

Bond No.: _____

Bond Amount: \$ _____

ON-DEMAND SURETY BOND

KNOW ALL PERSONS BY THESE PRESENTS, that:

_____, as Principal, hereinafter called the "**Principal**", and _____, as Surety, hereinafter called the "**Surety**" are held and firmly bound unto the City of Richmond, as Obligee, hereinafter called the "**Obligee**", in the amount of \$ _____ lawful money of Canada, for the payment of which sum, well and truly to be made, the Principal and the Surety bind themselves, their heirs, executors, successors and assigns, jointly and severally, firmly by these presents.

WHEREAS:

- A. The Principal and the Obligee have entered into, or will enter into, a district energy utility covenant dated for reference as of _____ with respect to lands civically known as _____ Richmond, BC and legally described as PID: _____ in the City of Richmond (the "**Covenant**").

NOW THEREFORE, the recitals to this bond are accurate statements of fact and intent and are hereby incorporated into and form part of this bond as if set out in full within the body of this bond.

AND, the condition of this obligation is such that if the Principal shall, in the opinion of the Obligee, do and perform all of the stipulations, conditions, covenants and terms of the Covenant, then this obligation shall be void and of no effect; otherwise, it shall remain in full force and effect.

PROVIDED, however, the foregoing obligation is subject to the following terms and conditions:

- 1. Whenever the Principal shall be declared in writing by the Obligee to be in default under the Covenant and the Obligee intends to make a claim under this bond, the Obligee shall promptly notify the Principal and the Surety in writing of such default in the form of a claim, the form of which is attached as Schedule A to this bond (each a "**Claim**").
- 2. On determination by the Obligee, in its sole and absolute discretion, that the Principal is in default of its obligations under the Covenant, the Surety and the Principal agree that the Surety will make payments to the Obligee for the amounts claimed by the Obligee, which amounts shall be deemed to be the costs, or a genuine estimate of the costs, to complete the Principal's obligations in accordance with the terms and conditions of the Covenant and the expenses incurred, or a genuine estimate of the expenses to be incurred, by the Obligee as a result of the Principal's default relating directly to the completion of the works under the Covenant up to the aggregate of the bond amount, within 15 business days after the Surety's receipt of a Claim from the Obligee at the address noted herein by hand or courier.

3. This bond is irrevocable, without expiry and payment will be made notwithstanding any objection by the Principal. Where a Claim in the prescribed form has been delivered to the Surety, it shall be accepted by the Surety as conclusive evidence of its obligation to make payment to the Obligee, and the Surety shall not assert any defence or grounds of any nature or description for not making payment to the Obligee, in whole or in part, pursuant to such Claim, including, but not limited to any of the following reasons:
- a. that the Principal is not in default of its obligations under the Covenant;
 - b. that the Principal committed any fraud or misrepresentation in its application for the bond;
 - c. that the amount set out in the Claim is not appropriate, warranted or otherwise not in accordance with the Covenant; or
 - d. that the Obligee failed to mitigate its damages resulting from the Principal's default.

The Surety's liability under this bond shall not be discharged or released or affected by any arrangements made between the Obligee and the Principal or by any dispute between the Surety and the Principal, or the taking or receiving of security by the Obligee from the Principal, or by any alteration, change, addition, modification, or variation in the Principal's obligation under the Covenant, or by exercise of the Obligee of any of the rights or remedies reserved to it under the Covenant or by any performance or otherwise (whether or not by any arrangement, alteration or forbearance is made without the Surety's knowledge or consent).

All payments by the Surety shall be made without deduction, set-off or withholding, and without limiting the generality of any provision in this Section 3, the Surety shall not be entitled to seek any repayment or reimbursement from the Obligee of any payments made to the Obligee or advance any other claims against the Obligee after making any payments under this bond.

4. The Obligee may make multiple Claims under this bond.
5. The bond amount may be reduced from time to time as advised by notice in writing by the Obligee to the Surety. The Obligee has the ability and sole discretion to decide as to whether the bond amount should be reduced.
6. Each payment made by the Surety under this bond shall reduce the bond amount secured by this bond.
7. In no event shall the Surety be liable for a greater sum than the amount of this bond.
8. No right of action shall accrue upon or by reason hereof to or for the use or benefit of any person other than the Obligee.

- 9. When the Principal has completed all works required pursuant to the Covenant to the Obligees satisfaction, all maintenance and rectification periods contained within the Covenant have expired, and the Obligees has assumed all the works under the Covenant in writing, the Obligees shall return this bond to the Surety for termination or advise the Surety in writing that this bond is terminated in accordance with the terms of this bond.
- 10. If the Surety at any time delivers at least 90 days prior written notice to the Obligees and to the Principal of its intention to terminate this obligation, the Principal shall deliver to the Obligees, not less than 30 days prior to the termination of this bond, financial security in the amount of this bond in a form acceptable to the Obligees. If the replacement financial security is not provided by the Principal or is not accepted by the Obligees, this bond shall remain in effect and the Surety agrees that it remains bound to make payments under this bond as set out herein.
- 11. Nothing in this bond shall limit the Principal's liability to the Obligees under the Covenant.
- 12. This bond shall be governed by and construed in accordance with the laws of the Province of British Columbia and the laws of Canada applicable thereto and shall be treated, in all respects, as a contract entered into in the Province of British Columbia without regard to conflict of laws principles. The Principal and Surety hereby irrevocably and unconditionally attorn to the jurisdiction of the courts of the Province of British Columbia.
- 13. All Claims and notices under this bond shall be delivered by hand, registered mail or courier at the addresses set out below, subject to any change of address in accordance with this Section. All other correspondence may be delivered by regular mail, registered mail, courier, or email. An address for a party may be changed by delivering notice to all the other parties setting out the new address and contact details for such party.

	The Surety	The Principal	The Obligees
Name:			City of Richmond c/o Lulu Island Energy Company
Address:			6911 No. 3 Road Richmond, BC V6Y 2C1
Email:			info@luluslandenergy.ca
Phone:			604-276-4011

[Signature page follows]

IN WITNESS WHEREOF, the Principal and the Surety have caused these presents to be sealed with its corporate seal duly attested by the signature of its authorized signing authority.

SIGNED AND SEALED this _____ day of _____, _____, in the presence of:

Principal:

Name of Principal: _____

Per: _____

Name: _____

Title: _____

Surety:

Name of Surety: _____

Per: _____

Name: _____

Title: _____

**SCHEDULE A
NOTICE OF CLAIM**

TO: _____ (the "Surety")

WITH COPY TO: _____ (the "Principal")

DATE: _____

BOND NO: _____ (the "Bond")

APPLICATION NO: _____

The City of Richmond (the "City") has determined that the Principal is currently in default of its obligations in connection with a district energy utility covenant dated for reference as of _____ (the "Covenant") with respect to lands civically known as _____, Richmond, BC and legally described as PID: _____ in the City of Richmond and registered in the land title office under registration number: _____.

Pursuant to Section 3 of the Bond, the City hereby submits as conclusive evidence of the Principal's default under the Covenant, in the claim amount of \$_____, representing the costs and expenses required to complete the Principal's obligations in accordance with the terms and conditions of the Covenant.

The City hereby demands that the Surety attend to the payment of the specified amounts owed by the Principal to the City, within 15 business days, by cheque made payable to the City of Richmond and delivered by courier to:

City of Richmond
c/o Lulu Island Energy Company
Fourth Floor, 6911 No. 3 Road, Richmond, BC V6Y 2C1

Attached, please find all relevant documents supporting our claim, including:

- the Bond; and
- the Covenant.

Thank you for your immediate attention to this matter.

Sincerely,

Name: _____

Email: _____

Phone: _____