



2720, 700 – 9<sup>th</sup> Ave SW  
Calgary, AB T2P 3V4



January 13, 2022

Decibel Cannabis Company Inc.  
1440, 140 - 4<sup>th</sup> Avenue SW  
Calgary, AB T2P 3N3

**Attention:** \_\_\_\_\_ 

Dear Member:

**RE: COMMITMENT LETTER**

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Connect First Credit Union Ltd. (hereinafter called the “Credit Union”) is pleased to advise that the following credit facility (the “Credit Facility”) and credit facility segments (each, a “Credit Facility Segment”, or “Segment”) have been approved on the terms and conditions set forth below.

Subject to the provisions set out under Assignment and Syndication, this Commitment Letter amends and restates in its entirety our prior Commitment Letter dated May 7, 2021 (the “May Commitment Letter”, and the credit facilities provided for thereunder being the “Existing Facilities”). Any borrowings outstanding under the May Commitment Letter are deemed to be borrowings hereunder outstanding under the related Credit Facility or Credit Facility Segment referenced herein.

If you agree with these terms and conditions please sign the duplicate copy of this letter under the heading “Acceptance” and return same to the writer’s attention.

**Borrower:** Decibel Cannabis Company Inc.

**Guarantors:** dB Thunderchild Cultivation LP  
dB Thunderchild Cultivation Inc.  
Thunderchild Holdings Inc.  
R. Spetifore & Sons Ltd.  
We Grow BC Ltd.  
1070582 B.C. Ltd.  
Westleaf Labs Inc.  
Decibel Labs Holdings Inc.  
Westleaf Labs LP  
dB Retail Holdings Inc.  
dB Retail LP

<b>Credit Facility</b>	<b>New/Existing</b>	<b>Loan No.</b>	<b>Authorized Amount/Current Principal Balance Outstanding</b>
MasterLine	New	TBD	\$54,000,000.00
<i>Credit Facility Segments under MasterLine:</i>			
Commercial Mortgage Loan	New	TBD	\$28,500,000.00
Commercial Mortgage Loan	New	TBD	\$12,000,000.00
Line of Credit	New	TBD	\$7,500,000.00
Authorized Overdraft	Existing/Amended		\$6,000,000.00

**Credit Facility:** Masterline – NEW**Authorized Limit:** Up to a maximum of \$54,000,000.00.**Purpose:** To refinance existing loans/debentures and assist with day to day working capital requirements of the Borrower and the Guarantors – *refer to Purpose of each Credit Facility Segment***Interest Rate:** Determined with each Credit Facility Segment to be advanced under the Masterline.**Repayment:** Determined with each Credit Facility Segment to be advanced under the Masterline.**Term:** Determined with each Credit Facility Segment to be advanced under the Masterline.**Security:** All of the Security, as defined herein, shall secure all Segments of the Credit Facility and any other obligations of the Borrower and the Guarantors to the Credit Union and its permitted assigns hereunder.**Prepayment:** Determined with each Credit Facility Segment to be advanced under the Masterline.

**Credit Facility**

**Segment I: Commercial Mortgage Loan - New**

**Amount of Loan:** \$28,500,000.00\* available in a single advance, subject to pre-disbursement conditions as set forth herein.

*\*Actual loan amount is to be based on the total of \$1,500,000.00 plus balance outstanding (including accrued interest) of the loans being paid out on the day of advance of Credit Facility Segment I.*

**Purpose:** To refinance/consolidate the following loans (being Credit Facilities 1, 2 and 3 as defined in the May Commitment Letter) and paydown the principal balance outstanding of AOD facility [REDACTED] (being Credit Facility 4 as defined by the May Commitment Letter) by \$1,500,000.00

Account Number	Principal balance outstanding as of January 13, 2022
[REDACTED]	\$15,370,089.25
[REDACTED]	\$5,059,679.06
[REDACTED]	\$6,439,591.55

**Rate of Interest:**

The committed rate is a fixed rate of 4.75% per annum, calculated on the daily balance outstanding and payable monthly in arrears.

**Term:**

60 months.

**Amortization:**

144 months.

**Repayment:**

Monthly payments of Principal and Interest of \$ [REDACTED] payable on the last day of each month. Each payment will be applied first to accrued interest and fees, if any, and the balance to principal.

**Prepayment:**

Provided that no Event of Default has occurred and is continuing, the Borrower shall have the following privileges:

The Borrower shall have the privilege of prepaying the entire balance outstanding under this Credit Facility Segment (the "Full Payout Privilege") subject to the payment of a bonus equal to the greater of (i) three (3) months' interest on the outstanding Principal Amount of the Credit Facility Segment at the interest rate then payable under the Credit Facility Segment, or (ii) an amount in compensation for loss of interest,

if any, where the interest rate then payable under this Credit Facility Segment is greater than the Credit Union's current interest rate for reinvestment for the remainder of the term of this Credit Facility Segment. The current interest rate for reinvestment is the applicable Government of Canada Bond rate or Treasury Bill yield.

The applicable Government of Canada Bond rate or Treasury Bill yield is that with a term not greater than (i) the remainder of the current term of the Credit Facility Segment and (ii) the next shorter term offered, provided that where the remainder of the term of the Credit Facility Segment is less than the next shorter term offered, the Credit Union's current interest rate for reinvestment for the next shorter term shall apply. The bonus payable hereunder shall be calculated by the Credit Union and, in the absence of an obvious error, shall be conclusive.

**Credit Facility**

**Segment 2: Commercial Mortgage Loan – NEW**

**Amount of Loan:** Up to a maximum of \$12,000,000.00 available in a single advance; subject to pre-disbursement conditions as set forth herein.

**Purpose:** To pay out convertible debentures.

**Rate of Interest:**

The committed rate is a fixed rate of 4.75% per annum, calculated on the daily balance outstanding and payable monthly in arrears.

**Term:**

60 months.

**Amortization:**

144 months.

**Repayment:**

Monthly payments of principal and interest of \$ [REDACTED] payable on the last day of each month. Each payment will be applied first to accrued interest and fees, if any, and the balance to principal.

**Prepayment:**

Provided that no Event of Default has occurred and is continuing, the Borrower shall have the following privileges:

The Borrower shall have the privilege of prepaying the entire balance outstanding under this Credit Facility Segment (the "Full Payout Privilege") subject to the payment of a bonus equal to the greater of (i) three (3) months' interest on the outstanding Principal Amount of the Credit Facility Segment at the interest rate then payable under the Credit Facility Segment, or (ii) an amount in compensation for loss of interest, if any, where the interest rate then payable under this Credit Facility Segment is greater than the Credit Union's current interest rate for reinvestment for the remainder of the term of this Credit Facility Segment. The current interest rate for reinvestment is the applicable Government of Canada Bond rate or Treasury Bill yield.

The applicable Government of Canada Bond rate or Treasury Bill yield is that with a term not greater than (i) the remainder of the current term of the Credit Facility Segment and (ii) the next shorter term offered, provided that where the remainder of the term of the Credit Facility Segment is less than the next shorter term offered, the Credit Union's current interest rate for reinvestment for the next shorter term shall apply. The bonus payable hereunder shall be calculated by the Credit Union and, in the absence of an obvious error, shall be conclusive.

**Credit Facility**

**Segment 3: Line of Credit (LOC) – NEW**

**Amount:** Up to a maximum of \$7,500,000.00 subject to conditions of credit, as more particularly set forth herein and pre-disbursement conditions as set forth herein.

**Purpose:** Revolving LOC to fund future growth initiatives.

**Interest Rate and Payment:**

The committed rate is the Credit Union's Prime Lending Rate plus 2.00% per annum, calculated on the daily balance outstanding and payable monthly in arrears on the last day of each month. The Credit Union's Prime Lending Rate means the annual rate of interest announced as such from time to time by the Credit Union. As of the date hereof the Credit Union's Prime Lending Rate is 2.45% per annum.

**Term:**

Provided that no Event of Default has occurred and is continuing, advances shall be available under Credit Facility Segment 3 until the later of one year from the effective date of this Commitment Letter and one year from the most recent Extension Date.

Within a reasonable time after each Annual Review Date (and in any event, not more than 60 days thereafter), the Credit Union shall notify the Borrower either that (i) the Term of Credit Facility Segment 3 shall be extended until the date that is one year after such Annual Review Date (in which case such Annual Review Date shall be an "**Extension Date**" hereunder) or (ii) that the Credit Union has determined, in its sole discretion, not to provide any such extension, in which case from and after the date of such notice (a "**Repayment Notice**"): (A) no further advances shall be available to the Borrower under Credit Facility Segment 3 and (B) all amounts outstanding under Credit Facility Segment 3, including accrued and unpaid interest, shall be due and payable in full on the later of 90 days after the date of the

Repayment Notice and one year after the effective date of this Commitment Letter.

**Repayment:**

Until an Event of Default occurs or repayment in full is required as stipulated in the provisions of the Term paragraph immediately above, interest only is payable under Credit Facility Segment 3 monthly in arrears on the last day of each month.

**Prepayment:**

Prepayment is permitted without penalty or bonus.

**Conditions of Credit:**

- a) Line of Credit is revolving until the date that a Repayment Notice is delivered. Until such time, as paydowns occur, room under the Line of Credit is made available for future advances (amounts repaid may be re-borrowed);
- b) Interest only is payable in respect of each advance under the Line of Credit for twelve months from the date of such advance and is payable monthly; and
- c) Credit Facility Segment 3 is intended to be a revolving facility, with each advance expected to be repaid within one year in the ordinary course.

**Credit Facility**

**Segment 4: Authorized Overdraft (AOD) – Existing/Amended**

**Account Number:** [REDACTED] (being Credit Facility 4 under the May Commitment Letter).

**Amount:** Up to a maximum of \$6,000,000.00, subject to margining conditions, as more particularly set forth herein.

**Purpose:** To finance day to day operating requirements. AOD limit reduced from \$7,500,000.00 to \$6,000,000.00.

**Interest Rate:**

The committed rate is the Credit Union's Prime Lending Rate plus 1.00% per annum, calculated on the daily balance and payable monthly in arrears on the last day of each month. The Credit Union's Prime Lending Rate means the annual rate of interest announced as such from time to time by the Credit Union. As of the date hereof the Credit Union's Prime Lending Rate is 2.45% per annum.

**Conditions of Margining:**

Advances will be contained within the lesser of:

- a) The authorized limit, and
- b) On a forward margin basis, a maximum of: (i) ■% of the Credit Union's valuation of assigned, good quality accounts receivable owed by a governmental authority after deducting the portion of the account past due 90 days or more, accounts in dispute, intercompany accounts, contra accounts, holdbacks, foreign accounts, source deductions (including Workers Compensation Board premiums, GST, employee payroll deductions, etc.) and any other accounts deemed unacceptable by the Credit Union; minus (ii) Priority Payables (the "Segment 4 Borrowing Base").

"Priority Payables" means, in respect of a person, those claims against such person that rank in priority to the Security, or any part thereof, including, without limitation, those claims for employee source deductions, workers' compensation claims, unpaid property taxes, and other claims secured by statutory liens or deemed trusts, goods and services tax, harmonized sales taxes and other sales taxes.

#### **Repayment:**

All amounts advanced under Credit Facility Segment 4 are payable upon demand by the Credit Union. Until demand is made or an Event of Default occurs, interest only is payable under Credit Facility Segment 4 monthly in arrears on the last day of each month and amounts repaid may be reborrowed. Without limiting the foregoing, all amounts outstanding in excess of the Segment 4 Borrowing Base shall be paid by the Borrower to the Credit Union following the Borrower's receipt of a written notice of such excess from the Credit Union.

#### **Conditions of Credit:**

Availability of advances under Credit Facility Segment 4 will terminate if the Credit Union demands repayment of the amounts outstanding under Credit Facility Segment 4 or if an Event of Default occurs and is continuing.

#### **Monthly Facility Segment Fee:**

\$■ per month, payable in advance on the first day of each month.

This fee will be charged for each month this Credit Facility Segment is available, even if the Borrower does not use or maintain a balance of AOD.

#### **Review Date:**

The next annual review date for Credit Facility and its segments has been established as of May 31, 2023, but may be changed at the discretion of the Credit Union (each an "**Annual Review Date**").

**Non-refundable Application Fee:**

\$ [REDACTED]

**Other Fee:**

\$ [REDACTED] – one time fee; due and payable on the day of advance of Credit Facility Segment 1.

**Standby Fee:**

[REDACTED] % of undrawn amount of LOC (Credit Facility Segment 3) - per quarter.

**Annual Review Fee:**

\$ [REDACTED] is due and payable at annual review date.

**Legal Fees:**

The Credit Union's lawyer's fees, taxes and disbursements in respect hereof are all payable by the Borrower in accordance with the "Costs" section set out in Schedule "A" and accrued and reasonably-expected legal fees, taxes and disbursements may be deducted in whole or in part from the first advance hereunder made following the execution hereof by the Borrower. In addition to these fees, the Borrower will be responsible for the payment directly to their solicitors of their legal fees and disbursement related in any way hereto.

**Financial Covenants:**

- a) The Borrower shall at all times maintain a **Current Ratio** of not less than 1.25:1, to be tested monthly using consolidated financial statements

*Current Ratio is defined as the Borrower's current assets (consolidated), as defined by International Financial Reporting Standards ("IFRS"), divided by the Borrower's current liabilities, (consolidated) as defined by IFRS.*

- b) The Borrower's **Debt Service Coverage Ratio** shall be not less than 1.40:1, to be tested Quarterly based on a Trailing 4 Quarters using consolidated financial statements

Covenants:

DSC before Corporate distributions  $\geq 1.40:1$   
 $\text{EBITDA} \div \text{Debt Service Obligations}$

DSC after Corporate distributions  $\geq 1:1$   
 $[\text{EBITDA} - \text{Corporate Distribution}] \div \text{Debt Service Obligations}$

*Definitions:*

**EBITDA** means profit from operations on a consolidated basis for the fiscal year under review. It is calculated by deducting Selling, General and Administrative Expenses from Gross Profit. For greater certainty, it excludes income taxes, depreciation, amortization, finance costs (interest expense), stock-based compensation, fair value adjustments and extraordinary gains and losses.

**Debt Service** means the sum of principal & interest payments for the corresponding fiscal year paid by the Borrower on a consolidated basis on all funded indebtedness not specifically subordinated to the Credit Union.

**Corporate Distribution** means, payment of cash dividends and unfinanced Capital Expenditures

Corporate Distributions are permitted provided the Borrower remains in compliance with the covenants, i. e., after giving effect to the Corporate Distributions, DSC  $\geq 1.0x$ , debt to equity  $< 1.0:1.0$  and current ratio  $\geq 1.25:1.0$

- c) The Borrower's **Debt to Equity Ratio** shall be less than 1:1, to be tested Annually using consolidated financial statements, commencing with 2023 Annual Review

*Debt to Equity Ratio is defined as the Borrower's total liabilities, as defined by International Financial Reporting Standards ("IFRS"), including the redemption value of any Preferred Shares not formally postponed to the Credit Union, excluding shareholder loans formally postponed and assigned to the Credit Union, divided by the Borrower's total equity, as defined by IFRS, plus shareholder loans formally postponed and assigned to the Credit Union. At the discretion of the Credit Union adjustments to total equity may be made for items such as intangibles and appraisal surplus.*

- d) Funded Debt to EBITDA – **pre-disbursement test for advance of Credit Facility Segment 3 (LOC)**

The Borrower shall at all times maintain a **Funded Debt to EBITDA Ratio** of not more than 4.00:1 for the first three (3) fiscal quarters of the Borrower's fiscal year ending December 31, 2022 and not more than 3.00:1 for the fourth (4th) fiscal quarter of the Borrower's fiscal year ending December 31, 2022 and all future fiscal quarters of the Borrower, thereafter, each to be tested quarterly based on a trailing-4-quarter basis using consolidated financial statements of the Borrower

**To be tested immediately prior to any advance of Credit Facility Segment 3 - \$7,500,000.00 and shall only be calculated upon such advance and calculated after giving effect to the advance.**

*Definitions:*

**EBITDA** means profit from operations on a consolidated basis for the fiscal year under review. It is calculated by deducting Selling, General and Administrative Expenses from Gross Profit. For greater certainty, it excludes income taxes, depreciation, amortization, finance costs (interest expense), stock based compensation, fair value adjustments and extraordinary gains and losses. Funded Debt is defined as total borrowings of the Borrower on a consolidated basis advanced inclusive of long-term debt, short term borrowings, capital leases and advanced portion of authorized

*overdraft agreements. Debt that's specifically subordinated to the Credit Union will be excluded from debt, as well as any capital leases that pertain to leased premises.*

## **Financial Reporting Requirements:**

### **Monthly**

- a) Aged list of accounts receivable as at month end, to be provided by the 20<sup>th</sup> day of the following month.
- b) Aged list of accounts payable as at month end, to be provided by the 20<sup>th</sup> day of the following month.
- c) Statement of Priority Payables in respect of the Borrower.
- d) List of inventories as at month end, to be provided by the 20<sup>th</sup> day of the following month.
- e) In-house financial statements (balance sheet and income and expense statement) as at month end, by the 20<sup>th</sup> day of the following month showing, on a consolidated basis in respect of the Borrower, asset and liability balances as at month end with comparable figures for a year earlier and income and expenses for the month then ended, year to date figures and comparable figures for the previous year.
- f) Current Ratio calculator worksheet.
- g) Monthly management commentary on Borrower's performance as it relates to financial projections.
- h) Signed monthly cover sheet (by signing officer for Borrower) regarding reports submitted.

### **Quarterly**

Within 60 days following the Borrower's fiscal quarter-end:

- a) Unaudited accountant prepared consolidated financial statement of the Borrower as presented to the TSX Venture exchange.

### **Annually**

Within 120 days of the Borrower's fiscal year-end, the Borrower will provide the following:

- a) Audited, consolidated accountant-prepared financial statements of the Borrower.
- b) Updates regarding the status of any and all Health Canada Licenses.

Authorization is provided to the Credit Union to contact the accounting firm of the Borrower and Guarantors to obtain copies of all financial statements and to answer questions relating to same as the Credit Union may reasonably request, during regular business hours.

**Pre-disbursement Conditions (General):**

The Credit Union's obligation to advance the Credit Facility and its Segments is conditional upon receipt by the Credit Union of the following, all in form and substance satisfactory to it:

- a) Completion and, where applicable, registration of all security (*Solicitor*);
- b) Review of the finalized December 31, 2021 year-end in-house draft audited financial statements of the Borrower (on a consolidated basis) and evidence satisfactory to the Credit Union of compliance with prescribed covenants (*Credit Union*);
- c) Receipt of a satisfactory appraisal report of [REDACTED] prepared by an appraiser that is satisfactory to the Credit Union, acting reasonably, confirming a current market value of not less than \$ [REDACTED] reviewed by the Credit Union. The report is to be addressed to the Credit Union or be accompanied by a transmittal letter authorizing the Credit Union to rely on the report for mortgage lending purposes (*Credit Union*);
- d) Receipt of a satisfactory appraisal of [REDACTED] prepared by an appraiser that is satisfactory to the Credit Union, acting reasonably, confirming a current market value of not less than \$ [REDACTED] reviewed by the Credit Union. The report is to be addressed to the Credit Union or be accompanied by a transmittal letter authorizing the Credit Union to rely on the report for mortgage lending purposes (*Credit Union*);
- e) \$12,000,000.00 advance disbursements (Credit Facility Segment 2) to be controlled by the Credit Union in an amount not to be greater than the lesser of \$12,000,000.00 or the payout amount in respect of the applicable debentures.
- f) Confirmation that property taxes, other than taxes comprising Priority Payables that have been approved by the Lender in writing, are current (*Solicitor*);
- g) Evidence that insurance is in full force and effect (*Solicitor*);
- h) No Event of Default has occurred and is continuing (*Solicitor*); and
- i) Clear titles showing no previously undisclosed encumbrances (*Solicitor*).

**Pre-disbursement Conditions (Credit Facility Segment 3):**

The Credit Union's obligation to advance any amounts under the Line of Credit is conditional upon the following:

- a) Borrower is in compliance with all financial covenants (both before and after the proposed advance);
- b) Debt to Equity Ratio and Current Ratio as set out herein shall be satisfied after taking into account

proposed advance; and

- c) Funded Debt to EBITDA Ratio as set out herein shall be satisfied after taking into account the proposed advance.

**Conditions of Credit (General):**

- a) The Borrower, and/or the applicable Guarantor, as the case may be, shall be and shall remain the sole legal and beneficial owner of the Health Canada cannabis license granted in favour of the Borrower, or the applicable Guarantor, as the case may be (the “License”);
- b) Neither the Borrower, nor the applicable Guarantor, shall take any action, or fail to perform the necessary action, to impede, jeopardize or otherwise place any risk on their ability to renew or maintain: (i) the License; or (ii) any material licenses, permits or approvals required to operate the Borrower’s, and/or such Guarantor’s, business, the absence of which would reasonably be expected have a Material Adverse Effect (collectively, the “Other Licenses”);
- c) The Borrower, or the applicable Guarantor, as the case may be, shall with due diligence and in a reasonable manner, enforce the rights granted to it under and in connection with the License and the Other Licenses and without limiting the foregoing, the Borrower, and/or such Guarantor, as the case may be, shall consistently apply the same yield improvement initiatives to the product produced in the new cannabis facility as across the Borrower’s other grow operations. The Borrower shall further ensure that the appropriate yield improvement initiatives, as well as all other applicable growing techniques and growing capacity, are in place to maximize the Borrower’s production and that may positively influence growing capacity of cannabis on the new cannabis facility.
- d) Neither the Borrower, nor the applicable Guarantor, shall dispose of or abandon any right, title or interest in the License or any Other License;
- e) The Borrower, or a Guarantor, as the case may be, shall apply for and obtain each future License and Other License on or before such time as it shall be required by applicable law.
- f) Advances under the Authorized Overdraft (Credit Facility Segment 4) are to be provided to the Borrower on the basis of monthly margining.
- g) The Borrower shall not utilize the Authorized Overdraft (Credit Facility Segment 4) for capital expenditures.
- h) The Borrower and all Guarantors shall comply with the terms and conditions as stipulated in the Security and any other agreement now or hereafter made between the Credit Union and the Borrower and/or any Guarantors.

**Other Conditions:**

- a) Out-of-pocket expenses to be paid by Borrower (e.g. other legal fees, appraisal fees, interim inspection fees and Land Titles searches).

- b) Implementation and continuation the Credit Facility and its Segments are subject to periodic review, at least annually, by the Credit Union and is also subject to no adverse changes in the financial position of the Borrower.
- c) No change in the type or nature business carried on by the Borrower and the Guarantors, taken as a whole, shall occur during the life of the Credit Facility without the written consent of the Credit Union. Should the Borrower or any Guarantor wish to sell all or substantially all of their respective assets or business (subject to the Credit Union's written consent), proceeds of such sale shall be applied towards the repayment in full of the loans hereunder except otherwise agreed to by the Credit Union.
- d) Neither the Borrower nor any Guarantor will encumber its property without prior written consent by the Credit Union.

**Registration of Mortgage Amount:**

Although the Credit Union may register its mortgage(s) for a sum greater than the amount of the Credit Facility and its Segments set out in this Commitment Letter, the Credit Union has no obligation to advance funds greater than the amount of the Credit Facility and its Segments set out in this Commitment Letter.

**Limited Partnership:**

It is understood and agreed that where a general partner holds or will hold title to a property as the general partner of a limited partnership and where such general partner has executed this Commitment Letter and is executing Security including, but not limited to, Security to be registered on such property, it does so both on its own behalf as the registered owner of such property and on behalf of such limited partnership, in its capacity as general partner of such limited partnership. Accordingly, all covenants contained in the Security and in this Commitment Letter shall be binding upon both such limited partnership and such general partner on a joint and several basis.

**Assignment and Syndication:**

The Borrower and the Guarantors hereby acknowledge that (a) the Credit Union has previously assigned a 35% Proportionate Share in the rights and obligations of the Credit Union under Credit Facilities 1, 2 and 3 as defined in the May Commitment Letter to Farm Credit Canada ("FCC") pursuant to an assignment and assumption agreement consented to by the Borrower and Guarantors and dated effective as of October 4, 2021 (the "Existing FCC Assignment") and that accordingly without FCC's consent compliance with the May Commitment Letter may be required in connection with the application of the proceeds of Credit Facility Segment 1, and (b) the Credit Union (and any Lender that is a permitted assignee, directly or indirectly, of the Credit Union hereunder) is entitled to assign or transfer or otherwise syndicate from time to time some or all of its rights or obligations under this Commitment Letter, or any part of them, to FCC or to one or more other financial institutions or institutional lenders (any such financial institution or lender, including the Credit Union as applicable, being a "Lender"), whether at or prior to the first advance hereunder or at any time hereafter (any such assignment, transfer or other syndication completed by the Credit Union within 90 days of the first advance hereunder being part of the "initial syndication")

hereunder); provided that (A) any such assignment and assumption of any portion of the rights and obligations of the Credit Union hereunder shall require the consent of the Borrower and the Guarantors unless an Event of Default (as defined herein) has occurred and is continuing or the assignee is itself already a Lender, and (B) the Borrower and the Guarantors shall enter into any assignment and assumption agreement with respect thereto substantially in the form of the Existing FCC Assignment, whether or not their consent thereto is required.

If the Credit Union or another Lender decides to syndicate any portion of the Credit Facility, then the Borrower and the Guarantors agree to provide (and consent to the Credit Union or such other Lender providing) information respecting the Credit Facility and the business, assets and affairs of the Borrower and the Guarantors to any potential Lender, provided that any such potential Lender agrees to maintain such information in confidence. In the event of any syndication of the Credit Facility or any part thereof, the Credit Union shall be the sole administrator of the Credit Facility as agent for itself and the other Lenders, and will hold all security exclusively in its own name. Any Lender will be entitled to all information in the possession of the Credit Union from time to time with respect to the Credit Facility.

#### **Renewal of Loan Beyond Maturity Date:**

In the event that the Borrower fails to repay the outstanding principal and interest balance of the loan(s) hereunder on the applicable maturity date(s), or fails to accept a renewal offer tendered by the Credit Union within the reasonable time period permitted by the Credit Union's offer to renew (where such failure to repay or renew, as aforesaid, is not attributable to the Credit Union), and provided that there are no arrears in principal and interest hereunder, then the Credit Union may, at its sole option, extend the term of a loan for such period from the expiry date to be determined by the Credit Union in its sole discretion. In such case, the applicable loan, from the date of this extension (and not for any period before), shall bear interest both before and after this new maturity at an interest rate being the greater of the contractual rate of interest or a rate equivalent to the Credit Union's Prime Rate plus [REDACTED] percent per annum, as it may vary and be determined as provided below. This interest rate shall be determined by the Credit Union on the first Banking Day of the month in which the term of the applicable loan expires and thereafter on the first Banking Day of each month until full repayment of the loan in principal, interest, costs and accessories. Unpaid interest accrued on the principal also bears interest at the same rate.

This interest shall be calculated daily and payable monthly. In the event that the renewal or repayment of the Credit Union's monies owing has not been finalized within the extension period, then there shall be no further extensions and the Credit Union will be at liberty to exercise any remedies available to it under the loan and the Security.

For the purposes of this clause, the Credit Union's Prime Rate is defined as the annual rate of interest announced from time to time by the Credit Union as being a reference rate then in effect for determining interest rates on Canadian dollar commercial loans.

"Banking Day" is defined as a day on which the head office of the Credit Union is open for business and which is not a Saturday, Sunday or civic or statutory holiday.

When the term is extended as mentioned above, the balance of the applicable loan of principal and interest, as well as unpaid costs and accessories (money owed) may be paid in full on the expiry date or at any time

during the extension period, without notice or bonus. However, if not paid before, they shall be paid at expiry of the extension period.

A processing fee representing the greater of \$ [REDACTED] or [REDACTED] shall be automatically added to the applicable principal balance if this extension period is utilized.

**Security and Other Documents:**

The Borrower agrees to provide to the Credit Union in form and substance satisfactory to it and its solicitors, all security and supporting agreements requested by the Credit Union including the following documentation (the "Security") which will be held by the Credit Union as security for the Credit Facility and all other direct and indirect liabilities of the Borrower and the Guarantors (or any of them) to the Credit Union from time to time.

**Documentation currently held:**

- a) Membership/Account opening documents

**Security currently held and will continue to be held for the Credit Facility:**

- a) All corporate documents, including:
- Resolution of Directors of the Borrower and each Guarantor approving, with respect to the Borrower, the Credit Facility, and, with respect to the Borrower and the Guarantors, approving the entering into of this Commitment Letter and all Security to which they are a party,
  - List of Directors and Officers authorized to execute this Commitment Letter and the Security
  - Officer's Certificate with constating documents attached, and
  - Certificate of incumbency
- b) A General Security Agreement granted by the Borrower comprising a first charge security interest over all present and after acquired personal property, registered at the Personal Property Registries of Alberta and Saskatchewan
- c) Assignment of Material Contracts
- d) Environmental Indemnity Agreement in an unlimited amount over Properties from the Borrower and Guarantors
- e) Evidence of Commercial General Liability insurance in a minimum amount of \$ [REDACTED] showing the Credit Union as additional insured, and assignment of adequate All-Risk Insurance over subject Property showing the Credit Union as first loss payee via Standard Mortgage Endorsement Clause

- f) Unlimited Guarantee and Postponement of Claim granted by dB Thunderchild Cultivation LP (including supporting Limited Partnership documents), supported by:

A General Security Agreement comprising a first charge security interest over all present and after acquired personal property, registered at Personal Property Registries of Alberta and Saskatchewan

- g) Unlimited Guarantee and Postponement of Claim granted by dB Thunderchild Cultivation Inc. (including supporting corporate documents), supported by:

A First Charge Demand Collateral Mortgage (of Leasehold Interest) in the amount of \$16,000,000.00 over the property which is municipally described as:

[REDACTED]

and legally described as:

[REDACTED]

(hereinafter referred to as "Property I")

Although the Credit Union's mortgage was registered at [REDACTED] % the Credit Union is only entitled to interest at the committed rate

A General Security Agreement comprising a first charge security interest over all present and after acquired personal property, registered at Personal Property Registries of Alberta and Saskatchewan

- h) Mortgage Amending Agreement in the amount of \$17,672,727.00 with respect to the Mortgage (of Leasehold Interest) granted over Property I

- i) The Credit Union's Master Form Title Insurance Policy obtained through Chicago Title

- j) Unlimited Guarantee and Postponement of Claim granted by Thunderchild Holdings Inc. (including supporting corporate documents), supported by:

A General Security Agreement comprising a first charge security interest over all present and after acquired personal property, registered at Personal Property Registry Alberta

- k) Tri-partite agreement between the Thunderchild Land Lessor, Decibel Cannabis Company Inc. as well as the Credit Union

- l) Unlimited Guarantee and Postponement of Claim granted by R. Spetifore & Sons Ltd. *(including supporting corporate documents)*, supported by:

A First Charge Demand Collateral Mortgage in the amount of \$5,500,000.00 over the property which is municipally described as:

[REDACTED]

and legally described as:

[REDACTED]

(hereinafter referred to as "Property 2")

Although the Credit Union's mortgage was registered at [REDACTED] % the Credit Union is only entitled to interest at the committed rate

A General Security Agreement comprising a first charge security interest over all present and after-acquired personal property, registered at Personal Property Registries of Alberta and British Columbia

- m) The Credit Union's Master Form Title Insurance Policy obtained through Chicago Title
- n) Unlimited Guarantee and Postponement of Claim granted by We Grow BC Ltd. *(including supporting corporate documents)*, supported by:

A General Security Agreement comprising a first charge security interest over all present and after acquired personal property, registered at Personal Property Registries of Alberta and British Columbia

- o) Unlimited Guarantee and Postponement of Claim granted by 1070582 B.C. Ltd., *(including supporting corporate documents)*, supported by:

A General Security Agreement comprising a first charge security interest over all present and after acquired personal property, registered at Personal Property Registries of Alberta and British Columbia.



- u) Unlimited Guarantee and Postponement of Claim granted by dB Retail Holdings Inc. (*including supporting corporate documents*), supported by:

A General Security Agreement comprising a first charge security interest over all present and after acquired personal property, registered at Personal Property Registry of Alberta

- v) Unlimited Guarantee and Postponement of Claim granted by dB Retail LP (*including supporting limited partnership documents*), supported by:

A General Security Agreement comprising a first charge security interest over all present and after acquired personal property, registered at Personal Property Registry of Alberta

- w) Direction and Authority to Pay

- x) An Opinion of Counsel to the Borrower, the Guarantors and the Credit Union

**Security to be Obtained for the Credit Facility and its Segments:**

- a) Borrowing Resolution in the amount of \$54,000,000.00
- b) Loan Agreement in the amount of \$28,500,000.00 (*Credit Facility Segment 1*)
- c) Loan Agreement in the amount of \$12,000,000.00 (*Credit Facility Segment 2*)
- d) Line of Credit Agreement in the amount of \$7,500,000.00 (*Credit Facility Segment 3*)
- e) Overdraft Protection Agreement in the amount of \$6,000,000.00 (*Credit Facility Segment 4*)
- f) Mortgage Amending Agreement in the amount of \$33,000,000.00 with respect to the Mortgage (of Leasehold Interest) granted over Property 1
- g) A First Assignment of Rents and Leases on Property 1
- h) Mortgage Amending Agreement in the amount of \$13,000,000.00 with respect to the Mortgage granted over Property 2
- i) A First Assignment of Rents and Leases on Property 2
- j) Mortgage Amending Agreement in the amount of \$17,300,000.00 with respect to the Mortgage granted over Property 3
- k) A First Assignment of Rents and Leases on Property 3
- l) Tri-partite agreement between the Thunderchild Land Lessor, Decibel Cannabis Company Inc. as well as the Credit Union

- m) An Opinion of Counsel to the Borrower and the Guarantors pertaining to the Borrower and the Guarantors that are providing any new Security in favour of the Credit Union, in such form as the Credit Union shall require
- n) A Satisfactory Opinion of Counsel to the Credit Union in a form satisfactory to it
- o) Such other supporting documentation, including, without limitation, such beneficiary authorization and charge agreements as may be required, as the Credit Union or its solicitors, in the course of finalization, may determine as necessary for the protection of the advances

**Security to be released:**

- a) Authorized Overdraft Agreement in the amount of \$7,500,000.00
- b) Borrowing Resolution in the amount of \$16,000,000.00
- c) Promissory Note in the amount of \$16,000,000.00 (723111511231)
- d) Borrowing Resolution in the amount of \$5,500,000.00
- e) Promissory Note in the amount of \$5,500,000.00 (723111511280)
- f) Borrowing Resolution in the amount of \$7,000,000.00
- g) Promissory Note in the amount of \$7,000,000.00 (723111511512)
- h) A First Assignment of Rents and Leases in the amount of \$17,672,727.00 on Property 1
- i) A First Assignment of Rents and Leases in the amount of \$5,500,000.00 on Property 2
- j) A First Assignment of Rents and Leases in the amount of \$8,685,000.00 on Property 3

All the above documentation will be prepared by the Credit Union's solicitor. The Credit Union's solicitor in this transaction is:

[REDACTED]

The name, address and contact information of your solicitor:

[REDACTED]

January 13, 2022

Your acceptance of this letter will constitute authority for the Credit Union to instruct its solicitors to prepare the necessary documentation

**Commitment Expiry Date:**

In the event Credit Facility is not established and Credit Facility Segment I is not advanced by June 30, 2022, this commitment expires.

**Additional Terms and Conditions:**

The attached Schedule "A" outlines additional terms and conditions that form part of this Commitment Letter.

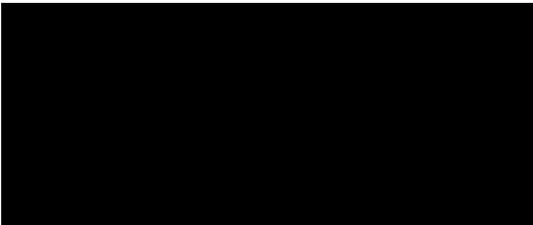
The terms of this Commitment Letter are open for acceptance by the Borrower and the Guarantors executing the duplicate copy of this letter where indicated below and returning it to our office at #2720, 700 – 9<sup>th</sup> Avenue, S.W., Calgary, Alberta, T2P 3V4, on or before 3:00 p.m. on January 27, 2022, after which date and time, this offer shall lapse if it is not accepted.

This Commitment Letter and any amendments, renewals or replacements thereof may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which taken together shall be deemed to constitute one and the same instrument. Counterparts may be executed in original, faxed or electronic PDF format and the parties adopt any signatures received by a receiving fax machine or electronic transmission as original signatures of the parties.

We wish to thank you for allowing the Credit Union the opportunity of being of assistance to you.

Yours truly,

**CONNECT FIRST CREDIT UNION LTD.**



Encs.

**ACCEPTANCE**

We hereby **accept and agree** to the Credit Facility on the terms and conditions outlined by the Commitment Letter dated January 13, 2022 on this \_\_\_\_ day of January, 2022.

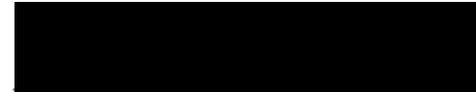
**Decibel Cannabis Company Inc. – Borrower**

Per: 

(Affix Corporate Seal)

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

**dB Thunderchild Cultivation LP,  
by its General Partner, dB Thunderchild Cultivation Inc. – Guarantor**

Per: 

(Affix Corporate Seal)

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

**dB Thunderchild Cultivation Inc. – Guarantor**

Per: 

(Affix Corporate Seal)

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

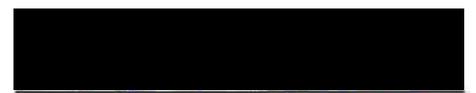
**Thunderchild Holdings Inc. – Guarantor**

Per: 

(Affix Corporate Seal)

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

**R. Spetifore & Sons Ltd. – Guarantor**

Per: 

(Affix Corporate Seal)

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

**We Grow BC Ltd. – Guarantor**

Per: 

(Affix Corporate Seal)

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

**1070582 B.C. Ltd. – Guarantor**

Per: 

(Affix Corporate Seal)

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

**Westleaf Labs Inc. – Guarantor**

Per: 

(Affix Corporate Seal)

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

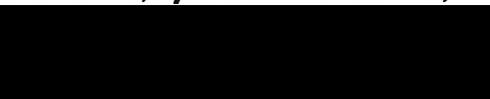
**Decibel Labs Holdings Inc. – Guarantor**

Per: 

(Affix Corporate Seal)

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

**Westleaf Labs LP, by its General Partner, Westleaf Labs Inc. – Guarantor**

Per: 

(Affix Corporate Seal)

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

**dB Retail Holdings Inc. – Guarantor**

Per: 

(Affix Corporate Seal)

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

**dB Retail LP, by its General Partner, dB Retail Holdings Inc. – Guarantor**

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

*(Affix Corporate Seal)*

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

## **SCHEDULE "A"** **ADDITIONAL TERMS AND CONDITIONS**

### **Representations and Warranties:**

Each of the Borrower and the Guarantors, to the extent applicable, represents and warrants to the Credit Union that:

- a. It is a corporation or a limited partnership, as the case may be, subsisting under the laws of the jurisdictions where it has been incorporated, created or formed, as applicable, and that it is duly registered or qualified to carry on business in all jurisdictions where the character of the properties owned by it or the nature of its business transacted make such registration or qualification necessary;
- b. The execution and delivery of this Commitment Letter and of the Security has or will have been duly authorized by all necessary actions and does not:
  - i) violate any law or any provisions of its constating documents, limited partnership agreement or similar organizational documents,
  - ii) result in a breach of, a default under, or the creation of any encumbrance on its properties or assets under any agreement or instrument to which it or any of its properties and assets may be bound or affected, and
  - iii) require any regulatory approval which has not been obtained;
- c. No event has occurred which is or which, with the giving notice, lapse of time or other condition, would constitute an event having material adverse effect on the financial condition of the Borrower and the Guarantors, taken as a whole, under or in respect of any agreement, undertaking, or instrument to which it is a party or to which it or any of its properties or assets may be subject.

### **Events of Default:**

Without in any way affecting the Credit Union's right to demand repayment in respect of any Segment or other facility that is repayable on demand, it is an event of default ("Event of Default") if any one or more of the following events has occurred and is continuing:

- a. The non-payment, when due, of principal interest or any other amount due under this Commitment Letter;
- b. The breach by the Borrower or any Guarantor of any provision of this Commitment Letter or any other agreement with the Credit Union;
- c. There is a change in applicable laws which materially changes, in the sole opinion of the Credit Union, the nature of the Borrower's or any Guarantor's business and would reasonably be expected to have a material adverse effect on the business of the Borrower and/or any such Guarantor (a "Material Adverse Effect");
- d. There is any event, occurrence, action, or failure to take the necessary action, which impedes, jeopardizes or otherwise poses any material risk to the Borrower's, and/or any Guarantor's, as the case may be, ability to maintain the License or any Other License;
- e. Revocation of the License or any Other License;
- f. The default by the Borrower or any Guarantor under any obligation to repay borrowed money - other than amounts due under this Commitment Letter, or in the performance or observance of any agreement or condition in respect of such borrowed money as a result of which the maturity of such obligation is accelerated or may be accelerated;

- g. If any representation or warranty made herein shall be false or inaccurate in any adverse respect;
- h. If in the opinion of the Credit Union, acting reasonably, there is:
  - i) A material adverse change in, or a material adverse effect upon, the financial condition, operations, assets, business, properties or prospects of the Borrower or any Guarantor;
  - ii) A material impairment of the ability of the Borrower or any Guarantors to perform any of their obligations under any of the Security to which the Borrower or such Guarantor is a party;
  - iii) A material adverse effect upon any substantial portion of the assets or the property subject to the Security in favor of the Credit Union or upon the legality, validity, binding effect, rank or enforceability of any Security; or
  - iv) A change in applicable laws which fundamentally changes the nature of the Borrower's or any Guarantor's business and would reasonably be expected to have a Material Adverse Effect;
- i. If an order is made or an effective resolution is passed for the winding-up of the Borrower or any Guarantor or if a petition is filed for the winding-up of the Borrower or any Guarantor, unless such wind-up is previously approved by the Credit Union;
- j. If the Borrower or any Guarantor becomes insolvent, or makes an assignment or bulk sale of its assets, or if a petition in bankruptcy is filed or presented against the Borrower or any Guarantor;
- k. If any proceeding with respect to the Borrower or any Guarantor is commenced under the *Companies' Creditors Arrangements Act*, or similar legislation;
- l. If any execution, sequestration, writ of enforcement or any other process of any court becomes enforceable against the Borrower or any Guarantor, or if a distress or analogous process is levied upon the property of the Borrower or any Guarantor or any part thereof, provided that such execution, sequestration, writ of enforcement or other process is not in good faith being contested by the Borrower or such Guarantor;
- m. If the Borrower or any Guarantor ceases or threatens to cease to carry on its business or if the Borrower or any Guarantor commits or threatens to commit any act of bankruptcy;
- n. If the *Cannabis Act* (Canada) is repealed; or
- o. If there is a change of control of the Borrower or any Guarantor without the Credit Union's prior written consent.
- p. If there is any action, or failure to take the necessary action, which impedes, jeopardizes or otherwise places any risk to maintain the License or other material licenses, permits or approvals required to operate the Borrower's business and would reasonably be expected to have a material adverse effect on the Borrower or its business
- q. If the License is revoked or the revocation of any other material license, permit or approval from any governmental authority with respect to the Borrower's business which would be reasonably be expected to have a material adverse effect on the Borrower or its business; or
- r. If there is a change of control of the Borrower or any Guarantor without the Credit Union's prior written consent.

The Credit Union will permit, where applicable, the Borrower a 30-day cure period to rectify the above-mentioned events.

#### **Remedies in the Event of Default on Credit Facility:**

If an Event of Default occurs, the Credit Union has the right in addition to its other rights at law or in equity to require immediate payment in full of the Credit Facility and all Segments.

**Right of Termination:**

The Credit Union shall have the right to terminate this Commitment Letter and be relieved of all obligations in connection therewith in the event any of the following events should occur:

- a. There is an Event of Default which is ongoing beyond any applicable cure period; or
- b. The Borrower fails or is unable or is unwilling for any reason whatsoever to comply with any of the terms and conditions set out in this Commitment Letter within the time indicated for such compliance; or
- c. The Borrower fails or refuses to execute any documentation requested by our solicitors or to deliver such documentation to our solicitors; or
- d. The net proceeds of the loan have not been fully advanced on or before the commitment expiry date referred to herein; or
- e. The Borrower refuses to accept the funds when advanced; or
- f. The Borrower or any other person or corporation whose covenant is required shall become bankrupt, or subject to bankruptcy, receivership or insolvency proceedings; or
- g. There has been, in the sole opinion of the Credit Union, acting reasonably, a material adverse change in the condition of the Property or the Borrower and its subsidiaries, taken as a whole, or in the actual or anticipated revenues from the Property; or
- h. Urea formaldehyde foam insulation or any construction material containing asbestos or other substance considered harmful by the Credit Union has been used or will be used in the Property; or there is in, or on about the Property any product or substance including, without restriction, PCBs contaminants or hazardous materials, equipment or anything which does, or is likely to, constitute an environmental hazard or contravenes any environmental law, regulation, order, decree or directive; or
- i. The Borrower has not complied with all the provisions of the *Builders' Lien Act* of Alberta and amendments thereto, to our satisfaction; or
- j. The Credit Union or its solicitor, acting reasonably, is not satisfied with the matters set out under the heading "Title"; or
- k. All legal matters and documentation relating to the transaction has not been completed to the Credit Union's and its counsel's satisfaction.

If the Credit Union elects to terminate this Commitment Letter or a Credit Facility prior to the advance of the entire amount under the Credit Facility, the amount advanced under the Credit Facility, if any, together with interest thereon at the rate set out herein shall become immediately due and payable and the Credit Union shall, whether or not any proceeds have been advanced, be entitled to retain the Commitment Fee as compensation for all damages sustained by it, it being agreed that the amount of such Commitment Fee is a fair estimate of the damages which will be suffered by the Credit Union in such event.

**Collection, Use, Disclosure and Release of Financial and Other Information and Materials:**

For the purposes of making, administering, reporting, selling or assigning in whole or in part, in connection with securitization or otherwise, and collecting the Credit Facility, the following parties (collectively, "Authorized Parties") will be reviewing and examining financial and other information and materials provided to or obtained by the Credit Union concerning the Credit Facility, the Borrower and the Guarantors:

- a) The Credit Union and/or any holder or servicer of the Credit Facility or of an interest therein from time to time and/or their respective affiliates and/or agents;
- b) Rating agencies, purchasers or investors and prospective purchasers or investors;
- c) Respective third party advisors of the parties listed in a) and b) above, such as lawyers, accountants, real estate brokers, investment dealers and underwriters, consultants, and appraisers; and,
- d) Credit verification sources.

The Borrower and the Guarantors, acknowledges and irrevocably consents to the foregoing and irrevocably agrees that, in such manner as the Authorized Parties may determine to be necessary or desirable for these purposes, the Authorized Parties may disclose, release, exchange and share such information and materials:

- a) To and with any Individual(s), corporations(s) or other entities designated from time to time to hold title to the Credit Facility and/or security documents as custodian(s) or agent(s);
- b) To and with each other;
- c) The Borrower and the Guarantors, hereby consents to the Authorized Parties conducting such credit inquires, as they may from time to time consider advisable for these purposes; and,
- d) The provisions of this paragraph shall apply until all loans have been fully and completely repaid and the security documents have been discharged.

**Evidence of Advances:**

The Borrower and the Guarantors, agree that the Credit Union's records evidencing an advance shall be complete and final proof, absent manifest error, that funds have been advanced under the Credit Facility set forth in the Commitment Letter and may, from time to time dependent upon the type of Credit Facility made available, be evidenced by other documentation such as, for example and without limitation, promissory notes, direct deposits, drafts or cheques made payable to other parties including solicitors and agents and any other means by which the Credit Union provides value to the Borrower under the Credit Facility.

**Noteless Advances:**

The Borrower acknowledges that the actual recording of the amount of any advance or repayment thereof under the Credit Facility, and interest, fees and other amounts due in connection with the Credit Facility, in an account of the Borrower maintained by the Credit Union, shall constitute prima facie evidence of the Borrower's indebtedness and liability under the applicable Credit Facility; provided that the obligation of the Borrower to pay or repay any indebtedness and liability in accordance with the terms and conditions of the Credit Facility set out in the Commitment Letter shall not be affected by the failure of the Credit Union to make such recording. The Borrower also hereby acknowledges being indebted to the Credit Union for principal amounts shown as outstanding in the Credit Union's account records, and all accrued and unpaid interest in respect thereto, which principal and interest the Borrower hereby undertakes to pay to the Credit Union in accordance with the terms and conditions applicable to the Credit Facility as set out in this Commitment Letter.

**Automatic Debit:**

The Borrower authorizes and directs the Credit Union to automatically debit payment, by mechanical, electronic, or manual means, payable by the Borrower under this Commitment Letter or by the Borrower under the Security, as defined below, including, but not limited to, the repayment of principal and the payment of interest, fees, and all charges for the keeping of the accounts of the Borrower.

**Taxes:**

All realty taxes and local improvement assessments are to be paid by the Borrower or its tenants to the municipality when due and you shall provide the Credit Union annually, if requested, with receipted copies of the realty tax bills for the Property. The Credit Union may, at its sole option, require that the Borrower pays on the monthly payment date provided for herein one-twelfth of the annual realty taxes payable or estimated by the Credit Union to be payable for the forthcoming year. Any deficiency between actual and estimated taxes shall be payable to the Credit Union forthwith upon demand.

**Insurance:**

The Borrower will insure and keep fully insured the Property and all tangible personal property against the following perils:

- a) With respect to all buildings and other improvements now or hereafter situated on the Property and all insurable property included within the buildings, coverage against loss or damage by fire and other insurable hazards defined in an "All Risks" insurance policy for the full replacement cost with the same/adjacent site requirement removed and with automatic vacancy permit;
- b) Equipment Breakdown insurance, if applicable, for the full replacement cost of the Property and all improvements thereon or such lesser amount as shall be acceptable to the Credit Union;
- c) Business interruption or rental loss insurance acceptable to the Credit Union for an indemnity period of not less than 12 months and with coverage of not less than 100% of the resulting loss or rent or other revenue received from the operation of the building;
- d) Loss or damage of all personal property by fire or other insurable hazards, including theft, in an amount not less than the full replacement cost thereof, and
- e) Commercial General Liability insurance to an amount not less than \$10,000,000 on an occurrence basis.

The policies of insurance to be maintained shall contain a stated amount co-insurance clause or not be subject to any co-insurance clauses and shall be in form and with insurers satisfactory to the Credit Union. The insurance shall include the agreement of the insurer that the policy will not be cancelled without at least thirty (30) days prior written notice of cancellation to the Credit Union. The Credit Union shall be named as the first mortgagee and loss payee subject to the standard Insurance Bureau of Canada Mortgage Clause. The Credit Union will be included as an additional insured on the Commercial General Liability coverage.

The Borrower, at least ten (10) days prior to the advance of any funds under the Credit Facility, will furnish to the Credit Union or its solicitors evidence of insurance.

**Title:**

- a) Subject to (b), the party granting each mortgage hereunder is the legal and beneficial owner of the applicable Property and has good title in fee simple.
- b) Where a mortgagor hereunder is a general partner of a limited partnership, the beneficial owner of the applicable Property, or applicable interest in the Property, is such limited partnership.

The Property and all improvements thereon shall have been duly authorized and comply in all respects with all applicable laws, by-laws, government requirements, whether federal, provincial or municipal including, without restriction, those dealing with planning, zoning, use, occupancy, subdivision, parking, historical designations, fire, access, loading facilities, landscaped areas, pollution of the environment, toxic materials or other environmental hazards, building construction, public health and safety and there shall be no outstanding work orders against the Property or the improvements or any part thereof.

The Borrower shall provide such certificates or other written confirmation as the Credit Union's solicitors may reasonably require, certifying that no control orders, stop orders or prosecutions exist with respect to the Property or any activity or operation carried out thereon pursuant to any federal, provincial, municipal or local environmental, health and safety laws, statutes and regulations as may apply to the Property or the activities or operations carried out thereon.

**Leases:**

In the event the Property is leased, it shall be in accordance with the terms set out in the lease document(s) between landlord and each tenant. The Borrower will provide at the Credit Union's request, executed copies of such leases for our review which must be in a form and upon terms acceptable to the Credit Union. To the extent any of its real property is leased to a person other than a Guarantor, the Borrower will also provide to our solicitors an estoppel certificate with the written acknowledgement of each tenant as to the status of its tenancy at the time of the advance of funds hereunder. At the time of the advance of the funds hereunder each tenant (if applicable) must be in possession of the whole of its leased premises, carrying on business thereon and paying rent pursuant to the terms of the lease and the landlord and tenant shall otherwise have performed all their obligations contained in the lease.

The Credit Union may at its option require that all present and future leases of the Property (to the extent leased by the Borrower or any Guarantor and registered against title to the applicable Property) be postponed by way of a registered postponement agreement in favour of the Credit Union's interest in the Property.

In the event the forgoing is required, the Credit Union agrees to execute a non-disturbance agreement with each applicable tenant.

**Payment of Costs:**

The Borrower agrees to pay all expenses, fees and charges incurred by the Credit Union in relation to all loans and credits, the preparation, negotiation, amendment and registration of this Commitment Letter and all security, the initial syndication and the enforcement or preservation of any or all of the rights and remedies of the Credit Union and its permitted assigns, whether or not any such documentation is completed or any funds are advanced, including but not limited to legal expenses (on a solicitor-and-its-

own-client full indemnity basis), costs of accountants, engineers, architects, consultants, appraisers and the costs of any and all searches and registrations the Credit Union or its solicitor deems either necessary or desirable.

**Signs:**

In the event this loan is for the purpose of providing financing for a building or other major improvements to be constructed on the Property, the Credit Union shall have the right to require a sign or signs supplied by it to be erected and maintained by you on the Property in a location acceptable to the Credit Union, which sign or signs shall indicate that the Credit Union has provided financing for the Property.

**Environmental Representations:**

As set out in the security documentation.

**Mandatory Membership:**

Membership with the Credit Union requires that every Borrower invest a minimum of \$█ in Common Shares of the Credit Union and such ownership and membership must be maintained so long as there are any monies and obligations outstanding by the Borrower to the Credit Union.

**Amendment:**

Any amendment to this Commitment Letter or security documents must be in writing and signed by the Borrower, Guarantors, and the Credit Union.

**Assignment:**

Without limiting any other provision hereof, the Borrower understands and acknowledges that, after the occurrence of an Event of Default which is continuing, the Credit Union shall have the unrestricted right to sell or assign the Credit Facility or any loan thereunder, and/or the security documents (including this Commitment Letter) or any parts thereof to a third party of its choice. In connection with any assignment and transfer or other syndication permitted hereunder, the Borrower consents to the disclosure by the Credit Union to any such assignee or potential assignee and its agents of personal information of the undersigned relating to the Credit Facility, and/or the security documents (including this Commitment Letter) or any parts thereof and consents to the collection and use of such personal information by such assignee and its agents. The Borrower also consents to the collection and use of said personal information by third parties involved in the assignment or transfer of the Credit Facility and the further disclosure of such information to the third parties' agents and assignees and those parties' subsequent collection and use of the information, in each case, for the purpose of the ongoing management of the Credit Facility and the exercise of the rights of the Lenders hereunder or pursuant hereto.

**Governing Law:**

This Commitment Letter constituted by your acceptance shall be governed by the laws of the Province of Alberta and the federal laws of Canada applicable therein.

**Headings:**

The headings contained in this letter are for reference only and shall not constitute any part of the terms and conditions contained herein.

**Payments:**

Unless otherwise directed and agreed to by the Credit Union all amounts payable by the Borrower hereunder shall be paid to the Credit Union at its Commercial Banking Office/Branch, 2720, 700 – 9<sup>th</sup> Avenue SW, Calgary, Alberta T2P 3V4, in Canadian dollars.

**Successors and Assigns:**

Subject to the provisions hereof, this Commitment Letter shall enure to the benefit of and be binding upon the parties hereto and their respective successors and permitted assigns.

**Severability:**

Each provision of this Commitment Letter is severable and any term or provisions hereby declared to the contrary to, prohibited by, or invalid under applicable laws or regulations shall be inapplicable and deemed omitted herefrom, but shall not invalidate the remaining terms and provisions hereof.

**Conflict:**

The terms and conditions of this Commitment Letter shall not be merged by and shall survive the execution, delivery and registration of any and all security documents. In the event of a conflict between the terms of this Commitment Letter and the terms of any security document, the terms of this Commitment Letter shall prevail. For clarity, the mention of a provision in either the Commitment Letter and not in the Security or vice versa shall not constitute a conflict but shall be deemed to be supplemental and in addition to any of the terms and conditions available under either the Credit Facility or the Security as the case may be.

**Time:**

Time shall in all respects be of the essence hereof.

**Waiver:**

No terms or requirement of this Commitment Letter or any security documents may be waived or varied orally or by any course of conduct or any officer, employee, or agent of the Credit Union. Any failure by the Credit Union to exercise any rights or remedies hereunder or under any of the Security shall not constitute a waiver thereof.