Action No: 0601-09869

IN THE COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL DISTRICT OF CALGARY

BETWEEN:

VECKENSTEDT HOLDINGS INC., HERB VECKENSTEDT, FRED PIPER, JOAN PIPER, LIPOTH CONSULTING, AND PAUL LIPOTH

Plaintiffs

- and -

INTEGRA INVESTMENT SERVICE LTD. AND RUNDLE DEVELOPMENT CO-OPERATIVE

Defendants

FIFTH REPORT OF THE RECEIVER OF

INTEGRA INVESTMENT SERVICE LTD., AURORA RIVER TOWERS INC., CARLING SPRINGS VILLAGE INC., AND CARLING DEVELOPMENT (B.C.) INC.

ERNST & YOUNG INC.

JUNE 7, 2007

INTRODUCTION

1. On August 18, 2006, the Plaintiffs applied for and obtained an Order (the "IR Order") pursuant to s. 13(2) of the *Judicature Act*, R.S.A. 2000, c. J-2, as amended. Pursuant to the IR Order, Ernst & Young Inc. was appointed Interim Receiver of certain records of Integra Investment Service ltd. ("Integra"), more fully described in Schedule A of the IR Order.

2. On September 8, 2006, the Plaintiffs obtained a Receivership Order pursuant to s. 13(2) of the *Judicature Act* (the "Receivership Order"). Pursuant to the Receivership Order Ernst & Young Inc. was appointed Receiver and Manager (the "Receiver") of the following corporations:
   a. Integra;
   b. Aurora River Towers Inc.;
   c. Carling Springs Village Inc.; and
   d. Carling Development (B.C.) Inc.

   (collectively referred to as the "Integra Companies").

3. On October 18, 2006, the Plaintiffs obtained a Consent Order (the "Consent Order") for the appointment of Ernst & Young Inc. as Inspector of Rundle Development Cooperative (the "Inspector") under Part 13 of the Cooperatives Act.

4. The purpose of this fifth report of the Receiver (the "Fifth Report") is to provide this Honourable Court with an update in respect of:
   a. The mortgage amounts raised by Integra which were secured by a mortgage registered against the property known as 603 – 11 Ave SE ("603");
   b. The foreclosure sale by TD Canada Trust ("TD Bank") as first mortgagee on 603; and
   c. The Receiver's recommendation with respect to the 603 net sale proceeds paid into Court.

BACKGROUND

5. The Integra Companies were in the business of promoting investment opportunities that included the selling of securities in specific real estate projects and pooling funds raised from

individual investors (the “Investors”) to make loans against secured mortgages in these real estate projects.

6. The Integra Companies, acting as a bare trustee, advanced the Investors’ funds to borrowers (the “Loans”) with the Loans being secured by mortgages, general security agreements and guarantees.

7. Investors were able to advance funds to participate in these mortgages inside or outside of an RRSP. RRSP Investors advanced funds to Olympia Trust Company (“OTC”) and Canadian Western Trust (“CWT”) who acted as the bare trustee for RRSP Investors. OTC and CWT in turn paid these funds to legal counsel in trust. Cash Investors (Non-RRSP Investors) were to advance monies directly to legal counsel, although a small portion of investors advanced funds directly to Integra. Integra acted as bare trustee for the cash Investors.

8. Prior to advancing funds to participate in the syndicated mortgages Investors signed certain documents including a term sheet, co-lending loan administration and agency agreement (the “Agreement”) and power of attorney. A copy of the Agreement for 603 is attached as **Appendix A**. The Agreement appointed Integra as Administrator of the mortgage. Section 10.1 of the Agreement provides the Administrator with the ability to commence proceedings on behalf of and in its capacity as agent for the co-lenders (as defined in the Agreement). The money raised from Investors pursuant to the Agreement was advanced to Rundle Development Co-operative (“RDC”) against security of mortgage number 041 398 158 registered against 603 (the “Mortgage”). A copy of the Mortgage is attached as **Appendix B**.

MORTGAGE FUNDS RAISED

9. The Mortgage was originally registered against 603 for $850,000. Integra transferred part of that mortgage to OTC in four separate transfers. Copies of the Transfer of Mortgage documents are attached as **Appendix C**. The Land Titles Certificate for this property indicates that Integra as bare trustee had registered a Second Mortgage of $738,500 against this property and OTC as bare trustee had registered a Second Mortgage of $111,500 against this property. The Integra and OTC mortgages were pari passu and both ranked as a second mortgage against 603, as indicated in the Transfer of Mortgage documents. A copy of the Land Titles Certificate is **Appendix D** hereto.

10. Although the Land Titles Certificate does not indicate that CWT had a mortgage against 603, OTC acknowledged that part of the registered mortgage of $111,500 should have been transferred to CWT and therefore OTC is not disputing the amounts indicated in Integra's books and records, namely $31,500 for OTC and $80,000 for CWT.

11. The Receiver reviewed the books and records of Integra to determine the amount of funds that were advanced under the Mortgage. The Mortgage was registered against 603 by RDC in favour of Integra/OTC/CWT (on behalf of the Investors in 603). The Receiver's analysis of the books and records indicates that $630,500 in principal is owed under the Mortgage comprising the following bare trustees:

	Amount
Integra	$ 519,000
Olympia Trust Company	$ 31,500
Canadian Western Trust	$ 80,000
Total	**$ 630,500**

12. The Receiver confirms that only $630,500 was raised by Integra with respect to 603 and not $850,000 as registered. The Receiver further confirms that it has reconciled and accounted for the individual Investors that comprise the Mortgagees in respect of the Mortgage. OTC and CWT have also confirmed the Investor listing.

FORECLOSURE SALE

13. On September 8, 2004, RDC entered into an agreement with 1015514 Alberta Inc. to purchase 603 for approximately $319,000, plus RDC assumed the TD Bank mortgage registered against the property of approximately $148,000 for a total purchase price of approximately $467,000. The transaction to purchase 603 closed on October 15, 2004.

14. As indicated above money raised from Investors pursuant to the Agreement were advanced to RDC and secured by the Mortgage. This Mortgage was registered in second position behind the TD Bank mortgage already registered against the property.

15. The former principals of Integra allege that funds advanced to RDC were to be used in part to pay out the TD Bank mortgage and that RDC failed to do so. The Current RDC Board advised

that it was its understanding that the TD Bank mortgage was to be assumed by RDC and not be paid out.

16. On January 18, 2006, the TD Bank obtained an Order Nisi/Order for Sale by this Honourable Court (the “Order”). This Order provided the Defendant Rundle Development Cooperative (“RDC”) a one day redemption period to pay TD Bank $150,285.58 plus costs related to TD Banks mortgage registered against 603. A copy of the Order is attached as **Appendix E**.

17. RDC defaulted on this payment and TD Bank obtained a Final Order for Sale or Foreclosure on 603.

18. TD Bank accepted an offer to purchase 603 for a total purchase price of $550,000.00. The Statement of Adjustments and a copy of the Reconciliation of Trust Funds for this transaction are attached as **Appendix F** and **G** respectively.

19. On October 22, 2006, $356,401.11 was paid into Court, representing the Net Sale Proceeds as identified in the Reconciliation of Trust Funds.

DISCUSSIONS WITH OTC AND CWT

20. Integra as Administrator of the 603 Mortgage is not obligated to advise the Investors of actions taken by the Administrator on behalf of the Investors.

21. In the interest of keeping all parties informed the Receiver discussed the allocation of net proceeds available for distribution to investors in the 603 property with OTC and CWT.

22. The Receiver circulated a schedule to OTC and CWT which detailed the allocation of net proceeds available for distribution to the RRSP Investors of 603. OTC approved the schedule on behalf of their annuitants on January 10, 2007. CWT circulated a copy of the schedule provided by the Receiver to their annuitants in early January 2007. On March 12, 2007 CWT authorized the Receiver to proceed with this matter. This schedule only allocated a portion of the costs associated with the Receivership investigations into 603 to the RRSP Investors.

23. The Receiver has spent a considerable amount of time reconstructing Integra’s financial records. The Receiver did not anticipate that Integra’s books and records would be in such a disorganized state and that the Receiver would be reconstructing the records from source

documentation without the assistance of accounting software, trial balances and other relevant financial information.

24. The reconstruction of Integra's financial records was necessary to trace all funds advanced to the borrowers including the funds advanced relating to 603. The Receiver is of the view that all Investors (cash and RRSP) should share the costs associated with this reconstruction.

25. The Receiver no longer supports the distribution schedule previously distributed to OTC and CWT with respect to the proceeds paid into Court, attached as **Appendix H**.

26. The Receiver recommends that this Honourable Court distribute the proceeds paid into Court with respect to the foreclosure sale of 603 to the Receiver. These funds will be held in trust pending a further report from the Receiver which will discuss the proposed distribution methodology for all proceeds.

PRIORITY TO FUNDS PAID INTO COURT

27. The Receiver's counsel reviewed the Integra/OTC/CWT mortgage previously registered against 603 and confirms that it was valid. The Receiver confirms that there are no secured creditors other than TD Bank ahead of the Integra/OTC/CWT mortgage registered against 603, as indicated in the Land Titles Certificate attached as **Appendix D**. The Receiver is entitled to claim payment to the funds paid into Court as administrator of the Mortgage.

28. The Receiver confirms that RDC signed a promissory note in the amount of $850,000 relating to 603, a copy of the promissory note is attached as **Appendix I**.

RECOMMENDATION

29. The Receiver recommends that this Honourable Court distribute the net sale proceeds paid into Court with respect to the foreclosure sale of 603 to the Receiver. These funds will be held by the Receiver pending further Court Order with regard to the distribution of proceeds.

All of which is respectfully submitted this 7th day of June, 2007.

ERNST & YOUNG INC.
Solely in its capacity as Court Appointed Receiver
of Integra Investment Service Ltd, Aurora River Towers Inc.,
Carling Springs Village Inc. and Carling Development (B.C.) Inc.

H. Neil Narfason, CA•CIRP, CBV
Senior Vice-President

CO-LENDING LOAN ADMINISTRATION AND AGENCY AGREEMENT

THIS AGREEMENT (the "Agreement") dated effective as of the 8th day of September 2004, among those parties listed on Schedule "A" hereto and Integra Investment Service Ltd.

WHEREAS:

A. The Co-Lenders have each contributed amounts specified on Schedule "A" hereto the funds held by the Manager, as hereinafter defined or as otherwise hereinafter recorded on the books of the Administrator;

B. The Co-Lenders have contributed the said funds for the purposes of pooling monies to make one or more Mortgages; and

C. The Co-Lenders wish to confirm their mutual understanding with respect to the said funds and to define the rights and obligations one with the other and the Administrator in respect to the said funds.

NOW THEREFORE IN CONSIDERATION of the mutual covenants and agreements herein contained the parties hereto agree as follows:

ARTICLE 1 – INTERPRETATION

1.1 **Definitions** – In this Agreement and any amendment, modification, replacement or restatement of this Agreement, the following terms shall have the following meanings:

(a) "Accountant" means the chartered accountant who is a member in good standing of the Canadian Institute of Chartered Accountants and who is appointed, from time to time, as the accountant to the Mortgage Fund;

(b) "Administrator" means Integra Investment Service Ltd. or any replacement Administrator appointed pursuant to section 10.1;

(c) "Affiliate" means the respect to any person, any of:

(i) a person who is an affiliate or associate (as those terms are defined in the *Securities Act* (Alberta)) or the person;

(ii) a director or officer of a corporation of any person referred to in (i) above; and

(iii) a person who does not deal at arm's length with the person in (i) above within the meaning of the *Income Tax Act* (Canada);

(d) "Borrower" means Rundle Development Co-operative, or its assignee;

(e) "Co-Lenders" means those listed in Schedule "A" hereto or in the records of the Administrator as Co-Lenders who have contributed to the fund, as may be amended from time to time;

(f) "Co-Lenders Certificate" means a certificate representing evidence of each Co-Lender's undivided share of the Mortgage in the form attached hereto as Schedule "B";

(g) "Co-Tenancy" means the Co-Tenancy established by joint ownership by the Co-Lenders of the Mortgage;

(h) "distributable cash" means any amount to be paid to the Co-Lenders pursuant to this Agreement and any amounts to be paid by the Borrower to the Administrator as agent for the Co-Lenders whether the same be repayment of all or any part of the principal amount of the Mortgage or interest on account of the Mortgage;

(i) "Funds" means the funds up to $850,000.00 held by the Administrator as agent for the Co-Lenders being the net proceeds derived from the Rundle Village Estates mortgage loan;

(j) "Lands" means the land described in Schedule "C";

(k) "Mortgage" means the mortgage and related security to be granted by the Borrower to the Administrator on behalf of and as bare trustee for the Co-Lenders upon the Funds being advanced;

(l) "Mortgage Fund" means the amount of the Funds held by the Administrator being either in the form of deposits made in Canadian chartered banks in accounts insured by the Canadian Depository Insurance Corporation, or treasury bills and includes the Mortgage to be made by the Co-Lenders to the Borrower to be secured by the Mortgage;

(m) "person" means and individual, body corporate, partnership, joint venture, association, syndicate, trust or unincorporated organization of any nature whatsoever or any trustee, executor, administrator or other legal representative;

(n) "proportionate interest" means the proportionate interest of a Co-Lender in the Mortgage, which is determined by the ratio of the amount contributed by a Co-Lender to the Fund (as set forth in Schedule "A" hereto) to the entire amount contributed by all Co-Lenders to the Fund as set forth in Schedule "A";

(o) "Tenancy Interest" means, when used in relation to a Co-Lender, all of such Co-Lender's right, title and interest in and to the Mortgage Fund and the Mortgage.

1.2 **Schedules** – The following are the schedules to this Agreement:

Schedule "A"	List of Co-Lenders and their Contributions to the Fund as amended from time to time as shown on the records maintained by the Administrator
Schedule "B"	Co-Lender's Certificate
Schedule "C"	Description of the Property, which forms the security for the Mortgage
Schedule "D"	Agreement to Lend and Power of Attorney
Schedule "E"	Commitment Letter

1.3 **Currency** – All references to dollar amounts herein shall be references to Canadian dollars.

1.4 **Gender and Number** – Wherever the context requires, words importing the singular will include the plural and vice versa, and words importing the masculine gender will include the female and neuter genders.

1.5 **Headings** – The article and section headings are for convenience of reference only and shall not restrict the interpretation of this Agreement.

1.6 **Applicable Law** – This Agreement shall be governed by and construed in accordance with the laws of the Province of Alberta and the laws of Canada in force therein and each party attorns to the jurisdiction of the courts of the Province of Alberta.

1.7 **Entire Agreement** – This Agreement and the Agreement to Lend and Power of Attorney of Co-Lenders subscribing for Tenancy Interests pursuant to this Agreement constitutes the entire agreement between the parties relating to the Co-Tenancy and supersedes all prior or other agreements, understandings, negotiations and discussions, whether written or oral, among the parties with respect thereto.

1.8 **Successors and Assigns** – This Agreement shall ensure to the benefit of and be binding upon the parties hereto and their respective heirs, executors, administrators, successors and permitted assigns.

ARTICLE 2 – ACKNOWLEDGMENT OF CO-TENANCY

2.1 **Co-Tenancy** – The Co-Lenders hereby agree that they hold the Mortgage Fund and the Mortgage as tenants-in-common and the Agreement shall govern and define their respective rights and obligations as Co-Lenders of the Mortgage Fund and the Mortgage.

2.2 **Declaration of Trust** – the Administrator hereby acknowledges that any interest it may have in the Mortgage Fund or Mortgage by virtue of the Fund or Mortgage being in its name shall be as a bare trustee, for and on behalf of the Co-Lenders.

2.3 **Object of the Co-Tenancy** – The object of the Co-Lenders shall be to make the Mortgage for the financing of the Rundle Village Estates project on the Lands in Calgary, Alberta.

2.4 **No Partnership or Joint Venture** – It is not the intention of the Co-Lenders to be partners or to create a partnership or joint venture by this Agreement or any other legal relationship. The Co-Lenders shall not be deemed to have the rights or obligations of partners or any other legal characterization.

ARTICLE 3 – INTEREST OF THE CO-LENDERS

3.1 **Proportionate Interest** – The ownership of the Mortgage Fund and the Mortgage shall be held by the Co-Lenders in accordance with their proportionate interests.

3.2 **Sharing of Rights and Obligations** – The benefits, advantages and revenues of the Mortgage Fund shall be shared by and any obligations, losses or liabilities incurred or assumed and all costs and expenses arising out of this Agreement or ownership of the Mortgage Fund shall be shared or borne, as the case may be, by the Co-Lenders in but not in excess of their proportionate interests.

3.3 **Indemnity** – Subject to section 3.4, the Co-Lenders shall jointly and severally indemnify and hold harmless each other against and from any liability, obligation, loss, cost or expense incurred or sustained in connection with the Mortgage Fund to the extent of the amount of any liability, obligation, loss, cost or expense which is in excess of the indemnified Co-Lender's proportionate interest.

3.4 **No Indemnity or Wrongful Acts** – Notwithstanding sections 3.2 and 3.3, each Co-Lender shall be indemnified by another Co-Lender who has contravened this Agreement and held harmless against and from all losses, costs, expenses, claims, demands and actions and rights of action which shall or may arise by virtue of anything done or omitted to be done by another Co-Lender, directly, or through its agents, employees or representatives in contravention of this Agreement.

3.5 **Assignment**

(a) Upon notice to the Administrator of a Co-Lender's intent to assign or transfer a Co-Lender's share (such transaction being hereinafter referred to as a "Transfer") in the

Commitment Letter, the Loan, the security documents or this Agreement, the Co-Lender shall, at its expense, execute and deliver such assignment, transfer, direction, notice and other instruments as the Administrator may reasonably request for the purpose of transferring the Co-Lender's share in the Loan and the security documents and the servicing thereof to the Co-Lender's nominee.

(b) No Transfer shall be valid or effective unless the person or party to whom the Transfer has been made will have entered into agreement with the Administrator consenting to the terms hereof and agreeing to assume all of the obligations of and be bound by the terms of this Agreement or to the terms and obligations to the satisfaction of the Administrator.

ARTICLE 4 – ADVANCE OF FUNDS TO THE BORROWER

4.1 **Advances** - The Co-Lenders shall cause or permit the Administrator to advance or cause to be advanced the Funds on behalf of the Co-Lenders to the Borrower and the Co-Lenders hereby consent and agree to the same.

ARTICLE 5 – DEALINGS WITH A CO-LENDER'S INTEREST

5.1 **Assignment of Co-Tenancy Interest** – Subject to the terms and conditions of the Subscription Agreement and Power of Attorney and to section 5.4 hereof, no Co-Lender shall be allowed to assign his Co-Tenancy Interest at any time.

5.2 **Delivery of Co-Lender's Certificate** – The Co-Lenders shall cause the Administrator to deliver to each Co-Lender a Co-Lender's Certificate specifying the Co-Lender's proportionate interest in the Mortgage Fund.

5.3 **Pledge of a Tenancy Interest** – A Co-Lender may not mortgage, pledge or hypothecate his Tenancy Interest as security for a loan or an obligation of such Co-Lender.

ARTICLE 6 – BANK ACCOUNT AND DISTRIBUTION OF FUNDS

6.1 **Bank Account** – The Administrator shall establish and maintain an account at a Canadian chartered bank in which it shall keep and deposit, or cause to be kept and deposited, the Mortgage Fund and all monies received by the Administrator for the account of the Co-Lenders including all amounts to be received by the Borrower, from time to time, until such time as the funds are advanced to the Borrower and secured by the Mortgage.

6.2 **Collection and Distribution of Monies** – The Administrator agrees that administration and service with respect to the loan by the Administrator will include:

(a) maintain a loan account;

(b) collect and account for all monies paid to or for the Co-Lenders including all amounts paid by the Borrower in repayment of all, or part of, the Mortgage Fund; and in the case of partial payments, if any, received against release and discharge of the Loan, shall apportion the proceeds against accrued interest, or against reduction of the Loan as it deems in the best interest of maintaining the security;

(c) pay all expenses of the Co-Lenders in relation to the Mortgage Fund;

(d) pay all distributable cash to the Co-Lenders by the 15th day of each month all payments received up to the last day of the preceding month on account of principal and interest in accordance with their proportionate interest;

6.3 **Methods of Payment of Distributions** – All distributions shall be calculated in Canadian currency, and shall be paid by cheque drawn on the Mortgage Fund account to the order of the Co-Lender and mailed by ordinary mail, postage prepaid, to such Co-Lender at his last address appearing on the books of the Mortgage Fund on the distribution date.

ARTICLE 7 – BOOKS AND RECORDS

7.1 **Books of Account** – The Administrator shall keep and maintain full, complete and accurate books of account and records of the records of the Mortgage Fund. Upon two business days written notice to the Administrator, a Co-Lender may inspect copies of the books and records of the Mortgage Funds at the Co-Lender's expense during normal business hours.

7.2 **Appointment of Accountant** – The Administrator may, on behalf of the Mortgage Fund, retain an accountant from time to time, to review and report to the Co-Lenders upon the financial statements of the Fund as at the end of, and for, each fiscal period.

7.3 Annual Reporting – The Administrator shall forward to each Co-Lender as at December 31 in each year except the year 2004;

(a) prior to March 30 of each year commencing in 2005, an annual report for such preceding year containing financial statements of the Mortgage Fund as at the end of, and for, such fiscal year; and

(b) such tax reporting information which, in the opinion of the Administrator will enable such person to report to the income tax consequences of the investment.

7.4 **Cash Distribution Reporting** – The Administrator shall furnish and keep file record of the Co-Lenders on each distribution of monies a statement setting forth the amount of the aggregate monies available for distribution, including a breakdown between interest and principal repayments of the Mortgage Fund, if any, and each Co-Lender's share of the same.

ARTICLE 8 – THE ADMINISTRATOR

8.1 **Appointment** – The Co-Lenders hereby appoint and contract with the Administrator to administer the Co-Lenders' shares, the Mortgage Fund, the Loan and the security documents in accordance with the terms hereof. In accordance with this Article, the Co-Lenders shall be entitled to appoint a new Administrator. On the appointment of the new Administrator, the new Administrator shall be the "Administrator" hereunder for all purposes.

8.2 **Liability of Administrator** – The Administrator shall not assume any liability for nor shall it be held liable or responsible to any Co-Lender, if by reason of any provision of any present or future law of Canada, or any province thereof, the Administrator shall be hindered, prevented or forbidden from doing or performing any act or thing which by the terms of this Agreement it is required to do or perform.

8.3 **Standard of Care** – The Administrator will carry out its duties and obligations honestly, in good faith and in the best interests of the Co-Lenders, exercising the same degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

8.4 **Costs** – The co-lending, syndication and other initial costs will be paid by the Administrator and, if possible, reimbursed from the Borrower, but all other disbursements, maintenance or collection charges or costs, if not collectable from the Borrower, will be payable by the Co-Lenders and the Co-Lenders hereby irrevocably authorize the Administrator to deduct the cost of such amounts from any payments made by the Borrower to the Administrator on behalf of the Co-Lenders in respect of the payments under the Mortgage.

8.5 **Payment of the Loan** – The Administrator may, in its sole discretion, accept from the Borrower payment before maturity of all or any part of the outstanding principal and interest owing on the Loan, on and subject to the Commitment Letter.

8.6 **Liability of the Administrator** – The Administrator, in the exercise of any of its duties or powers with respect to the Loan, the Commitment Letter, and the security documents or any collateral acquired in the course of realization thereof, will not be reliable for any acts or omissions made in good faith unless such acts or omissions constitute willful misconduct or gross negligence, and the Administrator may act on the advice or information obtained from any barrister, solicitor, appraiser, surveyor, engineer, architect, receiver or other expert retained by it, and will not be responsible for any loss resulting from anything which the Administrator in good faith and reliance upon such advice or information does or refrains from doing, and will be entitled to legal or other advice and employ such assistance as may be necessary for the proper discharge of its duties and pay reasonable compensation for all such legal and other advice or assistance which compensation may be payable by the Co-Lenders in proportion to their proportionate interests. The Administrator will not be bound to supervise the actions of, nor will the Administrator be responsible for any misconduct on the part of any barrister, solicitor, appraiser, surveyor, engineer, architect, receiver or other expert.

8.7 **Trustee of Interests**

(a) The Administrator agrees that it will not hold the Loan as trustee for the Co-Lender, subject to the terms of this Agreement.

(b) All advances of the Loan shall be collected and disbursed on behalf of the parties as their interests appear herein, IN TRUST.

(c) All payments of principal and interest and other monies pursuant to the Loan to the Co-Lenders shall be disbursed by the Administrator to the Co-Lenders.

8.8 **Additional Duties**

(a) The Administrator will make available to the Co-Lenders promptly when received such financial or other information as the Administrator has received or obtained in connection with:

(i) the security value of the Loan; and

(ii) the credit-worthiness of the Borrower or otherwise in connection with the Loan and the security documents and which, in the opinion of the Administrator, as a prudent lender, is material;

(b) The Administrator is permitted to syndicate the Loan and security documents on and subject to limited exemptions pursuant to section 87(e) of the *Securities Act* (Alberta).

(c) The Administrator will not accept subscriptions in excess of the Loan amount and herewith authorizes the Co-Lenders to confirm this fact from time to time with the Administrator's solicitor.

(d) The Administrator will notify all Co-Lenders of any non-arms length, as defined in the *Income Tax Act* (Canada), dealings with the Borrower.

ARTICLE 9 – LIABILITY OF THE CO-LENDERS

9.1 **Liability of the Co-Lenders** – No Co-Lender shall be subject to any personal liability whatsoever in tort, contract or otherwise to any person in connection with the Mortgage Fund and any such person shall look solely to the Mortgage Fund for satisfaction of claims of any nature arising out of or in connection therewith and the Mortgage Fund only shall be subject to levy or execution. The administrator shall obtain such acknowledgement from third parties it contracts with as Administrator.

ARTICLE 10 – SUITS BY THE ADMINISTRATOR AND CO-LENDERS

10.1 **Proceedings by the Administrator**

(a) In the event that the Borrower defaults or otherwise fails to perform any covenant pursuant to the terms of the Mortgage, the Administrator, in its sole discretion but after reasonable notice to exercise or pursue including any realization, foreclosure or appointment of a receiver, on and subject to the terms of the security documents and the Commitment Letter. Until instructed by the Co-Lenders, the Administrator shall not be obligated to take any steps or commence any suits, actions or proceedings with respect to any default or failure.

(b) Any action, suit or proceeding instituted by the Administrator shall be brought in the name of the Administrator as agent for the Co-Lenders, subject to the provisions of this Co-Lenders Agreement. In any proceeding brought by the Administrator (and in any proceeding in which a declaratory judgment of a court may be sought as to the interpretation or construction of any provision of this Co-Lenders Agreement, to which the Administrator shall be party) the Administrator shall be held to represent all Co-Lenders and it shall not be necessary to make and Co-Lenders parties to any such action, suit or proceeding.

10.2 **Proceedings by the Co-Lenders** – No Co-Lender shall have any right to institute any suit, action or proceeding for payment of any principal, interest or other compensation owing to the Co-Lenders from the Borrower, or for the appointment of a liquidator or receiver or for a receiving order under applicable bankruptcy or insolvency legislation, or to have the Borrower wound up, or to file or prove a claim in any liquidation or bankruptcy proceeding, or for any other remedy hereunder, unless:

(a) the Co-Lender or Co-Lenders represent not less than 20% of the Mortgage Fund; and

(b) not less than 20% of the Co-Lenders have requested the Administrator to institute an action, suit or proceeding for such purpose; and

(c) such Co-Lenders have given or deposited with the Administrator, when so requested by the Administrator, sufficient funds, security and indemnity satisfactory to the Administrator for the costs, expenses and liabilities to be incurred therein or thereby; and

(d) the Administrator has failed to act within a reasonable amount of time after such notification, request and offer of indemnity, and such notification, request and offer of indemnity are hereby declared, in every such case, at the option of the Administrator, to be conditions precedent to any such proceeding, or for any other remedy hereunder by or on behalf of the Co-Lenders.

No one or more Co-Lender shall have any right in any manner whatsoever to enforce any right hereunder or except in the manner herein provided, and that all powers hereunder shall be exercised and all proceedings at law shall be instituted, had and maintained by the Administrator, except only as herein provided, and only in any event for the equal benefit of all Co-Lenders in proportion to the amounts of which they may respectively be entitled hereunder.

10.3 **Delay in Taking Action** – No delay or omission of the Administrator to exercise any right or power accruing upon any event of default of the Borrower under the Mortgage shall impair any such right or power, or shall be construed to be a waiver of any such default or an acquiescence therein, and every power and remedy given hereby to the Administrator may be exercised by it from time to time and as often as may be deemed expedient by it.

10.4 **Waiver of Rights of Action** – In the case where any action, suit or other proceeding shall have been brought by the Administrator, or by any Co-Lender after the failure of the Administrator to act, a majority of the Co-Lenders may direct the Administrator or the person bringing any such action, suit or proceeding to waive the default in respect of which any such action, suit or proceeding shall have been brought, upon payment of the costs, charges and expenses incurred by the Administrator or the person, as the case may be, in connection therewith, and to stay or discontinue, or otherwise deal with, any such action, suit or proceeding, and such direction shall be binding upon the Administrator and such person, and shall be observed by them.

ARTICLE 11 – TERMINATION OF AGREEMENT

11.1 **Termination** – this Agreement may not be terminated by any party but shall remain in force throughout the term of the Loan and thereafter until such time as all obligations of the Borrower to the Administrator and Co-Lenders have been fulfilled or expire.

11.2 **Termination of Appointment of Administrator** – Any five or more Co-Lenders having a common concern that the actions of the Administrator present a potential risk to their principal invested may request a meeting with the Administrator and the Administrator's solicitor, such meeting to be held at the office of the Administrator's solicitor, wherein upon the Co-Lenders demonstrating reasonable cause for their concern to the Administrator's solicitor and the Administrator refusing to modify its actions to mitigate the risk, the solicitor will then notify all of the other Co-Lenders of a meeting of the Co-Lenders, to be held on 21 days prior written notice to the Administrator and all Co-Lenders, specifying the time and location of such meeting, to terminate the appointment of the Administrator and appoint a new Administrator of the Loan, the Commitment Letter and the security documents so long as there is a consensus of not less than 80% of the individual Co-Lenders representing 80% or more of the Loan amount present at the meeting.

11.3 **Survival** – All representations, warranties and covenant made by the Co-Lenders to the Administrator, unless expressly stated otherwise, shall survive the execution of this Agreement and the funding of the Loan, and continue in full force and effect for the benefit of the Administrator.

ARTICLE 12 – MISCELLANEOUS

12.1 **Partition** – No Co-Lender shall have the right of partition, or to make any application to or permit any court having jurisdiction over the matter of partition. No Co-Lender shall commence nor prosecute any action for partition, and each Co-Lender shall, in addition to all other rights and remedies in law and in equity, be entitled to a decree or order restraining and enjoining such application, petition, action or proceeding, and the offending Co-Lender shall not plead in defense thereto that there would be an adequate remedy at law, it being recognized and agreed that the injury and damage result from a breach of this section would be impossible to measure monetarily, and each Co-Lender hereby expressly waives any statute, law, rule or regulation which may provide it with the rights to partition.

12.2 **Tax Returns** – Each Co-Lender shall be responsible for filling his or its own respective Canadian and Provincial income tax returns, if required, with the appropriate taxing authorities in such manner as it deems appropriate and without consultation with the other Co-Lenders and any Co-Lender may claim any expenses in its sole discretion, whether or not the other Co-Lenders claim a similar amount.

12.3 **Renewals** – The Loan, the Commitment letter and the security documents shall not be renewed, extended or materially modified without the express written consent of the parties.

12.4 **Notice** – Any notice required to be given hereunder, pursuant to this Agreement, will be valid and effective if delivered or sent by ordinary mail addressed if to a Co-Lender as it appears on the Agreement to lend and Power of Attorney. Any such notice that is sent by mail shall be deemed to have been received on the fifth business day after the date on which the same was posted.

12.5 **Severability** – In case one or more of any of the provisions of this Agreement, or any application thereof, shall be invalid, illegal or unenforceable in any respect, the validity, legality or enforceability of the remaining provisions contained herein, and any other application thereof shall not be in any way affected or impaired thereby and if any part of this Agreement shall be held to be void or unenforceable by a court of competent jurisdiction, such part may be severed or replaced by the widest term that would not be held to be void or unenforceable in respect thereof.

12.6 **Counterpart, Telecopier Execution** – This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement and the execution and the delivery of counterparts of this Agreement by telecopier or facsimile transmission by any part shall be binding upon the parties hereto.

IN WITNESS WHEREOF the parties have executed this Agreement as of the date first above written.

WITNESS:	**CO-LENDER:**
Per: ______________________	Per: ______________________
Name: ______________________	Name: ______________________
	ADMINISTRATOR:
	INTEGRA INVESTMENT SERVICE LTD.
	Per: ______________________ Maxine Cooke, President

ALBERTA
THE LAND TITLES ACT
MORTGAGE

RUNDLE DEVELOPMENT CO-OPERATIVE (herein called the "Mortgagor") being registered owner of an estate in fee simple in possession, subject, however, to such encumbrances, liens and intercessions are notified by memorandum and underwritten or endorsed hereon, in all and singular that certain piece or parcel of land situated in the Province of Alberta, described as:

PLAN "C"
BLOCK 76
THE NORTH HALF OF LOTS 1 AND 2

And more particularly described in Schedule 'A' attached hereto.

Together with the benefits and advantages of all easements, franchises and privileges now or hereafter appurtenant or appertaining thereto (hereinafter sometimes called the "lands", the "said lands" or the "mortgaged premises") in consideration of the sum of **EIGHT HUNDRED FIFTY THOUSAND DOLLARS [$850,000.00]** hereinafter referred to as the "principal sum") lent to the Mortgagor by INTEGRA INVESTMENT SERVICE LTD whose address is 800, 933 – 17 Ave SW Calgary, Alberta T2T 5R6 (hereinafter called the "Mortgagee"), the receipt of which sum the Mortgagor hereby acknowledges, COVENANTS AND AGREES with the Mortgagee that:

WHEREAS:

A. The Mortgagor is or is entitled to become the registered owner of the Lands;

B. The Mortgagee has agreed to lend an amount not to exceed the Principal Sum to the Mortgagor (or its nominee) on the terms and condition set out herein; and

C. As security for repayment of the Principal Sum together with interest and performance of the covenants contained herein, the Mortgagor has agreed to grant this Mortgage in favor of the Mortgagee.

NOW THEREFORE in consideration of the covenants and promises contained herein, the Mortgagor and the Mortgagee covenant each with the other as follows:

ARTICLE I – DEFINITIONS

1.1 In this Mortgage:

(a) "Business day" means days other than Saturday, Sunday and statutory holidays in the Province of Alberta;

(b) "Collateral Security" means the additional and collateral security, if any, which may be required by the Mortgagee to be granted or provided by the Mortgagor pursuant to the provisions of this Mortgage including:

(i) a loan agreement between the Mortgagee and the Mortgagor dated effective the 8th day of September 2004 (the "Loan Agreement")

(c) "Commitment Letter" means any written correspondence from the Mortgagee to the Mortgagor or its nominee, setting out the terms by which the Principal Sum will be advanced, as amended, modified, supplemented, restated or replaced, from time to time

(d) "Hazardous Substances" means any substance which is hazardous to person or property includes, with out limiting the generality of the foregoing:

(i) radioactive materials;
(ii) explosives;
(iii) any substance that, if added to any water, would degrade or alter or form part of a process of degradation or alteration of the quality of that water to the extent that it is detrimental to its use by man or by any animal, fish, or plant;

(iv) any solid, liquid, gas or odour or combination of any of them that, it emitted into the air, would create or contribute to the creation of a condition of the air that:

A. endangers the health, safety or welfare of persons or the health of animal life;
B. interferes with quiet enjoyment of life or property; or
C. causes damage to plant life or to property;

(v) toxic substances including, without restriction, urea formaldehyde foam insulation, asbestos and poly-chlorinated biphenyls; and
(vi) substances declared to be hazardous or toxic under any law or regulation now or hereafter the enacted or promulgated by any governmental authority having jurisdiction over the Mortgagor, the Mortgagee and the lands;

(e) "Improvements" means all improvements of every kind whether or not affixed to the Lands including without limitation all building, erections, improvements, machinery and plant, furnaces, boilers, elevations, escalators, mobile homes, plumbing, air conditioning, ventilating and refrigerating equipment, water heaters, wall to wall carpeting, plate glass, storm doors, storm windows, screens and screen doors and all apparatus and equipment appurtenant thereto, whether moveable or stationary, with all proper, usual and necessary gears, tools, accessories, equipment and appliances, which are now or may hereafter be placed or installed upon the Lands;

(f) "Interest Rate" means 12% per annum, calculated monthly, not in advance;

(g) "Interest Adjustment Date" has the meaning ascribed to such term in section 2.3 hereof;

(h) "Lands" means that parcel or parcels of land situate in the Province of Alberta and legally described in Schedule "A" attached hereto, together with all improvements;

(i) "Maturity Date" means the Business Day that the Mortgage Monies are due for repayment pursuant to the Loan Agreement;

(j) "Mortgage" means this mortgage together with all Recitals and Schedules attached hereto;

(k) "Mortgage Monies" means the Principal Sum with interest thereon at the Interest Rate, together with all other monies secured by this Mortgage, including without restriction, any advances, fees or expenses made or incurred by the Mortgage;

(l) "Mortgagee" means Integra Investment Service Ltd., Integra Investment Service Ltd. shall be the Principal Mortgagee and shall have complete and unfettered control of the administration and conduct of the mortgage.

(m) "Mortgagee's Address" means 800, 933-17th Avenue S.W. Calgary, Alberta, T2T 5R6, or such other address as the Mortgagee shall from time to time advise in writing;

(n) "Mortgagor" means Rundle Development Cooperative;

(o) "Mortgagor's Address" means 700, 933 - 17th Avenue S.W. Calgary, Alberta, T2T 5R6, or such other address, as the Mortgagor shall from time to time advise in writing;

(p) "Permitted Encumbrances" means those encumbrances described in Schedule "A" attached hereto;

(q) "Principal Sum" means a sum not to exceed Eight Hundred Fifty Thousand Dollars ($850,000.00) in lawful money of Canada;

(r) "Prior Charge" means any mortgage, lien, agreement for sale, encumbrance, interest in land or other charge or claim upon or with respect to the Lands which has or may have or which may acquire priority to this Mortgage, including, without restriction, the Permitted Encumbrances;

(s) "Real Estate Taxes" means all taxes, local, improvement charges, rates, assessments, levies, liens and penalties which are now or may hereafter be imposed or charged against or payable in respect of the Lands and shall include any levy or mortgage tax or principal and interest tax imposed or which may be imposed on this Mortgage or on the Mortgagee in respect of this Mortgage or on the monies secured by this Mortgage or on the Lands;

(t) "Receiver" means any person or persons appointed by the Mortgagee in accordance with section 6.1 herein and includes a receiver, and a receiver and a manager; and

(u) Term" means the period of time from the first advance of the Principal Sum hereunder to and including the Maturity Date.

1.2 The parties hereby confirm and ratify the matters contained and referred to in the preamble to this Mortgage and agree that the same and Schedule "A" attached hereto are expressly incorporated into and form part of this Agreement.

1.3 The schedules to this Agreement are as follows:

Schedule "A" – Lands and Permitted Encumbrances

ARTICLE II – ADVANCE OF FUNDS UNDER THE LOAN AGREEMENT

2.1 The Mortgagee agrees to lend from time to time in one lump sum or by way of partial advance, but in any event a cumulative amount not to exceed the Principal Sum to the Mortgagor (or its nominee) upon the terms and conditions contained herein and as set forth in the Loan Agreement.

2.2 Neither the preparation, execution or registration of this mortgage, nor the advance in part of the monies intended to be secured hereby, shall bind the Mortgagee to advance the monies intended to be secured hereby or any unadvanced portion thereof, it being understood and agreed that the advance of monies, or any part thereof, from time to time shall be in the sole discretion of the Mortgage.

2.3 The Mortgagor shall pay or cause to be paid to the Mortgagee at the Mortgagee's address, in 1 to 4 years, due October 15, 2008, the Principle Sum of $850,000.00. Interest at the Interest rate, (12%) calculated monthly, not in advance, which shall be calculated and paid monthly to the Mortgagee, before and after maturity, default and judgment with overdue interest at the Interest rate from the date of advance of the Principal Sum, or such portion thereof (the "Interest Adjustment Date"), with the Mortgagor acknowledging that this Mortgage is given and taken as a general and continuing collateral security and secures the Loan Agreement.

The Principal Sum and all other Mortgage Monies, or the amount thereof remaining unpaid, shall become due and be paid on the Maturity Date.

2.4 The Mortgagor shall pay or cause to be paid to the Mortgagee interest at the Interest Rate in the manner aforesaid on the Mortgage Monies or on so much thereof as shall from time to time remain unpaid. In the event of non-payment of any of the Mortgage Monies at the time provided in the Commitment Letter, the Collateral Security (Loan Agreement) or as herein set for payment thereof, the Mortgagor shall, so long as any part thereof remains unpaid, pay interest thereon at the Interest Rate from day to day on the same. All interest on becoming overdue shall be forthwith treated (as payment of interest thereon) on principal and shall bear compound interest at the Interest Rate after as well as before maturity, default and the obtaining of any judgment by the Mortgagee to be payable on demand and all such interest and compound interest shall be a charge on the Lands.

2.5 Arrears of both principal and interest shall bear interest at the rate above-mentioned before as well as after default, on the date the next payment of interest is due, and such interest on arrears shall be a charge on the Lands in the same manner as all other monies hereby secured, provided, however, that, at the opinion of the Mortgagee, interest may be deducted from any advances of the principle sum.

2.6 Interest as aforesaid shall continue to run and accrue until actual payment in full has been received by the Mortgagee; the Mortgagee shall have a reasonable time after the presentation thereof to execute a discharge of this mortgage and all legal and other expenses for the preparation and execution of such a discharge shall be borne by the Mortgagor.

2.7 Any payments provided hereunder to be made by the Mortgagor shall become due and payable at the times herein provided, notwithstanding that at the date of any such payment the full amount of principal for which this mortgage is expressed to stand as security has not been advanced, and, at the discretion of the Mortgagee, the Mortgagee may charge any account or accounts of the Mortgagor maintained with the Mortgagee with the amount or amounts of any or all such payments. Any payments received by the Mortgagee after 1:00 o'clock p.m. local time at the place of receipt shall be deemed to have been received on the next following business day.

The Mortgagor shall not at any time compel the Mortgagee to receive the said principal sum or any part thereof, save as herein provided.

2.8 The Mortgagor upon request of the Mortgagee, shall establish and maintain a Bank account with such branch of the Mortgagee as the Mortgagee may from time to time specify and shall, upon request of the Mortgagee direct and authorize the said branch to debit and remit monthly to the Mortgagee payments due under this mortgage.

2.9 The Mortgagor, within 10 days after receipt of a request to do so, shall certify to the Mortgagee or any person designed by the Mortgagee, the amount of principal then due hereunder, the date to which interest is paid, that it has no right of set-off against the monies due hereunder, or if is has such a right of set-off, the amount thereof, and that there have been no amendments hereof or, if there have been any such amendments, specifying them.

2.10 There being no default in payment of the monies or in the fulfillment of the covenants on the part of the Mortgagor herein contained, the Mortgagor at is option and at any time after the first year anniversary of the first advance under this Mortgage shall have the privilege upon thirty 30 days written notice to the Mortgagee to prepay up to 100% of the principal balance then outstanding in whole or in part upon payment of interest and administration fees up to the date of payment without bonus or penalty.

ARTICLE III – MORTGAGOR'S REPRESENTATIONS AND WARRANTIES

3.1 The Mortgagor does covenant with the Mortgagee that:

(a) the Mortgagor has a good title to the Lands;

(b) the Mortgagor has the right to Mortgage the Lands;

(c) on default the Mortgagee shall have quiet possession of the Lands free and clear of all encumbrances;

(d) the Mortgagor will execute such further assurances of the Lands as may be required;

(e) the Mortgagor has done no act to encumber the Lands except to the extent of the Permitted Encumbrances;

(f) the Mortgagor will not create or suffer to be created any mortgage, hypothec, lien, charge or other encumbrance upon the Lands unless same is subordinate to the interest of the Mortgage; and may only do so with the written consent of the Mortgagee.

(g) all balance sheets, statements of profit and loss and other financial data that have been furnished by the Mortgagor to the Mortgagee fairly and accurately represent the financial condition of the Mortgagor and the results of its operation; all other information, reports, papers and data furnished to the Mortgagee are accurate and correct in all material respects ad complete insofar as completeness may be necessary to give the Mortgagee a true and accurate knowledge of the subject matter; and there has been no change in the assets, liabilities or financial condition of the Mortgagor from that set forth in the most recent financial statements furnished by the Mortgagor to the Mortgagee other than changes in the ordinary course of business, none of which changes have been materially adverse; and

(h) having due regard to all restrictions contained in the Articles of Incorporation, By-Laws or constating documents of the Mortgagor and all outstanding agreements and commitments of the Mortgagor, the Mortgagor has the power and authority to become indebted to the Mortgagee in the manner provided herein, and the Board of Directors or other governing body of the Mortgagor has taken all steps necessary to make proper the creation of the indebtedness evidenced hereby and the Mortgagor's performance hereunder in accordance with the terms and condition hereof including, but not limited to the mortgaging, pledging, assigning, charging or encumbering of the Lands to the Mortgagor.

ARTICLE IV – SECURITY FOR MORTGAGE

4.1 For the better securing to the Mortgagee the repayment in manner aforesaid of the said principal and interest and other charges and monies hereby secured, and for the due performance by the Mortgagor of all land each of the covenants, provisions and conditions herein expressed or implied, the Mortgagor does hereby mortgage to the Mortgagee all the estate and interest of the Mortgagor in the Lands.

4.2 Unless a discharge has been issued in writing in accordance herewith in respect to all or a portion of the Lands, every part, lot or unit into which the Land is or may hereafter be divided does and shall stand charged with the whole of the monies hereby secured and no person shall have any right to require the monies hereby secured to be apportioned upon or in respect of any such part, lot or unit.

4.3 All erections, buildings or improvements that now are or that shall hereafter be put or built upon the Lands shall be fixtures and be a part of the realty and form a part of the security under this mortgage even though not attached to the Lands other than by their own weight and shall not be removed during the continuance of this mortgage.

4.4 If the lands, or any portion thereof, are held by the Mortgagor as a partner or partnership and/or joint venturer of a joint venture, this mortgage shall be and be deemed to be a mortgage of the entire interest of such partnership in the Lands and such venture in the Lands as well as a mortgage of the interest of the Mortgagor in the Lands; and all covenants herein shall be deemed to be joint and several covenants of any such partnership and/or joint venture and of the Mortgagor.

4.5 If the Lands are subject to one or more prior mortgages, agreements for sale, leases or other charges (herein collectively called the "Prior Mortgage"), the Mortgagor shall pay or cause to be paid as they become due all payments, whether for principal, interest, taxes or otherwise under or by virtue of the Prior Mortgage and will otherwise observe, perform and comply with the Mortgagor's covenants, provisions and agreements therein contained. Any default by the Mortgagor under a Prior Mortgage shall be deemed to be a default hereunder.

4.6 The Mortgagor shall promptly pay the full amount of:

(a) any liens, charges and encumbrances upon the Lands;

(b) any reasonable charges or expenses of the Mortgagee on renewal or default of this Mortgage in inspecting, protecting or valuing the Lands;

(c) all costs, fees, disbursements, charges and expenses, which have been or may be incurred by the Mortgagee in negotiating this Mortgage; investing or perfecting title to the Lands and the capacity of the Mortgagor to borrow the monies secured by this Mortgage; in preparing and registering this Mortgage and all documents incidental or collateral hereto; in advancing any portion of the monies hereby secured; in taking, recovering and keeping or attempting to procure possession of the Lands or any part thereof; in enforcing, or attempting to enforce, the personal remedies or any other remedies available hereunder; in collecting or attempting to collect any of the monies hereby secured, or in realizing or attempting to realize on any security collateral hereto; in any foreclosure or other proceedings, judicial or otherwise, to protect the Lands or to realize on this Mortgage or any security collateral hereto; or in connection with any receivership; and if a solicitor is retained in connection with any of the forgoing, such solicitor's fees and disbursements shall be paid on a solicitor and his own client basis and, at the portion of the Mortgagee, on the basis of a lump sum bill; and, if any other professional person or firm is retained or employed, such person's or firm's fees shall be paid on the basis of his or its normal professional charges; and

(d) all other reasonable costs and expenses of the Mortgagee incurred in connection with the loan secured by this Mortgage and not covered by any other covenant herein.

4.7 The Mortgagor shall, on the due date thereof, pay and satisfy all taxes, rates, levies, charges, rents, assessments, or other impositions whatsoever already rated, charged, assessed or imposed or hereafter to be rated, charged, assessed or imposed, no matter by whom or by what authority or howsoever on the Lands, or on the Mortgagor or Mortgagee in respect of the Lands (hereinafter collectively called "taxes"). Provided that in respect of the taxes chargeable against the Lands the Mortgagee may deduct from the monies to be advanced under this Mortgage an amount sufficient to pay the taxes which have become or will become due and payable on or before the Interest Adjustment Date. The Mortgagor covenants to provide evidence of payments of taxes annually by December 31 of each calendar year unless otherwise advised by the Mortgagee. In default of payment by the Mortgagor of monies for taxes as aforesaid, then the Mortgagee may (but shall not be obligated to) pay such taxes and also any liens, charges and encumbrances which may be charged against the lands and all monies extended by the Mortgagee for any of such purposes together with interest thereon at the Interest Rate from the date of payment shall be payable by the Mortgagor to the Mortgagee forthwith and shall be a charge upon the Lands.

4.8 The Mortgagor acknowledges that, in advancing the principal sum or any part thereof to the Mortgagor, the Mortgagee is relying on the financial ability, in the sole opinion of the Mortgagee, of the Mortgagor alone to repay the same and the Mortgagor agrees that, if the Mortgagor sells, transfers or assigns the lands or any portion thereof or interest therein, or agrees to do so, without the prior written consent of the Mortgagee, which consent shall not be unreasonably withheld, the whole of the principal sum outstanding hereunder together with interest, costs and charges thereon and all other monies secured hereby, shall, at the sole option of the Mortgagee, forthwith become due and payable.

ARTICLE V – INSURANCE

5.1 The Mortgagor further covenants with the Mortgagee:

(a) The Mortgagor shall insure any improvements or betterments to the Lands which may have been made or acquired by the Mortgagor to an amount not less that the total insurable value thereof (hereinafter referred to as the "Land Policy"). The Land Policy shall provide that loss, if any, shall be payable to the Mortgagee, and the standard form Mortgage clause approved by the Insurance Bureau of Canada shall be attached to or incorporated within the land Policy, The Mortgagor shall provide to the Mortgagee evidence of the continuation of the Land Policy having been effected at all times, forthwith upon the Mortgagee's demand, and in any event at least 5 days before the expiration thereof; otherwise the Mortgagee may procure such insurance and Mortgage the premiums paid therefore and interest thereon at the rate aforesaid to the Mortgagor, and the same shall be payable forthwith upon demand and shall also constitute a Mortgage upon the Lands. It is further agreed that the Mortgagee may, at any time, require any Land Policy be cancelled and a new Land Policy be effected with an insurance company selected by the Mortgagee, and the Mortgagee may effect to maintain any Land Policy herein provided for, and any amount paid by the Mortgagee therefore shall be payable forthwith by the Mortgagor, together with interest thereon at the rate aforesaid and shall also constitute a Mortgage upon the Lands.

(b) The Mortgagor shall, forthwith on the happening of any loss or damage to the Lands, comply full with the terms of all applicable policies of insurance, and without limiting the generality of any provision of this Mortgage, shall comply with the insurance provisions contained in the declaration and in any applicable insurance trust agreement.

(c) The Mortgagor, as a member of the Corporation, shall endeavor to seek full compliance by the Corporation with any of the obligations or covenants contained herein pertaining to insurance, and the Mortgagor shall seek full compliance by the Corporation with the provisions of The Condominium Property Act, and of the condominium documents, which pertain to insurance, and with the provisions of any insurance trust agreement to which the Corporation is a party.

(d) That such insurance policies shall either be without co-insurance or have a stated or stipulated amount co-insurance clause for an amount equal to or less than the policy limit.

(e) That all policies of insurance required hereby shall contain "mortgage clauses" in favour of the Mortgagee in a form approved by the Mortgagee.

(f) That the Mortgagor shall forthwith upon request furnish, at its own expense, a certificate of a competent appraiser or other competent person selected by the Mortgagee as to the sufficiency or otherwise of any insurance, and as to the type and amount thereof.

(g) That the Mortgagor shall not allow any such policy or policies of insurance to be invalidated, and shall forthwith assign, transfer and deliver to the Mortgagee such policy or policies and receipts thereto appertaining, and does hereby irrevocably assign the proceeds of any such insurance to the Mortgagee. If the Mortgagor shall neglect to keep any part of the premises insured as herein provided, or to deliver any such policy or receipts, or to produce to the Mortgagee at least 15 days before termination of any insurance coverage evidence, to the reasonable satisfaction of the Mortgagee, of the renewal thereof, or if the Mortgagee receives notice of the intended cancellation of any such policy, the Mortgagee shall be entitled to insure the premises; provided however that the Mortgagee shall not be bound to insure the premises, or in the even of insuring the premises, to insure other than the interest of the Mortgagee, or to see to the payment of the premiums of any policy, or to see to any matter arising out of any defect in any policy or failure of any insurance company to pay for any loss thereunder.

(h) That the Mortgagor shall forthwith on the happenings of any loss or damage, furnish at its own expense all necessary proofs and do all necessary acts to enable the Mortgagee to obtain payment of the insurance monies; and any insurance monies received may, at the option of the Mortgagee, be applied in rebuilding, reinstating or repairing the premises or be paid to the Mortgagor or any other person appearing by the registered title to be or to have been the owner of the Lands, or to be applied or paid partly in one way and partly in another, or may be applied, in the sole discretion of the Mortgagee, in whole or in part thereof, whether due or not then due, notwithstanding any law, equity or statute to the contrary, and in particular The Insurance Act of the Province of Alberta and The Fires Prevention (Metropolis) Act, 1774, all rights and benefits of the Mortgagor thereunder being hereby expressly waived.

ARTICLE VI – PRESERVATION OF SECURITY

6.1 The Mortgagor shall not permit or suffer the Lands to become or remain vacant or permit or suffer any act of waste on the Lands, and the Mortgagor shall during the currency of this Mortgage well and sufficiently repair, amend and keep the erections, building and improvements now or hereafter erected on the Lands and all fixtures and things thereunto belonging in good and substantial repair.

6.2 The Mortgagor shall not make or permit to be made any alterations or additions to the buildings, structures and erections on the Lands without compliance with all applicable laws and shall not use the Lands or permit it to be used other than for the purpose for which it is presently used or for such other purposes as shall be specifically permitted by the Mortgagee in writing.

The Mortgagor shall obey or cause to be obeyed all laws, rules, regulations and by-laws, whether federal, provincial or municipal, which in any way relate to the Lands or the use thereof.

6.3 The Mortgagor shall not lease or rent the whole or any portion of the Lands except in the ordinary course of the Mortgagor's business in dealing with the Lands; provided however that the granting of such consent shall not be or be deemed to be a grant of priority for any such lease over this Mortgage. The Mortgagor shall assign, in a form satisfactory to the Mortgagee; the rentals payable order any lease or rental agreement, whether written or oral, to the Mortgagee as additional collateral security for payment of the monies secured hereby. The Mortgagor shall not assign, charge or encumber such rentals in any way whatsoever other than to the Mortgagee.

6.4 The Mortgagee or agent of the Mortgagee may, at any time during regular business hours and from time to time, at its sole discretion enter upon the Lands to inspect the Lands or any portion thereof. Without in any way limiting the generally of the foregoing, the Mortgagee or its agents may enter upon the Lands to conduct any environmental testing, site assessment, investigation or study deemed necessary by the Mortgagee and the reasonable cost of such testing, assessment, investigation or study, as the case may be, with interest at the mortgage rate, shall be payable by the Mortgagor forthwith and shall be a charge upon the Lands. The exercise of any of the powers encumbered in this clause shall not deem the Mortgagee or its agents to be in possession, management or control of the Lands.

ARTICLE VII – ASSIGNMENT

7.1 The Mortgagee, without the consent of the Mortgagor, may assign in whole or in part the debt hereunder, this Mortgage and any Collateral Security.

7.2 None of the proceeds of this Mortgage may be assigned by the Mortgagor without the express written consent of the Mortgagee.

ARTICLE VIII – EXPROPRIATION/CONDEMNATION

8.1 The Mortgagor, immediately upon obtaining knowledge of the commencement of any proceedings for the expropriation of the Lands or any part thereof, shall forthwith notify the Mortgagee of such proceedings. If the Lands or any part thereof is taken or damaged in or by any such expropriation proceedings or otherwise, the award or compensation payable to the Mortgagor shall be paid to the Mortgagee, to whom it is hereby assigned.

8.2 The Mortgagor acknowledges it is aware of the meaning of Section 47 of the Expropriation Act (Alberta), and being fully aware that under the terms of the said Act the Mortgagee may be restricted to recovering the market value of this Mortgage at the date of any expropriation, the Mortgagor hereby waives the provisions of Section 47 of the Expropriation Act (Alberta) and further waives any provisions which may be enacted and in force from time to time in replacement of or in addition to those provisions.

If the Lands or any part thereof is condemned or expropriated to an extent which, in the Mortgagee's opinion, materially affects this mortgage security or any collateral security therefore, the full amount of the principal and interest and of any other monies secured by this mortgage then outstanding shall, at the election of the Mortgagee, be deemed to become due and payable in full on the day before the Lands are expropriated, and interest shall accrue thereon, at the aforesaid rate, until the Mortgagee has been paid in full and the Mortgagor shall be stopped from denying the same.

The Mortgagor shall pay or cause to be paid to the Mortgagee, upon request of the Mortgagee, and from any expropriation and other proceeds, the full amount of the principal and interest and any other monies then outstanding hereunder.

ARTICLE IX – CONDOMINIUM

9.1 The terms "corporation Plan" used in this mortgage shall have the meanings ascribed to them in the Condominium Property Act (Alberta), and all amendments thereto (collectively, the "Act"). "Property" shall mean the lands described in the Condominium Plan

9.2

(a) The Mortgagee is hereby authorized and empowered to exercise the right of the Mortgagor, as owner of the Lands, to vote or to consent in all matters relating to the affairs of the Corporation, whether or not the Mortgagor is in default or in breach of any of the covenants or provisions contained in this mortgage, provided that:

(i) the Mortgagor shall be entitled to exercise such right to vote or consent unless and until the Mortgagee gives notice of the Mortgagee's intentions to exercise such rights in accordance with the provisions of Section 20 of the Act. Any such notice may apply to an indeterminate period of time or to a limited period of time or to a specific meeting or matter;

(ii) the Mortgagee shall not, by virtue of the foregoing provisions, be under any obligation to vote, consent, or protect the interests of the Mortgagor, and the Mortgagee shall not be responsible to the Mortgagor in connection with any exercise of the right to vote or consent, or for any failure to exercise such right; and

(iii) the exercise by the Mortgagee of the right to vote or to consent shall not render the Mortgagee a Mortgagor or Mortgagee in possession.

(b) In the even that the government of the property included in the Condominium Plan is terminated pursuant to the Act, or in the event that the sale of the Property (or of any part of the common elements or recreational units included in the Condominium Plan) is authorized by a vote of the owners of the units of the Condominium, then in such event all monies hereby secured shall forthwith become due and payable, at the sole option of the Mortgagee, and all the powers conferred on the Mortgagee by virtue of this Mortgage (and/or pursuant to any applicable statute or common law principle) shall be exercisable forthwith by the Mortgagee.

(c) The Mortgagor covenants and agrees to observe and perform all duties and obligations imposed on the Mortgagor by the Act, and by the declaration, by-laws, and rules of the Corporation (hereinafter collectively referred to as the "Condominium Documents") as are in effect from time to time. Any breach of the said duties and obligations shall constitute a default under this Mortgage, and shall thereupon entitle the Mortgagee to exercise all the rights, powers and remedies provided by this mortgage and, without limiting the generality of the foregoing, the outstanding balance of the principal sum and interest monies secured by this Mortgage shall, at the Mortgagee's sole option, immediately become due and payable.

(d) The Mortgagor covenants and agrees to promptly pay, as and when due, any contributions to common expenses or other payments required to be made by the Mortgagor as owner of the Lands. The Mortgagor further covenants and agrees to transmit to the Mortgagee, forthwith upon the demand of the Mortgagee, satisfactory proof that all common expenses assessed against the Lands have been paid as and when due.

(e) The Mortgagee may, at its own option, pay the amount of any common expenses or other payments owing by the Mortgagor to the Corporation, and the Mortgagee may, at its own option, pay the amount of any other encumbrance, lien or mortgage having or claiming priority over this Mortgage, including any realty taxes or other mortgages assessed against the Lands or the common elements of the Corporation, and the Mortgagee may, at its option, pay all costs, mortgages and expenses which may be incurred in recovering and keeping possession of the Lands, and all solicitors mortgages (as between a solicitor and his own client) in respect of the collection of overdue payments or any other monies payable by the Mortgagor, whether any action to enforce payment has been taken or not; and any amount so paid by the Mortgagee shall be added to the principal sum secured hereunder and shall be forthwith payable by the Mortgagor to the Mortgagee and shall bear interest calculated and payable monthly at the rate per moth equal to one-twelfth of the annual rate of interest set out on Page 2 of this mortgage; and in the event the Mortgagee paying the amount of such encumbrance, lien or mortgage, realty taxes of any other payments owing by the Mortgagor to the Corporation , then the Mortgagee shall be entitled to all the rights, equities, remedies, and securities of all persons so paid (including, without limitation, the Corporation).

(f) The Mortgagor covenants and agrees to deliver to the Mortgagee, by prepaid registered mail, a copy of each and every:

(i) notice of any breach by the Mortgagor of any of the provisions of the Condominium Documents, within 5 days of the date upon which such notice is received by the Mortgagor;

(ii) requests or demands for the vote or consent of the Mortgagor in respect of any matter affecting the Lands or the Property, within 5 days of the date upon which such request or demands is received by the Mortgagor;

(iii) notice of any meeting of the unit owners of the Corporation within 5 days of the date upon which notice of such meeting is received by the Mortgagor; and

(iv) notice of any special assessment being levied or any extraordinary expenditure intended or contemplated to be made by the Corporation, within 5 days of the date upon which the Mortgagor receives notice of same.

ARTICLE X – DEFAULT

10.1 If the Mortgagor defaults in payment of any monies hereby secured or any part thereof, or in performance of any of the covenants, provisions, agreements and stipulations herein expressed or implied, or if default otherwise occurs under any of the provisions of this mortgage, or if the Mortgagor or any guarantor of the principal sum hereby secured shall become bankrupt or shall be subject to the provisions of *The Bankruptcy and Insolvency Act, The Companies' Creditors Arrangement Act, The Winding-up Act* or any other Act for the benefit of creditors or go into liquidation either voluntarily or under an order of a court of competent jurisdiction, or make a general assignment for the benefit of its creditors or suffer any distress or execution to be levied on its good, or allow a creditor to enter judgment against it by reason of its financial inability to pay creditors or otherwise acknowledge its insolvency, or upon notice of the registration of any builders' lien against the Lands, which lien remains undischarged for a period of 90 days after notice of the registration thereof is give to the Mortgagor, then in any such case the monies hereby secured and every part thereof shall, at the potion of the Mortgagee, become due and payable in like manner and to all intents and purposes as if the time or times herein mentioned for payment thereof had come expired.

10.2 For better securing the punctual payment of the Mortgage monies, the Mortgagor hereby attorns and becomes tenant to the Mortgagee of the Lands at a monthly rental equivalent to the monthly installments secured hereby, the same to be paid on each day appointed for the payment of installments; and if any judgment, execution or attachment shall be issued against any of the goods or Lands of the Mortgagor or if the Mortgagor shall become bankrupt or commit an act of bankruptcy within the meaning of *The Bankruptcy and Insolvency Act* or shall take the benefit of any statue relating to bankruptcy or insolvent debtors then such rental shall, if not already payable, be payable immediately thereafter. The legal relation of landlord and tenant is hereby constituted between the Mortgagee and the Mortgagor, but neither this clause nor anything done by virtue thereof shall render the Mortgagee a mortgagee in possession or accountable for any monies except those actually received. The Mortgagee may at any time after default hereunder enter upon the Lands, or any part thereof, and determine the tenancy hereby created without giving the Mortgagor any notice to quit.

10.3 If the Mortgagor defaults in payments of any part of the said principal, interest or other monies hereby secured at any of the times herein outlined for the payment thereof, it shall and may be lawful for the Mortgagee, and the Mortgagor does hereby grant full power and license to the Mortgagee, to seize and detain upon the Lands or any part thereof and by distress warrant to recover by way of rent reserved as in the case of a demise of the lands, as much of such principal, interest and other monies as shall from time to time be or remain in arrears and unpaid, together with all costs, charges and expenses attending such levy or distress, as in like cases of distress, for rent.

10.4 In the even of default in the payment of any portion of the monies hereby secured, or on breach of any covenant or provision herein contained, the Mortgagee may at such time or times as it may deem necessary and without the concurrence of any other person, enter upon the Lands with the permission of the Mortgagor and may make such arrangements for repairing and putting in order any buildings or other improvements on the Lands, or for inspecting, taking care of, leasing, collecting the rents of and managing generally the Lands as it may deem expedient. In this regard, the Mortgagor assigns to the Mortgagee the rents and profits of the Lands in the event of default in the payment of any portion of the monies hereby secured, or on a breach of any covenant or provision herein contained.

10.5 In case default is made in payment of the said principal sum or interest, or any part thereof, or in the observance of any covenant expressed or implied by this mortgage and such default continues for the space of one (1) calendar month, the Mortgagee may on giving not less than five (5) business day's notice to the Mortgagor of its intention in that behalf, without further consent or concurrence on the part of the Mortgagor, enter into possession of the Lands and receive and take rents, issues and profits thereof, and, whether in or out of possession thereof, may make any lease of the same or of any part thereof as the Mortgagee may see fit, and, it such default in payment or in the observance of any covenant continues for the space of tow (2) calendar months, the Mortgagee is hereby authorized and empowered to sell the Lands or any part thereof and all the estate and interest therein of the Mortgagor; and the Mortgagor hereby assigns to the Mortgagee the rents and profits of the Lands without obligation on the part of the Mortgagee to collect the same or any part thereof.

10.6 In case default is made in payment of the said principal sum or interest, or any part thereof, or in the observance of any covenant expressed or implied by the Mortgagee, the Mortgagee may sell the whole or any parts of the Lands by public auction or private contract, or partly one and partly the other, on such terms as to credit and otherwise as to the Mortgagee shall appear most advantageous and for such prices as can reasonably be obtained. Sales made be made from time to time of portions to satisfy interest or parts of the principal, interest, or other monies overdue, leaving the balance thereof to run with interest, payable as aforesaid. The Mortgagee may make any stipulations as to title, or evidence of commencement of title, or otherwise, as the Mortgagee shall deem proper. The Mortgagee may buy in any sale of, or rescind or vary any contract for sale of, the Lands and result, without being answerable for loss occasioned thereby. In case of a sale on credit the Mortgagee shall only be bound to pay to the Mortgagor such monies as have been actually received from the purchaser after the satisfaction of the Mortgagee's claim. For any of such purposes the Mortgagee may make and execute all agreements and assurances as the Mortgagee deems fit.

10.7 The Mortgagee may by writing under the hand of any solicitor or agent authorized on its behalf, upon ten (10) days written notice to the Mortgagor subsequent to any default whatsoever on the part of the Mortgagor in payment of any principal sum or interest hereby secured, or in the hereby observance of any of the covenants and conditions herein contained appoint a receiver or manager, or receiver and manager, or receiver-manager (hereinafter in each case called "Receiver") of the Lands, and every Receiver shall be deemed the agent of the Mortgagor, and the Mortgagor shall be solely responsible for the acts of defaults of the Receiver and the Receiver shall have power to demand, recover and receive all the income of the property of which he may be appointed receiver by action, distress or otherwise, whether in the name of the Mortgagor or the Mortgagee for which provisions made in this mortgage, and such Receiver may complete or carry on the business of the Mortgagor relating to the Lands or any part thereof and may exercise all the powers conferred upon the Mortgagee hereby; and that the Receiver may be appointed from time to time by the Mortgagee in writing under the hand of any authorized solicitor or agent as aforesaid; and that the Mortgagee may from time to time fix the remuneration of every such Receiver and may recompense every such Receiver for all disbursements properly incurred by hum in carrying out his duties and his fees, and such payments shall be a charge upon the Lands, shall be payable on demand and shall bear interest at the mortgage rate, but the Mortgage shall not be deemed to be a mortgagee in possession and shall not be accountable except for the monies actually received by it, and the person happened to authorize the Receiver to act; and that, subject to the retention of such remuneration and disbursements as aforesaid, any such monies so received may be expensed in any of the following modes and in such order or priority as the Mortgagee may from time to time at its option direct in writing, namely, in discharge of all rents, taxes, assessments and outgoings or other insurance, it any, properly payable under this mortgage, payment of which is directed or confirmed in writing by the Mortgagee; and in payment of the cost of executing necessary or proper repairs to the Lands or any part thereof directed or confirmed in writing by the Mortgagee; and in payment of the cost of carrying out or executing any of the powers, duties or discretion which vest in or may be vested in the Receiver by reason of the provisions contained in this mortgage; and in payment of the interest accruing due under this mortgage, and in or towards the discharge of the principal money or any installment thereof or or solicitors' costs or other monies due and payable under this mortgage, if and to the extent directed in writing by the Mortgagee; and shall pay the residue, if any, of the money received by him to the person who, but for the appointment of the Receiver, would have been entitled to receive the income of which he is appointed receiver.

10.8 The Mortgagee shall have the right but shall not obligated to:

(a) pay either out of the monies to be advanced hereunder, or otherwise if the full amount to be advanced hereunder has been advanced any sums of money required to be paid hereunder by the Mortgagor, or which the Mortgagor should have paid, or which the Mortgagee has the right to pay;

(b) perform any covenant, agreement or obligation of the Mortgagor:

All payments, costs, disbursements, fees, charges and expenses of every nature and kind incurred or paid buy the Mortgagee or for which the Mortgagee may either be or become directly or indirectly liable, shall be payable immediately by the Mortgagee and shall so long as any portion thereof remains unpaid bear interest at the mortgage rate, from time to time incurred or paid by the Mortgagee, payable and compounded from month to month and such sum or sums, together with interest and compound interest, shall be secured by the charge of this mortgage. All such sums shall be deemed to be secured by this mortgage from the date of registration hereof notwithstanding the date the same may be advanced or incurred. If the Mortgagee pays the amount of any charge or encumbrance or of any taxes charged against the Lands, the Mortgagee shall be entitled to all the rights, equities and securities of the person or person, company, corporation or government so paid off.

10.9 No remedy herein conferred upon or reserved to the Mortgagee is intended to be exclusive of any other remedy or remedies hereunder or under any security collateral hereto, and each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or under any security collateral hereto or now or hereafter existing at law or in equity or by statute. Every power and remedy given by this mortgage to the Mortgagee may be exercised from time to time as often as may be deemed expedient by the Mortgagee.

10.10 Waiver of or failure to enforce at anytime or from time to time the performance of any covenant, provision, condition or agreement herein contained or implied shall not abrogate such covenant, provision, condition or agreement or be a waiver of any subsequent breach of the same.

10.11 The Mortgagee shall not be charged with any monies receivable or collectable out of the Lands or otherwise except those actually received, and all revenue of the Lands received or collected by the Mortgagee from any source other than payment by the Mortgagor may at the option of the account or used in maintaining or insuring or improving the Lands, or in payment of taxes or other charges against the Lands, or applied on the mortgage account, and the Mortgagee shall not be under any liability to pay interest on any such revenue in such account.

10.12 The taking of a judgment on any of the covenants or agreements herein contained shall not operate as a merger of such covenants or agreements or affect the Mortgagee's right to interest at the rate and times aforesaid, and that any such judgment shall provide that interest thereon shall be computed at the same rate and in the same manner as herein provided until the said judgment shall have been fully paid and satisfied.

ARTICLE XI – SALE OF LANDS

11.1.1 No sale either by the Mortgagor dealing with the Lands or any part thereof shall in any way change the liability of any person liable for payment of the monies hereby secured. The Mortgagor shall not sell or enter into any agreement for sale of the whole or any part of the Lands, without the express written consent of the Mortgagee with such consent not be unreasonably withheld.

11.2 The Mortgagee in its sole discretion and with or without notice to or the consent of the Mortgagor may enter into an agreement with anyone who has assumed this mortgage to grant an extension of time, or to change the rate of interest, or to alter in any way the terms of payment of this mortgage; or take any additional security; or waive the performance of any covenants herein; and may compound with or release the Mortgagor or anyone claiming under the Mortgagor or any other person or persons liable hereunder; or surrender, release or abandon or omit to perfect or enforce any security, remedies or proceedings which the Mortgagee may now or hereafter hold or have; and may take, acquire or discharge, either with or without payment, part of the monies hereby secured as the Mortgagee may think best, without prejudice to or in any way limiting or lessening the liability of the Mortgagor, any surety, guarantor or any other person liable for payment. The Mortgagee shall incur no liability to any person by reason of anything aforesaid; and any agreement or liability aforesaid shall continue in full force as long as any money remains unpaid on aforesaid; on the mortgage, but the Mortgagee shall not be bound to exhaust its resources against the Mortgagor or other parties, or the security it may hold, before being entitled to payment form any surety or guarantor or the amounts secured hereby.

11.3 The Mortgagee may at any time release any part of the Lands, or any of the covenants and agreements herein contained, either with or without any consideration therefore, and without being accountable for the value thereof, or for any money except what is actually received, and without thereby releasing or affecting any other of the Lands or any of the other covenants or agreements herein contained or releasing any surety or any other security.

(a) To the extent that the Lands are subdivided into individual titles by way of registration of condominium plan, plan of subdivision or otherwise, and provided that the Mortgagor is not in default under the Mortgage a registrable partial discharge of the Mortgage upon the sale of each individual title then compromising the Lands, so long as and on the condition that the fair market value of the equity remaining in the remainder of the Land then securing the Mortgage upon the sale of each individual title then compromising the Lands. All costs associated with the receipt of the aforesaid written notice and preparation of the partial discharge of the Mortgage otherwise incurred by the Mortgagee shall be paid by and on account of the Mortgagor and secured by the Mortgage.

(b) In granting each discharge and release as contemplated under paragraphs (a) and (b) herein, the Mortgagee shall execute and deliver to the Mortgagor (at the Mortgagor's expense) such releases, discharges and other assurances as may be requisite and shall do such other acts and thing as may be reasonably be necessary to effectively release the said portion of the Lands form the security provided by the Mortgage.

ARTICLE XII – INTERPRETATION

12.1 If any one or more of the provisions contained in this mortgage shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any or all other provisions of this mortgage, and the Mortgage shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

12.2 Any notice required to be given hereunder shall be in writing addressed to the party to whom it is given and shall be delivered, in the case of the Mortgagor, to the last know address of the Mortgagor as shown in the records of the Mortgagee and in the case of the Mortgagee, to the address hereinbefore stated or to such other address as the Mortgagee shall have previously specified by written notice.

12.3 This Mortgage shall enure to the benefit of and be binding upon the respective heirs, executors, administrators, successors and assigns of each and every party hereto, and wherever the singular number or neuter or masculine gender are used in this mortgage, the same shall be construed as meaning the plural and feminine or masculine where the fact or context so requires, and if there be more than one mortgagor all covenants of the Mortgagor shall be deemed to be joint and several covenants of such mortgagors and each of them.

IN WITNESS WHEREOF, the Mortgagor has executed this Mortgage effective the 13 day of October, 2004.

RUNDLE DEVELOPMENT CO-OPERATIVE.

Per: [signature]

Mike Mackin, President

SCHEDULE "A"
LAND AND PERMITTED ENCUMBRANCES

The Lands comprise the following:

ALL AND SINGULAR that cert[illegible] [illegible]ece or pieces or parcel or parcels of land situate in the Province of Albe[illegible] [illegible]ada, being composed of

PLAN "C"
BLOCK 76
THE NORTH HALF OF LOTS 1 AND 2

TOGETHER WITH the appurtenances thereto belonging or appertaining and the reversion or reversions, remainder or remainders, rents, issues and profits thereof and all buildings, erections, improvements, machinery, plant, elevators, escalators, walkways, parking structures, engines, furnaces, oil burners, boilers, air conditioners, ventilating equipment, water heaters, electric fixtures, water fixtures, gas fixtures window blinds and fixtures, plumbing and heating equipment, carpeting and all apparatus and equipment appurtenant thereto which are now or shall hereafter be placed or installed thereupon including buildings now or hereafter erected or placed thereon and all of which to the extent the parties may do so, are declared and deemed to be fixtures, an accession to the freehold, a part of the realty and a portion of the security for the indebtedness herein mentioned, and all the estate, right, title, interest, property and claim therein of the Mortgagor, in, to or upon the same and of, in and to every part and parcel thereof (all of the foregoing being herein collectively referred to as the "Land"); provided always, however, that notwithstanding the foregoing or anything else in this mortgage, this mortgage shall not extend or apply to any purchase money security interest in any personal property of the Mortgagor.

PERMITTED ENCUMBRANCES:

NONE

Appendix B

THE LAND TITLES ACT

DATED OCTOBER, A.D. 2004

041398158 REGISTERED 2004 10 19
MORT - MORTGAGE
DOC 2 OF 2 DRR#: 1842527 ADR/LSTAFFA
LINC/S: 0018621954

RUNDLE DEVELOPMENT CO-OPERATIVE.

TO

INTEGRA INVESTMENT SERVICE LTD.
723, 933 – 17th Avenue S.W.
Calgary, a
T2T

2-2

MORTGAGE

ALBERTA GOVERNMENT SERVICES
LAND TITLES OFFICE

IMAGE OF DOCUMENT REGISTERED AS:

041477637

ADVISORY

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FORM 19

LAND TITLES ACT
(Section 110)

TRANSER OR PART OF
MORTGAGE OR ENCUMBRANCE

WE, INTEGRA INVESTMENT SERVICE LTD. the mortgagee, in consideration of FIFTEEN THOUSAND ($15,000.00) DOLLARS this day paid to us by OLYMPIA TRUST COMPANY in trust for RRSP Account #4548 as to $15,000.00; with an office at 2300, 125 – 9th Ave SE, Calgary, AB T2G 0P6 the receipt of which sums we do hereby acknowledge, hereby transfer to **OLYMPIA TRUST COMPANY** in trust for RRSP Account #4548 as to $15,000.00; as to **FIFTEEN THOUSAND ($15,000.00) DOLLARS** of the mortgage to **RUNDLE DEVELOPMENT COOPERATIVE (603 – 11 Ave SE)** which was registered in the South Alberta Land Registration Titles Office on the 19 of October, 2004 as Instrument Number 041 398 158 together with all our rights, powers, title and interest therein.

The sum so transferred shall rank equal to the remaining sum secured by the mortgage.

IN WITNESS WHEREOF INTEGRA INVESTMENT SERVICE LTD. has executed this Partial Transfer of Mortgage by its duly authorized and proper signing officer this 9th day of November 2004.

INTEGRA INVESTMENT SERVICE LTD.

Per: ____________________

041477637 REGISTERED 2004 12 17
TFIN - TRANSFER OF INSTRUMENT
DOC 1 OF 1 DRR#: 1842532 ADR/RTAGGART
LINC/S: 0018621954

ALBERTA GOVERNMENT SERVICES
LAND TITLES OFFICE

IMAGE OF DOCUMENT REGISTERED AS:

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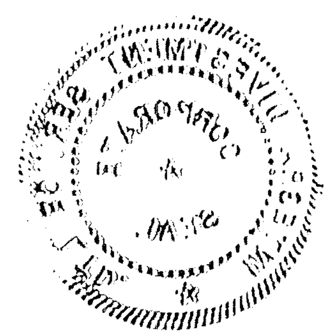
DOC 1 OF 1 DRR#: A842532 ADR/RTAGGART
LINC/S: 0018621954



ALBERTA GOVERNMENT SERVICES
LAND TITLES OFFICE

IMAGE OF DOCUMENT REGISTERED AS:

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FORM 19

LAND TITLES ACT
(Section 110)

TRANSER OR PART OF
MORTGAGE OR ENCUMBRANCE

WE, INTEGRA INVESTMENT SERVICE LTD. the mortgagee, in consideration of EIGHTY THOUSAND ($80,000.00) DOLLARS this day paid to us by CANADIAN WESTERN TRUST COMPANY in trust for RRSP Account #00015196 as to $30,000.00; RRSP Account #00027266 as to $50,000.00; with an office at 2300, 125 – 9th Ave SE, Calgary, AB T2G 0P6 the receipt of which sums we do hereby acknowledge, hereby transfer to **OLYMPIA TRUST COMPANY** in trust for RRSP Account #00015196 as to $30,000.00; RRSP Account #00027266 as to $50,000.00; as to **EIGHTY THOUSAND ($80,000.00) DOLLARS** of the mortgage to **RUNDLE DEVELOPMENT COOPERATIVE (603 – 11 Ave SE)** which was registered in the South Alberta Land Registration Titles Office on the 19th of October, 2004 as Instrument Number 041 398 158 together with all our rights, powers, title and interest therein.

The sum so transferred shall rank equal to the remaining sum secured by the mortgage.

IN WITNESS WHEREOF INTEGRA INVESTMENT SERVICE LTD. has executed this Partial Transfer of Mortgage by its duly authorized and proper signing officer this 9th day of November 2004.

INTEGRA INVESTMENT SERVICE LTD.

Per: ______________________

041477640 REGISTERED 2004 12 17
TFIN - TRANSFER OF INSTRUMENT
DOC 1 OF 1 DRR#: B842532 ADR/RTAGGART
LINC/S: 0018621954

3

ALBERTA GOVERNMENT SERVICES
LAND TITLES OFFICE

IMAGE OF DOCUMENT REGISTERED AS:

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FORM 19

LAND TITLES ACT
(Section 110)

TRANSER OR PART OF MORTGAGE OR ENCUMBRANCE

WE, INTEGRA INVESTMENT SERVICE LTD. the mortgagee, in consideration of SIX THOUSAND FIVE HUNDRED ($6,500.00) DOLLARS this day paid to us by OLYMPIA TRUST COMPANY in trust for RRSP Account #9168 as to $6,500.00; with an office at 2300, 125 – 9th Ave SE, Calgary, AB T2G 0P6 the receipt of which sums we do hereby acknowledge, hereby transfer to **OLYMPIA TRUST COMPANY** in trust for RRSP Account #9168 as to $6,500.00; as to **SIX THOUSAND FIVE HUNDRED ($6,500.00) DOLLARS** of the mortgage to **RUNDLE DEVELOPMENT COOPERATIVE (603 – 11 Ave SE)** which was registered in the South Alberta Land Registration Titles Office on the 19th of October, 2004 as Instrument Number 041 398 158 together with all our rights, powers, title and interest therein.

The sum so transferred shall rank equal to the remaining sum secured by the mortgage.

IN WITNESS WHEREOF INTEGRA INVESTMENT SERVICE LTD. has executed this Partial Transfer of Mortgage by its duly authorized and proper signing officer this 6th day of January 2005.

INTEGRA INVESTMENT SERVICE LTD.

Per: ____________________

05101984
REGISTERED 2005 01 17
TFIN - TRANSFER OF INSTRUMENT
DOC 1 OF 1 DRR#: 1842538 ADR/AGRANT
LINC/S: 0018621954

ALBERTA REGISTRIES

LAND TITLE CERTIFICATE

B

LINC	SHORT LEGAL	TITLE NUMBER
0018 621 954	SC;76;1,2	041 398 157

LEGAL DESCRIPTION

PLAN C
BLOCK 76
THE NORTH HALF OF LOTS 1 AND 2

ATS REFERENCE: 5;1;24;15;NW
ESTATE: FEE SIMPLE

MUNICIPALITY: CITY OF CALGARY

REFERENCE NUMBER: 031 113 721

REGISTERED OWNER(S)

REGISTRATION	DATE(DMY)	DOCUMENT TYPE	VALUE	CONSIDERATION
041 398 157	19/10/2004	TRANSFER OF LAND	$467,000	CASH & MORTGAGE

OWNERS

RUNDLE DEVELOPMENT COOPERATIVE.
OF 700, 933-17 AVE SW
CALGARY
ALBERTA T2T 5R6

ENCUMBRANCES, LIENS & INTERESTS

REGISTRATION NUMBER	DATE (D/M/Y)	PARTICULARS
001 084 032	31/03/2000	MORTGAGE MORTGAGEE - THE TORONTO DOMINION BANK. 2 CALGARY PLACE 340 - 5 AVENUE S.W. P.O. BOX 2925, CALGARY ALBERTA T2P2P6

(CONTINUED)

ENCUMBRANCES, LIENS & INTERESTS

REGISTRATION NUMBER	DATE (D/M/Y)	PARTICULARS
		ORIGINAL PRINCIPAL AMOUNT: $174,500
001 090 490	06/04/2000	CAVEAT RE : ASSIGNMENT OF RENTS CAVEATOR - THE TORONTO DOMINION BANK. C/O HANSEN & COMPANY 538 - 9 AVE SE CALGARY ALBERTA T2G0S1 AGENT - ELLEN MABLY
001 191 879	13/07/2000	CAVEAT RE : MORTGAGE AMENDING AGREEMENT CAVEATOR - THE TORONTO DOMINION BANK. C/O HANSEN & COMPANY 538 - 9 AVE SE CALGARY ALBERTA T2G0S1 AGENT - ELLEN R MABLY
041 398 158	19/10/2004	MORTGAGE MORTGAGEE - OLYMPIA TRUST COMPANY. 2300 125 9TH AVE S.E. CALGARY ALBERTA T2G0P6 AS TO $111,500 MORTGAGEE - INTEGRA INVESTMENT SERVICE LTD.. 800, 933 17 AVE SW CALGARY ALBERTA T2T5R6 AS TO $738,500 ORIGINAL PRINCIPAL AMOUNT: $850,000 (DATA UPDATED BY: TRANSFER OF MORTGAGE 041477637) (DATA UPDATED BY: TRANSFER OF MORTGAGE 041477638) (DATA UPDATED BY: TRANSFER OF MORTGAGE 041477640) (DATA UPDATED BY: TRANSFER OF MORTGAGE 051019984)
051 393 803	20/10/2005	CERTIFICATE OF LIS PENDENS AFFECTS INSTRUMENT: 001084032

(CONTINUED)

TOTAL INSTRUMENTS: 005

THE REGISTRAR OF TITLES CERTIFIES THIS TO BE AN ACCURATE REPRODUCTION OF THE CERTIFICATE OF TITLE REPRESENTED HEREIN THIS 25 DAY OF JULY, 2006 AT 09:26 A.M.

ORDER NUMBER:5887390

CUSTOMER FILE NUMBER: 435602-01

END OF CERTIFICATE

IN THE COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE OF CALGARY

No. 0501- 14620

BETWEEN:

THE TORONTO-DOMINION BANK

Plaintiff

- and -

RUNDLE DEVELOPMENT COOPERATIVE

Defendant

BEFORE THE MASTER	)	AT THE COURT HOUSE, CALGARY,
J. HANEBURY	)	ALBERTA, ON WEDNESDAY, THE
IN CHAMBERS	)	18TH DAY OF JANUARY, 2006.

ORDER NISI/ORDER FOR SALE

UPON THE APPLICATION of the Plaintiff, AND UPON READING the Statement of Claim and evidence of service thereof, the Affidavit of Default and the Affidavit of Value filed, the Certified Copy of Title to the lands in question, AND UPON HEARING Counsel for the Plaintiff, no one appearing for the Defendant although duly served;

AND IT APPEARING that the Plaintiff is Mortgagee of the lands in question in this action under and by virtue of a Memorandum of Mortgage dated March 16, 2000.

IT IS HEREBY ORDERED AND DECLARED THAT:

1. There is due and owing under the Mortgage as at December 2, 2005 the sum of $150,285.58 and the amount shall be realized by a sale of the mortgaged lands, in default of which foreclosure may be ordered as hereinafter provided.

2. Upon the Defendant, or anyone entitled so to do, paying to the Plaintiff or into Court to the credit of this cause within **one day** from the date of this Order and the Defendants and other persons required to be served and before the Plaintiff obtains a final order for sale or foreclosure, the said sum of $150,285.58 and subsequent costs, together with any other sums which the Plaintiff shall pay to protect its security, with interest on all such sums from the date of payment at the rate of 3.55% per annum, IT IS HEREBY ORDERED that the Plaintiff do execute and deliver to the person so

paying or from whom the said moneys shall have been received at the expense of the said mortgage security in the Statement of Claim mentioned, and deliver up all documents relating to the mortgage lands, namely:

PLAN C
BLOCK 76
THE NORTH HALF OF LOTS 1 AND 2

3. In default of payment of the monies as aforesaid, the mortgaged lands shall be offered for sale by Judicial Listing in the form attached hereto.

4. The Plaintiff, its servants or agents may enter upon or into the mortgaged lands and make all inspections and do all things necessary to preserve the mortgaged lands.

5. Leave is given to the Plaintiff to speak to the matter of judgment and the Solicitor and Client costs of this action.

6. The Requirements of Rule 693(1)(a) of the Rules of Court are hereby dispensed with.

7. The Plaintiff may serve the subsequent encumbrancer, Integra Investment Service Ltd. by delivering documents to 16 Wolf Willow Ridge SW, Calgary, Alberta.

J. HANEBURY

M. C. Q. B. A.

ENTERED THIS DAY
OF JANUARY, 2006.

V.A. BRANDT COURT SEAL

CLERK OF THE COURT

RESIDENTIAL JUDICIAL SALE LISTING

TO:

1. You are hereby given authority as an officer of the Court to list for sale the mortgaged lands described in this Order.

2. The mortgaged lands shall be offered for sale subject to the following encumbrances:

   No encumbrances.

3. The listing price shall be $420,000.00.

4. This listing shall take effect immediately upon the expiry of the redemption period referred to in this Order and shall continue for a period of 90 days thereafter.

5. In the event that, as a result of this listing, a purchaser is introduced whose offer is accepted by the Court, you will receive a commission as follows:

   i) 7.0% on the first $100,000.00

   ii) 3.0% on the balance of the purchase price, or

   iii) In such lesser amount as agreed upon by you.

provided that in the event that a purchaser fails to complete the purchase, and the Court does not order relief from forfeiture of the deposit, the disposition of the deposit shall be at the discretion of the Court.

6. Commission under the terms of this agreement shall only be paid to the listing agent. Any selling agent shall look solely to the listing agent for any commission.

7. Within three (3) days of receiving any reasonable offer to purchase, you shall forward a true copy of the said offer to the solicitors for the Plaintiff, who shall expeditiously apply to the Court for acceptance or rejection of that offer or for advice and direction with respect to same. Should an offer be accepted by the Court, it shall be effective until the deposit is paid to the Clerk of the Court.

8. In the event that no offers referred to in paragraph 7 are received during the listing period, you shall advise the solicitors for the Plaintiff in writing immediately following the expiry of the listing.

9. In the event that the Defendants, any subsequent encumbrancer, or anyone else entitled to do so, redeem at any time after the listing takes effect, there shall be paid as part of the costs of redemption all reasonable expenses incurred by the listing agent.

10. Nothing in this listing shall:

a) affect the Defendants' right to redeem or sell the mortgaged lands;

b) affect the Plaintiff's right to make a proposal to purchase or otherwise obtain the mortgaged lands, after expiry of this listing agreement;

c) create or impose any liability on the Court for the payment of any real estate commission or compensation arising out of this listing.

11. Any sale pursuant to this listing must be approved by the Court and shall be subject to such terms as the Court may impose.

12. The agent herein shall be entitled to erect a sign indicating the property is for sale.

13. The agent shall be entitled to assess the property in order to show the property to prospective purchasers.

14. Exclusions to paying a commission. There will be no commission payable if any party on title purchases the property during the currency of this listing.

15. The listing agent may apply to the Court to have any out of pocket expenses set which expenses may be treated as disbursements by the Plaintiff should the property be redeemed.

ACCEPTED THIS DAY OF JANUARY, 2006
BY , a real estate broker
licensed pursuant to the Real Estate
Act, R.S.A., c. R-5.

APPROVED BY:
J. HANEBURY

M. C. Q. B. A.

THIS 18TH DAY OF JANUARY, 2006.

Appendix E

NO: 0501- 14620 2005

IN THE COURT OF QUEEN'S BENCH
OF ALBERTA
JUDICIAL CENTRE OF CALGARY

BETWEEN:

THE TORONTO-DOMINION BANK
Plaintiff

- and -

RUNDLE DEVELOPMENT COOPERATIVE

Defendants

CLERK OF THE COURT
JAN 1 8 2006
CALGARY ALBERTA

ORDER NISI/ORDER FOR SALE

Reich Nichol
Barristers & Solicitors
#226, 4935 - 40th Avenue N.W.
Calgary, Alberta T3A 2N1
Attention: Jim Reich
(403) 288-6500 ext 225
Telecopier (403) 288-6510

File No.: 1- 7130/ JFR

AMENDED STATEMENT OF ADJUSTMENTS

Vendor:	COURT ORDERED SALE
Purchaser:	658912 ALBERTA LTD
Municipal Address:	603 - 11 Avenue SE, Calgary
Adjusted as of:	September 29, 2006
Today's date:	October 5, 2006
Number of days:	272
Our file #:	1-7130/JFR

		CREDIT TO PURCHASER	CREDIT TO VENDOR
SALE PRICE			$ 550,000.00
First Deposit		15,000.00	
PROPERTY TAXES			
2006 Realty Taxes:	$3,342.24		
Tax Amount:	3,342.24		
Vendor's portion:	2,490.66		
Vendor paid:	3,342.24		
Property Tax Adjustment			851.58
RENTALS			
Suite 101, monthly rental of $550.00			
Credit Purchaser for Rent		18.33	
Credit Purchaser for Damage Deposit from June 21, 2006		550.00	
Suite 102, monthly rental of $550.00			
Credit Purchaser for Rent		18.33	
Credit Purchaser for Damage Deposit from July 1, 2006		550.00	
Suite 201, monthly rental of $300.00			
Credit Purchaser for Rent		10.00	
Credit Purchaser for Damage Deposit		350.00	
Credit Purchaser for Interest on Damage Deposit from January 1, 1992		71.42	
Suite 202, monthly rental of $600.00			
Credit Purchaser for Rent		20.00	
Credit Purchaser for Damage Deposit from November 1, 2003		550.00	
Suite 301, monthly rental of $550.00			
Credit Purchaser for Rent		18.33	
Credit Purchaser for Damage Deposit from January 1, 2005		550.00	

Suite 302, monthly rental of $550.00		
Credit Purchaser for Rent	18.33	
Credit Purchaser for Damage Deposit from April 1, 2002	$550.00	
CASH TO CLOSE as per direction of REICH NICHOL	532,576.84	
E. & O. E.	$550,851.58	$550,851.58

This Statement has been prepared based upon information provided to us and believed to be correct. However, its accuracy is not guaranteed. Any adjustments not contained in this statement are to be made directly between the Vendor and the Purchaser.

When the Purchaser receives a tax credit the Purchaser will then be responsible for payment of the full amount of the taxes for the current year and is advised to check with the municipal taxing authority to ensure that a tax notice or copy is received.

Unless otherwise expressly provided in writing, the parties to the transaction shall adjust utilities, accounts and like services themselves. The parties shall arrange for their own insurance or assignment of existing policy.

RECONCILIATION
OF TRUST FUNDS HELD
BY JAMES F. REICH
TD Canada Trust
1-5720/JFR

Received from Howard Goldberg (Cash to Close)	$ 532,576.84	
Received deposits	$ 15,000.00	
Paid to City of Calgary (Outstanding Taxes)		$ 3,576.20
Paid to Re/Max Realty Professionals (Commissions)		$ 21,730.00
Paid The Toronto-Dominion Bank (Mortgage Payout)		$ 154,864.14
Paid to our Account		$ 11,005.39
Paid Into Court (Net Sale Proceeds)		$356,401.11
TOTALS:	$547,576.84	$ 547,576.84

PREPARED BY:

JAMES F. REICH

Distribution of Proceeds paid into Court - 603 - 11 Ave SE

						Notes
Funds paid into Court					**$ 356,401.11**	
Receiver Fees					(5,000.00)	1
Legal Fees					(2,500.00)	1
Funds Available for Distribution to Investors					**$ 348,901.11**	
Distribution to Investors:						
	Principle	**Interest**	**Total**			
Cash Investors	$ 519,000.00	$ 99,136.62	$ 618,136.62	82.3%	$ 287,200.12	2
RRSP Investors						
CWT	$ 80,000.00	$ 15,281.17	$ 95,281.17	12.7%	$ 44,269.77	2
OTC	$ 31,500.00	$ 6,016.96	$ 37,516.96	5.0%	$ 17,431.22	2
Total Mortgage	**630,500.00**	**120,434.76**	**750,934.76**		**348,901.11**	
Balance Unsecured Claim:						
	Total	**Distribution**	**Balance**			
Cash Investors	$ 618,136.62	$ (287,200.12)	$ 330,936.50		$ 330,936.50	3
RRSP Investors						
CWT	95,281.17	(44,269.77)	$ 51,011.41		$ 51,011.41	3
OTC	37,516.96	(17,431.22)	$ 20,085.74		$ 20,085.74	3
Total Unsecured Claim	**$ 750,934.76**	**$ (348,901.11)**	**$ 402,033.65**		**$ 402,033.65**	

Notes:
1. Professional fees to prepare report and apply to Court for distribution of funds paid into Court.
2. Includes principle and interest from March 15, 2005 to September 29, 2006 (date of foreclosure sale).
3. The unsecured claim would be a claim against the unsecured assets of RDC.

PROMISSORY NOTE

FOR VALUE RECEIVED **Rundle Development Cooperative** unconditionally promises to pay to or to the order of **Integra Investment Service Ltd** on or before **October 15, 2008** at **Calgary, Alberta** the sum of **Eight Hundred Fifty Thousand (850,000) Dollars** and to pay interest from **October 15, 2004** on the said sum or the amount from time to time remaining unpaid at the rate per annum which is equal to **Twelve (12) percent per annum**. Such interest shall be calculated and payable on the demand date of this Note, both before and after demand, default and judgment and to pay on demand interest on overdue interest at the rate described above before and after judgment.

The principle and interest of the Promissory Note shall be paid in Canadian dollars without set-off or counterclaim.

Rundle Development Cooperative waives presentment, protest and notice of any kind in the enforcement of this promissory note.

Dated the 17th day of February 2005.

Rundle Development
Cooperative
Per:

Michael J. Mackin

Michael J. Mackin

Witness

Action No.: 0601-09869 2007

IN THE COURT OF QUEEN'S BENCH
OF ALBERTA

JUDICIAL DISTRICT OF CALGARY

BETWEEN:

VECKENSTEDT HOLDINGS INC., HERB VECKENSTEDT, FRED PIPER, JOAN PIPER, LIPOTH CONSULTING, AND PAUL LIPOTH

Plaintiffs

- and -

INTEGRA INVESTMENT SERVICE LTD. AND RUNDLE DEVELOPMENT COOPERATIVE

Defendants

FIFTH REPORT OF THE RECEIVER

BORDEN LADNER GERVAIS LLP
Barristers and Solicitors
1000, 400 - 3rd Ave SW
Calgary, Alberta T2P 4H2

Attention: Josef Kruger
Telephone: (403) 232-9563
Fax: (403) 266-1395