

THE CORPORATION OF THE CITY OF KENORA

BY-LAW NUMBER 14 - 2006

**A BY-LAW TO AUTHORIZE A LOAN TO ESTABLISH A COMMUNITY
MEDICAL CLINIC**

WHEREAS there is a shortage of medical doctors practicing in the City of Kenora;

AND WHEREAS the City of Kenora has been involved in trying to attract medical doctors to the City of Kenora;

AND WHEREAS the City of Kenora has been instrumental in organizing and incorporating Kenora Health Care Centre, a not-for-profit corporation, for the purpose of purchasing and managing a medical clinic which would be utilized to attract medical doctors to the City of Kenora;

AND WHEREAS Kenora Health Care Centre requires financing to purchase and renovate a medical clinic.

AND WHEREAS Section 107 of the Municipal Act, 2001, S.O. 2001, c.25, as amended, provides that a municipality may make loans for any purpose that council considers to be in the interests of the municipality;

NOW THEREFORE the Corporation of the City of Kenora enacts as follows:

1. That the City of Kenora loan up to \$1,800,000.00 to Kenora Health Care Centre, for the purpose of purchasing, renovating, and managing the property known as 45 Wolsley Street, Kenora, Ontario, as a medical clinic.
2. That the City of Kenora is hereby authorized to execute the Loan Agreement, a copy of which is attached hereto as Schedule A, and to do all things necessary to implement the loan and security.
3. This By-law shall become effective upon third and final reading.

BY-LAW READ A FIRST AND SECOND TIME

THIS 30th day of January, 2006

BY-LAW READ A THIRD TIME THIS 30th day of January, 2006.

THE CORPORATION OF THE CITY OF KENORA

Per: David Canfield MAYOR
D.S. Canfield MAYOR

Per: J.L. McMillin CLERK
J.L. McMillin CLERK

Loan Agreement

THIS AGREEMENT made as of the 30th day of January, 2006, between City of Kenora (the "City"), and Kenora Health Care Centre (the "Borrower")

WHEREAS:

(1) Section 107 of the Municipal Act, 2001, S.O. 2001, c. 25, as amended, provides that a municipality may make loans on such terms and conditions as to security and otherwise as council may consider expedient;

(2) The Borrower has applied to the City for a Loan to be used for the purchase of lands and building and renovations to be used as a medical clinic;

(3) Council of the City has approved the making of a loan to the Borrower on the terms and conditions set out in the clause and on such other terms and conditions deemed necessary by the City;

IN CONSIDERATION of the mutual covenants and other terms and conditions in this Agreement, the parties hereby covenant, promise and agree each with the other as follows:

1. Definitions

In this Agreement, the following definitions will apply:

- (a) "Agreement" means this loan agreement, including all schedules to this Agreement, as may be amended from time to time;
- (b) "Building" means the building located on the Lands to be used for a medical clinic;
- (c) "City" means the City of Kenora;
- (d) "Council" means the council of the City;
- (e) "Loan" means the loan in the total amount of \$1,800,000 by the City to the Borrower made in accordance with the terms of this Agreement;
- (f) "Lands" means the lands municipally known as 45 Wolsley Street, Kenora, Ontario upon which the Building is situate and which lands are more particularly described in Schedule "A" attached to and forming part of this Agreement;

2. Loan

(1) Subject to the Borrower complying with the terms, conditions and other obligations set out in this Agreement, the City shall make a Loan to the Borrower in the total amount of 1,800,000. to be used solely for the purpose of acquiring the Lands Building, renovations to the lands and building, and expenses relating to the operation of a medical clinic. It is contemplated that the loan will be advanced by several draws after the City has approved the request for each draw.

(2) The Loan shall be disbursed to the solicitor for the City as required upon the Borrower complying with the conditions set out in this Agreement and such Loan monies shall be held in escrow by such solicitor until the day the title to the Lands is transferred to the Borrower.

3. Use of Loan funds

(1) The Borrower covenants and agrees that the Loan provided to it by the City shall be used solely toward the cost of the purchase of the Lands Building, renovations to the lands and building, and expenses relating to the operation of a medical clinic.

4. Covenants of Borrower

(1) The Borrower shall immediately provide the City with a signed copy of the Agreement of Purchase and Sale in respect of the Lands.

(2) The Borrower shall purchase the Lands on or before January 31, 2006.

(3) The City shall instruct its solicitor not to release the Loan funds being held in escrow by such solicitor until title to the Lands is transferred to the Borrower. If title to the Lands is not transferred to the Borrower in accordance with clause (2), the City shall instruct its solicitor to immediately return the Loan funds being held in escrow by such solicitor to the City. Subsequent advances shall only be made after the Borrower has requested the advance, the City has approved the advance, and the City's solicitor has subsearched title and authorized the advance.

(4) The Borrower covenants and agrees that the Building shall be used solely for the purpose of a medical pharmacy and health care centre.

(5) The Borrower shall, before disbursement of the Loan, provide the City with evidence that:

(a) The management plan for the Building has been approved (including building operation,

targeting plan, support services and relationship among uses within the Building);

(b) The Borrower's By-Laws are satisfactory to the City;

(6) The Borrower shall give the city security for the loan as follows :

(a) a debenture in the form attached hereto as Schedule B, registered as a first charge against the lands

(7) The Borrower shall be responsible for obtaining all approvals, permits and licences required by all statutes, regulations and by-laws necessary for the use of the Building.

(8) The City or its, duly authorized representatives may, upon request, have access to the Building at any time.

(9) The Borrower shall establish and maintain financial and administrative procedures which ensure the accurate recording and reporting of its operations and which maintain adequate administrative and financial control, and shall maintain accounting procedures consistent with sound operating practices in accordance with generally accepted accounting principles.

(10) The Borrower shall notify the City, in writing, immediately upon any of the following acts occurring:

(a) the bankruptcy or insolvency of the Borrower; the filing against the Borrower of a petition in bankruptcy; the making of an authorized assignment or proposal for the benefit of creditors by the Borrower; the appointment of a receiver or trustee for the Borrower or for any assets of the Borrower or the institution by or against the Borrower of any other type of insolvency proceeding under the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended, or otherwise;

(b) the institution by or against the Borrower of any formal or informal proceeding for the dissolution or liquidation of the Borrower, or the winding up of the affairs of the Borrower;

(c) the receipt of a notice, statement, or settlement of claim against or instituted by the Borrower;

(d) if the Borrower ceases or threatens to cease to carry on operations or makes or agrees to make a bulk sale of assets without complying with applicable law or commits or threatens to commit an act of bankruptcy;

- (e) if any execution, sequestration or other process of any court becomes enforceable against the Borrower or if a distress or analogous process is levied upon the assets of the Borrower or any part thereof;
- (f) if the Borrower ceases to be a non-share capital, non-profit Ontario corporation accorded charitable status by the Canada Revenue Agency.

(11) The Borrower shall notify the City, in writing, immediately if any certificate, statement, representation, warranty or audit report furnished before or after the date of execution of this Agreement, by or on its behalf pursuant to or in connection with this Agreement, or otherwise (including, without limitation, the representations and warranties contained in this Agreement), or any inducement to the City to enter into this or any other agreement with the Borrower:

- (a) proves to have been false or inaccurate in any material respect at the time as of which the facts set forth therein were stated or certified; or
- (b) has omitted any substantial contingent or unliquidated liability or claim against the Borrower having a value of 10,000. or more; or
- (c) if upon the date of execution of this Agreement, there shall have been any material adverse change in any of the facts disclosed by any such certificate, representation, statement, warranty or audit report, which change shall not have been disclosed to the City at or prior to the time of such execution.

(12) The Borrower shall ensure that there are no liens registered against the title to the Lands either before or after disbursement of the Loan other than security pursuant to this Loan Agreement.

(13) The Borrower shall, in each year, pay all realty taxes on the Lands.

(14) If, at any time after this Agreement is entered into, the Borrower becomes aware that it is or may be in default of any provision of this Agreement, the Borrower shall give written notice immediately to the City, by registered mail, of the actual or possible default.

(15) The notice shall contain the detailed reasons and justification for the actual or possible default.

5. Indemnity

The Borrower hereby agrees that it shall, from time to time, and at all times hereafter, well and

truly save, keep harmless and fully indemnify the City from and against any and all actions, claims and demands whatsoever which may be brought against or made upon the City and against any and all loss, liability, claims, judgments, costs, demands or expenses whatsoever which the City may sustain, suffer or be put to resulting from or arising out of:

- (a) this Agreement;
- (b) the obligations of the Borrower under this Agreement;
- (c) the failure of the Borrower, its consultants, contractors, agents or employees to exercise reasonable care, skill or diligence in carrying out any renovation work to the Building; or
- (d) any act or omission of the Borrower, its agents, servants, consultants, contractors, employees or by anyone for whom the Borrower is at law responsible relating to any renovation work or thing required to be performed or rendered under this Agreement by the Borrower. The Borrower shall indemnify and save the City harmless from and against any and all losses, expenses and damages of every kind and nature whatsoever which it may now or hereafter incur relating to all insured and uninsured damage to property installed, property in transit and contractors' tools and equipment during the course of the renovation work to the Building.

6. Insurance

(1) The Borrower shall keep and maintain in force during the currency of this Agreement comprehensive general liability insurance with limits of not less than \$5,000,000. per person for each occurrence of property damage or loss or personal injury or death. Such coverage shall include any person or body whose interests may be affected by the renovation work or the use of the Building for the purposes of a medical clinic as an additional named insured, and shall contain provisions for:

- (a) cross-liability/severability of interest as between the insured and the City;
- (b) blanket contractual liability;
- (c) owner's and contractor's protective liability;
- (d) products or completed operations liability;
- (e) contractor's contingent liability with respect to the operations of others having a contract for the execution of any part of the renovation work to the Building;

(2) The Borrower must insure and keep insured all buildings, structures, fixtures and improvements on its Property for not less than their full replacement value in Canadian dollars until the loan and debenture have been discharged. The risks against which the Borrower must insure include loss or damage by or from fire with extended perils coverage and by or from the additional perils, risks or events as the city may at any time require.

(3) Where the City, acting reasonably, requires the amount of insurance coverage increased, or requires the Borrower to obtain other special insurance or requires any policy to be extended, then the Borrower shall obtain such extended, increased or special insurance.

(4) The Borrower further agrees that the coverage provided by the policies specified in this Agreement will not be changed, amended, or cancelled by the Borrower until 30 days after written notice of such intended change, amendment or cancellation has been personally delivered to the Treasurer of the City and such change or amendment has been approved by him or her.

(5) The Borrower shall ensure that:

(a) any professionally designated consultant retained by it, with respect to the renovation of the Building or any subsequent maintenance or repairs relating to the Building, purchases and maintains in force a policy of professional liability insurance in an amount not less than \$2,000,000. in the aggregate for each occurrence of damage, loss, injury or death to persons or property; and

(b) a true copy of the certificate from the Pro-demnity Insurance Company, in respect of the architect, is delivered to the City.

(6) The Borrower shall keep and maintain in force during the currency of this Agreement builder's risk property insurance covering the renovation work construction on an all-risks basis including resultant damage from error or design and faulty workmanship and covering all mobile equipment and equipment to be installed on the Lands and in the Building to the full replacement cost of the Building and including all contractors as additional named insureds and a waiver of subrogation in favour of the City.

(7) The Borrower shall furnish to the City, if and whenever requested by the City, copies of all policies of insurance, original executed certificates or other evidence acceptable to the Treasurer as to the insurance from time to time required to be effected and maintained by the Borrower under this

Agreement.

(8) The Borrower covenants and agrees to comply with all regulations of the Insurers' Advisory Organization (IAO) Inc. or of any liability or fire insurance company by which the Borrower may be insured, which regulations may be necessary to maintain such insurance. All policies of insurance shall provide that all loss covered under the policies shall be payable notwithstanding any act or negligence of the Borrower which might otherwise result in a forfeiture of such insurance.

7. Right Of Audit

(1) The City auditor, or anyone designated in writing by the City auditor, may audit and inspect accounts, records, receipts, vouchers, and other documents relating to the Loan and shall have the right to make copies and to take extracts. For the purposes of this clause, audit includes any type of audit.

(2) The Borrower shall make available all facilities, physical and otherwise, for the audits and inspections and shall furnish the City and its authorized representatives with all of the information as it, or they, may from time to time require with reference to the accounts, records, receipts, vouchers and other documents.

(3) The Borrower shall cause all accounts, records, receipts, vouchers and other documents, required under this clause, to be preserved and kept available for audit and inspection at any reasonable time, and from time to time, until the expiration of 6 years from the date of disbursement of the Loan under clause 2, or until the expiration of such lesser or greater period of time as approved in writing by the City.

8. Annual Audited Financial Statements

The Borrower shall, during each year of the term of this Agreement and within six (6) months following the expiry of each fiscal year end of the Borrower, deliver to the City auditor a copy of its annual audited financial statements for such fiscal year which financial statements shall be prepared in accordance with generally accepted accounting principles and which statements shall commence with the audited financial statements for the fiscal year end.

9. Acknowledgment of City

The Borrower shall, at the request of the City, install at the appropriate location and maintain during the term of this Agreement, one or more signs or a plaque, indicating the City's financial support for the purchase of the Building.

10. Repayment of Loan

(1) Failure of the Borrower to fulfil all of the terms, conditions and other obligations set out in this Agreement shall cause this Agreement and the obligations of the City under this Agreement to terminate and the City shall have no further responsibility or liability with regard to this Agreement. It is understood and agreed that these conditions are for the sole benefit of the City and may be waived in whole or in part by the City at any time.

(2) The Borrower covenants and agrees that, during the term of this Agreement, should the Lands be sold, leased, ceased to be used as a medical clinic or are otherwise disposed of it will either:

(a) reimburse the City in respect of the Loan, in accordance with the repayment schedule attached as Schedule "C" and forming part of this Agreement, or

(b) prior to the completion of such sale, lease, cessation of use of the Building for the purposes of a medical clinic or disposition, ensure that the person or corporation to whom such sale, lease or other disposition is made has entered into an agreement with the City ensuring that the provisions of this Agreement continue and are binding on such purchaser, lessee or person or corporation to whom such disposition is made;

provided, however, that it will give to the City 60 days' notice in writing prior to any sale, lease, cessation of use of the Building for the purposes of a medical clinic or other disposition of the Lands.

(3) The City shall have the right to declare that the Borrower has terminated this Agreement under the following circumstances:

(a) if the Borrower persists in violation of any of the provisions of this Agreement, or

(b) if the Borrower refuses or neglects to comply with any reasonable requirement from the City which it is entitled to stipulate under this Agreement, or

(c) if the Borrower becomes insolvent, or commits any act of insolvency or makes any assignment for creditors, or

- (d) if the Borrower assigns or transfers or attempts to assign or transfer this Agreement without the City's consent, or
- (e) if the Borrower ceases to be a non-share capital, non-profit Ontario Corporation accorded charitable status by the Canada Customs and Revenue Agency, or
- (f) if the Borrower ceases to exist.

(4) Any declaration as to termination made under this clause shall be made in writing and delivered by the City to the Borrower in the manner specified in this Agreement for the giving of notices to the Borrower.

(5) If the City has terminated this Agreement in accordance with subclause (3), the Loan shall be immediately repayable by the Borrower to the City.

11. Registration of Agreement

The Borrower covenants and agrees to register a copy of this Agreement against the title to the Lands at the time title to the Lands is transferred to it, immediately following registration of the Transfer with no intervening instruments and to provide the City with written notice of such registration.

12. Term

The parties agree that the term of this Agreement shall be for a period of 20 years eleven months commencing on the 31st day of January, 2006, unless otherwise terminated prior to such date in accordance with the provisions of this Agreement.

13. Dispute Resolution

(1) If any dispute or disagreement arises between the parties with respect to the rights and obligations of either party, work performed or to be performed, the payment of amounts claimed due or any other claim arising out of or relating to this Agreement, or the interpretation of any arrangements relating to this Agreement or the breach, termination or invalidity of this Agreement, it shall be settled exclusively and finally by a sole arbitrator appointed by mutual agreement between the City and the Borrower.

(2) Failing mutual agreement on the appointment of a sole arbitrator, the issue shall be determined by a panel of three arbitrators; one arbitrator shall be appointed by the City and a second arbitrator shall be appointed by the Borrower. These two arbitrators shall appoint a third, who shall chair the arbitration.

(3) The determination of the sole arbitrator or the arbitration panel, as applicable, shall be final and binding upon the City and the Borrower and there shall be no appeal from the determination.

(4) The arbitrator shall have the power to award the costs of the arbitrators' services and related costs against either party; however, each party will bear the cost of their own counsel and any witness fees.

(5) The arbitration shall be governed by the provisions of the *Arbitration Act, 1991*, S.O. 1991, c. 17.

14. Enurement

(1) This Agreement shall enure to the benefit of and be binding upon the Borrower, its successors and permitted assigns. The Borrower shall not assign or in any way transfer this Agreement or any of its rights, privileges, duties or obligations under this Agreement without the prior written consent of the City which consent may be unreasonably withheld or delayed.

(2) This Agreement shall enure to the benefit of and be binding upon the City, its successors and assigns.

15. Notice

(1) Any notice or consent (including any invoice, statement, request or other communication) required or permitted to be given by any party to this Agreement to any other party shall be in writing and shall be delivered or sent by registered mail (except during a postal disruption or threatened postal disruption), or facsimile transmission or other electronic communication or other means of prepaid recorded communication to the applicable address set forth below:

(a) in the case of the City to:

City of Kenora

1 Main Street South, Kenora Ontario

(b) in the case of the Borrower to:
Kenora Health Care Centre
45 Wolsley Street, Kenora, Ontario

(2) Any notice delivered personally shall be deemed to have been validly and effectively given and received on the date of such delivery provided same is on a business day (Monday to Friday, other than a statutory holiday).

(3) Any notice sent by registered mail shall be deemed to have been validly and effectively given and received on the third business day following the date of mailing.

(4) Any notice sent by facsimile transmission or other electronic communication or other means of prepaid recorded communication shall be deemed to have been validly and effectively given and received on the business day next following the date on which it was sent (with confirmation of transmittal received).

(5) Either party to this Agreement may, from time to time by notice given to the other party, change its address for service under this Agreement.

16. Entire Agreement

This Agreement constitutes the complete and exclusive statement of the Agreement between the parties, which supersedes all proposals, oral or written, and all other communications or representations between the parties, relating to the subject matter of this Agreement.

17. Illegality

If one or more of the phrases, sentences, clauses or articles contained in this Agreement is declared invalid by a final and unappealable order or decree of any court of competent jurisdiction, this Agreement shall be construed as if such phrase, sentence, clause or paragraph, had not been inserted in this Agreement.

18. Amendment

This Agreement may be changed only by a written amendment signed and sealed by authorized

representatives of the parties.

19. Gender, Number

Words importing the masculine gender shall include the feminine and neuter, and the singular shall include the plural where the meaning or context so requires.

20. Headings

The article numbers, article headings, clause numbers and clause headings contained in this Agreement are inserted for convenience of reference only and are not to be considered when interpreting this Agreement.

21. Covenants

Each obligation of the City or of the Borrower expressed in this Agreement, even though not expressed as a covenant, is considered to be a covenant for all purposes. The covenants, representations, warranties, and indemnity of the Borrower set forth in this Agreement shall survive the expiry of the term of this Agreement.

22. Governing Law

This Agreement shall be interpreted under and is governed by the laws of the Province of Ontario.

23. Time of Essence

Time shall be of the essence of this Agreement and every part of this Agreement.

24. Schedules

The schedules of this Agreement are a part of this Agreement and consist of:

- (a) Schedule "A" - Legal Description of the Lands;
- (b) Schedule "B" - Debenture
- (c) Schedule "C" - Repayment.

25. Further Assurances

The City and the Borrower shall, at their sole expense, promptly execute such further documentation with respect to the Loan to give effect to this Agreement as the City or the Borrower, as the case may be, may reasonably require from time to time.


IN WITNESS WHEREOF the parties hereto have hereunto affixed their corporate seals attested to by the hands of their respective proper signing officers in that behalf duly authorized.

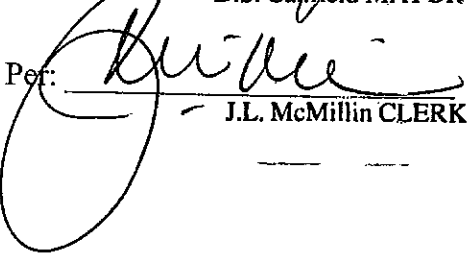
Kenora Health Care Centre

Per: 
Don Barfitt - President

Per: 
Malcolm A. G. McMillan - Director

City of Kenora

Per: 
D.S. Carfield MAYOR

Per: 
J.L. McMillin CLERK

Schedule of Description:

PIN 42161-0042, Sec DKF; Lt 43-48, P1 M18; Kenora, being all the PIN.

PIN 42161-0046, Sec DKF; Lt 49-50, P1 M18, Kenora, being all the PIN.

PIN 42161-0047, Sec DKF; Lt 51, P1 M18, Kenora, being all the PIN.

PIN 42161-0048, Sec DKF; Lt 52, P1 M18, Kenora, being all the PIN.

PIN 42161-0049, Sec DKF; Lt 53, P1 M18, lying eby of wly 25 ft in perpendicular width; Kenora, being all the PIN.

PIN 42161-0045, Sec DKF; Lane P1 M18, Pt 1, KR2156; Kenora, being all the PIN.

SCHEDULE B

Debenture

1. Promise to Pay

KENORA HEALTH CARE CENTRE (the "Borrower"), a company incorporated under the laws of the Province of Ontario, for value received, hereby acknowledges itself indebted and promises to pay to THE MUNICIPAL CORPORATION OF THE CITY OF KENORA (the "Lender") in lawful money of Canada at the head office of the Lender in Kenora, Ontario, or at such other place in Ontario as the Lender may in writing direct, the sum of ONE MILLION, EIGHT HUNDRED THOUSAND DOLLARS (\$1,800,000.00). The principal shall bear interest at the rate of **FOUR DECIMAL ZERO FIVE PER CENT (4.05%)** per annum, calculated half-yearly not in advance, before as well as after maturity and default, with interest on overdue interest at the same rate. The principal and interest shall be payable as follows:

(a) The Borrower shall pay interest only monthly on the amount advanced, on the last day of each and every month commencing February 28, 2006 until December 31, 2006.

Commencing the first day of January, 2007, the principal amount outstanding shall be repayable in equal monthly installments on the first day of each and every month with the first payment February 1, 2007 and regular monthly payments on the first day of each and every month thereafter. The amount payable each month shall be calculated on the basis that the principal and interest are repayable by equal blended monthly payments with a 20 year amortization.

Interest for the first four years, eleven months of the loan shall be 4.05% per annum.

The City shall be entitled to amend the interest rate on January 1, 2011, and every five (5) years thereafter provided that the interest rate charged is no greater than the TD Canada Trust prime rate. In the event that the City changes the interest rate, the blended payments of principal and interest shall be changed to reflect the new interest rate and the remaining amortized period.

2. Definitions

Any term defined in the Loan Agreement (as hereinafter defined) shall have the same meaning in this Debenture unless the context indicates to the contrary.

3. Security

As security for payment by the Borrower to the Lender of all debts, liabilities and obligations, present or future, direct or indirect, absolute or contingent, matured or not, at any time owing by the Borrower to the Lender or remaining unpaid by the Borrower to the Lender under a certain Loan Agreement made as of January 30th, 2006 between the Borrower and the Lender, as the same may be amended, modified or replaced from time to time (the "Loan Agreement") or otherwise, including expenses under Section 9.05 hereof and all interest, commissions, legal and other costs, charges and expenses (the "Secured Obligations"), but subject to Section 6 hereof, the Borrower hereby:

- (a) grants, mortgages and charges to and in favour of the Lender, as and by way of a fixed and specific mortgage and charge:
 - (i) all real and immovable property now or hereafter acquired by the Borrower, including all appurtenances, buildings and fixtures now or hereafter situate thereon, and including, without limitation, the real and immovable property described in Schedule "A" attached hereto; and
 - (ii) all equipment, machinery and other tangible personal property now or hereafter owned or acquired by the Borrower; and
- (b) charges to and in favour of the Lender, as and by way of a floating charge, all of the undertaking, property and assets of the Borrower, both real and personal, movable and immovable, of whatsoever nature and kind, now owned or hereafter acquired (except such property and assets as are validly and effectively subject to any fixed and specific mortgages and charges created hereby), including its goodwill and uncalled capital.

All of the undertaking, property and assets of the Borrower which are hereby mortgaged and charged are referred to herein as the "Mortgaged Property".

4. Permitted Sales

(1) Notwithstanding Section 3, the Borrower may, until the security hereby constituted shall become enforceable, without the consent of the Lender:

- (a) lease, sell, license, consign or otherwise deal with items of Inventory, in the ordinary course of its business so that the purchaser thereof takes title clear of the security hereby constituted but if such sale or lease results in an Account Receivable, such Account Receivable shall be subject to the security hereby constituted; and
- (b) sell or otherwise dispose of, free and clear of the security hereby constituted, such part of its Equipment which is not necessary to or useful in its business and undertaking, or which has become worn out or damaged or otherwise unsuitable for its purpose.

(2) In this Debenture, notwithstanding the definitions in the Loan Agreement, and unless there is something in the subject-matter or context inconsistent therewith,

- (a) "Accounts Receivable" means all debts, accounts, claims, moneys and choses in action which now are, or which may at any time hereafter, be due or owing to or

owned by the Borrower; all securities, mortgages, bills, notes and other documents now held or owned, or which may be hereafter taken, held or owned, by or on behalf of the Borrower, in respect of the said debts, accounts, claims, moneys and choses in action or any part thereof; and all books, documents and papers recording, evidencing or relating to the said debts, accounts, claims, moneys and choses in action or any part thereof;

- (b) "Equipment" means all tools, machinery, equipment, plant, furniture, chattels, fixtures, motor vehicles, parts, accessories and other tangible personal property now owned or hereafter acquired by the Borrower which are not Inventory; and

5. Further Assurances

The Borrower hereby covenants and agrees that it will at all times do, execute, acknowledge and deliver or cause to be done, executed, acknowledged and delivered all such further acts, deeds, mortgages, hypothecs, transfers, assignments and assurances in law as the Lender may require for the better assuring, hypothecating, mortgaging, pledging, charging, securing, ceding or transferring the Mortgaged Property in, to and in favour of the Lender and for the better accomplishing and effectuating of this Debenture. In the event that the Borrower fails to do so, the Borrower hereby irrevocably nominates and constitutes the Lender, with full power of substitution, its true and lawful attorney and agent, with full power and authority, in its name, place and stead, to sign and deliver any such deeds, mortgages, hypothecs, assignments and assurances and to take such action. The power of attorney hereby granted is coupled with an interest, is irrevocable and is executed under seal and shall extend to and be binding upon the successors and assigns of the Borrower, provided that the power of attorney shall continue only until this Debenture and the rights hereby granted cease and become void in accordance with Section 10.05 hereof. The Borrower agrees to be bound by any representations and actions made or taken in good faith by the Lender pursuant to this power of attorney in accordance with the terms thereof and hereby waives any and all defences which may be available to it to contest, negate or disaffirm the actions of the Lender taken in good faith under this power of attorney.

6. Reservation as to Leaseholds

The last day of any term of years reserved by any lease, verbal or written, or any agreement therefor, now held or hereafter acquired by the Borrower, is hereby excepted out of any mortgage or charge created hereby or by any other instrument supplemental hereto and does not and shall not form part of the Mortgaged Property so as to be charged with the moneys intended to be secured hereby, but the Borrower shall stand possessed of the reversion remaining in the Borrower of any leasehold premises, for the time being demised, as aforesaid, upon trust to assign and dispose thereof as the Lender shall direct; and upon any sale of the leasehold premises, or any part thereof, the Lender, for the purpose of vesting the aforesaid reversion of any such term or any renewal thereof in any purchaser or purchasers thereof, shall be entitled by deed or writing to appoint such purchaser or purchasers or any other person or persons a new trustee or trustees of the aforesaid reversion of any such term or renewal thereof in the place of the

Borrower and to vest the same accordingly in the new trustee or trustees so appointed freed and discharged from any obligation respecting the same.

7. Covenants of Borrower

The Borrower shall:

- (a) diligently maintain, use and operate the Mortgaged Property and shall carry on and conduct its business in a proper and efficient manner so as to preserve and protect the Mortgaged Property and the earnings, incomes, rents, issues and profits thereof;
- (b) cause all its Mortgaged Property which is of a character usually insured by businesses operating properties of a similar nature to be properly insured and kept insured with reputable insurers against loss or damage by fire or other hazards of the nature and to the extent that such properties are usually insured by businesses operating properties of a similar nature in the same or similar localities and shall maintain such insurance (which shall include the Lender as an additional named insured except for fire insurance policies which relate to the inventory of the Borrower which shall include the Lender as the sole loss payee) and shall deliver to the Lender evidence of such insurance satisfactory to the Lender;
- (c) pay all rents, taxes, rates, levies, assessments and government fees or dues lawfully levied, assessed or imposed in respect of the Mortgaged Property or any part thereof as and when the same shall become due and payable, and shall exhibit to the Lender, when requested, the receipts and vouchers establishing such payment;
- (d) duly observe and conform to all valid requirements of any governmental authority relative to any of the Mortgaged Property and all covenants, terms and conditions upon or under which the Mortgaged Property is held;
- (e) furnish to the Lender such information with respect to the Mortgaged Property and the insurance thereon as the Lender may from time to time require, and shall give written notice to the Lender of all litigation before any court, administrative board or other tribunal affecting the Borrower or its property; and
- (f) shall not, without consent in writing of the Lender, create or permit to be created any mortgage, hypothec, charge, lien or other encumbrance upon the Mortgaged Property or any part thereof ranking or purporting to rank in priority to or *pari passu* with the mortgage and charge created by this Debenture other than the Permitted Encumbrances.

8. Default

8.01 Acceleration. The Secured Obligations shall become immediately due and payable and the security hereby constituted shall become immediately enforceable in the event that the Borrower makes default in payment of any of the Secured Obligations or an Event of Default occurs under the Loan Agreement and the Lender, by notice to the Borrower, declares all indebtedness of the Borrower to the Lender pursuant to the Credit Agreement to be immediately due and payable.

8.02 Waiver by Lender. The Lender may, by notice to the Borrower, waive any default of the Borrower on such terms and conditions as the Lender may determine, but no such waiver shall be taken to affect any subsequent default or the rights resulting therefrom.

9. Enforcement

9.01 Receivers. If the security hereby constituted shall become enforceable, the Lender may by instrument in writing appoint any person or persons, whether an officer or officers or an employee or employees of the Lender or not, to be a receiver or receivers of all or any part of the Mortgaged Property and may remove any receiver or receivers so appointed and may appoint another or others in his or their stead. Any such receiver shall, so far as concerns responsibility for his acts, be deemed the agent of the Borrower and in no event the agent of the Lender, and the Lender shall not be in any way responsible for any misconduct, negligence or non-feasance on the part of any such receiver. Subject to the provisions of the instrument appointing such receiver, any such receiver or receivers so appointed shall have power to take possession of the Mortgaged Property or any part thereof and to carry on or concur in carrying on the business of the Borrower and to sell or concur in selling all or any part of the Mortgaged Property. Except as may be otherwise directed by the Lender, all moneys from time to time received by such receiver shall be in trust for and paid over to the Lender. The rights and powers conferred by this paragraph are supplemental to and not in substitution for any rights or powers the Lender may from time to time have as the holder of this Debenture, and every such receiver may in the discretion of the Lender be vested with all or any of the rights and powers of the Lender. The term "receiver", as used in this Debenture, includes a receiver and manager.

9.02 Possession. If the security hereby constituted shall become enforceable, the Lender may immediately take possession of the Mortgaged Property and may, either before or after any entry, sell or otherwise dispose of the Mortgaged Property, either as a whole or in separate parcels at public auction or by tender or by private sale at such time or times as the Lender may determine, and may make such sale, either for cash or credit or part cash and part credit, and with or without advertisement, and with or without a reserve bid, as the Lender may deem proper, and the Lender may also rescind or vary any contract of sale that may have been entered into and resell with or under any of the powers conferred hereunder and adjourn any such sale from time

to time and may execute and deliver to the purchaser or purchasers of the said property or any part thereof good and sufficient deed or deeds for the same, the Lender being hereby constituted the irrevocable attorney of the Borrower for the purpose of making such sale and executing such deeds, and any such sale made as aforesaid shall be a perpetual bar both in law and in equity against the Borrower and all other persons claiming the Mortgaged Property or any part thereof, by, from, through or under the Borrower.

9.03 Right to maintain. If the security hereby constituted shall become enforceable, the Lender may borrow money on the security of the Mortgaged Property in priority to the security constituted by this Debenture for the purpose of maintaining, preserving or protecting the Mortgaged Property or any part thereof or carrying on all or any part of the business of the Borrower relating to the Mortgaged Property.

9.04 Effect of receiver. Upon the Borrower receiving notice from the Lender of the taking of possession of the Mortgaged Property or the appointment of a receiver, all the powers, functions, rights and privileges of each of the directors and officers of the Borrower with respect to the undertaking, business, property and assets of the Borrower shall, to the extent permitted by law, cease, unless specifically continued by the written consent of the Lender.

9.05 Obligations of Borrower. The Borrower shall pay to the Lender upon demand the amount of all expenses (including reasonable legal expenses) incurred in recovering any Secured Obligations or in enforcing the security hereby constituted including, but not limited to, the expenses incurred in connection with the repossession, holding, repairing, processing, preparing for disposition and disposing of any of the Mortgaged Property, with interest thereon from the date of incurring of such expenses, at an annual rate equal to the Prime Rate plus 2 %, which interest shall be calculated and compounded monthly and payable on demand.

9.06 Collection rights. Before or after the security constituted shall become enforceable, the Lender may notify any debtor or obligor of the Borrower on an Account Receivable to make all payments to the Lender. Before or after the security constituted shall become enforceable, the Lender may take control of any proceeds arising from the Mortgaged Property.

10. General

10.01 Further advances. Neither the issue and delivery of this Debenture nor the advance of any funds hereunder shall obligate the Lender to advance any further funds hereunder or under the Loan Agreement.

10.02 Assignment of security. The Secured Obligations shall be paid and shall be assignable free from any right of set-off or counterclaim or equities between the Borrower and the Lender.

10.03 Security additional. This security is in addition to and not in substitution for any other security now or hereafter held by the Lender and no payment to the Lender shall constitute

payment on account of any of the Secured Obligations unless specifically so appropriated by the Lender by notation of such payment on this Debenture.

10.04 No merger. Neither the taking of any judgment nor the exercise of any power of seizure or sale shall operate to extinguish the liability of the Borrower to pay the Secured Obligations nor shall the same operate as a merger of any covenant herein contained or affect the right of the Lender to interest at the rate herein specified, nor shall the acceptance of any payment or other security constitute or create any novation, and it is further agreed that the taking of a judgment under any covenant herein contained shall not operate as a merger of such covenant or affect the Lender's right to interest as herein provided.

10.05 Cancellation. Subject to Section 10.06 hereof, if the Borrower shall pay or cause to be paid to the Lender the Secured Obligations and shall otherwise observe and perform the terms hereof and the provisions under the Loan Agreement shall be cancelled, then this Debenture and the rights hereby granted shall cease and be void and thereupon the Lender shall, at the request and at the expense of the Borrower, cancel and discharge the mortgage and charge of this Debenture and execute and deliver to the Borrower such deeds and other instruments as shall be requisite to cancel and discharge the mortgage and charge hereby constituted.

10.06 Continuing security. This Debenture shall not be considered as satisfied or discharged by any intermediate payment of the whole or part of the Secured Obligations but shall constitute and be a continuing security to the Lender for a current or running account and shall be in addition to and not in substitution for any other security now or hereafter held by the Lender.

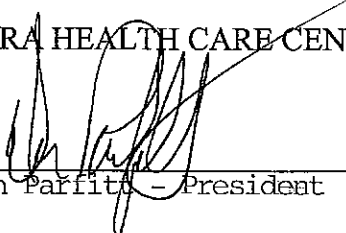
10.07 Notice. Any demand or notice to be made or given by the Lender in connection with this Debenture shall be in writing and shall be personally delivered to an officer or responsible employee of the Borrower or sent by telefacsimile or other direct electronic means, charges prepaid, at or to the address or telefacsimile number, as the case may be, set opposite its name on the signature page hereof or to such other address or addresses or telefacsimile number or numbers as the Borrower may from time to time designate to the Lender in such manner. Any demand or notice which is personally delivered as aforesaid shall be deemed to have been validly and effectively given on the date of such delivery if such date is a Lending Day and such delivery was made during normal business hours of the recipient; otherwise, it shall be deemed to have been validly and effectively given on the Lending Day next following such date of delivery. Any demand or notice which is transmitted by telefacsimile or other direct written electronic means as aforesaid shall be deemed to have been validly and effectively given on the date of transmission if such date is a Lending Day and such transmission was made during normal business hours of the recipient; otherwise, it shall be deemed to have been validly and effectively given on the Lending Day next following such date of transmission.

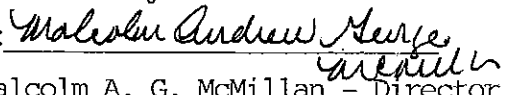
10.08 Parties. This Debenture and all its provisions shall enure to the benefit of the Lender and its successors and assigns and shall be binding upon the Borrower and its successors and assigns.

10.09 **Governing law and attornment.** This Debenture shall be governed by and construed in accordance with the laws of Ontario and the laws of Canada applicable therein. The parties agree that any action under or for the enforcement of this Debenture may be brought in the courts of Ontario, and the parties attorn to the exclusive jurisdiction of those courts.

IN WITNESS WHEREOF the Borrower has executed this Debenture this 30th day of January, 2006.

KENORA HEALTH CARE CENTRE

Per: 
Don Parfitt - President

Per: 
Malcolm A. G. McMillan - Director

“We have authority to bind the Corporation”

Schedule of Description:

PIN 42161-0042, Sec DKF; Lt 43-48, Pl M18; Kenora, being all the PIN.

PIN 42161-0046, Sec DKF; Lt 49-50, Pl M18, Kenora, being all the PIN.

PIN 42161-0047, Sec DKF; Lt 51, Pl M18, Kenora, being all the PIN.

PIN 42161-0048, Sec DKF; Lt 52, Pl M18, Kenora, being all the PIN.

PIN 42161-0049, Sec DKF; Lt 53, Pl M18, lying eby of wly 25-ft in
perpendicular width; Kenora, being all the PIN.

PIN 42161-0045, Sec DKF; Lane Pl M18, Pt 1, KR2156; Kenora, being all the PIN.

SCHEDULE C
REPAYMENT SCHEDULE

The Borrower shall pay interest only monthly on the amount advanced, on the last day of each and every month commencing February 28, 2006 until December 31, 2006.

Commencing the first day of January, 2007, the principal amount outstanding shall be repayable in equal monthly installments on the first day of each and every month with the first payment February 1, 2007 and regular monthly payments on the first day of each and every month thereafter. The amount payable each month shall be calculated on the basis that the principal and interest are repayable by equal blended monthly payments with a 20 year amortization.

Interest for the first four years, eleven months of the loan shall be 4.05% per annum.

The City shall be entitled to amend the interest rate on January 1, 2011, and every five (5) years thereafter provided that the interest rate charged is no greater than the TD Canada Trust prime rate. In the event that the City changes the interest rate, the blended payments of principal and interest shall be changed to reflect the new interest rate and the remaining amortized period.