

KINGSWAY ARMS MANAGEMENT (AT CEDARBROOKE CHATEAU) INC.

MANAGEMENT AGREEMENT

This is Exhibit CC referred to in the affidavit of
MARK KATZ sworn (or affirmed)
before me on [dd/mm/yyyy]

.....
A Commissioner for taking Affidavits
within British Columbia
Ontario

MANAGEMENT AGREEMENT

THIS AGREEMENT made as of the 31st day of January, 2007.

BETWEEN: 682202 B.C. LTD.

(Hereinafter referred to as "Newco")

OF THE FIRST PART

AND: **KINGSWAY ARMS MANAGEMENT (AT CEDARBROOKE
CHATEAU) INC.**

(Hereinafter referred to as the "Manager")

OF THE SECOND PART

WHEREAS Newco is the registered and beneficial owner of a parcel of land civically known as 32331 – 7th Avenue, Mission, British Columbia and legally described as PID: 017-490-146, Lot A Section 20 Township 17 New Westminster District Plan LMP1741 (the "Land");

WHEREAS Newco intends to conceive and develop on the Land a seniors residence complex consisting of a 138-unit retirement residence (the "Property");

WHEREAS Newco intends to retain the services of the Manager to oversee construction management of the senior residence complex and to manage and operate the Business, pursuant to the terms and conditions contained herein; and

WHEREAS the Manager has the personnel, fully trained and experienced, to duly and timely perform and assume the responsibilities and the obligations hereunder and to provide the services required hereby;

WHEREAS the Manager agrees to enter into this Agreement pursuant to the terms and conditions contained herein;

NOW THEREFORE in consideration of the mutual covenants and obligations hereinafter contained, Newco and the Manager (the "Parties" or singularly, the "Party") agree as follows:

ARTICLE 1
DEFINITIONS AND INTERPRETATION

1.1 The following words and phrases, wherever used in this Agreement or in the preamble thereto shall, unless otherwise expressly provided or unless there be something in the context inconsistent therewith, have the following meaning:

“Accountants” means such firm of chartered accountants selected by Newco from time to time;

“Agreement”, “hereto”, “herein”, “hereof”, “hereby”, “hereunder” and similar expressions refer to this Agreement and not to any particular Section or other portion hereof;

“Approved Budget” means the budget established pursuant to Section 2.16 herein;

“Business” means the operation and management of the business using the Property pursuant to Section 2.4 herein;

“Business Day” means any day, other than a Saturday, Sunday or any other day that is treated as a statutory or civic holiday in Vancouver, British Columbia, Canada;

“Control”, “controlled by” and similar expressions shall have the meanings ascribed thereto in the *Canada Business Corporations Act* as of the date hereof;

“Effective Date” means the date of execution of this Agreement;

“Fiscal Year” means, initially, the period commencing on the Effective Date and ending on the last day of the first Fiscal Year of Newco and thereafter means the twelve month period ending on the anniversary date of the Fiscal Year end of Newco, in each and every year during the term of this Agreement;

“GAAP” means generally accepted accounting principles in Canada at the relevant time, including the accounting recommendations published in the handbook of the Canadian Institute of Chartered Accountants, applied on a basis consistent with previous periods;

“Gross Revenue” means the aggregate, without duplication, of all gross receipts derived directly or indirectly from the operation of the Business (determined in accordance with GAAP) of any character whatsoever, for the period under consideration, including without limitation, all gross receipts derived from the rental of premises to commercial tenants, the rental of rooms, provision of services, sale of food and beverages, the operation of any coin-operated dispensers, games or other similar machines, revenue received from or on behalf of guests, residents, transient guests, licensees, concessionaires and other Persons occupying space at or rendering services to the Home or the guests or residents thereof, and any business loss or interruption payments made to Newco or the Manager as a result of a claim on one or more policies of insurance

insuring against such losses. Without limiting the generality of the foregoing, for greater certainty, federal, provincial or municipal excise, sales, user, or goods and services taxes collected directly from tenants or residents as part of the occupancy costs and funds advanced by mortgagees or any other lender shall not be considered to be gross revenue, and moneys received in respect of trust accounts on behalf of residents shall only be included in gross revenue in the month in which they are applied towards current obligations of the residents and prepaid service fees and deposits made by residents shall only be included in gross revenue in the month to which they relate;

"Head Office Staff" means all the staff that is not fully dedicated to the Business notwithstanding their employee status as full-time or part-time.

"Home" means the buildings, improvements and operating inventory of the future Cedarbrooke Chateau Seniors Residence on the Property including the furniture, fixtures and equipment relating thereto;

"Management Fee" means the fee set out herein at Sections 4.1, 4.2, 4.3 and 4.4;

"Person" includes, without limitation, any corporation, company, partnership, joint venture, trust, unincorporated organization or individual and a government or any department or agency thereof;

"Related Persons" of a Party hereto means at any time the persons, firms or corporations which at such time would not be dealing at arm's length with such Party for the purposes of the Tax Act, if the provisions of Section 251 of the Tax Act as such section is at the date of this Agreement remained in effect and not amended at such time;

"Representatives" means the directors, officers, employees, agents, or representatives, including lawyers, accountants, consultants, financial advisors or lenders, of a Party; and

"Tax Act" means the *Income Tax Act* (Canada).

ARTICLE 2

OPERATION OF BUSINESS

- 2.1 (a) Newco hereby hires and appoints the Manager and grants to the Manager the right to enter into, manage and operate the Business on behalf of Newco in accordance with the terms and conditions set out herein and, prior to completion of the construction of the Home, to consult various construction managers retained by Newco for the purposes of the operation design furnishings, fixtures and equipment. The Manager hereby agrees to manage and operate the Business.
- (b) Except as otherwise set forth in this Agreement, the Manager is acting as the agent of Newco and Newco assumes full and complete responsibility for acts and things done including, without limitation, all expenses, costs and liabilities incurred or omitted and all documents or other writings executed and delivered by

the Manager provided the Manager has acted within the limits of his mandate, as hereto described.

- (c) In all events the Manager shall exercise its obligations and responsibilities honestly, faithfully and in the best interest of Newco and the Home. The Manager shall also exercise a degree of prudence, diligence and high skill that a reasonable manager would exercise in similar circumstances.

2.2 General Manager:

- (a) The Manager may, in accordance with the Approved Budget, employ on-site managerial, contract, consulting, and supervisory staff for the Home as shall be reasonably determined by the Manager to be necessary to be placed in charge of day-to-day operation of the Home and such staff shall report directly to the Manager.
- (b) The remuneration of the on-site managerial, contract, consulting, and supervisory staff, including any benefits and reasonable out-of-pocket expenses (including travel and hotel expenses in connection therewith), shall be reasonable and in accordance with industry standards and shall be paid for by the Manager from the Gross Revenue of the Business as an operating expense.

2.3 Personnel:

- (a) The Manager will employ at the expense of Newco, such persons as are required for the efficient operation of the Business. The Manager shall maintain adequate payroll records with respect to all Persons engaged in the Property, and make all payroll reports and returns required by law, and to make and remit to the proper authorities all income tax deductions, unemployment insurance and worker's compensation payments which may from time to time be applicable to such Persons. All employees and agents of the Manager handling any cash or similar assets in connection with the management and operation of the Property and the trust accounts shall, at all times, be bonded at the sole cost of the Manager.
- (b) The selection of employees, their terms of employment and termination, including rates of compensation, and the supervision, direction as the agent of and in consultation with Newco for the executive employees, and all salaries and wages of such employees shall be the duty and responsibility of the Manager and shall be determined or controlled by the Manager as the agent of and in consultation with Newco. All salaries and wages of such employees of the Business shall be paid by the Manager from the Gross Revenue of the Business as an operating expense.
- (c) In addition, the Manager may enter into service contracts for the supply of personnel for the Business, the expenses and fees of which shall be paid for by the Manager from the Gross Revenue of the Business as an operating expense. Moreover, where there is a proposed transaction with a Related Person to the

Manager, prior written authorization of Newco is required and if such authorisation is granted, the amount charged for such services must be competitive with the amount charged by other personnel service providers for similar services.

- 2.4 In order to discharge its obligations as an agent for Newco, the Manager shall direct and control the management and operation of the Business, render supervision and control the performance of all services, and do or cause to be done all things it can reasonably do for the efficient and proper operation of the Business in accordance with the requirements of this Agreement. The Manager shall provide such management services having regard to the nature of the Home and shall provide such management services as Newco shall reasonably request. Without limiting the generality of the foregoing, the Manager shall:
- (a) in consultation with Newco, establish all prices, price schedules, rates and rate schedules and, in connection therewith, supervise, direct and control the collection, receipt and giving of receipts for all room rentals, services or income of any nature from the Business;
 - (b) initiate, supervise and control the making of such ordinary day-to-day repairs and minor alterations of and to the Home as the Manager may deem reasonably necessary to the proper maintenance and operation thereof;
 - (c) make all necessary entries in the appropriate books of record, control and account in connection with the operations of the Business;
 - (d) grant and limit the credit of residents and guests of the Home to a maximum amount, as indicated in the Approved Budget;
 - (e) negotiate and execute contracts reasonably necessary or desirable in connection with the operation of the Business in the usual course of the Business;
 - (f) plan, prepare and contract for advertising and promotional programs for the Business;
 - (g) purchase inventories, replacement fixtures and equipment and other items used in the normal operation of the Business in accordance with the terms and conditions herein;
 - (h) generally perform or supervise, direct and control all acts reasonably necessary in connection with the operation of the Business in an efficient and proper manner including, but not limited to, making all payments and disbursements as provided for herein in a timely manner;
 - (i) negotiate and enter into service contracts required in the ordinary course of business in operating the Business including, without limitation, contracts for electricity, gas, telephone, cleaning, vermin extermination, labour, food, laundry, maintenance and other services which the Manager deems advisable;

- (j) apply for and obtain and maintain in the name of Newco or its nominee or the Manager, as applicable, all licenses and permits required of Newco or the Manager in connection with the management and operation of the Business;
- (k) make all reasonable efforts to comply with all applicable laws, rules, regulations, requirements and by-laws of any governmental authority including the board of fire underwriters and requirements of any insurance companies covering any of the risks against which the Business is insured, provided the consent of Newco, if required, is granted and adequate funding is furnished;
- (l) hire, promote, discharge and supervise the work of consultants, administrators, assistant administrators, department heads and all operating and supervisory employees performing services in and about the Business and all such other persons as may be necessary to the proper maintenance and operation of the Business and to pay the wages and other remuneration of such persons on behalf of and out of funds provided by Newco in accordance with an Approved Budget;
- (m) negotiate with any labour union lawfully entitled to represent the employees of the Business; if required, the Manager may engage the services of a labour relations lawyer or consultant to represent Newco in labour negotiations, the cost of which shall be paid from the Gross Revenue of the Business as an operating expense;
- (n) purchase such food, beverages, operating supplies and other materials and supplies as may be needed from time to time in the ordinary course of the operation of the Business;
- (o) take out and maintain at all times during the term of this Agreement such insurance coverage on the Business as may be required hereunder; and
- (p) pay all realty, municipal and business taxes (if applicable), assessments and charges of every kind with respect to the Business imposed on the Manager by any governmental agency or authority to become due and payable from time to time and to cooperate with Newco and its representatives in connection with the entering and processing of any assessment, appeal or litigation which may arise from time to time with respect to the Business.

2.5 It is understood and agreed that the Manager has the discretion to enter into contracts of the type normally entered into by a manager in the ordinary course of managing retirement residences or retirement centres including, without limitation, contracts with respect to insurance, heating and snow removal and operating the Business.

2.6 The Manager may, without prior written approval of Newco, make any repairs and take any other action which, in the discretion of the Manager, acting reasonably, are immediately necessary for the preservation and safety of the Business and the Home or the safety of the tenants, licensees, residents, or other occupants thereof or other persons

or which are required to avoid suspension of any necessary service to the Business provided that the Manager shall promptly notify Newco of its actions in that regard.

- 2.7 The Manager shall not personally benefit from any or all revenues that derive from the Business, either directly or indirectly, including but not limited to, discount, rebate and any other advantages that are granted by any Persons providing the Business services and/or sale of merchandise.
- 2.8 The Manager shall deposit in a separate bank account (held, subject to the terms hereof, in trust by the Manager for Newco) all Gross Revenue or monies otherwise received by the Manager from the Business and shall pay or disburse such monies or receipts in satisfaction of the operating expenses of the Business, including therewith the Management Fee payable hereunder for the Business, and any extraordinary expenses incurred under Section 2.6. If sufficient funds for the operation of the Business are not generated from the Gross Revenue, Newco shall provide to the Manager all additional funds required, monthly in advance and any additional funds necessary to satisfy any extraordinary expenses incurred under Section 2.6.
- 2.9 The Manager shall, during the term of this Agreement, have the right to use, without payment to Newco, such office space within the Home as it reasonably requires for its management purposes hereunder.
- 2.10 In the event of any required replacement of furniture, fixtures or equipment, the Manager shall look to the Gross Revenue of the Business and Newco for the provision of the funds necessary.
- 2.11 The Manager represents and warrants that it is experienced in the operation of retirement homes and other like businesses and that it has the resources and ability to manage the Business in accordance with this Agreement.
- 2.12 The Manager covenants and agrees that it will not divert any residents or potential residents from the Business to any other facility owned or operated by the Manager, within a five kilometres (5 km) radius of the Property, limited to the Municipality of Mission, British Columbia.
- 2.13 The Manager shall have responsibility for administering the allocation and distribution of revenues from the Business to Newco and for making all required payments on behalf of Newco to the extent that same are covered by revenues from the Business or from lines of credit or financing agreed to by Newco.
- 2.14 In connection with the construction of the Home, the Manager shall provide or cause to be provided the following services:
- (a) oversee the completion of interior design, including colour schemes;
 - (b) oversee the acquisition of all furniture, fixtures and equipment;

- (c) approve all lighting, air conditioning, heating, plumbing fixtures, doors and windows; and
 - (d) advise on construction issues as deemed necessary.
- 2.15 The Manager covenants and agrees that it will at all times during the term of this Agreement remain under the Control of Kingsway Arms Management Services Inc. (or, if applicable, its parent corporation).
- 2.16 The Manager shall prepare and submit to Newco for consideration a proposed operating budget for the Business prior to December 31st of each year during the term of this Agreement, for the next calendar year. Newco, acting reasonably, will consider the proposed operating budget and will consult with the Manager in order to finalize the Approved Budget. If Newco does not approve a proposed operating budget for the Business prepared by the Manager, then the Manager shall continue to manage the Business based upon the previous year's Approved Budget until the operating budget is approved by Newco, acting reasonably, in which event it will then become the Approved Budget. If an operating budget prepared by the Manager is not approved by Newco on or before March 31st of the applicable year, then any areas of disagreement in the operating budget for such calendar year shall be resolved by the provisions of Article 10. The Manager will not deviate from the expenses set out in an Approved Budget by more than fifteen percent (15%) monthly without the prior consent of Newco. If required, the Manager shall submit for approval to Newco a revised operating budget, where it is clear that many of the line items will change from the Approved Budget.

ARTICLE 3 **RECORDS**

- 3.1 The Manager, at its own expense, shall establish and supervise accounting and internal control systems. All such books of account and other records are the property of Newco and shall be available for inspection by Newco, during normal business hours (9:00 a.m. to 5:00 p.m.), subject to a twenty-four (24) hour prior written notice to the Manager.
- 3.2 All books of account and other records will be made available to Newco at all reasonable times for examination, audit, inspection and copying. Any audit or accounting review of the books of account and other records will be at the expense of Newco requesting such audit. Upon the termination of this Agreement, all such books of account and other records shall be turned over to Newco so as to ensure an orderly continuation of the operation of the Business.
- 3.3 The Manager shall provide to Newco, within approximately twenty (20) days after month end, a copy of a monthly report of income and expenses along with a comparison to budget, as well as a copy of the bank statement. The Manager will supply to Newco a copy of the daily reports completed in respect of the Home and such other statements and reports as Newco may reasonably require in order to fulfill its commitments to Newco's lenders or otherwise.

- 3.4 The Manager shall make available to the Accountants such books, records and internal financial statements as the Accountants may require and access to such computers and other financial services that the Manager utilizes from time to time in the production of financial statements for the Business, at the expense of Newco.
- 3.5 The Manager shall provide to Newco, within sixty (60) days after year-end, a copy of the internal year-end financial statements as well as its year-end working paper file.

ARTICLE 4
COMPENSATION OF MANAGER

- 4.1 In consideration for the Manager's services under this Agreement, Newco shall pay a Management Fee to the Manager equal to the highest of the following amounts:
- (a) twelve thousand dollars (\$12,000) per month as and from the Effective Date; or
- (b) five percent (5%) of the Gross Revenues generated by the rented units of the Property.
- 4.2 The Management Fee shall be paid no later than ten (10) days after the end of the month for the immediately preceding month on the basis of the Gross Revenue of the Business for the immediately preceding one month period, subject to annual adjustment based upon the actual Gross Revenue as set out in the annual financial statements of the Business.
- 4.3 Federal goods and services tax and British Columbia sales tax (or any replacement or amendment thereof) on the Management Fee shall be payable by Newco in addition to all fees on a monthly basis at the same time as the payment of the Management Fee.
- 4.4 Except for those expense items which are specifically required to be the responsibility of the Manager, Newco agrees to reimburse the Manager for all other costs and expenses incurred by the Manager on behalf of Newco in accordance with this Agreement as indicated in the Approved Budget, in connection with maintaining, operating and supervising the operation of the Home, the Property and the Business including, without limitation, all costs and expenses of employees and other personnel save and except the Head Office Staff of the Manager.

ARTICLE 5
WORKING CAPITAL

- 5.1 Newco acknowledges that the Manager shall not be required to use its own funds (in its capacity as the Manager) and is only to use funds provided by Newco, as required from time to time, from the Business, and from financing of the assets of same. The Manager shall not be responsible for any loss, damage or liability resulting from its failure to receive adequate working capital.
- 5.2 If funds are required from time to time to pay any expenses of Newco in managing and operating the Business and the Home in accordance with the terms of this Agreement

(including a reserve mutually determined by the Manager and Newco for future expenses which cannot be paid timely from anticipated future gross cash receipts from the operation of the Business and the Home), Newco, within ten (10) days after a reasonably itemized request therefore is made by the Manager shall deposit, in the bank account for the Business referred to in Section 2.8 hereof, the amount so requested. Failure of Newco to make timely deposit of such sum shall be a default by Newco under this Agreement.

- 5.3 If Newco fails to deposit funds required to be deposited by Newco under the provisions of Section 5.2, the Manager may advance the funds as a loan to Newco, without relieving Newco from being in default, but shall have no obligation to do so. Any such loan shall be evidenced by a promissory note from Newco and shall be secured by a mortgage or any other charge over Newco's interest in the Property (which shall contain a waiver of the secured Party's right of foreclosure thereunder), and such other documents as are requested by the Manager in its reasonable discretion, duly executed by Newco, in recordable form and otherwise satisfactory in form and substance to the Manager, acting reasonably, charging all of Newco's interest in the Property (the "Security"), provided that such Security does not put the Parties in default of any mortgages registered against the Property. Each loan shall bear interest at prime plus 4% per annum, shall be payable on demand and shall be paid in any event out of the next instalments of the cash flow distributions made to Newco by the Manager until paid in full as to principal and interest.

ARTICLE 6

INSURANCE

- 6.1 The Manager shall for the account of and in consultation with Newco:
- (a) to the extent possible, insure and keep insured on a replacement cost basis, excluding, foundations, the Home against all risk perils, including fire, flood, lightning, explosion and any other perils which may reasonably be required by Newco. Coverage will also include all furniture, fixtures and equipment on a replacement basis;
 - (b) to the extent possible, obtain and maintain comprehensive general liability insurance, including personal injury, property damage, contractual non-owned automobile, severability of interests clause and a cross liability clause to the value of not less than five million dollars (\$5,000,000);
 - (c) to the extent possible, obtain and maintain business interruption insurance in the form and to the limits carried by prudent managers of similar businesses, for an indemnity period of not less than twenty-four (24) months, which insurance shall include continued compensation of the Manager in accordance with Article 4 hereof and which insurance shall show the Manager as a named insured. To determine the compensation due to the Manager pursuant to Article 4, the insurance coverage will provide that the compensation shall be based on the compensation earned the month prior to such business interruption, multiplied by twenty-four (24) and

- (d) to the extent possible, such other insurance in respect of the Business and against such hazards as the Manager shall from time to time recommend to Newco or Newco from time to time deems advisable for protection against claims, liabilities and losses wheresoever determined or incurred arising out of or related to the operation of the Home.

Notwithstanding the provisions of Subsections 6.1(a) to (d), Newco may, at its option, arrange for the insurance coverage itself, provided that the Manager is shown as a named insured on each such policy.

- 6.2 All insurance policies provided for by this Article 6 shall, to the extent reasonably possible, include the Manager as an insured party as its interests appear in this Agreement and shall contain, in the case of insurance against damage or destruction, endorsements in connection with mortgage terms in favour of the secured creditors of Newco. No insurance policy may be cancelled or materially modified until at least thirty (30) days after notice has been given to Newco and to the Manager. In the event that Newco is unable to add the Manager as an insured party, then Newco shall, to the extent reasonably possible, obtain a waiver of subrogation from such insurers to any claim they have against the Manager. In the event that any of the above is not reasonably available, Newco shall forthwith advise the Manager.
- 6.3 The Manager shall deliver to Newco, certificates evidencing all insurance coverage required or authorized to be maintained. On the expiration of the above-mentioned policies, the Manager shall arrange delivery of certificates evidencing such new or renewed policies as may be required or authorized hereby.
- 6.4 The Manager shall procure and maintain all statutory insurance required in connection with the operation of the Business, in such amounts as may be required under all applicable laws and the cost of the said insurance shall form part of the operating expenses of the Business.
- 6.5 Subject to the rights of any mortgagee, adjustment of claims with issuers of insurance policies will be made by the Manager and Newco.
- 6.6 Subject to the rights of any mortgagees and provided that this Agreement is not cancelled because of such damage or destruction, the insurance proceeds shall be used for the purpose of restoring and refurbishing the Home and the Business. In the event that there are any excess proceeds, such excess shall be paid to Newco and shall not (except for loss payable for business interruption) be considered as part of Gross Revenue.
- 6.7 The Manager shall investigate all accidents and claims for damage relating to the management, operation and maintenance of the Home. The Manager shall cause to be made any and all reports required by an insurance company in connection with all insurable claims against or by Newco. In the event consultants are necessary to assist the Manager in the preparation of such reports, then their costs shall be paid for by Newco and shall form part of the operating expenses of the Home.

ARTICLE 7
LAWSUITS AND OBLIGATIONS

- 7.1 Newco shall cause all notices which may in any way affect the obligations and responsibilities of the Manager, including any notices relating to permits or licenses, to be directed or immediately forwarded on receipt by Newco to the Manager.
- 7.2 The Manager shall cause all notices relating to permits or licenses delivered to the Manager to be immediately forwarded on receipt by the Manager to Newco.
- 7.3 The Manager shall promptly notify Newco of any suits, proceedings or actions taken or commenced against Newco which may be related to the Business or the operation thereof, and the Manager shall at Newco's expense, in its own name and as attorney for Newco, or in the name of Newco, object to, contest the validity of, enter or appeal any assessments, rate, levy, charge, law, by-law, ordinance, regulation, order or judgment of any court or authority.
- 7.4 On behalf of Newco, at Newco's expense and with Newco's written consent, which consent shall not be unreasonably withheld or delayed, the Manager may sue for, forgive payment, receive and give discharges for, all charges, rent or other income from the Business or lawfully cancel, modify or terminate any lease, license or admission agreement due to the breach thereof or the default thereunder by the tenant, licensee or resident. The Manager shall also, at Newco's expense and with Newco's written consent, defend, settle, compound, compromise or submit to arbitration any accounts, claims or disputes in respect of such matters.

ARTICLE 8
COVENANTS AND INDEMNITY

- 8.1 Newco agrees to indemnify and save the Manager harmless from and against all claims, demands, losses, damages, costs and expenses of any nature or kind which the Manager (in its capacity as such) shall hereafter suffer or incur or for which it may be liable in the performance of any services hereunder, except those claims, demands, losses, damages, costs or expenses incurred as a consequence of the wilful misconduct or gross negligence of the Manager or material breach by the Manager of the provisions of this Agreement.
- 8.2 Save as otherwise provided herein, Newco or its nominees or agents, shall execute from time to time all such documents or further assurances and do all such other acts or things as may be reasonably required for the purpose of ensuring that the Manager can perform the services required hereunder without undue interruption or interference, including negotiations with all government and public regulatory bodies.
- 8.3 The Manager shall fully cooperate with Newco and any of their respective lenders in connection with any matter associated with the Business or any loans to Newco.

- 8.4 The Manager shall indemnify and save harmless Newco in respect of any action, suit, claim, demand or liability of all damages, costs and expenses arising by reason of the gross negligence or wilful misconduct of the Manager.
- 8.5 The Manager shall also indemnify and save Newco harmless from and against all claims, demands, losses, damages, costs and expenses which Newco may suffer or incur as a result of a material default by the Manager hereunder during the term of this Agreement, to a maximum of and to the extent of the net insurance proceeds which are received by the Manager relating to such material default, plus any deductible withheld by the insurance company from the payment of insurance proceeds to the Manager relating to the specific loss plus legal fees, if any, incurred by Newco or incurred by the Manager (to the extent such legal fees are already deducted from insurance proceeds received by the Manager) in collecting such insurance proceeds.

ARTICLE 9
NO ASSIGNMENT

- 9.1 The Manager shall not have the right to assign this Agreement save and except to a Related Person to the Manager. Newco agrees that financing by the Manager shall not merely by virtue of involving a security interest on the rights of the Manager to collect revenues payable to the Manager hereunder, require consent of Newco.
- 9.2 Newco shall be entitled to assign this Agreement provided that any such assignment shall not relieve Newco from its obligations hereunder. This Agreement shall be assigned by Newco to any purchaser, transferee or assignee of the Home and/or Business and upon such sale, transfer or assignment Newco shall deliver to the Manager an assumption by such purchaser, transferee or assignee of the obligations of Newco hereunder.

ARTICLE 10
NEGOTIATION AND MEDIATION AND ARBITRATION

- 10.1 If any dispute arises between the parties with respect to this Agreement, then, within seven (7) days of written notice from one party to the other, or within such other period as agreed to by both parties, the representatives of the parties will participate in good faith discussion in order to resolve and settle the dispute. In the event that such representatives are unable to resolve the dispute within fourteen (14) days of the first written notice, or such other time period agreed to by both parties, each party will appoint a senior representative that has not been previously involved in the matter in dispute, to attempt to resolve the dispute. If the senior representatives of the parties are unable to resolve the dispute within fourteen (14) days of their appointment, they will agree upon the selection of a qualified independent mediation practitioner versed in the resolution of commercial disputes in order to assist the parties in the resolution of the dispute, and who will attempt to so assist the parties for a period of thirty (30) days from the date of his or her appointment. Each party will bear their own costs of the formal mediation process and will share equally the general costs of mediation.

- 10.2 If the dispute is not settled through the process and within the time frames provided under this section, or if the parties are unable to agree upon the selection of a mediator, then unless the parties mutually agree to extend the time frame for dispute resolution provided under this section, the dispute will be referred to arbitration under Section 10.3.
- 10.3 Any dispute which is to be submitted to arbitration pursuant to the terms of this Management Agreement shall be referred to and finally resolved by arbitration, on the following basis:
- (a) the arbitration shall be conducted pursuant to the Domestic Commercial Arbitration Rules of Procedure of the BCICAC;
 - (b) the arbitration shall be administered by the BCICAC;
 - (c) the place of arbitration shall be the City of Vancouver, British Columbia;
 - (d) the language of the arbitration shall be English and the cost of the arbitrator shall be shared equally between the Newco and the Manager;
 - (e) the arbitrator shall be selected by mutual agreement of the Newco and the Manager and in the event that the parties have not mutually agreed to such selection within five (5) Business Days following the commencement of the arbitration, the arbitrator shall be selected pursuant to the Domestic Commercial Arbitration Rules of Procedure of the BCICAC; and
 - (f) the arbitrator must allocate responsibility for the fees and expenses of the arbitration.

ARTICLE 11 **TERM**

- 11.1 The term of this Agreement shall commence on the Effective Date and shall continue for a ten (10) year period or at the end of any subsequent Renewal Term in accordance with Subsection 11.2, unless terminated earlier in accordance with Article 12 hereunder.
- 11.2 The Manager shall have the option to renew this Agreement, unless the Manager is in breach hereunder of a material obligation, for an additional five (5) year period following the initial ten (10) year term by providing a six (6) month prior written notice to that effect to Newco (the "Renewal Term").

ARTICLE 12 **TERMINATION**

- 12.1 The Parties agree not to terminate this Agreement prior to the expiry of the Term, except as provided in this Article 12.

- 12.2 If at any time during the term of this Agreement either of the parties hereto is not performing its respective obligations hereunder, the other party shall have the right to give written notice to such party setting forth the alleged material breach of obligation of which it complains and the following provisions shall apply:
- (a) if the material breach has been remedied within thirty (30) days of such notice, this Agreement shall continue;
 - (b) if the material breach cannot be remedied within thirty (30) days of such notice and steps have been taken in good faith and are being carried out with due diligence to cure the same and a written notice to that effect has been delivered to the complaining party, this Agreement shall continue and the material breach shall be remedied within ninety (90) days of such last mentioned notice, failing which the complaining party may give further written notice of termination of this Agreement within ninety (90) days after the expiry of the time during which the material breach can be remedied, upon a date specified in such further notice, which date shall not be less than thirty (30) days nor more than ninety (90) days from the date of such further notice, and this Agreement shall terminate upon the date specified in the notice, if the material breach is not sooner remedied; and
 - (c) if any party has requested arbitration with respect to the existence or non-existence of an alleged material breach or as to whether an alleged material breach has been cured in the form and manner as provided hereafter, the decision of such arbitrator shall be final and binding.
- 12.3 In the event of arbitration as provided herein, this Agreement and the rights and obligations of the parties hereunder shall remain in full force and effect pending the award and the award shall determine whether and when termination shall become effective.
- 12.4 The right to termination of any party under Section 12.2 shall not be applicable in the event the material breach complained of:
- (a) is a technical breach or is a material breach of a non-recurring nature where the amount involved does not exceed ten thousand dollars (\$10,000); or
 - (b) has resulted in the party not committing the material breach suffering damages and such damages and expenses have been reimbursed in their entirety by the breaching party.
- 12.5 Notwithstanding any other provision of this Article 12 Newco may terminate this Agreement immediately:
- (a) if the Manager files a voluntary petition in bankruptcy or is adjudicated bankrupt or insolvent, or files any petition or answer seeking any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief for itself under any present or future bankruptcy law or any present or future

applicable federal, provincial or other statute or law relative to bankruptcy, insolvency or other relief for debtors or seeks or consents to or acquiesces in the appointment of any trustee, receiver, conservator, sequestrator or liquidator of the Manager or of all or any substantial part of its properties or its interest in this Agreement (the term "Acquiesce" includes, but is not limited to the failure to file a petition or motion to vacate or discharge any order, judgment or decree providing for such appointment within thirty (30) days after the appointment);

- (b) if a court of competent jurisdiction enters an order, judgment or decree approving a petition filed against the Manager seeking any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any present or future applicable federal, provincial or other statute or law relating to bankruptcy, insolvency or other relief for debtors, and the Manager Acquiesces in the entry of such order, judgment or decree; or such order, judgment or decree remains unvacated and unstayed for an aggregate of ninety (90) days (whether or not consecutive) from the date of entry thereof, or any trustee, receiver, conservator, sequestrator or liquidator of the Manager or of all or any substantial part of its properties or its interest in the Property is appointed without the consent or acquiescence of the Manager and such appointment remains unvacated and unstayed for an aggregate of ninety (90) days (whether or not consecutive);
- (c) if the Manager admits in writing its inability to pay its debts as they fall due;
- (d) if the Manager gives notice to any governmental body of its insolvency or pending insolvency or suspension or pending suspension of operations; or
- (e) if the Manager makes an assignment for the benefit of creditors or takes any other similar action for the protection or benefit of creditors.

12.6 In the event of termination of this Agreement as provided for in this Agreement, the following rules shall apply:

- (a) Newco shall forthwith assume all contracts and obligations entered into or undertaken by the Manager within the scope of its authority and indemnify the Manager against any liability by reason of anything done or required to be done under any such contract or obligation after the date of termination of this Agreement;
- (b) Newco shall reimburse or pay for and indemnify and save harmless the Manager from the costs and expenses of all services and supplies which may have been ordered by the Manager in accordance with this Agreement and which may not have been paid by Newco at the time of termination;
- (c) the Manager shall, within thirty (30) days thereafter, render a final accounting to Newco and pay over any balance in the bank account referred to in Section 2.8 remaining to the credit of Newco (less any accrued compensation and reimbursement for expenses to which the Manager is then entitled and any

reasonable amounts necessary to satisfy commitments made by the Manager to others prior to the date of termination):

- (d) the Manager shall surrender to Newco all contracts, records, files and other information which may be pertinent to the continuing operation of the Business subject to the proviso that Newco shall reimburse the Manager for any costs in connection with the reproduction of any evidence supporting the financial transactions of Newco predating the current fiscal year which the Manager, in its discretion, feels it should retain to support and/or verify its actions during the currency of the agreement; and
- (e) Newco shall assume (or cause the replacement manager to assume) all obligations of the Manager to those of its employees and personnel assigned to the maintenance, operations and supervision of the operations of the Home, the Property and the Business save and except the Head Office Staff of the Manager.

ARTICLE 13
MISCELLANEOUS

13.1 Any demand or notice to be given by any Party hereto to the other Party shall be given hereunder in writing and shall be delivered by hand during normal business hours on a business day and left with a receptionist or other responsible employee at the relevant address set forth below or sent by facsimile transmission or other means of electronic communication that produces a written record and confirms receipt ("Electronic Transmission"):

- (a) To Newco at:
[Address to be determined]
Attention: _____
Facsimile: _____
E-mail _____

With a copy to:
Borden Ladner Gervais
1200 Waterfront Centre
260 Burrard Street, P.O. Box 48600
Vancouver, BC V7X 1T2
Attention: Ms. Jo-Anne Chia
Facsimile: (604) 622-5009
E-mail :jchia@blgcanada.com

(b) To the Manager at:

Kingsway Arms Management (at Cedarbrooke Chateau) Inc.
 8555 Jane St.
 Suite 102
 Vaughan, Ontario, L4K 5N9
 Attention : Benoît Lellouche, President
 Facsimile : (905) 760-2318
 E-mail : bllellouche@jalid.com

With a copy to:
 Heenan Blaikie
 1250 René-Lévesque Boulevard West
 Suite 2500
 Montreal, Quebec, H3B 4Y1
 Attention : M^c Auguste Masson
 Facsimile : (514) 846-3427
 E-mail : amasson@heenan.ca

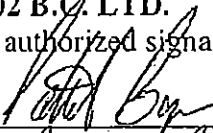
Any notice, demand or other communication so given or made shall be deemed to have been given and received on the day of delivery, if so delivered, and on the day of sending, by electronic transmission, if delivered or sent during the normal business hours of the addressee on a business day and, if not, on the first business day thereafter. Either party hereto may from time to time change its address for notice by notice to the other party hereto given in the manner aforesaid.

- 13.2 No Party to this Agreement shall be liable to the other Party for any failure or delay in fulfilling an obligation hereunder, if said failure or delay is attributable to circumstances attributable to a superior force (Act of God), an epidemic, any quarantine implemented, ordered or recommended by health authorities, a strike or a lock-out. The Parties agree that the deadline for fulfilling the obligation in question shall be extended for a period of time equal to that of the continuance of the Force Majeure. The Manager shall use all commercially reasonable efforts to minimize the effect of the Force Majeure on its performance under this Agreement.
- 13.3 No variations, modifications, or changes herein or hereof shall be binding upon any party hereto unless set forth in a document duly executed by authorized representatives of the Parties.
- 13.4 Subject to any restrictions on transfers and encumbrances set forth herein, this Agreement shall ensure to the benefit of and be binding upon the undersigned and their respective successors, and permitted assigns. Whenever this instrument a reference to any Party is made, such reference shall be deemed to include a reference to the successors and permitted assigns of such Party.

- 13.5 Time is of the essence in any matter relating to the performance of this Agreement.
- 13.6 This Agreement shall be governed by and interpreted in accordance with the laws in force in the Province of British Columbia.
- 13.7 No single or partial exercise of any right or remedy under this Agreement shall preclude any other or further exercise or any other right or remedy in this Agreement or as provided by law or in equity. Rights and remedies provided in this Agreement are cumulative and not exclusive of any right or remedy provided at law or in equity.
- 13.8 If any provision of this Agreement is held to be invalid or unenforceable in whole or in part, such invalidity or unenforceability will attach only to such provision or part thereof, and the remaining part of such provision and all other provision hereof will continue in force and effect.
- 13.9 A waiver of any provision of this Agreement shall only be valid if provided in writing and shall only be applicable to the specific incident and occurrence so waived. The failure by either Party to insist upon the strict performance of this Agreement, or to exercise any term hereof, shall not act as a waiver of any right, promise, or term, which shall continue in full force and effect.
- 13.10 Unless the context requires otherwise, words importing the singular include the plural and vice versa and words importing gender include all genders.
- 13.11 The article and paragraph headings contained herein are for convenience of reference only and are not intended to define, limit or describe the scope or intent of any provision of this Agreement.
- 13.12 This Agreement shall constitute the entire agreement between the Parties with respect to the subject matter hereof and shall replace all prior promises or understandings, oral or written.

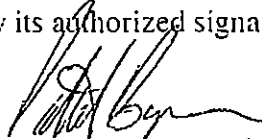
IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered by their duly authorized representatives as of the date first above written.

682202 B.C. LTD.
by its authorized signatory(ies):


 Name: PATRICK BYRNES
 Title: PRESIDENT

 Name:
 Title:

KINGSWAY ARMS MANAGEMENT (AT
CEDARBROOKE CHATEAU) INC.
by its authorized signatory(ies):



Name: *PATRICIA BILWAL*
Title: *PRESIDENT*

Name:
Title: