

**CLARK WILSON** LLP

BC's Law Firm for Business

Reply Attention of John C. Fiddick  
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 Our File No. 7402-158 / CW3863184.1

Clark Wilson LLP  
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 Vancouver, BC V6C 3H1  
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November 15, 2010

**BY COURIER O/N (POD)**

682202 B.C. Ltd.  
 102 - 635 Fitzgerald Avenue  
 Courtenay, BC V9N 2R4

Dear Sirs:

This is Exhibit Z 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

**Re: Outstanding Indebtedness to 1397225 Ontario Limited**

We are the solicitors for 1397225 Ontario Limited ("1397225") with respect to the Cedarbrooke Chateau, Mission, B.C. loans.

We have been advised by our client that as of November 1, 2010, 682202 B.C. Ltd. (the "Company") is indebted to our client in the total amount of \$31,079,030.00 (the "Amount Owning") which is broken down as follows:

Mezzanine	\$ 3,700,000.00
Construction	\$25,525,780.00
<b>Total Commitments</b>	<b>\$29,225,780.00</b>
Mezzanine interest	\$ 561,995.00
Construction interest	\$ 1,259,872.00
<b>Total Interest</b>	<b>\$ 1,821,866.00</b>
2009 costs	\$ 25,267.00
2010 costs to Sept.30/10	\$ 6,117.00
<b>Total Costs</b>	<b>\$ 31,384.00</b>
<b>Total Owning</b>	<b>\$31,079,030.00</b>

Interest continues to accrue at the per diem rates as follows:

Mezzanine	\$1,419.18
Construction	\$3,459.28
<b>Per Diem</b>	<b>\$4,878.46</b>

- 2 -

(the "Amount Owing").

We hereby demand, on behalf of 1397225, the immediate repayment of the Amount Owing to it no later than the close of business on *Friday, November 26, 2010*. Please remit your payment by way of certified cheque, bank draft or money order, payable to "Clark Wilson LLP in Trust, without delay.

Should we not receive the repayment of the Amount Owing to our client by the date set out above, or if appropriate arrangements for repayment have not been made, our client reserves the right to commence legal action against you without further notice.

In addition, please find enclosed a copy of our Notice of Intention to Enforce Security.

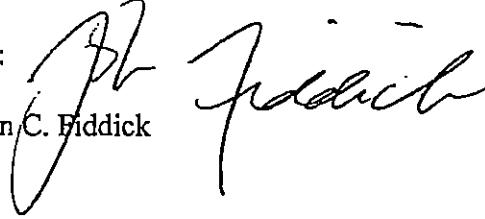
Should you have any questions or concerns, please feel free to contact us.

Yours truly,

CLARK WILSON LLP

Per:

John C. Fiddick



JCF/pen

Encl.

cc: client

# NOTICE OF INTENTION TO ENFORCE SECURITY

FORM 86

(Rule 124)

TO: 682202 B.C. LTD.

TAKE NOTICE THAT:

1. 1397225 ONTARIO LIMITED, a secured creditor, intends to enforce its security on the property of the insolvent person described below:

General Collateral:

AS TO 682202 B.C. LTD.:

(1) ALL OF THE PRESENT AND AFTER-ACQUIRED GOODS, CHATTEL PAPER, INTANGIBLES, INSTRUMENTS, DOCUMENTS OF TITLE, SECURITIES, MONEY OR OTHER PRESENT OR AFTER-ACQUIRED PERSONAL PROPERTY OF THE DEBTOR SITUATE ON OR USED IN CONNECTION WITH OR ARISING FROM OR OUT OF THE REAL PROPERTY (AS DEFINED BELOW). PROCEEDS: ALL PROCEEDS THAT ARE GOODS, CHATTEL PAPER, INTANGIBLES, INSTRUMENTS, DOCUMENTS OF TITLE, SECURITIES, MONEY OR OTHER PRESENT OR AFTER-ACQUIRED PERSONAL PROPERTY. TERMS USED IN THIS GENERAL COLLATERAL DESCRIPTION WHICH ARE DEFINED IN THE PERSONAL PROPERTY SECURITY ACT, SHALL HAVE THE MEANINGS SPECIFIED IN THAT ACT, UNLESS THE CONTEXT OTHERWISE REQUIRES.

(2) PROCEEDS FROM A DEPOSIT IN THE PRINCIPAL SUM OF \$260,000.00 PLUS INTEREST THEREON PLEDGED TO THE SECURED PARTY TO SECURE A LOAN TO THE DEBTOR FROM THE SECURED PARTY

(3) ALL RIGHTS UNDER ALL CONTRACTS INCLUDING BUT NOT LIMITED TO BUILDING OR DEVELOPMENT PERMITS, CONSTRUCTION CONTRACTS AND CONTRACTS FOR THE PROVISION OF SERVICES RELATING TO THE DEVELOPMENT OF THE REAL PROPERTY AND ALL LICENCES ISSUED AND ANY AND ALL OPERATING AND FUNDING AGREEMENTS ENTERED INTO RELATING TO THE INDEPENDENT LIVING FACILITY OPERATED ON THE REAL PROPERTY.

THE TERM "REAL PROPERTY" AS USED HEREIN REFERS TO PROPERTY HAVING A CIVIC ADDRESS OF:

32331 7TH AVENUE, MISSION, BRITISH COLUMBIA AND A LEGAL DESCRIPTION OF:

PID: 017-490-146, LOT A SECTION 20, TOWNSHIP 17, NWD, PLAN LMP1741 AS TO KINGSWAY ARMS MANAGEMENT SERVICES INC., KINGSWAY ARMS HOLDINGS INC., CHAPLIN VENTURES LTD., COLTER INVESTMENTS (GP) LTD., COLTER INVESTMENTS LIMITED PARTNERSHIP, KINGSWAY ARMS HOLDINGS B.C. LTD., 0780293 B.C. LTD. PATRICK BYRNE, GRAHAM PARKER, MICHEAL CHAPLIN:

ALL DEBTS AND LIABILITIES PRESENT AND FUTURE OF 682202 B.C. LTD. TO

THE DEBTORS AND ALL PROCEEDS OF THE FOREGOING COLLATERAL INCLUDING, WITHOUT LIMITATION, ALL GOODS, SECURITIES, INSTRUMENTS, DOCUMENTS OF TITLE, CHATTEL PAPER, INTANGIBLES AND MONEY (ALL AS DEFINED IN THE PERSONAL PROPERTY SECURITY ACT OF BRITISH COLUMBIA AND REGULATIONS THEREUNDER AND ANY AMENDMENTS THERETO)

AS TO COLTER INVESTMENTS LIMITED PARTNERSHIP, KINGSWAY ARMS HOLDINGS B.C. LTD., 0780293 B.C. LTD. AND MICHAEL CHAPLIN::

A PLEDGE OF ALL OF THE ISSUED AND OUTSTANDING SHARES HELD BY THE DEBTOR IN 682202 B.C. LTD. TO THE SECURED PARTY.

2. The security that is to be enforced is in the form of two General Security Agreements dated January 17, 2007, between 682202 B.C. Ltd. and 1397225 Ontario Limited.
3. The General Security Agreements were registered in the Personal Property Registry under Base Registration No.'s 479041D and 479136D, respectively, on January 31, 2007, with 682202 B.C. Ltd. as the Base Business Debtor, and the covenantors/guarantors, Kingsway Arms Management Services Inc., Kingsway Arms Holdings Inc., Chaplin Ventures Ltd., Colter Investments (GP) Ltd., Colter Investments Limited Partnership, Kingsway Arms Holdings B.C. Ltd., 0780293 B.C. Ltd., Patrick Byrne, Graham Parker and Michael Chaplin, as Business Debtors or Individual Debtors and 1397225 Ontario Limited as the Secured Party.
4. The total amount of indebtedness secured by the security as of November 1, 2010 is \$31,079,030.00.
5. The secured creditor will not have the right to enforce the security until after the expiry of the 10-day period following the sending of this notice, unless the insolvent persons consent to an earlier enforcement.

DATED at Vancouver, British Columbia, this 15<sup>th</sup> day of November, 2010.

1397225 ONTARIO LIMITED

Name:

John C. Fiddick

Title:

Solicitor

The undersigned acknowledges that it has 10 days to respond to this Notice. By signing below, the undersigned expressly waives all of its rights to notice and consents to the secured party enforcing the security immediately.

682202 B.C. LTD.

Per:

\_\_\_\_\_  
Authorized Signatory

**Shannon Baker**

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**From:** Penney McClure  
**Sent:** Monday, November 15, 2010 2:52 PM  
**To:** 'pbyrne@kingwayarms.com'  
**Cc:** John Fiddick; Penney McClure; 'GColford@carlislecapital.ca'  
**Subject:** Outstanding Indebtedness of 682202 B.C. Ltd. to 1397225 Ontario Limited

**Attachments:** LT 682202 BC Ltd with Notice.pdf



LT 682202 BC  
d with Notice.p

Dear Mr. Byrne:

Attached please find our demand letter of even date to 682202 B.C. Ltd. together with our Notice of Intention to Enforce Security.

Sent on behalf of John C. Fiddick

Cycle:031616078256

105694989

2 OFFICE SERVICES COPY

11/15/2010

CAF22470

Page: 1

SHIP DATE	TRACKING #	SVC	RECIPIENT COMPANY	RECIPIENT ADDRESS 1	RECIPIENT CITY	ST	CGST	CHST	NET CHG	REFERENCES	DEPT
11/15/2010	433314247251	PO	COLTER INVESTMENT LP	33695 SOUTH FRASER WAY	ABBOTSFORD	BC	0.00	0.00	15.08	32728-0002 JCF	AW
11/15/2010	433314247273	PO	KINGSWAY ARMS HOLDINGS INC	KINGSWAY ARMS HOLDINGS	COURTENAY	BC	0.00	0.00	15.76	32728-0002 JCF	AW
11/15/2010	433314247284	PO	0780293 BC LTD	200-270 HIGHWAY 33 WEST	KELOWNA	BC	0.00	0.00	15.76	32728-0002 JCF	AW
11/15/2010	433314247295	PO	682202 BC LTD	102-635 FITZGERALD AVEN	COURTENAY	BC	0.00	0.00	15.76	07402-0158 JCF	AW
11/15/2010	433314247300	PO	ALBERTA SECURITIES COMMISSIO	4TH FLOOR	CALGARY	AB	0.00	0.00	14.90	29836-00001 AMB	AW
11/15/2010	433314247310	IP	CANADIAN CONSULATE GENERAL	IMMIGRATION REGIONAL PR	BUFFALO	NY	0.00	0.00	30.94	37325-0001 REM	AW
11/15/2010	433314247321	PO	JANELLE KENT	220 EDWARD AVENUE WEST	WINNIPEG	MB	0.00	0.00	15.76	05210-0322 NEM	TWR
11/15/2010	433314247332	PO	2232097 ONTARIO LTD.	3267 STONECREST ROAD	WOODLAWN	ON	0.00	0.00	41.93	37078-0001 C2M	TWR
11/15/2010	433314247343	IP	IRS	DEPARTMENT OF THE TREAS	AUSTIN	TX	0.00	0.00	30.94	05210-0002 SYS	TWR



## Detailed Results

Tracking no.: 433314247295		Select time format: 12H
<b>Delivered</b> <div style="text-align: right;"> <b>Delivered</b>  Signed for by: FLEMMING </div>		
Shipment Dates		Destination
Ship date Nov 15, 2010		COURTENAY, BC
Delivery date Nov 16, 2010 12:13 PM		Proof of Delivery

<b>Shipment Facts</b>			
Service type	Priority Envelope	Reference	07402-0158 JCF
Weight	1.0 lbs/.5 kg	Department number	CENTRAL

<b>Shipment Travel History</b>			
Select time zone: Local Scan Time			
All shipment travel activity is displayed in local time for the location			
Date/Time	Activity	Location	Details
Nov 16, 2010 12:13 PM	Delivered	COURTENAY, BC	
Nov 16, 2010 7:30 AM	At local FedEx facility	CAMPBELL RIVER, BC	
Nov 15, 2010 6:59 PM	In transit	VANCOUVER, BC	
Nov 15, 2010 6:58 PM	In transit	VANCOUVER, BC	
Nov 15, 2010 6:34 PM	Left FedEx origin facility	RICHMOND, BC	
Nov 15, 2010 6:34 PM	At local FedEx facility	RICHMOND, BC	
Nov 15, 2010 6:34 PM	At dest sort facility	VANCOUVER, BC	
Nov 15, 2010 7:18 PM	Shipment information sent to FedEx		
Nov 15, 2010 4:03 PM	Picked up	RICHMOND, BC	