

COURT FILE NUMBER 1703 21274  
COURT COURT OF QUEEN'S BENCH  
OF ALBERTA  
JUDICIAL CENTRE EDMONTON  
PLAINTIFF ROYAL BANK OF CANADA  
DEFENDANTS REID-BUILT HOMES LTD.,  
1679775 ALBERTA LTD., REID  
WORLDWIDE CORPORATION,  
BUILDER'S DIRECT SUPPLY  
LTD., REID BUILT HOMES  
CALGARY LTD., REID  
INVESTMENTS LTD., REID  
CAPITAL CORP., AND EMILIE  
REID



IN THE MATTER OF THE  
RECEIVERSHIP OF REID-BUILT  
HOMES LTD., 1679775  
ALBERTA LTD., REID  
WORLDWIDE CORPORATION,  
BUILDER'S DIRECT SUPPLY  
LTD., REID BUILT HOMES  
CALGARY LTD., REID  
INVESTMENTS LTD., AND REID  
CAPITAL CORP.

**DOCUMENT**

**AFFIDAVIT**

ADDRESS FOR SERVICE  
AND CONTACT  
INFORMATION OF  
PARTY FILING THIS  
DOCUMENT

Bishop & McKenzie LLP  
2300, 10180 - 101 Street  
Edmonton, AB, T5J 1V3  
Telephone: 780-426-5550  
Facsimile: 780-426-1305  
Attention: Jerritt R. Pawlyk  
File No. 107388-006 JRP/mls

**AFFIDAVIT OF CURTIS POWER**

Sworn on May 8<sup>th</sup>, 2018

I, Curtis Power, of the City of Edmonton, in the Province of Alberta, SWEAR AND SAY THAT:

1. I am the Chief Operating Office of KV Capital Inc. ("KV"), and as such I have a personal knowledge of the facts and matters hereinafter deposed to.

2. By a Loan Agreement dated August 24, 2016 (the "Loan Agreement"), Reid Worldwide Corporation. ("Reid Worldwide") borrowed from KV the sum of \$15,000,000.00 and agreed to repay the same together with interest thereon at KV's rate of interest of 9.50% per annum calculated monthly not in advance as well after as before maturity and both before and after default, on the days and times and in the manner mentioned in the Loan Agreement. Attached as Exhibit "A" is a copy of the Loan Agreement.
3. By a Memorandum of Mortgage dated July 25, 2016 (the "Mortgage") made under *The Land Titles Act*, and registered in the Alberta Land Titles Office, as Number 161 223 049 on September 20, 2016, a copy of which is attached as Exhibit "B" Reid Worldwide mortgaged to KV the following lands, namely:

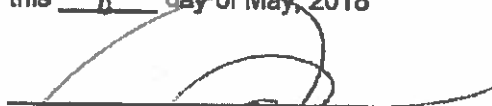
PLAN 7911331  
BLOCK 7  
EXCEPTING THEREOUT ALL MINES AND MINERALS

(the "Lands")

for securing payment of the sum of \$15,000,000.00 together with interest at KV's rate of interest of 9.50% per annum, compounded monthly not in advance payable both before and after maturity, default or judgment.
4. The Loan proceeds were fully advanced to Reid Worldwide by June 27, 2017.
5. As additional and collateral security for the repayment of the Loan Agreement, Reid Worldwide granted a General Security Agreement dated July 25, 2016 (the "GSA") in favour of KV. A copy of which is attached as Exhibit "C".
6. By the Mortgage and the Loan Agreement, Reid Worldwide covenanted to pay to the Plaintiff the principal sum and interest at the rate referred to therein, on the days and times and in the manner mentioned in the Mortgage, and the Loan Agreement.
7. The Mortgage, the Loan Agreement and the GSA provide that on default of payment of the principal or interest or any monies thereby secured or if default is made in any of the covenants, agreements, provisos or stipulations expressed or implied therein, the whole of the balance outstanding thereunder shall at the option of KV become due and payable. KV has exercised and hereby exercises such option.
8. By the Mortgage, Reid Worldwide covenanted to pay all liens, taxes, rates, charges or encumbrances on the Lands which may fall due or be unpaid, and also to insure the buildings on the Lands against damage by fire and other perils in default of all or any of which KV should have the right to do the same and add to the Mortgage all costs and expenses incurred by it in that regard and in respect of any proceedings to realize the monies secured by the Mortgage, including legal costs as taxed between a solicitor and his client.
9. Default has been made pursuant to the terms of the Mortgage, the Loan Agreement and the GSA.

10. As of May 1, 2018, the sum of \$9,861,737.31 was outstanding under the Loan Agreement being comprised of \$9,264,808.32 for principal, \$448,880.76 for interest, and \$148,048.23 in other charges and collection costs including solicitor-client costs and disbursements, which costs continue to accrue. Interest continues to accrue on the balance outstanding under the Loan Agreement at the rate of 9.50% per annum, for each day after May 1, 2018.

SWORN BEFORE ME at the City of  
Edmonton, in the Province of Alberta  
this 8 day of May, 2018

  
A Commissioner for Oaths in and for the  
Province of Alberta

  
CURTIS POWER

**MOLLY ANN BELL**  
A Commissioner for Oaths in and  
for the Province of Alberta  
My Commission Expires Nov 11, 2019



24 August 2016

Reid Worldwide Corporation,  
c/o Avison Young  
Suite 1200, 585 – 8th Avenue SW  
Calgary, AB. T2P 1G1

Re: Short Term Financing Proposal for construction of a three storey office building with 51,881 SF gross floor area and one level of underground parkade – all located at 7136 – 11 Street NE, Calgary, AB.

On the basis of the information provided in connection with your request for financing, KV Capital Inc. ("KV Capital") has authorized financing based upon the following terms and conditions (the financing and its associated terms and conditions being the "Loan") as outlined in this term sheet (the "Term Sheet" or the "Commitment Letter"):

**BORROWER(S)/  
MORTGAGOR(S):** Reid Worldwide Corporation  
(collectively, the "Borrower" or the "Mortgagor").

**GUARANTOR(S):** A limited personal guarantee of \$5,000,000 from Ms. Emille Reid,  
An unlimited corporate guarantee from Reid Investments Ltd.,  
An unlimited corporate guarantee from 1679775 Alberta Ltd.  
(collectively, the "Guarantor").

**PURPOSE OF LOAN:** To provide short-term financing for construction of a three storey office building with 51,881 SF gross floor area and one level of underground parkade – all located at 7136 – 11 Street NE, Calgary, AB. (the "Project")

**MORTGAGED PROPERTY:** Primary Security:  
Property #1: FIRST MORTGAGE: Plan 7911331, Block 7;  
(Civic Address: 7136 – 11 Street NE, Calgary, AB).

Secondary Security:  
Property #2: SECOND MORTGAGE: Plan 1611520, Block 39, Lots 10-44; (35 multi-family, fully serviced lots located at Skyview Ranch, Calgary, AB).  
Property #3: SECOND MORTGAGE: Plan 1611520, Block 42, Lots 10-48; (39 multi-family, fully serviced lots located at Skyview Ranch, Calgary, AB).

Maximum permitted prior encumbrance on the Secondary Security: \$4,750,000

Collectively, the above being the "Mortgaged Property" or the "Lands".

This is Exhibit A referred to in  
the Affidavit of Curtis Power  
sworn before me this 8 day of  
May, 2016  
A Commissioner of Oaths in and for  
the Province of Alberta

**MOLLY ANN BELL**  
A Commissioner for Oaths in and  
for the Province of Alberta  
My Commission Expires Nov 11, 2020

SUITE 108, 2627 ELLWOOD DRIVE SW | EDMONTON, AB. T6X 0P7  
TELEPHONE: 780-433-1222 | TOLL FREE: 1-888-933-1222 | FAX (TOLL FREE): 1-888-228-1296

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Borrower Initials: CB

**LOAN AMOUNT:**

\$15,000,000 (including Fees), (collectively, the "Loan Amount") to be disbursed as follows:

*\* the maximum loan amount will be capped at \$3,000,000 until the maximum permitted prior encumbrance on the Secondary Security, \$4,750,000, is paid down to \$4,000,000.*

**Initial Advance - \$2,000,000**

To be advanced upon confirmation that the Project Equity is greater than or equal to \$6,105,000 as determined and confirmed by a Quantity Surveyor Report completed by a qualified firm; to be reviewed by KV Capital and found to be satisfactory.

**Construction Draws - \$10,500,000** Draw request amount is determined, and disbursed on a Cost-in-Place, Cost-to-Complete basis, with the first advance available upon confirmation that the Borrower's equity is fully advanced and all cost overrun also funded by the Borrower. Cost to complete is determined and confirmed by Quantity Surveyor Reports completed by a qualified firm to be reviewed by KV Capital and found to be satisfactory.

**Advances for Tenant Improvements/Supplemental Advance\* - \$2,500,000**

Actual advances for Tenant Improvements to be the lesser of \$50/SQFT and the amount negotiated with the tenant.

All advances for Tenant Improvements will be subject to:

1. Unconditional lease agreements at a net lease rate of \$26.00/SQFT for each tenant;
2. Related party leases not to exceed 13,000 SQFT; and
3. At least 30% of the net leasable area has been leased to third parties.

**SOURCES AND USES OF FUNDS:**

USES		SOURCES	
Land	\$850,000	Borrower Equity	\$6,105,000
Hard Cost	\$15,851,700	KV Loan Amount	\$12,500,000
Soft Cost	\$611,600		
Fees	\$480,000		
Contingency	\$811,700		
<b>SUBTOTAL</b>	<b>\$18,605,000</b>	<b>SUBTOTAL</b>	<b>\$18,605,000</b>
Tenant Improvements*	\$2,500,000	Supplemental Advance	\$2,500,000
<b>TOTAL</b>	<b>\$21,105,000</b>	<b>TOTAL</b>	<b>\$21,105,000</b>

**TERM:**

15 months from the interest adjustment date (the "Term"). The interest adjustment date is to be the 1<sup>st</sup> day of the month immediately following the date that mortgage is advanced, unless the mortgage is advanced on the 1<sup>st</sup> day of the month.

**INTEREST RATE:** 9.50% for the duration of the Term.

Interest is to be calculated monthly not in advance. Interest will be compounded monthly on the daily outstanding balance of the principal and interest under the Loan as determined in accordance with the terms of the Security. Interest shall form part of the Loan Amount.

**AMORTIZATION:** Interest only.

**PAYMENTS:** \$118,750 per month during the Term, when the Loan is fully advanced.

**LENDER/ BROKERAGE FEES:** KV Capital lender and brokerage fees (the "Fees" or "Lender / Brokerage Fee") in the amount of 2.00% shall be collected on each gross advance made under this mortgage loan facility. Fees to be paid upon the funding of each loan advance.

The Lender / Brokerage Fee shall not be refundable under any circumstances and will be deemed as fully earned by KV Capital upon acceptance of this Commitment Letter by the Borrower. In the event that the Borrower does not proceed with the financing as contemplated by this Commitment Letter, or is unable to satisfy the funding conditions herein, any balance of the Fees remaining unpaid shall immediately become due and payable.

**COSTS, EXPENSES, AND  
SERVICE CHARGES**

The Borrower shall be responsible for the legal fees and other related costs and fees relating to the approval, preparation, drafting and registration of the Security documents by a solicitor to be chosen by KV Capital.

All legal, application, commitment, appraisal, environmental, soils, Cost Consultant, insurance, progress draws, searches, and other costs incurred by KV Capital in connection with the Loan are to be borne by the Borrower.

In addition, the Borrower shall pay the Administration and Service Charges described at Appendix D hereto.

All such costs, fees, expenses and service charges shall form part of the Loan Amount and the Borrower shall be liable for all such amounts.

**FUNDING TIMING:** Funding may take place up to 30 days from date all conditions have been satisfied.

**FUNDING CONDITIONS:** Prior to the disbursement of funds, the conditions specified at Appendix A hereto must be satisfied by the Borrower or waived by KV Capital in its sole and unfettered discretion.

**SECURITY:** The Loan shall be secured by the security more fully described at Appendix B hereto (collectively, the "Security") to secure all indebtedness, liability or obligation of the Borrower to KV Capital and improvements thereon.

**TERMINATION AND  
DEMAND OF LOAN:**

KV Capital shall have the right to terminate this Commitment Letter or to demand repayment of the Loan if:

- (a) The Security is not registered by August 31, 2016;
- (b) The Initial disbursement of funds is not made by August 31, 2016; or
- (c) The conditions set out in this Commitment Letter have not been met or, in the sole opinion of KV Capital, a material adverse change in the risk occurs, or if any representation or warranty of the Borrower is incorrect, or the Security has been impaired;

An Interest Standby fee of 9.50% per annum will be deducted from proceeds if the initial draw takes place after the above noted dates.

**PREPAYMENT:**

If the Borrower is not in default hereunder and upon payment of any fees or charges outstanding that are required hereunder, the Borrower will have the right at any time, and from time to time, to prepay the principal or any part thereof (including when prepaying to obtain a partial discharge upon the sale of a lot), with accrued and unpaid interest to and including the date of such prepayment of the amount paid, at any point in time with a 30 day prepayment penalty provided that the account is not in arrears.

Notwithstanding any other provision of this Commitment Letter, the lender shall be entitled to earn a minimum of three months interest (the "Minimum Interest") on any and all funds advanced under the Loan, such amount to be in addition to any fees or other compensation, which are specified in this Commitment Letter. In the event that the loan is paid before the specified Minimum Interest has been paid, the difference between the interest paid and the contract Minimum Interest specified above shall be added to the amount required to discharge the Loan and paid at the time a discharge is granted to the Borrower.

**REVIEW BY LENDER:**

The Loan will be reviewed at such times as the Lenders or KV Capital may require.

**CAVEAT:**

The Borrower acknowledges that KV Capital or the Lenders, or both, may register a caveat against the Lands to more fully secure the payment of costs, fees or other charges in respect of the Loan.

**SUBSEQUENT MORTGAGES:**

There shall be no other subsequent mortgages or other financial encumbrances registered against the Mortgaged Property or the Project without KV Capital's prior consent.

**SALE OF THE PROJECT OR  
THE MORTGAGED  
PROPERTY:**

At KV Capital's sole option, payment of the entire principal amount outstanding, together with any fees, interest or other charges accrued thereon, shall become due and payable in the event of a partial or complete sale of the Project or the Mortgaged Property.

**FINANCIAL STATEMENTS:**

Current financial statements, current personal net worth statements and Notices of Assessment that are required as Funding Conditions are due prior to any funding contemplated herein.

Within 120 days of the end of its fiscal year and at any other time, and for such other period of time within each fiscal year as KV Capital may require, each corporate Borrower shall deliver to KV Capital its financial statements. In addition, financial statements and net worth statements shall be delivered to KV Capital for any guarantors or indemnitors when so requested by KV Capital.

Corporate financial statements are to be prepared by a qualified accountant, certified correct by the directors of the Borrower and be in form and substance satisfactory to KV Capital prior to funding.

KV Capital shall have the right, at reasonable times and upon request, to inspect any property, books of account, or other material relating to the Loan, the Project or the financial statements described herein.

**INSURANCE:**

Prior to the disbursement of funds, the insurance requirements specified at Appendix C hereto must be satisfied by the Borrower or waived by KV Capital in its sole and unfettered discretion.

**TAXES:**

All taxes in respect of the Lands shall be paid when due and evidence of payment of the same shall be provided to KV Capital within sixty (60) days after the due date. Failure to do so will cause the Loan to be in default unless remedied in full within forty-five (45) days of notification from the municipality, city or municipal district.

**SURVEY:**

To the sole satisfaction of the Lenders and or KV Capital, the Borrower shall provide such certification and sketch, together with any other certification required, showing:

- (a) The boundaries and dimensions of the Lands;
- (b) The location of the buildings and other improvements on the Lands and that the location and construction of the buildings and other improvements comply with all rules, regulations, and by-laws of the appropriate city or municipal authority, or any other governmental authority having jurisdiction in connection therewith including, without limitation, compliance with all setbacks, easements, zoning, and height restrictions; that the buildings and other improvements do not encroach on adjoining lands or easements and that there are no encroachments on the Lands;
- (c) The locations of all registered easements on the Lands; and
- (d) The dimensions of the building foundations on the Lands,

provided that the requirement to provide such certification and sketch shall only arise if: (i) there are any structures on the Lands as of the date hereof; or (ii) there will be any structures constructed on the Lands during the Term of the Commitment Letter or any renewal thereof, in which case such certification and sketch shall be provided by the Borrower on or before the final advance of funds for construction purposes as contemplated hereunder.



**REPRESENTATIONS AND WARRANTIES:**

The Borrower jointly and severally represent and warrant to KV Capital as follows:

- (a) The Borrower is a corporation duly organized, validly existing, and in good standing under the laws of the Province of Alberta, and the Borrower has all the corporate powers necessary to enter into this transaction;
- (b) All financial statements and other documents and information delivered by the Borrower in connection with the Borrower's application for the Loan are true and accurate and fairly represent the financial condition of the Borrower; and
- (c) The Borrower is, or will become upon the registration of a transfer of the Lands into its name, the beneficial owner of all right, title, and interest in and to the Lands and holds or will hold no portion of or interest in the Lands in trust for any other party.

**JOINT AND SEVERAL COVENANTS:**

All references to Borrower shall include all parties comprising the Borrower, and all covenants and agreements of each such party shall be joint and several covenants and agreements of such party with any other party who may have covenanted or agreed with KV Capital hereunder.

**ASSIGNMENT:**

This Commitment Letter is non-transferable and the benefit thereof may not be assigned or sold by the Borrower. KV Capital reserves the right to assign this Commitment Letter or the Security or any portion thereof to another Lender or Lenders upon notice to the Borrower.

**NON-MERGER:**

It is understood and agreed that the execution, delivery, and registration of the Security in connection herewith shall in no way extinguish the offer of credit /the Loan or the terms and conditions contained herein, which shall survive and continue in full force and effect. In the case of any inconsistency or conflict with any of the provisions of the Security, such provisions of the Security shall prevail.

**CONFIDENTIALITY:**

This Commitment Letter is being delivered on the understanding that neither this Commitment Letter nor its substance shall be disclosed, publicly or privately, except to counsel, accountants, employees, and agents of the Borrower or Receiver who are specifically involved in a proposed transaction affecting the Lands and as may be required to facilitate approval by the Court of any proposed transaction between the Borrower and the Receiver. Without limiting the generality of the foregoing, none of such persons shall use or refer to KV Capital's name in any disclosure made in connection with any of the transactions described herein without KV Capital's prior written consent.

**CONSENT TO OBTAIN CREDIT REPORTING:**

The Borrower consent to the obtaining from any credit reporting agency or from any other party such information as KV Capital may require at any time, and each consents to the disclosure at any time of the information concerning the Borrower, or any of them, to any credit grantor with whom the Borrower, or any of them, may have financial relations, or to any credit reporting agency.

**CONSENT TO RELEASE  
INFORMATION TO  
INVESTORS:**

The Borrower acknowledges that KV Capital acts on behalf of investors who may provide some or all of the funds that form a part of the Loan (the "Lenders"). The Borrower further acknowledges that in connection with KV Capital's presentation to investors concerning the Loan, KV Capital provides certain information to such investors that has been obtained by KV Capital, including credit information in respect of the Borrower, and other information related to the real property proposed to secure the loan.

The purpose of this document is to obtain your consent to the release to KV Capital's investors of credit information and other information obtained by KV Capital concerning you and the real property to secure your loan.

**CONSENT TO SIGN AS  
AGENT:**

*For Funding purposes only*, KV Capital or its affiliate is hereby authorized to sign subscription agreement(s) as agent for the borrower under applicable securities regulations (pursuant to National Instrument 45-106).

  
Initials

**CONSENT TO FILE  
INFORMATION WITH  
SECURITIES REGULATORS:**

*For the purpose of completing securities filings only*, KV Capital or its affiliate is hereby authorized to prepare and remit on behalf of the borrower all reports, forms and notifications in accordance with this distribution as required by the relevant provincial Securities Act(s), accompanying regulation(s) and National Instrument(s). Notwithstanding the preceding sentence, the borrower explicitly acknowledges their responsibility as the issuer of securities to provide accurate and timely information to KV Capital as required to complete the filing(s).

  
Initials

**CONSENT TO ADVERTISE:**

KV Capital reserves the right to place an advertising sign on the property while financing remains in place.

**BORROWER  
ACKNOWLEDGMENTS:**

Any advance of funds hereunder shall remain at the sole discretion of KV Capital. KV Capital will provide best efforts to syndicate the Loan offering as described herein, however, cannot guarantee funding in its entirety. This Commitment Letter is accepted with the full understanding of the funding process and the possibility that investors may not accept the offering.

Neither execution nor registration of any of the required security documentation, nor the advance of part of the monies committed herein, shall bind KV Capital or the Lender(s) to advance the principal sum of the Loan or any unadvanced portion thereof.

**AUTO-RENEWAL:**

This Commitment Letter shall automatically renew at the end of the original Term and at the end of each subsequent renewal term for a further period of six months (each, a "Renewal Term") on the same terms herein with the following exception: (i) on the first day of each Renewal Term, a renewal fee equal to 1.50% of the Loan's principal balance outstanding as at that date (each, a "Renewal Fee") becomes fully earned, due and payable to KV Capital in its capacity as administrator of the Loan. Each such Renewal Fee shall form a part of the Loan's principal balance outstanding if it is not actually paid by the Borrower to KV Capital on the date it is due.

The Borrower may terminate this auto-renewal clause by paying the Loan's principal balance outstanding in full at the end of the original Term or any subsequent Renewal Term.

KV Capital, at its discretion, may choose to terminate this auto-renewal clause.

**TIME FOR ACCEPTANCE:**

This Commitment Letter as contained herein, shall be open for acceptance by signing and delivering to our office this Commitment Letter, together with a cheque in the amount of \$N/A (\$5,000 commitment fee already received by KV Capital from the Borrower for providing financing for this Project), representing the non-refundable commitment fee due, fully earned and payable upon acceptance of this Commitment Letter by the Borrower (the "Commitment Fee"), until N/A (\$5,000 commitment fee received by KV Capital from the Borrower in support of this financing commitment on May 10, 2016), after which time this offer will expire.

Sincerely,

KV CAPITAL INC.



Per: Aleem Virani, CA, CBV  
President



# KV Capital

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**ACCEPTANCE:**

The Borrower hereby acknowledge and agree to the terms and conditions contained in this Commitment Letter and authorize KV Capital to instruct its solicitor to prepare the Security documentation.

The Borrower further acknowledges that the Commitment Fee set forth herein is a reasonable estimate of KV Capital's cost incurred in investigating and preparing the Loan and of holding monies available to fund same and shall be forfeited to KV Capital as liquidated damages if the first advance under the Loan is not taken down within the time limited herein.

Acknowledged and agreed to on this 26 day of August, 2016.

**REID WORLDWIDE CORPORATION:**

Per: [Signature]

Name:

Title:

I have the authority to bind the Borrower

**REID INVESTMENTS LTD.:**

Per: [Signature]

Name:

Title:

I have the authority to bind the Borrower

**1679775 Alberta Ltd.:**

Per: [Signature]

Name:

Title:

I have the authority to bind the Borrower

[Signature]  
WITNESS

Print Name:

[Signature]  
EMILIE REID

SUITE 108, 2527 ELLIWOOD DRIVE SW | EDMONTON, AB. T6X 0P7  
TELEPHONE: 780-433-1222 | TOLL FREE: 1-888-933-1222 | FAX (TOLL FREE): 1-888-228-1295

WWW.KVCAPITAL.CA

Borrower Initials [Signature]



# KV Capital

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## APPENDIX A – FUNDING CONDITIONS

CONDITIONS PRECEDENT:		Party	Status
	(a) Prior to the advance of any funds, all legal opinions and collateral security shall be in place and in a priority, form and content satisfactory to the Lenders, or the management of KV Capital and its solicitor, and that no adverse circumstances in the affairs of the Borrower, financial or otherwise, shall exist.	Solicitor/ Borrower	Outstanding
CONDITIONS FOR INITIAL DRAW:			
	(b) Signed copy of Borrower Information Form for the Borrower;	Solicitor	Waived
	(c) Signed copy of KV Capital's Consent Form for Emille Reid (the "Principal") to be reviewed by KV Capital and found satisfactory;	Solicitor	Outstanding *To be received from Borrower's solicitor
	(d) Copies of Driver's Licenses for the Principal to confirm legal names;	Solicitor	Outstanding *To be received from Borrower's solicitor
	(e) Updated net worth statements for Emille Reid;	Borrower	Satisfied
	(f) Current original appraisals on an "as complete" basis to be reviewed by KV Capital and found satisfactory;	Borrower	Satisfied
	(g) Transmittal letters from the appraiser(s) authorizing the use of their appraisals and the reliance thereon by KV Capital;	Borrower	Outstanding
	(h) 2015 and 2016 Financial Statements of Reid Worldwide Corporation to be reviewed by KV Capital and found satisfactory;	Borrower	Satisfied
	(i) Cost consultant report, completed by a qualified firm, reviewed by KV Capital and found satisfactory. Cost consultant report to provide a detailed breakdown of the total cost of the Project as well as on a phase basis;	Borrower	UNDER REVIEW
	(j) Verification of construction progress via Quantity Surveyor report, completed by a qualified firm reviewed by KV Capital and found satisfactory;	Borrower	PENDING
	(k) Building and Development Permit of the subject property;	Borrower	Satisfied
	(l) Geotechnical Report to be reviewed by KV Capital and found satisfactory;	Borrower	Satisfied

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TELEPHONE: 780-433-1222 | TOLL FREE: 1-888-933-1222 | FAX (TOLL FREE): 1-888-229-1295

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Borrower Initials:

	Party	Status
(m) Blueprints and specifications for the Project;	Borrower	Satisfied
(n) Phase 1 Environmental Site Assessment in respect of every parcel of land comprising the Mortgaged Property, to be reviewed by KV Capital and found satisfactory;	Borrower	Satisfied
(o) Current corporate NOAs for the Borrower confirming that all corporate taxes in respect of the Borrower have been paid and are current;	Borrower	Satisfied
(p) Current GST Statement of Account for the Borrower confirming that GST payments have been made and are current;	Borrower	Outstanding
(q) Receipt of Commitment Fee;	Borrower	Satisfied
(r) Detailed construction budget to be reviewed by KV Capital and its Cost Consultant and found satisfactory;	Borrower	Satisfied
(s) An unrestricted Indemnity and Guarantee for the liabilities of the Borrower to KV Capital shall be provided. In addition, a \$5,000,000 limited personal guarantee shall be provided to KV Capital by Emilie Reid.	Solicitor	Outstanding
(t) Environmental and Indemnity Agreement in respect of every parcel of land comprising the Mortgaged Property, to be reviewed by KV Capital and found satisfactory;	Solicitor	Outstanding
(u) Proof of Insurance Coverage;	Solicitor	Outstanding
(v) Confirmation that all property taxes in respect of the Mortgaged Property have been paid and are current.	Solicitor	Outstanding
(w) KV Capital reserves the right to complete an inspection of the property as part of its due diligence.	Lender	Satisfied
(x) Credit Committee approval required;	Lender	Satisfied
<b>CONDITIONS FOR SUBSEQUENT CONSTRUCTION DRAWS:</b>		
(y) Verification of construction progress via Quantity Surveyor report, completed by a qualified firm reviewed by KV Capital and found satisfactory.	Borrower	Outstanding
<b>CONDITIONS FOR SUBSEQUENT TENANT IMPROVEMENT/ SUPPLEMENTAL ADVANCES:</b>		
(z) Copies of executed lease agreement to be reviewed by KV Capital and found satisfactory	Borrower	Outstanding
(aa) KV Capital reserves the right to complete an inspection of the property as part of its due diligence.	Lender	Outstanding



# KV Capital

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## APPENDIX B –SECURITY

The Security shall comprise the following:

- (a) A collateral first priority mortgage secured against the Primary Security and Improvements thereon in respect of all indebtedness, liability or obligation of the Borrower to KV Capital.
- (b) An Assignment of Rents providing a first registered charge, as appropriate, on the rents and revenues accruing from the Lands;
- (c) A collateral second priority mortgage secured against the Secondary Security and Improvements thereon in respect of all indebtedness, liability or obligation of the Borrower to KV Capital. The maximum permitted prior encumbrance is \$4,000,000.
- (d) An Assignment of Rents providing a second registered charge on the rents and revenues accruing from the Lands;
- (e) An unrestricted Indemnity and an unlimited Guarantee (including Postponement of Claim) for the liabilities of the Borrower to KV Capital shall be provided by Reid Investments Ltd. and 1679775 Alberta Ltd. In addition, a \$5,000,000 limited personal guarantee shall be provided to KV Capital by Emilie Reid.
- (f) A registered General Security Agreement providing a first registered charge with respect to the Primary Security, including all furniture, fixtures, and equipment shall be provided by the Borrower
- (g) An Environmental and Indemnity Agreement, satisfactory in form and substance to KV Capital, providing a warranty of the Borrower and any indemnitor, if so required in the sole discretion of KV Capital's solicitor, as to the absence of any hazardous or toxic substances on, underneath, or emanating from the Lands, and an agreement of the Borrower and any indemnitor to indemnify and save harmless KV Capital from all costs, damages and liabilities of an environmental nature with respect to the Lands;
- (h) Lender title insurance acceptable to the Lender and KV Capital is required prior to advance of funds shall be provided by the Borrower.
- (i) Such other documents containing such other assurances, information, opinions, and covenants as KV Capital and KV Capital's solicitors may reasonably require for the Loan and the Security. Any filings made at the Personal Property Registry will be registered for a period of 5 years.



# KV Capital

Supplying Success

## APPENDIX C – INSURANCE REQUIREMENTS

### INSURANCE REQUIREMENTS:

- All insurance shall be effected with the insurers and on terms approved by KV Capital and shall include 30 days of Notice of Cancellation or Material Change to KV Capital. All insurance policies required by this Commitment Letter to be maintained by the Borrower shall remain in full force and effect as long as the Borrower is indebted to KV Capital or the Lenders under the Security. In the event that evidence of the required insurance is not received by KV Capital, KV Capital reserves the right to place insurance coverage satisfactory to KV Capital's requirements and to charge the Borrower's account with all costs incurred.
- All policies shall contain the IBC (Insurance Bureau of Canada) Standard Mortgage Clause and KV Capital shall be named first loss payee on Primary Security and second loss payee on all Secondary Security. KV Capital shall be provided with either a complete certified copy of the requested insurance or approved cover notes prior to funding, and, with complete renewal documentation, not less than ten days prior to the expiry date of each policy of insurance. If satisfactory insurance is not obtained/ maintained by the Borrower, KV Capital reserves the right to place insurance coverage satisfactory to KV Capital's requirements and to charge the Borrower's account with all cost incurred. KV Capital must first approve any deviations from the above-noted insurance requirements in writing.
- A full copy of the Project Insurance, including liability insurance and full indemnification, will be provided by the Borrower in respect of any and all claims under the policy.
- Full replacement "all risk or all peril" course of construction insurance coverage shall name KV Capital as first loss payee on each and every building, structure, improvement and fixtures. The limit of insurance must not be less than 100% of replacement cost including soft costs and costs of foundations and all parts below ground level.

SUITE 108, 2027 ELLIWOOD DRIVE SW | EDMONTON, AB, T6X 0P7  
TELEPHONE: 780-433-1222 | TOLL FREE: 1-888-933-1222 | FAX (TOLL FREE): 1-888-228-1295

WWW.KVCAPITAL.CA

Borrower Initials EB





# KV Capital

Supplying Success

## APPENDIX D – ADMINISTRATION AND SERVICE CHARGES

### ADMINISTRATION AND SERVICE CHARGES:

- Late payment and/or returned cheque charge \$250.00 per occurrence.
- Insurance default fee \$200.00.
- Enforcement of security \$1,500.00 per action or proceeding commenced.
- Property possession \$1,500.00 for attendance for taking possession of any property taken as security for this loan following default.
- Property management \$250.00 per day, per property for administration, maintenance and security of property in our possession.
- The Lender reserves the right to collect reasonable charges for other administrative services.

SUITE 108, 2827 ELLWOOD DRIVE SW | EDMONTON, AB. T8X 0P7  
TELEPHONE: 780-433-1222 | TOLL FREE: 1-888-933-1222 | FAX (TOLL FREE): 1-888-229-1295

[WWW.KVCAPITAL.CA](http://WWW.KVCAPITAL.CA)

Borrower Initials

CB  
J

LAND TITLES ACT  
(ALBERTA)

MORTGAGE

REID WORLDWIDE CORPORATION

TO

KV CAPITAL INC.

This is Exhibit B referred to in  
the Affidavit of Curtis Power  
sworn before me this 8 day of  
May, 2018

[Signature]  
A Commissioner of Oaths in and for  
the Province of Alberta

**MOLLY ANN BELL**  
A Commissioner for Oaths in and  
for the Province of Alberta  
My Commission Expires Nov 11, 2019

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Schedule "A" - Mortgaged Lands  
Schedule "B" - Collateral Security

## **MORTGAGE**

### ***Land Titles Act***

#### **RECITALS:**

- A. The Mortgagor is or is entitled to become the registered owner of the Lands;
- B. The Mortgagee has agreed to lend the Principal Sum to the Mortgagor;
- C. As security for repayment of the Principal Sum together with interest and performance of the covenants contained herein, the Mortgagor has agreed to grant this Mortgage in favour of the Mortgagee.

The Mortgagor and Mortgagee covenant each with the other as follows:

#### **ARTICLE 1**

##### **1.1 Definitions**

In this Mortgage, unless there is something in the subject matter or context inconsistent therewith:

- (a) "Business Days" means days other than Saturdays, Sundays and Statutory Holidays;
- (b) "Collateral Security" means that additional and collateral security, if any, which is described in Schedule "B" attached hereto, or which may be required pursuant to the provisions of this Mortgage or the Commitment Letter to be granted in favour of the Mortgagee;
- (c) "Commitment Letter" means that certain letter from the Mortgagee (or the Mortgagee's agent) to the Mortgagor dated April 26, 2016 as amended by that letter dated August 24, 2016;
- (d) "Event of Default" means the occurrence of any one or more of the following events:
  - (i) a default by the Mortgagor in the observance or performance of any of the terms or conditions of this Mortgage, the Collateral Security or the Commitment Letter,
  - (ii) an order being made or an effective resolution being passed for the winding up of the Mortgagor or a petition being filed for the winding up of the Mortgagor,

- (iii) the Mortgagor becoming insolvent or the filing or presenting of a petition in bankruptcy against the Mortgagor,
  - (iv) the appointment of a Receiver or Receiver-Manager of the Mortgagor or any of its assets either privately or by court appointment,
  - (v) any proceeding with respect to the Mortgagor which is commenced under the *Companies Creditors Arrangement Act* or any successor legislation,
  - (vi) the Mortgagor making a proposal under the *Bankruptcy and Insolvency Act* or any successor legislation,
  - (vii) any execution, sequestration or other process of any Court becoming enforceable against the Mortgagor or a distress or analogous process being levied upon the property of the Mortgagor or any part thereof which is not satisfied or discharged, as the case maybe, within 15 days from the date upon which the Mortgagor receives written notice of the same from the Mortgagee, and
  - (viii) any other event which, pursuant to the terms of the Mortgage constitutes, or is deemed to constitute, an Event of Default;
- (e) "Hazardous Substances" means any substance which is hazardous to persons or property and includes, without limiting the generality of the foregoing:
- (i) radioactive materials,
  - (ii) explosives,
  - (iii) any substance that, if added to any water, would degrade or alter or form part of a process of degradation or alteration of the quality of that water to the extent that it is detrimental to its use by man or by any animal, fish or plant,
  - (iv) any solid, liquid, gas or odour or combination of any of them that, if emitted into the air, would create or contribute to the creation of a condition of the air that:
    - A. endangers the health, safety or welfare of persons or the health of animal life,
    - B. interferes with normal enjoyment of life or property, or
    - C. causes damage to plant life or to property,

- (v) toxic substances including, without restriction, urea formaldehyde foam insulation, asbestos and poly-chlorinated biphenyls, and
- (vi) substances declared to be hazardous or toxic under any law or regulation now or hereafter enacted or promulgated by any governmental authority having jurisdiction over the Mortgagor, the Mortgagee or the Lands;
- (f) "Interest Rate" means 9.50% per annum, calculated and compounded monthly, not in advance;
- (g) "Lands" means that parcel or parcels of land situate in the Province of Alberta and legally described in Schedule "A" attached hereto, together with all improvements of every kind whether or not affixed thereto, including without limiting the generality of the foregoing, all buildings, erections, improvements, machinery and plant, furnaces, boilers, elevators, escalators, mobile homes, plumbing, air conditioning, ventilating, refrigerating equipment, water heaters, wall to wall carpeting, plate glass, storm doors, storm windows, screens and screen doors and all apparatus and equipment appurtenant thereto whether movable or stationary, with all proper, usual and necessary gears, tools, accessories, equipment and appliances, which are now or may hereafter be placed or installed thereupon;
- (e) "Leases" means all leases, offers to lease or other tenancy agreements related to the Lands in place as at the date of this Mortgage or subsequently entered into in accordance with the terms of this Mortgage;
- (h) "Maturity Date" means 15 months from the first day of the month immediately following the date of the first advance of the Principal Sum;
- (i) "Monthly Instalments" means monthly payments of interest only, calculated at the Interest Rate, estimated to be \$118,750.00 per month;
- (j) "Mortgage" means this mortgage together with all recitals and schedules attached hereto;
- (k) "Mortgage Monies" means the Principal Sum with interest thereon at the Interest Rate, together with all other monies secured by this Mortgage, including without restriction, any advances, fees or expenses made or incurred by the Mortgagee in accordance with Section 5.5 hereof;
- (l) "Mortgagee" means KV Capital Inc.;
- (m) "Mortgagee's Address" means Suite 108, 2627 Ellwood Drive SW, Edmonton, AB T6X 0P7 or such other address as the Mortgagee shall from time to time direct;

- (n) "Mortgagor" means Reid Worldwide Corporation;
- (o) "Mortgagor's Address" means Suite 1200, 585-8<sup>th</sup> Avenue SW, Calgary, AB T2P 1G1 or such other address as the Mortgagor shall from time to time direct;
- (p) "Permitted Encumbrances" means those encumbrances described in Schedule "A" attached hereto;
- (q) "Principal Sum" means the sum of \$15,000,000.00 in lawful money of Canada;
- (r) "Prior Charge" means any mortgage, lien, agreement for sale, encumbrance, interest in land or other charge or claim upon or with respect to the Lands which has or may have or which may acquire priority to this Mortgage, including, without restriction, the Permitted Encumbrances;
- (s) "Real Estate Taxes" means all taxes, local improvement charges, rates, assessments, levies, liens and penalties which are now or may hereafter be imposed or charged or be chargeable against or payable in respect of the Lands and shall include any levy or mortgage tax or principal and interest tax imposed or which may be imposed on this Mortgage or on the Mortgagee in respect of this Mortgage or on the monies secured by this Mortgage or on the Lands but shall exclude income taxes;
- (t) "Receiver" means any person or persons appointed by the Mortgagee in accordance with Section 6.1 herein and includes a receiver, and a receiver and a manager; and
- (u) "Term" means the period of time from the date hereof to and including the Maturity Date but subject to any renewals or extensions thereof.

## **ARTICLE 2**

### **2.1      Loan of Principal Sum**

The Mortgagee agrees to lend the Principal Sum to the Mortgagor upon the terms and conditions contained herein but subject to the Mortgagee's discretion not to advance.

### **2.2      Repayment**

The Mortgagor shall pay the Principal Sum, with interest thereon at the Interest Rate, to the Mortgagee at the Mortgagee's Address, as follows:

- (a) interest only at the Interest Rate on so much of the Principal Sum as shall have been advanced from time to time, shall become due and be paid by



payment of the Monthly Instalments on the first Business Day of each and every month during the Term, commencing with the first Business Day of the month next following the month in which the first advance of the Principal Sum was made and continuing throughout the Term which monthly instalments are \$118,750.00; and

- (b) on the Maturity Date, the balance of the Principal Sum then outstanding, together with all accrued but unpaid interest, shall become due and payable.

#### 2.3 Payment of Interest

The Mortgagor shall pay to the Mortgagee interest at the Interest Rate in the manner aforesaid on the Mortgage Monies or on so much thereof as shall from time to time remain unpaid. All interest on becoming overdue shall be forthwith treated (as to payment of interest thereon) as principal and shall bear compound interest at the Interest Rate after as well as before maturity, default and the obtaining of any judgment by the Mortgagee, to be computed with monthly rests and all such interest and compound interest shall be a charge on the Lands.

#### 2.4 Revolving Credit

Pursuant to Section 104(2) of *The Land Titles Act* R.S.A. 2000, ch. L-4, the Mortgagor acknowledges that this Mortgage secures a revolving loan to a maximum amount equal to the Principal Sum and further agrees that:

- (a) the Principal Sum may be advanced, repaid and readvanced one or more times during the Term; and
- (b) notwithstanding that there may be, during the Term, a time or times during which there are no outstanding advances of the Principal Sum to be secured hereby, this Mortgage shall nonetheless remain binding and valid and shall secure all future advances until it is actually discharged by the Mortgagee.

### ARTICLE 3

#### 3.1 Insurance

- (a) The Mortgagor shall insure the Lands to the extent of the full insurable value of the Lands, or sufficient to protect the Mortgagee as the Mortgagee may reasonably request with a company or companies approved by the Mortgagee against:
  - (i) loss or damage by fire, windstorm, flooding, hail; lightning, explosion, riot, earthquake, impact by aircraft or vehicles, smoke damage, and

- (II) to the extent applicable, against loss or damage caused by the explosion of any steam boiler or other object generating or operated by steam and/or any closed circulation hot water system and/or any pressure vessel or by the escape of water from any sprinkler system or other piping within or operated upon the Lands, such policies of insurance to contain the usual "Extended Coverage" and "Replacement Cost" endorsements.
- (b) Further, the Mortgagor will maintain:
  - (I) general comprehensive liability insurance against claims for personal injury, death or property damage occurring on or about the Lands, such insurance to afford protection in such amounts as the Mortgagee may from time to time reasonably require, and
  - (II) rental or business interruption insurance in such amounts as the Mortgagee may require.
- (c) The Mortgagee may, upon the occurrence of an Event of Default, effect such insurance as required by the Mortgagee.
- (d) The Mortgagor will not do or permit anything to be done whereby the said policy or policies may be voided. The Mortgagor will pay all premiums and sums of money necessary for maintaining such insurance as aforesaid, as the same become due and will assign and deliver unto the Mortgagee the policy or policies of insurance and the receipt or receipts relating thereto.
- (e) The policies shall to the extent applicable, bear endorsements in a form satisfactory to the Mortgagee making all proceeds thereunder payable to the Mortgagee. All policies shall contain either the Insurance Bureau of Canada standard mortgage clause or the Mortgagee's special mortgage clause.
- (f) The policies of insurance and renewals thereof, if applicable, shall be delivered to the Mortgagee at such times as are requested by the Mortgagee, and, in particular, evidence of renewal shall be delivered to the Mortgagee not less than 30 Business Days prior to expiration of the insurance.
- (g) The Mortgagee may require any such insurance to be written by insurance companies acceptable to it, and may, at its option, cancel existing policies and require that new insurance be effected if the Mortgagee, acting reasonably, determines that the Mortgagor's insurer is not acceptable. If the Mortgagor fails to insure or fails to deliver policies or renewals thereof to the Mortgagee as herein provided, the Mortgagee may effect and maintain any insurance herein provided for. Any amount paid by the Mortgagee in respect thereof shall be payable by the Mortgagor to the Mortgagee forthwith on demand, and shall be added to the Principal Sum

and shall bear interest at the Interest Rate until payment is received by the Mortgagee. However, nothing set out herein shall obligate the Mortgagee to obtain or maintain insurance on the Lands.

- (h) The Mortgagor shall forthwith on the happening of any loss or damage, furnish at its own expense all necessary proofs and do all necessary acts to enable the Mortgagee to obtain payment of the insurance monies, and all monies received by virtue of any policy or policies of insurance may at the option of the Mortgagee:
- (i) be forthwith applied in or towards substantially rebuilding, reinstating and repairing the Lands, or
  - (ii) be applied in or towards the payment of the last Monthly Instalment of principal falling due under and by virtue of this Mortgage, and in case of a surplus, in or towards the payment of the Monthly Instalment next in point of time, and so on until the whole of the Principal Sum shall be paid and in case of a surplus then, in or towards payment of any interest that may be accrued due; or
  - (iii) be paid over in whole or in part to the Mortgagor but no such payment shall operate as payment or a novation of the Mortgagor's indebtedness hereunder or as reduction of this Mortgage, or
  - (iv) be applied partly in one way and partly in another as the Mortgagee in its sole discretion may determine;

notwithstanding any law, equity or statute to the contrary, including without restriction the *Insurance Act (Alberta)* and the *Fire Prevention (Metropolis) Act, 1774*, all rights and benefits of the Mortgagor thereunder being hereby expressly waived. Pending application of the insurance monies for the purpose aforesaid, the same shall be deemed to form part of the Lands and be subject to the charge hereby created.

- (i) The Mortgagor hereby constitutes and appoints the Mortgagee as its attorney for the purpose of demanding, recovering and receiving payment of any and all insurance monies to which it may be or may become entitled. Without limiting the generality of the foregoing, the Mortgagee may, in the name of the Mortgagor:
- (i) file proofs of claim with any insurer who shall insure the Lands,
  - (ii) settle or compromise any claim for insurance proceeds in respect of the Lands,
  - (iii) commence and prosecute any action in the name of the Mortgagor for recovery of insurance proceeds in respect of the Lands, and

- (iv) settle or compromise any such action in the name of the Mortgagor for recovery of Insurance proceeds in respect of the Lands.

Notwithstanding anything herein contained it shall remain the responsibility of the Mortgagor to demand, recover and receive such payment and nothing herein shall render the Mortgagee liable to the Mortgagor for any act done by it in pursuance of the Power of Attorney hereby granted or for its failure to do any act or take any step.

**3.2 Payment of Real Estate Taxes**

The Mortgagor shall pay as they become due all Real Estate Taxes, provided that:

- (a) the Mortgagee may deduct from any advance of the Principal Sum an amount sufficient to pay any Real Estate Taxes; and
- (b) the Mortgagor shall at the option of the Mortgagee, pay to the Mortgagee on the days appointed herein for payment of Interest or Monthly Instalments, such sums in addition thereto as the Mortgagee shall compute to be required to provide a fund sufficient to pay in full the Real Estate Taxes when such taxes become due and payable and the Mortgagee shall be at liberty to exercise its discretion at any time during the currency of this Mortgage. A forbearance by the Mortgagee to exercise its discretion, either at the commencement of the Term or at any other time thereafter, shall in no way affect or preclude the Mortgagee from requiring the Mortgagor to pay Instalments for Real Estate Taxes at any subsequent time;
- (c) in the event that the Real Estate Taxes actually charged for any particular year exceed the estimated amount or in the event of any part of the estimated amount paid to the Mortgagee being applied by the Mortgagee in or towards principal and interest or other monies in default, the Mortgagor will pay to the Mortgagee on demand the amount required to make up the deficiency;
- (d) the Mortgagor will transmit to the Mortgagee all assessment notices, tax bills and other notices affecting the imposition of Real Estate Taxes forthwith after the receipt of same by the Mortgagor;
- (e) so long as no Event of Default has occurred, the Mortgagee shall apply such payments on the Real Estate Taxes chargeable against the Lands, but the Mortgagee shall be under no obligation to apply such payments more often than yearly;
- (f) if before any such sum or sums in the hands of the Mortgagee shall have been so applied there shall be an Event of Default, the Mortgagee may, at

its option, apply such sum or sums in or towards payment of principal, interest or other monies so in default;

- (g) if the Mortgagor desires to take advantage of any discounts or avoid any penalties in connection with the payment of Real Estate Taxes, it shall pay to the Mortgagee such additional amounts as in the opinion of the Mortgagee are required for that purpose; provided always, that the Mortgagee may, at its option, decide to prepay either in whole or in part any Real Estate Taxes; and
- (h) the Mortgagee may at any time pay all Real Estate Taxes in order to perfect the title to the Lands or any part thereof and to make or keep this Mortgage a charge thereon and any amount or amounts paid by the Mortgagee in respect thereof shall be payable by the Mortgagor to the Mortgagee forthwith on demand and shall be added to the Principal Sum and will accrue interest at the Interest Rate as if the money were interest in arrears and shall bear interest at the Interest Rate until payment is received by the Mortgagee (such interest to run from the date of payment by the Mortgagee) and shall be added to the Principal Sum and be a charge upon the Lands until repaid with interest as aforesaid; however, nothing set out herein shall oblige or obligate the Mortgagee to pay such Real Estate Taxes and doing so is solely at the option of the Mortgagee.

**3.3      Maintenance and Repair of the Lands**

- (a) The Mortgagor will not commit any waste upon the Lands nor do or permit to be done any act which may impair the value thereof.
- (b) The Mortgagor will take good and reasonable care of all buildings, structures and improvements now or hereafter from time to time erected on the Lands and without cost and expense to the Mortgagee will manage, operate, maintain and keep or cause the same to be kept in good order, repair and condition throughout, both exterior and interior, structural or otherwise, and promptly will make all required or necessary repairs and replacements thereto, including without limitation, the roof, walls, foundations and appurtenances, pipes and mains, and all other fixtures, machinery, facilities and equipment that belong to or are used in connection with the Lands, all of the foregoing to the extent that a prudent owner would do. Notwithstanding the foregoing, the Mortgagor shall not be obligated to repair any damage caused by reasonable wear and tear which does not affect the use and enjoyment of the improvements except as and when such damage would be ordinarily repaired by a prudent owner.
- (c) The Mortgagee by its agents, solicitors or inspectors may enter upon the Lands at any reasonable time to view the state of repair.

- (d) Should, in the opinion of the Mortgagee, the Lands not be in a proper state of repair, the Mortgagee may serve notice upon the Mortgagor to make such repairs or replacements as the Mortgagee deems proper within a period of 20 Business Days and if the Mortgagor has not complied or is not in the process of diligently complying with such requisition within the said time period, the Mortgagee may authorize the making of such repairs or replacements by its agents, employees or contractors who may enter upon the Lands for the purpose of doing such work with or without the Mortgagor's concurrence. The cost of such repairs and replacements shall be paid for by the Mortgagor upon demand and until paid shall be secured by this Mortgage, bear interest at the Interest Rate and be a charge upon the Lands. Provided always, that should the Mortgagor have vacated or abandoned the Lands, or should the Lands be occupied by a tenant or tenants who are failing to properly maintain and repair the same and the Mortgagee in its sole discretion deems it necessary to enter upon the Lands in order to properly maintain and preserve its security, then in such events, the Mortgagee shall be entitled to so enter and such action by the Mortgagee shall not constitute it a mortgagee in possession nor liable as such.

**3.4        Alterations or Additions**

The Mortgagor shall not make, or permit to be made, any alterations or additions in the Lands which would reduce the value thereof without the prior written consent of the Mortgagee and the Mortgagor shall not use the Lands or permit them to be used for the purpose of any business, trade or manufacture of any description, without the consent of the Mortgagee.

**3.5        Hazardous Substances**

The Mortgagor represents, covenants and warrants to and in favour of the Mortgagee that:

- (a) neither the Mortgagor nor, to the best knowledge of the Mortgagor, any other person has ever caused or permitted any Hazardous Substance to be placed, held, located or disposed of on, under or at the Lands, save and except as disclosed to the Mortgagee in writing;
- (b) it shall not allow any Hazardous Substance to be placed, held, located or disposed of on, under or at the Lands without the prior written consent of the Mortgagee which consent may be arbitrarily or unreasonably withheld;
- (c) it shall not allow the Lands to be utilized in any manner in contravention of any applicable laws intended to protect the environment, including without limitation, laws respecting the disposal and emission of Hazardous Substances;

- (d) to the extent that Hazardous Substances are, with the Mortgagee's consent, placed, held, located or disposed of on, under or at the Lands in accordance with the terms hereof, the Mortgagor shall:
  - (i) comply with, or cause to be complied with, all applicable laws and regulations relating to the use, storage and disposal of the Hazardous Substances,
  - (ii) at the request of the Mortgagee, provide evidence to the Mortgagee of compliance with all applicable laws and regulations, such evidence to include inspection reports and such tests as the Mortgagee may reasonably require, all at the expense of the Mortgagor; and
- (e) without restricting the generality of the foregoing, in the event that gasoline or other storage tanks are located under or on the Lands, the Mortgagor shall:
  - (i) maintain and repair such storage tanks in a manner satisfactory to the Mortgagee, and
  - (ii) at the request of the Mortgagee, assign any warranties or guarantees received from the manufacturer or installer of such storage tanks in favour of the Mortgagee as additional security.

**3.6      Indemnity**

The Mortgagor hereby indemnifies and saves harmless the Mortgagee and its successors and assigns from and against any and all losses, liabilities, damages, costs and expenses of any kind whatsoever including, without limitation:

- (a) the costs of defending, counter-claiming or claiming over against third parties in respect of any action or matter including legal fees, costs and disbursements on a solicitor and his own client basis and at all court levels;
- (b) any cost, liability or damage arising out of a settlement of any action entered into by the Mortgagee with or without the consent of the Mortgagor; and
- (c) the costs of repair, clean-up or restoration paid by the Mortgagee and any fines levied against the Mortgagee;

which at any time or from time to time may be paid, incurred or asserted against the Mortgagee, as to a direct or indirect result of the presence on or under, or the escape, seepage, leakage, spillage, discharge, emission or release, of Hazardous Substances from the Lands either onto any lands (including the Lands), into the atmosphere or into

any water. This indemnification shall survive the satisfaction, release or enforcement of the Mortgage or Collateral Security and the full repayment of the Mortgage Monies.

#### ARTICLE 4

##### **4.1        Mortgagor's Representations and Warranties**

The Mortgagor represents and warrants to the Mortgagee that:

- (a) the Mortgagor has a good title to the Lands;
- (b) the Mortgagor has the right to mortgage the Lands;
- (c) on default, the Mortgagee shall have quiet possession of the Lands, free from all encumbrances (except the Permitted Encumbrances);
- (d) the Mortgagor will execute such further assurances with respect to the Lands as may be required by the Mortgagee; and
- (e) the Mortgagor has done no act to encumber the Lands in priority to this Mortgage (except the Permitted Encumbrances).

#### ARTICLE 5

##### **5.1        Default**

Upon the occurrence of an Event of Default:

- (a) the Mortgagee may, at its option, and at the Mortgagor's expense and when and to such extent as the Mortgagee deems advisable, observe and perform or cause to be observed and performed any covenant, agreement, proviso or stipulation contained herein or contained in the Collateral Security;
- (b) the Mortgagee may send or employ an Inspector or Agent to inspect and report upon the value, state and condition of the Lands and a Solicitor to examine and report upon the title to the same, all at the expense of the Mortgagor;
- (c) the Mortgagee may enter into possession of the Lands, either by itself or its agent, and whether in or out of possession collect the rents and profits thereof, and make any demise or lease of the Lands or any part thereof for such terms, periods, and at such rent as the Mortgagee shall think proper;
- (d) it shall be lawful for, and the Mortgagor does hereby grant full power, right and license to, the Mortgagee to enter, seize and distrain upon the Lands or any part thereof; and by distress warrant to recover by way of rent reserved as in the case of demise of the premises as much of the



Mortgage Monies as shall from time to time be or remain in arrears and unpaid, together with all costs, charges and expenses attending such levy or distress, as in like cases of distress for rent;

- (e) the whole of the Mortgage Monies shall, at the option of the Mortgagee, become due and payable;
- (f) the Mortgagee may exercise each of the foregoing powers without notice to the Mortgagor; and
- (g) the exercise or the attempted exercise of one or more of the Mortgagee's rights or remedies hereunder shall not affect, delay or prejudice any other rights or remedies nor operate as a waiver thereof, and any or all of the said rights or remedies may be exercised concurrently or successively.

5.2 No Merger

The taking of a judgment or judgments on any covenant contained herein or on any covenant which is set forth in any other security for payment of the Mortgage Monies or performance of the obligations hereby secured shall not operate as a merger of such covenant or affect the Mortgagee's right to interest at the Interest Rate set forth herein on any monies which are owing to the Mortgagee and such judgment shall provide that interest thereon shall be computed at the Interest Rate in the same manner as provided for herein until the judgment has been paid in full.

5.3 Release

The Mortgagee may at any time release any part of the Lands, or any of the covenants and agreements herein contained, or any Collateral Security, either with or without any consideration therefor, and without being accountable either for the value thereof or for any money except that which is actually received, and without thereby releasing or affecting any other of the Lands or any of the other covenants or agreements herein contained or releasing any guarantor of any other security.

5.4 No Obligation to Advance

- (a) Neither execution nor registration nor acceptance of this Mortgage, nor the advance of part of the Mortgage Monies shall bind the Mortgagee to advance the Principal Sum or any unadvanced portion thereof, but nevertheless this Mortgage shall take effect forthwith on its execution and if the Principal Sum or any part thereof shall not be advanced at the date hereof, the Mortgagee may advance the same in one or more sums to or on behalf of the Mortgagor at any future date or dates and the amount of such advances when so made shall be secured hereby and repayable with interest as herein provided. In all events, the advance of the Mortgage Monies or any part thereof from time to time shall be in the sole, absolute, unfettered and unqualified discretion of the Mortgagee; and
- (b) For clarification, and without limiting the foregoing, the Principal Sum to be advanced hereunder shall be governed by the provisions of the Commitment Letter dated August 24, 2016.

**5.5      Additional Charges**

All monies expended by the Mortgagee (with or without the knowledge, consent, concurrence or acquiescence of the Mortgagor) in relation to:

- (a) solicitor's, inspector's, valuator's and surveyor's fees and expenses for drawing and registering this Mortgage;
- (b) examining the Lands and the title thereto;
- (c) making or maintaining this Mortgage as a valid and subsisting charge (subject only to the Permitted Encumbrances) on the Lands;
- (d) principal, insurance premiums, Real Estate Taxes, rates, or any Prior Charge;
- (e) maintaining, repairing, restoring or completing the Lands;
- (f) any actions, inspections, expenses or costs of the Mortgagee (or for which the Mortgagee is responsible) taken, ordered or incurred upon the occurrence of an Event of Default;
- (g) inspecting, leasing, managing, or improving the Lands, including the price or value of any goods of any sort or description supplied to be used on the Lands;
- (h) enforcing, attempting to enforce or in pursuance of any right, power, remedy or purpose under this Mortgage and, in particular, but without limiting the generality of the foregoing, in relation to any court proceedings initiated or defended by the Mortgagee in respect of this Mortgage; and
- (i) legal costs as between a solicitor and his own client (together with an allowance for the time, work and expenses of the Mortgagee, or of any agent, solicitor or servant of the Mortgagee) incurred or paid by the Mortgagee in relation to any of the above matters;

are to be secured hereby and shall be a charge on the Lands, together with interest thereon at the Interest Rate, and all such monies shall be repayable to the Mortgagee on demand, or if not demanded, then with the next ensuing Monthly Instalment payable hereunder, except as herein otherwise provided. It is the express intention and agreement of the Mortgagor and Mortgagee that the Mortgagor shall fully and totally indemnify the Mortgagee for all costs, expenses, charges and monies of any nature whatsoever either directly or indirectly arising out of or associated with this Mortgage.

**5.6      Right of Subrogation**

If the Mortgage Monies advanced hereunder or any part thereof are applied to the payment of any charge or encumbrance, the Mortgagee shall be

subrogated to all the rights of, stand in the position of and be entitled to all the equities of the party so paid whether such charge or encumbrance has or has not been discharged. The decision of the Mortgagee as to the validity or amount of any advance or disbursement made under this Mortgage or of any claim so paid shall be final and binding on the Mortgagor.

5.7 Monies Received or Collected

The Mortgagee shall not be charged with any monies receivable or collectible out of the Lands or otherwise except those actually received. All revenue of the Lands received or collected by the Mortgagee from any source other than payment by the Mortgagor may, at the option of the Mortgagee, be retained in a suspense account or used in maintaining or insuring or improving the Lands, or in payment of Real Estate Taxes or other charges against the Lands, or applied on the mortgage account, and the Mortgagee shall not be under any liability to pay interest on any sums in a suspense account.

5.8 Discharge

The Mortgagee shall have a reasonable time after receipt of payment in full within which to have prepared and to execute a discharge of this Mortgage. A tender of the Mortgage Monies shall not entitle the Mortgagor to immediately receive such discharges.

5.9 Partial Discharge

**Intentionally Deleted**

5.9 Exercise of Discretion

Any discretion, option, decision or opinion hereunder on the part of the Mortgagee shall be sufficiently exercised or formed if exercised by an executive officer of the Mortgagee, or by any officer or agent appointed by the Mortgagee company for that purpose.

5.10 Default Under Prior Charge

If the Mortgagor makes default in the performance of the covenants, payments or conditions contained in any Prior Charge then such default shall constitute a default hereunder and the Mortgage Monies shall, at the option of the Mortgagee, become forthwith due and payable. The Mortgagee shall be at liberty in the event of such default, but shall not be obligated, to pay any arrears or other sums payable under the Prior Charge, or pay off all or any portion of the principal and/or interest thereby secured. Any amounts so paid by the Mortgagee shall:

- (a) be added to the Mortgage Monies;
- (b) bear interest at the Interest Rate until paid;

- (c) be a charge upon the Lands; and
- (d) unless repaid to the Mortgagee upon demand, be recoverable from the Mortgagor in the same manner as if such sum had been originally advanced and secured hereby.

For the purposes of tendering any arrears or other sums payable to a holder of a Prior Charge, the Mortgagor hereby irrevocably appoints the Mortgagee its agent for such purpose and irrevocably directs the Mortgagee to tender such monies upon the holder of a Prior Charge, in the name of and on behalf of the Mortgagor. In this regard, the Mortgagor hereby assigns unto the Mortgagee its equity of redemption, if any, with respect to the said Prior Charge together with the statutory right of redemption given to the Mortgagor by the provisions of Section 39 of the *Law of Property Act (Alberta)*. It is the intention of the parties that the Mortgagee shall have the same rights and powers but not the liabilities as the Mortgagor under and pursuant to the terms of the Prior Charge so that the Mortgagee will be in a position to take whatever steps are necessary to bring the Prior Charge into good standing once a default has occurred thereunder. This assignment is not intended to encompass the Mortgagor's entire interest in the said Prior Charge, but only to the extent hereinbefore stipulated. Nothing herein contained shall create an obligation upon the Mortgagee to cure any default on behalf of the Mortgagor.

5.11 Attornment

For better securing the punctual payment of the Mortgage Monies the Mortgagor hereby attorns and becomes tenant to the Mortgagee of the Lands at a monthly rental equivalent to the Monthly Instalments secured hereby, the same to be paid on each day appointed for the payment of the Monthly Instalments, and upon the occurrence of an Event of Default such rental shall, if not already payable, be payable immediately thereafter. The legal relationship of landlord and tenant is hereby constituted between the Mortgagee and the Mortgagor. The Mortgagee may at any time after default hereunder enter upon the Lands, or any part thereof, and determine the tenancy hereby created without giving the Mortgagor any notice to quit; but neither shall this clause nor anything done by virtue thereof render the Mortgagee a mortgagee in possession or accountable for any monies except those actually received.

ARTICLE 6

6.1 Appointment of Receiver

Upon the occurrence of an Event of Default, the Mortgagee may in writing appoint any person or persons, whether an officer or officers or employee or employees of the Mortgagee or not, to be a Receiver of the Lands and assets which are charged in favour of the Mortgagee and the rents and profits derived therefrom. The Mortgagee may remove any Receiver so appointed and appoint another or others in his or their stead. The following provisions shall apply to this paragraph:

- (a) A Receiver so appointed shall be conclusively the agent or agents of the Mortgagor and the Mortgagor shall be solely responsible for the acts or defaults and for the remuneration and expenses of the Receiver. The Mortgagee shall not be in any way responsible for any misconduct or negligence on the part of any Receiver and may, from time to time, fix the remuneration of every Receiver and be at liberty to direct the payment thereof from proceeds collected.
- (b) Nothing contained herein and nothing done by the Mortgagee or by a Receiver shall render the Mortgagee a mortgagee in possession or responsible as such.
- (c) All monies received by the Receiver, after providing for payment and charges ranking prior to this Mortgage and for all costs, charges and expenses of or incidental to the exercise of any of the powers of the Receiver as hereinafter set forth, shall be paid by the Receiver to the Mortgagee and applied by the Mortgagee in accordance with the terms of this Mortgage.
- (d) The Receiver so appointed shall have power to:
  - (i) take possession of, collect and get in the property, rents and profits, charged by this Mortgage and any additional or Collateral Security granted by the Mortgagor to the Mortgagee and for that purpose to take any proceedings, be they legal or otherwise, in the name of the Mortgagor or otherwise;
  - (ii) carry on or concur in carrying on the business which the Mortgagor is conducting on and from the Lands;
  - (iii) lease or re-lease all or any portion of the Lands and for this purpose to execute contracts in the name of the Mortgagor which contracts shall be binding upon the Mortgagor;
  - (iv) improve, maintain, manage, operate, repair, renew, replace and restore the Lands or any part thereof;
  - (v) surrender, rescind, vary or amend any lease or contract relating to the Lands and the operation thereof; and
  - (vi) borrow money for the purpose of improving, maintaining, managing, operating, repairing, renewing, replacing or restoring the Lands or otherwise in such amount and in such manner as would, in the opinion of the Receiver, be sufficient for its purposes, on the security of the Lands and the assets charged by the Collateral Security, and in doing so the Receiver may issue certificates which may be payable in a manner and which may bear interest at a rate determined by the Receiver and all amounts payable pursuant to

such certificates shall form a charge upon the Lands in priority to this Mortgage.

- (e) The rights and powers conferred by this paragraph are supplemental to and not in substitution for any other rights which the Mortgagee may have from time to time.
- (f) The Mortgagor hereby irrevocably appoints the Mortgagee and any Receiver appointed as aforesaid to be its attorney in its name and on its behalf to execute and perform any conveyances, assurances and things which the Mortgagor ought to execute and perform under the covenants herein contained and generally to use the name of the Mortgagor in the exercise of any of the powers hereby conferred on the Mortgagee and any Receiver and, without limiting the generality of the foregoing, the Mortgagee and Receiver appointed as aforesaid are hereby appointed pursuant to s.115 of the *Land Titles Act* (Alberta) as the Mortgagor's attorney to execute and deliver, under the seal of the Mortgagor, or by the hand and under the seal of the Mortgagee or the Receiver, any and all transfers, deeds, mortgages, discharges, postponements and any and all other documents which the Mortgagee or the Receiver deem it expedient to execute or deliver.
- (g) The Receiver appointed hereunder shall not be obligated to take possession or control of the whole of the business of the Mortgagor. Rather, the Mortgagee's right to appoint shall be restricted to the Lands and the rents, profits and any business deriving therefrom.

#### ARTICLE 7

##### 7.1 Assignment of Rents

- (a) The Mortgagor does hereby fully and absolutely assign, transfer and set over to the Mortgagee all of the rents due or to accrue due and to be payable in respect of the Lands and any and every part thereof including but not restricted to any and all Leases and rental agreements of every nature, kind and description, present and future and all benefits and advantages to be derived therefrom and all the rights of the Mortgagor to enforce payment thereof, by way of distress or otherwise.
- (b) This Assignment shall be effective during the currency of the Mortgage.
- (c) Nothing contained herein shall be deemed to have the effect of making the Mortgagee responsible for the collection of the rents, or any part thereof, or for the performance of any covenant, term or condition by the Mortgagor as Landlord or Lessor, as contained in any Lease or rental agreement.

- (d) The Mortgagee shall, at its option, be entitled to enforce and rely upon this Assignment upon the occurrence of an Event of Default.
- (e) The Mortgagee shall not, by reason of this paragraph or by reason of any steps, actions, distress or other proceedings taken to enforce any of the rights granted to it hereunder, be deemed to be or will be a mortgagee in possession of the Lands or any part thereof.
- (f) The Mortgagee shall be liable to account to the Mortgagor for only such monies as may be actually received by the Mortgagee.
- (g) Neither this Assignment or anything contained herein shall bind the Mortgagee to recognize any Lease or rental agreement with respect to the Lands or any part thereof, nor in any way render the interest of the Mortgagee in the Lands subject to any such Lease or rental agreement. All remedies now or hereafter available to the Mortgagee as described in this Mortgage or in any Collateral Security granted to the Mortgagee by the Mortgagor are hereby reserved to the Mortgagee and may be exercised notwithstanding any Lease, rental agreement or this Assignment.
- (h) The Mortgagor represents to the Mortgagee that no rental in excess of one monthly instalment in advance has been paid under any Lease or rental agreement in respect of the Lands or any part thereof and that the Mortgagor will not demand or accept in advance any rents reserved or payable under any Lease or rental agreement in excess of one monthly instalment without the prior consent of the Mortgagee.
- (i) When required by the Mortgagee, the Mortgagor will from time to time, assign to the Mortgagee the Mortgagor's interest in each and every specific Lease of the Lands and any and every part thereof.

## ARTICLE 8

### 8.1 Construction

In the event that the Principal Sum is to be advanced hereunder from time to time upon the progress of construction of a building or buildings being or to be erected upon the Lands, then, and in such event:

- (a) . it is the intention of the parties hereto that the building or buildings being erected or to be erected on the Lands form part of the security for the full amount of the Mortgage Monies;
- (b) all advances under this Mortgage shall be made from time to time in the future in accordance with the progress of construction of such building or buildings and shall be made in such manner, at such times, and in such amounts up to the Principal Sum to be advanced hereunder as the

Mortgagee in its sole discretion may determine, subject always to the provisions hereinbefore set out whereby the Mortgagee is not bound to advance any unadvanced portion thereof;

- (c) the Mortgagor covenants and agrees with the Mortgagee:
  - (I) to construct and erect a building or buildings or other improvements on the Lands all in accordance with plans and specifications which have been or are hereafter approved by the Mortgagee, and
  - (II) to carry on diligently to completion the construction and erection of the same;
- (d) the Mortgagee shall be at liberty, but shall not be obliged, to retain such sums as it may deem necessary as builders' lien holdbacks in the amount prescribed by the *Builders' Lien Act* (Alberta) or other applicable legislation, which sums shall be held for such length of time, both during and after completion of the said building or buildings, as the Mortgagee may see fit;
- (e) the Mortgagee may pay any builders' liens which may exist or be claimed, and it shall not be liable or responsible to determine the validity or correctness of any such claim;
- (f) in the event that the Mortgagee should pay any such liens to an amount greater than the Principal Sum, such excess amounts so paid shall be added to the Principal Sum, shall bear interest at the Interest Rate and shall be repaid by the Mortgagor to the Mortgagee forthwith;
- (g) if the Mortgagor should fail in the erection and completion of the said building or buildings or should neglect to carry on the work of erecting and completing same with reasonable diligence, including, without restriction, if the Mortgagor ceases to construct for a period of fifteen (15) days without the consent of the Mortgagee:
  - (I) the Mortgagee may, but shall not be obliged, without notice to the Mortgagor, enter upon the Lands and take possession thereof with power to carry on the erection and completion of the said building or buildings and with discretion to alter the plans and specifications if it deems necessary in order to complete the same,
  - (II) if the Mortgagee should be unable properly to complete the same with the Principal Sum, the Mortgagee may in its sole discretion advance or lay out such further monies as may be so required and such further monies to be advanced or laid out by the Mortgagee shall be added to the Principal Sum and:



- A. be repaid by the Mortgagor to the Mortgagee forthwith on demand,
  - B. accrue interest at the Interest Rate as if the money were interest in arrears until payment is received by the Mortgagee (such interest to run from the date of payment by the Mortgagee),
  - C. be a charge upon the Lands until repaid with interest as aforesaid; and
- (h) If the Mortgagor should default in the erection and completion of the said building or buildings or in the event any lien is registered against the Lands, the whole of the Mortgage Monies shall, at the option of the Mortgagee, become due and payable.

#### ARTICLE 9

##### 9.1 Expropriation and Condemnation

- (a) If the Lands or any part thereof are condemned under any power of eminent domain or are acquired by expropriation for any public use or quasi public use, the damages, proceeds, consideration and award for such acquisition, to the extent of the full amount of the Mortgage Monies and obligations secured hereby remaining unpaid, are hereby assigned by the Mortgagor and shall be paid forthwith to the Mortgagee and its successors and assigns. If a portion only of the Lands are taken in the expropriation without resulting damage to the buildings and improvements or any part thereof, or if a portion of the Lands is taken in such expropriation proceedings with resulting damage to the buildings and improvements and the amount of the award made therein is based on a determination that the portion of the buildings and improvements remaining on the portion of the Lands not so taken can practicably be rehabilitated, then the provisions of this Mortgage relating to insurance proceeds in case of loss or damage shall apply to the award in the said expropriation and the same shall be applied accordingly.
- (b) The Mortgagor acknowledges that it is aware of the provisions of Sections 49 and 52 of the *Expropriation Act* (Alberta), and any amendments thereto (dealing with the situation where, in the event of an expropriation of lands subject to a security interest, the amount owing to the security holder is greater than the market value of the interest in the expropriated land) and hereby waives the benefit of such provisions or any legislation similar thereto or in replacement thereof. In addition, the Mortgagor covenants to pay any difference between the Mortgage Monies and the monies paid by the expropriating authority to the Mortgagee together with interest thereon

at the Interest Rate both before and after maturity, default and the obtaining of any judgment by the Mortgagee.

- (c) Notwithstanding the foregoing subparagraphs (a) and (b) the Mortgagee shall be at liberty, at its sole option, to declare the whole of the Mortgage Monies as being immediately due and payable in the event that any portion of the Lands shall be the subject matter of an expropriation proceeding.
- (d) Any monies awarded by an order of either the Land Compensation Board or the Surface Rights Board with respect to all or any part of the Lands to the extent of the full amount of the Mortgage Monies are herewith assigned by the Mortgagor and shall be paid forthwith to the Mortgagee, its successors and assigns.

#### ARTICLE 10

##### 10.1 Condominium

If the Lands or any portion thereof is now subject to or becomes subject to a condominium plan duly created pursuant to the provisions of the *Condominium Property Act*, then:

- (a) The Mortgagor hereby fully and absolutely assigns, transfers and sets over unto the Mortgagee, any and all of the Mortgagor's voting rights now existing or which may come into existence with respect to the Lands, and with respect to the Condominium Corporation whether such voting rights arise under the *Condominium Property Act*, under the Bylaws of the Condominium Corporation, under any agreement with the Condominium Corporation, or otherwise. The Mortgagor covenants and agrees to execute any materials or documentation which in the sole opinion of the Mortgagee is necessary or advisable to give full effect to such assignment, transfer and setting over of the voting rights. Provided, however, that in the event that the Mortgagee is not present in person or by proxy, or if present, does not wish to vote, then the Mortgagor may without further authority exercise all voting rights other than the right to vote on any matter requiring a unanimous resolution. Provided further that the Mortgagee may, by notice in writing to the Mortgagor, revoke and terminate all voting rights and privileges of the Mortgagor.
- (b) It is further stipulated, provided and agreed that notwithstanding anything to the contrary herein contained:
  - (i) the Mortgagor covenants and agrees with the Mortgagee that the Mortgagor shall observe and perform each and every one of the covenants and provisions required to be performed under or pursuant to the terms of this Mortgage, the *Condominium Property Act* the bylaws of the Condominium Corporation and any

amendments thereto, and under any agreement between the Mortgagor and the Condominium Corporation, and

- (ii) without limiting the generality of the foregoing subparagraph, the Mortgagor covenants to pay promptly when due any and all assessments, instalments or payments owing to the Condominium Corporation in relation to the Lands.
- (c) The Mortgagor further covenants and agrees that where the Mortgagor defaults in the Mortgagor's obligations to contribute to the common expenses assessed or levied by the Condominium Corporation or any authorized agent on its behalf, or any assessment, instalment or payment owing to the Condominium Corporation, or upon breach of any covenant or provision contained in this Section, then regardless of any other action or proceeding taken or to be taken by the Condominium Corporation, the Mortgagee, at its option and without notice to the Mortgagor:
  - (i) firstly, may, but shall not be obliged to, pay such contribution to the common expenses, assessment, instalment or payment owing to the Condominium Corporation or rectify any such default or breach by the Mortgagor and all monies so paid and expended by the Mortgagee shall be secured hereby and shall be a charge on the Lands together with interest thereon at the Interest Rate and all such monies shall be repayable to the Mortgagee on demand, or if not demanded, then with the next ensuing Monthly Instalment; and
  - (ii) secondly, may deem such default to be a default under the terms of this Mortgage and proceed to exercise its rights hereunder.

## **ARTICLE 11**

### **11.1 Interpretation**

Wherever the singular number or masculine gender is used in this instrument the same shall be construed as including the plural and feminine and neuter respectively where the fact or context so requires. In any case, where this Mortgage is executed by more than one party, all covenants and agreements herein contained shall be construed and taken as against such executing parties as joint and several. The respective heirs, executors, administrators, successors and assigns of any party executing this Mortgage are jointly and severally bound by the covenants, agreements, stipulations and provisos herein contained. The covenants, agreements, stipulations and provisos herein stated shall be in addition to those granted or implied by statute.

### **11.2 Permitted Encumbrances**

The parties acknowledge that this Mortgage is to be registered subject only to the Permitted Encumbrances.

11.3 Renewal or Extension

This Mortgage shall automatically renew at the end of the Term and the end of each subsequent renewal term, for a further period of 6 months (each, a "Renewal Term") on the same terms herein: (i) on the first day of each Renewal Term, a renewal fee equal to 1.50% of the Mortgage's Principal Sum outstanding as at that date (each, a "Renewal Fee") becomes fully earned, due and payable to the Mortgagee in its capacity as administrator of the Mortgage. Each such Renewal Fee shall form a part of the Principal Sum outstanding if it is not actually paid by the Mortgagor to the Mortgagee. Notwithstanding the foregoing, the Mortgagee may terminate this automatic renewal clause at any time, in its sole discretion.

Notwithstanding the foregoing, this clause does not apply if the Mortgagor pays to the Mortgagee all the Mortgage Monies owing hereunder at the Maturity Date.

In the event that the Mortgagee shall agree to renew or extend the term of this Mortgage, such renewal or extension agreement need not be registered against the title to the Lands, but the agreement shall be binding upon the Mortgagor, its assignees, and all subsequent mortgagees, encumbrancers or other parties claiming an interest in the Lands. Such agreement shall take priority as against such assignees and subsequent mortgagees, encumbrancers and other parties. It is expressly acknowledged that such agreement may increase the rate of interest chargeable hereunder.

11.4 Commitment Letter Not Merged

The provisions of the Commitment Letter, all as accepted by the Mortgagor, are not superseded by or merged in the execution or registration of the Mortgage or any additional and Collateral Security and the provisions of the Commitment Letter shall remain in full force and effect until all of the conditions thereof to be observed and performed by the Mortgagor have been fully paid and satisfied, provided however that in the event of a conflict between the terms of the Commitment Letter and the terms of this Mortgage or the Collateral Security, the terms of this Mortgage or the Collateral Security, as the case may be, shall prevail.

11.5 Administration Fee

In the event of the occurrence of an Event of Default, then the Mortgagee shall, notwithstanding anything contained herein to the contrary, be entitled to receive in addition to all other fees, charges and disbursements an administration and management fee as follows:

- (a) \$250.00 per occurrence of late payment as required by Section 2.2(a) hereof or/and a returned cheque;
- (b) \$200.00 per occurrence of default of insurance required by Section 3.1 hereof.

- (c) \$1,500.00 for taking possession of the Lands after an Event of Default, and \$250.00 per day for the administration, maintenance, and security of the Lands; and
- (d) Such other reasonable charges for administration.

This administration and management fee is intended to reimburse the Mortgagee for time and trouble in the management and administration of this Mortgage and of the Lands. The said sum or sums are agreed to be a liquidated amount to cover the Mortgagee's administration and management costs and are not intended nor shall be construed to be a penalty. All such sums payable to the Mortgagee shall be a charge upon the Lands and shall bear interest at the Interest Rate until paid.

11.6 Mortgage Statement

The Mortgagee may charge and the Mortgagor shall pay \$100.00 for each mortgage statement requested by the Mortgagor.

11.7 Pre-Authorized Cheque Withdrawal

The Mortgagor shall continue throughout the currency of this Mortgage to provide to the Mortgagee, at the Mortgagee's request, documentation so as to effect a pre-authorized cheque withdrawal for the purposes of paying the Monthly Instalments.

11.8 Financial Records

The Mortgagor shall:

- (a) maintain proper records and books of account with respect to the revenues and expenditures in relation to the Lands;
- (b) permit the Mortgagee or any person appointed by the Mortgagee for that purpose to examine such records and books at all reasonable times, to make copies or extracts therefrom;
- (c) give to the Mortgagee all information with regard to the revenues and expenditures in relation to the Lands which the Mortgagee may reasonably require;
- (d) furnish the Mortgagee annually within 120 days of the end of its fiscal year, and at any other time requested by the Mortgagee, with copies of its financial statement or statements prepared by a qualified accountant, certified correct by the Mortgagor's board of directors, and in a form and substance approved by the Mortgagee;
- (e) give to the Mortgagee, financial statements and net worth statements for any guarantors or indemnitors of this Mortgage upon request of the Mortgagee; and

- (f) furnish the Mortgagee with an annual statement of income and expenditures with supporting schedules and an explanation of any items of an unusual nature respecting the Lands, certified by an officer of the Mortgagor.

The Mortgagee shall at any time and from time to time at its own expense, be at liberty to inspect the books and accounts of the Mortgagor, related to the Mortgagor's operations with respect to the Lands, and for such purposes the Mortgagor shall make available to the Mortgagee and its accountants all books of account and records and all vouchers, books, papers and documents which may relate to the Lands.

11.9 Collateral Security

As additional and collateral security for the repayment of the monies hereby secured and the performance of the covenants contained herein, the Mortgagor shall execute and deliver the Collateral Security to the Mortgagee. None of the rights or remedies of the Mortgagee under this Mortgage or under the Collateral Security shall be merged in, waived, delayed, impaired, prejudiced or suspended by the Collateral Security or any act of the Mortgagor pursuant thereto.

11.10 Default Under Collateral Security

- (a) If the Mortgagor or any guarantor makes default under the Collateral Security, the same shall constitute an Event of Default under this Mortgage.
- (b) It is understood and agreed that the occurrence of an Event of Default shall constitute a default under the Collateral Security.

11.11 Notices

- (a) All notices, requests, demands, pleadings, judicial documentation and any other communications required to be served or given by the terms of this Mortgage or by the *Alberta Rules of Court*, the *Judicature Act* (Alberta), Chapter J-2, RSA 2000, and any amendments thereto, the *Law of Property Act* (Alberta), RSA 2000, c. L-7, and any amendments thereto, as a result of a default by the Mortgagor, including but not restricted to any Statement of Claim issued by the Mortgagee or a Mortgagee's Notice of Motion requesting enforcement of its rights hereunder, shall be sufficiently served either personally or by prepaid registered mail addressed to the Mortgagor at the Mortgagor's Address or, if to the Mortgagee, at the Mortgagee's Address.
- (b) No want of notice or publication when required by this Mortgage or by any statute nor any impropriety nor irregularity shall invalidate any sale made or purported to be made under this Mortgage.

**11.12      Receipt Acknowledged**

The Mortgagor acknowledges receipt of a true copy of this Mortgage.

**11.13      Charge**

For better securing to the Mortgagee repayment of the Principal Sum, interest and the Mortgage Monies, the Mortgagor hereby mortgages to the Mortgagee all of its right, title, estate and interest in the Lands.

**11.14      Prepayment**

So long as the Mortgagor is not in default hereunder and provided that the Mortgagee has earned a minimum of three (3) months interest on any and all funds advanced (the "Minimum Interest"), the Mortgagor shall have the privilege of prepaying, either in whole or in part (including when prepaying to obtain a partial discharge up the sale of a lot), the Principal Sum hereby secured upon payment of a prepayment fee which is equal to thirty (30) days' interest payable on the amount being prepaid.

In the event that the Mortgagor is prepaying all or a portion of the Principal Sum prior to the Minimum Interest being paid, the difference between the interest paid to the date of prepayment and the Minimum Interest shall be added to the prepayment fee and the amount required to discharge the Mortgage.

**11.15      Due on Sale**

In the event that the Mortgagor shall sell, convey, transfer or assign (or purport to do so) the Lands to a purchaser, transferee or assignee without first obtaining the Mortgagee's consent in writing, then, at the Mortgagee's option, such sale, conveyance, transfer or assignment shall constitute an Event of Default. Such consent may be unreasonably or arbitrarily withheld. Provided however, the Mortgagee may require, as one of the conditions of giving consent hereunder, that any such purchaser, transferee or assignee execute an assumption agreement in favour of the Mortgagee, to be prepared in a form satisfactory to the Mortgagee at the Mortgagor's expense. In addition the Mortgagee may require that such purchaser, transferee or assignee pay an assumption fee to the Mortgagee to compensate the Mortgagee for its time and effort hereunder.

In the event that the Mortgagor or any other party who becomes liable to perform and observe the covenants herein should be a corporation, then any direct or indirect transaction or dealing whatsoever which affects the share structure or share ownership of such corporation and which results in a change in control, either legal or beneficial, of that corporation shall constitute an event as hereinbefore described such that the Mortgagee's prior written consent as aforesaid is to be obtained, failing which, such transaction shall, at the Mortgagee's option, constitute an Event of Default.

**11.16      Assumption and Amendment**

The Mortgagor, together with any other party who becomes liable hereunder shall continue to be liable under this Mortgage until all of the Mortgage Monies have been paid in full notwithstanding:

- (a) the assumption of the Mortgage by any party, with or without the consent of the Mortgagee or the Mortgagor; and
- (b) any renewal or extension of this Mortgage or any amendment or modification of the terms or covenants contained herein (including without restriction any increase or decrease in the Interest Rate, the amortization period or the Monthly Instalments, or any extension or reduction in the length of the Term) with or without the consent of the Mortgagee or the Mortgagor.

**11.17      Unenforceable Terms**

If any term, covenant or condition of this Mortgage or the application thereof to any party or circumstance shall be invalid or unenforceable to any extent the remainder of this Mortgage or application of such term, covenant or condition to a party or circumstance other than those to which it is held invalid or unenforceable shall not be affected thereby and each remaining term, covenant or condition of this Mortgage shall be valid and shall be enforceable to the fullest extent permitted by law.

**11.18      Subsequent Encumbrances**

The Mortgagor shall not grant any subsequent financial encumbrance charging the Mortgaged Premises without the prior written consent of the Mortgagee.

**11.19      Limitation of Actions**

Should the Mortgagor default in the performance of any of the terms and conditions contained in this Mortgage, the limitation period will run as follows:

- (a) the limitation period shall commence on the date upon which a written notice of default has been served by the Mortgagee upon the Mortgagor in accordance with the notice provisions contained herein; and
- (b) pursuant to section 7 of the *Limitations Act* (Alberta), as amended from time to time, the limitation period governing this Mortgage shall be ten (10) years to commence on the date specified in (a) above.

**11.20      Governing Law**

This Mortgage shall be governed by the laws of the Province of Alberta and the Courts of the Province of Alberta shall have exclusive jurisdiction over any dispute or action arising herefrom.



IN WITNESS WHEREOF the Mortgagor has executed this Mortgage on  
July  
May 25, 2016.

REID WORLDWIDE CORPORATION

Per:  \_\_\_\_\_ (c/s)

Per:  \_\_\_\_\_

### **SCHEDULE "A"**

to that certain Mortgage made on <sup>July</sup> ~~May~~ 25, 2016, between  
REID WORLDWIDE CORPORATION (as Mortgagor) and  
KV CAPITAL INC. (as Mortgagee).

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### **Mortgaged Lands**

PLAN 7911331  
BLOCK 7  
EXCEPTING THEREOUT ALL MINES AND MINERALS

### **Permitted Encumbrances**

With respect to the firstly described lands:

- Zoning Regulation #771 147 064;
- Easement #141 349 427.

## **SCHEDULE "B"**

to that certain Mortgage made on <sup>July</sup> May 25, 2016, between  
REID WORLDWIDE CORPORATION (as Mortgagor) and  
KV CAPITAL INC. (as Mortgagee).

---

### **Collateral Security**

Security Agreement

General Assignment of Rents and Leases

Assignment of Insurance Policies

Environmental Indemnity Agreement.

## SECURITY AGREEMENT

REID WORLDWIDE CORPORATION

TO

KV CAPITAL INC.

This is Exhibit C referred to in  
the Affidavit of Curtis Power  
sworn before me this 8 day of

May, 2018

A Commissioner of Oaths in and for  
the Province of Alberta

{19/05/2016,B2046391.DOC;1}

**MOLLY ANN BELL**  
A Commissioner for Oaths in and  
for the Province of Alberta  
My Commission Expires Nov 11, 2019

## **SECURITY AGREEMENT**

### **WHEREAS:**

A. The Lender has agreed to lend the Debtor the principal sum of \$15,000,000.00 which sum is to be repaid together with interest in accordance with the terms and conditions contained in the Land Mortgage.

B. The Lender has required that the Debtor execute and deliver this Security Agreement as additional security for the repayment of the Indebtedness.

NOW THEREFORE IN CONSIDERATION of the Lender making advances to the Debtor and other good and valuable consideration (the receipt and sufficiency of which is hereby acknowledged) the Debtor agrees as follows:

### **ARTICLE 1 DEFINITIONS**

1.1 In this Security Agreement and any other agreement, notice or other document delivered by one party to another pursuant to the terms hereof, the following terms shall have the following meanings unless the context shall otherwise require:

(a) "Collateral" means the property described in Schedule "B" attached hereto, together with:

(i) all property of the same nature which may hereafter be purchased or acquired by the Debtor or be in the possession of the Debtor, whether in addition to, renewal of or substitution therefor;

(ii) all accessions, alterations, increases, parts, fittings, accessories, equipment and tools installed in or affixed thereto whether in addition to, in renewal of or substitution therefor; and

(iii) the Proceeds of any of the property described in this subsection (a) including Proceeds of those Proceeds;

- (b) "Debtor" means Reid Worldwide Corporation;
- (c) "Event of Default" means an Event of Default as defined in the Land Mortgage;
- (d) "Indebtedness" means the principal sum, interest and other costs set out in the Land Mortgage and all other costs, fees, charges or expenses that may become owing to the Lender by the Debtor pursuant to the terms hereof;
- (e) "Land Mortgage" means that certain land mortgage executed by the Debtor in favour of the Lender, particulars of which are set out in Schedule "A" attached hereto;
- (f) "Lender" means KV Capital Inc.;
- (g) "Mortgaged Lands" means the lands which are the subject of the Land Mortgage and which are described in Schedule "A" attached hereto;
- (h) "Security Agreement" means this Security Agreement and any renewals, substitutions or replacements thereof. The expressions "herein", "hereof", "hereto", "above", "below" and similar expressions used in any paragraph, subparagraph, section, subsection or Article of this Security Agreement refer and relate to the whole of this Security Agreement and not to that paragraph, subparagraph, section, subsection or Article only unless otherwise expressly provided.

1.2 All other capitalized terms utilized herein shall have the meaning set out in the *Personal Property Security Act*, in force in Alberta as of the date hereof.

## **ARTICLE 2 SECURITY INTEREST**

2.1 As continuing security for the repayment of the Indebtedness the Debtor hereby mortgages and grants a first Security Interest in the Collateral to and in favour of the Lender.

2.2 The Debtor agrees that:

- (a) the Security Interest hereby granted in the Collateral shall attach upon the execution of this Security Agreement;
- (b) the Security Interest hereby granted in after-acquired property shall attach at the same time as the Debtor acquires rights in the after-acquired property;
- (c) value has been given to the Debtor by the Lender;
- (d) the Security Interest hereby granted constitutes a Purchase Money Security Interest.

## **ARTICLE 3 INSURANCE**

3.1 Until the Indebtedness is paid in full to the Lender, the Debtor will:

- (a) forthwith insure and keep the Collateral insured against such risks as the Lender may require for the full insurable value thereof, with a company or companies approved by the Lender;
- (b) pay all premiums and sums of money necessary to maintain such insurance as the same become due and deliver the receipt or receipts as proof of such payment on demand. Evidence of renewal of such insurance shall be delivered to the Lender at least 30 Business Days prior to the expiration thereof;

- (c) forthwith assign, transfer and deliver over to the Lender, on demand, the policies of insurance and receipts thereto appertaining, which policies will name the Lender as first loss payee thereunder subject to a mortgage clause approved by the Lender;
- (d) forthwith on the happening of any loss or damage furnish at its own expense all necessary proofs and do all necessary acts to enable the Lender to obtain payment of the insurance monies. Any insurance money received may, at the option of the Lender, either be held in a suspense account or be applied toward the replacement or repair of the Collateral, or be paid to the Debtor or be applied in respect of the indebtedness or partly in one of such ways and partly in another, all in the sole discretion of the Lender.

If the Debtor defaults in the covenants set out herein then in addition to its other rights and remedies, the Lender may, but shall not be required to, effect such Insurance at the cost of the Debtor.

#### **ARTICLE 4 DEBTOR'S COVENANTS**

- 4.1
- (a) The Debtor will pay to the Lender the full amount of the Indebtedness at the times and in the manner set out in the Land Mortgage.
  - (b) The Debtor will not sell, assign, transfer, dispose of, grant a security interest in or part with the possession of any of the Collateral nor remove any of the same from the Mortgaged Lands except in the ordinary course of business without the written consent of the Lender, which consent may be arbitrarily withheld, and will keep the Collateral free and clear of all liens, mortgages, charges, encumbrances and Security Interests.
  - (c) The Debtor will maintain and keep the Collateral in good repair and will not allow the value of the Collateral to be impaired and it will allow the Lender or



such other person as may be designated by the Lender from time to time to enter upon any premises where the Collateral may be kept to inspect and view their condition and repair. If the Debtor defaults in the covenants set out herein, the Lender may without the consent or concurrence of the Debtor repair and put in good order the Collateral but shall not be bound to do so.

(d) The Debtor will execute, issue and deliver such supplemental or Collateral security agreements as may be required by the Lender in its sole discretion and, without restricting the generality of the foregoing, for any one or more of the following purposes:

- (i) making any corrections or changes as counsel for the Lender advises are required for the purpose of curing or correcting any ambiguity or defect or inconsistent provision or clerical omissions or mistakes or manifest errors contained herein or in any instrument or agreement supplementary or ancillary hereto; or
- (ii) correcting or amplifying the description of any of the Collateral intended to be subject to the Security Interest hereby created.

(e) The Debtor will give immediate written notice to the Lender of:

- (i) any material loss of or damage to the Collateral;
- (ii) any change in the location of the Collateral or the name of the Debtor; and
- (iii) the details of any Collateral disposed of or hereafter acquired by the Debtor.

## **ARTICLE 5 REPRESENTATIONS AND WARRANTIES**

- 5.1 The Debtor represents and warrants to and in favour of the Lender that:
- (a) the Debtor is and shall be during the existence of this Security Agreement a corporation duly organized, validly existing and in good standing under the laws of the Province of Alberta;
  - (b) the Debtor is the sole legal and beneficial owner of the Collateral free and clear of all liens, charges, claims, encumbrances and security interests and has the right to possess the Collateral (subject to the rights of tenants of the Mortgaged Lands);
  - (c) the Debtor has all such powers and authorizations as are necessary to enable it to own the Collateral and to execute, deliver and carry out its obligations under this Security Agreement; and
  - (d) this Security Agreement has been duly executed and delivered by it and is in full force and effect and constitutes a legal, valid and binding obligation of the Debtor in accordance with the terms hereof.

## **ARTICLE 6 EVENTS OF DEFAULT**

6.1 At the option of the Lender, the whole of the Indebtedness shall be accelerated and become immediately due and payable and the Security Interest hereby created shall become enforceable upon the occurrence of an Event of Default.

6.2 A default by the Debtor hereunder shall constitute a default under the Land Mortgage and any other instruments or agreements, if any, securing or evidencing the Indebtedness of the Debtor to the Lender.

## **ARTICLE 7 REMEDIES**

**7.1** Upon the occurrence of an Event of Default, the Lender shall immediately be at liberty to take any and all proceedings to enforce this Security Agreement and to obtain payment of the Indebtedness, and without limiting the generality of the foregoing:

- (a)** the Lender may take immediate possession of the Collateral, and for this purpose it shall be lawful for the Lender and any Receiver, officer, servant, agent or bailiff of the Lender, with such other assistance as it may require, at any time during the day to enter in or upon the Mortgaged Lands and any lands, buildings or premises where any of the Collateral may be and to break and force open any door, lock, hinge, fastening, gate, fence, building, enclosure or place, for the purpose of taking possession of and removing any or all of the Collateral;
- (b)** upon taking possession of the Collateral, the Lender is hereby authorized and empowered to use the Collateral or to dispose of the Collateral by any method permitted by law, including without limitation, at public auction or by private sale, by lease or deferred payment, with or without notice to the Debtor and upon such terms and in such manner as the Lender may determine;
- (c)** the proceeds of any such sale, less all expenses incurred by the Lender in taking, repairing, preserving or disposing of the Collateral (including solicitor's fees as between a solicitor and his own client on a full indemnity basis), shall be appropriated to the payment of the Indebtedness, and any surplus remaining shall be disposed of according to law and the Debtor shall be liable for any deficiency; and
- (d)** the Lender shall not be charged with any monies except those actually received.

The Lender shall have the right to exercise its remedies hereunder or under any other security or agreement or any of them concurrently or successively as it may determine and the exercise by the Lender of one or more of such remedies shall not constitute an election of remedies.

7.2 Upon the occurrence of an Event of Default, in addition to any of the remedies available to the Lender, the Lender may appoint any person or persons to be a Receiver or Receivers of the Collateral, and may remove any Receiver or Receivers so appointed and appoint another or others in his or their stead. The following provisions shall apply to this paragraph:

- (a) a Receiver so appointed shall conclusively be the agent of the Debtor, and the Debtor shall be solely responsible for the acts or default and for the remuneration and expenses of the Receiver. The Lender shall not be responsible for any misconduct or negligence on the part of the Receiver, and may, from time to time, fix the remuneration of the Receiver and be at liberty to direct the payment thereof from proceeds collected;
- (b) nothing contained herein and nothing done by the Lender or by the Receiver shall render the Lender a mortgagee in possession or responsible as such;
- (c) all monies received by the Receiver after providing for payment and charges ranking prior to this Security Agreement, and for all costs, charges and expenses of or incidental to the exercise of any of the powers of the Receiver or the Lender, as herein set forth, shall be held and applied in accordance with the terms of the Land Mortgage;
- (d) the Receiver so appointed shall have power to:

- (i) take possession of, collect and get in the Collateral and for that purpose to take any proceedings, be they legal or otherwise, in the name of the Debtor or otherwise;
  - (ii) to carry on or concur in carrying on the business which the Debtor is conducting from the Mortgaged Lands or upon any premises on which the Collateral are situate;
  - (iii) sell, lease or otherwise dispose of all or any portion of the Collateral, and for that purpose to execute contracts in the name of the Debtor, which said contracts shall be binding upon the Debtor; and
  - (iv) exercise any of the rights or powers conferred upon the Lender hereunder or under the Land Mortgage;
- (e) the rights and powers conferred by this paragraph are supplemental to and not in substitution for any other rights or powers which the Lender may have from time to time;
- (f) the Debtor hereby irrevocably appoints the Lender and any Receiver appointed as aforesaid to be its attorney in its name, on its behalf, and under the seal of the Lender or the Debtor, to execute any agreement, document, conveyance, assurance or thing which the Receiver in its sole discretion deems advisable and generally to use the name and seal of the Debtor in the exercise of any of the powers hereby conferred on the Lender or the Receiver;
- (g) the Receiver may be the Lender, or any officer or employee of the Lender or any other person or persons selected by the Lender; and

- (h) the Receiver appointed hereunder shall not be obliged to take possession or control of the whole of the business of the Debtor. Rather, the Lender's right to appoint hereunder shall be restricted to the Collateral.

7.3 In the exercise of any of its rights pursuant to this Security Agreement, neither the Lender nor any party acting on behalf of the Lender shall be obliged to:

- (a) keep the Collateral identifiable; or
- (b) incur any costs or expenses in maintaining, preserving or improving the Collateral.

7.4 The Lender shall have the right, but not the obligation, to pay the whole or any part of any lien, mortgage, charge, encumbrance or Security Interest affecting the Collateral and shall be subrogated to all of the rights of the party receiving the payment, whether such lien, mortgage, charge or encumbrance or Security Interest has or has not been discharged.

#### ARTICLE 8 GENERAL

8.1 The taking of a judgment or judgments on any covenant contained herein or on any covenant which is set forth in any other security or agreement now or hereafter granted by the Debtor to the Lender shall not operate as a merger of such covenant or affect the Lender's right to interest at the rate stipulated in the Land Mortgage on any monies which are owing to the Lender. Interest shall continue to accrue on the Indebtedness at the rate set forth in the Land Mortgage until paid in full.

8.2 The Lender may at any time release any of the Mortgaged Lands, the Collateral or any collateral security with or without any consideration but without being accountable for the value thereof and without thereby releasing or affecting any other of the Collateral or any of the covenants or agreements herein contained.

8.3 All fees and expenses incurred by the Lender for preparing and registering this Security Agreement, for examining the Collateral and the title thereto, for making and maintaining a first mortgage and Security Interest on the Collateral, and for enforcing this Security Agreement, including legal costs as between a solicitor and his own client on a full indemnity basis, together with all sums which the Lender may and does from time to time advance, expend or incur hereunder or in exercise of any rights or powers herein granted, shall be secured hereby, and the amount of the same when paid by the Lender shall bear interest at the rate and in the manner set out in the Land Mortgage and shall be repayable on demand.

8.4 The decision of the Lender as to the expediency, validity or amount of any advance or disbursement made under this Security Agreement shall be final and binding on the Debtor.

8.5 The headings in this Security Agreement have been inserted for reference and convenience only and in no way define, limit or enlarge the scope or meaning of this Security Agreement.

8.6 The Preamble and Schedules attached hereto shall be and form part hereof. The Schedules are:

(a) Schedule "A" - Particulars of the Land Mortgage;

(b) Schedule "B" - the Collateral.

8.7 Whenever the singular or the masculine or neuter is used herein, the same shall be construed as the plural or as the masculine, feminine or neuter respectively, where the fact or context so requires. If this Security Agreement is executed by more than one Debtor, all covenants and agreements herein contained shall be construed and taken as against such executing parties as joint and several.

8.8 Any notice required to be given hereunder by any party shall be deemed to have been well and sufficiently given if given in accordance with the terms of the Land Mortgage.

8.9 Time shall in every respect be of the essence hereof.

8.10 This Security Agreement and all documents and agreements collateral or related hereto shall be construed in accordance with the laws of the Province of Alberta, and the parties hereby submit to the jurisdiction of the Courts of the Province of Alberta.

8.11 The provisions of this Security Agreement shall not merge with any other security granted by the Debtor to the Lender or any other agreement entered into by the Debtor with the Lender.

8.12 No waiver, express or implied, by the Lender of any breach or default by the Debtor hereunder shall be deemed to be a waiver of any other breach or default. Failure on the part of the Lender to complain of any default by the Debtor irrespective of how long such default continues, shall not constitute a waiver by the Lender of its rights hereunder.

8.13 If any term of this Security Agreement shall be invalid or unenforceable to any extent, same shall be severed and the remainder of this Security Agreement shall be valid and shall be enforceable to the fullest extent permitted by law.

8.14 The Debtor acknowledges having received a copy of this Security Agreement and waives any right it may have to receive a copy of any Financing Statement or Financing Change Statement in relation hereto.



IN WITNESS WHEREOF the Debtor has hereunto affixed its corporate seal  
duly attested by the hands of its proper officers, <sup>July</sup> May 25, 2016.

REID WORLDWIDE CORPORATION

Per:  \_\_\_\_\_ (c/s)

Per:  \_\_\_\_\_

**SCHEDULE "A"**  
to that certain Security Agreement made as of May <sup>24</sup>~~25~~, 2016  
between REDI WORLDWIDE CORPORATION (as Debtor)  
and KV CAPITAL INC. (as Lender).

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Description of the Land Mortgage

- |     |                   |   |
|-----|-------------------|---|
| (a) | Mortgagor:        | REID WORLDWIDE CORPORATION  |
| (b) | Mortgagee:        | KV CAPITAL INC.   |
| (c) | Mortgaged Lands:  | PLAN 7911331<br>BLOCK 7<br>EXCEPTING THEREOUT ALL MINES AND<br>MINERALS |
| (d) | Principal Amount: | \$15,000,000.00   |
| (e) | Interest Rate:    | 9.50%, per annum, calculated and compounded<br>monthly, not in advance  |
| (f) | Term:             | 15 months   |
| (g) | Monthly Payment:  | \$118,750.00  |

**SCHEDULE "B"**

to that certain Security Agreement made as of <sup>July</sup> May 25, 2016  
between REID WORLDWIDE CORPORATION (as Debtor)  
and KV CAPITAL INC. (as Lender).

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**Description of the Collateral**

**ALL PRESENT AND AFTER-ACQUIRED PERSONAL  
PROPERTY OF THE DEBTOR INCLUDING, WITHOUT  
RESTRICTION, ALL ACCOUNTS, CHATTEL PAPER,  
INSTRUMENTS AND INSURANCE PROCEEDS**

**PROCEEDS: ACCOUNTS, CHATTEL PAPER, MONEY,  
INTANGIBLES, GOODS, INSURANCE PROCEEDS,  
DOCUMENTS OF TITLE, INSTRUMENTS, AND  
SECURITIES**

**Transmitting Party**

BROWNLEE LLP

2200 10155 102 STREET  
EDMONTON, AB T6J 4G8

Party Code: 50083260

Phone #: 780 497 4800

Reference #: 82937.0159JLAS/ad

**Security Agreement**

Control #: F04443385

Registration Date: 2018-Aug-31

Registration #: 18083112987

**Financing Change Statement**

Use this section to Renew or Discharge this Registration. Note before returning, make a photocopy for your file.

Place an (X) in the appropriate box

Renew for: ☐ (1-25 years) \_\_\_\_\_

OR Renew for Infinity: ☐

Total Discharge : ☐ Discharge permanently removes ALL record of the registration(s).

Name of Person Authorized to Complete this section	Authorized Signature	Area Code & Telephone #:	Reference #:



**Security Agreement**

Control #: F04443385

Registration Date: 2016-Aug-31

Registration #: 16083112387

The Registration Term is 5 Years

This Registration Expires at 11:59 PM on 2021-Aug-31

**Debtor(s)**

**Block**

1 REID WORLDWIDE CORPORATION  
1200, 585 - 8th Avenue SW  
Calgary, AB T2P 1G1

**Secured Party / Parties**

**Block** Party Code: 60004432

1 KV CAPITAL INC.  
SUITE 108, 2627 ELLWOOD DRIVE SW  
EDMONTON, AB T6X 0P7

Phone #: 780 433 1222

Fax #: 866 229 1295

**Collateral: General**

**Block** **Description**

1 ALL OF THE DEBTOR'S PRESENT AND AFTER-ACQUIRED HOUSEHOLD  
FURNISHINGS AND APPLIANCES, PROPERTY MAINTENANCE EQUIPMENT, TOOLS  
AND SUPPLIES, NOW OR HEREAFTER LOCATED AT:

PLAN 7911331

BLOCK 7

EXCEPTING THEREOUT ALL MINES AND MINERALS

TOGETHER WITH ALL ACCOUNTS, CHATTEL PAPER, INSTRUMENTS, RECORDS AND  
BOOKS, CONTRACTUAL RIGHTS, AND INSURANCE CLAIMS RELATING TO THE SAID  
LANDS, AND ALL PROCEEDS THEREOF, PROCEEDS: ACCOUNTS, CHATTEL  
PAPER, MONEY, INTANGIBLES, GOODS, INSURANCE PROCEEDS, DOCUMENTS OF  
TITLE, INSTRUMENTS, AND SECURITIES

**Particulars**

**Block** **Additional Information**

1 Security Agreement

**End of Verification Statement**

\_\_\_\_\_

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