicable Land Title Office;

"Event of Default" means an event described in section 8.1;

"Financial statements" means all of the following:

- (a) a statement of profit and loss for the appropriate period;
- (b) a statement of surplus for the appropriate period;
- (c) a balance sheet as at the end of the appropriate period;
- (d) if the Borrower is a reporting company, a statement of source and application of funds for the appropriate period or periods;
- (e) if the statements are audited, the report of the auditor; and
- (f) any notes to any of the aforesaid statements;

"Other Amounts" means any other amounts that are payable by the Borrower to the Credit Union under this Agreement other than principal of the Operating Loan and interest thereon;

"Overdraft Rate" means, at a particular time

- (a) if the Credit Union has designated a rate as the "Overdraft Rate", that rate then in effect, or
- (b) if the Credit Union has not designated a rate as the "Overdraft Rate", a rate 5% in excess of the Prime Rate then in effect;

"Payment" with respect to an Item includes acceptance and certification and "pay" with respect to an Item includes accept and certify;

"Prime Rate" means that per annum interest rate designated by the Credit Union as the reference rate to be used to determine the rate of interest payable on variable rate Canadian dollar loans made by the Credit Union (or if at any one time more than one such rate is so designated, the higher or highest of such rates as the case may be);

"Property" means all of the undertaking, property and assets of the Borrower subject to the Securities;

"Securities" means the Mortgage together with any and all other security documents to be provided by the Borrower to the Credit Union and described in the letter part of this Agreement.

1.2 **Headings** - The headings herein are inserted for convenience of reference only and will not affect the construction or interpretation of this Agreement.

1.3 **Governing Law** - This Agreement will be governed by, and construed in accordance with, the laws of the Province of British Columbia.

1.4 **Submission to Jurisdiction** - The Borrower submits to the jurisdiction of the Courts of the Province of British Columbia and agrees to be bound by any suit, action or proceeding commenced in such Courts and by any order or judgment resulting from such suit, action or proceeding, provided however that the foregoing will in no way limit the right of the Credit Union to commence suits, actions, or proceedings based on this Agreement or any of the Securities in any jurisdiction.

1.5 **Invalidity of Any Provision** - If any covenant, obligation or provision contained in this Agreement will be invalid or unenforceable, the remainder of this Agreement will not be affected thereby and each covenant, obligation or provision of this Agreement will separately be valid and enforceable to the fullest extent permitted by law.

1.6 **Conflict with Other Documents** - If the provisions of the Securities or any of them conflict with, or are inconsistent with, the provisions of this Agreement, the provisions of this Agreement will prevail.

- 1.7 **Certificate of Officer of Credit Union** - A certificate signed by any officer (including a Branch Manager) of the Credit Union stating the Prime Rate or Overdraft Rate which applied on any day or during any period will be conclusive as to the respective rate which applied on that day or during that period, as the case may be, without further proof.
- 1.8 **Amendments** - This Agreement may only be amended from time to time in writing and any such amendment may be evidenced by memoranda or letters signed by an authorized officer of the respective parties without the necessity of such amendment being executed under seal.
- 1.9 **Counterparts** - This Agreement may be executed in any number of counterparts, each of which when so executed will be deemed to be an original and such counterparts together will constitute one and the same agreement.
- 1.10 **Joint Obligations** - If more than one person constitutes the Borrower the agreements of, and all obligations and covenants to be performed and observed by, the Borrower hereunder will be the joint and several obligations and covenants of each of the persons comprising the Borrower and any request or authorization given to the Credit Union by any of the persons comprising the Borrower will be deemed to be the joint and several requests or authorizations of each of the persons comprising the Borrower. If there is a Indemnitor and more than one person constitutes the Indemnitor the agreements of, and all obligations and covenants to be performed and observed by, the Indemnitor hereunder will be the joint and several obligations and covenants of each of the persons comprising the Indemnitor.
- 1.11 **Date for Action** - If any date on which any action required to be taken hereunder by either party is not a Business Day such action will be required to be taken on the next following Business Day.
- 1.12 **Entire Agreement** - This Agreement, including any schedules hereto, and the Securities constitute the entire agreement between the parties relating to the Operating Loan, expressly superseding all prior agreements and communications (both oral and written) between any of the parties hereto with respect to all matters contained herein, and except as stated herein or in the Securities or any other instruments and documents to be executed and delivered pursuant hereto, contain all the representations and warranties of the respective parties.
- 1.13 **Included Words** - Whenever the singular or the masculine is used herein the same will be deemed to include the plural or the feminine or the body corporate where the context or the parties so require.

PART 2 - SECURITY

- 2.1 **Demand** - Notwithstanding that the Mortgage or any of the other Securities (if any) is expressed to be payable on demand, the Credit Union will not demand payment under the Mortgage or the other Securities (if any) unless and until an Event of Default has occurred under this Agreement or unless and until an event of default has occurred with respect to other indebtedness.
- 2.2 **Registration** - The Credit Union will, at the expense of the Borrower, register, file or record the Securities in all offices where such registration, filing, or recording is necessary or of advantage to the creation, perfection and preserving of the security interests arising pursuant thereto and renew such registrations, filings and recordings from time to time as and when required to keep them in full force and effect. The Borrower acknowledges that the forms of the Securities have been prepared based upon the laws of British Columbia applicable thereto and the laws of Canada applicable therein in effect at the date of this Agreement and that such laws may change. The Borrower agrees that the Credit Union will have the right to require that the forms of this Agreement and any of the Securities be amended or supplemented to reflect any changes in such laws, whether arising as a result of statutory amendments, court decisions or otherwise, in order to confer upon the Credit Union the rights and security interests intended to be created thereby.

PART 3 - OPERATING LOAN ADVANCES

- 3.1 **Credit of Advances** - All advances made by the Credit Union on account of the Operating Loan will be credited to the Account.
- 3.2 **Request for Advances** - The Credit Union may treat each cheque drawn on the Account as a request for an advance on account of the Operating Loan if there are insufficient funds to the credit of the Account to enable payment of the cheque.
- 3.3 **Advances on Daily Basis** - The Credit Union will be entitled on a daily basis to make advances on account of the Operating Loan in such amounts as to maintain in the Account sufficient monies to pay from and charge against the Account all cheques drawn on the Account and presented for payment and all other charges which the Credit Union is entitled to charge against the Account (whether provided for herein or otherwise).
- 3.4 **Overdrafts** - If, after the termination of this Agreement or after all monies advanceable hereunder on account of the Operating Loan have been advanced, the Credit Union pays any cheque drawn by the Borrower upon the Account or makes any charge which the Credit Union is entitled to charge against the Account, and if there are insufficient funds standing to the credit of the Account, any advance made by the Credit Union to allow payment of such cheque or charge will constitute a loan by the Credit Union to the Borrower repayable forthwith without demand with interest at the Overdraft Rate in effect from time to time, compounded daily, not in advance.
- 3.5 **Funds Not Sufficient for All Cheques** - If the funds standing to the credit of the Account and the funds available hereunder on account of the Operating Loan are sufficient to pay only one or some of the cheques drawn on the Account and presented to the Credit Union for payment on any day, then the Credit Union may pay such cheques as it in its absolute discretion deems fit and may refuse payment of all other cheques howsoever presented or delivered to the Credit Union.
- 3.6 **Conditions Precedent to Advance** - The obligation of the Credit Union to advance the Operating Loan is subject to the fulfilment of the following conditions to the satisfaction of the Credit Union:
- (a) the Credit Union will have received from the Borrower's legal counsel an opinion in form and substance satisfactory to the Credit Union in its sole discretion; and

- (b) the Borrower will have duly authorized, executed and delivered the Securities and the Securities will have been registered, filed and recorded in all offices in which, in the opinion of the Credit Union, acting reasonably, registration is necessary or of advantage to preserve or perfect the priority of the security interests intended to be created thereby.

PART 4 - OPERATING LOAN - INTEREST AND REPAYMENT

- 4.1 **Deposits** - Until the Operating Loan, together with interest and all Other Amounts, have been well and truly paid, all deposits to the credit of the Account will be applied by the Credit Union to repay the Operating Loan together with interest and all Other Amounts.
- 4.2 **Place of Payments** - The Borrower will make all payments under this Agreement at the address of the Credit Union set out on page 1 of the letter part of this Agreement or at any other address specified by the Credit Union.
- 4.3 **Time of Payments** - Payments received after 2:00 p.m. (Pacific time) on a Business Day or received on a day which is not a Business Day will be considered received on the next Business Day of the Credit Union's branch or office where the payment was made.
- 4.4 **Debiting Borrower's Accounts** - If the Borrower does not make a payment required to be made pursuant to this Agreement, the Borrower authorizes the Credit Union to deduct the amount of the payment from any of the Borrower's accounts with the Credit Union or to redeem a sufficient number of the Borrower's shares in the Credit Union to make the payment.

PART 5 - REPRESENTATIONS AND WARRANTIES

- 5.1 **Representations and Warranties** - The Borrower represents and warrants to the Credit Union that:
- (a) **Corporate Status** - if the Borrower is a corporation, it is duly incorporated or amalgamated and is in good standing under the laws of the Province of British Columbia;
- (b) **Corporate Power and Authority** - if the Borrower is a corporation, the Borrower has the power and authority to carry on the business now being carried on by it and has the full power and authority to enter into this Agreement and to execute and deliver the Securities;
- (c) **Corporate Proceedings** - if the Borrower is a corporation, all necessary and requisite corporate proceedings, resolutions and authorizations have been taken, passed, done and given by the Borrower and by the Borrower's directors to authorize, permit and enable the Borrower:
- (i) to borrow the Operating Loan from the Credit Union;
- (ii) to execute and deliver this Agreement; and
- (iii) to execute and deliver the Securities;
- (d) **Not Contravene Constatting Documents** - if the Borrower is a corporation, neither the borrowings nor the issue of the Securities will be in contravention or constitute default under the constating documents of the Borrower;
- (e) **Not Contravene Agreements** - neither the borrowing of the Operating Loan nor the issue of the Securities will be in contravention or constitute default under any indenture, deed, agreement, undertaking or obligation of the Borrower or to which the Borrower is a party;
- (f) **No Actions or Proceedings** - there are no actions or proceedings pending or, to the knowledge of the Borrower threatened which challenge the validity of this Agreement, the validity of any of the Securities or which might result in a material adverse change in the financial condition of the Borrower or any Indemnitor, indemnitor or guarantor or which would materially adversely affect the ability of the Borrower or any Indemnitor, indemnitor or guarantor to perform its/their obligations under this Agreement, the Securities or any other document in connection herewith.

PART 6 - POSITIVE COVENANTS

- 6.1 **Covenants** - The Borrower covenants with the Credit Union:
- (a) **Corporate Existence** - that, if it is a corporation, it will at all times maintain its corporate existence;
- (b) **Conduct Business** - that it will carry on and conduct its business in a proper, efficient and businesslike manner and in accordance with good business practices;
- (c) **Books of Account** - that it will keep or cause to be kept proper books of account in accordance with sound accounting practice;
- (d) **Title to Property** - that it has good title and possession of the Property subject only to Permitted Encumbrances;
- (e) **Insurance** - that it will obtain and keep in force insurance which meets the requirements set out in Schedule "A" and whenever and to the extent required in writing by the Credit Union, the Borrower will:
- (i) furnish a certificate by an independent appraiser or insurance adjuster selected by the Borrower and approved by the Credit Union as to the sufficiency of such insurance, which certificate will be conclusive as against the Borrower both as to the amount of insurance required hereunder and the perils against which coverage is required hereunder and the Borrower will immediately insure in accordance with such certificate;

- (ii) cause to be endorsed in such form as may be required by the Credit Union on the policies evidencing such insurance a notation that any amounts payable under such policies will be paid to the Credit Union as its interest may appear; and
- (iii) deposit with the Credit Union every policy and renewal certificate for such insurance or a certified copy thereof;
- (f) **Other Indebtedness** - that it will pay and discharge as they become due all payments due and owing under, or with respect to, any previous indebtedness created or security given by the Borrower to any person or corporation and will observe, perform and carry out all the terms, covenants, provisions and agreements relating thereto and any default in payment of any monies due and payable under or relating to any previous indebtedness or security or in the observance, performance or carrying out of any of the terms, covenants, provisions and agreements relating thereto will be deemed to be a default hereunder at the option of the Credit Union and any and all remedies available to the Credit Union hereunder by reason of any default hereunder or by law or otherwise will be forthwith available to the Credit Union upon any default of the Borrower under the previous security;
- (g) **Costs Caused By Default** - that if the Borrower defaults in any covenant to be performed by it hereunder or under the Securities the Credit Union may perform any covenant of the Borrower capable of being performed by the Credit Union and if the Credit Union is put to any costs, charges, expenses or outlays to perform any such covenant, the Borrower will indemnify the Credit Union for such costs, charges, expenses or outlays and such costs, charges, expenses or outlays incurred by the Credit Union (including solicitors' fees and charges incurred by the Credit Union) may be charged by the Credit Union to the Account and will be secured by the Securities;
- (h) **Court Costs** - that in any judicial proceedings taken to enforce this Agreement and the covenants of the Borrower hereunder or to enforce or redeem the Securities or to foreclose the interest of the Borrower in any property subject thereto the Credit Union will be entitled to costs on a special costs basis. Any costs so recovered will be credited against any solicitors' fees and charges paid or incurred by the Credit Union relating to the matters in respect of which the costs were awarded and which may have been charged by the Credit Union to the Account in accordance with clause (g) above;

PART 7 - NEGATIVE COVENANTS

- 7.1 **Covenants** - The Borrower covenants with the Credit Union that the Borrower will not, without the consent in writing of the Credit Union first had and obtained:
- (a) **Grant Security** - make, give or create or attempt to make, give or create any mortgage, charge, lien or encumbrance upon the Property or any part or parts thereof ranking or purporting to rank prior to or *pari passu* with the Securities or any of them;
 - (b) **Demolish Property** - demolish, remove or destroy any of the Property or any part or parts thereof or cause or permit the demolition, or removal or destruction of the same except in the ordinary course of business;
 - (c) **Sell Property** - make any sale or dispose of any substantial part of the Property at less than market value and then only in the ordinary course of business and if the Borrower disposes of the whole or any substantial part of the Property it will hold the proceeds of the sale thereof in trust for the Credit Union;
 - (d) **Prepay Obligations** - pay or satisfy, before the due date thereof, any obligation of the Borrower;
 - (e) **Payments Out of Usual Course** - make any payments to any person other than in the normal course of the Borrower's business;
 - (f) **Salaries** - pay salaries, bonuses or other remuneration to
 - (i) any shareholder, director or officer of the Borrower (if the Borrower is a corporation), or
 - (ii) any person related by blood or marriage to any of the persons described in (i) above, or
 - (iii) any person related by blood or marriage to the Borrower (if the Borrower is an individual), or
 - (iv) any corporation controlled by the Borrower or by the Borrower and the Borrower's associates (within the meaning of the word "associate" as defined in the *Canada Business Corporations Act*, R.S.C. 1995, c. C-44),
 in any calendar year in aggregate in excess of the amount prescribed by the Credit Union from time to time in writing (and if no amount is prescribed the amount will be the amount paid in the calendar year prior to the calendar year in which this Mortgage is executed);
 - (g) **Pay Shareholders' Loans** - if it is a corporation, make any payment (whether for principal, interest or otherwise) on account of indebtedness owing to, or when initially incurred was owing to, shareholders or directors of the Borrower or related companies and individuals;
 - (h) **Make Loans** - make loans or extend credit to any person (including specifically if it is a corporation, any directors, officers or shareholders of the Borrower and any person related by blood or marriage to such persons or any corporation controlled by such person or relative or by the Borrower) except customers of the Borrower in the ordinary course of business;
 - (i) **Reduce Capital** - if it is a corporation, purchase or redeem any of its shares or otherwise reduce its share capital;
 - (j) **Alter Share Structure** - if it is a corporation, in any way vary or alter its share structure;
 - (k) **Declare Dividends** - if it is a corporation, declare or provide for any dividends or other payments based upon share capital;
 - (l) **Borrow Elsewhere** - raise or borrow any money from any person other than the Credit Union, members of the Borrower and trade creditors in the ordinary course of business;

- (m) **Acquire New Business** - acquire any new business or undertaking;
- (n) **Make Capital Expenditures** - make or enter into any commitment to make capital expenditures in any one calendar year in excess of an annual amount specified by the Credit Union, which amount will not be cumulative from year to year and which amount will be deemed to be "\$0" if the Credit Union has not specified an amount;
- (o) **Guarantee** - guarantee, indemnify any person for, or endorse for accommodation, the obligations of any other person, directly or indirectly; or
- (p) **Sell Property** - sell, agree to sell or otherwise dispose of any of the Property subject to a specific mortgage or charge under the Securities;
- (q) **Have Consignment Inventory** - have on hand on its premises any stock in trade, inventory or merchandise on consignment.

PART 8 - EVENTS OF DEFAULT

- 8.1 **Events of Default** - The whole of the outstanding balance of the Operating Loan (including principal, interest and all Other Amounts) will immediately become due and payable and the Securities will become enforceable in each and every of the following events:
- (a) **Default** - if the Borrower fails to observe or perform something hereby required to be done or some covenant or condition hereby required to be observed or performed;
 - (b) **Permits To Be Done** - if the Borrower does, or permits to be done, anything which the Borrower has herein agreed not to do or permit to be done;
 - (c) **Misrepresentation** - if any representation or warranty given by the Borrower (or any director or officer thereof if the Borrower is a corporation) is untrue in any material respect;
 - (d) **Winding Up** - if the Borrower is a corporation and if an order is made or a resolution passed for the winding-up of the Borrower, or if a petition is filed for the winding-up of the Borrower;
 - (e) **Bankruptcy** - if the Borrower commits or threatens to commit any act of bankruptcy or becomes insolvent or makes an assignment or proposal under the *Bankruptcy and Insolvency Act* or a general assignment in favour of its creditors or a bulk sale of its assets, or if a bankruptcy petition is filed or presented against the Borrower;
 - (f) **Arrangement** - if the Borrower is a corporation and if any proceedings with respect to the Borrower are commenced under the *Companies Creditors Arrangement Act*;
 - (g) **Execution Etc.** - if any execution, sequestration, extent or any other process of any Court become enforceable against the Borrower or if a distress or analogous process is levied against the property of the Borrower or any part thereof;
 - (h) **Other Indebtedness** - if the Borrower permits any sum which has been admitted as due by the Borrower or is not disputed to be due by the Borrower and which forms or is capable of being made a charge upon any of the Property in priority to the Securities to remain unpaid after proceedings have been taken to enforce the same as a prior charge;
 - (i) **Default in Other Payment** - if the Borrower defaults in payment of any indebtedness or liability to the Credit Union (whether secured hereby or not) or to any other lender;
 - (j) **Sale or Lease** - if, without the prior written consent of the Credit Union, the Borrower sells, agrees to sell, leases, agrees to lease or otherwise disposes or agrees to dispose of the Lands or any part or parts thereof or any interest therein;
 - (k) **Mortgage or Encumbrance** - if, without the prior written consent of the Credit Union, the Borrower grants or agrees to grant any further mortgage of the Lands or any part or parts thereof or any interest therein or otherwise permits the Lands to be encumbered in any manner other than by Permitted Encumbrances;
 - (l) **Change of Control** - if the Borrower is a corporation and if, without the prior written consent of the Credit Union, there is in the opinion of the Credit Union a change of effective control of the Borrower; or
 - (m) **Default Under Securities** - if an event of default occurs under any of the Securities.
- 8.2 **Waiver** - The Credit Union may waive any Event of Default, provided always that no waiver by the Credit Union or any failure to take any action to enforce its rights or to enforce any security will extend to or be taken in any manner whatsoever to affect any subsequent Event of Default or the rights resulting therefrom.
- 8.3 **Remedies Not Restrictive** - All remedies stipulated for by the Credit Union hereunder or in any of the Securities will be deemed to be in addition to and not restrictive of the remedies which the Credit Union might be entitled to at law or in equity and the Credit Union may realize any of the Securities or any part thereof in such order as it may be advised and any such realization by any means will not bar realization of any other security or any part or parts thereof nor will any single or partial exercise of any right or remedy preclude any other or further exercise thereof nor will the failure on the part of the Credit Union or any delay in exercising any rights under this Agreement or any of the Securities operate as a waiver.

- 8.4 **Set Off** - If an Event of Default has occurred and is continuing, in addition to and not in limitation of any rights now or hereafter granted under applicable law or the Securities, the Credit Union may without notice to the Borrower and at any time and from time to time set-off, apply or transfer any or all sums owing from time to time by the Lender to the Borrower towards the satisfaction of the outstanding balance of the Operating Loan (including principal, interest and Other Amounts).
- 8.5 **Indemnity** - Notwithstanding any other provision of this Agreement, the Borrower will fully indemnify and hold the Credit Union harmless from and against any loss, expense, damage or liability incurred by it which the Credit Union may sustain or incur as a result of any Event of Default.

PART 9 - NOTICES

Notices - All notices which may or are required to be given herein or pursuant to this Agreement or relating to the Securities shall be in writing and may be given

- (a) personally by serving the same upon the party (or any officer of the party if it is a corporation) to be served, or
- (b) by mail by posting the same by prepaid registered mail addressed:
- (i) to the Borrower at the address of the Borrower set forth on page 1 of the letter part of this Agreement;
 - (ii) to the Credit Union at the address of the Credit Union set forth on page 1 of the letter part of this Agreement;
 - (iii) to the Indemnitor, if any, at the address of the Indemnitor shown in the Indemnitor Provision, if any, of this Agreement;
- or such other addresses as the parties may advise by notice in writing, or
- (c) by facsimile transmission to the following telephone numbers but addressed in the manner set out in (b):
- (i) to the Borrower at such fax number, if any, as the Borrower may provide to the Credit Union;
 - (ii) to the Credit Union at the fax number of the Credit Union shown on page 1 of the letter part of this Agreement;
 - (iii) to the Indemnitor, if any, at such fax number, if any, shown in the Indemnitor Provision, if any, of this Agreement;
- or such other facsimile telephone numbers as the parties may advise by notice in writing.

9.2 **Receipt of Notice** - Subject to sections 9.3 and 9.4, any notice shall be deemed to have been received and effectively served

- (a) if served personally, at the time of delivery,
- (b) if mailed, on the third Business Day following posting, and
- (c) if sent by facsimile transmission, at the time of transmission.

9.3 **Deemed Receipt Next Business Day** - Notwithstanding any other provisions of this Agreement any notice received or otherwise deemed received after 4:30 p.m. (Pacific time) on a Business Day or on a day which is not a Business Day will be deemed to have only been received on the next Business Day.

9.4 **Delays** - In the event that, at the time a notice is mailed or at any time during the period of three Business Days following such mailing, postal or airline or airport employees are engaged in a strike, work slowdown or other work stoppage at the place at which the notice is mailed or at the place to which the notice is mailed or at any point through which such notice must pass, such notice will be deemed to have been given and received at the time when such notice would be received in the ordinary course of the mails, allowing for such strike, work slowdown or other work stoppage.

PART 10 - TERMINATION

Termination By Borrower - The Borrower may, give notice in writing to the Credit Union to terminate this Agreement and upon such notice being received by the Credit Union the obligation of the Borrower to pay the standby fee, if any, will cease.

Termination of Agreement - This Agreement will continue in full force and effect until the outstanding balance of Operating Loan has been paid in full together with all interest, and Other Amounts in connection therewith and either

- (a) the Credit Union
 - (i) has demanded payment in full of the Operating Loan, or
 - (ii) has delivered notice to the Borrower terminating this Agreement, or
- (b) the Borrower has delivered notice to the Credit Union terminating this Agreement.

PART 11 - GENERAL

- 11.1 **Obligation to Advance Operating Loan** - Until repayment of the outstanding balance of the Operating Loan has been demanded by the Credit Union or the Borrower has delivered notice to the Credit Union terminating this Agreement, the Credit Union will be obliged to make advances on account of the Operating Loan in accordance with the provisions hereof.
- 11.2 **Records** - The information in the records of the Credit Union as to the Account and as to the Borrower being in default of this Agreement or the Securities or any of them and the amount outstanding hereunder and thereunder will be *prima facie* evidence of the obligations of the Borrower hereunder and under the Securities. The Borrower will, on reasonable notice to the Credit Union, be entitled to obtain extracts of all entries made in such records.
- 11.3 **Form of Cheques** - All cheques drawn on the Account by the Borrower will be in a form supplied by the Credit Union or in a form otherwise satisfactory to the Credit Union.
- 11.4 **Costs** - The Borrower will pay the costs of and incidental to the drawing, execution and delivery of this Agreement and of the drawing, execution, delivery and registration of the Securities or any other securities required to or from time to time given by the Borrower to the Credit Union and at its option the Credit Union may pay the said costs for the account of the Borrower and may debit the Account for the said costs.
- Service Charges** - The Borrower will pay to the Credit Union the Credit Union's applicable handling and service charges in connection with the Account and the handling and processing of cheques drawn thereon.
- Assignment by Borrower** - The Borrower will not be entitled to assign any of its rights hereunder except with the prior written consent of the Credit Union.
- Assignment by Credit Union** - The Credit Union may assign its rights hereunder, in whole or in part, but will not assign its rights or any interest under any of the Securities without also assigning the same proportionate rights or interest in this Agreement to the assignee of the Securities.
- Solicitor's Opinion** - The whole of the arrangements described in this Agreement are subject to the solicitors for the Credit Union being satisfied as to the title of the Lands, the form and content of the Securities, the corporate status of the Borrower (if the Borrower is a corporation) and any corporate Indemnitor and as to all legal matters pertaining to the Operating Loan and compliance with the conditions herein, subject always to the right of the solicitors for the Credit Union to require an opinion from the solicitors for the Borrower pertaining to any of the aforesaid.
- Banking Business** - During the currency of this Agreement the Borrower will conduct all its "banking" business with the Credit Union, except to the extent that the Credit Union permits such banking business to be conducted with another financial institution.
- Further Assurances** - The Borrower will do, execute and deliver, or will cause to be done, executed and delivered, all such further acts, documents (including certificates, declarations, affidavits, reports and opinions) and things as the Credit Union may reasonably request for the purpose of giving effect to this Agreement or for the purpose of establishing compliance with the representations, warranties and conditions of this Agreement or any of the Securities.
- Non-Merger** - The taking of a judgment or judgments or any other action or dealing whatsoever by the Credit Union in respect of any security given by the Borrower to the Credit Union will not operate as a merger of any indebtedness of the Borrower to the Credit Union or in any way suspend payment or affect or prejudice the rights, remedies and powers, legal or equitable, which the Credit Union may have in connection with such indebtedness and the foreclosure, surrender, cancellation or any other dealing with any such security will not release or affect the liability of the Borrower, or release or affect any of the Securities or any other security held by the Credit Union.
- Examinations of Books Etc.** - The Credit Union will have the right whenever it deems reasonably necessary either by its officers or authorized agents to enter upon the Borrower's premises and to inspect the undertaking, property and assets of the Borrower, all books of account and records of the Borrower and copies of all returns made from time to time by the Borrower to boards, agencies or governmental departments (including the Department of National Revenue) and to make extracts therefrom and generally to conduct such examinations as it may see fit and without limiting the generality of the foregoing, the Credit Union may request information from the solicitor, auditor and other advisors and agents of the Borrower for the time being concerning the affairs and the conduct of business of the Borrower and the Borrower hereby irrevocably authorizes and directs and this will constitute the sufficient authority and direction to any such solicitor, auditor or other person to disclose to the Credit Union such information as to any and all matters touching upon the affairs and conduct of the business of the Borrower whether of confidential nature or otherwise and any costs, expenses and outlays which the Credit Union may incur pursuant hereto may be charged to the Account.
- 11.13 **Enurement** - This Agreement and all its provisions will enure to the benefit of and be binding upon the parties hereto, their successors and assigns.
- 11.14 **Statute References** - A reference in this document to a particular statute means the statute as amended from time to time and any statute substituted therefore.

SCHEDULE "A"
INSURANCE REQUIREMENTS

1. The Borrower will arrange insurance in a form acceptable to the Credit Union for the full insurable value of the Lands, but in no event for less than the replacement value of any improvement on the land, and will insure and keep insured all buildings, fixtures, equipment, inventories and improvements located on the Lands.

The insurance shall:

- (a) contain a clause specifying that loss under the policy shall be payable firstly to the Credit Union as mortgagee at the address for notices to the Credit Union contained in section 9.1(b)(ii);
- (b) contain a mortgage clause in a form acceptable to the Credit Union as such as the industry approved (IBC) Standard Mortgage Clause. The clause must specify that the Credit Union is the mortgagee;
- (c) allow for partial occupancy;
- (d) contain the following specific coverages:
 - (i) All property of every kind and description: All risks of direct physical loss or damage (Commercial Broad Form).
 - (ii) Maximum deductible \$5,000.
 - (iii) Replacement Cost Endorsement including Bylaws Coverage.
 - (iv) Stated Amount Coinsurance Clause.
 - (v) Earthquake Coverage, subject to a deductible of no more than 10% of the insurable value.
 - (vi) Flood Coverage, subject to a maximum deductible of \$25,000.
 - (vii) Sewer Backup subject to a maximum deductible of \$ 5,000..
 - (viii) Comprehensive Boiler and Machinery Coverage; Replacement Cost, Direct Damage Comprehensive Form including miscellaneous electrical and mechanical apparatus, Extra Expense, Bylaws Coverage, including Air Conditioning, and Business Interruption Coverage for any loss arising from Boiler or Machinery Breakdown.
 - (ix) Comprehensive General Liability coverage in an amount not less than \$5,000,000 including the following specific coverages:
 - Owners' and/or contractors' protective liability
 - Bodily injury, Death, Personal Injury, and Property Damage
 - Products and Completed Operations
 - Medical Expenses
 - Tenants Legal Liability (Broad Form) coverage (if applicable)
 - Malpractice or Professional Liability (if applicable)
 - Cross Liability
 - Limits: Each accident or occurrence - \$5,000,000. Aggregate - \$5,000,000
 - Deductible: \$5,000..
 - (x) Business Interruption Coverage in a form acceptable to the Credit Union insuring against loss of profits (Profits Form) resulting from at least those risks specified above, including, without limiting the foregoing, any loss attributable to Boiler and Machinery Breakdowns or accidents, and under which the period of indemnity will not be less than 12 months. Coverage is to be to the extent of not less than 100% of such loss of profits.
 - (xi) Rental Income Loss coverage in a form acceptable to the Credit Union insuring against loss or rent, rental value, or other payments required to be paid or made by tenants resulting from at least those risks specified above, including, without limiting the foregoing, any loss attributable to Boiler and Machinery breakdowns or accidents, and under which the period of indemnity will not be less than 12 months. Coverage is to the extent of not less than 100% of such loss of rents.
 - (xii) Environmental Impairment Liability (EIL) coverage insuring against sudden and accidental as well as off-site gradual pollution and covering the Third Party Bodily Injury and Property Damage (including defence costs) claims (if applicable).
 - (xiii) First party Pollution/Clean-Up coverage for clean-up costs incurred to comply with government orders or regulations for remediation of contamination on scheduled owned property (if applicable).
 - (xiv) Above and Underground Storage Tank Coverage for on-site clean-up expenses and Third Party Bodily and Property Damage Liability resulting from sudden and accidental and gradual pollution events involving storage tanks (if applicable).

2. Annual renewals of the above insurance policies are to be provided to the Credit Union promptly each year prior to the expiration of the present policies.

3. If the Borrower is not the beneficial owner of the Lands, all beneficial owners are also to be shown as named insureds on the insurance policies and in the event of a change in beneficial ownership, the change is to be reflected in the insurance policies.