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ROYAL BANK OF CANADA LOAN AGREEMENT
DATE: July 27, 2011
BORROWER: 631019 N. B. INC.
SRF: 284560232
ADDRESS (Street, City/Town, Province, Postal Code)
PO Box 3631 Station B, Fredericton, New Brunswick E3A 5L9

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 Variable rate term facility in the amount of \$300,000. Repayable by consecutive monthly principal payments of \$2,777.78 plus interest based on a 108 month amortization. First payment is due 365 days from date of drawdown. This loan has a 12 month term and all outstanding principal and interest is payable in full at the end of the term. Interest rate: RBP+ 3.25% per annum. Interest payable monthly, in arrears, on the same day each period as determined by the Bank.

Facility #2 VISA business to a maximum of \$10,000 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:

- a) General security agreement on the Bank's form 924 signed by the Borrower constituting a first ranking security interest in all personal property of the Borrower;
- b) Guarantee and postponement of claim on the Bank's form 812 in the amount of \$310,000 signed by Paul Michaels;
- c) Guarantee and postponement of claim on the Bank's form 812 in the amount of \$310,000 signed by Charlotte Michaels;
- d) Postponement and assignment of claim on the Bank's form 918 signed by Paul Michaels;
- e) Postponement and assignment of claim on the Bank's form 918 signed by Charlotte Michaels;
- f) Collateral mortgage in the amount of \$810,000 signed by the Borrower constituting a first fixed charge on the lands and improvements described as PID # 40466484, 40041642 and 40038234;
- g) Letter of Undertaking signed by the Borrower, and the Guarantors;
- h) Letter of Agreement signed by the Borrower regarding general assignment of all construction contracts, planning approvals, permits and licenses, development agreements and contracts, project plans and specifications, and architects, engineer's and land surveyor's contracts;
- i) Letter of Agreement signed by the Borrower assigning Builders All risk Insurance with loss payable to the Bank.

FEES

Arrangement fee of \$5,000 payable upon acceptance of this Agreement or as agreed upon between the Borrower and the Bank.

FINANCIAL COVENANTS

In the event that the Borrower changes accounting standards, accounting principles and/or the application of accounting principles during the term of this Agreement, all financial covenants shall be calculated using the accounting standards and principles applicable at the time this Agreement was entered into.

Reports providing evidence of compliance with the following must be provided on or before the date (the “**Covenant Reporting Date**”) which is 90 days after the end of the applicable period identified below. 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 maintain, to be measured at the end of each fiscal year:

- i) Debt Service Coverage, of not less than 1.25:1;
- ii) A ratio of Total Liabilities to Tangible Net Worth of not greater than 2.50:1.

REPORTING REQUIREMENTS

The Borrower will provide to the Bank:

- a) Annual review engagement financial statements for the Borrower, within 90 days of each fiscal year end;
- b) Annual personal statement of affairs for all Guarantors, who are individuals, within 90 days of the end of fiscal year of the Borrower;
- c) Such other financial and operating statements and reports as and when the Bank may reasonably require.

OTHER INFORMATION/REQUIREMENTS

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

- a) Engineers report confirming costs to date and costs to complete; and
- b) Short Environmental Questionnaire completed by the Borrower in respect of the property described as PID # 40466484, 40041642 and 40038234, and containing findings satisfactory to the Bank.

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

This group creditor insurance program, underwritten by Sun Life Assurance Company of Canada, is offered to borrowers and provides life and disability insurance on eligible owner(s)/partner(s)/management of the Borrower for the Borrowings. To apply for this insurance, a Business Loan Insurance Plan Application (form 3460) must be completed for each proposed insured. This plan is subject to terms, conditions, exclusions and eligibility restrictions. Please see the Business Loan Insurance Plan Certificate of Insurance for full details. 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 such loan to which this coverage applies. Refer to the Business Loan Insurance Plan application (form 3460 Eng or 53460 Fr) for further explanation and disclosure.

The Borrower(s), by signing below, acknowledges that life and disability insurance for Borrowings was offered under the Business Loan Insurance Plan, and that:

- Any applications for this insurance have been made and may be subject to approval, as outlined in the Certificate of Insurance which the Borrower has received.
- The offer of insurance has been waived.
- The owner(s)/partner(s)/management of the Borrower(s) are ineligible for this insurance (under 18 or over age 64), or the credit facilities, banking services or other products provided for in this Agreement are not eligible for this insurance.
- The Borrowings currently have Business Loan Insurance Plan coverage, and no increase in coverage has been requested.

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

STANDARD TERMS

The following standard terms have been provided to the Borrower:

- Form 472 (03/2011) Royal Bank of Canada Loan Agreement - Standard Terms
- Form 473 (10/2008) 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 (11/2009) Royal Bank of Canada Loan Agreement - Financial Covenants Standard Terms
- Form 476 (09/2006) Royal Bank of Canada Loan Agreement - FEF Contract Standard Terms

ACCEPTANCE

This Agreement is open for acceptance until August 29, 2011, after which date it will be null and void, unless extended in writing by the Bank.

ROYAL BANK OF CANADA

Per: _____
Name: Stephen Banks
Title: Account Manager
Phone: 506-450-2311

CONFIRMATION & ACCEPTANCE

The Borrower (i) confirms that it has received a copy of the Royal Bank of Canada Loan Agreement Standard Terms, form 472 (03/2011), 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 _____ day of _____, 2011.

631019 N. B. INC.

Per: _____
Name:
Title:

Per: _____
Name:
Title: