CREDIT AGREEMENT

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This Credit Agreement (the “Agreement”) takes effect on [DATE],

**BETWEEN: [YOUR COMPANY NAME]** (the "Borrower"), a company organised and existing under the laws of the [STATE/PROVINCE] of [COUNTRY], with its head office located at:

 [YOUR COMPLETE ADDRESS]

**AND: [BANK NAME]** (the "Lender"), a company organised and existing under the laws of the [STATE/PROVINCE] of [COUNTRY], with its head office located at:

 [COMPLETE ADDRESS]

WHEREAS the Borrower wishes to borrow certain monies from the Lender, and the Lender is prepared to lend monies to the Borrower under the following terms and conditions.

NOW, THEREFORE, THE PARTIES HERETO HAVE AGREED AS FOLLOWS:

**1. INTERPRETATION**

1.1 Definitions

The following words and expressions, wherever used in this Agreement or in its Appendices, or in any deed of agreement supplement or ancillary hereto, unless there be something in the subject or the context inconsistent therewith, shall have the following meanings:

1.1.1 “Advance” means any advance by the Lender under the Term Commitment or under the Operating Commitment;

1.1.2 “Affiliate” means any Person, who is directly or indirectly controlling, is controlled by, or is under direct or indirect common control with the Borrower. A Person shall be deemed in control a company or a limited partnership if such person possesses, directly or indirectly, the power to change the direction of the management or policies of such company, limited partnership or general partner of such limited partnership, as the case may be, whether through the ownership of voting securities, by contract, or otherwise;

1.1.3 “Agreement”, “this Agreement”, “these presents”, “herein”, “hereby”, “hereunder”, and similar expressions refer to the present Agreement and any accompanying Appendices and include every deed of instrument which is supplementary or ancillary hereto or in implementation hereof, the whole as same may be amended from time to time;

1.1.4 “Available Operating Commitment” means, as at any time, as determined by the Lender, the difference between:

1.1.4.1 an amount being the lesser of:

1.1.4.1.1 the Operating Commitment; or

1.1.4.1.2 an amount equal to:

1.1.4.1.2.1 [%] of the book value of such of the Borrower’s trade accounts receivable and book debts which are acceptable to the Lender acting reasonably and are outstanding for less than [NUMBER] days, other than accounts receivable and book debts which are being disputed by the debtors thereof or which are owed by any Affiliate of the Borrower; plus

1.1.4.1.2.2 the lesser of [AMOUNT] or [%] of the book value of the Borrower’s Inventory, other than Inventory consisting of work-in-process and Inventory located outside of [COUNTRY];

and

1.1.4.2 the Operating Loan.

1.1.5 “Bank Act Documents” is the collective reference to the Notice of Intention to Give Security; the Application for Credit and Promise to Give Security; the Agreement as to Powers of the Lender regarding all Advances and Securities Held Therefore and the Assignment of Security on all Property of Specified Kinds, all in the form required by the Lender;

1.1.6 “[COMPANY NAME]” means [COMPANY NAME];

1.1.7 “Company Lease” means the lease between the Borrower and [COMPANY NAME] wherein certain equipment which was purchased from or on behalf of the Borrower for [AMOUNT] has been leased to the Borrower by [AMOUNT] for a duration of [NUMBER] years;

1.1.8 “Bond” means the [%] collateral mortgage bond issued pursuant to the Trust Deed and pledged to the Lender pursuant to the Pledge Agreement;

1.1.9 “Borrower” refers to [NAME]

1.1.10 “Borrower’s Counsel” refers to [EMPLOYEE], [EMPLOYEE];

* + 1. “Business Day” means any day excluding Saturday, Sunday and any other day which, in [COUNTRY], is a legal holiday or a day on which banking institutions are authorised by [COUNTRY] law or by local proclamation to close;
		2. “Equipment Lease” means the lease between the Borrower and [COMPANY] wherein certain equipment which was bought from or on behalf of the Borrower for [AMOUNT] has been leased to the Borrower by CID for a term of [NUMBER] years;
		3. “Commercial Pledge Agreement” refers to the commercial pledge agreement referred to in subsection 7.1.8 and as the same may be amended or supplemented from time to time;
		4. “Default” means any of the events specified in Section 13.1, the occurrence or failure to cure of which constitutes, or with the passage of time or giving of notice or both, would constitute an Event of Default;
		5. “Event of Default” has the meaning detailed in Section 13.1;
		6. “Guarantee” means each of the agreements referred to subsection 7.1.9;
		7. “Guarantor” refers to [GUARANTOR]
		8. “Indebtedness” includes, for any Person:
			1. obligations for borrowed money;
			2. obligations representing the deferred purchase price of property or services;
			3. obligations, whether or not assumed, secured by Liens in or payable out of the proceeds or production from, property owned by such Person;
			4. lease obligations which would be shown as a liability on a balance sheet of such Person; and
			5. obligations of another Person set above which such Person has guaranteed (except by reason of endorsement for collection in the ordinary course of business) or *in re*spect of which such Person is liable, contingently or otherwise including, without limitation, liable by way of agreement to purchase property or services, to provide funds for payment, to supply funds to or otherwise invest in such other Person, or otherwise to assure a creditor of such other Person against loss;
			6. “Insurance” is means any and all present and future policies of insurance providing the Borrower coverage for its properties, assets and business;

* + 1. “Inventory” means the goods, wares, materials and supplies, merchandise, products, products in process, stock-in-trade and on hand described or referred to in the Assignment of Security in all Property of Specified Kinds forming part of the Bank Act Documents;
		2. “[YOUR COUNTRY] Law” means all applicable provisions of statutes, ordinances, decrees, orders in council, rules, regulations and orders of governmental bodies, treaties and all applicable orders and decrees of courts;
		3. “Lender” means [COMPANY NAME] and includes any successors or assigns thereof;
		4. “Lien” means any interest in property or the income or profits therefrom securing an obligation owed to, or claimed by, a Person other than the owner (which for the purposes hereof shall include a possessor under a title retention agreement and a lessee under a lease hereinbelow described) of such property, whether such interest is based on common law, civil [COMPANY NAME], statute or contract, and including, but not limited to, any secured interest, hypothec, mortgage, pledge, lien, claim, charge, cession, transfer, assignment, encumbrance, title retention agreement, lessor’s interest under a lease which would be capitalised on a balance sheet of the owner of such property or analogous instrument in, of, or
		5. on any property or the income or profits therefrom of a Person, other than Permitted Encumbrances and Liens included in the ordinary course of business and for the purpose of carrying on same not in connection with the borrowing of money or the obtaining of credit and which do not in the aggregate materially impair the use, the income or profits therefrom, of the property covered thereby in the operation of such Person’s business;
		6. “Loan” means the aggregate of the outstanding amount of any monies given by the Lender to, or to the order of, the Borrower pursuant to this Agreement plus any other amounts of principal, interest and accessories due and payable to the Lender hereunder by the Borrower;
		7. “Obligations” has been defined in Section 7.1;
		8. “Operating Commitment” has been defined in Section 2.1;
		9. “Operating Loan” means the aggregate of the outstanding amount of monies advanced by the Lender under the Operating Commitment;
		10. “Operating Margin” means one-half of one per cent per annum;
		11. “Operating Period” means the period commencing on the date hereof and terminating at the earlier of:

1.1.31.1 [DATE]. The Lender, in its absolute discretion, may extend the period under this paragraph for an additional [NUMBER] month period at the expiry of each successive anniversary date of [DATE]. The Lender will notify the Borrower by the first Business Day of the month immediately preceding the month of the said anniversary date as to whether or not the Operating Period shall be extended for an additional [NUMBER] month period commencing on [DATE] following. In the event that the Lender does not issue such notice by the first Business Day of [DATE] of any such relevant year, the Operating Period shall not be extended beyond the close of business in [COUNTRY] on the last Business day of [DATE] of such year; and

* + - 1. the date that the Operating Commitment is terminated and cancelled under the provisions of Section 13.2;
		1. “Permitted Encumbrances” is the collective reference to the liens created or allowed by the security documents or any other liens specifically created or suffered to exist with the express consent of the Lender;
		2. “Person” means any company, natural person, firm, joint venture, partnership, trust, unincorporated organisation, government or any department, agency or instrumentality of any government;
		3. “Pledge Agreement” means the pledge agreement wherein the Borrower has pledged the Bond to the Lender in order to secure fulfilment of the Obligations of the Borrower;

1.1.35 “Prime Rate” means the reference rate of interest expressed as an annual rate, quoted from time to time by the Lender, in accordance with current banking practise in [COUNTRY], under the Bank Act ([COUNTRY]), on any day in the City of [CITY], on commercial demand loans made in [COUNTRY] in [CURRENCY], to clients of the Lender who wish to borrow on the basis of such rate;

* + 1. “RGA” refers to the General Assignments of Book Debts referred to in subsection 7.1.1;
		2. “Security Documents” is the collective reference to the documents listed in Section 7.1 and as the same may be amended, supplemented or substituted from time to time;
		3. “Share Pledge Agreement” refers to the agreement entered into by each of the Guarantors wherein each Guarantor has pledged the shares which it owns in the Borrower to the Lender pursuant to this Agreement;
		4. “Term Commitment” has been defined in Section 2.2;
		5. “Term Loan” means the aggregate of the outstanding amount of monies advanced by the Lender under the Term Commitment;
		6. “Term Margin” means one percent per annum;
		7. “Transfer of Property in Stock Documents” means the collective reference to the Transfer of Property in Stock and the Notice of a Transfer of Property in Stock executed by the Borrower in favour of the Lender pursuant to this Agreement;
		8. “Trust Deed” means the Trust Deed of Hypothec, Mortgage and Pledge referred to in subsection 7.1.4, as supplemented or amended from time to time;
		9. “Trustee” means the Royal Trust Company, in its capacity as Trustee under the Trust Deed, and any successor thereto;
		10. “Working Capital” means the difference between:

1.1.47.1 all current assets of the Borrower (excluding any amount owing to the Borrower from an Affiliate); less

1.1.47.2 all current liabilities of the Borrower,

For purposes of calculating the Working Capital, there shall be excluded from current assets any amount representing a write-up of the book value of any asset resulting from a re-evaluation thereof and there shall also be excluded any amount payable to the Borrower by any of its directors, officers, shareholders or employees.

1.2 Singular, Plurals and Rands

Unless there be something in the subject or the context inconsistent therewith, words importing the singular only shall include the plural, and vice-versa, and words importing the masculine gender shall include the feminine gender, and vice-versa, and all references to Rands shall mean [COUNTRY CURRENCY].

1.3 Division into Articles

The division of this Agreement into articles, sections, subsections and paragraphs and the insertion of titles are for ease of reference only and shall not affect the meaning or the interpretation of the present Agreement.

**2. COMMITMENTS**

2.1 Operating Commitment

The Lender agrees, upon the terms and subject to the conditions of this Agreement, to lend to the Borrower and the Borrower agrees that it may borrow from the Lender an amount up to, but not exceeding, in the aggregate [AMOUNT].

2.2 Term Commitment

The Lender agrees, upon the terms and subject to the conditions of this Agreement, to lend to the Borrower and the Borrower agrees that it may borrow from the Lender an amount of up to, but not exceeding in the aggregate [AMOUNT].

**3. PURPOSE**

3.1 Purpose of Advances

All Advances by the Lender to the Borrower hereunder shall be used by the Borrower:

* + 1. if from the Term Loan, to acquire the assets formerly owned by [COMPANY NAME];

and

3.1.2 if from the Operating Loan, for the operations of the Borrower.

**4. ADVANCES**

4.1 Subject to and upon compliance with all of the terms and conditions of this Agreement:

4.1.1 the Term Loan shall be paid by the Lender to or on behalf of the Borrower in one payment; and

4.1.2 The Borrower shall have the right during the Operating Period to draw down all or part of the Operating Loan, each such draw to be in an amount of [AMOUNT] or a whole multiple thereof.

4.2 The Borrower shall maintain its principal operating bank account with the Lender and shall deposit therein from time to time all of its cash receipts. In the event that the Borrower has issued a cheque drawn on such account, and clearing such cheque would result in the account being overdrawn, such cheque shall be deemed to be a request for an additional draw by the Borrower under the Operating Commitment and, subject to the terms and conditions of this Agreement with respect to Advances, the Lender may deposit in such account, as an Advance, an amount sufficient to cover such overdraft and being a whole multiple of [AMOUNT].

* 1. Revolving Nature of Operating Loan

Subject to and upon compliance with all of the relevant terms and conditions of this Agreement, at any time during the Operating Period, any repayment of the whole or any part of the Operating Loan made by the Borrower may be re-borrowed until termination of the Operating Commitment or the end of the Operating Period. The Available Operating Commitment shall cease to be available to the Borrower upon expiration of the Operating Period.

* 1. Maintenance of Accounts

The Lender will open and maintain on it books a loan account or ledger for the Borrower evidencing the amount outstanding with respect to each of the Term Loan and the Operating Loan. The said accounts or ledgers shall constitute, in the absence of manifest error, prima facie evidence of the amount of the Term Loan and of the Operating Loan then outstanding, the date on which an Advance has been made to the Borrower and the date and the amounts from time to time paid by the Borrower on account of principal and interest on the Term Loan and on the Operating Loan.

**5. INTEREST**

5.1 Interest on the Term Loan

The principal amount of the Term Loan which at any time remains outstanding shall bear interest, computed daily, on the daily balance of the Term Loan from the day of its Advance up to and including the day of full repayment at an annual rate applicable for each such day equal to the Prime Rate at the close of business on such day plus the Term Margin.

* 1. Interest on the Operating Loan

The principal amount of the Operating Loan which at any time remains outstanding shall bear interest, computed daily, on the daily balance of the Operating Loan, from the date of commencement of the Operating Period up to and including the day of full repayment of the Operating Loan at an annual rate applicable for each such day equal to the Prime Rate at the close of business on each such day, plus the Operating Margin.

* 1. Payment of Interest

The interest with respect to the Term Loan and the Operating Loan computed as aforesaid shall be payable monthly, in arrears, on the [DATE] day of each month, with interest on all overdue interest at the rate applicable to principal in the period in which it remains unpaid, computed daily and payable monthly on the aforementioned dates.

**6. PAYMENTS, REPAYMENTS AND PREPAYMENTS**

* 1. Repayment of the Term Loan

The Borrower hereby binds and obliges itself to repay the entire principal amount of the Term Loan in [NUMBER] equal, consecutive and monthly instalment of [AMOUNT], with the first instalment becoming due and payable on the [DATE] day of the [NUMBER] month following the Advance of the Term Loan, and one final instalment equal to the balance of the principal amount of the Term Loan then outstanding on the date being [NUMBER] months following the seventh anniversary of the Advance of the Term Loan.

* 1. Repayment of Operating Loan

The Borrower hereby binds and obliges itself to repay the entire principal amount of the Operating Loan outstanding on the date of expiry of the Operating Period on such date.

* 1. Prepayment of Term Loan

The Borrower may prepay without penalty or premium in amounts of [AMOUNT] or whole multiples thereof, the whole or a part of the principal amount of the Term Loan together with any accrued and unpaid interest on any amounts so prepaid. Any prepayment made hereunder shall be imputed to the instalments referred to in Section 6.1 in inverse order of maturity.

* 1. Payment on a Business Day

Whenever any payment, repayment or prepayment falls due on a day which is not a Business Day, such payment, repayment or prepayment shall be made on the next following Business Day.

* 1. Prohibition to Prepay

Notwithstanding the foregoing, in the event that the Lender is a [Class [NUMBER] Preferred Share] shareholder of the Borrower, the Borrower shall have no right to prepay the Term Loan.

**7. SECURITY**

7.1 Security

As a general and continuing collateral security for the performance of the obligations of the Borrower towards the Lender under this Agreement and the Security Documents and the obligation to repay in principal, interest and accessories and upon the terms and conditions provided for hereunder and thereunder, all present and future Indebtedness of the Borrower to the Lender (collectively, the “Obligations”), the Borrower shall have, either prior to or concurrently with the execution of these presents, and in form and substance acceptable to the Lender;

* + 1. executed a General Assignment of Book Debts Agreement in conformity with the laws of the [STATE/PROVINCE] of [STATE/PROVINCE], pursuant to the terms of which the Borrower shall cede, assign and transfer to the Lender, free from any Liens other than Permitted Encumbrances, all of its debts, claims and demands now due or hereafter to become due;

7.1.2 executed the Bank Act Documents pursuant to the terms of which the Borrower shall assign to the Lender, free from any Liens other than Permitted Encumbrances, its Inventory, the whole under the Bank Act of [COUNTRY];

7.1.3 executed the Transfer of Property in Stock Document pursuant to the terms of which the Borrower shall transfer to the Lender, free from any Liens other than Permitted Encumbrances, its Inventory, the whole under the Act respecting bills of lading, receipts and transfers of property in stock;

7.1.4 executed a Trust Deed of Hypothec, Mortgage and Pledge in accordance with the laws of the [STATE/PROVINCE] of [STATE/PROVINCE] in favour of the Trustee pursuant to the terms of which there shall be created on the assets and properties of the Borrower, both present and future and wheresoever situated, for an amount of [AMOUNT], a first fixed and floating hypothec, mortgage, pledge, charge, cession and transfer, subject only to Permitted Encumbrances;

7.1.5 issued under the terms of the Trust Deed in the name of the Lender its [%] Collateral Mortgage Demand Bond in the principal amount of [AMOUNT], which Bond shall be signed by the duly authorised officers of the Borrower, certified by the Trustee and delivered to the Lender.

* + 1. executed a Pledge Agreement pursuant to the terms of which the Bond shall be pledged in favour of the Lender;
		2. executed a Specific Assignment of the Insurance pursuant to the terms of which the Borrower shall cede, assign and transfer to the Lender, free from any Liens, all benefits arising under any and all Insurance. Furthermore, the Borrower shall provide the Lender with endorsements under the Insurance indicating the Lender and the Trustee as loss payees, as their respective interests may appear.
		3. executed a Commercial Pledge Agreement in accordance with the laws of the [STATE/PROVINCE] of [STATE/PROVINCE] pursuant to the terms of which the Borrower shall pledge to the Lender machinery and equipment of the Borrower;

7.1.9 caused each of the Guarantors to execute and deliver its Guarantee pursuant to the terms of which each Guarantor guarantees all Indebtedness of the Borrower to the Lender, which Guarantee shall be of limited recourse wherein the Lender has recourse only to realisation upon the shares of the Borrower pursuant to the Share Pledge Agreements;

7.1.10 caused each of the Guarantors to execute and deliver a Share Pledge Agreement pursuant to which the shares of the Borrower owned by such Guarantor are pledged to the Lender as security for the repayment of present and future Indebtedness of the Borrower to the Lender;

**8. CONDITIONS PRECEDENT**

8.1 Initial Advance

The initial Advances shall not be made by the Lender pursuant to the Term Commitment or the Operating Commitment until:

8.1.1 the Borrower shall have:

8.1.1.1 signed and executed such of the Security Documents it is required to sign and execute and shall have delivered or caused to be delivered to the Lender the Security Documents, as well as such other documents referred to in this Article;

8.1.1.2 attended to the due registration, the Notice of Intention and the Notice forming part of the Bank Act Documents and the Transfer of Property and Stock Documents, respectively, the Trust Deed, the Commercial Pledge Agreement and delivered such registered documents to the Lender; and

8.1.1.3 delivered to the Lender all endorsements of Insurance referred to herein;

8.1.2 the Borrower shall have delivered to the Lender and to Messrs. lender, Counsel to the Lender:

8.1.2.1 the satisfactory opinion of Borrower’s Counsel, addressed to the Lender and to Messrs. Martineau Walker, covering such matters as the Lender may reasonably request;

8.1.2.2 the satisfactory opinion of counsel to the Guarantors addressed to the Lender and to Messrs. Lender, covering the power and capacity of the Guarantors to enter into the Guarantees and the Share Pledge Agreements and as to the due authorisation, execution and delivery of the Guarantees and the Share Pledge Agreements;

8.1.2.3 the Lender shall have received the opinion of Messrs. Lender addressed to the Lender and dated about the date of the initial Advance hereunder, in form and substance satisfactory to the Lender;

8.2 Special Conditions Precedent

The initial Advances shall not be made by the Lender until:

8.2.1 the Loan shall have been advanced;

8.2.2 the Borrower has entered into the [COMPANY NAME] Equipment Lease and the funds in connection therewith have been disbursed to or on behalf of the Borrower;

8.2.3 the Borrower has entered into the Equipment Lease and the funds in connection therewith have been disbursed to or on behalf of the Borrower;

8.2.4 the Borrower has issued [NUMBER] Preferred Shares and [NUMBER] Common non-voting Shares from its Treasury to the Lender for a subscription price of [AMOUNT] per share on terms and conditions acceptable to the Lender;

8.2.5 the Borrower has issued [NUMBER] Preferred Shares from its Treasury at a subscription price of [AMOUNT] [COUNTRY CURRENCY] per share on terms and conditions acceptable to the Lender;

8.2.6 the shareholders of the Borrower, namely, the Guarantors, the [NAME], and [COMPANY NAME] have entered into a Shareholders’ Agreement containing terms and conditions acceptable to the Lender;

8.2.7 the Borrower shall have delivered to the Lender evidence that the Guarantors have advanced [NUMBER] to the Borrower as equity on terms and conditions acceptable to the Lender;

8.2.8 the Borrower shall have entered into a lease with respect to occupancy of the plant located at [FULL ADDRESS] [STATE/PROVINCE], upon terms and conditions acceptable to the lender.

* 1. Advances under the Available Operating Commitment

Subject to and upon compliance with all of the relevant terms and conditions of this Agreement, at any time and from time to time during the Operating Period, the Borrower may draw the whole or any part of the Available Operating Commitment, if on the date any Advance is required, the Lender:

8.3.1 shall have received a request for an Advance, or shall have been deemed to have received a request for an Advance, as the case may be; and

8.3.2 has determined that the amount of the requested Advance is not greater than the Available Operating Commitment; and

8.3.3 has determined that no Default or Event of Default exists under the terms hereof.

**9. REPRESENTATIONS AND WARRANTIES**

So long as the Loan or any amount payable hereunder is outstanding and unpaid or the Borrower shall have the right to borrow hereunder (whether or not the conditions to borrowing have been or can be fulfilled), the Borrower hereby represents and warrants that:

9.1 Organisation of the Borrower

The Borrower is a company duly organised, validly existing and, to the best of its knowledge and without special enquiry, in good standing under the Laws of [COUNTRY] and of all jurisdictions in which it carries on business. The Borrower has the power and authority, company or otherwise, to own its properties and to carry on its business as now being and hereafter proposed to be conducted.

* 1. Ownership of Shares of Borrower

The Guarantors are the beneficial owners of [%] of the issued and outstanding shares of the Borrower, save and except for the shares held by the Lender.

9.3 Authorisation of Documents

The Borrower has the power, and has taken all necessary company action, to authorise it to borrow hereunder, to create the security provided in the Security Documents, and to execute, deliver and perform this Agreement and each of the Security Documents to which it is a party in accordance with the terms thereof and to consummate the transactions contemplated hereby and thereby.

This Agreement has been duly executed and delivered by the duly authorised officers of the Borrower and is, and each of the Security Documents to which the Borrower is a party, is a legal, valid and binding obligation of the Borrower enforceable in accordance with its terms, subject, as to the enforcement of remedies, to any applicable bankruptcy, insolvency or other similar law affecting the enforcement of creditors’ rights generally, and subject to the limitation that the availability of the remedy of specific performance or injunctive relief is subject to the discretion of the court before which any proceeding therefore may be brought.

9.4 Compliance with the laws of [COUNTRY]

The Borrower is in compliance with all [COUNTRY] laws, including, without limiting the generality of the foregoing, those relating to environmental matters, non-compliance with which could, singly or in the aggregate, have a material adverse effect on the business, assets, liabilities, financial position, results of operations or business prospects of the Borrower or on the ability of the Borrower to perform its obligations under this Agreement or any of the Security Documents to which it is a party.

9.5 Title to Property

The Borrower has good, marketable and legal title to the immovable property, if any, described in the Security Documents and the moveable property described in the Bank Act Documents. None of the properties are assets of the Borrower subject to any Lien, save only for Permitted Encumbrances.

9.6 Litigation

There is no action, suit or proceeding pending against (nor, to the knowledge of the Borrower), any action, suit or proceeding threatened against or in any other manner relating adversely to the Borrower or any of its properties in any court or before any arbitrator of any kind or before or by any governmental body, other than actions, suits or proceedings of the character normally incident to the kind of business conducted by the Borrower, which, if adversely determined, could not, singly or in the aggregate, have a material adverse effect on the business, assets, liabilities, financial position, results of operations or business practises of the Borrower or on the ability of the Borrower to carry out its business or to perform its obligations under this Agreement or any of the Security Documents to which it is a party.

9.7 Taxes

All national, provincial and other tax returns of the Borrower required by [COUNTRY] law to be filed have been duly filed, all national, [state/provincial] and other taxes, assessments and other governmental charges or levies upon the Borrower, and any of its properties, income, profits and assets, which are due and payable, have been paid, except any such payment of which the Borrower is contesting in good faith by the appropriate proceedings and for which the appropriate reserves have been provided on the books of the Borrower and as to which neither any Lien, other than a Permitted Encumbrance, has attached, or any foreclosure, distraint, seizure, attachment, sale or similar proceedings have been commenced. The charges, accruals and reserves on the books of the Borrower *in re*spect of taxes are adequate, in the judgement  of the Borrower.

9.8 No adverse change

Since the fiscal year-end shown in the last annual audited financial statements furnished to the Lender there has been no material adverse change in the business, assets, liabilities, financial position, results of operations or business prospects of the Borrower and no event has occurred or failed to occur which has had or may have a material adverse effect on the Borrower’s ability to conduct its business or to perform its obligations under this Agreement or any of the Security Documents to which it is a party.

9.9 Absence of Default

The Borrower is in compliance with all provisions of its incorporating documents and its by-laws and no Default or Event of Default has occurred.

9.10 Accuracy and completeness of information

All information, reports and other papers and data furnished to the Lender by or on behalf of the Borrower, were, at the time the same were so furnished, completely correct in all material respects to the extent necessary to give the Lender a true and accurate knowledge of the subject matter. No fact is currently known to the Borrower which has or may have a material adverse effect upon the business, assets, liabilities, financial position, results of operations or business prospects of the Borrower or the ability of the Borrower to perform its obligations under this Agreement or any of the Security Documents to which it is a party, which has not been set forth or referred to herein or in such information, reports and other papers and data or otherwise specifically disclosed in writing to the Lender.

9.11 Survival of representations and warranties

All statements contained in any certificate, financial statement, or other material document delivered to the Lender by or on behalf of the Borrower, including or pursuant to or in connection with this Agreement, the Security Documents or any other documents contemplated by any thereof or any amendments to any thereof, or in connection with any of the transactions contemplated hereby or thereby, and upon which the Lender based its decision to extend to the Borrower the credit facilities provided hereunder, shall constitute representations and warranties made under this Agreement. All representations and warranties made under this Agreement shall be deemed to be made and shall be true and correct, at and as of the date of this Agreement and at and as of the date of any Advance hereunder. All representations and warranties made under this Agreement shall survive, and not be waived, by the execution and delivery of this Agreement, any investigation by or on behalf of the Lender or the making of any loan under this Agreement.

**10. GENERAL COVENANTS**

So long as the Loan or any other amount payable hereunder is outstanding and unpaid or the Borrower shall have the right to borrow hereunder (whether or not the conditions to borrowing have been or can be fulfiled), and unless the Lender shall otherwise previously consent to same in writing, the Borrower covenants and agrees that it will:

* 1. Preservation of existence

Preserve and maintain its company existence and preserve and maintain in all rights, franchises, licences and privileges necessary or desirable in the normal current conduct of its business, qualify and remain qualified and authorised to do business in each jurisdiction in which the character of its property or the nature of its business requires such qualification or authorisation or the failure to so qualify would singly or in the aggregate, have a material adverse effect on the business, assets, liabilities, financial position, results of operations or business prospects of the Borrower or upon the ability of the Borrower to perform its obligations under this Agreement or any of the Security Documents to which it is a party.

So long as the Borrower shall be entitled to borrow hereunder, the Borrower shall maintain, and take all such actions necessary to maintain in full force and effect the action taken by it to authorise the borrowings hereunder or any execution, delivery and performance in accordance with the respective terms of this Agreement, and any other documents required or contemplated hereunder and the consummation of the transactions contemplated hereby and thereby, and notify the Lender of any change in the incumbency of the persons authorised by the Borrower to sign documents from any certificate previously given to the Lender in connection therewith (and the Lender shall be entitled to assume that any certificate and any subsequent notice with respect thereto continue to be correct unless and until the Borrower shall have notified the Lender of any change in the facts stated therein).

* 1. Insurance

Maintain insurance from responsible companies in such amounts and against such risks as usually carried by owners of similar businesses or properties in the same general areas in which the Borrower operates and against the risks covered by the insurance now carried by the Borrower, in accordance with and as required by the terms of the Security Documents, if any.

* 1. Visits and Inspections

Permit representatives of the Lender to visit and inspect the properties of the Borrower during normal business hours, quarterly, to verify inventory and other assets and annually to inspect and make extracts from and copies of its books and records and discuss with its principal officers, it business, assets, liabilities, financial position, results of operation and business prospects.

* 1. Payment of Indebtedness

Pay any and all of its Indebtedness when and as the same becomes due.

* 1. Maintenance of Ratios

Maintain at all times its Working Capital at not less than [AMOUNT].

10.6 Dividend Payments Limited

Save and except for the declaration and payment of dividends with respect to [Preferred Shares] held by the Lender and by [COMPANY NAME], the Borrower shall pay no dividends until the Term Loan has been repaid in full.

10.7 Payment of legal and other fees and disbursements

Pay upon demand all reasonable legal, notarial, consulting and professional fees and disbursements incurred by the Lender in connection with the:

10.7.1 registration, renewal of registration and re-registration of any documents referred to herein or in the Security Documents, including notarial costs in connection therewith;

10.7.2 advice sought by the Lender on the construction of the present Agreement or any of the Security Documents, or in anticipation of or for the purpose of determining whether or not to exercise any or all of its rights and recourses under the present Agreement and the Security Documents;

10.7.3 collection of any monies due hereunder or under of the Security Documents.

10.8 Renewal of Registrations

Renew and continue to renew the registrations of:

10.8.1 the Notice of Intention to Give Security forming part of the Bank Act Documents no later than [NUMBER] days prior to the third-anniversary date of the registration, re-registration or new registration date thereof;

10.8.2 the Notice of a Transfer of Property in Stock forming part of the Transfer of Property and Stock Documents no later than [NUMBER] days prior to the fifth-anniversary date of the registration, re-registration or new registration date thereof; and

10.8.3 from time to time forthwith upon demand therefore, to sign, execute and deliver such documents and do all such things as the Lender may require in connection with the Security Documents so as to maintain in full force and effect the security created thereby.

**11. INFORMATION COVENANTS**

So long as the Loan or any other amount payable hereunder is outstanding and unpaid or the Borrower shall have the right to borrow hereunder (whether or not the conditions to borrowing have been or can be fulfilled) and unless the Lender shall otherwise consent in writing, the Borrower covenants and agrees that it will furnish or cause to be furnished to the Lender:

11.1 Monthly financial statements and information of the Borrower

Within [NUMBER] days after the last day of each month in each of the Borrower’ fiscal years a financial statement and balance sheet of the Borrower as at the end of such month, as well as an aged listing of accounts receivable and a report on Inventories in the form required by the Lender.

11.2 Annual financial statements

Within [NUMBER] days after the end of each fiscal year of the Borrower:

11.2.1 a balance sheet of the Borrower (and of its subsidiaries, as the case may be), as at the end of such fiscal year and the related financial statements of operations, shareholders’ equity and changes in financial position for such fiscal year, setting forth in each case in comparative form the figures as at the end of the previous fiscal year, all as certified by the auditors of the Borrower (who shall be an independent firm of chartered accountants of recognised standing appointed by the Borrower and acceptable to the Lender), whose opinion shall be in scope and substance satisfactory to the Lender and who shall have authorised the Borrower to deliver such financial statements and opinion thereon to the Lender pursuant to this Agreement.

* 1. Other Information

From time to time and promptly upon each request, such data, certificates, reports, statements, documents or further information regarding the business, assets, liabilities, financial position, results of operations or business prospects of the Borrower as the Lender may reasonably request.

* 1. Accounting principles

Unless the Lender expressly consents to it, all calculations required to be made under the terms hereof and all financial statements, balance sheets and audited statements required to be furnished to the Lender shall be prepared in accordance with generally accepted accounting principles consistently applied.

**12. NEGATIVE COVENANTS**

So long as the Loan or any other amount payable hereunder is outstanding and unpaid or the Borrower shall have the right to borrow hereunder (whether or not the conditions to borrowing have been or can be fulfilled), and unless the Lender shall otherwise previously consent thereto in writing, the Borrower covenants and agrees that it will not:

12.1 Consolidated amalgamation, merger, etc

Wind-up, liquidate or dissolve its affairs or enter into any transaction of amalgamation, merger or consolidation, or convey, sell, lease or otherwise dispose of (or agree to do any of the foregoing at any future time) any substantial part of its property, except as expressly permitted in this Agreement.

12.2 Liens

Create, assume, incur or suffer to exist, directly or indirectly, any Lien on any property whether now owned or possessed or hereafter acquired or possessed by the Borrower, other than Permitted Encumbrances.

12.3 Sales of assets

Sell, alienate, lease or otherwise dispose of the whole or any part of its property or assets, whether now owned or possessed or hereafter acquired or possessed, or enter into any sale and leaseback transaction with respect to any such property or assets, excluding sales of Inventory and disposals of obsolete equipment, in each case in the ordinary course of business and for the purposes of carrying on same.

12.4 Guarantees by the Borrower

Create, assume, incur or otherwise become or remain obligated *in re*spect of, or permit to be outstanding, any guarantee of any Indebtedness of any Person.

12.5 Loans and investments

Directly or indirectly, make any loan, advance, extension of credit, capital contribution or investment to or in any Person, or purchase or otherwise acquire for consideration any evidences of Indebtedness, capital stock, partnership units or other securities of any Person, other than extensions of credit or purchases of Inventory in the ordinary course of business and for the purposes of carrying on same;

* 1. Capital Expenditures

Make capital expenditures which in aggregate during any fiscal year of the Borrower exceed [AMOUNT].

12.7 permit a change in the control of the Borrower from the persons who presently directly or indirectly control the Borrower.

**13. EVENTS OF DEFAULT AND REALISATION**

13.1 Events of Default

The occurrence of any of the following events during the term of this Agreement shall constitute an event of default (here*in re*ferred to as an “Event of Default”):

13.1.1 should the Borrower fail to make any payment on the Loan (other than a payment of interest), or any instalment of the principal as and when the same is due and such payment remains unpaid for a period of [NUMBER] days following notice thereof from the Lender; or

13.1.2 should the Borrower fail to make any payment of interest on the Loan as and when same is due and such payment remains unpaid for a period of [NUMBER] days following notice thereof by the Lender; or

13.1.3 should the Borrower default in the performance or fulfilment of any other obligation or covenant hereunder for a period of [NUMBER] days following notice thereof from the Lender or under any of the Security Documents once the delay to cure the same, if any, has expired; or

* + 1. should either the Borrower or any of the Guarantors make an assignment for the benefit of creditors, or file or consent to the filing of a petition of bankruptcy or a proposal under the Bankruptcy Act or any similar act in the jurisdiction of such Person, or be adjudicated insolvent or bankrupt, or petition or apply to any tribunal for any receiver, trustee, liquidator or sequestrator of, or for any substantial portion of its property; or if either commences any proceeding related to it or its property or any substantial portion thereof or under any reorganisation, arrangement or readjustment, composition or
		2. liquidation, of any jurisdiction, whether now or hereinafter in effect (hereinafter in this subsection called “Proceeding”); or if there is commenced against either the Borrower or any Guarantor any Proceeding and such Proceeding remains undismissed for a period of [NUMBER] days; or any receiver, trustee, liquidator or sequestrator of, or for either the Borrower or any Guarantor or any substantial portion of its property is appointed or if either the Borrower or any Guarantor consents to or approves or accepts any Proceeding or the appointment of any receiver, trustee, liquidator or sequestrator of, or for either the Borrower or any Guarantor, or any substantial portion of its property; or

13.1.6 should any statement, certificate, representation or warranty which has been made by the Borrower to the Lender in or pursuant to this Agreement or any of the Security Documents prove at any time to be either materially incorrect or substantially inaccurate; or

13.1.7 should the Borrower default with respect to any of its Indebtedness.

* 1. Remedies

If an Event of Default shall have occurred and be continuing and in every such event:

13.2.1 with the exception of an Event of Default specified in Subsection 13.1.4, the Lender may, in its absolute discretion, by written notice to the Borrower, declare as being immediately due and payable, without presentment, demand, protest or other notice of any kind, all of which are hereby expressly waived by the Borrower, anything in this Agreement or the Security Documents to the contrary notwithstanding:

13.2.1.1 the entire amount of the Loan then outstanding in principal and interest; and the Operating Commitment shall, at the option of the Lender, thereupon forthwith terminate and be cancelled and the Lender may exercise any and all of its rights and recourses under this Agreement and under any of the Security Documents; and

13.2.2 upon the occurrence and continuance of an Event of Default specified in Subsection 13.1.4, the entire amount of the Loan then outstanding in principal and interest shall thereupon and concurrently therewith become due and payable and the Operating Commitment shall forthwith terminate and be cancelled, all without any action by the Lender and without any presentment, demand, protest or other notice of any kind, all of which are expressly waived, anything in this Agreement or the Security Documents to the contrary notwithstanding and thereupon, the Lender may exercise any and all of its rights and recourses under this Agreement and any of the Security Documents.

13.3 Application of payments

The Lender shall apply the proceeds of realisation of any credit or compensating balances against such part of the Indebtedness of the Borrower under this Agreement or any of the Security Documents as the Lender deems best.

13.4 Notices

Save as expressly provided for herein, no notice of default of any kind shall be required to be given to the Borrower by the Lender for the purpose of putting the Borrower in default, said party being in default by the mere lapse of time allowed for the performance of an obligation or by the mere happening of an event constituting an Event of Default.

13.5 Fees

In the event of an occurrence of an Event of Default, the Lender may charge on its own behalf and pay to others reasonable sums for services rendered (expressly including legal advice and services) in connection with exercising its rights under the Security Documents and in connection with realising, collecting, selling, transferring, delivering and obtaining payment for the Bond and may deduct the amount of such charges and payments from the proceeds thereof. The balance of such proceeds may be held by the Lender in lieu of the Bond and may, as and when the Lender thinks fit, be applied on account of such part of the Indebtedness of the Borrower to the Lender as the Lender deems best, without prejudice to the Lender’s claim from the Borrower for any deficiency.

13.6 Dealings with the Borrower

The Lender may grant extensions of time and other indulgences, take and give up securities, accept compositions, grant releases and discharges and otherwise deal with the Borrower as the Lender may see fit without prejudice to the liability of the Borrower or to the Lender’s rights *in re*spect of the security conferred upon it under the terms hereof.

**14. MISCELLANEOUS**

14.1 Notices

Except as otherwise specified herein, all notices, requests, demands or other communications to or upon the respective [COMPANY NAME] hereto shall be deemed to have been duly given or made to the party to which such notice, request, demand or other communication is required or permitted to be given or made under this Agreement, when delivered to such party by certified mail, postage prepaid (save in the event of an interruption of postal services), or by telegraph, telex or hand delivery (in which latter case delivery must be acknowledged), at its address and attention set forth with its signature below, or at such other address as any of the parties hereto may hereafter notify the others in writing. No other method of giving notice is hereby precluded.

14.2 Amendments and Waivers

The rights and remedies of the Lender under this Agreement and the Security Documents shall be cumulative and not exclusive of any rights or remedies which it would otherwise have, and no failure or delay by the Lender in exercising any right shall operate as a waiver thereof or operate as a waiver of any Default or Event of Default, nor shall any single or partial exercise of any power or right preclude its other or further exercise or the exercise of any other power or right.

14.3 Determinations to be Conclusive and Binding

In the absence of manifest error, any determination to be made by the Lender under this Agreement when made, shall be conclusive and binding on all parties.

14.4 Compensation and Set-Off

In addition to any rights now or hereafter granted under [COUNTRY] law and hereunder and not by way of limitation of any such rights, upon the occurrence of a Default or an Event of Default, the Lender is hereby authorised by the Borrower, at any time or from time to time, without notice to the Borrower or to any other Person, any such notice being hereby expressly waived, to effect compensation, to set-off and to appropriate and to apply any and all deposits (general or special, time or demand, including, but not limited to, indebtedness evidenced by certificates of deposit, in each case whether matured or unmatured) and any other indebtedness at any time held or owing by the Lender to or for the credit or the account of the Borrower against and on account of the obligations and liabilities of the Borrower to the Lender under this Agreement or the Security Documents, including, but not limited to, all claims of any nature or description arising out of or connected with this Agreement or the Security Documents, irrespective of whether or not the Lender shall have made any demand hereunder or shall have declared the amounts referred to in subsection 13.2.1 to be due and payable as permitted by Section 13.2 and although said obligations and liabilities or any of them, shall be contingent or unmatured.

14.5 Assignments by the Borrower

The rights of the Borrower hereunder are declared to be purely personal and may therefore not be assigned or transferred, nor can the Borrower assign or transfer any of its obligations, any such assignment being null and void insofar as the Lender is concerned and rending any balance then outstanding of amounts referred to in subsection 13.2.1 immediately due and payable at the option of the Lender and relieving the Lender from the obligation of making any or any further Advances hereunder.

* 1. Assignments by the Lender

The Lender may at any time grant participation in, and sell, assign, transfer or otherwise dispose of, all or any portion of the Indebtedness of the Borrower outstanding pursuant to this Agreement, provided that there will not result therefrom any added cost to the Borrower. Where the Lender proposes to sell, assign or transfer a portion and not all of the Indebtedness of the Borrower outstanding pursuant to this Agreement, it shall notify the Borrower. The Borrower hereby agrees that any purchaser, assignee or transferee of all or (with the consent of the Borrower) any portion of any amount owed by it under this Agreement:

14.6.1 shall be entitled to the benefits of the provisions of this Agreement and the Security Documents as fully as though it were an original party to this Agreement and the Lender hereunder; and

* + 1. may exercise any and all rights of banker’s lien, compensation, set-off or counterclaim with respect to any and all amounts owed by the Borrower to such purchaser, assignee or transferee as fully as if such purchaser, assignee, transferee or holder had made a Loan in the amount of the obligation which is sold, assigned or transferred to it; the Borrower shall, at the request and expense of the Lender, execute and deliver to the Lender or to such party or parties as the Lender may designate any and all further instruments, use its best efforts to obtain any and all further authorisations or approvals, and make any and all further registrations, filings or notifications, as may be necessary or desirable to give full force and effect to such disposition.

The term “Lender” as used in this Agreement shall include all purchasers, assignees and transferees of all or (with the consent of the Borrower) any portion of any amount owed to the Lender under this Agreement. Except as specifically set forth in this Section 14.6, nothing in this Agreement or the Security Documents, expressed or implied, is intended to or shall confer on any Person other than the respective parties thereunder any benefit or any legal or equitable right, remedy or other claim under this Agreement or any of the Security Documents.

For the purposes of this Section 14.6, the Borrower hereby authorises the Lender to provide any prospective purchasers, assignees, transferees or participants with all financial information reports, budgets, projections and documents, including this Agreement and the Security Documents, made available to the Lender by or on behalf of the Borrower, from time to time.

14.7 Counterparts

This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, but all such separate counterparts shall together constitute but one and the same instrument.

14.8 Governing Law

This Agreement and the interpretation and enforcement thereof shall be governed by and in accordance with the laws of the [STATE/PROVINCE] of [STATE/PROVINCE].

14.9 Severability

Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof in that jurisdiction or affecting the validity or enforceability of such provision in any other jurisdiction.

14.10 No Novation, etc.

The Bond and any other security provided to the Lender by the Borrower shall not, nor shall any one thereof, constitute a payment, nor shall they or anyone thereof operate novation of any amount due hereunder and shall not operate by way of compensation, set-off or confusion of or merge with any Indebtedness or liability of the Borrower of any other Person or Persons to the Lender under any deed, guarantee, contract, bill of exchange, promissory note, letter of credit, certificate of deposit or other instrument by which the same may now or at any time hereafter be represented or evidenced and no judgement  recovered by the Lender shall extinguish or in any way affect the security created by the Security Documents or this Agreement.

14.11 Replacement of Commitment Letter

The present Agreement replaces and supersedes any letter of commitment between the Lender and the Borrower which may have been given in connection with the Loan contemplated by this Agreement.

14.12 Bonds

Under no circumstances may the Lender on realising upon the Bond collect or claim a right to collect an amount in excess of the Indebtedness, in principal, interest, costs and accessories then due to the Lender, and all other sums and/or expenses incurred by or otherwise due to the Lender and for which the Borrower is liable for any reason or under any agreement entered into in connection with this Agreement or the Security Documents.

**15. FORMAL DATE**

15.1 Formal Date

For the purpose of convenience, this Agreement may be referred to as bearing a formal date of [DATE], irrespective of the actual date of its execution.

IN WITNESS WHEREOF, each party to this agreement has caused it to be executed at [place of execution] on the date indicated above.

BORROWER LENDER

Authorised Signature Authorised Signature

Print Name and Title Print Name and Title