Action No. 0901-11866

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

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF SHIRE INTERNATIONAL REAL ESTATE INVESTMENTS LTD., SHIRE CAPITAL LTD., HALAMA GARDENS LLC, SHIRE ASSET MANAGEMENT LTD., WINN RIVER RESORT LTD., FORT MCMONEY PROPERTIES II LTD., HALAMA GARDENS LTD., MAPLES AND WHITE SANDS INVESTMENT LTD., FORT MCMONEY PROPERTIES LTD., CHEMAINUS PROPERTIES LTD., SKAHA LAKE DEVELOPMENT LTD., TSEHUM HARBOUR LTD., BEARSPAW AT 144TH AVENUE LTD., BEARSPAW AT 144TH EQUITIES LTD., BEARSPAW AT 144TH BONDS INC., TSEHUM HARBOUR EQUITIES LTD., TSEHUM HARBOUR BONDS LTD., ORILLIA INVESTMENTS LTD., 0726028 B.C. LTD., 0675816 B.C. LTD. and BOSUN'S HOLDINGS LTD.

Applicants

AFFIDAVIT

I, **HALI STRANDLUND**, of 3378 Douglas Street, in the City of Victoria, in the Province of British Columbia, MAKE OATH AND SAY AS FOLLOWS:

1. I am the President of the Fisgard Capital Corporation (" Fisgard"), and as such, am authorized to swear this Affidavit on behalf of Fisgard, and have personal knowledge of the matters and facts hereinafter set forth.

2. That Fisgard is a secured Creditor of Bosun' s Holdings Ltd. (" Bosun' s) and 0675816 B.C. Ltd. (" 675") and as such commenced foreclosure proceedings in the Victoria Registry of the Supreme Court of British Columbia on September 25, 2009, true copies of the Petition and the affidavits in support are attached hereto and marked Exhibits " A", " B" and " C" respectively to this my Affidavit.

3. That attached hereto and marked Exhibit "D" to this my Affidavit is a true copy of the State of Title Certificate issued by the Registrar of Title of the Victoria Land Titles Office showing the Certificate of Pending Litigation registered against the lands owned by Bosun's.

4. That attached hereto and marked Exhibit "E" to this my Affidavit is a true copy of the Certificate of Pending Litigation registered against the Bosun's lands showing Owen Bird Law Corporation as our solicitors of record in the foreclosure proceeding.

5. That attached hereto and marked Exhibit "F" to this my Affidavit is a true copy of an appraisal of the lands owned by Bosun's, the subject matter of the foreclosure proceeding, showing a value of $2,925,000 as at September 25, 2009.

6. That it was not until late last week that I found out about the Order adding Bosun's and 675 to the proceeding.

7. That if the stay of proceedings is lifted as against Fisgard, it is our intention to list Bosun's lands for sale and have them sold, subject to that approval of the Supreme Court of British Columbia in the foreclosure proceeding.

SWORN BEFORE ME at the City of Victoria, in the Province of British Columbia, this 26th day of October, 2009.	)	
A Commissioner for taking Affidavits within British Columbia	)	HALI STRANDLUND

Rafer Strandlund
Commissioner for taking affidavits for British Columbia
Commission 2009-0397
Expires June 20, 2012
3378 Douglas Street
Victoria BC V8Z 3L3

This is Exhibit "A" referred to in the Affidavit of HALI STRANDLUND sworn before me at Victoria, BC, this 26th day of October, 2009.

A Commissioner for taking Affidavits within British Columbia

Rafer Strandlund
Commissioner for taking affidavits
for British Columbia
Commission 2009-0397
Expires June 20, 2012
3378 Douglas Street
Victoria BC V8Z 3L3

09 4327

No. __________
Victoria Registry

JPREME COURT OF ITISH COLUMBIA SEAL VICTORIA REGISTRY SEP 2 5 2009

IN THE SUPREME COURT OF BRITISH COLUMBIA

RE: **Town of Sidney**
Parcel Identifier: 009-231-901
Lot A District Lot 12 and Section 15 Range 3 East North Saanich District Plan 45998

Block A of Lot 653 Cowichan District
and including all right, title and leasehold interest in and to the aquatic lands demised pursuant to aquatic lands lease number 101900

BETWEEN:

FISGARD CAPITAL CORPORATION

Petitioner

AND:

BOSUN'S HOLDINGS LTD., ROBERT COUCH, CLEONE COUCH, TSEHUM HARBOUR PLACE HOLDINGS LTD., 0675816 B.C. LTD. (formerly known as 675816 B.C. LTD.), HER MAJESTY THE QUEEN IN RIGHT OF BRITISH COLUMBIA (as represented by THE ATTORNEY GENERAL OF BRITISH COLUMBIA, THOMAS WILLIAM MELVILLE, VICKI RACHEL MELVILLE, J. PATRICK HARRISON (doing business as JPH CONSULTANTS INC.), MCELHANNEY CONSULTING SERVICES LTD., LANA LOUNSBURY (doing business as LANA LOUNSBURY INTERIORS), C.N. RYZUK & ASSOCIATES LTD., ROBERT BOYLE ARCHITECTURE INC. AND LONDON MAH & ASSOCIATES LTD.

Respondents

PETITION TO THE COURT

THIS IS THE PETITION OF:

FISGARD CAPITAL CORPORATION
P.O. Box 49130
2900 – 595 Burrard Street
Vancouver B.C V7X 1J5

ON NOTICE TO:

BOSUN'S HOLDINGS LTD.
Mailing Addr: P.O. Box 168, Chemainus, BC V0R 1K0
Delivery Addr: c/o Mary Lynn Bancroft Law Corporation, 9834 Croft Street, Chemainus, BC V0R 1K0

ROBERT COUCH
300 – 808 4th Avenue S.W.
Calgary, Alberta T2P 3E8

CLEONE COUCH
300 – 808 4th Avenue S.W.
Calgary, Alberta T2P 3E8

TSEHUM HARBOUR PLACE HOLDINGS LTD.
Box 168
9834 Croft Street
Chemainus, BC V0R 1K0

0675816 B.C. LTD. (formerly known as 675816 B.C. LTD.)
Mailing Addr: P.O. Box 168, Chemainus, BC V0R 1K0
Delivery Addr: c/o Mary Lynn Bancroft Law Corporation, 9834 Croft Street, Chemainus, BC V0R 1K0

HER MAJESTY THE QUEEN IN RIGHT OF BRITISH COLUMBIA (as represented by THE ATTORNEY GENERAL OF BRITISH COLUMBIA
c/o Integrated Land Management Bureau
West Coast Service Centre
142 – 2080 Labieux Road
Nanaimo, BC V9T 6J9

THOMAS WILLIAM MELVILLE
201 – 2377 Bevan Avenue
Sidney, BC V8L 4M9

VICKI RACHEL MELVILLE
201 – 2377 Bevan Avenue
Sidney, BC V8L 4M9

J. PATRICK HARRISON (doing business as JPH CONSULTANTS INC.)
434 Milton Street, Nanaimo, BC V9R 2L1
Registered and Records Address: 201 Selby Street, Nanaimo, BC V9R 2R2

MCELHANNEY CONSULTING SERVICES LTD.
Registered Office: 1500 Royal Centre, PO Box 11117, 1055 West Georgia Street, Vancouver, BC V6E 4N7
Records Office: 100 – 780 Beatty Street, Vancouver, BC V6B 2M1

LANA LOUNSBURY (doing business as LANA LOUNSBURY INTERIORS)
#103 – 1931 Mount Newton Cross Road
Saanichton, BC V8M 2A9

C.N. RYZUK & ASSOCIATES LTD.
Registered Office : 28 Crease Avenue, Victoria, BC V8Z 1S3
Records Office: 1212 – 1175 Douglas Street, Victoria, BC V8W 2E1

ROBERT BOYLE ARCHITECTURE INC.
#301 – 321 Wallace Street
Nanaimo, BC V9R 5B6

LONDON MAH & ASSOCIATES LTD.
7th Fl London Plaza
700 – 5951 No. 3 Road
Richmond, BC V6X 2E3

Respondents

LET ALL PERSONS whose interests may be affected by the Order sought TAKE NOTICE that the Petitioner applies to Court for the relief set out in this Petition.

APPEARANCE REQUIRED

IF YOU WISH TO BE HEARD at the Hearing of the Petition or wish to be notified of any further proceedings, YOU MUST GIVE NOTICE of your intention by filing a form entitled "Appearance" in the above Registry of this Court within the Time for Appearance and YOU MUST ALSO DELIVER a copy of the "Appearance" to the Petitioner's address for delivery, which is set out in this Petition.

YOU OR YOUR SOLICITOR may file the "Appearance". You may obtain a form of "Appearance" at the Registry.

IF YOU FAIL to file the "Appearance" within the proper Time for Appearance, the Petitioner may continue this application without further notice.

TIME FOR APPEARANCE

Where this Petition is served on a person in British Columbia, the time for appearance by that person is 7 days from the service (not including the day of service).

Where this Petition is served on a person outside British Columbia, the time for appearance by that person after service is 21 days in the case of a person residing anywhere within Canada, 28 days in the case of a person residing in the United States of America, and 42 days in the case of a person residing elsewhere.

TIME FOR RESPONSE

IF YOU WISH TO RESPOND to the application, you must, on or before the 8th day after you have entered an Appearance;

1. deliver to the Petitioner;

   (a) 2 copies of a Response in Form 124, and;

   (b) 2 copies of each Affidavit on which you intend to rely at the Hearing, and;

2. deliver to every other party of record;

   (a) 1 copy of a Response in Form 124, and;

   (b) 1 copy of each Affidavit on which you intend to rely at the Hearing.

(1)	The ADDRESS OF THE REGISTRY is: The Supreme Court of British Columbia The Law Courts 850 Burdett Avenue Victoria, BC V8W 1B4	MINISTRY OF ATTORNEY GENERAL COURT REGISTRY PO BOX 9248, STN PROV. GOVT. 2ND FLOOR, 850 BURDETT AVENUE VICTORIA, BC V8W 9J2
(2)	The ADDRESS FOR DELIVERY is: OWEN BIRD LAW CORPORATION P.O. Box 49130 2900 – 595 Burrard Street Vancouver, BC V7X 1J5 Attention: ALAN A. FRYDENLUND Fax number for delivery (if any): (604) 632-4486	
(3)	The NAME AND OFFICE ADDRESS OF THE PETITIONER'S SOLICITOR is: ALAN A. FRYDENLUND OWEN BIRD LAW CORPORATION P.O. Box 49130 2900 – 595 Burrard Street Vancouver, BC V7X 1J5	

THE PETITIONER APPLIES FOR:

A. A Declaration that the indenture of mortgage dated May 28, 2008 made between the Respondent, BOSUN'S HOLDINGS LTD., as Mortgagor and the Petitioner, FISGARD CAPITAL CORPORATION, as Mortgagee and registered in the Victoria Land Title Office, in the Province of British Columbia, on July 22, 2008 under Number CA858656 (the "Land Mortgage"), is a mortgage charging the following lands:

Town of Sidney
Parcel Identifier: 009-231-901
Lot A District Lot 12 and Section 15 Range 3 East North Saanich District Plan 45998

(the "Freehold Lands")

in priority to the interests therein or claims thereto of the Respondents and their respective heirs, executors, administrators, successors and assigns, and any persons claiming by, through or under them;

B. A Declaration that the mortgage of lease dated May 28, 2008 made between the Respondent, BOSUN'S HOLDINGS LTD., as Mortgagor and the Petitioner, FISGARD CAPITAL CORPORATION, as Mortgagee, (the "Mortgage of Lease") (together with the Land Mortgage is collectively referred to as the "Mortgage"), is a mortgage charging the said Respondent's leasehold interest pursuant to Lease No. 101900 in the following lands:

Block A District Lot 653 Cowichan District

(the "Leased Lands")

(together with the Freehold Lands collectively referred to as the "Lands")

in priority to the interests therein or claims thereto of the Respondents (except the Respondent, HER MAJESTY THE QUEEN IN RIGHT OF BRITISH COLUMBIA as represented by THE ATTORNEY GENERAL OF BRITISH COLUMBIA as it relates to the Leased Lands) and their respective heirs, executors, administrators, successors and assigns, and any persons claiming by, through or under them;

C. A Declaration that the general security agreement dated May 28, 2008 made between the Respondent, BOSUN'S HOLDINGS LTD., as Debtor, and the Petitioner, FISGARD CAPITAL CORPORATION, as Secured Party, and registered in the Personal Property Registry, in the

Province of British Columbia, on July 21, 2008 under Base Registration Number 4895905E, (the "Bosun's GSA") is an agreement charging all of the said Respondent's present and after acquired personal property, accounts and inventory including, without limitation, all right, title and leasehold interest in and to the Leased Lands (hereinafter called the "Bosun's Property") to the Petitioner in priority to the interests therein or claims thereto of the Respondents (except the Respondent, HER MAJESTY THE QUEEN IN RIGHT OF BRITISH COLUMBIA as represented by THE ATTORNEY GENERAL OF BRITISH COLUMBIA as it relates to the Leased Lands) and their respective heirs, executors, administrators, successors and assigns, and any persons claiming by, through or under them;

D. A Declaration that the general security agreement dated May 28, 2008 made between the Respondent, 0675816 B.C. LTD. (formerly known as 675816 B.C.LTD.), as Debtor, and the Petitioner, FISGARD CAPITAL CORPORATION, as Secured Party, and registered in the Personal Property Registry, in the Province of British Columbia, on July 21, 2008 under Base Registration Number 489597E, (the "0675816 GSA") (collectively with the Bosun's GSA is referred to as the "GSA") is an agreement charging all of the said Respondent's present and after acquired personal property, accounts and inventory (hereinafter called the "0675816 Property") (collectively with the Bosun's Property is referred to as the "Property") to the Petitioner in priority to the interests therein or claims thereto of the Respondents and their respective heirs, executors, administrators, successors and assigns, and any persons claiming by, through or under them;

E. A Declaration that the guarantee, assignment and postponement agreement dated July 18, 2008, made between the Respondent, ROBERT COUCH, as Guarantor, and the Petitioner, FISGARD CAPITAL CORPORATION, as the Creditor, is an unconditional guarantee of all present and future indebtedness and liabilities, direct and indirect, absolute and contingent of the Respondent, BOSUN'S HOLDINGS LTD., to the Petitioner plus costs and interest from the date of demand for payment namely, August 11, 2009 (the " Robert Guarantee");

F. A Declaration that the guarantee, assignment and postponement agreement dated July 18, 2008, made between the Respondent, CLEONE COUCH, as Guarantor, and the Petitioner, FISGARD CAPITAL CORPORATION, as the Creditor, is an unconditional guarantee of all present and future indebtedness and liabilities, direct and indirect, absolute and contingent of the

Respondent, BOSUN'S HOLDINGS LTD., to the Petitioner plus costs and interest from the date of demand for payment namely, August 11, 2009 (the "Cleone Guarantee");

G. A Declaration that the guarantee, assignment and postponement agreement dated May 28, 2008, made between the Respondent, TSEHUM HARBOUR PLACE HOLDINGS LTD., as Guarantor, and the Petitioner, FISGARD CAPITAL CORPORATION, as the Creditor, is an unconditional guarantee of all present and future indebtedness and liabilities, direct and indirect, absolute and contingent of the Respondent, BOSUN'S HOLDINGS LTD., to the Petitioner plus costs and interest from the date of demand for payment namely, August 11, 2009 (the "Tsehum Guarantee");

H. A Declaration that the guarantee, assignment and postponement agreement dated May 28, 2008, made between the Respondent, 0675816 B.C. LTD. (formerly known as 675816 B.C.LTD.), as Guarantor, and the Petitioner, FISGARD CAPITAL CORPORATION, as the Creditor, is an unconditional guarantee of all present and future indebtedness and liabilities, direct and indirect, absolute and contingent of the Respondent, BOSUN'S HOLDINGS LTD., to the Petitioner plus costs and interest from the date of demand for payment namely, August 11, 2009 (the "0675816 Guarantee");

I. A Declaration that the Respondent, BOSUN'S HOLDINGS LTD., and the Respondents, ROBERT COUCH, CLEONE COUCH, TSEHUM HARBOUR PLACE HOLDINGS LTD. and 0675816 B.C. LTD. (formerly known as 675816 B.C.LTD.), have made default under the Mortgage, the GSA, the Robert Guarantee, the Cleone Guarantee, the Tsehum Guarantee and the 0675816 Guarantee (collectively the "Security") and that as a result, the full balance due and owing thereunder is now due and payable to the Petitioner;

J. A Declaration that the amount of money due and owing under the Security and the amount of money required to redeem the Lands and Property is the sum of $2,564,339.52 as of September 3, 2009 plus per diem interest currently at the rate of $908.58 from and including September 4, 2009;

K. A Declaration that the rate of interest chargeable pursuant to the Security is 13.00% per annum, compounded monthly, not in advance;

L. An Order that the last date for redemption be one (1) day after the date of pronouncement of any Order made herein, or such other period of time as this Court may order;

M. An Order that the Petitioner do recover judgment against the Respondents, BOSUN'S HOLDINGS LTD., ROBERT COUCH, CLEONE COUCH, TSEHUM HARBOUR PLACE HOLDINGS LTD. and 0675816 B.C. LTD. (formerly known as 675816 B.C. LTD.), jointly and severally, or alternatively severally, in the sum of $2,564,339.52 as at September 3, 2009 plus per diem interest currently at the rate of $908.58 together with the Petitioner's costs of this proceeding on a special costs basis or, alternatively, a party and party costs basis pursuant to Scale C or such other scale as may be appropriate;

N. An Order that the Petitioner do recover its costs of this proceeding on a special costs basis or, alternatively, a party and party costs basis pursuant to Scale C or such other scale as may be appropriate and that such costs form a part of the amount required to redeem the Lands and Property;

O. An Order that upon the Respondents, or any of them, paying into Court to the credit of this proceeding at the Court Registry, Courthouse, 850 Burdett Avenue, in the City of Victoria, in the Province of British Columbia, or paying to the solicitor of record for the Petitioner or, if no such solicitor exists then paying to the Petitioner, the amount required to redeem the Lands and Property as aforesaid, together with the costs of this proceeding on a special costs basis or, alternatively, a party and party costs basis pursuant to Scale C or such other scale as may be appropriate, before pronouncement of either an Order Absolute of Foreclosure or an Order confirming the sale of the Lands and Property, the Petitioner shall reconvey the Lands and Property free and clear of all encumbrances in favour of it or any person claiming by, through or under it and shall deliver up, upon oath if required, all deeds, titles and documents in its custody, possession or power relating thereto to the Respondents so paying or to whom they shall appoint;

P. An Order that if the Lands and Property not be redeemed, the Petitioner shall be at liberty to apply for an Order Absolute of Foreclosure and upon pronouncement of the Order Absolute of Foreclosure the Respondents and all persons claiming by, through or under them shall henceforth stand absolutely debarred and foreclosed of and from all right, title, interest and equity of redemption in and to the Lands and Property and all monies paid under the Security shall become the property of the Petitioner free from any right of the Respondents and that thereupon the Petitioner shall recover vacant possession of the Lands and Property;

Q. An Order appointing a receiver of the rents and mesne profits in respect of the Lands and Property;

R. An Order for Sale of the Lands and Property subject to the approval of this Honourable Court and for the Petitioner to have exclusive conduct of such sale;

S. An Order that the Petitioner may apply to this Court for a further summary accounting of any amounts which become due to the Petitioner for interest, taxes, arrears of taxes, insurance premiums, costs, charges, expenses or otherwise since the date of pronouncement of this Order; and

T. A Certificate of Pending Litigation.

The Petitioner will rely on Rules 50 and 51 (A) of the Rules of the Court.

At the Hearing of this Petition will be read the Affidavits of HALI STRANDLUND and ALAN A. FRYDENLUND, copies of which are served herewith.

THE FACTS UPON WHICH THIS PETITION IS BASED ARE AS FOLLOWS:

1. The Petitioner, FISGARD CAPITAL CORPORATION, is a federal company duly continued in the Province of British Columbia, having an office at 3378 Douglas Street, in the City of Victoria, in the Province of British Columbia, V8Z 3L3.

2. By an indenture of mortgage dated May 28, 2008 made between the Respondent, BOSUN'S HOLDINGS LTD., as Mortgagor and the Petitioner, FISGARD CAPITAL CORPORATION, as Mortgagee and registered in the Victoria Land Title Office, in the Province of British Columbia, on July 22, 2008 under Number CA858656 (the "Land Mortgage"), the said Respondent charged the following lands:

Town of Sidney
Parcel Identifier: 009-231-901
Lot A District Lot 12 and Section 15 Range 3 East North Saanich District Plan 45998

(the "Freehold Lands")

in priority to the interests therein or claims thereto of the Respondents and their respective heirs, executors, administrators, successors and assigns, and any persons claiming by, through or under them.

3. By a mortgage of lease dated May 28, 2008 made between the Respondent, BOSUN'S HOLDINGS LTD., as Mortgagor and the Petitioner, FISGARD CAPITAL CORPORATION, as Mortgagee, (the "Mortgage of Lease") (together with the Land Mortgage is collectively referred to as the "Mortgage"), the mortgagor mortgaged its leasehold interest pursuant to Lease No. 101900 in the following lands:

Block A District Lot 653 Cowichan District

(the "Leased Lands")

(together with the Freehold Lands collectively referred to as the "Lands")

in priority to the interests therein or claims thereto of the Respondents (except the Respondent, HER MAJESTY THE QUEEN IN RIGHT OF BRITISH COLUMBIA as represented by THE ATTORNEY GENERAL OF BRITISH COLUMBIA as it relates to the Leased Lands) and their respective heirs, executors, administrators, successors and assigns, and any persons claiming by, through or under them.

4. The Respondent, HER MAJESTY THE QUEEN IN RIGHT OF BRITISH COLUMBIA as represented by THE ATTORNEY GENERAL OF BRITISH COLUMBIA, consented in writing to the Petitioner's Mortgage of the Leased Lands.

5. By a general security agreement dated May 28, 2008 made between the Respondent, BOSUN'S HOLDINGS LTD., as Debtor, and the Petitioner, FISGARD CAPITAL CORPORATION, as Secured Party, and registered in the Personal Property Registry, in the Province of British Columbia, on July 21, 2008 under Base Registration Number 4895905E, (the "Bosun's GSA") the said Respondent charged all of it's present and after acquired personal property, accounts and inventory including, without limitation, all right, title and leasehold interest in and to the Leased Lands (hereinafter called the "Bosun's Property") to the Petitioner in priority to the interests therein or claims thereto of the Respondents (except the Respondent, HER MAJESTY THE QUEEN IN RIGHT OF BRITISH COLUMBIA as represented by THE ATTORNEY GENERAL OF BRITISH COLUMBIA as it relates to the Leased Lands) and their respective heirs, executors, administrators, successors and assigns, and any persons claiming by, through or under them.

6. By a general security agreement dated May 28, 2008 made between the Respondent, 0675816 B.C. LTD. (formerly known as 675816 B.C.LTD.), as Debtor, and the Petitioner, FISGARD CAPITAL CORPORATION, as Secured Party, and registered in the Personal Property Registry, in the Province of British Columbia, on July 21, 2008 under Base Registration Number 489597E, (the "0675816 GSA") (collectively with the Bosun's GSA is referred to as the "GSA") the said Respondent charged all of it's present and after acquired personal property, accounts and inventory (hereinafter called the "0675816 Property") (collectively with the Bosun's Property is referred to as the "Property") to the Petitioner in priority to the interests therein or claims thereto of the Respondents and their respective heirs, executors, administrators, successors and assigns, and any persons claiming by, through or under them.

7. By a guarantee, assignment and postponement agreement dated July 18, 2008, made between the Respondent, ROBERT COUCH, as Guarantor, and the Petitioner, FISGARD

CAPITAL CORPORATION, as the Creditor, the said Respondent unconditionally guaranteed all of the present and future indebtedness and liabilities, direct and indirect, absolute and contingent of the Respondent, BOSUN'S HOLDINGS LTD., to the Petitioner plus costs and interest from the date of demand for payment namely, August 11, 2009 (the " Robert Guarantee").

8. By a guarantee, assignment and postponement agreement dated July 18, 2008, made between the Respondent, CLEONE COUCH, as Guarantor, and the Petitioner, FISGARD CAPITAL CORPORATION, as the Creditor, the said Respondent unconditionally guaranteed all of the present and future indebtedness and liabilities, direct and indirect, absolute and contingent of the Respondent, BOSUN'S HOLDINGS LTD., to the Petitioner plus costs and interest from the date of demand for payment namely, August 11, 2009 (the "Cleone Guarantee").

9. By a guarantee, assignment and postponement agreement dated May 28, 2008, made between the Respondent, TSEHUM HARBOUR PLACE HOLDINGS LTD., as Guarantor, and the Petitioner, FISGARD CAPITAL CORPORATION, as the Creditor, the said Respondent unconditionally guaranteed all of the present and future indebtedness and liabilities, direct and indirect, absolute and contingent of the Respondent, BOSUN'S HOLDINGS LTD., to the Petitioner plus costs and interest from the date of demand for payment namely, August 11, 2009 (the "Tsehum Guarantee").

10. By a guarantee, assignment and postponement agreement dated May 28, 2008, made between the Respondent, 0675816 B.C. LTD. (formerly known as 675816 B.C.LTD.), as Guarantor, and the Petitioner, FISGARD CAPITAL CORPORATION, as the Creditor, the said Respondent unconditionally guaranteed all of the present and future indebtedness and liabilities, direct and indirect, absolute and contingent of the Respondent, BOSUN'S HOLDINGS LTD., to the Petitioner plus costs and interest from the date of demand for payment namely, August 11, 2009 (the "0675816 Guarantee").

11. The Respondent, BOSUN'S HOLDINGS LTD., is the registered owner of the Lands and the Bosun's Property and the person entitled to the equity of redemption contained in the Mortgage, the GSA, the Robert Guarantee, the Cleone Guarantee, the Tsehum Guarantee and the 0675816 Guarantee (collectively the "Security").

12. The rate of interest chargeable pursuant to the Security is 13.00% per annum, compounded monthly, not in advance, as well after as before any or all of maturity, default and judgment until paid or alternatively, per diem interest at the current rate of $908.58 from and including September 4, 2009.

13. The Mortgage matured and as a result, the full balance due pursuant to the Security is due and payable and the Respondents refused or neglected to pay the same notwithstanding that payment was demanded.

14. The principal sum advanced under the Security was $2,450,000.00 and the principal sum now due under the Security is $2,564,339.52 as of September 3, 2009. The said amount claimed does not include any penalty or bonus.

15. The per diem interest currently due on the said principal sum of $2,564,339.52 is $908.58 based on the interest rate of 13.00% per annum, compounded monthly, not in advance.

16. The following sets out the holders of charges, nature of charges and registration numbers of the charges registered in the Victoria Land Title Office against the title of the Lands, all of which charges rank in priority behind the interest of the Petitioner:

RESPONDENT	**NATURE OF INTEREST**	**REGISTRATION NUMBER**
THOMAS WILLIAM MELVILLE and VICKI RACHEL MELVILLE	Mortgage and Assignment of Rents	CA858698 and CA858699
J. PATRICK HARRISON (doing business as JPH CONSULTANTS INC.)	Claim of Builders Lien	FB271231
MCELHANNEY CONSULTING SERVICES LTD.	Claim of Builders Lien	FB271793
LANA LOUNSBURY (doing business as LANA LOUNSBURY INTERIORS)	Claim of Builders Lien	FB271914

C.N. RYZUK & ASSOCIATES LTD.	Claim of Builders Lien	FB272928
ROBERT BOYLE ARCHITECTURE INC.	Claim of Builders Lien	CA1148724
LONDON MAH & ASSOCIATES LTD.	Claim of Builders Lien	FB280346

17. The following sets out the holders of charges, nature of charges and registration numbers of the charges registered in the British Columbia Personal Property Registry against the Respondent, BOSUN'S HOLDINGS LTD., all of which charges rank in priority behind the interest of the Petitioner:

RESPONDENT	**NATURE OF INTEREST**	**REGISTRATION NUMBER**
THOMAS WILLIAM MELVILLE and VICKI RACHEL MELVILLE	PPSA Security Agreements	492874E and 493405E

18. The following sets out the holders of charges, nature of charges and registration numbers of the charges registered in the British Columbia Personal Property Registry against the Respondent, 0675816 B.C. LTD. (formerly known as 675816 B.C.LTD.), all of which charges rank in priority behind the interest of the Petitioner:

RESPONDENT	**NATURE OF INTEREST**	**REGISTRATION NUMBER**
THOMAS WILLIAM MELVILLE and VICKI RACHEL MELVILLE	PPSA Security Agreements	493290E and 493427E

19. There are no other persons having a registered interest in the Lands and Property with respect to which the Security of the Petitioner has priority.

20. The Petitioner has not entered into nor taken possession of the Lands and Property.

21. The Security is a first charge against the Lands and Property.

The Petitioner estimates that the application will take 5minutes.

Dated: September 23, 2009.

ALAN A. FRYDENLUND,
Solicitor for the Petitioner

FORM 6 (Rule 13(2))
ENDORSEMENT ON ORIGINATING PROCESS
FOR SERVICE EX JURIS

The Petitioner claims the right to serve this petition on the Respondents, BOSUN'S HOLDINGS LTD., ROBERT COUCH, CLEONE COUCH, TSEHUM HARBOUR PLACE HOLDINGS LTD., 0675816 B.C. LTD. (formerly known as 675816 B.C. LTD.), HER MAJESTY THE QUEEN IN RIGHT OF BRITISH COLUMBIA (as represented by THE ATTORNEY GENERAL OF BRITISH COLUMBIA, THOMAS WILLIAM MELVILLE, VICKI RACHEL MELVILLE, J. PATRICK HARRISON (doing business as JPH CONSULTANTS INC.), MCELHANNEY CONSULTING SERVICES LTD., LANA LOUNSBURY (doing business as LANA LOUNSBURY INTERIORS), C.N. RYZUK & ASSOCIATES LTD., ROBERT BOYLE ARCHITECTURE INC. AND LONDON MAH & ASSOCIATES LTD., outside British Columbia on the ground that, pursuant to Rule 13(1)(k), service of an originating process or other document on a person outside British Columbia may be effected without order if the proceeding is by a mortgagee in relation to a mortgage of property in British Columbia and seeks relief of the nature of sale, foreclosure, or delivery of possession by the mortgagor.

No.
Victoria Registry

IN THE SUPREME COURT OF BRITISH COLUMBIA

BETWEEN:

FISGARD CAPITAL CORPORATION

Petitioner

AND:

BOSUN'S HOLDINGS LTD., ROBERT COUCH, CLEONE COUCH, TSEHUM HARBOUR PLACE HOLDINGS LTD., 0675816 B.C. LTD. (formerly known as 675816 B.C.LTD.), HER MAJESTY THE QUEEN IN RIGHT OF BRITISH COLUMBIA (as represented by THE ATTORNEY GENERAL OF BRITISH COLUMBIA, THOMAS WILLIAM MELVILLE, VICKI RACHEL MELVILLE, J. PATRICK HARRISON (doing business as JPH CONSULTANTS INC.), MCELHANNEY CONSULTING SERVICES LTD., LANA LOUNSBURY (doing business as LANA LOUNSBURY INTERIORS), C.N. RYZUK & ASSOCIATES LTD., ROBERT BOYLE ARCHITECTURE INC. AND LONDON MAH & ASSOCIATES LTD.

PETITION TO THE COURT

OWEN BIRD LAW CORPORATION
P.O. Box 49130
Three Bentall Centre
2900-595 Burrard Street
Vancouver, B.C.
V7X 1J5
Tel: (604) 688-0401
Fax: (604) 632-4486

AAF/arl/28199-0070

This is Exhibit "B" referred to in the Affidavit of HALI STRANDLUND sworn before me at Victoria, BC, this 26th day of October, 2009.

A Commissioner for taking Affidavits within British Columbia

Rafer Strandlund
Commissioner for taking affidavits
for British Columbia
Commission 2009-0397
Expires June 20, 2012
3378 Douglas Street
Victoria BC V8Z 3L3

No. 09 4327
Victoria Registry
ALAN A. FRYDENLUND #1
September 23, 2009

IN THE SUPREME COURT OF BRITISH COLUMBIA

BETWEEN:

FISGARD CAPITAL CORPORATION

Petitioner

AND:

BOSUN'S HOLDINGS LTD., ROBERT COUCH, CLEONE COUCH, TSEHUM HARBOUR PLACE HOLDINGS LTD., 0675816 B.C. LTD. (formerly known as 675816 B.C. LTD.), HER MAJESTY THE QUEEN IN RIGHT OF BRITISH COLUMBIA (as represented by THE ATTORNEY GENERAL OF BRITISH COLUMBIA, THOMAS WILLIAM MELVILLE, VICKI RACHEL MELVILLE, J. PATRICK HARRISON (doing business as JPH CONSULTANTS INC.), MCELHANNEY CONSULTING SERVICES LTD., LANA LOUNSBURY (doing business as LANA LOUNSBURY INTERIORS), C.N. RYZUK & ASSOCIATES LTD., ROBERT BOYLE ARCHITECTURE INC. AND LONDON MAH & ASSOCIATES LTD.

AFFIDAVIT

I, ALAN A. FRYDENLUND, Barrister and Solicitor, of 2900 – 595 Burrard Street, in the City of Vancouver, MAKE OATH AND SAY AS FOLLOWS:

1. I am a shareholder of OWEN BIRD LAW CORPORATION, solicitors for the Petitioner, FISGARD CAPITAL CORPORATION, the holder of a First Mortgage registered against the title of lands and premises, and as such have personal knowledge of the matters and facts hereinafter deposed to.

2. A copy of a title search print issued in the Victoria Land Title Office on September 15, 2009 for Lot A of Plan 45998 is attached hereto and marked Exhibit " A" to this my Affidavit.

3. A copy of a personal property registry search print issued in the Personal Property Registry on September 2, 2009 for the Respondent, BOSUN'S HOLDINGS LTD., is attached hereto and marked Exhibit " B" to this my Affidavit.

4. A copy of a personal property registry search print issued in the Personal Property Registry on September 2, 2009 for the Respondent, 0675816 B.C. LTD. (formerly known as 675816 B.C.LTD.), is attached hereto and marked Exhibit " C" to this my Affidavit.

SWORN BEFORE ME at the City of Vancouver, in the Province of British Columbia, this 22 day of September, 2009.	)	
A Commissioner for taking Affidavits within British Columbia	)	ALAN A. FRYDENLUND

JAMES H. McBEATH
Barrister & Solicitor
2900-595 BURRARD ST.
VANCOUVER, B.C. V7X 1J5
(604) 691-7507

This is Exhibit "A" referred to in the Affidavit of ALAN A. FRYDENLUND sworn before me at Vancouver, BC, this 23 day of September, 2009.

A Commissioner for taking Affidavits within British Columbia

JAMES H. McBEATH
Barrister & Solicitor
2900-595 BURRARD ST.
VANCOUVER, B.C. V7X 1J5
(604) 691-7507

TITLE NO: EW33833
FROM TITLE NO: S135891

PPLICATION FOR REGISTRATION RECEIVED ON: 24 MARCH, 2004
ENTERED: 25 MARCH, 2004

EGISTERED OWNER IN FEE SIMPLE:
BOSUN'S HOLDINGS LTD., INC. NO. 319640
2240 HARBOUR ROAD,
SIDNEY, BC
V8L 3Y3

AXATION AUTHORITY:
TOWN OF SIDNEY

ESCRIPTION OF LAND:
PARCEL IDENTIFIER: 009-231-901
LOT A, DISTRICT LOT 12 AND SECTION 15, RANGE 3 EAST, NORTH SAANICH DISTRICT, PLAN 45998

EGAL NOTATIONS:
THIS TITLE MAY BE AFFECTED BY A PERMIT UNDER PART 26 OF THE LOCAL GOVERNMENT ACT, SEE EW103693

NOTICE OF INTEREST, BUILDERS LIEN ACT (S.3(2)), SEE FA73261
FILED 2006-06-19

THIS TITLE MAY BE AFFECTED BY A PERMIT UNDER PART 26 OF THE LOCAL GOVERNMENT ACT, SEE FB183271

THIS TITLE MAY BE AFFECTED BY A PERMIT UNDER PART 26 OF THE LOCAL GOVERNMENT ACT, SEE FB183272

CHARGES, LIENS AND INTERESTS:
NATURE OF CHARGE
CHARGE NUMBER DATE TIME

UNDERSURFACE AND OTHER EXC & RES
S130559 1987-11-16 09:20
REGISTERED OWNER OF CHARGE
HER MAJESTY THE QUEEN IN RIGHT OF THE PROVINCE OF BRITISH COLUMBIA
S130559
REMARKS: SECTION 47, LAND ACT, DD S119983
AS TO PART FORMERLY BLOCK A, DISTRICT LOT 12,
NORTH SAANICH DISTRICT

MORTGAGE
CA858656 2008-07-22 12:25
REGISTERED OWNER OF CHARGE
FISGARD CAPITAL CORPORATION
INCORPORATION NO. C603095
CA858656

ASSIGNMENT OF RENTS
CA858657 2008-07-22 12:25
REGISTERED OWNER OF CHARGE
FISGARD CAPITAL CORPORATION
INCORPORATION NO. C603095
CA858657

CONTINUED ON PAGE 2

MORTGAGE
CA858698 2008-07-22 12:55
REGISTERED OWNER OF CHARGE
THOMAS WILLIAM MELVILLE
VICKI RACHEL MELVILLE
CA858698

ASSIGNMENT OF RENTS
CA858699 2008-07-22 12:55
REGISTERED OWNER OF CHARGE
THOMAS WILLIAM MELVILLE
VICKI RACHEL MELVILLE
CA858699

CLAIM OF BUILDERS LIEN
FB271231 2009-06-04 14:58
REGISTERED OWNER OF CHARGE
J. PATRICK HARRISON
(DOING BUSINESS AS JPH CONSULTANTS INC.)
FB271231

CLAIM OF BUILDERS LIEN
FB271793 2009-06-08 12:16
REGISTERED OWNER OF CHARGE
MCELHANNEY CONSULTING SERVICES LTD.
FB271793

CLAIM OF BUILDERS LIEN
FB271914 2009-06-09 09:45
REGISTERED OWNER OF CHARGE
LANA LOUNSBURY INTERIORS
FB271914

CLAIM OF BUILDERS LIEN
FB272928 2009-06-11 10:33
REGISTERED OWNER OF CHARGE
C.N. RYZUK & ASSOCIATES LTD.
FB272928

CLAIM OF BUILDERS LIEN
CA1148724 2009-06-16 11:04
REGISTERED OWNER OF CHARGE
ROBERT BOYLE ARCHITECTURE INC.
INCORPORATION NO. BC0152367
CA1148724

CLAIM OF BUILDERS LIEN
FB280346 2009-07-07 11:47
REGISTERED OWNER OF CHARGE
LONDON MAH & ASSOCIATES LTD.
FB280346

"CAUTION - CHARGES MAY NOT APPEAR IN ORDER OF PRIORITY. SEE SECTION 28, L.T.A."

DUPLICATE INDEFEASIBLE TITLE: NONE OUTSTANDING

TRANSFERS: NONE

PENDING APPLICATIONS: NONE

CONTINUED ON PAGE 3

** CURRENT INFORMATION ONLY - NO CANCELLED INFORMATION SHOWN ***

This is Exhibit "B" referred to in the Affidavit of ALAN A. FRYDENLUND sworn before me at Vancouver, BC, this 23 day of September, 2009.

A Commissioner for taking Affidavits within British Columbia

JAMES H. McBEATH
Barrister & Solicitor
2900-595 BURRARD ST.
VANCOUVER, B.C. V7X 1J5
(604) 691-7507

BC OnLine: PPRS SEARCH RESULT 2009/09/02
Lterm: XPSP0050 For: PR50365 OWEN BIRD LAW CORPORATION 16:45:12

Index: BUSINESS DEBTOR
Search Criteria: BOSUN'S HOLDINGS

**************** P P S A S E C U R I T Y A G R E E M E N T ****************

Reg. Date: JUL 21, 2008 Reg. Length: 2 YEARS
Reg. Time: 09:37:41 Expiry Date: JUL 21, 2010
Base Reg. #: 489587E Control #: B8861493

This registration was selected and included for your protection because of close proximity to your search criteria.

Block#

S0001 Secured Party: FISGARD CAPITAL CORPORATION
3378 DOUGLAS STREET
VICTORIA BC V8Z 3L3

=D0001 Base Debtor: BOSUN'S HOLDINGS LTD.
(Business) 2240 HARBOUR ROAD
SIDNEY BC V8L 3Y3

General Collateral:
THE ENTIRE RIGHT, TITLE, CLAIM AND INTEREST OF THE DEBTOR IN AND TO ALL MONIES UP TO AN AGGREGATE OF $331,620.00 WHICH THE SECURED PARTY HAS WITHDRAWN OR WITHDRAWS FROM MONIES OF THE DEBTOR AND DEPOSITS WITH THE SECURED PARTY IN A CASH ACCOUNT OR EQUIVALENT FOR THIS PURPOSE AND ALL PROCEEDS INCLUDING, WITHOUT LIMITATION, ALL GOODS, SECURITIES, INSTRUMENTS, DOCUMENTS OF TITLE, CHATTEL PAPER, INTANGIBLES, AND MONEY (ALL AS DEFINED IN THE PERSONAL PROPERTY SECURITY ACT, AND REGULATIONS THEREUNDER AND ANY AMENDMENTS THERETO).

Registering
Party: HERALD STREET LAW
101 - 536 HERALD STREET
VICTORIA BC V8W 1S6

**************** P P S A S E C U R I T Y A G R E E M E N T ****************

Reg. Date: JUL 21, 2008 Reg. Length: 2 YEARS
Reg. Time: 09:38:24 Expiry Date: JUL 21, 2010
Base Reg. #: 489590E Control #: B8861461

This registration was selected and included for your protection because of close proximity to your search criteria.

Block#

S0001 Secured Party: FISGARD CAPITAL CORPORATION
3378 DOUGLAS STREET
VICTORIA BC V8Z 3L3

=D0001 Base Debtor: BOSUN'S HOLDINGS LTD.
(Business) 2240 HARBOUR ROAD
SIDNEY BC V8L 3Y3

Continued on Page 2

General Collateral:
ALL OF THE DEBTOR'S PRESENT AND AFTER ACQUIRED PERSONAL PROPERTY WHERESOEVER SITUATE AND ALL PROCEEDS DERIVED THEREFROM

Registering Party: HERALD STREET LAW
3378 DOUGLAS STREET
VICTORIA BC V8W 1S6

**************** P P S A S E C U R I T Y A G R E E M E N T ****************

Reg. Date: JUL 22, 2008	Reg. Length: 2 YEARS
Reg. Time: 12:46:30	Expiry Date: JUL 22, 2010
Base Reg. #: 492874E	Control #: B8867266

This registration was selected and included for your protection because of close proximity to your search criteria.

Block#

S0001 Secured Party: VICKI RACHEL MELVILLE
#201-2377 BEVAN AVENUE
SIDNEY BC V8L 4M9

S0002 Secured Party: THOMAS WILLIAM MELVILLE
201-2377 BEVAN AVENUE
SIDNEY BC V8L 4M9

=D0001 Base Debtor: BOSUN'S HOLDINGS LTD.
(Business) 9834 CROFT STREET
CHEMAINUS BC V0R 1K0

D0002 Bus. Debtor: TSEHUM HARBOUR PLACE HOLDINGS LTD.
9834 CROFT STREET
CHEMAINUS BC V0R 1K0

General Collateral:
ALL OF THE DEBTORS' PROPERTY, ASSETS AND UNDERTAKING, INCLUDING, WITHOUT LIMITATION, ALL THE DEBTORS' PERSONAL PROPERTY AND ASSETS OF EVERY NATURE AND KIND, BOTH PRESENT AND FUTURE, WHICH THE DEBTORS MAY BE POSSESSED OF OR ENTITLED TO OR WHICH MAY BE HEREAFTER ACQUIRED. ALL DEBTS, ACCOUNTS, CHOSES IN ACTION, CLAIMS, DEMANDS AND MONIES NOW DUE, OWING, ACCRUING, OR WHICH MAY HEREAFTER BECOME DUE, OWING OR ACCRUING TO THE DEBTORS, TOGETHER WITH ALL RIGHTS, BENEFITS, SECURITY INTERESTS, MORTGAGES, INSTRUMENTS, RIGHTS OF ACTIONS, DEEDS, BOOKS AND RECORDS AND DOCUMENTS NOW OR HEREAFTER BELONGING TO THE DEBTORS IN RESPECT OF OR AS SECURITY FOR ANY OF THE FOREGOING. ALL OF THE DEBTORS' PRESENT CHATTEL PAPER, DOCUMENTS OF TITLE, ACCOUNTS RECEIVABLE, INTANGIBLES, SECURITIES AND ALL PROCEEDS DERIVED FROM ANY OF THE ASSETS DESCRIBED ABOVE.

Registering

Party: HENLEY & WALDEN
201 2377 BEVAN AVENUE
SIDNEY BC V8L 4M9

Continued on Page 3

Search Criteria: BOSUN'S HOLDINGS

*************** P P S A   S E C U R I T Y   A G R E E M E N T ***************

Reg. Date: JUL 22, 2008 Reg. Length: 2 YEARS
Reg. Time: 15:03:58 Expiry Date: JUL 22, 2010
Base Reg. #: 493405E Control #: B8867828

This registration was selected and included for your protection because of close proximity to your search criteria.

Block#

S0001 Secured Party: VICKI RACHEL MELVILLE
201-2377 BEVAN AVENUE
SIDNEY BC V8L 4M9

S0002 Secured Party: THOMAS WILLIAM MELVILLE
201-2377 BEVAN AVENUE
SIDNEY BC V8L 4M9

=D0001 Base Debtor: BOSUN'S HOLDINGS LTD.
(Business) 9834 CROFT STREET
CHEMAINUS BC V0R 1K0

General Collateral:
ALL PRESENT AND FUTURE DEBTS AND LIABILITIES OF TSEHUM HARBOUR PLACE HOLDINGS LTD. THAT ARE OWING TO THE DEBTOR

Registering
Party: HENLEY & WALDEN
201 2377 BEVAN AVENUE
SIDNEY BC V8L 4M9

****

Some, but not all, tax liens and other Crown claims are registered at the Personal Property Registry (PPR) and if registered, will be displayed on this search result. HOWEVER, it is possible that a particular chattel is subject to a Crown claim that is not registered at the PPR. Please consult the Miscellaneous Registrations Act, 1992 for more details. If you are concerned that a particular chattel may be subject to a Crown claim not registered at the PPR, please consult the agency administering the type of Crown claim.

>>>>>>>>>>>>>>>>>>>>>>>>>>>>>>>> END OF SEARCH <<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<

```
                    BC OnLine: PPRS SEARCH RESULT                  2009/09/02
Lterm: XPSP0050        For: PR50365  OWEN BIRD LAW CORPORATION       16:54:50

                                              Index: BUSINESS DEBTOR
Search Criteria: 0675816 B.C. LTD.

**************** P P S A  S E C U R I T Y  A G R E E M E N T ****************

           Reg. Date: JUL 21, 2008          Reg. Length: 2 YEARS
           Reg. Time: 09:40:03              Expiry Date: JUL 21, 2010
         Base Reg. #: 489596E                 Control #: B8861710

       This registration was selected and included for your protection
       because of close proximity to your search criteria.
Block#

 S0001  Secured Party: FISGARD CAPITAL CORPORATION
                       3378 DOUGLAS STREET
                       VICTORIA BC  V8Z 3L3

=D0001    Base Debtor: 675816 B.C. LTD.
           (Business) 2240 HARBOUR ROAD
                       SIDNEY BC  V8L 3Y3

        General Collateral:
         ALL PRESENT AND AFTER ACQUIRED PERSONAL PROPERTY OF THE DEBTOR
         INCLUDING ALL INDEBTEDNESS, PRESENT AND FUTURE, DIRECT AND INDIRECT,
         ABSOLUTE AND CONTINGENT OF BOSUN'S HOLDINGS LTD. OR ITS SUCCESSORS
         TO THE DEBTOR AND ALL PROCEEDS INCLUDING, WITHOUT LIMITATION, ALL
         GOODS, SECURITIES, INSTRUMENTS, DOCUMENTS OF TITLE, CHATTEL PAPER,
         INTANGIBLES AND MONEY (ALL AS DEFINED IN THE PERSONAL PROPERTY
         SECURITY ACT, REGULATIONS THEREUNDER AND AMENDMENTS THERETO).

          Registering
                Party: HERALD STREET LAW
                       101 - 536 HERALD STREET
                       VICTORIA BC  V8W 1S6

**************** P P S A  S E C U R I T Y  A G R E E M E N T ****************

           Reg. Date: JUL 21, 2008          Reg. Length: 2 YEARS
           Reg. Time: 09:40:16              Expiry Date: JUL 21, 2010
         Base Reg. #: 489597E                 Control #: B8861530

       This registration was selected and included for your protection
       because of close proximity to your search criteria.
Block#

 S0001  Secured Party: FISGARD CAPITAL CORPORATION
                       3378 DOUGLAS STREET
                       VICTORIA BC  V8Z 3L3

=D0001    Base Debtor: 675816 B.C. LTD.
           (Business) 2240 HARBOUR ROAD
                       SIDNEY BC  V8L 3Y3

        General Collateral:
         ALL OF THE DEBTOR'S PRESENT AND AFTER ACQUIRED PERSONAL PROPERTY
```

WHERESOEVER SITUATE AND ALL PROCEEDS DERIVED THEREFROM.

Continued on Page 2

Search Criteria: 0675816 B.C. LTD.

Registering
Party: HERALD STREET LAW
101 - 536 HERALD STREET
VICTORIA BC V8W 1S6

**************** P P S A SECURITY AGREEMENT ****************

Reg. Date: JUL 22, 2008	Reg. Length: 2 YEARS
Reg. Time: 14:36:45	Expiry Date: JUL 22, 2010
Base Reg. #: 493290E	Control #: B8867685

Block#

S0001 Secured Party: VICKI RACHEL MELVILLE
201-2377 BEVAN AVENUE
SIDNEY BC V8L 4M9

S0002 Secured Party: THOMAS WILLIAM MELVILLE
201-2377 BEVAN AVENUE
SIDNEY BC V8L 4M9

=D0001 Base Debtor: 0675816 B.C. LTD.
(Business) 9834 CROFT STREET
CHEMAINUS BC V0R 1K0

D0002 Bus. Debtor: TSEHUM HARBOUR PLACE HOLDINGS LTD.
9834 CROFT STREET
CHEMAINUS BC V0R 1K0

General Collateral:
ALL OF THE DEBTORS' PROPERTY, ASSETS AND UNDERTAKING, INCLUDING, WITHOUT LIMITATION, ALL THE DEBTORS' PERSONAL PROPERTY AND ASSETS OF EVERY NATURE AND KIND, BOTH PRESENT AND FUTURE, WHICH THE DEBTORS MAY BE POSSESSED OF OR ENTITLED TO OR WHICH MAY BE HEREAFTER ACQUIRED. ALL DEBTS, ACCOUNTS, CHOSES IN ACTION, CLAIMS, DEMANDS AND MONIES NOW DUE, OWING, ACCRUING, OR WHICH MAY HEREAFTER BECOME DUE, OWING OR ACCRUING TO THE DEBTORS, TOGETHER WITH ALL RIGHTS, BENEFITS, SECURITY INTERESTS, MORTGAGES, INSTRUMENTS, RIGHTS OF ACTIONS, DEEDS, BOOKS AND RECORDS AND DOCUMENTS NOW OR HEREAFTER BELONGING TO THE DEBTORS IN RESPECT OF OR AS SECURITY FOR ANY OF THE FOREGOING. ALL OF THE DEBTORS' PRESENT CHATTEL PAPER, DOCUMENTS OF TITLE, ACCOUNTS RECEIVABLE, INTANGIBLES, SECURITIES AND ALL PROCEEDS DERIVED FROM ANY OF THE ASSETS DESCRIBED ABOVE.

Registering
Party: HENLEY & WALDEN
201 2377 BEVAN AVENUE
SIDNEY BC V8L 4M9

**************** P P S A SECURITY AGREEMENT ****************

Reg. Date: JUL 22, 2008 Reg. Length: 2 YEARS

Reg. Time: 15:06:43 Expiry Date: JUL 22, 2010
Base Reg. #: 493427E Control #: B8867862

Block#

S0001 Secured Party: VICKI RACHEL MELVILLE
201-2377 BEVAN AVENUE
SIDNEY BC V8L 4M9

Continued on Page 3

S0002 Secured Party: THOMAS WILLIAM MELVILLE
201-2377 BEVAN AVENUE
SIDNEY BC V8L 4M9

=D0001 Base Debtor: 0675816 B.C. LTD.
(Business) 9834 CROFT STREET
CHEMAINUS BC V0R 1K0

General Collateral:
ALL PRESENT AND FUTURE DEBTS AND LIABILITIES OF TSEHUM HARBOUR PLACE HOLDINGS LTD. THAT ARE OWING TO THE DEBTOR

Registering
Party: HENLEY & WALDEN
201 2377 BEVAN AVENUE
SIDNEY BC V8L 4M9

****

Some, but not all, tax liens and other Crown claims are registered at the Personal Property Registry (PPR) and if registered, will be displayed on this search result. HOWEVER, it is possible that a particular chattel is subject to a Crown claim that is not registered at the PPR. Please consult the Miscellaneous Registrations Act, 1992 for more details. If you are concerned that a particular chattel may be subject to a Crown claim not registered at the PPR, please consult the agency administering the type of Crown claim.

>>>>>>>>>>>>>>>>>>>>>>>>>>>>>>>> END OF SEARCH <<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<

This is Exhibit "C" referred to in the Affidavit of ALAN A. FRYDENLUND sworn before me at Vancouver, BC, this 23 day of September, 2009.
A Commissioner for taking Affidavits within British Columbia

JAMES H. McBEATH
Barrister & Solicitor
2900-595 BURRA
VANCOUVER B
(604

This is Exhibit "C" referred to in the Affidavit of HALI STRANDLUND sworn before me at Victoria, BC, this 26th day of October, 2009.
A Commissioner for taking Affidavits within British Columbia

Rafer Strandlund
Commissioner for taking affidavits
for British Columbia
Commission 2009-0397
Expires June 20, 2012
3378 Douglas Street
Victoria BC V8Z 3L3

09 4327

No. ____________
Victoria Registry
HALI STRANDLUND #1
September 21, 2009

IN THE SUPREME COURT OF BRITISH COLUMBIA

BETWEEN:

FISGARD CAPITAL CORPORATION

Petitioner

AND:

BOSUN'S HOLDINGS LTD., ROBERT COUCH, CLEONE COUCH, TSEHUM HARBOUR PLACE HOLDINGS LTD., 0675816 B.C. LTD. (formerly known as 675816 B.C. LTD.), HER MAJESTY THE QUEEN IN RIGHT OF BRITISH COLUMBIA (as represented by THE ATTORNEY GENERAL OF BRITISH COLUMBIA, THOMAS WILLIAM MELVILLE, VICKI RACHEL MELVILLE, J. PATRICK HARRISON (doing business as JPH CONSULTANTS INC.), MCELHANNEY CONSULTING SERVICES LTD., LANA LOUNSBURY (doing business as LANA LOUNSBURY INTERIORS), C.N. RYZUK & ASSOCIATES LTD., ROBERT BOYLE ARCHITECTURE INC. AND LONDON MAH & ASSOCIATES LTD.

Respondents

AFFIDAVIT

I, HALI STRANDLUND, 3378 Douglas Street, in the City of Victoria, in the Province of British Columbia, MAKE OATH AND SAY AS FOLLOWS:

1. I am the President of the Petitioner herein, and as such, am authorized to swear this Affidavit on behalf of the Petitioner, and have personal knowledge of the matters and facts hereinafter set forth.

2. Attached hereto and marked Exhibit " A" is a copy of the Land Mortgage, as referred to in the Petition.

3. Attached hereto and marked Exhibit " B" is a copy of the Mortgage of Lease, as referred to in the Petition.

4. Attached hereto and marked Exhibit " C" is a copy of the Bosun' s GSA, as referred to in the Petition.

5. Attached hereto and marked Exhibit " D" is a copy of the 0675816 GSA, as referred to in the Petition.

6. Attached hereto and marked Exhibit " E" is a copy of the Robert Guarantee, as referred to in the Petition.

7. Attached hereto and marked Exhibit " F" is a copy of the Cleone Guarantee, as referred to in the Petition.

8. Attached hereto and marked Exhibit " G" is a copy of the Tsehum Guarantee, as referred to in the Petition.

9. Attached hereto and marked Exhibit " H" is a copy of the 0675816 Guarantee, as referred to in the Petition.

10. Attached hereto and marked Exhibit " I" is a copy of the Town of Sidney Property Tax Certificate for the subject lands showing an outstanding balance of $14,859.43 as at September 9, 2009.

11. Attached hereto and marked Exhibit " J" is a copy of the Aquatic Lands Lease No. 101900.

12. Attached hereto and marked Exhibit " K" is a copy of the Consent to Mortgage of the Aquatic Lands Lease No. 101900.

13. I have read the Petition herein and say that the facts therein set out are true.

14. The amount due to the Petitioner as set out in the Petition does not include any penalty or bonus.

15. I know of no facts which would constitute a defence to any of the claims of the Petitioner as set out in the Petition.

SWORN BEFORE ME at the City of Victoria, in the Province of British Columbia, this 21 day of September, 2009.	)	
A Commissioner for taking Affidavits within British Columbia	)	HALI STRANDLUND

Rafer Strandlund
Commissioner for taking affidavits
for British Columbia
Commission 2009-0397
Expires June 20, 2012
3378 Douglas Street
Victoria BC V8Z 3L3

This is Exhibit "A" referred to in the Affidavit of HALI STRANDLUND sworn before me at Victoria, BC, this 21 day of September, 2009.

A Commissioner for taking Affidavits within British Columbia

Rafer Strandlund
Commissioner for taking affidavits
for British Columbia
Commission 2009-0397
Expires June 20, 2012
3378 Douglas Street
Victoria BC V8Z 3L3

Your electronic signature is a representation that you are a subscriber as defined by the Land Title Act, RSBC 1996 c.250, and that you have applied your electronic signature in accordance with Section 168.3, and a true copy, or a copy of that true copy, is in your possession.

Kristin R. A. Marrs DY3MKT

Digitally signed by Kristin R. A. Marrs DY3MKT
DN: cn=Kristin R. A. Marrs DY3MKT, c=CA, o=www.juricert.com/LKUP.cfm?id=DY3MKT, ou=BC Lawyer Practicing
Date: 2008.07.22 12:25:00 -07'00'

1. APPLICATION: (Name, address, phone number of applicant, applicant's solicitor or agent)

Kristin R. Marrs
Barrister, Solicitor & Notary Public
101-536 Herald Street
Victoria BC V8W 1S6

Phone: (250) 381-1505
File No: 3015

Document Fees: $129.30

Deduct LTO Fees? YES ☑

2. PARCEL IDENTIFIER AND LEGAL DESCRIPTION OF LAND:
[PID] [legal description]

009-231-901 **LOT A DISTRICT LOT 12 AND SECTION 15 RANGE 3 EAST NORTH SAANICH DISTRICT PLAN 45998**

STC? YES ☐

3. BORROWER(S) (MORTGAGOR(S)): (including postal address(es) and postal code(s))

BOSUN'S HOLDINGS LTD.

2240 HARBOUR ROAD
SIDNEY BRITISH COLUMBIA
V8L 3Y3 CANADA

Incorporation No
BC0319640

4. LENDER(S) (MORTGAGEE(S)): (including occupation(s), postal address(es) and postal code(s))

FISGARD CAPITAL CORPORATION

3378 DOUGLAS STREET
VICTORIA BRITISH COLUMBIA
CANADA V8Z 3L3

Incorporation No
C603095

5. PAYMENT PROVISIONS:

			Y	M	D
(a) Principal Amount: $2,450,000.00	(b) Interest Rate: 13.00% per annum	(c) Interest Adjustment Date:	08	06	15
(d) Interest Calculation Period: Monthly, not in advance	(e) Payment Dates: 15th day of each month	(f) First Payment Date:	08	07	15
(g) Amount of each periodic payment: $27,635.00	(h) *Interest Act* (Canada) Statement. The equivalent rate of interest calculated half yearly not in advance is 13.35721048 % per annum.	(i) Last Payment Date:	09	05	15
(j) Assignment of Rents which the applicant wants registered ? YES ☑ NO ☐ If YES, page and paragraph number: Pages 6&7, para. 27	(k) Place of payment: Postal Address in Item 4	(l) Balance Due Date:	09	05	31

6. MORTGAGE contains floating charge on land ?
YES ☐ NO ☑

7. MORTGAGE secures a current or running account ?
YES ☑ NO ☐

8. INTEREST MORTGAGED:
Freehold ☑
Other (specify) ☐

9. MORTGAGE TERMS:
Part 2 of this mortgage consists of (select one only):
(a) Prescribed Standard Mortgage Terms ☑
(b) Filed Standard Mortgage Terms ☐ D F Number:
(c) Express Mortgage Terms ☐ (annexed to this mortgage as Part 2)
A selection of (a) or (b) includes any additional or modified terms referred to in item 10 or in a schedule annexed to this mortgage.

10. ADDITIONAL OR MODIFIED TERMS:

SEE SCHEDULE

11. PRIOR ENCUMBRANCES PERMITTED BY LENDER:

Nil financial encumbrances

12. EXECUTION(S): This mortgage charges the Borrower's interest in the land mortgaged as security for payment of all money due and performance of all obligations in accordance with the mortgage terms referred to in item 9 and the Borrower(s) and every other signatory agree(s) to be bound by, and acknowledge(s) receipt of a true copy of, those terms.

Officer Signature(s)

MARY LYNN BANCROFT
Barrister and Solicitor
Box 168 - 9834 Croft Street
Chemainus, BC V0R 1K0
(250) 246-4771

Execution Date		
Y	M	D
08	05	28

Borrower(s) Signature(s)

BOSUN'S HOLDINGS LTD. by its authorized signatories:

Print Name: Terry Petras

Print Name: Steve Thorpe-Doubble

OFFICER CERTIFICATION:
Your signature constitutes a representation that you are a solicitor, notary public or other person authorized by the *Evidence Act*, R.S.B.C. 1996, c.124, to take affidavits for use in British Columbia and certifies the matters set out in Part 5 of the *Land Title Act* as they pertain to the execution of this instrument.

LAND TITLE ACT
FORM E
SCHEDULE

Enter the required information in the same order as the information must appear on the Freehold Transfer Form, Mortgage Form, or General Document Form.

10. ADDITIONAL OR MODIFIED TERMS

The terms used in this mortgage form have the same meaning as the terms defined in the Standard Mortgage Terms prescribed by the Land Title Act (referred to herein as the "Prescribed Standard Mortgage Terms" or the "PSMT")

The following clauses shall by added to the **INTERPRETATION** Clause 1. (1) of the Prescribed Standard Mortgage Terms:

"Commitment Letter" means the commitment letter and any amendments thereto, issued by the Mortgagee to the Mortgagor in connection with the Credit Facility which is secured by, among other things, this Mortgage.

"Lands" means the lands described in Part 1, Paragraph 2 of this Mortgage.

"Credit Facility" means the financing arrangements set forth in the Commitment Letter.

"Loan Document" means any and all agreements and/or documents required by the Mortgagee in the Commitment Letter as a condition of the Mortgagee agreeing to provide the Credit Facility to the Mortgagor, including but not limited to the Commitment Letter itself, any mortgage, assignment of rents or leases, promissory note, environmental and building condition indemnity agreement, acknowledgment of assignment, attornment and non-disturbance agreement, personal property security agreement, assignment of any kind, right of first refusal to mortgage, pledge agreement, covenantor agreement, priority agreement, indemnity, including without limitation each of the above howsoever named or titled or any documentation similar in form, content or intent to any of the above irrespective of the name or title of such documentation and any other form of collateral security, or other documentation required by the Mortgagee, including without limitation any renewal documentation respecting a renewal of any of the above,

GENERAL. The following clauses shall by added to the General Clause 16, Prescribed Standard Mortgage Terms:

(4) The benefits of all or part of the Mortgagee's rights, or any interest in or power relating to all or part of the Mortgagee's rights under this Mortgage and/or any Loan Document whether granted to the Mortgagee previously or to be granted to the Mortgagee in the future in respect of the Credit Facility may be transferred, assigned, or otherwise dealt with by the Mortgagee, free from any setoff, counterclaim or other equity or claim. The Mortgagor must at the Mortgagee's expense do everything to facilitate same. If a transferee or assignee of all or part of the Mortgagee's rights agrees to assume

any of the Mortgagee's obligations relating to those rights, the Mortgagee will be released from liability for such obligation.

(5) Without limiting the foregoing the Mortgagor hereby consents to the Mortgagee entering into servicing or administration, participation, co-lending, syndications or securitization agreements with other mortgagees or persons in connection with the Mortgage and any Loan Document.

(6) Any information received by the Mortgagee including without limitation any information in respect of this Mortgage, any Loan Document, the Land, the Mortgagor, any Covenantor or Guarantor may be disclosed by the Mortgagee to any parties associated with the transfer, assignment, or other dealing of this Mortgage and any Loan Document. Everything to facilitate a transfer or dealing that may be requested in writing will be done at the expense of the party requesting it.

The following clauses shall be added to the Prescribed Standard Mortgage Terms as clauses 17 through 33:

17. **TIME OF PAYMENT.** All monies payable hereunder shall be paid in lawful money of Canada to the Mortgagee at the hereinbefore noted address, or such other place as the Mortgagee may in writing form time to time designate, on any business day from Monday to Friday inclusive each week, prior to 2:00 p.m. (Saturdays, Sundays or Statutory Holidays are not considered to be a business day). Any payment made hereunder, which is not received prior to 2:00 p.m. in the afternoon as aforesaid, shall by deemed to have been received by the Mortgagee on the next such business day.

18. **ADMINISTRATION COSTS FOR DISHONOURED CHEQUES AND LATE PAYMENTS.** The Mortgagor agrees to provide the Mortgagee in advance with the Mortgagee's choice of post-dated cheques or a properly signed and completed Pre-Authorized Payment Form, to cover all payments due hereunder. In the event any post-dated cheque or pre-authorized payment is returned to the Mortgagee as non-negotiable after being presented for payment, or in the event of a delay in the presentation, or in the event of a delay in presentation of a post-dated cheque for payment, which delay is the fault of the Mortgagor, the Mortgagor shall pay for each such non-payment a the sum of $75.00 as liquidated damages and not as a penalty to the Mortgagee and such sum shall be a charge upon the Lands and bear interest at the rate hereinbefore stated.

19. **INSURANCE.** In addition to the covenants of the Mortgagor in the PSMT, the Mortgagor covenants to have in place at least $2,000,000.00 in third party liability coverage together with a minimum full replacement coverage for fire, earthquake, and other perils (or course of construction insurance as the case may be) and the Mortgagor covenants to provide to the Mortgagee proof of such coverage from time to time as requested by the Mortgagee.

20. **STRATA PROPERTY.** The Mortgagor covenants and agrees that if the Lands are or become strata lot or lots created under the Condominium Act or the Strata Property Act and amendments thereto, the PSMT are amended by adding after Section 5.(1)(p) the following:

(q) to fulfill all obligations as a strata lot owner under the Strata Property Act and amendments thereto and the bylaws, rules, and regulation of the strata corporation and to pay all money owed to the strata corporation by the strata lot owner.

Section 12 (Strata Lot Provisions) of the PSMT is amended as follows: All references to "Condominium Act" are hereby deleted and replaced with "Strata Property Act". The following sections are added to Section 12:

12.(8) Obtaining Certificates – The Mortgagor hereby appoints the Mortgagee as its agent for the purposes of obtaining, from time to time, a certificate from the strata corporation pursuant to Sections 59 and 115 of the Strata Property Act.

12.(9) Access to Records – Pursuant to Section 36 of the Strata Property Act, the Mortgagor hereby authorizes the Mortgagee or any officer or agent of the Mortgagee to review and obtain copies of the records and documents referred to in Section 35 of the Strata Property Act.

21. **MORTGAGE ADVANCES.** All advances under this Mortgage will be made at the discretion of the Mortgagee and the Mortgagee reserves the right to pay sub trades directly and to charge administration costs commensurate with such administration.

22. **COURT ORDER INTEREST ACT.** The Mortgagor and any Covenantor hereby agree that any judgment obtained by the Mortgagee against the Mortgagor or the Covenantor for the payment of the Mortgage money or any other monies due and owing to the Mortgagee pursuant to the terms of the Mortgage shall bear interest at the interest rate shown on the Mortgage and not at the rate set out in Court Order Interest Act , RSBC 1996, c. 79 and further agree that this clause may be referred to by the Mortgagee in any application to the Court made under Section 8 of the Court Order Interest Act.

23. **RIGHT OF CONSOLIDATION PRESERVED.** The doctrine of consolidation shall apply to this Mortgage notwithstanding Section 31 of the Property Law Act.

24. **INSPECTION AND SEARCH FEES.** The Mortgagor acknowledges that there is an inspection fee of $200.00 plus applicable GST or cost plus 20% plus GST per inspection, whichever is greater, payable to the Mortgagee to

inspect the Lands prior to any subsequent advance and a fee of $25.00 for a title search of the Lands at the Land Title Office prior to any subsequent advance.

25. **CURRENT AND RUNNING ACCOUNT.** This Mortgage is a mortgage to secure a current or running account for the purposes of Section 20 of the Property Law Act, RBC 1996 c. 377, as amended (hereinafter referred to as the "Property Law Act"). It is understood and intended that all advances of amounts secured hereby and re-advances shall enjoy priority over charges subsequently registered as provided for by Section 28 of the Property Law Act.

26. **EXECUTION FEES.** The Mortgagor shall pay an execution fee to the Mortgagee exclusive of legal or notary fees on a solicitor and client basis of $150.00 for each time the Mortgagee's signature is required in connection with this Mortgage including but not limited to a Priority Agreement, execution of a subdivision or strata plans, execution of municipal documentation such as easements and rights of way save and except that in respect of each and every release or partial release of the Mortgage, the Mortgagor shall pay a release fee of $75.00. The Mortgagor shall be responsible for the preparation and registration of all such documents.

27. **ASSIGNMENT OF RENTS.** As additional security for the payment by the Mortgagor of principal interest, taxes and other monies hereby secured, the Mortgagor hereby assigns to the Mortgagee all rents and other monies "herein called "the rents") now due and payable or hereafter to become due and payable under every existing and future lease, tenancy, license or use of the whole or any portion of the Lands. It is understood and agreed that the Mortgagee may, without notice to the Mortgagor, or to any other party hereunder, exercise at any time the powers hereby conferred.

The Mortgagor shall not, without the Mortgagee's written consent, do or omit to do anything having the effect of terminating, canceling or accepting surrender of any lease before the end of its term or of waiving releasing, reducing or abating any rights or remedies of the Mortgagor or obligations of any other party thereunder or in connection therewith, nor accept any rents in advance of due dates.

Provided however that:

(a) the Mortgagor shall by permitted to collect and receive rents as and when they shall become due and payable unless and until the Mortgagee shall give notice to the tenants, user, occupier, licensee or guarantor thereunder requiring payment of the rent to the Mortgagee;

(b) nothing herein contained shall have the effect of making the Mortgagee responsible for the collection of the rents or any of them or for the performance of any of the obligations of conditions under or in respect of the leases or agreements or any of them to be observed and performed by the Mortgagor, and the Mortgagee shall not by virtue of this agreement or the receipt of the rents of any of them become or be deemed a mortgagee in possession of the mortgaged lands (and premises as the case may be) and the Mortgagee shall not be under any obligation to make any action or exercise any remedy in the collection or recovery of the rents or any of them or to see to or enforce the performance of the obligations and liabilities of any person under or in respect of the leases or any of them; and the Mortgagee shall be liable to account only for such monies as shall actually be received after deduction of proper collection charges including commission and legal costs and such monies may be applied on account of any indebtedness of the Mortgagor to the Mortgagee.

28. **PREPAYMENT.** The Mortgagor, when not in default hereunder, shall have the privilege during the term of this Mortgage of prepaying the whole or any part of the principal monies hereby secured, upon payment of all accrued interest to the date of such prepayment, without notice, bonus or penalty. Notwithstanding any prepayment on account of principal, monthly installments shall continue to be payable on each payment date as set out in the Mortgage if any monies hereunder remain unpaid.

29. **EXPRESS CONSENT FOR FURTHER ENCUMBRANCES.** The Mortgagor covenants not to further encumber title to the Lands without the express consent of the Mortgagee. This clause shall remain in full force and effect so long as any monies are outstanding hereunder, notwithstanding that such written consent may have been given from time to time. If the Mortgagor further encumbers title to the Lands without such express written consent of the Mortgagee, then the Mortgagor acknowledges that this shall be considered a default, and at the Mortgagee's discretion, all the Mortgage monies then owing to the Mortgagee will at once become due and payable.

30. **DUE ON SALE.** The Mortgage covenants and agrees that if the Mortgagor sells, conveys or transfers or agrees to sell, convey or transfer title to the equitable interest in the said Lands to a purchaser, grantee or transferee without the consent of the Mortgagee or if the said Lands shall be expropriated by any government, authority, body or corporation clothed with the powers of expropriation, then all sums owing under this Mortgage, shall, at the option of the Mortgagee, immediately become and due and payable, together with any indemnity which the Mortgagor would be required to pay to the Mortgagee upon any prepayment of the principal sum and other monies secured.

31. **VENUE FOR FORCLOSURE PROCEEDINGS.** The Mortgagor and the Mortgagee covenant and agree that should the Mortgagee allege default on the part of the Mortgagor, the Mortgagee shall be entitled, at its sole option and

discretion, to commence foreclosure proceedings in the Victoria Registry of the Supreme Court of British Columbia notwithstanding that the Lands which are subject of the foreclosure proceedings are not situate in the Judicial District of Victoria. The Mortgagor and the Mortgagee further covenant and agree that this shall constitute an agreement pursuant to section 21 (5) of the Law and Equity Act, RSBC 1996 c. 253 and amendments thereto.

32. **CORPORATE MORTGAGOR.** If the Mortgagor (herein for purposes of this clause referred to as the "Company") is incorporated, there shall be and be deemed to be an even of default under this Mortgage if:

(a) an Order is made, a resolution passed or a petition is filed for the winding up of the Company;
(b) the Company ceases or threatens to cease to carry on its business;
(c) the Company without prior consent in writing of the Mortgagee authorizes the purchase by the Company of any of its shares;
(d) the Company pays any dividend without prior written consent of the Mortgagee;
(e) the Company makes any payment of or if any set off is made which directly or indirectly reduces any present or future debt or liability of the Company to any shareholder, director, officer, or affiliate or associate or blood relative of such person an account of shareholder's loans or otherwise without prior written consent of the Mortgagee;
(f) after thirty days' notice specifying default and requiring proof of rectification of same, the Company shall fail to be in good standing with the Registrar of Companies of the Province of British Columbia and/or other similar official or regulatory body of the jurisdiction under which the Company was incorporated;
(g) any person who is a member of the Company at the date of the delivery of this Mortgage shall dispose directly or indirectly of all or any part of his legal or beneficial interest in and to his present or future acquired shares in the Company or the present or future acquired debts or liability of the Company to him without prior written consent of the Mortgagee.

33. **INTEREST RESERVE.** From the principal amount, a total of $331,620.00 will be deducted from the initial advance under this Mortgage as an interest reserve (the "Interest Reserve") and paid to the Mortgagee. The Mortgagee shall be entitled to withdraw monthly or otherwise as may be required sufficient money to pay interest payable to the Mortgagee under this Mortgage. If the Borrower is in breach or default under this Mortgage, the proceeds of such Interest Reserve may at the sole election of the Mortgagee be utilized towards payment of the principal amount, unpaid interest, costs, charges and/or other monies owing under this Mortgage. As required by notice from the Mortgagee to the Mortgagor, the Mortgagor shall forthwith replenish the Interest Reserve to ensure the availability of funds to meet the

interest payments required under this Mortgage to the Balance Due Date. The Mortgagor shall enter into such further agreements in writing as may be reasonably requested by the Mortgagee from time to time to establish and administer the Interest Reserve.

PRESCRIBED STANDARD MORTGAGE TERMS

Mortgage Terms - Part 2 -- ss. 1 to 16

These mortgage terms are considered to be included in and form a part of every mortgage which incorporates prescribed standard mortgage terms, either by an election in the mortgage form or by operation of law.

1 Interpretation

(1) In these mortgage terms:

a) **"borrower"** means the person or persons named in the mortgage form as a borrower;

b) **"borrower mailing address"** means the postal address of the borrower set out in the mortgage form or the most recent postal address provided in a written notice given by the borrower to the lender under these mortgage terms;

c) **"borrower's promises and agreements"** means any one or more of the borrower's obligations, promises and agreements contained in this mortgage;

d) **"court"** means a court or judge having jurisdiction in any matter arising out of this mortgage;

e) **"covenantor"** means a person who signs the mortgage form as a covenantor;

f) **"default"** includes each of the events of default listed in section 7(1);

g) **"interest"** means interest at the interest rate shown on the mortgage form;

h) **"interest adjustment date"** means the interest adjustment date shown on the mortgage form;

i) **"interest calculation period"** means the period or periods for the calculation of interest shown on the mortgage form;

j) **"interest rate"** means the interest rate shown on the mortgage form;

k) **"land"** means all the borrower's present and future interest in the land described in the mortgage form including every incidental right, benefit or privilege attaching to that land or running with it and all buildings and improvements that are now or later constructed on or made to that land;

l) **"lease"** means the leasehold interest, if any, of the borrower referred to in the mortgage form;

m) **"lender"** means the person or persons named in the mortgage form as a lender and includes any person to whom the lender transfers this mortgage;

n) **"lender mailing address"** means the postal address shown on the mortgage form or the most recent postal address provided in a written notice given by the lender to the borrower under these mortgage terms;

o) **"loan payment"** means the amount of each periodic payment shown on the mortgage form;

p) **"maturity date"** means the balance due date shown on the mortgage form and is the date on which all unpaid mortgage money becomes due and payable, or such earlier date on which the lender can lawfully require payment of the mortgage money;

q) **"mortgage form"** means Form B under the Land Title (Transfer Forms) Regulation and all schedules and addenda to Form B;

r) **"mortgage money"** means the principal amount, interest and any other money owed by the borrower under this mortgage, the payment of which is secured by this mortgage;

s) **"payment date"** means each payment date commencing on the first payment date shown on the mortgage form;

t) **"place of payment"** means the place of payment shown on the mortgage form or any other place specified in a written notice given by the lender to the borrower under these mortgage terms;

u) **"principal amount"** means the amount of money shown as the principal amount on the mortgage form as reduced by payments made by the borrower from time to time, or increased by the advance or readvance of money to the borrower by the lender from time to time, and includes all money that is later added to the principal amount under these mortgage terms;

v) **"receiver"** means a receiver or receiver manager appointed by the lender under this mortgage;

w) **"taxes"** means all taxes, rates and assessments of every kind which are payable by any person in connection with this mortgage, the land or its use and occupation, or arising out of any transaction between the borrower and the lender, but does not include the lender's income tax;

x) **"this mortgage"** means the combination of the mortgage form and these mortgage terms.

(2) In this mortgage the singular includes the plural and vice versa.

2 What This Mortgage Does

(1) In return for the lender agreeing to lend the principal amount to the borrower, the borrower grants and mortgages the land to the lender as security for repayment of the mortgage money and for performance of all the borrower's promises and agreements.

(2) If the interest mortgaged is described in the mortgage form as a leasehold interest, the grant in subsection (1) shall be construed as a charge of the unexpired term of the lease less the last month of that term.

(3) This means that

a) this mortgage shall be a charge on the land, and

b) the borrower releases to the lender all the borrower's claim to the land until the borrower has paid the mortgage money to the lender, in accordance with these mortgage terms, and has performed all of the borrower's promises and agreements.

(4) The borrower may continue to remain in possession of the land as long as the borrower performs all of the borrower's promises and agreements.

(5) When the borrower has paid the mortgage money and performed all the borrower's promises and agreements under this mortgage and the lender has no obligation to make any further advances or readvances, the lender will no longer be entitled to enforce any rights under this mortgage and the borrower will be entitled, at the borrower's cost, to receive a discharge of this mortgage. The discharge must be signed by the lender and must be registered by the borrower in the land title office to cancel the registration of this mortgage against the land.

3 Interest

(1) Interest is chargeable on the mortgage money and is payable by the borrower.

(2) Interest is not payable in advance. This means that interest must be earned before it is payable.

(3) Interest on advances or readvances of the principal amount starts on the date and on the amount of each advance or readvance and accrues on the principal amount until the borrower has paid all the mortgage money.

(4) Interest payable on any part of the principal amount advanced before the interest adjustment date is due and payable to the lender on the interest adjustment date.

(5) At the end of each interest calculation period, unpaid accrued interest will be added to the principal amount and bear interest. This is known as compound interest.

4 Payment of the Mortgage Money

The borrower promises to pay the mortgage money to the lender at the place of payment in accordance with the payment provisions set out in the mortgage form and these mortgage terms.

5 Promises of the borrower

(1) The borrower promises

- a) to pay all taxes when they are due and to send to the lender at the place of payment, or at any other place the lender requires, all notices of taxes which the borrower receives,
- b) if the lender requires the borrower to do so, to pay to the lender
  - i) on each payment date the amount of money estimated by the lender to be sufficient to permit the lender to pay the taxes when they are due, and
  - ii) any money in addition to the money already paid towards taxes so that the lender will be able to pay the taxes in full,
- c) to apply for all government grants, assistance and rebates in respect of taxes,
- d) to comply with all terms and conditions of any charge or encumbrance that ranks ahead of this mortgage,
- e) to keep all buildings and improvements which form part of the land in good condition and to repair them as the lender reasonably requires,
- f) to sign any other document that the lender reasonably requires to ensure that payment of the mortgage money is secured by this mortgage or by any other document the borrower has agreed to give as security,
- g) not to do anything that has the effect of reducing the value of the land,
- h) not to tear down any building or part of a building which forms part of the land,

i) not to make any alteration or improvement to any building which forms part of the land without the written consent of the lender,

j) if the borrower has rented the land to a tenant, to keep, if required by the lender, records of all rents received and of all expenses paid by the borrower in connection with the land and, at least annually, have a statement of revenue and expenses for the land prepared by a professional accountant if the lender requires and to give a copy of the statement to the lender if the lender requires the borrower to do so,

k) to insure and keep insured against the risk of fire and other risks and losses that the lender asks the borrower to insure against, with an insurance company licensed to do business in British Columbia, all buildings and improvements on the land to their full insurable value on a replacement cost basis and to pay all insurance premiums when due,

l) to send a copy of each insurance policy and renewal certificate to the lender at the place of payment,

m) to pay all of the lender's costs, including legal fees on a solicitor and client basis, to

  i) prepare and register this mortgage, including all necessary steps to advance and secure the mortgage money and to report to the lender,

  ii) collect the mortgage money,

  iii) enforce the terms of this mortgage, including efforts to compel the borrower to perform the borrower's promises and agreements,

  iv) do anything which the borrower has promised to do but has not done, and

  v) prepare and give the borrower a discharge of this mortgage when the borrower has paid all money due under this mortgage and the borrower wants it to be discharged,

n) if the lender requires the borrower to do so, to

  i) give the lender in each year post-dated cheques for all loan payments due for that year and for taxes, and

  ii) arrange for all loan payments to be made by pre-authorized chequing,

o) to pay any money which, if not paid, would result in a default under any charge or encumbrance having priority over this mortgage or which might result in the sale of the land if not paid, and

p) to pay and cause to be discharged any charges or encumbrances described in subsection (2)(b) which are not prior encumbrances permitted by the lender under this mortgage.

(2) The borrower declares to the lender that

a) the borrower owns the land and has the right to mortgage the land to the lender,

b) the borrower's title to the land is subject only to

i) those charges and encumbrances that are registered in the land title office at the time the borrower signed the mortgage form, and

ii) any unregistered charges and encumbrances that the lender has agreed to in writing, and

c) subject to paragraph (b), the borrower

i) has not given any other charge or encumbrance against the land, and

ii) has no knowledge of any other claim against the land.

(3) The insurance policy or policies required by subsection (1)(k) shall contain a mortgage clause approved by the lender that states that payment of any loss shall be made to the lender at the place of payment or any other place the lender requires and, if this mortgage is not a first mortgage, the amount of any payment made by the insurance company shall be paid to the borrower's lenders in the order of their priorities.

(4) The borrower gives up any statutory right to require the insurance proceeds to be applied in any particular manner.

6 Agreements Between the Borrower and the Lender

(1) The lender will use the money paid to the lender under section 5(1)(b) to pay taxes unless there is a default in which case the lender may apply the money in payment of the mortgage money.

(2) By this mortgage the borrower grants and mortgages any additional or greater interest in the land that the borrower may later acquire.

(3) Any money paid to the lender under this mortgage shall,

a) prior to a default, be applied first in payment of interest, secondly in payment of the principal amount and thirdly in payment of all other money owed by the borrower under this mortgage, and

b) after a default, be applied in any manner the lender chooses.

(4) The lender may at any reasonable time inspect the land and any buildings and improvements which form part of it.

(5) If the lender takes possession of the land the lender will not be responsible for maintaining and preserving the land and need only account to the borrower for any money which the lender actually receives in connection with this mortgage or the land.

(6) The lender may spend money to perform any of the borrower's promises and agreements which the borrower has not performed and any money so spent shall be added to the principal amount, bear interest from the date that the money was so spent, and be immediately due and payable to the lender.

(7) If the borrower wants to give any notice to the lender, the borrower must do so by having it delivered to the lender personally or by sending it by registered or certified mail to the lender mailing address or to any other address later specified in writing by the lender to the borrower.

(8) If the lender wants to give any notice to the borrower, the lender must do so by having it delivered to the borrower personally or by sending it by registered or certified mail to the borrower mailing address or to any other address later specified in writing by the borrower to the lender.

(9) Any notice sent by mail is considered to have been received 5 days after it is mailed.

(10) Any notice to be given by the borrower to the lender or vice versa during a mail strike or disruption must be delivered rather than sent by mail.

(11) The borrower is not released from the borrower's promises and agreements only because the borrower sells the land.

(12) If the borrower has mortgaged anything else to the lender better to secure payment of the mortgage money, the lender may take all lawful proceedings under any of the mortgages in any order that the lender chooses.

(13) The lender does not have to advance or readvance the principal amount or the rest or any further part of the principal amount to the borrower unless the lender wants to even though

a) the borrower has signed this mortgage,

b) this mortgage is registered in the land title office, or

c) the lender has advanced to the borrower part of the principal amount.

(14) The lender may deduct from any advance of the principal amount

a) any taxes that are due,

b) any interest that is due and payable to the date of the advance,

c) the legal fees and disbursements to prepare and register this mortgage including other necessary steps to advance and secure the mortgage money and to report to the lender, and

d) any insurance premium.

(15) The lender's right of consolidation applies to this mortgage and to any other mortgages given by the borrower to the lender. This means that if the borrower has mortgaged other property to the lender the borrower will not have the right, after default, to pay off this mortgage or any mortgage of other property unless the borrower pays the lender all money owed by the borrower under this mortgage and all of the mortgages of other property.

7 Defaults

(1) A default occurs under this mortgage if

a) the borrower breaks any of the borrower's promises and agreements,

b) the borrower breaks any promise or agreement which the borrower has made to the lender in a mortgage of any other land or other property or in any other agreement the borrower has made with the lender even though the borrower may not have broken any of the borrower's promises and agreements,

c) the borrower becomes bankrupt,

d) the land is abandoned or is left unoccupied for 30 or more consecutive days,

e) the land or any part of it is expropriated,

f) the borrower sells or agrees to sell all or any part of the land or if the borrower leases it or any part of it without the prior written consent of the lender,

g) the borrower gives another mortgage of the land to someone other than the lender without the prior written consent of the lender,

h) the borrower does not discharge any judgment registered in the land title office against the land within 30 days after receiving notice of its registration, or

i) the borrower allows any claim of builders lien to remain undischarged on title to the land for more than 30 days unless the borrower

    i) diligently disputes the validity of the claim by taking all necessary legal steps to do so,

    ii) gives reasonable security to the lender to pay the claim in full if it is found to be valid, and

    iii) authorizes the lender to use the security to pay the lien in full.

(2) If a default occurs under this mortgage, it will have the same effect as though a default had occurred under any other mortgage or agreement between the borrower and the lender.

8 Consequences of a Default

(1) If a default occurs, all the mortgage money then owing to the lender will, if the lender chooses, at once become due and payable.

(2) If a default occurs the lender may, in any order that the lender chooses, do any one or more of the following:

a) demand payment of all the mortgage money;

b) sue the borrower for the amount of money due;

c) take proceedings and any other legal steps to compel the borrower to keep the borrower's promises and agreements;

d) enter upon and take possession of the land;

e) sell the land and other property by public auction or private sale, or lease the land on terms decided by the lender

    i) on 30 days notice to the borrower if the default has continued for 30 days, or

    ii) without notice to the borrower if the default has continued for 60 days or more;

f) apply to the court for an order that the land be sold on terms approved by the court;

g) apply to the court to foreclose the borrower's interest in the land so that when the court makes its final order of foreclosure the borrower's interest in the land will be absolutely vested in and belong to the lender;

h) appoint a receiver of the land;

i) enter upon and take possession of the land without the permission of anyone and make any arrangements the lender considers necessary to

    i) inspect, lease, collect rents or manage the land,

    ii) complete the construction of any building on the land, or

    iii) repair any building on the land;

j) take whatever action is necessary to take, recover and keep possession of the land.

(3) Nothing in subsection (2) affects the jurisdiction of the court.

(4) If the lender sells the land by public auction or by private sale the lender will use the amount received from the sale to pay

a) any real estate agent's commission,

b) all adjustments usually made on the sale of land,

c) all of the lender's expenses and costs described in subsection (6), and

d) the mortgage money

and will pay any surplus

e) according to an order of the court if the land is sold by an order of the court, or

f) to the borrower if the land is sold other than by an order of the court.

(5) If the money available to pay the mortgage money after payment of the commission, adjustments and expenses referred to in subsection (4)(a) to (c) is not sufficient to pay all the mortgage money, the borrower will pay to the lender on demand the amount of the deficiency.

(6) The borrower will pay to the lender on demand all expenses and costs incurred by the lender in enforcing this mortgage. These expenses and costs include the lender's cost of taking and keeping possession of the land, the cost of the time and services of the lender or the lender's employees for so doing, the lender's legal fees and disbursements on a solicitor and client basis, unless the court allows legal fees and disbursements be paid on a different basis, and all other costs and expenses incurred

by the lender to protect the lender's interest under this mortgage. These expenses and costs will be added to the principal amount, be payable on demand and bear interest until they are fully paid.

(7) If the lender obtains judgment against the borrower as a result of a default, the remedies described in subsection (2) may continue to be used by the lender to compel the borrower to perform the borrower's promises and agreements. The lender will continue to be entitled to receive interest on the mortgage money until the judgment is paid in full.

(8) If the lender does not exercise any of the lender's rights on the happening of a default or does not ask the borrower to cure it, the lender is not prevented from later compelling the borrower to cure that default or exercising any of those rights in connection with that default or any later default of the same or any other kind.

9 Construction of Buildings or Improvements

(1) The borrower will not construct, alter or add to any buildings or improvements on the land without the prior written consent of the lender, and then only in accordance with accepted construction standards, building codes and municipal or government requirements and plans and specifications approved by the lender.

(2) If this mortgage is intended to finance any construction, alteration or addition, the lender may make advances of the principal amount to the borrower based on the progress of construction. The lender will decide whether or not any advances will be made, the amount of the advances, and when they will be made.

10 Leasehold Mortgage

(1) This section applies if the interest mortgaged shown in the mortgage form is or includes a leasehold interest.

The borrower represents to the lender that

a) the lease is owned by the borrower subject only to those charges and encumbrances that are registered in the land title office at the time the borrower signs the mortgage form,

b) the lease is in good standing,

c) the borrower has complied with all the borrower's promises and agreements contained in the lease,

d) the borrower has paid all rent that is due and payable under the lease,

e) the lease is not in default, and

f) the borrower has the right to mortgage the lease to the lender.

(3) The borrower will

a) comply with the lease and not do anything that would cause the lease to be terminated,

b) immediately give to the lender a copy of any notice or request received from the landlord,

c) immediately notify the lender if the landlord advises the borrower of the landlord's intention to terminate the lease before the term expires, and

d) sign any other document the lender requires to ensure that any greater interest in the land that is acquired by the borrower is charged by this mortgage.

(4) Any default under the lease is a default under this mortgage.

(5) The borrower promises the lender that the borrower will not, without first obtaining the written consent of the lender,

a) surrender or terminate the lease, or

b) agree to change the terms of the lease.

(6) The lender may perform any promise or agreement of the borrower under the lease.

(7) Nothing done by the lender under this section will make the lender a mortgagee in possession.

11 Receiver

(1) The borrower appoints both the lender and any agent of the lender as the borrower's attorney to appoint a receiver of the land.

(2) The lender or the lender's agent may, if any default happens, appoint a receiver of the land and the receiver

a) will be the borrower's agent and the borrower will be solely responsible for the receiver's acts or omissions,

b) has power, either in the borrower's name or in the name of the lender, to demand, recover and receive income from the land and start and carry on any action or court proceeding to collect that income,

c) may give receipts for income which the receiver receives,

d) may carry on any business which the borrower conducted on the land,

e) may lease or sublease the land or any part of it on terms and conditions that the receiver chooses,

f) may complete the construction of or repair any building or improvement on the land,

g) may take possession of all or part of the land,

h) may manage the land and maintain it in good condition,

i) has the power to perform, in whole or in part, the borrower's promises and agreements, and

j) has the power to do anything that, in the receiver's opinion, will maintain and preserve the land or will increase or preserve the value or income potential of the land or the borrower's business on the land.

(3) From income received the receiver may do any of the following in any order the receiver chooses:

a) retain a commission of 5% of the gross income or any higher commission approved by the court;

b) retain enough money to pay or recover the cost to collect the income and to cover other disbursements;

c) pay all taxes and the cost of maintaining the land in good repair, completing the construction of any building or improvement on the land, supplying goods, utilities and services to the land and taking steps to preserve the land from damage by weather, vandalism or any other cause;

d) pay any money that might, if not paid, result in a default under any charge or encumbrance having priority over this mortgage or that might result in the sale of the land if not paid;

e) pay taxes in connection with anything the receiver is entitled to do under this mortgage;

f) pay interest to the lender that is due and payable;

g) pay all or part of the principal amount to the lender whether or not it is due and payable;

h) pay any other money owed by the borrower under this mortgage;

i) pay insurance premiums.

(4) The receiver may borrow money for the purpose of doing anything the receiver is authorized to do.

(5) Any money borrowed by the receiver, and any interest charged on that money and all the costs of borrowing, will be added to and be part of the mortgage money.

(6) A receiver appointed by the lender may be removed by the lender and the lender may appoint another in the receiver's place.

(7) The commission and disbursements of the receiver will be a charge on the land and will bear interest at the interest rate.

(8) Nothing done by the receiver under this section will make the lender a mortgagee in possession.

12 Strata Lot Provisions

(1) This section applies if the land described in the mortgage form is or becomes a strata lot created under the Condominium Act.

(2) The borrower will fulfill all of the borrower's obligations as a strata lot owner under the Condominium Act and the bylaws, rules and regulations of the strata corporation and will pay all money owed by the borrower to the strata corporation.

(3) The borrower gives to the lender the right to vote for the borrower under the bylaws of the strata corporation, but the lender is not required to do so or to attend or vote at any meeting or to protect the borrower's interest.

(4) At the request of the lender, the borrower will give the lender copies of all notices, financial statements and other documents given by the strata corporation to the borrower.

(5) The borrower appoints the lender to be the borrower's agent to inspect or obtain copies of any records or other documents of the strata corporation that the borrower is entitled to inspect or obtain.

(6) If the strata corporation transfers, charges or adds to the common property, or amends its bylaws without the consent of the lender, and if, in the lender's opinion, the value of the land is reduced, the mortgage money shall, at the lender's option, immediately become due and payable to the lender on demand.

(7) Nothing done by the lender under this section will make the lender a mortgagee in possession.

13 Subdivision

(1) If the land is subdivided

a) this mortgage will charge each subdivided lot as security for payment of all the mortgage money, and

b) the lender is not required to discharge this mortgage as a charge on any of the subdivided lots unless all the mortgage money is paid.

(2) Even though the lender is not required to discharge any subdivided lot from this mortgage, the lender may agree to do so in return for payment of all or a part of the mortgage money. If the lender discharges a subdivided lot, this mortgage will continue to charge the subdivided lot or lots that have not been discharged.

14 Current and Running Account

If the mortgage form states that this mortgage secures a current or running account, the lender may, on one or more occasions, advance and readvance all or part of the principal amount and this mortgage

a) will be security for payment of the principal amount as advanced and readvanced and for all other money payable to the lender under this mortgage,

b) will not be considered to have been redeemed only because

i) the advances and readvances made to the borrower have been repaid, or

ii) the accounts of the borrower with the lender cease to be in debit, and

c) remains effective security for further advances and readvances until the borrower has received a discharge of this mortgage.

15 Covenantor's Promises and Agreements

(1) As the lender would not have agreed to lend the principal amount to the borrower without the promises of the covenantor and in consideration of the lender advancing all or part of the principal amount to the borrower at the request of the covenantor, the covenantor promises

a) to pay all the mortgage money when due, and

b) to keep and perform all the borrower's promises and agreements.

(2) The covenantor agrees that, with or without notice, the following shall in no way affect any of the promises of the covenantor or the liability of the covenantor to the lender:

a) a discharge of the land or any part of the land from this mortgage;

b) any disregard or waiver of a default;

c) the giving of extra time to the borrower to

i) do something that the borrower has agreed to do, or

ii) cure a default;

d) any other dealing between the borrower and the lender that concerns this mortgage or the land.

(3) All the covenantor's promises shall be binding on the covenantor until all the mortgage money is fully paid to the lender.

(4) The covenantor is a primary debtor to the same extent as if the covenantor had signed this mortgage as a borrower and is not merely a guarantor or a surety, and the covenantor's promises and agreements are joint and several with the borrower's promises and agreements. This means that the covenantor and the borrower are both liable to perform all the borrower's promises and agreements.

(5) If more than one person signs the mortgage form as covenantor, the promises are both joint and several.

16 General

(1) This mortgage binds the borrower and the covenantor and their successors, executors, administrators and assigns.

(2) Each person who signs this mortgage as a borrower is jointly and severally liable for all of the borrower's promises and agreements as though each such borrower had been the only borrower to sign.

(3) If any part of this mortgage is not enforceable all other parts will remain in effect and be enforceable against the borrower and any covenantor.

This is Exhibit "B" referred to in the Affidavit of HALI STRANDLUND sworn before me at Victoria, BC, this 21 day of September, 2009.

A Commissioner for taking Affidavits within British Columbia

Rafer Strandlund
Commissioner for taking affidavits
for British Columbia
Commission 2009-0397
Expires June 20, 2012
3378 Douglas Street
Victoria BC V8Z 3L3

LAND TITLE ACT
FORM B
(Section 223(1))
Province of
British Columbia
MORTGAGE - PART 1

1. APPLICATION: (Name, address, phone number and signature of applicant, applicant's solicitor or agent)
Kristin R. Marrs, of Herald Street Law (Mtge of Aquatic Lease)
Barrister & Solicitor, 101 - 536 Herald Street,
Victoria, B.C. V8W 1S6 381-1505 File No.1815/KRM Kristin R. Marrs, Solicitor

2. PARCEL IDENTIFIER AND LEGAL DESCRIPTION OF LAND:*

(PID)	*(LEGAL DESCRIPTION)*
No PID	Block A of Lot 653, Cowichan District and Block B of Lot 12 North Saanich District

3. BORROWER(S)(MORTGAGOR(S)): *(Including postal address(es) and postal code(s))**

BOSUN'S HOLDINGS LTD., (Inc. BC0319640), having an address at 2240 Harbour Road, Sidney, BC V8L 3Y3

4. LENDER(S) (MORTGAGEE(S)): *(Including occupation(s), postal address(es) and postal code(s))**

FISGARD CAPITAL CORPORATION, (Reg No. C603095) 3378 Douglas Street, Victoria, BC V8Z 3L3

5. PAYMENT PROVISIONS** Y/M/D

(a) Principal Amount: $2,450,000.00	(b) Interest Rate: 13.00% per annum	(c)	Interest Adjustment Date: 2008/06/15
(d) Interest Calculation Period: Monthly, not in advance	(e) Payment Dates: N/A	(f)	First Payment Date: N/A
(g) Amount of each periodic payment: $27,635.00	(h) **Interest Act (Canada)** Statement: The equivalent rate of interest calculated half-yearly not in advance is 13.35721048% per annum.	(i)	Last Payment Date: N/A
(j) Assignment of Rents which the applicant wants registered? YES___ NO XX If yes, page and paragraph number: SEE SCHEDULE, Page __	(k) Place of Payment: Postal Address in Item 4.	(l)	Balance Due Date: N/A

*If space insufficient, enter "SEE SCHEDULE" and attach schedule in Form E.
**If space in any box insufficient, enter "SEE SCHEDULE" and attach schedule in Form E.

MORTGAGE - PART 1 Page 2

6. MORTGAGE contains floating charge on Land? YES ___ NO xx

7. MORTGAGE secures a current or running account? YES _ NO xx

8. INTEREST MORTGAGED:
   Freehold: __
   Other (specify): XX See Schedule

9. MORTGAGE TERMS:
   Part 2 of this mortgage consists of (select one only):
   (a) Prescribed Standard Mortgage Terms ____
   (b) Filed Standard Mortgage Terms ____(D.F. Number: MT)
   (c) Express Mortgage Terms _XX_ (annexed to this mortgage as Part 2)
   A Selection of (a) or (b) includes any additional or modified terms referred to in item 10 or in a schedule annexed to this mortgage.

10. ADDITIONAL OR MODIFIED TERMS:*
    See Schedule

11. PRIOR ENCUMBRANCES PERMITTED BY LENDER:*
    Nil

12. EXECUTIONS:** This mortgage charges the Borrower's interest in the land mortgaged as security for payment of all money due and performance of all obligations in accordance with the mortgage terms referred to in item 9 and the Borrower and every other signatory agrees to be bound by, and acknowledges receipt of a true copy of, those terms.

Officer's Signature	Execution Date: Y M D	Borrower's Signature:
MARY LYNN BANCROFT *Barrister and Solicitor* Box 168 - 9834 Croft Street Chemainus, BC V0R 1K0 (250) 246-4771	08 / 05 / 28	BOSUN'S HOLDINGS LTD. by its authorized signatories: **Print Name:** Terry Petros **Print Name:** Steve Thorpe-Dribble

(as to both signatures)

OFFICER CERTIFICATION: Your signature constitutes a representation that you are a solicitor, notary public or other person authorized by the **Evidence Act**, R.S.B.C. 1996, c. 124, to take affidavits for use in British Columbia and certifies the matters set out in Part 5 of the **Land Title Act** as they pertain to the execution of this instrument.

*If space insufficient, enter "SEE SCHEDULE" and attach schedule in Form E.

**If space insufficient, continue executions on additional page(s) in Form D.

8. INTEREST MORTGAGED

Leasehold created by Lease numbered 101900 dated the 27th day of September, 1986 made between Her Majesty the Queen in Right of the Province of British Columbia represented by the Minister of Sustainable Resource Management, Lessor, as transferred to Bosun's Holdings Ltd., Lessee, 2240 Harbour Road, Sidney, British Columbia, V8L 3Y3, Lessee, by Certificate dated October 14, 2003 issued under Authority of the Company Act.

10. ADDITIONAL OR MODIFIED TERMS

A. The Mortgagor is the Lessee under that certain Lease numberd 101900 dated the 27th day of September, 1986, covering Block A of Lot 653, Cowichan District and Block B of Lot 12 North Saanich District and made between Her Majesty the Queen in Right of the Province of British Columbia represented by the Minister of Sustainable Resource Management, as Lessor, and Bosun's Holdings Ltd., as Lessee.

B. The Mortgagor has executed in favour of the Mortgagee a mortgage of even date in the principal amount of $2,450,000.00 covering land registered in the Victoria Land Title Office legally described as:

Parcel Identifier 009-231-901 Lot A District Lot 12 and Section 15 Range 3 East North Saanich District Plan 45998

(the "Primary Mortgage")

and has agreed to grant this Mortgage as further collateral security to the obligations contained in the Primary Mortgage.

C. This Mortgage is given for valuable consideration (the receipt and sufficiency of which are hereby acknowledged) as further collateral security for the obligations contained in the Primary Mortgage (and the indebtedness evidenced thereby) in the principal amount of $2,450,000.00 together with interest at the rate of 13.00 percent per annum, calculated and compounded monthly, not in advance, made by the Mortgagor and delivered to the Mortgagee and the terms of the Primary Mortgage shall apply to this document to the extent that they are no amended herein or inconsistent with the terms herein.

D. The Mortgagor further covenants and agrees that any default under the Primary Mortgage shall be a default under this Mortgage.

E. The Mortgagee covenants and agrees that a payment under the Primary Mortgage shall be deemed to be a payment under this Mortgage.

F. There shall be deemed to be a default under this Mortgage if the Mortgagor assigns, pledges or otherwise transfers or disposes of its interest in that certain Lease 101900 without the prior express written consent of the Mortgagee.

END OF DOCUMENT

This is Exhibit "C" referred to in the Affidavit of HALI STRANDLUND sworn before me at Victoria, BC, this 21 day of September, 2009.

A Commissioner for taking Affidavits within British Columbia

Rafer Strandlund
Commissioner for taking affidavits
for British Columbia
Commission 2009-0397
Expires June 20, 2012
3378 Douglas Street
Victoria BC V8Z 3L3

GENERAL SECURITY AGREEMENT

THIS SECURITY AGREEMENT made the 28 day of May, 2008.

FROM:

BOSUN'S HOLDINGS LTD., (Inc. No. BC0319640), 2240 Harbour Road, Sidney, BC V8L 3Y3

(the "Debtor")

TO:

FISGARD CAPITAL CORPORATION (Reg. No. C603095), 3378 Douglas Street, Victoria, BC V8Z 3L3.

(the "Secured Party")

FOR VALUE RECEIVED, the Debtor covenants, agrees, warrants, represents, acknowledges, and confirms to and with the Secured Party and creates and grants the mortgages, charges, transfers, assignments, and security interests as follows:

1A. Security Interest

As security for the payment and performance of the Obligations (as defined in paragraph 3), the Debtor, subject to the exceptions set out in paragraph 2, does:

1.1A Grant to the Secured Party a security interest in, and mortgages, charges, transfers and assigns absolutely, all of the Debtor's present and after acquired personal property, and all personal property in which the Debtor has rights, of whatever nature or kind and wherever situate, including, without limitation, all of the following now owned or in future owned or acquired by or on behalf of the Debtor:

(a) all goods, including:

(i) all inventory of whatever kind and wherever situate, including, without limitation, goods acquired or held for sale or lease or furnished or to be furnished under contracts of rental or service, all raw materials, work in progress, finished goods, returned goods, repossessed goods, and all packaging materials, supplies, and containers relating to or used or consumed in connection with any of the foregoing (collectively the "Inventory");

(ii) all equipment of whatever kind and wherever situate, including, without limitation, all machinery, tools, apparatus, plant, fixtures, furniture, furnishings, chattels, motor vehicles, vessels, and other tangible personal property of whatever nature or kind (collectively the "Equipment");

(b) all book accounts and book debts and generally all accounts, debts, dues, claims, choses in action, and demands of every nature and kind however arising or secured including letters of credit and advices of credit, which are now due, owing, or accruing, or growing due to, or owned by, or which may in future become due, owing, or accruing, or growing due to, or owned by the Debtor (the "Accounts");

(c) all contractual rights, insurance claims, licences, goodwill, patents, trademarks, trade names, copyrights, and other industrial or intellectual property of the Debtor or in which the Debtor has an interest, all other choses in action of the Debtor of every kind which now are, or which may in future be, due or owing to or owned by the Debtor, and all other intangible property of the Debtor which is not Accounts, Chattel Paper, Instruments, Documents of Title, Securities, or Money;

(d) all Money;

(e) all property described in Schedule A to this Agreement, or in any schedule now or at any time in future annexed to this Agreement or agreed to form part of this Agreement;

(f) the undertaking of the Debtor;

(g) all Chattel Paper, Documents of Title (whether negotiable or not), Instruments, Intangibles, and Securities now owned or in future owned or acquired by or on behalf of the Debtor (including those returned to or repossessed by the Debtor) and all other goods of the Debtor that are not Equipment, Inventory, or Accounts;

(h) all proceeds, renewals, and accretions, and substitutions of any of the foregoing; and

(i) all deeds, documents, writings, papers, books of account, and other books and electronically recorded data relating to any of the foregoing or by which any of the foregoing is or may in future be secured, evidenced, acknowledged, or made payable.

1.2A Charge as and by way of a floating charge to and in favour of the Secured Party, and grant to the Secured Party a security interest, mortgage, and charge in and to:

(a) all the Debtor's right, title, and interest in and to all its presently owned or held and after acquired or held real, immovable, and leasehold property and all interests therein, and all easements, rights-of-way, privileges, benefits, licences, improvements, and rights whether connected therewith or appurtenant thereto or separately owned or held, including all structures, plant, and other fixtures (collectively "Real Property"); and

(b) all property, assets, and undertakings of the Debtor, both present and future, of whatever nature or kind and wherever situate, and all Proceeds thereof and therefrom, other than any of its property, assets, and undertakings otherwise validly and effectively subject to the charges and security interests in favour of the Secured Party created under paragraph 1.1A of this Agreement. This charge attaches immediately upon the Debtor acquiring any rights in any of that property.

1.3A Mortgage and charge as and by way of a fixed and specific charge to and in favour of the Secured Party, and assign and transfer to the Secured Party and grant to the Secured Party, by way of mortgage, charge, assignment, and transfer, a security interest in all of the Debtor's right, title, and interest, both present and future, in and to all of its presently owned or held and after acquired or held property which:

(a) is or in future becomes a fixture, or

(b) constitutes a licence, quota, permit or other similar right or benefit, or crops.

1.4A The mortgages, charges, assignments, transfers, and security interests created or granted under paragraphs 1.1A, 1.2A, and 1.3A of this Agreement are collectively called the "Security Interest", and all property, assets, interests, and undertakings (including Proceeds) subject to the Security Interest or otherwise charged or secured by this Agreement or expressed to be charged, assigned or transferred, or secured by any instruments supplemental to this Agreement or in implementation of this Agreement are collectively called the "Collateral".

2. Exceptions and Definitions

The Security Interest granted by this Agreement shall not extend or apply to and the Collateral shall not extend to the last day of the term of any lease or agreement to lease real property, but upon the enforcement of the Security Interest the Debtor shall stand possessed of such last day in trust to assign and dispose thereof as the Secured Party shall direct.

The terms "Chattel Paper", "Document of Title", "Equipment", "Consumer Goods", "Instrument", "Intangible", "Security", "Proceeds", "Inventory", "Accessions", "Money", "financing statement", "financing change statement" and "verification statement" shall, unless otherwise defined in this Agreement or otherwise required by the context, be interpreted according to their respective meanings as set out in the British Columbia *Personal Property Security Act*, as amended.

Any reference in this Agreement to "Collateral" shall, unless the context otherwise requires, be deemed a reference to "Collateral or any part thereof". The Collateral shall not include consumer goods of the Debtor.

The term "Proceeds", whenever used and interpreted as above, shall by way of example include trade-ins, equipment, cash, bank accounts, notes, chattel paper, goods, contract rights, accounts, and any other personal property or obligation received when such collateral or proceeds are sold, exchanged, collected, or otherwise disposed of. The term "licence" means any licence or similar right at any time owned or held by the Debtor including without limitation a "licence" as defined in the Act, and the meaning of the term "crops" whenever used in this Agreement includes but is not limited to "crops" as defined in the Act.

3. Obligations Secured

This Agreement and the Security Interest are in addition to and not in substitution for any other security interest now or in future held by the Secured Party from the Debtor or from any other person and shall be general and continuing security for the payment of all indebtedness and liability of the Debtor to the Secured Party (including interest thereon), present or future, absolute or contingent, joint or several, direct or indirect, matured or not, extended or renewed, wherever and however incurred, and any ultimate balance thereof, including all advances on current or running account and all future advances and re-advances, and whether the same is from time to time reduced and thereafter increased or entirely extinguished and thereafter incurred again, and whether the Debtor be bound alone or with another or others, and whether as principal or surety, and for the performance and satisfaction of all obligations of the Debtor to the Secured Party, whether or not contained in this Agreement, and whether the Debtor be bound alone or with another or others (all of which indebtedness, liability, and obligations are collectively the "Obligations").

4. Prohibitions

Without the prior written consent of the Secured Party, the Debtor shall not and shall not have power to:

(a) grant, create, or permit to be created any security interest in, charge, encumbrance, or lien over, or claim against any of its property, assets, or undertakings that rank or could rank in priority to or pari passu with the Security Interest;

(b) grant, sell, or otherwise assign its Chattel Paper; or

(c) issue or have outstanding at any time any secured or unsecured bonds, debentures, debenture stock, or other evidences of indebtedness of the Debtor or of any predecessor in title of the Debtor issued under a trust deed or other instrument running in favour of a trustee.

5. Attachment

The Debtor acknowledges and confirms that:

(a) there is no intention to delay the time of attachment of the Security Interest created by this Agreement, and the Security Interest shall attach at the earliest time permissible under the laws governing this Agreement;

(b) that value has been given; and

(c) that the Debtor has (or in the case of any after acquired property, will have at the time of acquisition) rights in the Collateral.

6. Representations and Warranties

6.1 The Debtor represents and warrants to the Secured Party that:

(a) if the Debtor is a company or a partnership, this Agreement is granted in accordance with resolutions of the directors (and of the shareholders as applicable) or of the partners, as the case may be, of the Debtor, and that all other matters and things have been done and performed so as to authorize and make the execution and delivery of this Agreement, and the performance of the Debtor's obligations hereunder, legal, valid, and binding;

(b) the Debtor lawfully owns and possesses all presently held Collateral and has good title thereto, free from all security interests, charges, encumbrances, liens, and claims, save only the charges or security interests, if any, shown in any schedule to this Agreement and those consented to in writing by the Secured Party, and the Debtor has good right and lawful authority to grant a security interest in the Collateral as provided by this Agreement;

(c) where the Collateral includes Accounts, Chattel Paper, or Instruments, each is enforceable in accordance with its terms against the party obligated thereunder, and that the Debtor has fully and accurately disclosed to the Secured Party the amount owing thereunder and any other relevant information concerning liability for payment thereunder;

(d) for goods constituting Collateral, the Debtor has in this Agreement or elsewhere fully and accurately disclosed to the Secured Party the locations thereof and of the business operations and records of the Debtor.

7. Covenants of the Debtor

7.1 The Debtor covenants with the Secured Party that at all times while this Agreement remains in effect the Debtor shall:

(a) defend the title to the Collateral for the benefit of the Secured Party against the claims and demands of all persons;

(b) fully and effectually maintain and keep maintained the validity and effectiveness of the Security Interest;

(c) maintain the Collateral in good order and repair;

(d) forthwith pay:

(i) all taxes, assessments, rates, duties, levies, government fees, claims, dues and other charges of every nature that may be lawfully levied, assessed, or imposed upon it or the Collateral when due, unless the Debtor shall in good faith contest its obligations so to pay and shall furnish such security as the Secured Party may require; and

(ii) all security interests, charges, encumbrances, liens and claims that rank or could in any event rank in priority to the Security Interest, other than the charges or security interests, if any, shown in any Schedule to this Agreement and those consented to in writing by the Secured Party;

(e) forthwith reimburse and indemnify the Secured Party for all costs, charges, expenses, and legal fees and disbursements that may be incurred by the Secured Party in:

(i) inspecting the Collateral;

(ii) negotiating, preparing, perfecting, and registering this Agreement or notice of it and other documents, whether or not relating to this Agreement;

(iii) investigating title to the Collateral;

(iv) taking, recovering, keeping possession of, and insuring the Collateral; and

(v) all other actions and proceedings taken in connection with the preservation of the Collateral and the enforcement of this Agreement and of any other Security Interest held by the Secured Party as security for the Obligations;

(f) at the Secured Party's request at any time and from time to time, execute and deliver such further and other documents and instruments and do all acts and things as the Secured Party in its absolute discretion requires in order to confirm and perfect, and maintain perfection of, the Security Interest in favour of the Secured Party upon any of the Collateral;

(g) notify the Secured Party promptly of

(i) any change in the information contained in this Agreement relating to the Debtor, its address, its business, or the Collateral, including without limitation any change of name or address of the Debtor and any change in location of any Collateral;

(ii) the details of any material acquisition of Collateral;

(iii) any material loss or damage to the Collateral;

(iv) any material default by any account debtor in payment or other performance of his or her obligations to the Debtor with respect to any Accounts;

(v) the return to or repossession by the Debtor of the Collateral where such return or repossession of the Collateral is material in relation to the business of the Debtor; and

(vi) the details of any claims or litigation affecting the Debtor or the Collateral;

(h) prevent the Collateral, other than Inventory sold, leased, or otherwise disposed of as permitted by this Agreement, from being or becoming an accession to other property not covered by this Agreement;

(i) permit the Secured Party and its representatives, at all reasonable times, access to all its property, assets, and undertakings and to all its books of account and records for the purpose of inspection, and render all assistance necessary for such inspection; and

(j) deliver to the Secured Party from time to time promptly upon request:

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

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

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

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

(v) any information concerning the Collateral, the Debtor, and the Debtor's business and affairs as the Secured Party may reasonably require;

(k) carry on and conduct the business of the Debtor in a proper and efficient manner and so as to protect and preserve the Collateral and to keep, in accordance with generally accepted accounting principles, consistently applied, proper books of account for the Debtor's business as well as accurate and complete records concerning the Collateral;

(l) observe and perform the additional covenants, if any, set out in any schedule attached to this Agreement.

7.2 The Debtor covenants that at all times while this Agreement remains in effect, without the prior written consent of the Secured Party, it shall not

(a) declare or pay any dividends;

(b) purchase or redeem any of its shares or otherwise reduce its share capital;
(c) become guarantor of any obligation; or

(d) become an endorser of any obligation or otherwise become liable upon any note or other obligation other than bills of exchange deposited to any bank accounts of the Debtor.

7.3 Except as provided in this Agreement, without the prior written consent of the Secured Party, the Debtor shall not

(a) sell, lease, or otherwise dispose of the Collateral;

(b) release, surrender, or abandon possession of the Collateral; or

(c) move or transfer the Collateral from the jurisdiction or jurisdictions in which the Security Interest has been perfected.

7.4 Provided that the Debtor is not in default under this Agreement, at any time without the consent of the Secured Party the Debtor may lease, sell, license, consign, or otherwise deal with items of Inventory in the ordinary course of its business and for the purposes of carrying on its business.

7.5 The Debtor covenants that to the extent that any monies, credit, or other consideration provided by the Secured Party has enabled the Debtor to purchase or acquire rights in any personal property or assets, the Security Interest is and shall remain a purchase money security interest.

8. Insurance

8.1 The Debtor covenants that at all times while this Agreement is in effect the Debtor shall:

(a) maintain or cause to be maintained insurance on the Collateral with an insurer, of kinds, for amounts and payable to such person or persons, all as the Secured Party may require, and in particular but without limitation maintain insurance on the Collateral to its full insurable value against loss or damage by fire including extended coverage endorsement, and in the case of motor vehicles and other mobile Collateral, maintain insurance against theft;

(b) cause the insurance policy or policies required under this Agreement to be assigned to the Secured Party and have as part thereof a standard mortgage clause or a mortgage endorsement, as appropriate; and

(c) pay all premiums in connection with such insurance, and deliver all such policies to the Secured Party, if it so requires.

8.2 If proceeds of any insurance required under this Agreement become payable, the Secured Party may, in its absolute discretion, apply those proceeds to such part or parts of the Obligations as the Secured Party may see fit, or the Secured Party may release any such insurance proceeds to the Debtor for the purpose of repairing, replacing, or rebuilding, but any release of insurance proceeds to the Debtor shall not operate as a payment on account of the Obligations or in any way affect this Agreement.

8.3 The Debtor shall forthwith, on the happening of loss or damage to the Collateral, notify the Secured Party thereof and furnish to the Secured Party at the Debtor's expense any necessary proof and do any necessary act to enable the Secured Party to obtain payment of the insurance proceeds, but nothing contained in this Agreement shall limit the Secured Party's right to submit to the insurer a proof of loss on its own behalf.

8.4 The Debtor irrevocably authorizes and directs the insurer under any policy of insurance required under this Agreement to include the name of the Secured Party as a loss payee on any cheque or draft that may be issued with respect to a claim under and by virtue of such insurance, and the production by the Secured Party to any insurer of a certified copy of this Agreement shall be its full and complete authority for so doing.

8.5 If the Debtor fails to maintain insurance as required by this Agreement, the Secured Party may, but shall not be obliged to, maintain or effect such insurance coverage, or so much thereof as the Secured Party considers necessary for its protection.

9. Use and Verification of Collateral

Subject to compliance with the Debtor's covenants contained in this Agreement and compliance with paragraph 11 of this Agreement, the Debtor may, until default, possess, operate, collect, use and enjoy, and deal with the Collateral in the ordinary course of the Debtor's business in any manner not inconsistent with the provisions of this Agreement; provided always that the Secured Party shall have the right at any time and from time to time to verify the existence and state of the Collateral in any manner the Secured Party may consider appropriate. The Debtor agrees to furnish all assistance and information and to perform all such acts as the Secured Party may reasonably request in connection therewith, and for such purpose to grant to the Secured Party or its agents access to all places where the Collateral may be located and to all premises occupied by the Debtor.

10. Securities

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

11. Collection of Debts

Before or after default under this Agreement, without notice to the Debtor, the Secured Party may notify all or any account debtors of the Debtor of the Security Interest and may also direct such account debtors to make all payments on Collateral to the Secured Party. The

Debtor acknowledges that any payments on or other proceeds of Collateral received by the Debtor from account debtors, whether before or after notification of this Security Interest to account debtors, and whether before or after default under this Agreement, shall be received and held by the Debtor in trust for the Secured Party and shall be turned over to the Secured Party upon request. This includes interest on deferred payment contracts, and the payments themselves, and lease payments, if any.

12. Income from and Interest on Collateral

12.1 Until default, the Debtor reserves the right to receive any money constituting income from or interest on Collateral and if the Secured Party receives any such money before default, the Secured Party shall either credit that money against the Obligations or pay it promptly to the Debtor.

12.2 After default, the Debtor shall not request or receive any money constituting income from or interest on Collateral and if the Debtor receives any such money in any event, the Debtor shall hold that money in trust for the Secured Party and shall pay it promptly to the Secured Party.

13. Increases, Profits, Payments, or Distributions

13.1 Whether or not default has occurred, the Debtor authorizes the Secured Party

(a) to receive any increase in or profits on the Collateral (other than money) and to hold the same as part of the Collateral. Money so received shall be treated as income for the purposes of paragraph 12 of this Agreement and dealt with accordingly, and

(b) to receive any payment or distribution upon redemption or retirement or upon dissolution and liquidation of the issuer of Collateral; to surrender such Collateral in exchange therefor; and to hold any such payment or distribution as part of Collateral.

13.2 If the Debtor receives any such increase or profits (other than money) or payments or distributions, the Debtor shall deliver the same promptly to the Secured Party to be held by the Secured Party as provided in this Agreement.

14. Disposition of Monies

Subject to any applicable requirements of the Act, all monies collected or received by the Secured Party under or in exercise of any right it possesses with respect to Collateral shall be applied on account of the Obligations in such manner as the Secured Party deems best or, at the option of the Secured Party, may be held unappropriated in a collateral account or released to the Debtor, all without prejudice to the liability of the Debtor or the rights of the Secured Party under this Agreement, and any surplus shall be accounted for as required by law.

15. Performance of Obligations

If the Debtor fails to perform any of its obligations under this Agreement, the Secured Party may, but shall not be obliged to, perform any or all of those obligations without prejudice to any other rights and remedies of the Secured Party under this Agreement, and any payments made and any costs, charges, expenses, and legal fees and disbursements (on a solicitor and own client basis) incurred in connection therewith shall be payable by the Debtor to the Secured Party forthwith with interest until paid at the highest rate borne by any of the Obligations and such amounts shall be secured by this Agreement and rank prior to all claims subsequent to this Agreement.

16. Default

16.1 Unless waived by the Secured Party, it shall be an event of default ("default") under this Agreement and the security constituted by this Agreement shall immediately become enforceable if:

(a) any term, covenant, or representation of this Agreement is breached or if default occurs under the Mortgage, if any; or

(b) any amount owed to the Secured Party is not paid when due; or

(c) the Debtor defaults or threatens to default in payment when due or performance of any of the Obligations; or

(d) the Debtor or any guarantor of the Debtor declares itself to be insolvent, makes an assignment for the benefit of its creditors, is declared bankrupt, declares bankruptcy, makes a proposal, or otherwise takes advantage of provisions under the *Bankruptcy and Insolvency Act*, the *Companies Creditors' Arrangement Act*, or similar legislation in any jurisdiction, or fails to pay its debts generally as they become due; or

(e) a receiver or receiver-manager is appointed; or

(f) the Debtor ceases to carry on all or a substantial part of its business; or

(g) distress, execution, or seizure of any of the Collateral occurs; or

(h) if the Debtor is a corporation, there is a change of voting control without the Secured Party's consent; or

(i) the Debtor changes its name or amalgamates or merges without the Secured Party's consent; or

(j) the Debtor allows any hazardous materials to be brought upon any lands or premises occupied by the Debtor; or

(k) the Secured Party in good faith believes and has commercially reasonable grounds to believe that the prospect of payment or performance of the Obligations is impaired or that any of the Collateral is or is about to be placed in jeopardy.

16.2 In accordance with the British Columbia *Property Law Act*, the doctrine of consolidation applies to this Agreement.

16.3 It shall be an event of default under this Agreement and the security constituted by this Agreement shall immediately become enforceable if any term, covenant, or representation in any other agreement, contract, or other commitment of the Debtor to the Secured Party is breached or if default should occur under the same.

17. Acceleration

The Secured Party, in its sole discretion, may declare all or any part of the Obligations that are not by their terms payable on demand to be immediately due and payable in the event of any default, or, in the absence of default, if the Secured Party considers or deems itself insecure or that the Collateral is in jeopardy. The provisions of this paragraph do not and are not intended to affect in any way any rights of the Secured Party with respect to any Obligations that may now or in future be payable on demand.

18. Enforcement

18.1 Upon any default under this Agreement, the security constituted by this Agreement shall immediately become enforceable, and any floating charge will immediately attach the Real Property and Collateral. To enforce and realize on the security constituted by this Agreement, the Secured Party may take any action permitted by law or in equity, as it may deem expedient, and in particular, but without limiting the generality of the foregoing, the Secured Party may do any of the following:

(a) appoint by instrument a receiver, receiver and manager, or receiver-manager (the person so appointed is called the "Receiver") of the Collateral, with or without bond as the Secured Party may determine, and from time to time in its absolute discretion remove such Receiver and appoint another in its stead;

(b) enter upon any premises of the Debtor and take possession of the Collateral with power to exclude the Debtor, its agents, and its servants from those premises, without becoming liable as a mortgagee in possession;

(c) preserve, protect, and maintain the Collateral and make such replacements and repairs and additions as the Secured Party may deem advisable;

(d) sell, lease, or otherwise dispose of all or any part of the Collateral, whether by public or private sale or lease or otherwise, in such manner, at such price as can be reasonably obtained, and on such terms as to credit and with such conditions of sale and stipulations as to title or conveyance or evidence of title or otherwise as to the Secured Party may seem reasonable, provided that if any sale, lease, or other disposition is on credit, the Debtor shall not be entitled to be credited with the proceeds of any such sale, lease, or other disposition until the monies therefor are actually received; and

(e) exercise all of the rights and remedies of a secured party under the Act.

18.2 A Receiver appointed under this Agreement shall be the agent of the Debtor and not of the Secured Party, and the Secured Party shall not be in any way responsible for any misconduct, negligence or nonfeasance on the part of any Receiver, its servants, agents, or employees. A Receiver shall, to the extent permitted by law or to such lesser extent permitted by its appointment, have all the powers of the Secured Party under this Agreement, and in addition shall have power to carry on the business of the Debtor and for such purpose to enter upon, use, and occupy all premises owned or occupied by the Debtor in which Collateral may be situate, maintain Collateral upon such premises, use, Collateral directly or indirectly in carrying on the Debtor's business, and from time to time borrow money either unsecured or secured by a security interest in any of the Collateral.

18.3 Subject to the claims, if any, of the creditors of the Debtor ranking in priority to this Agreement, all amounts realized from the disposition of Collateral under this Agreement shall be applied as the Secured Party, in its absolute discretion, may direct or as follows:

(a) in payment of all costs, charges, and expenses (including legal fees and disbursements on a solicitor and own client basis) incurred by the Secured Party in connection with or incidental to

(i) the exercise by the Secured Party of all or any of the powers granted to it under this Agreement; and

(ii) the appointment of the Receiver and the exercise by the Receiver of all or any of the powers granted to it under this Agreement, including the Receiver's reasonable remuneration and all outgoings properly payable by the Receiver excluding the Receiver's borrowings;

(b) in payment of any sum or sums borrowed by the Receiver from the Secured Party and interest thereon if such sum or sums are secured by the Collateral;

(c) in or toward payment to the Secured Party of all principal and other monies (except interest) due in respect of the Obligations;

(d) in or toward payment to the Secured Party of all interest remaining unpaid in respect of the Obligations;

(e) in or toward payment of any sum or sums borrowed by the Receiver from any financial institution, corporation, or person other than the Secured Party, and interest thereon if such sum or sums are secured by the Collateral.

Subject to applicable law and the claims, if any, of other creditors of the Debtor, any surplus shall be paid to the Debtor.

18.4 The Debtor agrees that the Secured Party may exercise its rights and remedies under this Agreement immediately upon default, except as may be otherwise provided in the Act, and the Debtor expressly confirms that, except as may be otherwise provided in this Agreement or in the Act, the Secured Party has not given any covenant, express or implied, and is under no obligation to allow the Debtor any period of time to remedy any default before the Secured Party exercises its rights and remedies under this Agreement.

19. Deficiency

If the amounts realized from the disposition of the Collateral are not sufficient to pay the Obligations in full, the Debtor shall pay to the Secured Party the amount of such deficiency immediately upon demand for the same.

20. Rights Cumulative

All rights and remedies of the Secured Party set out in this Agreement are cumulative, and no right or remedy contained in this Agreement is intended to be exclusive but each shall be in addition to every other right or remedy contained in this Agreement or in any existing or future security agreement or now or in future existing at law, in equity or by statute, or under any other agreement between the Debtor and the Secured Party that may be in effect from time to time.

21. Liability of Secured Party

The Secured Party shall not be responsible or liable for any debts contracted by it, for damages to persons or property or for salaries or non-fulfillment of contracts during any period when the Secured Party shall manage the Collateral upon entry, as provided in this Agreement, nor shall the Secured Party be liable to account as mortgagee in possession or for anything except actual receipts or be liable for any loss on realization or for any default or omission for which a mortgagee in possession may be liable. The Secured Party shall not be bound to do, observe, or perform or to see to the observance or performance by the Debtor of any obligations or covenants imposed upon the Debtor, nor shall the Secured Party, in the case of Securities, Instruments, or Chattel Paper, be obliged to preserve rights against other persons, nor shall the Secured Party be obliged to keep any of the Collateral identifiable. The Debtor waives any applicable provision of law permitted to be waived by it which imposes higher or greater obligations upon the Secured Party than as contained in this paragraph.

22. Appointment of Attorney and Deed

22.1 The Debtor irrevocably appoints the Secured Party or the Receiver, as the case may be, with full power of substitution, to be the attorney of the Debtor for and in the name of the Debtor to sign, endorse, or execute under seal or otherwise any deeds, documents, transfers, cheques, instruments, demands, assignments, assurances, or consents that the Debtor is obliged to sign, endorse, or execute, and generally to use the name of the Debtor and to do all things as may be necessary or incidental to the exercise of all or any of the powers conferred on the Secured Party or the Receiver, as the case may be, under this Agreement.

22.2 Whether or not the Debtor attaches its corporate seal, if a corporation, this Agreement is intended to be and is deemed to be a deed given under seal.

23. Accounts

Notwithstanding any other provision of this Agreement, the Secured Party may collect, realize, sell, or otherwise deal with the Accounts or any part of them in such manner, upon such terms and conditions, and at such time or times, whether before or after default, as may seem to it advisable, and without notice to the Debtor, except in the case of disposition after default and then subject to the provisions of Part 5 of the Act. All monies or other forms of payment received by the Debtor in payment of any Account shall be received and held by the Debtor in trust for the Secured Party.

24. Appropriation of Payments

Any and all payments made in respect of the Obligations from time to time and monies realized from any security interests held therefor (including monies collected in accordance with or realized on any enforcement of this Agreement) may be applied to such part or parts of the Obligations as the Secured Party may see fit, and the Secured Party may at all times and from time to time change any appropriation as the Secured Party may see fit.

25. Liability to Advance

None of the preparation, execution, perfection, and registration of this Agreement or notice of this Agreement or the advance of any monies shall bind the Secured Party to make any advance or loan or further advance or loan, or renew any note or extend any time for payment of any indebtedness or liability of the Debtor to the Secured Party.

26. Waiver

The Secured Party may from time to time and at any time waive in whole or in part any right, benefit, or default under any paragraph of this Agreement but any such waiver of any right, benefit, or default on any occasion shall be deemed not to be a waiver of any such right, benefit, or default thereafter, or of any other right, benefit or default, as the case may be, and no delay or omission by the Secured Party in exercising any right or remedy under this Agreement or with respect to any default shall operate as a waiver thereof or of any other right or remedy.

27. Notice

Any notice, demand, or other communication required or permitted to be given under this Agreement shall be effectually made or given if delivered by prepaid private courier or by facsimile transmission to the address of each party set out below:

To the Debtor:	c/o Box 168 9834 Croft Street Chemainus, BC V0R 1K0 Attn: Mary Lynn Bancroft
To the Secured Party:	c/o 3378 Douglas Street, Victoria, BC V8Z 3L3 Attn: Hali Strandlund

or to such other address or facsimile number as either party may designate in the manner set out above. Any notice, demand, or other communication shall be deemed to have been given and received on the day of prepaid private courier delivery or facsimile transmission.

28. Extensions

The Secured Party may grant extensions of time and other indulgences, take and give up security, accept compositions, compound, compromise, settle, grant releases and discharges, refrain from perfecting or maintaining perfection of the Security Interest, and otherwise deal with the Debtor, account debtors of the Debtor, sureties, and others and with the Collateral, the Security Interest, and other security interests as the Secured Party sees fit without prejudice to the liability of the Debtor or the Secured Party's right to hold and realize on the security constituted by this Agreement.

29. No Merger

This Agreement shall not operate to create any merger or discharge of any of the Obligations, or of any assignment, transfer, guarantee, lien, mortgage, contract, promissory note, bill of exchange, or security interest of any form held or which may in future be held by the Secured Party from the Debtor or from any other person. The taking of a judgment with respect to any of the Obligations shall not operate as a merger of any of the covenants contained in this Agreement.

30. Assignment

The Secured Party may, without further notice to the Debtor, at any time assign, transfer, or grant a security interest in this Agreement and the Security Interest. The Debtor expressly agrees that the assignee, transferee, or secured party, as the case may be, shall have all of the Secured Party's rights and remedies under this Agreement, and the Debtor shall not assert any defence, counterclaim, right of setoff, or otherwise with respect to any claim that the Debtor now has or in future acquires against the Secured Party in any action commenced by such assignee, transferee, or secured party, as the case may be, and shall pay the Obligations to the assignee, transferee, or secured party, as the case may be, as the Obligations become due.

31. Satisfaction and Discharge

Any partial payment or satisfaction of the Obligations, or any ceasing by the Debtor to be indebted to the Secured Party, shall be deemed not to be a redemption or discharge of this Agreement. The Debtor shall be entitled to a release and discharge of this Agreement upon full payment and satisfaction of all Obligations and upon written request by the Debtor and payment to the Secured Party of all costs, charges, expenses, and legal fees and disbursements (on a solicitor and own client basis) incurred by the Secured Party in connection with the Obligations and such release and discharge.

32. Enurement

This Agreement shall enure to the benefit of and be binding upon the parties and their respective heirs, executors, personal representatives, successors, and permitted assigns.

33. Interpretation

33.1 In this Agreement:

(a) "Debtor" and the personal pronoun "it" or "its" and any verb relating thereto and used therewith shall be read and construed as required by and in accordance with the context in which such words are used, depending upon whether the Debtor is one or more individuals, corporations, or partnerships and, if more than one, shall apply to and be binding upon each of them jointly and severally;

(b) "Act" means the British Columbia *Personal Property Security Act* and all regulations thereunder as amended;

33.2 Words and expressions used in this Agreement that have been defined in the Act shall be interpreted in accordance with their respective meanings given in the Act, whether expressed in this Agreement with or without initial capital letters and whether in the singular or the plural, unless otherwise defined in this Agreement or unless the context otherwise requires, and, wherever the context so requires, in this Agreement the singular shall be read as if the plural were expressed, and vice-versa, and the provisions of this Agreement shall be read with all grammatical changes necessary dependent upon the person referred to being a male, female, firm, or corporation.

33.3 Should any provision of this Agreement be declared or held invalid or unenforceable in whole or in part or against or with respect to the Debtor by a court of competent jurisdiction, such invalidity or unenforceability shall not affect the validity or enforceability of any or all of the remaining provisions of this Agreement, which shall continue in full force and effect and be construed as if this Agreement had been executed without the invalid or unenforceable provision.

33.4 The headings of the paragraphs of this Agreement have been inserted for reference only and do not define, limit, alter, or enlarge the meaning of any provision of this

Agreement.

33.5 This Agreement shall be governed by the laws of British Columbia.

34. Miscellaneous

34.1 The Debtor authorizes the Secured Party to file such financing statements, financing change statements, and other documents, and do such acts, matters, and things as the Secured Party may deem appropriate, to perfect on an ongoing basis and continue the Security Interest, to protect and preserve the Collateral, and to realize upon the Security Interest.

34.2 The Debtor waives protest of any Instrument constituting Collateral at any time held by the Secured Party on which the Debtor is any way liable and, subject to the provisions of the Act, notice of any other action taken by the Secured Party.

34.3 The Debtor covenants that it shall not amalgamate with any other company or entity without first obtaining the written consent of the Secured Party. The Debtor acknowledges and agrees that if it amalgamates with any other company or companies, then it is the intention of the parties that the term "Debtor" when used in this Agreement shall apply to each of the amalgamating companies and to the amalgamated company, so that the Security Interest granted by this Agreement:

(a) shall extend to "Collateral" (as that term is defined in this Agreement) owned by each of the amalgamating companies and the amalgamated company at the time of amalgamation and to any "Collateral" owned or acquired by the amalgamated company thereafter, and

(b) shall secure the "Obligations" (as that term is defined in this Agreement) of each of the amalgamating companies and the amalgamated company to the Secured Party at the time of amalgamation and any "Obligations" of the amalgamated company to the Secured Party arising thereafter. The Security Interest shall attach to "Collateral" owned by each company amalgamating with the Debtor, and by the amalgamated company, at the time of amalgamation, and shall attach to any "Collateral" thereafter owned or acquired by the amalgamated company when that Collateral becomes owned or is acquired.

34.4 The Debtor authorizes the Secured Party to provide a copy of this Agreement and such other information and documents specified under the Act to any person entitled under the Act to demand and receive them.

35. Copy of Agreement and Financing Statement

The Debtor

(a) acknowledges receiving a copy of this Agreement, and

(b) waives all rights to receive from the Secured Party a copy of any financing statement, financing change statement, or verification statement filed, issued, or obtained at any time in respect of this Agreement.

IN WITNESS WHEREOF the Debtor has executed this Agreement on the date indicated below.

Officer Certification

(as to all signatures)

MARY LYNN BANCROFT
Barrister and Solicitor
Box 168 - 9834 Croft Street
Chemainus, BC V0R 1K0
(250) 246-4771

Execution Date

Y	M	D
08	05	28

BOSUN'S HOLDINGS LTD.
by its authorized signatories:

Signature

Print Name: Terry Petras

Signature

Print Name: Steve Thorpe-Dabble.

SCHEDULE "A"

All of the Debtor's right, title and interest in and to all of the present and after acquired property, assets and undertaking of the Debtor which is now or at any time hereafter situate on the lands and premises legally known as:

PID	Legal Description:
Parcel Identifier 009-231-901	Lot A DL 12 and Section 15 Range 3 East North Saanich District Plan 45998

(the "Lands") or is now or at any time hereafter acquired by the Debtor for or in connection with the construction, sale, leasing or operation of the Lands and all buildings thereon, including, without limitation, all tools, apparatus, fixtures, plant, machinery, furniture, chattels, appliances, mechanical, electrical, plumbing, communications and data systems, appurtenances, equipment and apparatus, fixtures, doors, windows, demising walls and partitions and all present and future proceeds thereof and therefrom including goods, securities, instruments, documents of title, chattel paper, intangibles and money.

END OF DOCUMENT

This is Exhibit "D" referred to in the Affidavit of HALI STRANDLUND sworn before me at Victoria, BC, this 21 day of September, 2009.

A Commissioner for taking Affidavits within British Columbia

Rafer Strandlund
Commissioner for taking affidavits
for British Columbia
Commission 2009-0397
Expires June 20, 2012
3378 Douglas Street
Victoria BC V8Z 3L3

General Security Agreement

THIS SECURITY AGREEMENT made the 28 day of May, 2008.

FROM:

675816 B.C. LTD., (Inc. No. BC0675816), 2240 Harbour Road, Sidney, British Columbia V8L 3Y3

(the "Debtor")

TO:

FISGARD CAPITAL CORPORATION (Reg. No. C603095), 3378 Douglas Street, Victoria, British Columbia V8Z 3L3.

(the "Secured Party")

FOR VALUE RECEIVED, the Debtor covenants, agrees, warrants, represents, acknowledges, and confirms to and with the Secured Party and creates and grants the mortgages, charges, transfers, assignments, and security interests as follows:

1A. Security Interest

As security for the payment and performance of the Obligations (as defined in paragraph 3), the Debtor, subject to the exceptions set out in paragraph 2, does:

1.1A Grant to the Secured Party a security interest in, and mortgages, charges, transfers and assigns absolutely, all of the Debtor's present and after acquired personal property, and all personal property in which the Debtor has rights, of whatever nature or kind and wherever situate, including, without limitation, all of the following now owned or in future owned or acquired by or on behalf of the Debtor:

(a) all goods, including:

(i) all inventory of whatever kind and wherever situate, including, without limitation, goods acquired or held for sale or lease or furnished or to be furnished under contracts of rental or service, all raw materials, work in progress, finished goods, returned goods, repossessed goods, and all packaging materials, supplies, and containers relating to or used or consumed in connection with any of the foregoing (collectively the "Inventory");

(ii) all equipment of whatever kind and wherever situate, including, without limitation, all machinery, tools, apparatus, plant, fixtures, furniture, furnishings, chattels, motor vehicles, vessels, and other tangible personal property of whatever nature or kind (collectively the "Equipment");

(b) all book accounts and book debts and generally all accounts, debts, dues, claims, choses in action, and demands of every nature and kind however arising or secured including letters of credit and advices of credit, which are now due, owing, or accruing, or growing due to, or owned by, or which may in future become due, owing, or accruing, or growing due to, or owned by the Debtor (the "Accounts");

(c) all contractual rights, insurance claims, licences, goodwill, patents, trademarks, trade names, copyrights, and other industrial or intellectual property of the Debtor or in which the Debtor has an interest, all other choses in action of the Debtor of every kind which now are, or which may in future be, due or owing to or owned by the Debtor, and all other intangible property of the Debtor which is not Accounts, Chattel Paper, Instruments, Documents of Title, Securities, or Money;

(d) all Money;

(e) all property described in Schedule A to this Agreement, or in any schedule now or at any time in future annexed to this Agreement or agreed to form part of this Agreement;

(f) the undertaking of the Debtor;

(g) all Chattel Paper, Documents of Title (whether negotiable or not), Instruments, Intangibles, and Securities now owned or in future owned or acquired by or on behalf of the Debtor (including those returned to or repossessed by the Debtor) and all other goods of the Debtor that are not Equipment, Inventory, or Accounts;

(h) all proceeds, renewals, and accretions, and substitutions of any of the foregoing; and

(i) all deeds, documents, writings, papers, books of account, and other books and electronically recorded data relating to any of the foregoing or by which any of the foregoing is or may in future be secured, evidenced, acknowledged, or made payable.

1.2A Charge as and by way of a floating charge to and in favour of the Secured Party, and grant to the Secured Party a security interest, mortgage, and charge in and to:

(a) all the Debtor's right, title, and interest in and to all its presently owned or held and after acquired or held real, immovable, and leasehold property and all interests therein, and all easements, rights-of-way, privileges, benefits, licences, improvements, and rights whether connected therewith or appurtenant thereto or separately owned or held, including all structures, plant, and other fixtures (collectively "Real Property"); and

(b) all property, assets, and undertakings of the Debtor, both present and future, of whatever nature or kind and wherever situate, and all Proceeds thereof and therefrom, other than any of its property, assets, and undertakings otherwise validly and effectively subject to the charges and security interests in favour of the Secured Party created under paragraph 1.1A of this Agreement. This charge attaches immediately upon the Debtor acquiring any rights in any of that property.

1.3A Mortgage and charge as and by way of a fixed and specific charge to and in favour of the Secured Party, and assign and transfer to the Secured Party and grant to the Secured Party, by way of mortgage, charge, assignment, and transfer, a security interest in all of the Debtor's right, title, and interest, both present and future, in and to all of its presently owned or held and after acquired or held property which:

(a) is or in future becomes a fixture, or

(b) constitutes a licence, quota, permit or other similar right or benefit, or crops.

1.4A The mortgages, charges, assignments, transfers, and security interests created or granted under paragraphs 1.1A, 1.2A, and 1.3A of this Agreement are collectively called the "Security Interest", and all property, assets, interests, and undertakings (including Proceeds) subject to the Security Interest or otherwise charged or secured by this Agreement or expressed to be charged, assigned or transferred, or secured by any instruments supplemental to this Agreement or in implementation of this Agreement are collectively called the "Collateral".

2. Exceptions and Definitions

The Security Interest granted by this Agreement shall not extend or apply to and the Collateral shall not extend to the last day of the term of any lease or agreement to lease real property, but upon the enforcement of the Security Interest the Debtor shall stand possessed of such last day in trust to assign and dispose thereof as the Secured Party shall direct.

The terms "Chattel Paper", "Document of Title", "Equipment", "Consumer Goods", "Instrument", "Intangible", "Security", "Proceeds", "Inventory", "Accessions", "Money", "financing statement", "financing change statement" and "verification statement" shall, unless otherwise defined in this Agreement or otherwise required by the context, be interpreted according to their respective meanings as set out in the British Columbia *Personal Property Security Act*, as amended.

Any reference in this Agreement to "Collateral" shall, unless the context otherwise requires, be deemed a reference to "Collateral or any part thereof". The Collateral shall not include consumer goods of the Debtor.

The term "Proceeds", whenever used and interpreted as above, shall by way of example include trade-ins, equipment, cash, bank accounts, notes, chattel paper, goods, contract rights, accounts, and any other personal property or obligation received when such collateral or proceeds are sold, exchanged, collected, or otherwise disposed of. The term "licence" means any licence or similar right at any time owned or held by the Debtor including without limitation a "licence" as defined in the Act, and the meaning of the term "crops" whenever used in this Agreement includes but is not limited to "crops" as defined in the Act.

3. Obligations Secured

This Agreement and the Security Interest are in addition to and not in substitution for any other security interest now or in future held by the Secured Party from the Debtor or from any other person and shall be general and continuing security for the payment of all indebtedness and liability of the Debtor to the Secured Party (including interest thereon), present or future, absolute or contingent, joint or several, direct or indirect, matured or not, extended or renewed, wherever and however incurred, and any ultimate balance thereof, including all advances on current or running account and all future advances and re-advances, and whether the same is from time to time reduced and thereafter increased or entirely extinguished and thereafter incurred again, and whether the Debtor be bound alone or with another or others, and whether as principal or surety, and for the performance and satisfaction of all obligations of the Debtor to the Secured Party, whether or not contained in this Agreement, and whether the Debtor be bound alone or with another or others (all of which indebtedness, liability, and obligations are collectively the "Obligations").

4. Prohibitions

Without the prior written consent of the Secured Party, the Debtor shall not and shall not have power to:

(a) grant, create, or permit to be created any security interest in, charge, encumbrance, or lien over, or claim against any of its property, assets, or undertakings that rank or could rank in priority to or pari passu with the Security Interest;

(b) grant, sell, or otherwise assign its Chattel Paper; or

(c) issue or have outstanding at any time any secured or unsecured bonds, debentures, debenture stock, or other evidences of indebtedness of the Debtor or of any predecessor in title of the Debtor issued under a trust deed or other instrument running in favour of a trustee.

5. Attachment

The Debtor acknowledges and confirms that:

(a) there is no intention to delay the time of attachment of the Security Interest created by this Agreement, and the Security Interest shall attach at the earliest time permissible under the laws governing this Agreement;
(b) that value has been given; and
(c) that the Debtor has (or in the case of any after acquired property, will have at the time of acquisition) rights in the Collateral.

6. Representations and Warranties

6.1 The Debtor represents and warrants to the Secured Party that:

(a) if the Debtor is a company or a partnership, this Agreement is granted in accordance with resolutions of the directors (and of the shareholders as applicable) or of the partners, as the case may be, of the Debtor, and that all other matters and things have been done and performed so as to authorize and make the execution and delivery of this Agreement, and the performance of the Debtor's obligations hereunder, legal, valid, and binding;

(b) the Debtor lawfully owns and possesses all presently held Collateral and has good title thereto, free from all security interests, charges, encumbrances, liens, and claims, save only the charges or security interests, if any, shown in any schedule to this Agreement and those consented to in writing by the Secured Party, and the Debtor has good right and lawful authority to grant a security interest in the Collateral as provided by this Agreement;

(c) where the Collateral includes Accounts, Chattel Paper, or Instruments, each is enforceable in accordance with its terms against the party obligated thereunder, and that the Debtor has fully and accurately disclosed to the Secured Party the amount owing thereunder and any other relevant information concerning liability for payment thereunder;

(d) for goods constituting Collateral, the Debtor has in this Agreement or elsewhere fully and accurately disclosed to the Secured Party the locations thereof and of the business operations and records of the Debtor.

7. Covenants of the Debtor

7.1 The Debtor covenants with the Secured Party that at all times while this Agreement remains in effect the Debtor shall:

(a) defend the title to the Collateral for the benefit of the Secured Party against the claims and demands of all persons;

(b) fully and effectually maintain and keep maintained the validity and effectiveness of the Security Interest;

(c) maintain the Collateral in good order and repair;

(d) forthwith pay:

(i) all taxes, assessments, rates, duties, levies, government fees, claims, dues and other charges of every nature that may be lawfully levied, assessed, or imposed upon it or the Collateral when due, unless the Debtor shall in good faith contest its obligations so to pay and shall furnish such security as the Secured Party may require; and

(ii) all security interests, charges, encumbrances, liens and claims that rank or could in any event rank in priority to the Security Interest, other than the charges or security interests, if any, shown in any Schedule to this Agreement and those consented to in writing by the Secured Party;

(e) forthwith reimburse and indemnify the Secured Party for all costs, charges, expenses, and legal fees and disbursements that may be incurred by the Secured Party in:

(i) inspecting the Collateral;

(ii) negotiating, preparing, perfecting, and registering this Agreement or notice of it and other documents, whether or not relating to this Agreement;

(iii) investigating title to the Collateral;

(iv) taking, recovering, keeping possession of, and insuring the Collateral; and

(v) all other actions and proceedings taken in connection with the preservation of the Collateral and the enforcement of this Agreement and of any other Security Interest held by the Secured Party as security for the Obligations;

(f) at the Secured Party's request at any time and from time to time, execute and deliver such further and other documents and instruments and do all acts and things as the Secured Party in its absolute discretion requires in order to confirm and perfect, and maintain perfection of, the Security Interest in favour of the Secured Party upon any of the Collateral;

(g) notify the Secured Party promptly of

(i) any change in the information contained in this Agreement relating to the Debtor, its address, its business, or the Collateral, including without limitation any change of name or address of the Debtor and any change in location of any Collateral;

(ii) the details of any material acquisition of Collateral;

(iii) any material loss or damage to the Collateral;

(iv) any material default by any account debtor in payment or other performance of his or her obligations to the Debtor with respect to any Accounts;

(v) the return to or repossession by the Debtor of the Collateral where such return or repossession of the Collateral is material in relation to the business of the Debtor; and

(vi) the details of any claims or litigation affecting the Debtor or the Collateral;

(h) prevent the Collateral, other than Inventory sold, leased, or otherwise disposed of as permitted by this Agreement, from being or becoming an accession to other property not covered by this Agreement;

(i) permit the Secured Party and its representatives, at all reasonable times, access to all its property, assets, and undertakings and to all its books of account and records for the purpose of inspection, and render all assistance necessary for such inspection; and

(j) deliver to the Secured Party from time to time promptly upon request:

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

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

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

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

(v) any information concerning the Collateral, the Debtor, and the Debtor's business and affairs as the Secured Party may reasonably require;

(k) carry on and conduct the business of the Debtor in a proper and efficient manner and so as to protect and preserve the Collateral and to keep, in accordance with generally accepted accounting principles, consistently applied, proper books of account for the Debtor's business as well as accurate and complete records concerning the Collateral;

(l) observe and perform the additional covenants, if any, set out in any schedule attached to this Agreement.

7.2 The Debtor covenants that at all times while this Agreement remains in effect, without the prior written consent of the Secured Party, it shall not

(a) declare or pay any dividends;

(b) purchase or redeem any of its shares or otherwise reduce its share capital;
(c) become guarantor of any obligation; or

(d) become an endorser of any obligation or otherwise become liable upon any note or other obligation other than bills of exchange deposited to any bank accounts of the Debtor.

7.3 Except as provided in this Agreement, without the prior written consent of the Secured Party, the Debtor shall not

(a) sell, lease, or otherwise dispose of the Collateral;

(b) release, surrender, or abandon possession of the Collateral; or

(c) move or transfer the Collateral from the jurisdiction or jurisdictions in which the Security Interest has been perfected.

7.4 Provided that the Debtor is not in default under this Agreement, at any time without the consent of the Secured Party the Debtor may lease, sell, license, consign, or otherwise deal with items of Inventory in the ordinary course of its business and for the purposes of carrying on its business.

7.5 The Debtor covenants that to the extent that any monies, credit, or other consideration provided by the Secured Party has enabled the Debtor to purchase or acquire rights in any personal property or assets, the Security Interest is and shall remain a purchase money security interest.

8. Insurance

8.1 The Debtor covenants that at all times while this Agreement is in effect the Debtor shall:

(a) maintain or cause to be maintained insurance on the Collateral with an insurer, of kinds, for amounts and payable to such person or persons, all as the Secured Party may require, and in particular but without limitation maintain insurance on the Collateral to its full insurable value against loss or damage by fire including extended coverage endorsement, and in the case of motor vehicles and other mobile Collateral, maintain insurance against theft;

(b) cause the insurance policy or policies required under this Agreement to be assigned to the Secured Party and have as part thereof a standard mortgage clause or a mortgage endorsement, as appropriate; and

(c) pay all premiums in connection with such insurance, and deliver all such policies to the Secured Party, if it so requires.

8.2 If proceeds of any insurance required under this Agreement become payable, the Secured Party may, in its absolute discretion, apply those proceeds to such part or parts of the Obligations as the Secured Party may see fit, or the Secured Party may release any such insurance proceeds to the Debtor for the purpose of repairing, replacing, or rebuilding, but any release of insurance proceeds to the Debtor shall not operate as a payment on account of the Obligations or in any way affect this Agreement.

8.3 The Debtor shall forthwith, on the happening of loss or damage to the Collateral, notify the Secured Party thereof and furnish to the Secured Party at the Debtor's expense any necessary proof and do any necessary act to enable the Secured Party to obtain payment of the insurance proceeds, but nothing contained in this Agreement shall limit the Secured Party's right to submit to the insurer a proof of loss on its own behalf.

8.4 The Debtor irrevocably authorizes and directs the insurer under any policy of insurance required under this Agreement to include the name of the Secured Party as a loss payee on any cheque or draft that may be issued with respect to a claim under and by virtue of such insurance, and the production by the Secured Party to any insurer of a certified copy of this Agreement shall be its full and complete authority for so doing.

8.5 If the Debtor fails to maintain insurance as required by this Agreement, the Secured Party may, but shall not be obliged to, maintain or effect such insurance coverage, or so much thereof as the Secured Party considers necessary for its protection.

9. Use and Verification of Collateral

Subject to compliance with the Debtor's covenants contained in this Agreement and compliance with paragraph 11 of this Agreement, the Debtor may, until default, possess, operate, collect, use and enjoy, and deal with the Collateral in the ordinary course of the Debtor's business in any manner not inconsistent with the provisions of this Agreement; provided always that the Secured Party shall have the right at any time and from time to time to verify the existence and state of the Collateral in any manner the Secured Party may consider appropriate. The Debtor agrees to furnish all assistance and information and to perform all such acts as the Secured Party may reasonably request in connection therewith, and for such purpose to grant to the Secured Party or its agents access to all places where the Collateral may be located and to all premises occupied by the Debtor.

10. Securities

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

11. Collection of Debts

Before or after default under this Agreement, without notice to the Debtor, the Secured Party may notify all or any account debtors of the Debtor of the Security Interest and may also direct such account debtors to make all payments on Collateral to the Secured Party. The

Debtor acknowledges that any payments on or other proceeds of Collateral received by the Debtor from account debtors, whether before or after notification of this Security Interest to account debtors, and whether before or after default under this Agreement, shall be received and held by the Debtor in trust for the Secured Party and shall be turned over to the Secured Party upon request. This includes interest on deferred payment contracts, and the payments themselves, and lease payments, if any.

12. Income from and Interest on Collateral

12.1 Until default, the Debtor reserves the right to receive any money constituting income from or interest on Collateral and if the Secured Party receives any such money before default, the Secured Party shall either credit that money against the Obligations or pay it promptly to the Debtor.

12.2 After default, the Debtor shall not request or receive any money constituting income from or interest on Collateral and if the Debtor receives any such money in any event, the Debtor shall hold that money in trust for the Secured Party and shall pay it promptly to the Secured Party.

13. Increases, Profits, Payments, or Distributions

13.1 Whether or not default has occurred, the Debtor authorizes the Secured Party

(a) to receive any increase in or profits on the Collateral (other than money) and to hold the same as part of the Collateral. Money so received shall be treated as income for the purposes of paragraph 12 of this Agreement and dealt with accordingly, and

(b) to receive any payment or distribution upon redemption or retirement or upon dissolution and liquidation of the issuer of Collateral; to surrender such Collateral in exchange therefor; and to hold any such payment or distribution as part of Collateral.

13.2 If the Debtor receives any such increase or profits (other than money) or payments or distributions, the Debtor shall deliver the same promptly to the Secured Party to be held by the Secured Party as provided in this Agreement.

14. Disposition of Monies

Subject to any applicable requirements of the Act, all monies collected or received by the Secured Party under or in exercise of any right it possesses with respect to Collateral shall be applied on account of the Obligations in such manner as the Secured Party deems best or, at the option of the Secured Party, may be held unappropriated in a collateral account or released to the Debtor, all without prejudice to the liability of the Debtor or the rights of the Secured Party under this Agreement, and any surplus shall be accounted for as required by law.

15. Performance of Obligations

If the Debtor fails to perform any of its obligations under this Agreement, the Secured Party may, but shall not be obliged to, perform any or all of those obligations without prejudice to any other rights and remedies of the Secured Party under this Agreement, and any payments made and any costs, charges, expenses, and legal fees and disbursements (on a solicitor and own client basis) incurred in connection therewith shall be payable by the Debtor to the Secured Party forthwith with interest until paid at the highest rate borne by any of the Obligations and such amounts shall be secured by this Agreement and rank prior to all claims subsequent to this Agreement.

16. Default

16.1 Unless waived by the Secured Party, it shall be an event of default ("default") under this Agreement and the security constituted by this Agreement shall immediately become enforceable if:

(a) any term, covenant, or representation of this Agreement is breached or if default occurs under the Mortgage, if any; or

(b) any amount owed to the Secured Party is not paid when due; or

(c) the Debtor defaults or threatens to default in payment when due or performance of any of the Obligations; or

(d) the Debtor or any guarantor of the Debtor declares itself to be insolvent, makes an assignment for the benefit of its creditors, is declared bankrupt, declares bankruptcy, makes a proposal, or otherwise takes advantage of provisions under the *Bankruptcy and Insolvency Act*, the *Companies Creditors' Arrangement Act*, or similar legislation in any jurisdiction, or fails to pay its debts generally as they become due; or

(e) a receiver or receiver-manager is appointed; or

(f) the Debtor ceases to carry on all or a substantial part of its business; or

(g) distress, execution, or seizure of any of the Collateral occurs; or

(h) if the Debtor is a corporation, there is a change of voting control without the Secured Party's consent; or

(i) the Debtor changes its name or amalgamates or merges without the Secured Party's consent; or

(j) the Debtor allows any hazardous materials to be brought upon any lands or premises occupied by the Debtor; or

(k) the Secured Party in good faith believes and has commercially reasonable grounds to believe that the prospect of payment or performance of the Obligations is impaired or that any of the Collateral is or is about to be placed in jeopardy.

16.2 In accordance with the British Columbia *Property Law Act*, the doctrine of consolidation applies to this Agreement.

16.3 It shall be an event of default under this Agreement and the security constituted by this Agreement shall immediately become enforceable if any term, covenant, or representation in any other agreement, contract, or other commitment of the Debtor to the Secured Party is breached or if default should occur under the same.

17. Acceleration

The Secured Party, in its sole discretion, may declare all or any part of the Obligations that are not by their terms payable on demand to be immediately due and payable in the event of any default, or, in the absence of default, if the Secured Party considers or deems itself insecure or that the Collateral is in jeopardy. The provisions of this paragraph do not and are not intended to affect in any way any rights of the Secured Party with respect to any Obligations that may now or in future be payable on demand.

18. Enforcement

18.1 Upon any default under this Agreement, the security constituted by this Agreement shall immediately become enforceable, and any floating charge will immediately attach the Real Property and Collateral. To enforce and realize on the security constituted by this Agreement, the Secured Party may take any action permitted by law or in equity, as it may deem expedient, and in particular, but without limiting the generality of the foregoing, the Secured Party may do any of the following:

(a) appoint by instrument a receiver, receiver and manager, or receiver-manager (the person so appointed is called the "Receiver") of the Collateral, with or without bond as the Secured Party may determine, and from time to time in its absolute discretion remove such Receiver and appoint another in its stead;

(b) enter upon any premises of the Debtor and take possession of the Collateral with power to exclude the Debtor, its agents, and its servants from those premises, without becoming liable as a mortgagee in possession;

(c) preserve, protect, and maintain the Collateral and make such replacements and repairs and additions as the Secured Party may deem advisable;

(d) sell, lease, or otherwise dispose of all or any part of the Collateral, whether by public or private sale or lease or otherwise, in such manner, at such price as can be reasonably obtained, and on such terms as to credit and with such conditions of sale and stipulations as to title or conveyance or evidence of title or otherwise as to the Secured Party may seem reasonable, provided that if any sale, lease, or other disposition is on credit, the Debtor shall not be entitled to be credited with the proceeds of any such sale, lease, or other disposition until the monies therefor are actually received; and

(e) exercise all of the rights and remedies of a secured party under the Act.

18.2 A Receiver appointed under this Agreement shall be the agent of the Debtor and not of the Secured Party, and the Secured Party shall not be in any way responsible for any misconduct, negligence or nonfeasance on the part of any Receiver, its servants, agents, or employees. A Receiver shall, to the extent permitted by law or to such lesser extent permitted by its appointment, have all the powers of the Secured Party under this Agreement, and in addition shall have power to carry on the business of the Debtor and for such purpose to enter upon, use, and occupy all premises owned or occupied by the Debtor in which Collateral may be situate, maintain Collateral upon such premises, use, Collateral directly or indirectly in carrying on the Debtor's business, and from time to time borrow money either unsecured or secured by a security interest in any of the Collateral.

18.3 Subject to the claims, if any, of the creditors of the Debtor ranking in priority to this Agreement, all amounts realized from the disposition of Collateral under this Agreement shall be applied as the Secured Party, in its absolute discretion, may direct or as follows:

(a) in payment of all costs, charges, and expenses (including legal fees and disbursements on a solicitor and own client basis) incurred by the Secured Party in connection with or incidental to

   (i) the exercise by the Secured Party of all or any of the powers granted to it under this Agreement; and

   (ii) the appointment of the Receiver and the exercise by the Receiver of all or any of the powers granted to it under this Agreement, including the Receiver's reasonable remuneration and all outgoings properly payable by the Receiver excluding the Receiver's borrowings;

(b) in payment of any sum or sums borrowed by the Receiver from the Secured Party and interest thereon if such sum or sums are secured by the Collateral;

(c) in or toward payment to the Secured Party of all principal and other monies (except interest) due in respect of the Obligations;

(d) in or toward payment to the Secured Party of all interest remaining unpaid in respect of the Obligations;

(e) in or toward payment of any sum or sums borrowed by the Receiver from any financial institution, corporation, or person other than the Secured Party, and interest thereon if such sum or sums are secured by the Collateral.

Subject to applicable law and the claims, if any, of other creditors of the Debtor, any surplus shall be paid to the Debtor.

18.4 The Debtor agrees that the Secured Party may exercise its rights and remedies under this Agreement immediately upon default, except as may be otherwise provided in the Act, and the Debtor expressly confirms that, except as may be otherwise provided in this Agreement or in the Act, the Secured Party has not given any covenant, express or implied, and is under no obligation to allow the Debtor any period of time to remedy any default before the Secured Party exercises its rights and remedies under this Agreement.

19. Deficiency

If the amounts realized from the disposition of the Collateral are not sufficient to pay the Obligations in full, the Debtor shall pay to the Secured Party the amount of such deficiency immediately upon demand for the same.

20. Rights Cumulative

All rights and remedies of the Secured Party set out in this Agreement are cumulative, and no right or remedy contained in this Agreement is intended to be exclusive but each shall be in addition to every other right or remedy contained in this Agreement or in any existing or future security agreement or now or in future existing at law, in equity or by statute, or under any other agreement between the Debtor and the Secured Party that may be in effect from time to time.

21. Liability of Secured Party

The Secured Party shall not be responsible or liable for any debts contracted by it, for damages to persons or property or for salaries or non-fulfillment of contracts during any period when the Secured Party shall manage the Collateral upon entry, as provided in this Agreement, nor shall the Secured Party be liable to account as mortgagee in possession or for anything except actual receipts or be liable for any loss on realization or for any default or omission for which a mortgagee in possession may be liable. The Secured Party shall not be bound to do, observe, or perform or to see to the observance or performance by the Debtor of any obligations or covenants imposed upon the Debtor, nor shall the Secured Party, in the case of Securities, Instruments, or Chattel Paper, be obliged to preserve rights against other persons, nor shall the Secured Party be obliged to keep any of the Collateral identifiable. The Debtor waives any applicable provision of law permitted to be waived by it which imposes higher or greater obligations upon the Secured Party than as contained in this paragraph.

22. Appointment of Attorney and Deed

22.1 The Debtor irrevocably appoints the Secured Party or the Receiver, as the case may be, with full power of substitution, to be the attorney of the Debtor for and in the name of the Debtor to sign, endorse, or execute under seal or otherwise any deeds, documents, transfers, cheques, instruments, demands, assignments, assurances, or consents that the Debtor is obliged to sign, endorse, or execute, and generally to use the name of the Debtor and to do all things as may be necessary or incidental to the exercise of all or any of the powers conferred on the Secured Party or the Receiver, as the case may be, under this Agreement.

22.2 Whether or not the Debtor attaches its corporate seal, if a corporation, this Agreement is intended to be and is deemed to be a deed given under seal.

23. Accounts

Notwithstanding any other provision of this Agreement, the Secured Party may collect, realize, sell, or otherwise deal with the Accounts or any part of them in such manner, upon such terms and conditions, and at such time or times, whether before or after default, as may seem to it advisable, and without notice to the Debtor, except in the case of disposition after default and then subject to the provisions of Part 5 of the Act. All monies or other forms of payment received by the Debtor in payment of any Account shall be received and held by the Debtor in trust for the Secured Party.

24. Appropriation of Payments

Any and all payments made in respect of the Obligations from time to time and monies realized from any security interests held therefor (including monies collected in accordance with or realized on any enforcement of this Agreement) may be applied to such part or parts of the Obligations as the Secured Party may see fit, and the Secured Party may at all times and from time to time change any appropriation as the Secured Party may see fit.

25. Liability to Advance

None of the preparation, execution, perfection, and registration of this Agreement or notice of this Agreement or the advance of any monies shall bind the Secured Party to make any advance or loan or further advance or loan, or renew any note or extend any time for payment of any indebtedness or liability of the Debtor to the Secured Party.

26. Waiver

The Secured Party may from time to time and at any time waive in whole or in part any right, benefit, or default under any paragraph of this Agreement but any such waiver of any right, benefit, or default on any occasion shall be deemed not to be a waiver of any such right, benefit, or default thereafter, or of any other right, benefit or default, as the case may be, and no delay or omission by the Secured Party in exercising any right or remedy under this Agreement or with respect to any default shall operate as a waiver thereof or of any other right or remedy.

27. Notice

Any notice, demand, or other communication required or permitted to be given under this Agreement shall be effectually made or given if delivered by prepaid private courier or by facsimile transmission to the address of each party set out below:

To the Debtor:	c/o Box 168 9834 Croft Street Chemainus, BC V0R 1K0 Attn: Mary Lynn Bancroft
To the Secured Party:	c/o 3378 Douglas Street, Victoria, BC V8Z 3L3 Attn: Hali Strandlund

or to such other address or facsimile number as either party may designate in the manner set out above. Any notice, demand, or other communication shall be deemed to have been given and received on the day of prepaid private courier delivery or facsimile transmission.

28. Extensions

The Secured Party may grant extensions of time and other indulgences, take and give up security, accept compositions, compound, compromise, settle, grant releases and discharges, refrain from perfecting or maintaining perfection of the Security Interest, and otherwise deal with the Debtor, account debtors of the Debtor, sureties, and others and with the Collateral, the Security Interest, and other security interests as the Secured Party sees fit without prejudice to the liability of the Debtor or the Secured Party's right to hold and realize on the security constituted by this Agreement.

29. No Merger

This Agreement shall not operate to create any merger or discharge of any of the Obligations, or of any assignment, transfer, guarantee, lien, mortgage, contract, promissory note, bill of exchange, or security interest of any form held or which may in future be held by the Secured Party from the Debtor or from any other person. The taking of a judgment with respect to any of the Obligations shall not operate as a merger of any of the covenants contained in this Agreement.

30. Assignment

The Secured Party may, without further notice to the Debtor, at any time assign, transfer, or grant a security interest in this Agreement and the Security Interest. The Debtor expressly agrees that the assignee, transferee, or secured party, as the case may be, shall have all of the Secured Party's rights and remedies under this Agreement, and the Debtor shall not assert any defence, counterclaim, right of setoff, or otherwise with respect to any claim that the Debtor now has or in future acquires against the Secured Party in any action commenced by such assignee, transferee, or secured party, as the case may be, and shall pay the Obligations to the assignee, transferee, or secured party, as the case may be, as the Obligations become due.

31. Satisfaction and Discharge

Any partial payment or satisfaction of the Obligations, or any ceasing by the Debtor to be indebted to the Secured Party, shall be deemed not to be a redemption or discharge of this Agreement. The Debtor shall be entitled to a release and discharge of this Agreement upon full payment and satisfaction of all Obligations and upon written request by the Debtor and payment to the Secured Party of all costs, charges, expenses, and legal fees and disbursements (on a solicitor and own client basis) incurred by the Secured Party in connection with the Obligations and such release and discharge.

32. Enurement

This Agreement shall enure to the benefit of and be binding upon the parties and their respective heirs, executors, personal representatives, successors, and permitted assigns.

33. Interpretation

33.1 In this Agreement:

(a) "Debtor" and the personal pronoun "it" or "its" and any verb relating thereto and used therewith shall be read and construed as required by and in accordance with the context in which such words are used, depending upon whether the Debtor is one or more individuals, corporations, or partnerships and, if more than one, shall apply to and be binding upon each of them jointly and severally;

(b) "Act" means the British Columbia *Personal Property Security Act* and all regulations thereunder as amended;

33.2 Words and expressions used in this Agreement that have been defined in the Act shall be interpreted in accordance with their respective meanings given in the Act, whether expressed in this Agreement with or without initial capital letters and whether in the singular or the plural, unless otherwise defined in this Agreement or unless the context otherwise requires, and, wherever the context so requires, in this Agreement the singular shall be read as if the plural were expressed, and vice-versa, and the provisions of this Agreement shall be read with all grammatical changes necessary dependent upon the person referred to being a male, female, firm, or corporation.

33.3 Should any provision of this Agreement be declared or held invalid or unenforceable in whole or in part or against or with respect to the Debtor by a court of competent jurisdiction, such invalidity or unenforceability shall not affect the validity or enforceability of any or all of the remaining provisions of this Agreement, which shall continue in full force and effect and be construed as if this Agreement had been executed without the invalid or unenforceable provision.

33.4 The headings of the paragraphs of this Agreement have been inserted for reference only and do not define, limit, alter, or enlarge the meaning of any provision of this

Agreement.

33.5 This Agreement shall be governed by the laws of British Columbia.

34. Miscellaneous

34.1 The Debtor authorizes the Secured Party to file such financing statements, financing change statements, and other documents, and do such acts, matters, and things as the Secured Party may deem appropriate, to perfect on an ongoing basis and continue the Security Interest, to protect and preserve the Collateral, and to realize upon the Security Interest.

34.2 The Debtor waives protest of any Instrument constituting Collateral at any time held by the Secured Party on which the Debtor is any way liable and, subject to the provisions of the Act, notice of any other action taken by the Secured Party.

34.3 The Debtor covenants that it shall not amalgamate with any other company or entity without first obtaining the written consent of the Secured Party. The Debtor acknowledges and agrees that if it amalgamates with any other company or companies, then it is the intention of the parties that the term "Debtor" when used in this Agreement shall apply to each of the amalgamating companies and to the amalgamated company, so that the Security Interest granted by this Agreement:

(a) shall extend to "Collateral" (as that term is defined in this Agreement) owned by each of the amalgamating companies and the amalgamated company at the time of amalgamation and to any "Collateral" owned or acquired by the amalgamated company thereafter, and

(b) shall secure the "Obligations" (as that term is defined in this Agreement) of each of the amalgamating companies and the amalgamated company to the Secured Party at the time of amalgamation and any "Obligations" of the amalgamated company to the Secured Party arising thereafter. The Security Interest shall attach to "Collateral" owned by each company amalgamating with the Debtor, and by the amalgamated company, at the time of amalgamation, and shall attach to any "Collateral" thereafter owned or acquired by the amalgamated company when that Collateral becomes owned or is acquired.

34.4 The Debtor authorizes the Secured Party to provide a copy of this Agreement and such other information and documents specified under the Act to any person entitled under the Act to demand and receive them.

35. Copy of Agreement and Financing Statement

The Debtor

(a) acknowledges receiving a copy of this Agreement, and

(b) waives all rights to receive from the Secured Party a copy of any financing statement, financing change statement, or verification statement filed, issued, or obtained at any time in respect of this Agreement.

IN WITNESS WHEREOF the Debtor has executed this Agreement on the date indicated below.

Officer Certification

(as to all signatures)

MARY LYNN BANCROFT
Barrister and Solicitor
Box 168 - 9834 Croft Street
Chemainus, BC V0R 1K0
(250) 246-4771

Execution Date

Y	M	D
08	05	28

675816 B.C. LTD. by its authorized signatories:

Signature

Print Name: Terry Petras

Signature

Print Name: Stace Thorpe-Dewhk

SCHEDULE "A"

All of the Debtor's right, title and interest in and to all of the present and after acquired property, assets and undertaking of the Debtor .

END OF DOCUMENT