

Renfrew Hydro Inc.

Exhibit 5

EB-2016-0166 - 2017 Cost of Service

1 **Contents**

2 Ex5/Tab1/Sch.1 – Capital Structure..... 2

3 Ex5/Tab 2/Sch. 2 – Cost of Capital..... 9

Ex5/Tab1/Sch.1 – Capital Structure

1 In this Exhibit, RHI is providing evidence regarding its capital structure, debt financing and the
2 calculation of return on equity for the 2017 Test Year.

3 RHI has a current deemed capital structure of 56% long term debt with a return of 5.76%, 4%
4 short term debt with a return of 2.07% and 40% equity with a return of 9.85% as approved in the
5 Decision and Order on RHI's 2010 Cost of Service Rate Application ("COS") EB-2009-0146.

6 RHI has prepared this 2017 COS Application in accordance with the Ontario Energy Board's
7 ("OEB") guidelines provided in the Report of the Board on Cost of Capital for Ontario's
8 Regulated Utilities (the "2009 Report") issued on December 11, 2009. For the purposes of
9 preparing this Application, RHI has used the cost of capital parameters issued by the OEB on
10 October 15, 2015 for its 2017 Test Year Cost of Service rate Application.

11 RHI seeks to recover a weighted average cost of capital of 6.28% through rates in the 2017
12 Test Year. RHI is not seeking any changes in its Capital Structure from its 2010 Board
13 Approved Structure other than the rates which are imposed by the OEB. In calculating the cost
14 of capital, RHI has used the OEB's deemed capital structure of 56% long-term debt, 4% short-
15 term debt, and 40% equity, and the Cost of Capital parameters in the OEB's letter of October
16 15, 2015, for the allowed return on equity ("ROE") and where appropriate for debt.

17 RHI understands that the OEB will most likely update the ROE for 2017 at a later date, and
18 therefore commits to updating its Application to reflect the OEB's updated Cost of Capital
19 Parameters for May 1, 2017 applications and as new information is issued.

20 RHI's cost of capital for 2017 has been calculated at 6.28%, as shown in the table below.

Table 5.1 – Overview of Capital Structure

Debt		
Long-term Debt	56.00%	4.54%
Short-term Debt	4.00%	1.65%
Total Debt	60.0%	4.35%
Equity		
Common Equity	40.00%	9.19%
Preferred Shares		
Total Equity	40.0%	9.19%
Total	100.0%	6.28%

Retirements of debt or preference shares and buy-back of common shares; and Short-Term Debt, Long-Term Debt, preference shares as well as common share offerings do not apply to RHI, as RHI does not issue any preference shares and/or common equity shares.

Ex5/Tab1/Sch.2 – OEB Appendix 2-OA Capital Structure/Cost of Capital

- 1 RHI Inc. is requesting a deemed interest expense of \$180,866 and a deemed return on equity of
- 2 \$254,894 for a total regulated return on capital of \$435,760 for its 2017 Test Year.
- 3 Appendix 2-OA below presents the capital structure for the 2017 Test Year back to the 2010
- 4 Board approved year.

Appendix. 2-OA: Cost of Capital Debt Structure

Year: **2017**

Particulars	Capitalization Ratio		Cost Rate	Return
	(%)	(\$)	(%)	(\$)
Debt				
Long-term Debt	56.00%	\$3,883,037	4.54%	\$176,290
Short-term Debt	4.00%	(1) \$277,360	1.65%	\$4,576
Total Debt	60.0%	\$4,160,397	4.35%	\$180,866
Equity				
Common Equity	40.00%	\$2,773,598	9.19%	\$254,894
Preferred Shares		\$ -		\$ -
Total Equity	40.0%	\$2,773,598	9.19%	\$254,894
Total	100.0%	\$6,933,995	6.28%	\$435,760

Year: **2016**

Particulars	Capitalization Ratio		Cost Rate	Return
	(%)	(\$)	(%)	(\$)
Debt				
Long-term Debt	56.00%	\$3,837,001	5.76%	\$221,011
Short-term Debt	4.00%	(1) \$274,072	2.07%	\$5,673
Total Debt	60.0%	\$4,111,073	5.51%	\$226,685
Equity				
Common Equity	40.00%	\$2,740,715	9.85%	\$269,960
Preferred Shares		\$ -		\$ -
Total Equity	40.0%	\$2,740,715	9.85%	\$269,960
Total	100.0%	\$6,851,788	7.25%	\$496,645

Year: **2015**

Particulars	Capitalization Ratio		Cost Rate	Return
	(%)	(\$)	(%)	(\$)
Debt				
Long-term Debt	56.00%	\$3,858,006	5.76%	\$222,221
Short-term Debt	4.00%	(1) \$275,572	2.07%	\$5,704
Total Debt	60.0%	\$4,133,578	5.51%	\$227,925
Equity				
Common Equity	40.00%	\$2,755,719	9.85%	\$271,438
Preferred Shares		\$ -		\$ -
Total Equity	40.0%	\$2,755,719	9.85%	\$271,438
Total	100.0%	\$6,889,297	7.25%	\$499,364

Year: **2014**

Particulars	Capitalization Ratio		Cost Rate	Return
	(%)	(\$)	(%)	(\$)
Debt				
Long-term Debt	56.00%	\$3,649,804	5.76%	\$210,229
Short-term Debt	4.00%	(1) \$260,700	2.07%	\$5,396
Total Debt	60.0%	\$3,910,504	5.51%	\$215,625
Equity				
Common Equity	40.00%	\$2,607,003	9.85%	\$256,790
Preferred Shares		\$ -		\$ -
Total Equity	40.0%	\$2,607,003	9.85%	\$256,790
Total	100.0%	\$6,517,506	7.25%	\$472,415

1

2

Year: **2013**

	(%)		(\$)	(%)		(\$)
Debt						
Long-term Debt	56.00%		\$3,545,111	5.76%		\$204,198
Short-term Debt	4.00%	(1)	\$253,222	2.07%		\$5,242
Total Debt	60.0%		\$3,798,334	5.51%		\$209,440
Equity						
Common Equity	40.00%		\$2,532,222	9.85%		\$249,424
Preferred Shares			\$ -			\$ -
Total Equity	40.0%		\$2,532,222	9.85%		\$249,424
Total	100.0%		\$6,330,556	7.25%		\$458,864

Year: **2012**

Particulars	Capitalization Ratio		Cost Rate		Return
	(%)	(\$)	(%)		(\$)
Debt					
Long-term Debt	56.00%		5.76%		\$196,645
Short-term Debt	4.00%	(1)	2.07%		\$5,048
Total Debt	60.0%	\$3,657,833	5.51%		\$201,693
Equity					
Common Equity	40.00%		9.85%		\$240,198
Preferred Shares					\$ -
Total Equity	40.0%	\$2,438,555	9.85%		\$240,198
Total	100.0%	\$6,096,388	7.25%		\$441,891

1

2

Year: **2011**

Particulars	Capitalization Ratio		Cost Rate		Return
	(%)		(%)		(\$)
Debt					
Long-term Debt	56.00%		5.76%		\$192,570
Short-term Debt	4.00%	(1)	2.07%		\$4,943
Total Debt	60.0%		5.51%		\$197,513
Equity					
Common Equity	40.00%		9.85%		\$235,220
Preferred Shares					\$ -
Total Equity	40.0%		9.85%		\$235,220
Total	100.0%		7.25%		\$432,732

Year: **2010**

Particulars	Capitalization Ratio		Cost Rate		Return
	(%)		(%)		(\$)
Debt					
Long-term Debt	56.00%		5.76%		\$188,484
Short-term Debt	4.00%	(1)	2.07%		\$4,838
Total Debt	60.0%		5.51%		\$193,322
Equity					
Common Equity	40.00%		9.85%		\$230,229
Preferred Shares					\$ -
Total Equity	40.0%		9.85%		\$230,229
Total	100.0%		7.25%		\$423,551

Board
Approved 2010

Particulars	Capitalization Ratio		Cost Rate		Return
	(%)		(%)		(\$)
Debt					
Long-term Debt	56.00%		5.76%		\$194,073
Short-term Debt	4.00%	(1)	2.07%		\$4,982
Total Debt	60.0%		5.51%		\$199,055
Equity					
Common Equity	40.00%		9.85%		\$237,056
Preferred Shares					\$ -
Total Equity	40.0%		9.85%		\$237,056
Total	100.0%		7.25%		\$436,111

1

2

3

Ex5/Tab2/Sch2 – Cost of Capital

Overview

This evidence summarizes the capital structure, method and cost of financing RHI's capital requirements for the 2017 Test Year.

Capital Structure

The proposed cost rates for cost of capital in 2017 are presented at Ex.5/Tab1/Sch.1 are presented in Table 5.1.

This capital structure was confirmed by the OEB in the Report of the Board on Cost of Capital for Ontario's Regulated Utilities dated December 11, 2009 (The "Board Report"). The 60% debt component is comprised of 4.0% deemed short-term debt and 56.0% deemed long-term debt.

The calculation of the proposed rate for long-term debt is set out in Exhibit 5, Tab 1, Schedule 2, based on the weighted average cost of debt in 2017. The utility currently (2016) has three outstanding long term debt instruments of which one will fully paid off in 2017 (Truck Loan (#31) - 2009 International) and no short term debt.

RHI is a For-Profit company and as such will not be filing any Not-For-Profit evidence.

Return on Equity

RHI has used an ROE of 9.19% in the 2017 Test Year as established by the Board for cost of service applications with a 2017 implementation date.

Weighted Average Cost of Debt

RHI is requesting a Long Term Debt cost rate for the 2017 Test Year of 4.54%.

Long Term Debt

RHI's Long Term Debt instruments are summarized below:

A \$2,705,168.48 Promissory note to the sole shareholder, the Town of Renfrew, signed January 1, 2001, no specific terms of repayment, payable on demand, at an interest rate of 7.25%. The interest rate of 7.25% per annum was based on the debt rate per annum established by the Ontario Energy Board as set out in Chapter 3 of the Ontario Energy Board's electricity Distribution Rate Handbook issued March 9, 2000. In compliance with Board policy, which states that a utility should use the lower of the actual interest rate or the OEB prescribed debt, RHI has applied the current long-term debt rate deemed by the Board for rate-setting purposes. Actual Interest on the promissory note is \$196,124 per year. Currently, RHI is paying interest only, no payments toward the principal have been made. A copy of the promissory notes is attached to this Exhibit as Appendix 5-1.

The utility also has a long term loan with the Royal Bank of Canada for one of the utility vehicles. The loan is for a period of 5 years with an interest rate of 3.53%, and is expected to be paid in full in 2019. The 2017 forecasted interest on this third party loan is \$356.90.

Specific notes are to:

Table 5.2 – Overview of Capital Structure

Description	Lender
Affiliated Debt - from Shareholder	Corp. Town of Renfrew
Truck Loan (#31) - 2009 International	Royal Bank of Canada
Truck Loan (#33) - 2015 Dodge	Royal Bank of Canada

Short Term Debt

For the purposes of preparing this application, RHI used the cost of capital parameters issued by the Board on October 15, 2015 for 2017 Cost of Service Rate Applications which reflect a deemed short-term debt rate of 1.65%. RHI will update the deemed short-term debt rate to reflect future Board issued cost of capital parameters for rates with effective dates 2017 prior to issuance of the Board's decision for RHI's application.

RHI has a line of credit from the Royal Bank of Canada in the amount of \$500,000. The operating lines bears interest at prime plus 0.00%. It is secured by a General Security Agreement constituting a first ranking security interest in all property.

OEB Appendix 2-OB Cost of Debt presented at the next section.

Notional Debt

The OEB clarified the treatment of "notional" debt (that portion of deemed debt exceeding a utility's actual debt), where notional debt is used as the "plug" to true up actual debt to the allowed debt thickness for rate-setting purposes. The table below shows that the utility is making nor profit or loss on its capital structure.

This concept is shown in the following tables

1

Table 5.3 – Calculations of Notional Debt

Prescribed Cost of Capital				Actual Cost of Capital				Notional Debt			
Year: 2017				Year: 2017				Year: 2017			
Particulars		Capitalization Ratio		Particulars		Capitalization Ratio		Particulars		Capitalization Ratio	
		(%)	(\$)			(%)	(\$)			(%)	(\$)
Debt				Debt				Debt			
Long-term Debt		56.00%	\$3,883,037	Long-term Debt		39.16%	\$2,715,278	Long-term Debt		-16.84%	(\$1,167,759)
Short-term Debt		4.00%	\$277,360	Short-term Debt		0.00%	\$ -	Short-term Debt		-4.00%	(\$277,360)
Total Debt		0.60	\$4,160,397	Total Debt		0.39	\$2,715,278	Total Debt		-0.21	(\$1,445,119)
Equity				Equity				Equity			
Common Equity		40.00%	\$2,773,598	Common Equity		60.84%	\$4,218,717	Common Equity		20.84%	\$1,445,119
Preferred Shares		0.00%	\$ -	Preferred Shares			\$ -	Preferred Shares		0.00%	\$ -
Total Equity		0.40	\$2,773,598	Total Equity		0.61	\$4,218,717	Total Equity		0.21	\$1,445,119
Total		100.00%	\$6,933,995	Total		100.00%	\$6,933,995	Total		100.00%	

2

3

4

1 **Appendix 2-OB: Debt Instruments**

Debt Instruments

This table must be completed for all required historical years, the bridge year and the test year.

Year **2017**

Row	Description	Lender	Affiliated or Third-Party Debt?	Fixed or Variable-Rate?	Start Date	Term (years)	Principal (\$)	Rate (%) (Note 2)	Interest (\$) (Note 1)	Additional Comments, if any
1	Affiliated Debt - from Shareholder	Corp. Town of Renfrew	Affiliated	Fixed Rate	1-Jan-01	Demand	\$2,705,168.00	7.25%	\$196,124.68	
2	Truck Loan (#31) - 2009 International	Royal Bank of Canada	Third-Party	Fixed Rate	18-Feb-09	8	\$0.00	3.18%	\$0.00	Paid in full
3	Truck Loan (#33) - 2015 Dodge	Royal Bank of Canada	Third-Party	Fixed Rate	29-Dec-14	5	\$10,110.41	3.53%	\$356.90	
Total							\$2,715,278.41	0.07236	\$196,481.58	

2

Year **2016**

Row	Description	Lender	Affiliated or Third-Party Debt?	Fixed or Variable-Rate?	Start Date	Term (years)	Principal (\$)	Rate (%) (Note 2)	Interest (\$) (Note 1)	Additional Comments, if any
1	Affiliated Debt - from Shareholder	Corp. Town of Renfrew	Affiliated	Fixed Rate	1-Jan-01	Demand	\$2,705,168.00	7.25%	\$196,124.68	
2	Truck Loan (#31) - 2009 International	Royal Bank of Canada	Third-Party	Fixed Rate	18-Feb-09	8	\$5,873.78	3.18%	\$186.79	
3	Truck Loan (#33) - 2015 Dodge	Royal Bank of Canada	Third-Party	Fixed Rate	29-Dec-14	5	\$14,904.39	3.53%	\$526.12	
Total							\$2,725,946.17	0.07221	\$196,837.59	

1

Year **2015**

Row	Description	Lender	Affiliated or Third-Party Debt?	Fixed or Variable-Rate?	Start Date	Term (years)	Principal (\$)	Rate (%) (Note 2)	Interest (\$) (Note 1)	Additional Comments, if any
1	Affiliated Debt - from Shareholder	Corp. Town of Renfrew	Affiliated	Fixed Rate	1-Jan-01	Demand	\$2,705,168.00	7.25%	\$196,124.68	
2	Truck Loan (#31) - 2009 International	Royal Bank of Canada	Third-Party	Fixed Rate	18-Feb-09	8	\$39,076.53	3.18%	\$1,242.63	
3	Truck Loan (#33) - 2015 Dodge	Royal Bank of Canada	Third-Party	Fixed Rate	29-Dec-14	5	\$19,532.08	3.53%	\$689.48	
Total							\$2,763,776.61	0.07166	\$198,056.80	

2

Year **2014**

Row	Description	Lender	Affiliated or Third-Party Debt?	Fixed or Variable-Rate?	Start Date	Term (years)	Principal (\$)	Rate (%) (Note 2)	Interest (\$) (Note 1)	Additional Comments, if any
1	Affiliated Debt - from Shareholder	Corp. Town of Renfrew	Affiliated	Fixed Rate	1-Jan-01	Demand	\$2,705,168.00	7.25%	\$196,124.68	
2	Truck Loan (#31) - 2009 International	Royal Bank of Canada	Third-Party	Fixed Rate	18-Feb-09	8	\$73,358.29	3.18%	\$2,332.79	New Rate - Mar 2014
3	Truck Loan (#33) - 2015 Dodge	Royal Bank of Canada	Third-Party	Fixed Rate	29-Dec-14	5			\$0.00	First pmt Jan 2015
Total							\$2,778,526.29	0.07143	\$198,457.47	

3

Year 2013

Row	Description	Lender	Affiliated or Third-Party Debt?	Fixed or Variable-Rate?	Start Date	Term (years)	Principal (\$)	Rate (%) (Note 2)	Interest (\$) (Note 1)	Additional Comments, if any
1	Affiliated Debt - from Shareholder	Corp. Town of Renfrew	Affiliated	Fixed Rate	1-Jan-01	Demand	\$2,705,168.00	7.25%	\$196,124.68	
2	Truck Loan (#31) - 2009 International	Royal Bank of Canada	Third-Party	Fixed Rate	18-Feb-09	8	\$106,334.25	4.40%	\$4,678.71	
Total							\$2,811,502.25	0.07142	\$200,803.39	

1

Year 2012

Row	Description	Lender	Affiliated or Third-Party Debt?	Fixed or Variable-Rate?	Start Date	Term (years)	Principal (\$)	Rate (%) (Note 2)	Interest (\$) (Note 1)	Additional Comments, if any
1	Affiliated Debt - from Shareholder	Corp. Town of Renfrew	Affiliated	Fixed Rate	1-Jan-01	Demand	\$2,705,168.00	7.25%	\$196,124.68	
2	Truck Loan (#31) - 2009 International	Royal Bank of Canada	Third-Party	Fixed Rate	18-Feb-09	8	\$136,931.22	4.40%	\$6,024.97	
3									\$0.00	
Total							\$2,842,099.22	0.07113	\$202,149.65	

2

Year 2011

Row	Description	Lender	Affiliated or Third-Party Debt?	Fixed or Variable-Rate?	Start Date	Term (years)	Principal (\$)	Rate (%) (Note 2)	Interest (\$) (Note 1)	Additional Comments, if any
1	Affiliated Debt - from Shareholder	Corp. Town of Renfrew	Affiliated	Fixed Rate	1-Jan-01	Demand	\$2,705,168.00	7.25%	\$196,124.68	
2	Truck Loan (#31) - 2009 International	Royal Bank of Canada	Third-Party	Fixed Rate	18-Feb-09	8	\$166,234.16	4.40%	\$7,314.30	
Total							\$2,871,402.16	0.07085	\$203,438.98	

1

Year 2010

Row	Description	Lender	Affiliated or Third-Party Debt?	Fixed or Variable-Rate?	Start Date	Term (years)	Principal (\$)	Rate (%) (Note 2)	Interest (\$) (Note 1)	Additional Comments, if any
1	Promissory Note - from Shareholder	Corp. Town of Renfrew	Affiliated	Fixed Rate	1-Jan-01	Demand	\$2,705,168.00	7.25%	\$196,124.68	
2	Truck Loan (#30) - 2000 Freightliner	Royal Bank of Canada	Third-Party	Variable Rate	31-May-02	8	\$0.00	0.00%	\$0.00	Last pmt Nov 2010
3	Truck Loan (#31) - 2009 International	Royal Bank of Canada	Third-Party	Fixed Rate	18-Feb-09	8	\$194,218.76	4.40%	\$8,545.63	
Total							\$2,899,386.76	0.07059	\$204,670.31	

2

1

Appendix A

2

Promissory Notes

PROMISSORY NOTE

\$2,705,168.48

Date: January 1, 2001

On Demand
Renfrew, Ontario

For value received Renfrew Hydro Inc. promises to pay to The Corporation of the Town of Renfrew or its order, ON DEMAND, the principal sum of \$2,705,168.48 with interest thereon to be paid at the rate of 7.25% per annum.

For value Received

RENFREW HYDRO INC.

per:-

J. Thomas Freemark
Tom Freemark - President
Jan 28th, 2002

ROYAL BANK OF CANADA AMENDING AGREEMENT

DATE: December 11, 2014

BORROWER: RENFREW HYDRO INC.

SRF: 667494033

ADDRESS (Street, City/Town, Province, Postal Code)

29 Bridge Street, Renfrew, Ontario K7V 3R3

Royal Bank of Canada (the "Bank") hereby confirms to the undersigned borrower (the "Borrower") the following amendments to the loan agreement dated January 22, 2014, and any previous amendments thereto, between the Borrower and the Bank (the "Agreement"):

1. Under the Credit Facilities section of the Agreement, Facility # 4 is added as follows:

Facility # 4 Fixed rate term facility in the amount of \$24,000.00. Repayable by consecutive monthly blended payments of \$436.95, including interest, based on a 60 month amortization. First payment is due 30 days from date of drawdown. This loan has a 60 month term and all outstanding principal and interest is payable in full at the end of the term. Interest rate: 3.53% per annum. Amount eligible for prepayment is NIL.

2. Under the Security section of the Agreement, paragraph (c) is added as follows:

- c) Security agreement (chattel mortgage) on the Bank's form 927 signed by the Borrower constituting a first ranking and specific security interest in a 2015 White Dodge Journey vehicle.

3. The FEES section of the Agreement is added as follows:

FEES

Renewal Fee:

If the Bank renews or extends any term facility or term loan beyond its maturity date, an additional renewal fee may be payable in connection with any such renewal in such amount as the Bank may determine and notify the Borrower.

BUSINESS LOAN INSURANCE PLAN

The Borrower acknowledges that the Bank has offered it insurance on the Borrowings under the Business Loan Insurance Plan Policy 51000 ("Policy") issued by the Sun Life Assurance Company of Canada to the Bank and the Borrower hereby acknowledges that it is the Borrower's responsibility to apply for any new or increased amount for the Borrowings that may be eligible.

Should the Borrower decide to apply for insurance on the Borrowings, the application will be made via the Bank's Business Loan Insurance Plan application (form 3460 Eng or 53460 Fr). However, should the Borrower decide not to apply, it hereby acknowledges that the Bank may accept the Borrower's signature below as the Borrower's waiver of the offer.

If there are any discrepancies between the insurance information in this Agreement and the Business Loan Insurance Plan documents regarding the Borrowings, the Business Loan Insurance Plan documents govern.

Business Loan Insurance Plan premiums, if applicable, are taken with your scheduled loan payments. In the case of blended payments of principal and interest, as premiums fluctuate based on various factors such as, by way of example, the age of the insured and changes to the insured loan balance, a part of the premium payment may be deducted and taken from the scheduled blended loan payment with the result that the amortization period may increase in the case of any loan to which this coverage applies. Refer to the Business Loan Insurance Plan application for further explanation and disclosure.

OTHER TERMS AND CONDITIONS

- a) All capitalized terms not otherwise defined herein shall have the meaning ascribed to them in the Agreement;
- b) All other terms and conditions of the Agreement including those contained in the standard terms provided therewith, remain in full force and effect; and
- c) The effectiveness of the terms hereof is conditional upon receipt of a duly executed copy of this amending agreement.

STANDARD TERMS

The following standard terms have been provided to the Borrower:

- ☒ Form 472 (08/2014) Royal Bank of Canada Loan Agreement - Standard Terms
- ☐ Form 473 (05/2013) Royal Bank of Canada Loan Agreement - Margined Account Standard Terms
- ☐ Form 473A (03/2011) Royal Bank of Canada Loan Agreement - RBC Covarity Terms and Conditions
- ☐ Form 475 (05/2013) Royal Bank of Canada Loan Agreement - Financial Covenants Standard Terms
- ☐ Form 476 (05/2013) Royal Bank of Canada Loan Agreement - FEF Contract Standard Terms

ACCEPTANCE

This amending agreement is open for acceptance until **January 12, 2015**, after which date it will be null and void, unless extended in writing by the Bank.

ROYAL BANK OF CANADA

Per: 

Name: James Nguyen
Title: Account Manager

/gc

ACKNOWLEDGEMENT & ACCEPTANCE

Confirmed, accepted and agreed this 12 day of December, 2014.

RENFREW HYDRO INC.

Per: 

Name: J. Thomas Freemark
Title: PRESIDENT

Per: 

Name: Cindy Marshall
Title: Secretary-Treasurer

The following set of standard terms is deemed to be included in and forms an integral part of the Royal Bank of Canada Loan Agreement which refers to standard terms with this document version date, receipt of which has been duly acknowledged by the Borrower. Terms defined elsewhere in this Agreement and not otherwise defined below have the meaning given to such terms as so defined. The Borrower agrees and if the Borrower is comprised of more than one Person, such Persons jointly and severally agree, or in Quebec solidarily agree, with the Bank as follows:

GENERAL

This Agreement amends and restates, without novation, any existing credit or loan agreement between the Borrower and the Bank and any amendments thereto, (other than existing agreements for Other Facilities). Any credit facility existing under any such credit or loan agreement which is secured by security under section 427 of the *Bank Act* (Canada) (or any successor to such provision) is deemed to be continued and renewed, without novation, under the Credit Facilities. Any amount owing by the Borrower to the Bank under any such credit or loan agreement is deemed to be a Borrowing under this Agreement. This Agreement is in addition to, and not in replacement of, agreements for Other Facilities. Any and all Security that has been delivered to the Bank and which is included as Security in this Agreement shall remain in full force and effect, is expressly reserved by the Bank and shall apply in respect of all obligations of the Borrower under the Credit Facilities. The Bank expressly reserves all Security granted to the Bank by the Borrower to secure the Borrower's existing debt towards the Bank, should the execution of this Agreement effect a novation of said debt. Unless otherwise provided, all dollar amounts are in Canadian currency.

CONDITIONS PRECEDENT

In no event will the Credit Facilities or any part thereof be available unless the Bank has received:

- a) a duly executed copy of this Agreement;
- b) the Security provided for herein, in form and substance, and executed and registered to the satisfaction of the Bank;
- c) such financial and other information or documents relating to the Borrower or any Guarantor if applicable as the Bank may reasonably require; and
- d) such other authorizations, approvals, opinions and documentation as the Bank may reasonably require.

AVAILABILITY

Revolving demand facilities: The Borrower may borrow, convert, repay and reborrow up to the amount of each revolving demand facility (subject to Margin where applicable) provided each facility is made available at the sole discretion of the Bank and the Bank may cancel or restrict the availability of any unutilized portion at any time and from time to time without notice.

Term facilities: The Borrower may borrow up to the amount of each term facility provided these facilities are made available at the sole discretion of the Bank and the Bank may cancel or restrict availability of any unutilized portion of these facilities at any time and from time to time without notice.

LOAN REVOLVEMENT

If the Credit Facilities include a revolving demand facility by way of RBP and/or RBUSBR based loans, the Borrower shall establish a current account in Canadian currency, and, where RBUSBR based loans are made available, in US currency (each a "General Account") for the conduct of the Borrower's day-to-day banking business. The Borrower authorizes the Bank daily or otherwise as and when determined by the Bank to ascertain the balance of any General Account and:

- a) If such position is a debit balance the Bank may, subject to the revolving increment amount and minimum retained balance specified in this Agreement, make available a Borrowing by way of RBP Loans, or RBUSBR Loans as applicable, under this facility;
- b) where the facility is indicated to be Bank revolved, if such position is a credit balance, the Bank may, subject to the revolving increment amount and minimum retained balance specified in this Agreement, apply the amount of such credit balance or any part as a repayment of any Borrowings outstanding by way of RBP Loans, or RBUSBR Loans as applicable, under this facility;
- c) where this facility is indicated to be Borrower revolved, if such position is a credit balance, the Bank will apply repayments on such facility only if so advised and directed by the Borrower;
- d) Overdrafts and Bank revolved facilities by way of RBP Loans, or RBUSBR Loans, are not available on the same General Account.

REPAYMENT

- a) Amounts outstanding under the Credit Facilities, together with interest, shall become due in the manner and at the rates and times specified in or pursuant to this Agreement and shall be paid in the currency of the Borrowing. Amounts due on a day other than a Business Day shall be deemed to be due on the Business Day next following such day.
- b) Unless the Bank otherwise agrees, any payment hereunder must be made in money which is legal tender at the time of payment.
- c) In the case of a demand facility of any kind, the Borrower shall repay all principal sums outstanding under such facility upon demand including, without limitation, an amount equal to the face amount of all LCs and LGs, if applicable, which are unmatured or unexpired, which amount shall be held by the Bank as security for the Borrower's obligations to the Bank in respect of such Borrowings.
- d) Where any Borrowings are repayable by scheduled blended payments of principal and interest, such payments shall be applied, firstly, to interest due, and the balance, if any, shall be applied to principal outstanding with any balance of such Borrowings being due and payable as and when specified in this Agreement. If any such payment is insufficient to pay all interest then due, the unpaid balance of such interest will be added to such Borrowing, will bear interest at the same rate, and will be payable on demand or on the date specified herein, as the case may be.
- e) Borrowings repayable by way of scheduled payments of principal plus interest shall be so repaid with any balance of such Borrowings being due and payable as and when specified in this Agreement.
- f) For any Borrowings that are repayable by scheduled payments, if the scheduled payment date is changed then the maturity date of the applicable Borrowings shall automatically be amended accordingly.
- g) Without limiting the right of the Bank to terminate or demand payment of or to cancel or restrict availability of any unused portion of any revolving demand tender loan facility, Borrowings by way of tender loans shall be repaid (i) if the tender is not accepted, by returning the relevant certified cheque to the Bank for cancellation or (ii) if the tender is accepted, by returning the relevant certified cheque once performance bonds are arranged. In the event such certified cheque is presented for payment, the amount of the certified cheque will be converted to an RBP based loan with an interest rate of RBP plus 5% per annum.
- h) Should the Bank demand immediate repayment in full of any amounts outstanding under any term facility due to an Event of Default, the Borrower shall immediately repay all principal sums outstanding under such facility and all other obligations in connection with any such term facility.
- i) Except for Borrowings secured by a mortgage, any amount that is not paid when due hereunder shall bear interest until paid at the rate of RBP plus 5% per annum or, in the case of an amount in US currency if applicable, RBUSBR plus 5% per annum. Such interest on overdue amounts shall be computed daily, compounded monthly and shall be payable both before and after any or all of default, maturity, demand and judgement. For Borrowings secured by a mortgage, any amount that is not paid when due hereunder shall bear interest until paid at the same rate as the interest rate applicable to the principal amount of the Borrowings as specified in this Agreement.
- j) In the case of any reducing term loan and/or reducing term facility ("Reducing Term Loan/Facility"), provided that nothing contained in this paragraph shall confer any right of renewal or extension upon the Borrower, the Borrower and the Bank agree that, at the Bank's option, the Bank may provide a letter ("Renewal Letter") to the Borrower setting out the terms upon which the Bank is prepared to extend the Reducing Term Loan/Facility. In the event that the Bank provides a Renewal Letter to the Borrower and the Reducing Term Loan/Facility is not repaid on or before

the maturity date of the applicable Reducing Term Loan/Facility, then at the Bank's option the Reducing Term Loan/Facility shall be automatically renewed on the terms set out in the Renewal Letter and the terms of this Agreement shall be amended accordingly.

PREPAYMENT

Where Borrowings under any term facility are by way of RBP and/or RBUSBR based loans, the Borrower may prepay such Borrowings in whole or in part at any time without fee or premium. Where Borrowings under any term facility are at a fixed interest rate, provided an Event of Default shall not have occurred and be continuing, the Borrower may prepay such Borrowings on a non-cumulative basis up to the percentage indicated in this Agreement of the outstanding principal balance on the day of prepayment, without fee or premium, once per year during the 12 month period from each anniversary date of the Borrowing. Prepayments greater than the amounts provided for herein may be made only with the prior written consent of the Bank and will be subject to a prepayment fee determined by the Bank, in its sole discretion. The prepayment of any Borrowings under a term facility will be made in the reverse order of maturity.

EVIDENCE OF INDEBTEDNESS

The Bank shall maintain accounts and records (the "Accounts") evidencing the Borrowings made available to the Borrower by the Bank under this Agreement. The Bank shall record the principal amount of such Borrowings, the payment of principal and interest on account of the Borrowings, and all other amounts becoming due to the Bank under this Agreement. The Accounts constitute, in the absence of manifest error, conclusive evidence of the indebtedness of the Borrower to the Bank pursuant to this Agreement. The Borrower authorizes and directs the Bank to automatically debit, by mechanical, electronic or manual means, any bank account of the Borrower for all amounts payable under this Agreement, including, but not limited to, the repayment of principal and the payment of interest, fees and all charges for the keeping of such bank accounts.

CALCULATION AND PAYMENT OF INTEREST AND FEES

- The Borrower shall pay interest on each Overdraft, RBP and/or RBUSBR based loan monthly in arrears on the same day of each month as determined by the Bank. Such interest will be calculated monthly and will accrue daily on the basis of the actual number of days elapsed and a year of 365 days.
- The Borrower shall pay interest on each fixed and/or variable rate term facility in arrears at the applicable rate on such date as agreed upon between the Bank and the Borrower. Such interest will be calculated monthly and will accrue daily on the basis of the actual number of days elapsed and a year of 365 days.
- The Borrower shall pay an LC fee on the date of issuance of any LC calculated on the face amount of the LC issued, based upon the number of days in the term and a year of 365 days. If applicable, fees for LCs issued in US currency shall be paid in US currency.
- The Borrower shall pay LG fees in advance on a quarterly basis calculated on the face amount of the LG issued and based on the number of days in the upcoming quarter or remaining term thereof and a year of 365 days. LG fees are non-refundable. If applicable, fees for LGs issued in US currency shall be paid in US currency.
- Amounts payable by the Borrower hereunder shall be paid at such place as the Bank may advise from time to time in the applicable currency. Amounts due on a day other than a Business Day shall be deemed to be due on the Business Day next following such day. Interest and fees payable under this Agreement are payable both before and after any or all of default, maturity, demand and judgement.
- The Borrower shall not be obligated to pay any interest, fees or costs under or in connection with this Agreement in excess of what is permitted by Applicable Law.
- The annual rates of interest or fees to which the rates calculated in accordance with this Agreement are equivalent, are the rates so calculated multiplied by the actual number of days in the calendar year in which such calculation is made and divided by 365.

FEES, COSTS AND EXPENSES

The Borrower agrees to pay the Bank all fees stipulated in this Agreement and all fees charged by the Bank relating to the documentation or registration of this Agreement and the Security. In addition, the Borrower agrees to pay all fees (including legal fees), costs and expenses incurred by the Bank in connection with the preparation, negotiation, documentation and registration of this Agreement and any Security and the administration, operation, termination, enforcement or protection of its rights in connection with this Agreement and the Security. The Borrower shall indemnify and hold the Bank harmless against any loss, cost or expense incurred by the Bank if any facility under the Credit Facilities is repaid or prepaid other than on its Maturity Date. The determination by the Bank of such loss, cost or expense shall be conclusive and binding for all purposes and shall include, without limitation, any loss incurred by the Bank in liquidating or redeploying deposits acquired to make or maintain any facility.

GENERAL COVENANTS

Without affecting or limiting the right of the Bank to terminate or demand payment of, or cancel or restrict availability of any unutilized portion of, any demand or other discretionary facility, the Borrower covenants and agrees with the Bank that the Borrower:

- will pay all sums of money when due under the terms of this Agreement;
- will immediately advise the Bank of any event which constitutes or which, with notice, lapse of time or both, would constitute a breach of any covenant or other term or condition of this Agreement or any Security or any Event of Default;
- will file all material tax returns which are or will be required to be filed by it, pay or make provision for payment of all material taxes (including interest and penalties) and Potential Prior-Ranking Claims, which are or will become due and payable and provide adequate reserves for the payment of any tax, the payment of which is being contested;
- will give the Bank 30 days prior notice in writing of any intended change in its ownership structure or composition and will not make or facilitate any such changes without the prior written consent of the Bank;
- will comply with all Applicable Laws, including, without limitation, all Environmental and Health and Safety Laws;
- will immediately advise the Bank of any action requests or violation notices received concerning the Borrower;
- will deliver to the Bank such financial and other information as the Bank may reasonably request from time to time, including, but not limited to, the reports and other information set out under this Agreement;
- will immediately advise the Bank of any unfavourable change in its financial position which may adversely affect its ability to pay or perform its obligations in accordance with the terms of this Agreement;
- will not, without the prior written consent of the Bank, grant, create, assume or suffer to exist any mortgage, charge, lien, pledge, security interest or other encumbrance affecting any of its properties, assets or other rights;
- will not, without the prior written consent of the Bank, sell, transfer, convey, lease or otherwise dispose of any of its properties or assets other than in the ordinary course of business and on commercially reasonable terms;
- will not, without the prior written consent of the Bank, guarantee or otherwise provide for, on a direct, indirect or contingent basis, the payment of any monies or performance of any obligations by any other Person, except as may be provided for herein;
- will not, without the prior written consent of the Bank, merge, amalgamate, or otherwise enter into any other form of business combination with any other Person;

- m) will keep its assets fully insured against such perils and in such manner as would be customarily insured by Persons carrying on a similar business or owning similar assets and, in addition, for any buildings located in areas prone to flood and/or earthquake, will insure and keep fully insured such buildings against such perils;
- n) will permit the Bank or its representatives, from time to time, i) to visit and inspect the Borrower's premises, properties and assets and examine and obtain copies of the Borrower's records or other information, ii) to collect information from any person regarding any Potential Prior-Ranking Claims and iii) to discuss the Borrower's affairs with the auditors, counsel and other professional advisors of the Borrower. The Borrower hereby authorizes and directs any such third party to provide to the Bank or its representatives all such information, records or documentation requested by the Bank;
- o) to accelerate repayment of Borrowings under applicable Facilities to match the remaining period of the operation of the quota system in the event the World Trade Organization or other governing body rule to force a significant reduction or elimination of the quota system as presently structured; and
- p) will not use the proceeds of any Credit Facility for the benefit or on behalf of any Person other than the Borrower.

GENERAL INDEMNITY

The Borrower hereby agrees to indemnify and hold the Bank and its directors, officers, employees and agents harmless from and against any and all claims, suits, actions, demands, debts, damages, costs, losses, obligations, judgements, charges, expenses and liabilities of any nature which are suffered, incurred or sustained by, imposed on or asserted against any such Person as a result of, in connection with or arising out of i) any breach of any term or condition of this Agreement or any Security or any other agreement delivered to the Bank by the Borrower or any Guarantor if applicable or any Event of Default, ii) the Bank acting upon instructions given or agreements made by electronic transmission of any type, iii) the presence of Contaminants at, on or under or the discharge or likely discharge of Contaminants from, any properties now or previously used by the Borrower and iv) the breach of or non compliance with any Applicable Law by the Borrower or any Guarantor.

AMENDMENTS AND WAIVERS

No amendment or waiver of any provision of this Agreement will be effective unless it is in writing, signed by the Borrower and the Bank. No failure or delay, on the part of the Bank, in exercising any right or power hereunder or under any Security or any other agreement delivered to the Bank shall operate as a waiver thereof.

SUCCESSORS AND ASSIGNS

This Agreement shall extend to and be binding upon the parties hereto and their respective heirs, executors, administrators, successors and permitted assigns. The Borrower shall not be entitled to assign or transfer any rights or obligations hereunder, without the consent in writing of the Bank.

GAAP

Unless otherwise provided, all accounting terms used in this Agreement shall be interpreted in accordance with Canadian Generally Accepted Accounting Principles, as appropriate, for publicly accountable enterprises, private enterprises, not-for-profit organizations, pension plans and in accordance, as appropriate, with Public Sector Accounting Standards for government organizations in effect from time to time, applied on a consistent basis from period to period. All financial statements and/or reports shall be prepared using one of the above bases of presentation, as appropriate. Except for the transition of accounting standards in Canada, any change in accounting principles or the application of accounting principles is only permitted with the prior written consent of the Bank.

SEVERABILITY

The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement and such invalid provision shall be deemed to be severable.

DEFAULT BY LAPSE OF TIME

The mere lapse of time fixed for performing an obligation shall have the effect of putting the Borrower in default thereof.

SET-OFF

The Bank is authorized (but not obligated), at any time and without notice, to apply any credit balance (whether or not then due) in any account in the name of the Borrower, or to which the Borrower is beneficially entitled (in any currency) at any branch or agency of the Bank in or towards satisfaction of the indebtedness of the Borrower due to the Bank under the Credit Facilities and the other obligations of the Borrower under this Agreement. For that purpose, the Bank is irrevocably authorized to use all or any part of any such credit balance to buy such other currencies as may be necessary to effect such application.

CONSENT OF DISCLOSURE

The Borrower hereby grants permission to any Person having information in such Person's possession relating to any Potential Prior-Ranking Claim, to release such information to the Bank (upon its written request), solely for the purpose of assisting the Bank to evaluate the financial condition of the Borrower.

JOINT AND SEVERAL / SOLIDARY

Where more than one Person is liable as Borrower, for any obligation under this Agreement, then the liability of each such Person for such obligation is joint and several (in Quebec, solidary) with each other such Person.

EVENTS OF DEFAULT

Without affecting or limiting the right of the Bank to terminate or demand payment of, or to cancel or restrict availability of any unutilized portion of, any demand or other discretionary facility, each of the following shall constitute an "Event of Default" which shall entitle the Bank, in its sole discretion, to cancel any Credit Facilities, demand immediate repayment in full of any amounts outstanding under any term facility, together with outstanding accrued interest and any other indebtedness under or with respect to any term facility, and to realize on all or any portion of any Security:

- a) failure of the Borrower to pay any principal, interest or other amount when due pursuant to this Agreement;
- b) failure of the Borrower, or any Guarantor if applicable, to observe any covenant, term or condition or provision contained in this Agreement, the Security or any other agreement delivered to the Bank or in any documentation relating hereto or thereto;
- c) the Borrower, or any Guarantor if applicable, is unable to pay its debts as such debts become due, or is, or is adjudged or declared to be, or admits to being, bankrupt or insolvent;
- d) if any proceeding is taken to effect a compromise or arrangement with the creditors of the Borrower, or any Guarantor if applicable, or to have the Borrower, or any Guarantor if applicable, declared bankrupt or wound up, or to have a receiver appointed for any part of the assets or operations of the Borrower, or any Guarantor if applicable, or if any encumbrancer takes possession of any part thereof;
- e) if in the opinion of the Bank there is a material adverse change in the financial condition, ownership structure or composition or operation of the Borrower, or any Guarantor if applicable;

- f) If any representation or warranty made by the Borrower in any document relating hereto or under any Security shall be false in any material respect; or
- g) If the Borrower, or any Guarantor if applicable, defaults in the payment of any other indebtedness, whether owing to the Bank or to any other Person, or defaults in the performance or observance of any agreement in respect of such indebtedness where, as a result of such default, the maturity of such indebtedness is or may be accelerated.

LETTERS OF CREDIT AND/OR LETTERS OF GUARANTEE

Borrowings made by way of LCs and/or LGs will be subject to the following terms and conditions:

- a) each LC and/or LG shall expire on a Business Day and shall have a term of not more than 365 days;
- b) at least 2 Business Days prior to the issue of an LC and/or LG, the Borrower shall execute a duly authorized application with respect to such LC and/or LG and each LC and/or LG shall be governed by the terms and conditions of the relevant application for such contract. If there is any inconsistency at any time between the terms of this Agreement and the terms of the application for LC and/or LG, the terms of the application for the LC and/or LG shall govern; and
- c) an LC and/or LG may not be revoked prior to its expiry date unless the consent of the beneficiary of the LC and/or LG has been obtained.
- d) LC and/or LG fees and drawings will be charged to the Borrower's accounts.

EXCHANGE RATE FLUCTUATIONS

If, for any reason, the amount of Borrowings outstanding under any facility in a currency other than Canadian currency, when converted to the Equivalent Amount in Canadian currency, exceeds the amount available under such facility, the Borrower shall immediately repay such excess or shall secure such excess to the satisfaction of the Bank.

LANGUAGE

The parties hereto have expressly requested that this Agreement and all related documents, including notices, be drawn up in the English language. Les parties ont expressément demandé que la présente convention et tous les documents y afférents, y compris les avis, soient rédigés en langue anglaise.

WHOLE AGREEMENT

This Agreement and any documents or instruments referred to in, or delivered pursuant to, or in connection with, this Agreement constitute the whole and entire agreement between the Borrower and the Bank with respect to the Credit Facilities.

GOVERNING LAW

This Agreement shall be governed by and construed in accordance with the laws of the Province in which the branch of the Bank, which is the Borrower's branch of account, is located, and the laws of Canada applicable therein, as the same may from time to time be in effect. The Borrower irrevocably submits to the non-exclusive jurisdiction of the courts of such Province and acknowledges the competence of such courts and irrevocably agrees to be bound by a judgment of any such court.

NOTICES

Any notice or demand to be given by the Bank shall be given in writing by way of a letter addressed to the Borrower. If the letter is sent by telecopier, it shall be deemed received on the date of transmission, provided such transmission is sent prior to 5:00 p.m. on a day on which the Borrower's business is open for normal business, and otherwise on the next such day. If the letter is sent by ordinary mail to the address of the Borrower, it shall be deemed received on the date falling five (5) days following the date of the letter, unless the letter is hand-delivered to the Borrower, in which case the letter shall be deemed to be received on the date of delivery. The Borrower must advise the Bank at once about any changes in the Borrower's address.

ELECTRONIC MAIL AND FAX TRANSMISSION

The Bank is entitled to rely on any agreement, document or instrument provided to the Bank by the Borrower or any Guarantor as applicable, by way of electronic mail or fax transmission as though it were an original document. The Bank is further entitled to assume that any communication from the Borrower received by electronic mail or fax transmission is a reliable communication from the Borrower.

ELECTRONIC IMAGING

The parties hereto agree that, at any time, the Bank may convert paper records of this Agreement and all other documentation delivered to the Bank (each, a "Paper Record") into electronic images (each, an "Electronic Image") as part of the Bank's normal business practices. The parties agree that each such Electronic Image shall be considered as an authoritative copy of the Paper Record and shall be legally binding on the parties and admissible in any legal, administrative or other proceeding as conclusive evidence of the contents of such document in the same manner as the original Paper Record.

DEFINITIONS

For the purpose of this Agreement, the following terms and phrases shall have the following meanings:

;"**Applicable Laws**" means, with respect to any Person, property, transaction or event, all present or future applicable laws, statutes, regulations, rules, policies, guidelines, rulings, interpretations, directives (whether or not having the force of law), orders, codes, treaties, conventions, judgements, awards, determinations and decrees of any governmental, quasi-governmental, regulatory, fiscal or monetary body or agency or court of competent jurisdiction in any applicable jurisdiction;

"**Borrowing**" means each use of a Credit Facility and all such usages outstanding at any time are "Borrowings";

"**Business Day**" means a day, excluding Saturday, Sunday and any other day which shall be a legal holiday in Canada or any Province thereof, or a day on which banking institutions are closed throughout Canada;

"**Contaminant**" includes, without limitation, any pollutant, dangerous substance, liquid waste, industrial waste, hazardous material, hazardous substance or contaminant including any of the foregoing as defined in any Environmental and Health and Safety Law;

"**Environmental Activity**" means any activity, event or circumstance in respect of a Contaminant, including, without limitation, its storage, use, holding, collection, purchase, accumulation, assessment, generation, manufacture, construction, processing, treatment, stabilization, disposition, handling or transportation, or its Release into the natural environment, including movement through or in the air, soil, surface water or groundwater;

"Environmental and Health and Safety Laws" means all Applicable Laws relating to the environment or occupational health and safety, or any Environmental Activity;

"Equivalent Amount" means, with respect to an amount of any currency, the amount of any other currency required to purchase that amount of the first mentioned currency through the Bank in Toronto, in accordance with normal banking procedures;

"Guarantor" means any Person who has guaranteed the obligations of the Borrower under this Agreement;

"Letter of Credit" or "LC" means a documentary credit issued by the Bank on behalf of the Borrower for the purpose of paying suppliers of goods;

"Letter of Guarantee" or "LG" means a documentary credit issued by the Bank on behalf of the Borrower for the purpose of providing security to a third party that the Borrower or a person designated by the Borrower will perform a contractual obligation owed to such third party;

"Margin" or "Margined" means that the availability of Borrowings under the credit facilities will be based on the Borrower's level of accounts receivable, inventory and Potential Prior Ranking Claims as determined by reference to regular reports provided to the Bank by the Borrower;

"Overdraft" means advances of credit by way of debit balances in the Borrower's current account;

"Other Facilities" means credit facilities that the Borrower has with the Bank other than and in addition to as provided under this Agreement. Other Facilities are constituted under separate agreements between the Borrower and the Bank and are governed by this Agreement and such separate agreements. In the event of a conflict between this Agreement and any such separate agreement, the terms of the separate agreement will prevail. Other Facilities may include but are not limited to Canada Small Business Financing Loans, Canadian Agricultural Loans, Leases, Commercial Mortgages, Royfarm Mortgage Loans and Business Vehicle Solutions Loans and/or Contracts. Other Facilities do not include Visa even though Visa facilities are constituted under separate agreements;

"Person" includes an individual, a partnership, a joint venture, a trust, an unincorporated organization, a company, a corporation, an association, a government or any department or agency thereof including Canada Revenue Agency, and any other incorporated or unincorporated entity;

"Potential Prior-Ranking Claims" means all amounts owing or required to be paid, where the failure to pay any such amount could give rise to a claim pursuant to any law, statute, regulation or otherwise, which ranks or is capable of ranking in priority to the Security or otherwise in priority to any claim by the Bank for repayment of any amounts owing under this Agreement;

"RBP" and "Royal Bank Prime" each means the annual rate of interest announced by the Bank from time to time as being a reference rate then in effect for determining interest rates on commercial loans made in Canadian currency in Canada;

"RBUSBR" and "Royal Bank US Base Rate" each means the annual rate of interest announced by the Bank from time to time as a reference rate then in effect for determining interest rates on commercial loans made in US currency in Canada;

"Release" includes discharge, spray, inject, inoculate, abandon, deposit, spill, leak, seep, pour, emit, empty, throw, dump, place and exhaust, and when used as a noun has a similar meaning;

"US" means United States of America.

**SECURITY AGREEMENT
(CHATTEL MORTGAGE FOR OTHER THAN INVENTORY
AND CONSUMER GOODS)**

E-FORM 927 (03/2008)
RETENT: ON - M

1. SECURITY INTEREST

(a) For value received the undersigned ("Debtor"), hereby grants to **ROYAL BANK OF CANADA ("RBC")**, a security interest ("Security Interest") in the following:

- the goods of Debtor described in Schedule "C" hereto and in any additional Schedules from time to time added hereto;

and in all proceeds thereof, accretions thereto and substitutions therefor and in all of the following now owned or hereafter owned or acquired by or on behalf of Debtor, namely:

- all lists, records and files relating to Debtor's customers, clients and patients,
- all deeds, documents, writings, papers and books relating to or being records of Goods or their proceeds or by which Goods or their proceeds are or may hereafter be secured, evidenced, acknowledged or made payable including Documents of Title, Chattel Paper, Securities and Instruments; and
- all contractual rights and insurance claims relating to Goods;

all of the foregoing being hereinafter collectively called "Collateral".

(b) Unless otherwise limited herein the terms "Goods", "Chattel Paper", "Document of Title", "Instrument", "Security", "proceeds", "accession", "Money", "financing statement" and "financing change statement" whenever used herein shall be interpreted pursuant to their respective meanings when used in The Personal Property Security Act of the province referred to in section 12(s), as amended from time to time, which Act, including amendments thereto and any Act substituted therefor and amendments thereto is herein referred to as the "P.P.S.A.". Provided always that the term "Goods" when used herein shall not include "consumer goods" or "inventory" of Debtor as those terms are defined in the P.P.S.A. Any reference herein to "Collateral" shall, unless the context otherwise requires, be deemed a reference to "Collateral or any part thereof".

2. INDEBTEDNESS SECURED

The Security Interest granted by Debtor to RBC secures payment and performance of any and all obligations, indebtedness and liability of Debtor to RBC (including interest thereon), present or future, direct or indirect, absolute or contingent, matured or not, extended or renewed, wheresoever and howsoever incurred and any ultimate unpaid balance thereof and whether the same is from time to time reduced and thereafter increased or entirely extinguished and thereafter incurred again and whether Debtor be bound alone or with another or others and whether as principal or surety (hereinafter collectively called the "Indebtedness"). If the Security Interest in the Collateral is not sufficient, in the event of default, to satisfy all Indebtedness of the Debtor, the Debtor acknowledges and agrees that Debtor shall continue to be liable for any Indebtedness remaining outstanding and RBC shall be entitled to pursue full payment thereof.

3. REPRESENTATIONS AND WARRANTIES OF DEBTOR

Debtor represents and warrants and so long as this Security Agreement remains in effect shall be deemed to continuously represent and warrant that:

(a) the Collateral is genuine and owned by Debtor free of all security interests, mortgages, liens, claims, charges or other encumbrances (hereinafter collectively called "Encumbrances") save for the Security Interest and those Encumbrances shown on Schedule "A" or hereafter approved in writing by RBC; prior to their creation or assumption;

(b) Debtor is authorized to enter into this Security Agreement;

(c) each debt, Chattel Paper and Instrument constituting proceeds of Goods is enforceable in accordance with its terms against the party obligated to pay the same (the "Account Debtor"); and

(d) the locations specified in Schedule "B" are accurate and complete save for Goods in transit to such locations.

4. COVENANTS OF DEBTOR

So long as this Security Agreement remains in effect Debtor covenants and agrees:

(a) to defend Collateral against the claims and demands of all other parties claiming the same or an interest therein; to keep Collateral free from all Encumbrances, except for the Security Interest and those shown on Schedule "A" or hereafter approved in writing by RBC prior to their creation or assumption, and not to sell, exchange, transfer, assign, lease or otherwise dispose of Collateral or any interest therein without the prior written consent of RBC and, in any event, to deposit with RBC all Money received from any disposition of Collateral;

(b) to notify RBC promptly of:

- (i) any change in the information contained herein or in the Schedules hereto relating to Debtor, Debtor's business or Collateral,
- (ii) the details or any significant acquisition of Collateral,
- (iii) the details of any claims or litigation affecting Debtor or Collateral,
- (iv) any loss of or damage to Collateral,

(v) any default by any Account Debtor in payment or other performance of his/her obligations with respect to Collateral; and

(vi) the return to or repossession by debtor of Collateral;

(c) to keep the Collateral in good order, condition and repair and not to use Collateral in violation of the provisions of this Security Agreement or any other agreement relating to Collateral or any policy insuring Collateral or any applicable statute, law, by-law, rule, regulation or ordinance;

(d) to do, execute, acknowledge and deliver such financing statements, financing change statements and further assignments, transfers, documents, acts, matters and things (including further schedules hereto) as may be reasonably requested by RBC of or with respect to Collateral in order to give effect to these presents and to pay all costs for searches and filings in connection therewith;

(e) to pay all taxes, rates, levies, assessments and other charges of every nature which may be lawfully levied, assessed or imposed against or in respect of Debtor or Collateral as and when the same become due and payable;

(f) to insure collateral in such amounts and against such risks as would customarily be insured by a prudent owner of similar Collateral and in such additional amounts and against such additional risks as RBC may from time to time direct, with loss payable to RBC and Debtor, as insureds, as their respective interests may appear, and to pay all premiums therefor and deliver copies of policies and evidence of renewal to RBC on request;

(g) to prevent Collateral from being or becoming an accession to other property not covered by this Security Agreement

(h) to carry on and conduct the business of Debtor in a proper and efficient manner and so as to protect and preserve the Collateral and to keep, in accordance with generally accepted accounting principles, consistently applied, proper books of account for Debtor's business as well as accurate and complete records concerning Collateral and mark any and all such records and Collateral at RBC's request so as to indicate the Security Interest; and

(i) to deliver to RBC from time to time promptly upon request:

(i) any Documents of Title, Instruments, Securities and Chattel Paper constituting, representing or relating to Collateral,

(ii) all books of account and all records, ledgers, reports, correspondence, schedules, documents, statements, lists and other writings relating to Collateral for the purpose of inspecting, auditing or copying the same,

(iii) all financial statements prepared by or for Debtor regarding Debtor's business,

(iv) all policies and certificates of insurance relating to Collateral, and

(v) such information concerning Collateral, the Debtor and Debtor's business and affairs as RBC may reasonably request.

5. USE AND VERIFICATION OF COLLATERAL

Subject to compliance with Debtor's covenants contained herein and Clause 7 hereof, Debtor may, until default, possess, operate, collect, use and enjoy and deal with Collateral in the ordinary course of Debtor's business in any manner not inconsistent with the provisions hereof; provided always that RBC shall have the right at any time and from time to time to verify the existence and state of the Collateral in any manner RBC may consider appropriate and Debtor agrees to furnish all assistance and information and to perform all such acts as RBC may reasonably request in connection therewith and for such purpose to grant to RBC or its agents access to all places where Collateral may be located and to all premises occupied by Debtor.

6. SECURITIES

If Collateral at any time includes Securities, Debtor authorizes RBC to transfer the same or any part thereof into its own name or that of its nominee(s) so that RBC or its nominee(s) may appear on record as the sole owner thereof; provided that, until default, RBC shall deliver promptly to Debtor all notices or other communications received by it or its nominee(s) as such registered owner and, upon demand and receipt of payment of any necessary expenses thereof, shall issue to Debtor or its order a proxy to vote and take all action with respect to such Securities. After default, Debtor waives all rights to receive any notices or communications received by RBC or its nominee(s) as such registered owner and agrees that no proxy issued by RBC to Debtor or its order as aforesaid shall thereafter be effective.

7. COLLECTION OF DEBTS

Before or after default under this Security Agreement, RBC may notify all or any Account Debtors of the Security Interest and may also direct such Account Debtors to make all payments on Collateral to RBC. Debtor acknowledges that any payments on or other proceeds of Collateral received by Debtor from Account Debtors, whether before or after notification of this Security Interest to Account Debtors and whether before or after default under this Security Agreement, shall be received and held by Debtor in trust for RBC and shall be turned over to RBC upon request.

8. DISPOSITION OF MONEY

Subject to any applicable requirements of the P.P.S.A., all Money collected or received by RBC pursuant to or in exercise of any right it possesses with respect to Collateral shall be applied on account of indebtedness in such manner as RBC deems best or, at the option of RBC, be held unappropriated in a collateral account or released to Debtor, all without prejudice to the liability of Debtor or the rights of RBC hereunder, and any surplus shall be accounted for as required by law.

9. EVENTS OF DEFAULT

The happening of any one of the following events or conditions shall constitute default hereunder which is herein referred to as "default":

(a) the nonpayment when due, whether by acceleration or otherwise, of any principal or interest forming part of Indebtedness or the failure of Debtor to observe or perform any obligation, covenant, term, provision or condition contained in this Security Agreement or any other agreement between Debtor and RBC;

(b) the death of or a declaration of incompetency by a court of competent jurisdiction with respect to Debtor, if an individual;

(c) the bankruptcy or insolvency of Debtor; the filing against Debtor of a petition in bankruptcy; the making of an assignment for the benefit of creditors by Debtor; the appointment of a receiver or trustee for Debtor or for any assets of Debtor; or the institution by or against Debtor of any other type of insolvency proceeding under the Bankruptcy and Insolvency Act or otherwise;

(d) the institution by or against Debtor of any formal or informal proceeding for the dissolution or liquidation of, settlement of claims against or winding up of affairs of Debtor;

(e) if any Encumbrance affecting Collateral becomes enforceable against Collateral;

(f) if Debtor ceases or threatens to cease to carry on business, makes or agrees to make a bulk sale of assets without complying with applicable law or commits or threatens to commit an act of bankruptcy;

(g) if any execution, sequestration, extent or other process of any court becomes enforceable against Debtor or if a distress or analogous process is levied upon the assets of Debtor or any part thereof;

(h) If any certificate, statement, representation, warranty or audit report heretofore or hereafter furnished by or on behalf of Debtor pursuant to or in connection with this Security Agreement, or otherwise (including, without limitation, the representations and warranties contained herein) or as an inducement to RBC to extend any credit to or to enter into this or any other agreement with Debtor, proves to have been false in any material respect at the time as of which the facts therein set forth were stated or certified, or proves to have omitted any substantial contingent or unliquidated liability or claim against Debtor; or if upon the date of execution of this Security Agreement, there shall have been any material adverse change in any of the facts disclosed by any such certificate, representation, statement, warranty or audit report, which change shall not have been disclosed to RBC at or prior to the time of such execution.

10. ACCELERATION

RBC, in its sole discretion, may declare all or any part of the Indebtedness which is not by its terms payable on demand to be immediately due and payable, without demand or notice of any kind, in the event of default, or, if RBC, considers itself insecure or that the Collateral is in jeopardy. The provisions of this clause are not intended in any way to affect any rights of RBC with respect to any Indebtedness which may now or hereafter be payable on demand.

11. REMEDIES

(a) Upon default, RBC may appoint or reappoint by Instrument in writing, any person or persons, whether an officer or officers or an employee or employees of RBC or not, to be a receiver or receivers (hereinafter called a "Receiver": which term when used herein shall include a receiver and manager) of Collateral and may remove any Receiver so appointed and appoint another in his/her stead. Any such Receiver shall, so far as concerns responsibility for his/her acts, be deemed the agent of Debtor and not RBC, and RBC shall not be in any way responsible for any misconduct, negligence, or non-feasance on the part of any such Receiver, his/her servants, agents or employees. Subject to the provisions of the instrument appointing him/her, any such Receiver shall have power to take possession of Collateral, to preserve Collateral or its value, to carry on or concur in carrying on all or any part of the business of Debtor and to sell, lease or otherwise dispose of or concur in selling, leasing or otherwise disposing of Collateral. To facilitate the foregoing powers, any such Receiver may, to the exclusion of all others, including Debtor, enter upon, use and occupy all premises owned or occupied by Debtor wherein Collateral may be situated, maintain Collateral upon such premises, borrow money on a secured or unsecured basis and use Collateral directly in carrying on Debtor's business or as security for loans or advances to enable the Receiver to carry on Debtor's business or otherwise, as such Receiver shall, in its discretion, determine. Except as may be otherwise directed by RBC, all Money received from time to time by such Receiver in carrying out his/her appointment shall be received in trust for and paid over to RBC. Every such Receiver may, in the discretion of RBC, be vested with all or any of the rights and powers of RBC.

(b) Upon default, RBC may, either directly or through its agents or nominees, exercise any or all of the powers and rights given to a Receiver by virtue of the foregoing sub-clause (a).

(c) RBC may take possession of, collect, demand, sue on, enforce, recover and receive Collateral and give valid and binding receipts and discharges therefor and in respect thereof and, upon default, RBC may sell, lease or otherwise dispose of Collateral in such manner, at such time or times and place or places, for such consideration and upon such terms and conditions as to RBC may seem reasonable.

(d) In addition to those rights granted herein and in any other agreement now or hereafter in effect between Debtor and RBC and in addition to any other rights RBC may have at law or in equity, RBC shall have, both before and after default, all rights and remedies of a secured party under the P.P.S.A. Provided always, that RBC shall not be liable or accountable for any failure to exercise its remedies, take possession of, collect, enforce, realize, sell, lease or otherwise dispose of Collateral or to institute any proceedings for such purposes. Furthermore, RBC shall have no obligation to take any steps to preserve rights against prior parties to any Instrument or Chattel Paper, whether Collateral or proceeds and whether or not in RBC's possession and shall not be liable or accountable for failure to do so.

(e) Debtor acknowledges that RBC or any Receiver appointed by it may take possession of Collateral wherever it may be located and by any method permitted by law and Debtor agrees upon request from RBC or any such Receiver to assemble and deliver possession of Collateral at such place or places as directed.

(f) Debtor agrees to be liable for and to pay all costs, charges and expenses reasonably incurred by RBC or any Receiver appointed by it, whether directly or for services rendered (including reasonable solicitors and auditors costs and other legal expenses and Receiver remuneration), in operating Debtor's accounts, in preparing or enforcing this Security Agreement, taking and maintaining custody of, preserving, repairing, processing, preparing for disposition and disposing of Collateral and in enforcing or collecting Indebtedness and all such costs, charges and expenses together with any amounts owing as a result of any borrowing by RBC or any Receiver appointed by it, as permitted hereby, shall be a first charge on the proceeds of realization, collection or disposition of Collateral and shall be secured hereby.

(g) RBC will give Debtor such notice, if any, of the date, time and place of any public sale or of the date after which any private disposition of Collateral is to be made, as may be required by the P.P.S.A.

12. MISCELLANEOUS

(a) Debtor hereby authorizes RBC to file such financing statements, financing change statements and other

documents and do such acts, matters and things (including completing and adding schedules hereto identifying Collateral or any permitted Encumbrances affecting Collateral or identifying the locations at which Debtor's business is carried on and Collateral and records relating thereto are situate) as RBC may deem appropriate to perfect on an ongoing basis and continue the Security Interest, to protect and preserve Collateral and to realize upon the Security Interest and Debtor hereby irrevocably constitutes and appoints the Manager or Acting Manager from time to time of the herein mentioned branch of RBC the true and lawful attorney of Debtor, with full power of substitution, to do any of the foregoing in the name of Debtor whenever and wherever it may be deemed necessary or expedient.

(b) Without limiting any other right of RBC, whenever Indebtedness is immediately due and payable or RBC has the right to declare Indebtedness to be immediately due and payable (whether or not it has so declared), RBC may, in its sole discretion, set off against Indebtedness any and all amounts then owed to Debtor by RBC in any capacity, whether or not due, and RBC shall be deemed to have exercised such right of setoff immediately at the time of making its decision to do so even though any charge therefor is made or entered on RBC's records subsequent thereto.

(c) Upon Debtor's failure to perform any of its duties hereunder, RBC may, but shall not be obligated to, perform any or all of such duties, and Debtor shall pay to RBC, forthwith upon written demand therefor, an amount equal to the expenses incurred by RBC in so doing plus interest thereon from the date such expense is incurred until it is paid at the rate of 15% per annum.

(d) RBC may grant extensions of time and other indulgences, take and give up security, accept compositions, compound, compromise, settle, grant releases and discharges and otherwise deal with Debtor, debtors of Debtor, sureties and others and with Collateral and other security as RBC may see fit without prejudice to the liability of Debtor or RBC's right to hold and realize the Security Interest. Furthermore, RBC may demand, collect and sue on Collateral in either Debtor's or RBC's name, at RBC's option, and may endorse Debtor's name on any and all cheques, commercial paper, and any other Instruments pertaining to or constituting Collateral.

(e) No delay or omission by RBC in exercising any right or remedy hereunder or with respect to any Indebtedness shall operate as a waiver thereof or of any other right or remedy, and no single or partial exercise thereof shall preclude any other or further exercise thereof or the exercise of any other right or remedy. Furthermore, RBC may remedy any default by Debtor hereunder or with respect to any Indebtedness in any reasonable manner without waiving the default remedied and without waiving any other prior or subsequent default by Debtor. All rights and remedies of RBC granted or recognized herein are cumulative and may be exercised at any time and from time to time independently or in combination.

(f) Debtor waives protest of any Instrument constituting Collateral at any time held by RBC on which Debtor is in any way liable and, subject to Clause 11 (g) hereof, notice of any other action taken by RBC.

(g) This Security Agreement shall enure to the benefit of and be binding upon the parties hereto and their respective heirs, executors, administrators, successors and assigns. In any action brought by an assignee of this Security Agreement and the Security Interest or any part thereof to enforce any rights hereunder, Debtor shall not assert against the assignee any claim of defence which Debtor now has or hereafter may have against RBC. If more than one Debtor executes this Security Agreement the obligations of such Debtors hereunder shall be joint and several.

(h) RBC may provide any financial and other information it has about Debtor, the Security Interest and the Collateral to any one acquiring or who may acquire an interest in the Security Interest or the Collateral from the Bank or any one acting on behalf of the Bank.

(i) Save for any schedules which may be added hereto pursuant to the provisions hereof, no modification, variation or amendment of any provision of this Security Agreement shall be made except by a written agreement, executed by the parties hereto and no waiver of any provision hereof shall be effective unless in writing.

(j) Subject to the requirements of Clause 11 (g) and 12 (k) hereof, whenever either party hereto is required or entitled to notify or direct the other or to make a demand or request upon the other, such notice, direction, demand or request shall be in writing and shall be sufficiently given, in the case of RBC, if delivered to it or sent by prepaid registered mail addressed to it at its address herein set forth or as changed pursuant hereto and, in the case of Debtor, if delivered to it or if sent by prepaid registered mail addressed to it at its last address known to RBC. Either party may notify the other pursuant hereto of any change in such party's principal address to be used for the purposes hereof.

(k) This Security Agreement and the security afforded hereby is in addition to and not in substitution for any other security now or hereafter held by RBC, and is intended to be a continuing Security Agreement and shall remain in full force and effect until the Manager or Acting Manager from time to time of the herein mentioned branch of RBC shall actually receive written notice of its discontinuance; and notwithstanding such notice, shall remain in full force and effect thereafter until all Indebtedness contracted for or created before the receipt of such notice by RBC, and any extensions or renewals thereof (whether made before or after receipt of such notice) together with interest accruing thereon after such notice, shall be paid in full.

(l) The headings used in this Security Agreement are for convenience only and are not to be considered a part of this Security Agreement and do not in any way limit or amplify the terms and provisions of this Security Agreement.

(m) When the context so requires, the singular number shall be read as if the plural were expressed and the provisions hereof shall be read with all the grammatical changes necessary dependent upon the person referred to being a male, female, firm or corporation.

(n) In the event any provision of this Security Agreement, as amended from time to time, shall be deemed invalid or void, in whole or in part, by any Court of competent jurisdiction, the remaining terms and provisions of this Security Agreement shall remain in full force and effect.

(o) Nothing herein contained shall in any way obligate RBC to grant, continue, renew, extend time for payment of or accept anything which constitutes or would constitute Indebtedness.

(p) The Security Interest created hereby is intended to attach when this Security Agreement is signed by Debtor and delivered to RBC.

(q) Debtor acknowledges and agrees that in the event it amalgamates with any other company or companies it is the intention of the parties hereto that the term "Debtor" when used herein shall apply to each of the amalgamating companies and to the amalgamated company, such that the Security Interest granted hereby (i) shall extend to "Collateral" (as that term is herein defined) owned by each of the amalgamating companies and the amalgamated company at the time of amalgamation and to any "Collateral" thereafter owned or acquired by the amalgamated company, and (ii) shall secure the "Indebtedness" (as that term is herein defined) of each of the amalgamating companies and the amalgamated company to RBC at the time of amalgamation and any "Indebtedness" of the amalgamated company to RBC thereafter arising. The Security Interest shall attach to "Collateral" owned by each company amalgamating with Debtor, and by the amalgamated company, at the time of amalgamation, and shall attach to any "Collateral" thereafter owned or acquired by the amalgamated company when such becomes owned or is acquired.

(r) In the event that Debtor is a body corporate, it is hereby agreed that The Limitation of Civil Rights Act of the Province of Saskatchewan, or any provision thereof, shall have no application to this Security Agreement or any

agreement or instrument renewing or extending or collateral to this Security Agreement. In the event that Debtor is an agricultural corporation within the meaning of The Saskatchewan Farm Security Act, Debtor agrees with RBC that all of Part IV (other than Section 46) of that Act shall not apply to Debtor.

(s) This Security Agreement and the transactions evidenced hereby shall be governed by and construed in accordance with the laws of the province in which the herein branch of RBC is located, as those laws may from time to time be in effect, except if such branch of RBC is located in Quebec then, this Security Agreement and the transactions evidenced hereby shall be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein.

13. COPY OF AGREEMENT

(a) Debtor hereby acknowledges receipt of a copy of this Security Agreement.

(b) Debtor waives Debtor's right to receive a copy of any financing statement or financing change statement registered by RBC, or of any verification statement with respect to any financing statement registered by RBC. (Applies in all P.P.S.A. provinces except Ontario)

14. Debtor represents and warrants that the following information is accurate:

INDIVIDUAL DEBTOR

SURNAME (LAST NAME)	FIRST NAME	SECOND NAME	BIRTH DATE YEAR MONTH DAY
ADDRESS OF INDIVIDUAL DEBTOR	CITY	PROVINCE	POSTAL CODE
SURNAME (LAST NAME)	FIRST NAME	SECOND NAME	BIRTH DATE YEAR MONTH DAY
ADDRESS OF INDIVIDUAL DEBTOR (IF DIFFERENT FROM ABOVE)	CITY	PROVINCE	POSTAL CODE

BUSINESS DEBTOR

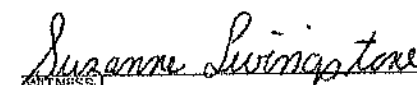
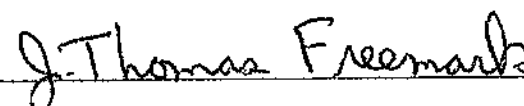

NAME OF BUSINESS DEBTOR RENFREW HYDRO INC.			
ADDRESS OF BUSINESS DEBTOR 29 BRIDGE STREET	CITY RENFREW	PROVINCE ON	POSTAL CODE K7V 3R3




TRADE NAME (IF APPLICABLE)

TRADE NAME OF DEBTOR			
PRINCIPAL ADDRESS (IF DIFFERENT FROM ABOVE)	CITY	PROVINCE	POSTAL CODE

IN WITNESS WHEREOF Debtor has executed this Security Agreement this 12 day of December, 2014.

RENFREW HYDRO INC.

BRANCH ADDRESS

OTTAWA-COMMC/PUBLIC SECTOR
90 SPARKS ST
OTTAWA ON
K1P 5T6

SCHEDULE "A"

(ENCUMBRANCES AFFECTING COLLATERAL)

SCHEDULE "B"

1. Locations of Debtor's Business Operations

29 BRIDGE ST
RENFREW
ON CANADA
K7V3R3

2. Locations of Records relating to Collateral (if different from 1. above)

3. Locations of Collateral (if different from 1. above)

SCHEDULE "C"

(DESCRIPTION OF GOODS)

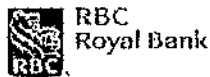
3C4PDCAB0FT586330 2015 WHITE DODGE JOURNEY

Date: December 12, 2014

--	--

client initial

STF.
CH



FORM 460 (Rev 11/2013)

ROYAL BANK OF CANADA LOAN AGREEMENT

DATE: January 22, 2014

BORROWER: Renfrew Hydro Inc.	SRF: 667 494 033
ADDRESS (Street, City/Town, Province, Postal Code) 29 Bridge Street Renfrew, Ontario K7V 3R3	

Royal Bank of Canada (the "Bank") hereby confirms to the undersigned (the "Borrower") the following credit facilities (the "Credit Facilities"), banking services and other products subject to the terms and conditions set forth below and in the standard terms provided herewith (collectively the "Agreement"). The Credit Facilities are made available at the sole discretion of the Bank and the Bank may cancel or restrict availability of any unutilized portion of these facilities at any time and from time to time without notice.

CREDIT FACILITIES

Facility (1): Revolving demand facility in the amount of \$500,000.00, available by way of RBP based loans and/or LGs.

Minimum retained balance \$0.00.

Revolved by the Bank in increments of \$5,000.00.

Interest rate: RBP + 0.00% per annum. Interest payable monthly, in arrears, on the same day each month as determined by the Bank.

LG fees to be advised on a transaction-by-transaction basis.

Margined: Yes [] No [X].

Facility (2): Fixed rate term facility in the amount of \$103,730.73. Repayable by consecutive monthly blended payments of \$3,000.89, including interest, based on a current remaining 37 month amortization. Payment is due on the 17th day of each month. This loan has a remaining 1-month term and all outstanding principal and interest is payable in full on February 17, 2014. Interest rate: 4.40% per annum. Amount eligible for prepayment is NIL.

Facility (3): VISA business to a maximum of \$5,000.00 will be governed by this Agreement and separate agreements between the Borrower and the Bank. In the event of a conflict between this Agreement and any such separate agreement, the terms of the separate agreement will govern.

SECURITY

Security for the Borrowings and all other obligations of the Borrower to the Bank (collectively, the "Security"), shall include:

- General security agreement signed by the Borrower constituting a first ranking security interest in all personal property of the Borrower;
- Security agreement (chattel mortgage) on the Bank's form 927 signed by the Borrower constituting a first ranking and specific security interest on a 2000 Freightliner double bucket crane truck.

REPORTING REQUIREMENTS

The Borrower will provide to the Bank:

- Its annual audited financial statements within 120 days of each fiscal year end;
- such other financial and operating statements and reports as and when the Bank may reasonably require.

EVENTS OF DEFAULT

Without affecting or limiting the right of the Bank to terminate or demand payment of, or to cancel or restrict availability of any unutilized portion of, any demand or other discretionary facility, each Event of Default shall entitle the Bank, in its sole discretion, to cancel any Credit Facilities, demand immediate repayment in full of any amounts outstanding under any term facility, together with outstanding accrued interest and any other indebtedness under or with respect to any term facility, and to realize on all or any portion of any Security. The term Event of Default has the meaning set out in the Loan Agreement Standard Terms (Form 472) and includes, without limitation, each of i) failure of the Borrower to pay any principal, interest or other amount when due pursuant to this Agreement, ii) failure of the Borrower to observe any covenant, condition or provision contained in this Agreement or in any documentation relating hereto or to the Security and iii) if in the opinion of the Bank there is a material adverse change in the financial condition, ownership structure or composition or operation of the Borrower, or any Guarantor if applicable.

BUSINESS LOAN INSURANCE PLAN

The Borrower acknowledges that the Bank has offered it insurance on the Borrowings under the Business Loan Insurance Plan Policy 51000 ("Policy") Issued by the Sun Life Assurance Company of Canada to the Bank and the Borrower hereby acknowledges that it is the Borrower's responsibility to apply for any new or increased amount for the Borrowings that may be eligible.

Should the Borrower decide to apply for insurance on the Borrowings, the application will be made via the Bank's Business Loan Insurance Plan application (form 3460 Eng or 53460 Fr). However, should the Borrower decide not to apply, it hereby acknowledges that the Bank may accept the Borrower's signature below as the Borrower's waiver of the offer.

If there are any discrepancies between the insurance information in this Agreement and the Business Loan Insurance Plan documents regarding the Borrowings, the Business Loan Insurance Plan documents govern.

Business Loan Insurance Plan premiums, if applicable, are taken with your scheduled loan payments. In the case of blended payments of principal and interest, as premiums fluctuate based on various factors such as, by way of example, the age of the insured and changes to the insured loan balance, a part of the premium payment may be deducted and taken from the scheduled blended loan payment with the result that the amortization period may increase in the case of any loan to which this coverage applies. Refer to the Business Loan Insurance Plan application for further explanation and disclosure.

STANDARD TERMS


The following standard terms have been provided to the Borrower:

- ☒ Form 472 (05/2013) Royal Bank of Canada Loan Agreement - Standard Terms
- ☐ Form 473 (05/2013) Royal Bank of Canada Loan Agreement - Margined Account Standard Terms
- ☐ Form 473A (03/2011) Royal Bank of Canada Loan Agreement - RBC Covarity Terms and Conditions
- ☐ Form 475 (05/2013) Royal Bank of Canada Loan Agreement - Financial Covenants Standard Terms
- ☐ Form 476 (05/2013) Royal Bank of Canada Loan Agreement - FEF Contract Standard Terms.

ACCEPTANCE

This Agreement is open for acceptance until **February 24, 2014**, after which date it will be null and void, unless extended in writing by the Bank.

ROYAL BANK OF CANADA

Per: 
Name: James Nguyen
Title: Relationship Manager

/lb

Registered trademark of Royal Bank of Canada.

CONFIRMATION & ACCEPTANCE

The Borrower (i) confirms that it has received a copy of the Royal Bank of Canada Loan Agreement Standard Terms, form 472 (05/2013), as well as all other standard terms which are hereinabove shown as having been delivered to the Borrower, all of which are incorporated in and form an Integral part of this Agreement; and (ii) accepts and agrees to be bound by the terms and conditions of this Agreement including all terms and conditions contained in such standard terms.

Confirmed, accepted and agreed this 23 day of JANUARY, 2014.

RENFREW HYDRO INC.

Per: J. Thomas Freemark
Name: J. Thomas Freemark
Title: President

Per: Cindy Marshall
Name: Cindy Marshall
Title: Secretary Treasurer

The following set of standard terms is deemed to be included in and forms an integral part of the Royal Bank of Canada Loan Agreement which refers to standard terms with this document version date, receipt of which has been duly acknowledged by the Borrower. Terms defined elsewhere in this Agreement and not otherwise defined below have the meaning given to such terms as so defined. The Borrower agrees and if the Borrower is comprised of more than one Person, such Persons jointly and severally agree, or in Quebec solidarily agree, with the Bank as follows:

GENERAL

This Agreement amends and restates, without novation, any existing credit or loan agreement between the Borrower and the Bank and any amendments thereto, (other than existing agreements for Other Facilities). Any credit facility existing under any such credit or loan agreement which is secured by security under section 427 of the *Bank Act* (Canada) (or any successor to such provision) is deemed to be continued and renewed, without novation, under the Credit Facilities. Any amount owing by the Borrower to the Bank under any such credit or loan agreement is deemed to be a Borrowing under this Agreement. This Agreement is in addition to, and not in replacement of, agreements for Other Facilities. Any and all Security that has been delivered to the Bank and which is included as Security in this Agreement shall remain in full force and effect, is expressly reserved by the Bank and shall apply in respect of all obligations of the Borrower under the Credit Facilities. The Bank expressly reserves all Security granted to the Bank by the Borrower to secure the Borrower's existing debt towards the Bank, should the execution of this Agreement effect a novation of said debt. Unless otherwise provided, all dollar amounts are in Canadian currency.

CONDITIONS PRECEDENT

In no event will the Credit Facilities or any part thereof be available unless the Bank has received:

- a duly executed copy of this Agreement;
- the Security provided for herein, in form and substance, and executed and registered to the satisfaction of the Bank;
- such financial and other information or documents relating to the Borrower or any Guarantor if applicable as the Bank may reasonably require; and
- such other authorizations, approvals, opinions and documentation as the Bank may reasonably require.

AVAILABILITY

Revolving demand facilities: The Borrower may borrow, convert, repay and reborrow up to the amount of each revolving demand facility (subject to Margin where applicable) provided each facility is made available at the sole discretion of the Bank and the Bank may cancel or restrict the availability of any unutilized portion at any time and from time to time without notice.

Term facilities: The Borrower may borrow up to the amount of each term facility provided these facilities are made available at the sole discretion of the Bank and the Bank may cancel or restrict availability of any unutilized portion of these facilities at any time and from time to time without notice.

LOAN REVOLVEMENT

If the Credit Facilities include a revolving demand facility by way of RBP and/or RBUSBR based loans, the Borrower shall establish a current account in Canadian currency, and, where RBUSBR based loans are made available, in US currency (each a "General Account") for the conduct of the Borrower's day-to-day banking business. The Borrower authorizes the Bank daily or otherwise as and when determined by the Bank to ascertain the balance of any General Account and:

- if such position is a debit balance the Bank may, subject to the revolving increment amount and minimum retained balance specified in this Agreement, make available a Borrowing by way of RBP Loans, or RBUSBR Loans as applicable, under this facility;
- where the facility is indicated to be Bank revolved, if such position is a credit balance, the Bank may, subject to the revolving increment amount and minimum retained balance specified in this Agreement, apply the amount of such credit balance or any part as a repayment of any Borrowings outstanding by way of RBP Loans, or RBUSBR Loans as applicable, under this facility;
- where this facility is indicated to be Borrower revolved, if such position is a credit balance, the Bank will apply repayments on such facility only if so advised and directed by the Borrower;
- Overdrafts and Bank revolved facilities by way of RBP Loans, or RBUSBR Loans, are not available on the same General Account.

REPAYMENT

- Amounts outstanding under the Credit Facilities, together with interest, shall become due in the manner and at the rates and times specified in or pursuant to this Agreement and shall be paid in the currency of the Borrowing. Amounts due on a day other than a Business Day shall be deemed to be due on the Business Day next following such day.
- Unless the Bank otherwise agrees, any payment hereunder must be made in money which is legal tender at the time of payment.
- In the case of a demand facility of any kind, the Borrower shall repay all principal sums outstanding under such facility upon demand including, without limitation, an amount equal to the face amount of all LCs and LGs, if applicable, which are unmatured or unexpired, which amount shall be held by the Bank as security for the Borrower's obligations to the Bank in respect of such Borrowings.
- Where any Borrowings are repayable by scheduled blended payments of principal and interest, such payments shall be applied, firstly, to interest due, and the balance, if any, shall be applied to principal outstanding with any balance of such Borrowings being due and payable as and when specified in this Agreement. If any such payment is insufficient to pay all interest then due, the unpaid balance of such interest will be added to such Borrowing, will bear interest at the same rate, and will be payable on demand or on the date specified herein, as the case may be.
- Borrowings repayable by way of scheduled payments of principal plus interest shall be so repaid with any balance of such Borrowings being due and payable as and when specified in this Agreement.
- For any Borrowings that are repayable by scheduled payments, if the scheduled payment date is changed then the maturity date of the applicable Borrowings shall automatically be amended accordingly.
- Without limiting the right of the Bank to terminate or demand payment of or to cancel or restrict availability of any unused portion of any revolving demand tender loan facility, Borrowings by way of tender loans shall be repaid (i) if the tender is not accepted, by returning the relevant certified cheque to the Bank for cancellation or (ii) if the tender is accepted, by returning the relevant certified cheque once performance bonds are arranged. In the event such certified cheque is presented for payment, the amount of the certified cheque will be converted to an RBP based loan with an interest rate of RBP plus 5% per annum.
- Should the Bank demand immediate repayment in full of any amounts outstanding under any term facility due to an Event of Default, the Borrower shall immediately repay all principal sums outstanding under such facility and all other obligations in connection with any such term facility.
- Except for Borrowings secured by a mortgage, any amount that is not paid when due hereunder shall bear interest until paid at the rate of RBP plus 5% per annum or, in the case of an amount in US currency if applicable, RBUSBR plus 5% per annum. Such interest on overdue amounts shall be computed daily, compounded monthly and shall be payable both before and after any or all of default, maturity, demand and judgement. For Borrowings secured by a mortgage, any amount that is not paid when due hereunder shall bear interest until paid at the same rate as the interest rate applicable to the principal amount of the Borrowings as specified in this Agreement.
- In the case of any reducing term loan and/or reducing term facility ("Reducing Term Loan/Facility"), provided that nothing contained in this paragraph shall confer any right of renewal or extension upon the Borrower, the Borrower and the Bank agree that, at the Bank's option, the Bank may provide a letter ("Renewal Letter") to the Borrower setting out the terms upon which the Bank is prepared to extend the Reducing Term Loan/Facility. In the event that the Bank provides a Renewal Letter to the Borrower and the Reducing Term Loan/Facility is not repaid on or before

ROYAL BANK OF CANADA AMENDING AGREEMENT

DATE: March 5, 2014

BORROWER: Renfrew Hydro Inc.

SRF No.: 667 494 033

ADDRESS (Street, City/Town, Province, Postal Code)

29 Bridge Street
Renfrew, Ontario K7V 3R3

Royal Bank of Canada (the "Bank") hereby confirms to the undersigned borrower (the "Borrower") the following amendments to the loan agreement dated January 22, 2014 and any previous amendments thereto, between the Borrower and the Bank (the "Agreement"):

Facility (2) in the amount of \$101,117.48, which was payable in full on February 17, 2014 (the "Original Facility (2) Maturity Date"), is renewed, subject to the following revised terms and conditions with effect retroactive to the Original Facility (2) Maturity Date. Scheduled payments which would have come due under this facility, as so revised and renewed, since the Original Facility (2) Maturity Date are considered skipped and revised scheduled payments will commence upon acceptance of this amending agreement. The Borrower understands and agrees that any interest accrued and unpaid under this facility, will be charged to its account upon its acceptance of this amending agreement:

Facility (2): Fixed rate term facility in the amount of \$101,117.48. Repayable by consecutive monthly blended payments of \$3,000.89, including interest, based on a remaining 36 month amortization. First payment is due March 17, 2014. This loan has a 36 month term and all outstanding principal and interest is payable in full February 17, 2017. Interest rate: 3.18% per annum. Amount eligible for prepayment is NIL.

BUSINESS LOAN INSURANCE PLAN

The Borrower acknowledges that the Bank has offered it insurance on the Borrowings under the Business Loan Insurance Plan Policy 51000 ("Policy") issued by the Sun Life Assurance Company of Canada to the Bank and the Borrower hereby acknowledges that it is the Borrower's responsibility to apply for any new or increased amount for the Borrowings that may be eligible.

Should the Borrower decide to apply for insurance on the Borrowings, the application will be made via the Bank's Business Loan Insurance Plan application (form 3460 Eng or 53460 Fr). However, should the Borrower decide not to apply, it hereby acknowledges that the Bank may accept the Borrower's signature below as the Borrower's waiver of the offer.

If there are any discrepancies between the insurance information in this Agreement and the Business Loan Insurance Plan documents regarding the Borrowings, the Business Loan Insurance Plan documents govern.

Business Loan Insurance Plan premiums, if applicable, are taken with your scheduled loan payments. In the case of blended payments of principal and interest, as premiums fluctuate based on various factors such as, by way of example, the age of the insured and changes to the insured loan balance, a part of the premium payment may be deducted and taken from the scheduled blended loan payment with the result that the amortization period may increase in the case of any loan to which this coverage applies. Refer to the Business Loan Insurance Plan application for further explanation and disclosure.

OTHER TERMS AND CONDITIONS

- a) all capitalized terms not otherwise defined herein shall have the meaning ascribed to them in the Agreement;
- b) all other terms and conditions of the Agreement including those contained in the standard terms provided therewith, remain in full force and effect; and
- c) the effectiveness of the terms hereof is conditional upon receipt of a duly executed copy of this amending agreement.

STANDARD TERMS

The following standard terms have been provided to the Borrower:

- ☒ Form 472 (05/2013) Royal Bank of Canada Loan Agreement - Standard Terms .
- ☐ Form 473 (05/2013) Royal Bank of Canada Loan Agreement - Margined Account Standard Terms.
- ☐ Form 473A (03/2011) Royal Bank of Canada Loan Agreement - RBC Covarity Terms and Conditions.
- ☐ Form 475 (05/2013) Royal Bank of Canada Loan Agreement - Financial Covenants Standard Terms.
- ☐ Form 476 (05/2013) Royal Bank of Canada Loan Agreement - FEF Contract Standard Terms.

ACCEPTANCE

This amending agreement is open for acceptance until **April 4, 2014**, after which date it will be null and void, unless extended in writing by the Bank.

ROYAL BANK OF CANADA

Per: 
Name: James Nguyen
Title: Relationship Manager – Commercial Banking


/jc

ACKNOWLEDGEMENT & ACCEPTANCE

Confirmed, accepted and agreed this 7th day of March, 2014.

RENFREW HYDRO INC.

Per: 
Name: J. Thomas Freemark
Title: President

Per: 
Name: Cindy Marshall
Title: Secretary Treasurer

The following set of standard terms is deemed to be included in and forms an integral part of the Royal Bank of Canada Loan Agreement which refers to standard terms with this document version date, receipt of which has been duly acknowledged by the Borrower. Terms defined elsewhere in this Agreement and not otherwise defined below have the meaning given to such terms as so defined. The Borrower agrees and if the Borrower is comprised of more than one Person, such Persons jointly and severally agree, or in Quebec solidarily agree, with the Bank as follows:

GENERAL

This Agreement amends and restates without novation, any existing credit or loan agreement between the Borrower and the Bank and any amendments thereto, (other than existing agreements for Other Facilities). Any credit facility existing under any such credit or loan agreement which is secured by security under section 427 of the *Bank Act* (Canada) (or any successor to such provision) is deemed to be continued and renewed, without novation, under the Credit Facilities. Any amount owing by the Borrower to the Bank under any such credit or loan agreement is deemed to be a Borrowing under this Agreement. This Agreement is in addition to, and not in replacement of, agreements for Other Facilities. Any and all Security that has been delivered to the Bank and which is included as Security in this Agreement shall remain in full force and effect, is expressly reserved by the Bank and shall apply in respect of all obligations of the Borrower under the Credit Facilities. The Bank expressly reserves all Security granted to the Bank by the Borrower to secure the Borrower's existing debt towards the Bank, should the execution of this Agreement effect a novation of said debt. Unless otherwise provided, all dollar amounts are in Canadian currency.

CONDITIONS PRECEDENT

In no event will the Credit Facilities or any part thereof be available unless the Bank has received:

- a) a duly executed copy of this Agreement;
- b) the Security provided for herein, in form and substance, and executed and registered to the satisfaction of the Bank;
- c) such financial and other information or documents relating to the Borrower or any Guarantor if applicable as the Bank may reasonably require; and
- d) such other authorizations, approvals, opinions and documentation as the Bank may reasonably require.

AVAILABILITY

Revolving demand facilities: The Borrower may borrow, convert, repay and reborrow up to the amount of each revolving demand facility (subject to Margin where applicable) provided each facility is made available at the sole discretion of the Bank and the Bank may cancel or restrict the availability of any unutilized portion at any time and from time to time without notice.

Term facilities: The Borrower may borrow up to the amount of each term facility provided these facilities are made available at the sole discretion of the Bank and the Bank may cancel or restrict availability of any unutilized portion of these facilities at any time and from time to time without notice.

LOAN REVOLVEMENT

If the Credit Facilities include a revolving demand facility by way of RBP and/or RBUSBR based loans, the Borrower shall establish a current account in Canadian currency, and, where RBUSBR based loans are made available, in US currency (each a "General Account") for the conduct of the Borrower's day-to-day banking business. The Borrower authorizes the Bank daily or otherwise as and when determined by the Bank to ascertain the balance of any General Account and:

- a) if such position is a debit balance the Bank may, subject to the revolving increment amount and minimum retained balance specified in this Agreement, make available a Borrowing by way of RBP Loans, or RBUSBR Loans as applicable, under this facility;
- b) where the facility is indicated to be Bank revolved, if such position is a credit balance, the Bank may, subject to the revolving increment amount and minimum retained balance specified in this Agreement, apply the amount of such credit balance or any part as a repayment of any Borrowings outstanding by way of RBP Loans, or RBUSBR Loans as applicable, under this facility;
- c) where this facility is indicated to be Borrower revolved, if such position is a credit balance, the Bank will apply repayments on such facility only if so advised and directed by the Borrower;
- d) Overdrafts and Bank revolved facilities by way of RBP Loans, or RBUSBR Loans, are not available on the same General Account.

REPAYMENT

- a) Amounts outstanding under the Credit Facilities, together with interest, shall become due in the manner and at the rates and times specified in or pursuant to this Agreement and shall be paid in the currency of the Borrowing. Amounts due on a day other than a Business Day shall be deemed to be due on the Business Day next following such day.
- b) Unless the Bank otherwise agrees, any payment hereunder must be made in money which is legal tender at the time of payment.
- c) In the case of a demand facility of any kind, the Borrower shall repay all principal sums outstanding under such facility upon demand including, without limitation, an amount equal to the face amount of all LCs and LGs, if applicable, which are unmatured or unexpired, which amount shall be held by the Bank as security for the Borrower's obligations to the Bank in respect of such Borrowings.
- d) Where any Borrowings are repayable by scheduled blended payments of principal and interest, such payments shall be applied, firstly, to interest due, and the balance, if any, shall be applied to principal outstanding with any balance of such Borrowings being due and payable as and when specified in this Agreement. If any such payment is insufficient to pay all interest then due, the unpaid balance of such interest will be added to such Borrowing, will bear interest at the same rate, and will be payable on demand or on the date specified herein, as the case may be.
- e) Borrowings repayable by way of scheduled payments of principal plus interest shall be so repaid with any balance of such Borrowings being due and payable as and when specified in this Agreement.
- f) For any Borrowings that are repayable by scheduled payments, if the scheduled payment date is changed then the maturity date of the applicable Borrowings shall automatically be amended accordingly.
- g) Without limiting the right of the Bank to terminate or demand payment of or to cancel or restrict availability of any unused portion of any revolving demand tender loan facility, Borrowings by way of tender loans shall be repaid (i) if the tender is not accepted, by returning the relevant certified cheque to the Bank for cancellation or (ii) if the tender is accepted, by returning the relevant certified cheque once performance bonds are arranged. In the event such certified cheque is presented for payment, the amount of the certified cheque will be converted to an RBP based loan with an interest rate of RBP plus 5% per annum.
- h) Should the Bank demand immediate repayment in full of any amounts outstanding under any term facility due to an Event of Default, the Borrower shall immediately repay all principal sums outstanding under such facility and all other obligations in connection with any such term facility.
- i) Except for Borrowings secured by a mortgage, any amount that is not paid when due hereunder shall bear interest until paid at the rate of RBP plus 5% per annum or, in the case of an amount in US currency if applicable, RBUSBR plus 5% per annum. Such interest on overdue amounts shall be computed daily, compounded monthly and shall be payable both before and after any or all of default, maturity, demand and judgement. For Borrowings secured by a mortgage, any amount that is not paid when due hereunder shall bear interest until paid at the same rate as the interest rate applicable to the principal amount of the Borrowings as specified in this Agreement.
- j) In the case of any reducing term loan and/or reducing term facility ("Reducing Term Loan/Facility"), provided that nothing contained in this paragraph shall confer any right of renewal or extension upon the Borrower, the Borrower and the Bank agree that, at the Bank's option, the Bank may provide a letter ("Renewal Letter") to the Borrower setting out the terms upon which the Bank is prepared to extend the Reducing Term Loan/Facility. In the event that the Bank provides a Renewal Letter to the Borrower and the Reducing Term Loan/Facility is not repaid on or before

the maturity date of the applicable Reducing Term Loan/Facility, then at the Bank's option the Reducing Term Loan/Facility shall be automatically renewed on the terms set out in the Renewal Letter and the terms of this Agreement shall be amended accordingly.

PREPAYMENT

Where Borrowings under any term facility are by way of RBP and/or RBUSBR based loans the Borrower may prepay such Borrowings in whole or in part at any time without fee or premium. Where Borrowings under any term facility are at a fixed interest rate, provided an Event of Default shall not have occurred and be continuing, the Borrower may prepay such Borrowings on a non-cumulative basis up to the percentage indicated in this Agreement of the outstanding principal balance on the day of prepayment, without fee or premium, once per year during the 12 month period from each anniversary date of the Borrowing. Prepayments greater than the amounts provided for herein may be made only with the prior written consent of the Bank and will be subject to a prepayment fee determined by the Bank, in its sole discretion. The prepayment of any Borrowings under a term facility will be made in the reverse order of maturity.

EVIDENCE OF INDEBTEDNESS

The Bank shall maintain accounts and records (the "Accounts") evidencing the Borrowings made available to the Borrower by the Bank under this Agreement. The Bank shall record the principal amount of such Borrowings, the payment of principal and interest on account of the Borrowings, and all other amounts becoming due to the Bank under this Agreement. The Accounts constitute, in the absence of manifest error, conclusive evidence of the indebtedness of the Borrower to the Bank pursuant to this Agreement. The Borrower authorizes and directs the Bank to automatically debit, by mechanical, electronic or manual means, any bank account of the Borrower for all amounts payable under this Agreement, including, but not limited to, the repayment of principal and the payment of interest, fees and all charges for the keeping of such bank accounts.

CALCULATION AND PAYMENT OF INTEREST AND FEES

- a) The Borrower shall pay interest on each Overdraft, RBP and/or RBUSBR based loan monthly in arrears on the same day of each month as determined by the Bank. Such interest will be calculated monthly and will accrue daily on the basis of the actual number of days elapsed and a year of 365 days.
- b) The Borrower shall pay interest on each fixed and/or variable rate term facility in arrears at the applicable rate on such date as agreed upon between the Bank and the Borrower. Such interest will be calculated monthly and will accrue daily on the basis of the actual number of days elapsed and a year of 365 days.
- c) The Borrower shall pay an LC fee on the date of issuance of any LC calculated on the face amount of the LC issued, based upon the number of days in the term and a year of 365 days. If applicable, fees for LCs issued in US currency shall be paid in US currency.
- d) The Borrower shall pay LG fees in advance on a quarterly basis calculated on the face amount of the LG issued and based on the number of days in the upcoming quarter or remaining term thereof and a year of 365 days. LG fees are non-refundable. If applicable, fees for LGs issued in US currency shall be paid in US currency.
- e) Amounts payable by the Borrower hereunder shall be paid at such place as the Bank may advise from time to time in the applicable currency. Amounts due on a day other than a Business Day shall be deemed to be due on the Business Day next following such day. Interest and fees payable under this Agreement are payable both before and after any or all of default, maturity, demand and judgement.
- f) The Borrower shall not be obligated to pay any interest, fees or costs under or in connection with this Agreement in excess of what is permitted by Applicable Law.
- g) The annual rates of interest or fees to which the rates calculated in accordance with this Agreement are equivalent, are the rates so calculated multiplied by the actual number of days in the calendar year in which such calculation is made and divided by 365.

FEES, COSTS AND EXPENSES

The Borrower agrees to pay the Bank all fees stipulated in this Agreement and all fees charged by the Bank relating to the documentation or registration of this Agreement and the Security. In addition, the Borrower agrees to pay all fees (including legal fees), costs and expenses incurred by the Bank in connection with the preparation, negotiation, documentation and registration of this Agreement and any Security and the administration, operation, termination, enforcement or protection of its rights in connection with this Agreement and the Security. The Borrower shall indemnify and hold the Bank harmless against any loss, cost or expense incurred by the Bank if any facility under the Credit Facilities is repaid or prepaid other than on its Maturity Date. The determination by the Bank of such loss, cost or expense shall be conclusive and binding for all purposes and shall include, without limitation, any loss incurred by the Bank in liquidating or redeploying deposits acquired to make or maintain any facility.

GENERAL COVENANTS

Without affecting or limiting the right of the Bank to terminate or demand payment of, or cancel or restrict availability of any unutilized portion of, any demand or other discretionary facility, the Borrower covenants and agrees with the Bank that the Borrower:

- a) will pay all sums of money when due under the terms of this Agreement;
- b) will immediately advise the Bank of any event which constitutes or which, with notice, lapse of time or both, would constitute a breach of any covenant or other term or condition of this Agreement or any Security or any Event of Default;
- c) will file all material tax returns which are or will be required to be filed by it, pay or make provision for payment of all material taxes (including interest and penalties) and Potential Prior-Ranking Claims, which are or will become due and payable and provide adequate reserves for the payment of any tax, the payment of which is being contested;
- d) will give the Bank 30 days prior notice in writing of any intended change in its ownership structure or composition and will not make or facilitate any such changes without the prior written consent of the Bank;
- e) will comply with all Applicable Laws, including, without limitation, all Environmental and Health and Safety Laws;
- f) will immediately advise the Bank of any action requests or violation notices received concerning the Borrower;
- g) will deliver to the Bank such financial and other information as the Bank may reasonably request from time to time, including, but not limited to, the reports and other information set out under this Agreement;
- h) will immediately advise the Bank of any unfavourable change in its financial position which may adversely affect its ability to pay or perform its obligations in accordance with the terms of this Agreement;
- i) will not, without the prior written consent of the Bank, grant, create, assume or suffer to exist any mortgage, charge, lien, pledge, security interest or other encumbrance affecting any of its properties, assets or other rights;
- j) will not, without the prior written consent of the Bank, sell, transfer, convey, lease or otherwise dispose of any of its properties or assets other than in the ordinary course of business and on commercially reasonable terms;
- k) will not, without the prior written consent of the Bank, guarantee or otherwise provide for, on a direct, indirect or contingent basis, the payment of any monies or performance of any obligations by any other Person, except as may be provided for herein;
- l) will not, without the prior written consent of the Bank, merge, amalgamate, or otherwise enter into any other form of business combination with any other Person;

- m) will keep its assets fully insured against such perils and in such manner as would be customarily insured by Persons carrying on a similar business or owning similar assets and, in addition, for any buildings located in areas prone to flood and/or earthquake, will insure and keep fully insured such buildings against such perils;
- n) will permit the Bank or its representatives, from time to time, i) to visit and inspect the Borrower's premises, properties and assets and examine and obtain copies of the Borrower's records or other information, ii) to collect information from any person regarding any Potential Prior-Ranking Claims and iii) to discuss the Borrower's affairs with the auditors, counsel and other professional advisers of the Borrower. The Borrower hereby authorizes and directs any such third party to provide to the Bank or its representatives all such information, records or documentation requested by the Bank;
- o) to accelerate repayment of Borrowings under applicable Facilities to match the remaining period of the operation of the quota system in the event the World Trade Organization or other governing body rule to force a significant reduction or elimination of the quota system as presently structured; and
- p) will not use the proceeds of any Credit Facility for the benefit or on behalf of any Person other than the Borrower.

GENERAL INDEMNITY

The Borrower hereby agrees to indemnify and hold the Bank and its directors, officers, employees and agents harmless from and against any and all claims, suits, actions, demands, debts, damages, costs, losses, obligations, judgements, charges, expenses and liabilities of any nature which are suffered, incurred or sustained by, imposed on or asserted against any such Person as a result of, in connection with or arising out of i) any breach of any term or condition of this Agreement or any Security or any other agreement delivered to the Bank by the Borrower or any Guarantor if applicable or any Event of Default, ii) the Bank acting upon instructions given or agreements made by electronic transmission of any type, iii) the presence of Contaminants at, on or under or the discharge or likely discharge of Contaminants from, any properties now or previously used by the Borrower and iv) the breach of or non compliance with any Applicable Law by the Borrower or any Guarantor.

AMENDMENTS AND WAIVERS

No amendment or waiver of any provision of this Agreement will be effective unless it is in writing, signed by the Borrower and the Bank. No failure or delay, on the part of the Bank, in exercising any right or power hereunder or under any Security or any other agreement delivered to the Bank shall operate as a waiver thereof.

SUCCESSORS AND ASSIGNS

This Agreement shall extend to and be binding upon the parties hereto and their respective heirs, executors, administrators, successors and permitted assigns. The Borrower shall not be entitled to assign or transfer any rights or obligations hereunder, without the consent in writing of the Bank.

GAAP

Unless otherwise provided, all accounting terms used in this Agreement shall be interpreted in accordance with Canadian Generally Accepted Accounting Principles, as appropriate, for publicly accountable enterprises, private enterprises, not-for-profit organizations, pension plans and in accordance, as appropriate, with Public Sector Accounting Standards for government organizations in effect from time to time, applied on a consistent basis from period to period. All financial statements and/or reports shall be prepared using one of the above bases of presentation, as appropriate. Except for the transition of accounting standards in Canada, any change in accounting principles or the application of accounting principles is only permitted with the prior written consent of the Bank.

SEVERABILITY

The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement and such invalid provision shall be deemed to be severable.

DEFAULT BY LAPSE OF TIME

The mere lapse of time fixed for performing an obligation shall have the effect of putting the Borrower in default thereof.

SET-OFF

The Bank is authorized (but not obligated), at any time and without notice, to apply any credit balance (whether or not then due) in any account in the name of the Borrower, or to which the Borrower is beneficially entitled (in any currency) at any branch or agency of the Bank in or towards satisfaction of the indebtedness of the Borrower due to the Bank under the Credit Facilities and the other obligations of the Borrower under this Agreement. For that purpose, the Bank is irrevocably authorized to use all or any part of any such credit balance to buy such other currencies as may be necessary to effect such application.

CONSENT OF DISCLOSURE

The Borrower hereby grants permission to any Person having information in such Person's possession relating to any Potential Prior-Ranking Claim, to release such information to the Bank (upon its written request), solely for the purpose of assisting the Bank to evaluate the financial condition of the Borrower.

JOINT AND SEVERAL / SOLIDARY

Where more than one Person is liable as Borrower, for any obligation under this Agreement, then the liability of each such Person for such obligation is joint and several (in Quebec, solidary) with each other such Person.

EVENTS OF DEFAULT

Without affecting or limiting the right of the Bank to terminate or demand payment of, or to cancel or restrict availability of any unutilized portion of, any demand or other discretionary facility, each of the following shall constitute an "Event of Default" which shall entitle the Bank, in its sole discretion, to cancel any Credit Facilities, demand immediate repayment in full of any amounts outstanding under any term facility, together with outstanding accrued interest and any other indebtedness under or with respect to any term facility, and to realize on all or any portion of any Security:

- a) failure of the Borrower to pay any principal, interest or other amount when due pursuant to this Agreement;
- b) failure of the Borrower, or any Guarantor if applicable, to observe any covenant, term or condition or provision contained in this Agreement, the Security or any other agreement delivered to the Bank or in any documentation relating hereto or thereto;
- c) the Borrower, or any Guarantor if applicable, is unable to pay its debts as such debts become due, or is, or is adjudged or declared to be, or admits to being, bankrupt or insolvent;
- d) if any proceeding is taken to effect a compromise or arrangement with the creditors of the Borrower, or any Guarantor if applicable, or to have the Borrower, or any Guarantor if applicable, declared bankrupt or wound up, or to have a receiver appointed for any part of the assets or operations of the Borrower, or any Guarantor if applicable, or if any encumbrancer takes possession of any part thereof;
- e) if in the opinion of the Bank there is a material adverse change in the financial condition, ownership structure or composition or operation of the Borrower, or any Guarantor if applicable;

- f) if any representation or warranty made by the Borrower in any document relating hereto or under any Security shall be false in any material respect; or
- g) if the Borrower, or any Guarantor if applicable, defaults in the payment of any other indebtedness, whether owing to the Bank or to any other Person, or defaults in the performance or observance of any agreement in respect of such indebtedness where, as a result of such default, the maturity of such indebtedness is or may be accelerated

LETTERS OF CREDIT AND/OR LETTERS OF GUARANTEE

Borrowings made by way of LCs and/or LGs will be subject to the following terms and conditions:

- a) each LC and/or LG shall expire on a Business Day and shall have a term of not more than 365 days;
- b) at least 2 Business Days prior to the issue of an LC and/or LG, the Borrower shall execute a duly authorized application with respect to such LC and/or LG and each LC and/or LG shall be governed by the terms and conditions of the relevant application for such contract. If there is any inconsistency at any time between the terms of this Agreement and the terms of the application for LC and/or LG, the terms of the application for the LC and/or LG shall govern; and
- c) an LC and/or LG may not be revoked prior to its expiry date unless the consent of the beneficiary of the LC and/or LG has been obtained.
- d) LC and/or LG fees and drawings will be charged to the Borrower's accounts.

EXCHANGE RATE FLUCTUATIONS

If, for any reason, the amount of Borrowings outstanding under any facility in a currency other than Canadian currency, when converted to the Equivalent Amount in Canadian currency, exceeds the amount available under such facility, the Borrower shall immediately repay such excess or shall secure such excess to the satisfaction of the Bank.

LANGUAGE

The parties hereto have expressly requested that this Agreement and all related documents, including notices, be drawn up in the English language. Les parties ont expressément demandé que la présente convention et tous les documents y afférents, y compris les avis, soient rédigés en langue anglaise.

WHOLE AGREEMENT

This Agreement and any documents or instruments referred to in, or delivered pursuant to, or in connection with, this Agreement constitute the whole and entire agreement between the Borrower and the Bank with respect to the Credit Facilities.

GOVERNING LAW

This Agreement shall be governed by and construed in accordance with the laws of the Province in which the branch of the Bank, which is the Borrower's branch of account, is located, and the laws of Canada applicable therein, as the same may from time to time be in effect. The Borrower irrevocably submits to the non-exclusive jurisdiction of the courts of such Province and acknowledges the competence of such courts and irrevocably agrees to be bound by a judgment of any such court.

NOTICES

Any notice or demand to be given by the Bank shall be given in writing by way of a letter addressed to the Borrower. If the letter is sent by telecopier, it shall be deemed received on the date of transmission, provided such transmission is sent prior to 5:00 p.m. on a day on which the Borrower's business is open for normal business, and otherwise on the next such day. If the letter is sent by ordinary mail to the address of the Borrower, it shall be deemed received on the date falling five (5) days following the date of the letter, unless the letter is hand-delivered to the Borrower, in which case the letter shall be deemed to be received on the date of delivery. The Borrower must advise the Bank at once about any changes in the Borrower's address.

ELECTRONIC MAIL AND FAX TRANSMISSION

The Bank is entitled to rely on any agreement, document or instrument provided to the Bank by the Borrower or any Guarantor as applicable, by way of electronic mail or fax transmission as though it were an original document. The Bank is further entitled to assume that any communication from the Borrower received by electronic mail or fax transmission is a reliable communication from the Borrower.

ELECTRONIC IMAGING

The parties hereto agree that, at any time, the Bank may convert paper records of this Agreement and all other documentation delivered to the Bank (each, a "Paper Record") into electronic images (each, an "Electronic Image") as part of the Bank's normal business practices. The parties agree that each such Electronic Image shall be considered as an authoritative copy of the Paper Record and shall be legally binding on the parties and admissible in any legal, administrative or other proceeding as conclusive evidence of the contents of such document in the same manner as the original Paper Record.

DEFINITIONS

For the purpose of this Agreement, the following terms and phrases shall have the following meanings:

;
"Applicable Laws" means, with respect to any Person, property, transaction or event, all present or future applicable laws, statutes, regulations, rules, policies, guidelines, rulings, interpretations, directives (whether or not having the force of law), orders, codes, treaties, conventions, judgements, awards, determinations and decrees of any governmental, quasi-governmental, regulatory, fiscal or monetary body or agency or court of competent jurisdiction in any applicable jurisdiction;

"Borrowing" means each use of a Credit Facility and all such usages outstanding at any time are "Borrowings";

"Business Day" means a day, excluding Saturday, Sunday and any other day which shall be a legal holiday in Canada or any Province thereof, or a day on which banking institutions are closed throughout Canada;

"Contaminant" includes, without limitation, any pollutant, dangerous substance, liquid waste, industrial waste, hazardous material, hazardous substance or contaminant including any of the foregoing as defined in any Environmental and Health and Safety Law.

"Environmental Activity" means any activity, event or circumstance in respect of a Contaminant, including, without limitation, its storage, use, holding, collection, purchase, accumulation, assessment, generation, manufacture, construction, processing, treatment, stabilization, disposition, handling or transportation, or its Release into the natural environment, including movement through or in the air, soil, surface water or groundwater;

"Environmental and Health and Safety Laws" means all Applicable Laws relating to the environment or occupational health and safety, or any Environmental Activity;

"Equivalent Amount" means, with respect to an amount of any currency, the amount of any other currency required to purchase that amount of the first mentioned currency through the Bank in Toronto, in accordance with normal banking procedures;

"Guarantor" means any Person who has guaranteed the obligations of the Borrower under this Agreement,

"Letter of Credit" or **"LC"** means a documentary credit issued by the Bank on behalf of the Borrower for the purpose of paying suppliers of goods;

"Letter of Guarantee" or **"LG"** means a documentary credit issued by the Bank on behalf of the Borrower for the purpose of providing security to a third party that the Borrower or a person designated by the Borrower will perform a contractual obligation owed to such third party;

"Margin" or **"Margined"** means that the availability of Borrowings under the credit facilities will be based on the Borrower's level of accounts receivable, inventory and Potential Prior Ranking Claims as determined by reference to regular reports provided to the Bank by the Borrower;

"Overdraft" means advances of credit by way of debit balances in the Borrower's current account;

"Other Facilities" means credit facilities that the Borrower has with the Bank other than and in addition to as provided under this Agreement. Other Facilities are constituted under separate agreements between the Borrower and the Bank and are governed by this Agreement and such separate agreements. In the event of a conflict between this Agreement and any such separate agreement, the terms of the separate agreement will prevail. Other Facilities may include but are not limited to Canada Small Business Financing Loans, Canadian Agricultural Loans, Leases, Commercial Mortgages and Royfarm Mortgage Loans. Other Facilities do not include Visa even though Visa facilities are constituted under separate agreements;

"Person" includes an individual, a partnership, a joint venture, a trust, an unincorporated organization, a company, a corporation, an association, a government or any department or agency thereof including Canada Revenue Agency, and any other incorporated or unincorporated entity;

"Potential Prior-Ranking Claims" means all amounts owing or required to be paid, where the failure to pay any such amount could give rise to a claim pursuant to any law, statute, regulation or otherwise, which ranks or is capable of ranking in priority to the Security or otherwise in priority to any claim by the Bank for repayment of any amounts owing under this Agreement;

"RBP" and **"Royal Bank Prime"** each means the annual rate of interest announced by the Bank from time to time as being a reference rate then in effect for determining interest rates on commercial loans made in Canadian currency in Canada;

"RBUSBR" and **"Royal Bank US Base Rate"** each means the annual rate of interest announced by the Bank from time to time as a reference rate then in effect for determining interest rates on commercial loans made in US currency in Canada;

"Release" includes discharge, spray, inject, inoculate, abandon, deposit, spill, leak, seep, pour, emit, empty, throw, dump, place and exhaust, and when used as a noun has a similar meaning;

"US" means United States of America.