



**Servus Credit Union Ltd.
Commercial Services Group**
11311 Kingsway Avenue
Edmonton, Alberta T5G 0X3

August 11, 2021

The Christian Senior Citizens Home Society of Northern Alberta
13429 57 Street NW
Edmonton, Alberta T5A 0T8

PRIVATE & CONFIDENTIAL

Attention: Darren Sinke

Dear Darren:

Servus Credit Union Ltd. & Christian Credit Union Ltd. would like to thank you for the opportunity to present the following financing proposal for your consideration. The outline provided is not, nor should it be construed as, a commitment on the part of the credit unions but rather a proposal open to further discussion and analysis.

Please feel free to contact the undersigned as we would be happy to discuss the proposed financing package at your convenience. Thank you for your consideration.

BORROWER: The Christian Senior Citizens Home Society of Northern Alberta

AMOUNT & PURPOSE:

Demand Construction Mortgage Facility: In the amount of \$42,000,000 (68% Combined Loan to Appraised Value) to assist in the construction of the new facility, located at 12810 114 Avenue NW, Edmonton AB legally described as Plan 8522173 Block 6 Lot 7.

INTEREST RATE:

Amounts advanced by the Credit Union to the Borrower shall bear interest while outstanding; before and after maturity, default and judgment at the following rates:

Construction Mortgage Loan Facility:

- During Construction: An annual rate of interest equal to the Credit Union's Prime Lending Rate plus 1.25%, floating, calculated daily and payable monthly in arrears.
- Upon Completion: An option to convert the principal balance to a mortgage loan facility may be available with up to 12 months interest only to allow for stabilization (lesser of 12 months or stabilization); upon stabilization, the Credit Union may be prepared to term out the Construction Mortgage for a term of 1 to 5 years at Commercial Lending Rates. Exact rates cannot be quoted until the time of project completion.

The "Prime Lending Rate" referred to above shall mean the floating annual rate of interest established and recorded as such from time to time by the Credit Union as its reference rate for determining rates of interest it will charge for loans denominated in Canadian Dollars and commonly called the Credit Union's Prime Lending Rate, adjusted automatically upon any change by the Credit Union. The Credit Union's Prime Lending Rate is 2.45% per annum as at the date of this Credit Facility Letter.

Notwithstanding anything to the contrary contained herein, the Credit Union may, in its discretion, make an advance under the Authorized Overdraft, or make a reduction from the advance otherwise requested under the loans, to pay any interest that has become due and payable.



Interest shall be payable without demand and, unless otherwise specified herein, shall be calculated daily and payable monthly in arrears on the date specified by the Credit Union and will accrue daily. Overdue interest shall bear interest at the same rate as that used in calculating the interest overdue, while the same remains unpaid.

An Application Fee of \$210,000 or 50 bps is payable upon acceptance of our offer (15 bps will be refunded if the facility is refinanced with SCU after construction is complete & the property is stabilized). \$50,000 of which is due and payable with the completion of this proposal & the remainder will be due upon commitment.

An Annual Review Fee of 3 bps will be due and payable annually after completion of our Annual Review.

A Construction Advance Fee of \$250 will be due and payable with each construction advance.

Search and Credit Investigation Fees are to be paid to the Credit Union.

REPAYMENT /TERMS:

The Borrower shall repay loans on demand. Prior to demand by the Credit Union, loans shall be repayable as follows:

Demand Construction Mortgage Facility:

During Construction: Repayable with monthly accrued interest payments due on the 1st of each month, principal to be repaid in full within 30 months of the first advance.

Upon Completion: An option to convert the principal balance to a mortgage loan facility may be available with up to 12 months interest only to allow for stabilization (lesser of 12 months or stabilization); it will be repayable with monthly blended installments of \$197,105 (based on the Credit Union's Prime Lending Rate plus 1.25% amortized over a 29 year period - 30 year total amortization) applied firstly to interest and secondly to principal. The Borrower/Guarantor(s) acknowledges the payment schedule is to be reviewed/adjusted annually (as required) to ensure the original amortization is maintained at all times.

Upon Completion & Stabilization: An option to convert the principal balance to a mortgage loan facility may be available; it will be repayable with monthly blended installments applied firstly to interest and secondly to the principal amount outstanding from time to time with the fixed annual rate of interest, the term and the amortization to be determined at time of completion.

PREPAYMENT:

During construction, The Borrower, at any time and from time to time, when not in default, shall have the privilege of paying the whole amount or any part thereof without notice or bonus.

Floating Interest Rate Facility:

- 1) On any business day of any month, the Borrower will be entitled to prepay without notice, bonus or penalty, a minimum of One Hundred (\$100.00) Dollars to a maximum of Twenty percent (20%) of the original principal amount of the mortgage per year, commencing from the interest adjustment date. If not paid in full, regular payments will continue as set out in the Agreement. This privilege is noncumulative. If within five (5) business days after any partial prepayment, the Borrower prepays the entire principal amount owing then an added

- prepayment bonus as stated in paragraph 2 below will apply.
- 2) The Borrower may, if not in default, prepay the balance owing on payment of three months' interest calculated on the document interest rate (the annual rate of interest, calculated daily) on the amount prepaid. If the Borrower has exercised a partial prepayment right pursuant to paragraph 1 within the five (5) business days prior to full payment, the Borrower must pay an added prepayment bonus of three months' interest calculated on the document interest rate (the annual rate of interest, calculated daily) on the amount of the partial prepayment.

Fixed Interest Rate Facility:

- 1) On any business day of any month, the Borrower will be entitled to prepay without notice, bonus or penalty, a minimum of One Hundred (\$100.00) Dollars to a maximum of Twenty percent (20 %) of the original principal amount of the mortgage per year, commencing from the interest adjustment date. If not paid in full, regular payments will continue as set out in the Agreement. This privilege is noncumulative. If within five (5) business days after any partial prepayment, the Borrower prepays the entire principal amount owing then an added prepayment bonus as stated in paragraph 2 below will apply.
- 2) The Borrower may, if not in default, prepay the balance owing on payment of the greater of three months' interest calculated on the document interest rate (the annual rate of interest, calculated daily) or the Interest Differential on the amount prepaid. If the Borrower has exercised a partial prepayment right pursuant to paragraph 1 within the five (5) business days prior to full payment, the Borrower must pay an added prepayment bonus of the greater of three months' interest calculated on the document interest rate (the annual rate of interest, calculated daily) or the Interest Differential on the amount of the partial prepayment.

Definitions:

"Interest Differential" is the amount by which interest at the rate applicable to the fixed term chosen by the Borrower exceeds interest at the Credit Union's reinvestment interest rate for the term remaining at the time of prepayment as determined by the Credit Union.

"Year" means a one-year period commencing on the interest adjustment date or an anniversary thereof and ending on the day prior to the next anniversary of the interest adjustment date.

REVIEW:

All loans are subject to review at any time, and in any event will be reviewed annually on May 1 (4 months following the Borrowers Fiscal Year-End);

SECURITY:

The types of security, supporting resolutions and agreements to be provided by the Borrower will be in a form and content determined by the Credit Union and/or its solicitors and include the following:

- 1) Appropriate Banking and Borrowing Resolutions.
- 2) Certificate of Non-Restriction.
- 3) General Security Agreement providing a first charge and security interest in & to all the borrowers present and after acquired personal property and real estate with specific security interest in serial numbered goods as required by the credit union.
- 4) Continuous Demand Mortgage for \$32,550,000 representing a first fixed charge over buildings, land and improvements at 12810 114 Avenue NW, Edmonton AB legally described as Plan 8522173 Block 6 Lot 7 and in the name of The Christian Senior Citizens Home Society of Northern Alberta.
- 5) General Assignment of Leases and Rents registered by way of Caveat representing a second fixed charge over buildings land and improvements at 12810 114 Avenue NW, Edmonton AB legally described as Plan 8522173 Block 6 Lot 7.
- 6) Continuous Demand Mortgage for \$34,810,000 representing a second fixed charge over buildings, land and improvements at 13429 57 Street NW, Edmonton AB, legally described as Plan 1025116 Block 13 Lot 51A and in the name of The Christian Senior Citizens Home

Society of Northern Alberta.

- 7) General Assignment of Leases and Rents registered by way of Caveat representing a third fixed charge over buildings land and improvements at 13429 57 Street NW, Edmonton AB, legally described as Plan 1025116 Block 13 Lot 51A.
- 8) Assignment of all construction contracts, development permits, etc.
- 9) Real Property Report with proof of Zoning Compliance from the appropriate regulating authority Or title insurance.
- 12) Evidence of property insurance is as follows:
Insure and keep fully insured all property and assets against the following perils:
 - i) With respect to all buildings and other improvements now or hereafter situated on any mortgaged 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.
 - ii) Boiler and pressure vessel insurance for the full replacement cost of all mortgaged property and all improvements thereon or such lesser amount as shall be acceptable to the Credit Union;
 - iii) 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;
 - iv) 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
 - v) Public liability insurance to an amount not less than \$2,000,000 on an occurrence basis.The policies of insurance to be maintained shall not contain any co-insurance clauses less than 90% and shall be in form and with insurers satisfactory to the Credit Union and shall include the agreement of the insurer that the policy will not be cancelled or permitted to expire on expiry date without at least thirty (30) days prior written notice of intended cancellation or non-renewal to the Credit Union. Servus Credit Union Ltd. & Christian Credit Union Ltd. shall be named in all policies of insurance other than public liability insurance as the first loss payee and as first mortgagee upon the terms of the standard Insurance Bureau of Canada Mortgage Endorsement Clause.
The Borrower will furnish to the Credit Union or its solicitors, at least ten (10) days prior to the advance of any funds, a binder policy, with certified copies of the policies being provided within 45 days thereafter, providing the above coverage.
- 13) Solicitor's letter of opinion regarding capacity, due authorization and legal effectiveness of security.
- 14) Credit Facility Letter.
- 15) Updated Participation Agreement.
- 16) Such other securities and documents as deemed reasonably necessary by the solicitor acting on the Credit Union's behalf.

REPORTING REQUIREMENTS:

Monthly, within 30 days of month-end:

- a) Updated Rent Roll/Tenancy Schedule;

Annually, within 90 days of the Corporation's fiscal year-end:

- a) Annual accountant prepared year-end financial statements on a "Audited" basis;
- b) Confirmation of Real Estate Tax Payments;
- c) Confirmation of Renewal of Insurance Policies;
- d) Updated Rent Roll/Tenancy Schedule;

Periodically, as requested:

- a) Such other information as the Credit Union may request from time to time;

CONDITIONS PRECEDENT TO DRAW DOWN:

Prior to funding, the Credit Union is to be in receipt of and satisfied with:

- 1) The Borrower is to be confirmed as a legally incorporated entity prior to any advances.
- 2) All security documentation to be completed and registered with a solicitor's letter of opinion confirming that the Credit Union's security is a valid and enforceable first charge and that any prior encumbrances will not affect that first registered position.
- 3) The Credit Union's solicitor is to confirm all proper signing operating account documents and enabling resolutions have been or will be executed.
- 4) The name, qualifications and experience of the General Contractor, Project Engineer, Architect or Quantity Surveyor.
- 5) The following are to be reviewed by the Project Engineer, Architect or Quantity Surveyor and confirmed to be in order prior to the first advance:
 - a) Confirmation that all required building and development permits are in place.
 - b) Copies of the construction plans and specifications.
 - c) A detailed Construction Budget including the cost of land, materials, labor, and all soft costs. Soft costs are to include an interest reserve sufficient to cover interest on the loan during construction as well as during the leasing/sales time frame.
 - d) A Construction Schedule and a Project Cash Flow Projection for the construction phase, with same showing the estimated timing (month by month) of equity injections and loan disbursements.
- 6) Geotechnical Evaluation of the site.
- 7) A Phase I Environmental Site Assessment must be completed by an environmental consultant or engineer acceptable to the Credit Union. The Credit Union reserves the right to request a Phase II or III should the Phase I Environmental Site Assessment note any concerns or contamination.
- 8) A current "blueprint" appraisal for the land and improvements located at 12810 114 Avenue NW, Edmonton AB confirming a market value acceptable to the Credit Union. The appraisal is to be addressed to the Credit Union confirming that it can be relied upon for mortgage lending purposes. If not, a transmittal letter from the appraiser will be required. The appraisal is to be prepared by an independent appraiser with an Accredited Appraiser Canadian Institute (AACI) designation and approved by the Credit Union. All appraisals must always include the income approach to value as well as at least one of the cost and/or direct comparison approaches to value (by Altus or Colliers is to include an absorption analysis).
- 9) Updated appraisal for the land and improvements located at 13429 57 Street NW, Edmonton AB confirming a market value acceptable to the Credit Union. The appraisal is to be addressed to the Credit Union confirming that it can be relied upon for mortgage lending purposes. If not, a transmittal letter from the appraiser will be required. The appraisal is to be prepared by an independent appraiser with an Accredited Appraiser Canadian Institute (AACI) designation and approved by the Credit Union. All appraisals must always include the income approach to value as well as at least one of the cost and/or direct comparison approaches to value (by Altus or Colliers).
- 10) Unless approved otherwise by the Credit Union, all of the Borrower's equity must be in place as certified by the Project Engineer, Architect or Quantity Surveyor before any advances by the Credit Union.
- 11) The cost of land is to be verified with a copy of the executed purchase agreement and statement of adjustments.
- 12) A copy of the fixed price construction contract with the General Contractor must be provided to the Credit Union.
- 13) Confirmation of Builder's All Risk Insurance.
- 14) The Borrower is to utilize a separate account for each construction project. This account will be used solely for the Credit Union (or our solicitor) to advance funds to and for members to issue payments to the General Contractor. This account will be examined by the Project Engineer, Architect or Quantity Surveyor and compared to project expenditures ensuring that funds are being used for construction purposes only.

- 15) Contracts with the General Contractor, and all subcontractors having contracts of more than \$500,000 in the project should typically be on a fixed price basis and all such contractors should typically be bonded to a minimum of 50% of their contracts.
- 16) Fixed price contracts with known and/or reputable suppliers for all construction components covering a minimum of 70% of total hard costs must be in place with copies of all contracts provided to the Credit Union.
- 17) The property taxes are to be confirmed as paid/current.
- 18) The Borrower will permit the Credit Union, or its agents, access to the project at all reasonable times to monitor the progress of construction.

Construction Mortgage Facility:

- 1) Draws will be made on a cost to complete basis (i.e. sufficient loan funds will be retained at all times to cover remaining costs to complete the project in accordance with the approved plans and specifications as confirmed by the Project Engineer, Architect or Quantity Surveyor).
- 2) Draw Requests will be approved by the Borrower and certified by the Project Engineer, Architect or Quantity Surveyor and will be supported with a Statutory Declaration by the General Contractor showing the original budget, current budget, percentage completed, work in place, cost to complete, the value of the draw request and the amount of holdbacks outstanding. The Statutory Declaration is also to confirm that all sub-trades and supplier accounts are in good standing and that all Workers' Compensation payments are in good standing.
- 3) Advances are to be requested not more frequently than monthly and are to generally be for no less than \$100,000.
- 4) Advances will be subject to a Land Titles search confirming that no builder's liens have been registered.
- 5) Any cost overruns as determined by the Project Engineer, Architect or Quantity Surveyor or by the Credit Union are to be covered by the Borrower at the time they occur before the next progress advance will be considered.
- 6) If a builder's lien claim is filed or otherwise asserted against the project then, at the option of the Credit Union, a default shall have occurred. In addition to the other remedies it may have, the Credit Union shall not be required to make any further advances until the borrower satisfies the Credit Union that arrangements are in place that will ensure removal of any builder's liens.
- 7) GST will be for the account of the Borrower.
- 8) The Borrower agrees to maintain all holdbacks as required by the Builders' Lien Act RSA 2000, ch. B-7 as amended and acknowledges and understands that the Borrower must retain an amount in an account equal to 10% of the value of work actually done and material actually furnished under any construction contract for a period of 45 days from the date of an issue of a Certificate of Substantial Performance, where applicable, or the completion of the construction contract, where a Certificate of Substantial Performance is not issued. Where a Certificate of Substantial Performance has been issued, the Borrower must also retain an amount equal to 10% of the value of work actually done or material actually furnished on or after the date of issue of the Certificate of Substantial Performance for a period of 45 days from the date of completion of the construction contract. In addition to all of the holdbacks, the Borrower in all cases where a lien has been registered must also retain any amounts payable under the construction contract that have not been paid so long as the lien remains registered.
- 9) Upon completion of the project, the Borrower will provide the Credit Union with a statutory declaration certifying to the Credit Union that all monies payable under its contracts have been paid, that the general contractor has paid all suppliers and sub-trades and that the project is substantially complete in accordance with Builders' Lien Act. The Borrower will also provide the Credit Union with an occupancy certificate or its equivalent from the governing municipal authority as applicable.

FINANCIAL COVENANTS:

Unless otherwise called for and agreed to by the Credit Union all financial covenants will be measured based upon the Borrower's most recent, external accountant prepared, year-end financial statements or income tax returns.

- 1) The Borrower is to maintain a Debt to Equity Ratio (D/E) of no greater than 3.00:1. Debt to Equity is calculated by dividing the sum of all debt by the aggregate of all equity as defined below:

Debt = All current and long term liabilities as per year end financial statements including shareholder's loans and related party loans that are not formally postponed to the Credit Union.

Equity = Common share capital, retained earnings, formally assigned shareholder's loans, formally assigned preferred shares and formally assigned related party debt, and off balance sheet equity in capital assets which has been independently confirmed and approved by the Credit Union. Excluded are amounts owing by shareholders and advances to and investments in related companies if the entities do not have the ability to repay these funds on short notice (as evidenced by recent financial statements) less intangibles such as (but not limited to) goodwill, research and development (R&D) and franchise fees.

- 2) The Borrower is to maintain an Annual Debt Service Coverage Ratio (DSC) of no less than 1.10:1. Debt Service Coverage is calculated as Cash Flow divided by Debt Service Requirements as defined below:

Cash Flow: = Net after tax income + depreciation / amortization / Capital Cost Allowance (CCA) + interest expensed + deferred/future taxes - dividends declared - reductions in shareholder's loans/due to related party - gains on capital assets + loss on capital assets.

Debt Service Requirements = Interest and principal paid on all debt in the fiscal year under review.

This proposal is open for acceptance until August 31, 2021 and is prepared and presented solely for the use of The Christian Senior Citizens Home Society of Northern Alberta and is to be maintained in strict confidence. Should you wish to proceed with a formal application for credit on the basis presented please sign and return the proposal along with the application fee as indicated above.

Thank you for your consideration.

Yours truly,

_____ UNION LTD.

By _____

CHRISTIAN CREDIT UNION LTD.

By: PP

Accepted this Li day of April 2021

BORROWER(S)

The Christian Senior Citizens Home Society of Northern Alberta

Donna Sinker
PER:

M. BAKER
PER: