

**THIS IS EXHIBIT "J" REFERRED TO  
IN THE AFFIDAVIT OF GARY IVANY  
SWORN BEFORE ME THIS \_\_\_\_\_  
DAY OF JULY, 2014**

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**A Notary Public in and for the Province  
of Ontario**



## PRIORITY AGREEMENT

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THIS AGREEMENT is made effective as of the 25<sup>TH</sup> of July, 2013.

**AMONG:**

**BDC CAPITAL INC.**  
(hereinafter referred to as "BDCC")

**AND:**

**ROYAL BANK OF CANADA**  
(hereinafter referred to as the "Senior Lender")

**AND:**

**PACIFIC FEDERATION EQUITY GROUP INC., SPRAGUE-ROSSER DEVELOPMENTS INC. AND SPRAGUE-ROSSER CONTRACTING CO. LTD.**  
(hereinafter collectively referred to as the "Customer")

**WHEREAS:**

- A. The Customer has granted or agreed to grant to BDCC a security interest in all of the Customer's present and after-acquired personal property, and such other security as BDCC may from time to time receive from the Customer (the "**BDCC Security**") to secure present and future debts and obligations of the Customer to BDCC together with all accrued interest thereon and all costs, charges and expenses incurred by BDCC in connection therewith (collectively, the "**BDCC Indebtedness**");
- B. The Customer has granted or agreed to grant to the Senior Lender a security interest in all of the Customer's present and after-acquired personal property, and such other security as the Senior Lender may from time to time receive from the Customer (the "**Senior Lender Security**") to secure present and future debts and obligations of the Customer to the Senior Lender together with all accrued interest thereon and all costs, charges and expenses incurred by the Senior Lender in connection therewith (collectively, the "**Senior Lender Indebtedness**");
- C. The parties hereto have agreed to enter into this agreement in order to set out the respective priorities of the BDCC Security and the Senior Lender Security.

**NOW THEREFORE** in consideration of the premises and other good and valuable consideration, the parties hereto covenant and agree as follows:

### **ARTICLE 1 CONSENT**

- 1.01 BDCC hereby acknowledges its consent to the creation and issuance by the Customer to the Senior Lender of the Senior Lender Security and to the incurring by the Customer of the Senior Lender Indebtedness.

- 1.02 The Senior Lender hereby acknowledges its consent to the creation and issuance by the Customer to BDCC of the BDCC Security and to the incurring by the Customer of the BDCC Indebtedness.

## ARTICLE 2 INTERPRETATION

- 2.01 The preamble hereto forms an integral part of this Agreement.

- 2.02 In this Agreement, the following terms shall have the following meanings:

- (a) **"Accounts Receivable"** means all debts, accounts, claims, demands, monies and choses in action which are now or which may at any time hereafter be due, owing to or accruing due to or owned by the Customer, together with all books, records, documents, papers and electronically recorded data and any other documents or information of any kind which in any way evidences or relates to any or all of the said debts, accounts, claims, demands, monies and choses in action, provided that the term "Accounts Receivable" herein shall not include any insurance proceeds or proceeds from the sale, disposition or realization of the personal property of the Customer other than Inventory;
- (b) **"Intangibles"** means all contractual rights, goodwill, intellectual property including but not limited to patents, trademarks, tradenames and copyrights, permits and quotas and other intangible property now owned or hereafter acquired by the Customer other than Accounts Receivable;
- (c) **"Inventory"** means all of the Customer's present and future goods (including attachments or accessions thereto) that are: (i) held by the Customer for sale in the ordinary course of business; (ii) furnished or are to be furnished under a contract of service; (iii) raw materials, work in progress, finished goods, returned goods, repossessed goods, livestock and the young thereof after conception and crops and timber; or (iv) packaging materials, supplies and containers relating to or used or consumed in the Customer's business in connection with any of the foregoing;
- (d) **"Proceeds"** shall have the meaning ascribed to such term pursuant to the *Personal Property Security Act* (Alberta); (the "PPSA"); and
- (e) **"Secured Parties"** means, collectively, BDCC and the Senior Lender and **"Secured Party"** means any one of them as the context requires.

## ARTICLE 3 PRIORITIES

- 3.01 Subject to Section 3.04:

- (a) The BDCC Security is hereby postponed and subordinated to the security constituted by the Senior Lender Security, and the Senior Lender Security shall have first absolute precedence and priority over the BDCC Security, with respect to all present and after acquired personal property of the Customer and the Proceeds thereof, other than Intangibles (and the Proceeds thereof) and the Customer's assignment of life insurance policy on the life of Jeffrey James Jessamine in the amount of \$4,000,000.00 (the "Policy") and any Proceeds payable to BDCC from the Policy, to the extent that the Senior Lender Security secures payment or performance of the Senior Lender Indebtedness;
- (b) The Senior Lender Security is hereby postponed and subordinated to the security constituted by the BDCC Security, and the BDCC Security shall have first absolute precedence and priority over the Senior Lender Security, with respect to Intangibles and

the Proceeds thereof and the Policy and the Proceeds thereof, to the extent that the BDCC Security secures payment or performance of the BDCC Indebtedness.

3.02 Subject to Section 3.04, the subordinations and postponements herein shall apply in all events and circumstances regardless of:

- (a) the date of execution, attachment, registration or perfection of any security interest held by BDCC or the Senior Lender; or
- (b) the date of any advance or advances made to the Customer by BDCC or the Senior Lender; or
- (c) the date of default by the Customer under any of the BDCC Security or the Senior Lender Security or the dates of crystallization of any floating charges held by BDCC or the Senior Lender; or
- (d) any priority granted by any principle of law or any statute, including the PPSA.

3.03 Any Proceeds, including, without limitation, any Proceeds comprised of insurance proceeds received by the Customer or by BDCC or the Senior Lender in respect of the collateral charged by the BDCC Security or the Senior Lender Security (including, for certainty, Proceeds received pursuant to any realization, enforcement, sale, receivership, insolvency or bankruptcy proceedings, or assignment for the benefit of creditors, or any proceeding by or against the Customer for any relief under any bankruptcy or insolvency law or laws relating to the relief of debtors, readjustment of indebtedness, reorganization, composition or extensions) shall be dealt with according to the preceding provisions hereof as though such Proceeds were paid or payable as proceeds of realization of the collateral for which they compensate subject to subparagraphs (a), (b) and (c):

- (a) The Senior Lender's priorities herein shall not extend to any payments against the BDCC Indebtedness received by BDCC in the ordinary course of business and prior to written notice of the Customer's default from the Senior Lender;
- (b) BDCC's priorities herein shall not extend to any payments against the Senior Lender Indebtedness received by the Senior Lender in the ordinary course of business and prior to written notice of the Customer's default from BDCC;
- (c) Without in any way limiting or waiving the priorities or limitations established by Section 3.01, Section 3.02 and the preceding language of this Section 3.03, BDCC shall not be entitled to claim against any Proceeds or monies which are deposited in or disbursed from any account of the Customer maintained with the Senior Lender:
  - (i) unless they are specifically directed by the Customer to be credited to a trust account for the benefit of BDCC, or otherwise directed to be held in trust for the benefit of BDCC; or
  - (ii) unless BDCC has, on three business days' prior notice (or such shorter period as the Senior Lender may consent to, acting in a commercially reasonable manner in the circumstances) advised the Senior Lender in writing that there has occurred a default under the BDCC Security; or
  - (iii) unless there has occurred a default under the Senior Lender Security and the Senior Lender has determined to enforce the same; or
  - (iv) except those Proceeds arising out of the sale or lease by the Customer of any property or collateral which is the subject of the Security granted in favour of BDCC; provided such sale or lease is not in contravention of the BDCC Security and where, prior to the deposit of the Proceeds in the account, BDCC or the Customer has advised the Senior Lender in writing that the Customer is

proposing to sell or lease such property or collateral and provided the Senior Lender with a reasonable estimate of the net sale or lease Proceeds which may be deposited in the account.

After the occurrence of any of the foregoing events described in items (i), (ii), (iii) or (iv) of this Section 3.03(c), the Senior Lender shall hold any and all such Proceeds in trust for BDCC and forthwith remit the same to BDCC on demand.

- 3.04 If any of the BDCC Security or the Senior Lender Security is claimed or found by a trustee in bankruptcy or a court of competent jurisdiction to be unenforceable, invalid, unregistered or unperfected, then the foregoing provisions of this Article 3 shall not apply to such security to the extent that such security is so found to be unenforceable, invalid, unregistered or unperfected as against a third party unless the applicable Secured Party shall be diligently contesting such a claim and has provided the other Secured Party with a satisfactory indemnity.
- 3.05 Each of the parties hereto shall permit any of the other parties hereto and their employees, agents and contractors, access at all reasonable times to any property and assets of the Customer upon which it has a prior charge or security interest in accordance with the terms hereof and to permit such other party to remove such property and assets from the premises of the Customer at all reasonable times without interference, provided that such other party shall promptly repair any damage caused to the premises by the removal of any such property or assets.
- 3.06 Nothing in this Agreement affects the priority of any security over the Customer's real property interests held by the Secured Parties. The real property interests of the Customer are excluded from the operation of this Agreement.
- 3.07 Nothing in this Agreement shall affect the priority of purchase money security interests (as defined in the PPSA) hereafter acquired by BDCC or the Senior Lender in specific equipment of the Customer. As between the parties, where a Secured Party finances the acquisition of equipment by the Customer such Secured Party will be entitled to a purchase money security interest whether they advance their funds before or after the Customer has paid for the equipment and whether or not the funds are paid directly to the vendor so long as the funds are advanced in connection with the acquisition by the Customer of rights in such equipment.
- 3.08 None of the Secured Parties shall at any time challenge, dispute or contest the validity or enforceability of any of the Security nor the priorities applicable to the Security as provided for herein, nor shall any of them take any action whereby the priorities hereby established may be defeated.
- 3.09 None of the Secured Parties shall be prejudiced in its rights hereunder by any act or failure to act of the Customer, or any non-compliance by the Customer with any agreement or obligation, regardless of any knowledge thereof which any of Secured Parties may have or with which they may be charged, and no action of any Secured Party permitted hereunder shall in any way effect or impair their rights and obligations hereunder.

#### **ARTICLE 4 COVENANTS OF THE CUSTOMER**

- 4.01 The Customer hereby confirms to and agrees with the Secured Parties that so long as any of the indebtedness of the Customer to the Secured Parties remains outstanding, it shall stand possessed of its assets so charged for the Secured Parties in accordance with their respective interests and priorities as herein set out.

#### **ARTICLE 5 GENERAL**

- 5.01 From time to time upon reasonable request therefor the Secured Parties shall advise each other of the particulars of the indebtedness and liability of the Customer to each other and all security held by each therefor.

- 5.02 Each Secured Party agrees that, except as required by law, it will not transfer or assign any of its security from the Customer without first obtaining from the proposed assignee or transferee an agreement to be bound by the provisions of this Agreement.
- 5.03 Prior to making any demand for payment on the Customer or proceeding to enforce its security, a Secured Party shall provide notice of such demand or enforcement to the other Secured Party, provided, however, that neither Secured Party shall be liable for any accidental omission to provide the said notice and further provided that nothing in this section is intended to waive or relieve against the specific notice requirements set out in Section 3.03 of this Agreement.
- 5.04 Any notice required or permitted to be given pursuant to this Agreement shall be in writing and shall be addressed and delivered to the parties hereto as follows:

for BDCC:

**BDC CAPITAL INC.**  
110 Barclay Centre, 444 - 7 Avenue SW  
Calgary, Alberta T2P 0X8

Attention: Mr. Barry Hubich

for the Senior Lender:

**ROYAL BANK OF CANADA**  
Suite 2400, 335 - 8<sup>th</sup> Avenue SW  
Calgary, Alberta T2P 1C9

Attention: Mr. Emile Marx

for the Customer:

**C/O PACIFIC FEDERATION EQUITY GROUP INC.**  
1259 - 91 Street SW #201  
Edmonton, Alberta T6X 1E9

Attention: Mr. Jeffrey Jessamine

- 5.05 Each of the parties hereto shall do, perform, execute and deliver all acts, deeds and documents as may be necessary from time to time to give full force and effect to the interests of this Agreement; provided however, that no consent of the Customer shall be necessary to any amendment of the terms hereof by the Secured Parties unless the interests of the Customer are directly affected thereby.
- 5.06 This Agreement shall enure to the benefit of and be binding upon the parties hereto and their respective successors and assigns; *provided*, however, that none of the Secured Parties shall transfer or assign any of their respective Security without obtaining from the transferee or assignee an acknowledgement that this Agreement shall apply to financing both advanced prior to and subsequent to the date of transfer of assignment.
- 5.07 This Agreement shall be governed by and construed in accordance with the laws of the Province of Alberta and the federal laws of Canada applicable therein. This Agreement constitutes the entire agreement between the parties hereto with respect to the ranking and priority of the Security and supersedes and replaces all prior agreements and understandings, oral and written, between the parties hereto pertaining to the same subject matter. For certainty, the Schedules identified in this Agreement are incorporated herein and made a part hereof.
- 5.08 This Agreement may be executed and delivered in any number of counterparts and may be delivered by facsimile or other means of electronic communication producing a printed copy, each of which, when so executed and delivered, shall be deemed to be an original, and such

counterparts together shall constitute but one and the same instrument and, notwithstanding the date of execution, shall be deemed to bear the date first written above.

**BALANCE OF PAGE INTENTIONALLY LEFT BLANK – EXECUTION PAGES TO FOLLOW.**

**IN WITNESS WHEREOF** the parties hereto have executed this Agreement under the hands of their duly authorized officers as of the date set forth above.

**BDC CAPITAL INC.**


Per: \_\_\_\_\_  
Name: Barry Hubich  
Title: Managing Director, Subordinate  
Financing

Per: \_\_\_\_\_  
Name: Karim Kennedy  
Title: Manager, Subordinate Financing



ROYAL BANK OF CANADA

Per:



Name: THOMAS PATON

Title: Authorized Signatory

PACIFIC FEDERATION EQUITY GROUP INC.

Per: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Per: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

SPRAGUE-ROSSER CONTRACTING CO. LTD.

Per: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Per: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

SPRAGUE-ROSSER DEVELOPMENTS LTD.

Per: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Per: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

