

ADMINISTRATIVE SERVICES AGREEMENT

THIS AGREEMENT is made as of the 20th day of February, 2004.

BETWEEN:

WATERFRONT CAPITAL CORP ., a company incorporated under the laws of the Province of British Columbia and having an office at 2489 Bellevue Avenue, West Vancouver, British Columbia, V7V 1E1.

Fax: 604-689-8892

(the "Parent")

AND:

CHURCHILL DEBENTURE CORP ., a company incorporated under the laws of the Province of British Columbia and having an office at Suite 600- 1040 West Georgia Street, Vancouver, British Columbia, V6E 4H1.

Fax: 604-684-5910

(the "Subsidiary")

WHEREAS:

- A. The Parent is a "reporting issuer" under the Securities Act (British Columbia) whose common shares are listed and posted for trading on the TSX Venture Exchange (the "Exchange");
- B. The Parent is the registered and beneficial holder of all of the issued and outstanding shares of the Subsidiary;
- C. The Subsidiary intends to raise money for corporate purposes through the sale of Debentures; and
- D. The Parent has consented to the sale of Debentures by the Subsidiary from time to time subject to the terms and conditions of this Agreement.

NOW THEREFORE THIS AGREEMENT WITNESSES THAT in consideration of the premises and the mutual covenants, agreements, representations, warranties and payments hereinafter contained, the parties hereto covenant and agree as follows:

ARTICLE 1

DEFINITIONS AND INTERPRETATION

- 1.1 In this Agreement, including the recitals hereto, the following words and phrases shall have the following meanings:
- (a) "Administration Fee" means the administration fee payable by the Subsidiary to the Parent pursuant to Section 2.2(a) of this Agreement;
 - (b) "Debentures" means the debentures of the Subsidiary issued pursuant to the Trust Indenture;
 - (c) "Exchange" means the TSX Venture Exchange;
 - (d) "Regulatory Authorities" means the British Columbia Securities Commission and such other securities regulatory authorities having jurisdiction over the Parent, Debenturecorp and the Exchange;
 - (e) "Tax Act" means the *Income Tax Act* (Canada) as amended, together with all regulations made pursuant thereto; and
 - (f) "Trust Indenture" means the trust indenture dated as of February 20, 2004 between Computershare Trust Company of Canada, as trustee and the Subsidiary .
- 1.2 The headings and section references in this Agreement are for convenience of reference only and do not form a part of this Agreement and are not intended to interpret, define or limit the scope, extent or intent of this Agreement or any provision hereof.
- 1.3 The words "hereof", "herein", "hereunder" and similar expressions used in any clause, paragraph or section of this Agreement shall relate to the whole of this Agreement and not to that clause, paragraph or section only, unless otherwise expressly provided.
- 1.4 Whenever the singular or masculine or neuter is used in this Agreement, the same shall be construed to mean the plural or feminine or body corporate where the context of this Agreement or the parties hereto so require.
- 1.5 Any reference to a particular "article", "section", "subsection" or other subdivision is to the particular article, section, subsection or other subdivision of this Agreement.
- 1.6 All sums of money to be paid or calculated pursuant to this Agreement shall be paid or calculated in currency of Canada unless otherwise expressly stated.

ARTICLE 2

PAYMENT OF ADMINISTRATION FEE

- 2.1 Offering and Sale of Debentures. The Parent hereby consents and agrees to the offering and sale of Debentures by the Subsidiary from time to time on the terms and conditions set out herein and in the Trust Indenture.

2.2 Administration Fee and Expenses.

- (a) In consideration of the services and covenants herein, the Subsidiary agrees to pay to the Parent a quarterly administration fee (the "Administration Fee") at a rate equal to:
- (i) \$*** per calendar quarter (\$*** per annum) if the aggregate principal amount of the Debentures issued and outstanding at the end of any calendar quarter is less than \$***; or
 - (ii) \$*** per calendar quarter (\$*** per annum) if the aggregate principal amount of the Debentures issued and outstanding at the end of any calendar quarter is greater than \$*** but less than \$***,

and such fee will accrue from the date of the first closing of the public offering of Debentures (the "Effective Date").

(b) The Subsidiary agrees to pay all reasonable out-of-pocket costs and expenses specifically identified by the auditor of the Parent as being in excess of the fees normally and customarily incurred by the Parent as a result of any extra work performed by the auditor of the Parent in compiling the consolidated audited financial statements of the Parent resulting from inaccurate or incomplete information provided by the Subsidiary .

2.3 Payment of Administration Fee. The Administration Fee payable under Section 2.2(a) shall be payable by the Subsidiary within 30 days following the end of each calendar quarter commencing September 30, 2004.

2.4 Payment of Additional Expenses. The additional expenses payable pursuant to Section 2.2(b) shall be payable by the Subsidiary within 30 days of receipt of an invoice therefore from the Parent.

ARTICLE 3

ACCOUNTING

3.1 Records Regarding Debentures and Calculation of Administration Fees. The Subsidiary agrees to maintain, at its expense, up-to-date and complete records relating to the sale and distribution of Debentures from time to time and to provide the Parent with such accounting information as may be reasonably required by it in order to allow the Parent to make proper and adequate disclosure and to prepare and file such unaudited and audited financial statements as required by the Regulatory Authorities. In particular, but without limiting the generality of the foregoing, the Subsidiary shall, on or before the last day of the month following each calendar quarter, furnish such information to the Parent along with a statement showing the calculation of the Administration Fee for the immediately preceding quarter.

3.2 Unaudited Financial Statements of Subsidiary. Without limiting any other section of this Agreement, the Subsidiary shall, at its expense, prepare and provide the following to the Parent within 45 days after the end of each calendar quarter:

- (a) management prepared financial statements including notes thereto, prepared in accordance with Canadian generally accepted accounting principles, in such form as to provide the Parent with sufficient information to allow it to prepare its consolidated financial statements for such quarterly period; and
- (b) a management discussion and analysis detailing, at minimum, the status of the Subsidiary's business and the current outlook therefor.

3.3 **Inspection of Records.** The Parent or its duly authorized agents shall have the right at all reasonable times and upon reasonable notice, including for a period of 12 months following the expiration or termination of this Agreement, to inspect the Subsidiary's accounting records, statements and returns and make copies thereof at its own expense for purpose of verifying the amount of the Administration Fee payable by the Subsidiary to the Parent from time to time pursuant to this Agreement.

3.4 **Audited Financial Statements.** Within 75 days after the end of each fiscal year of the Parent, the Subsidiary shall provide to the Parent, at the Subsidiary's expense, audited financial statements made up to the date of the Parent's fiscal year end, which statements shall include a reconciliation of the Administration Fee paid by the Subsidiary to the Parent during such year. The Parent shall have 45 days after receipt of such audited statements to question in writing the accuracy of the Administration Fee paid or payable to it by the Subsidiary for such fiscal year and, failing such objection, the statements shall be deemed to be correct and unimpeachable thereafter.

3.5 **Reconciliation of Fees.** If the audited financial statements referred to in Section 3.4 disclose any overpayment of the Administration Fee by the Subsidiary during the year, the amount of the overpayment shall be deducted from future installments of the Administration Fee payable to the Parent or if such audited financial statements disclose any ., underpayment of the Administration Fee by the Subsidiary during the year, the amount of such underpayment shall be paid to the Parent forthwith after determination thereof. .

3.6 **Parent Financial Statements.** Save and except as provided above, the Parent shall be responsible to pay for its own accounting and audit expenses incurred in connection with the preparation of its audited and unaudited financial statements for filing with the Regulatory Authorities.

ARTICLE 4

REPRESENTATIONS, WARRANTIES AND COVENANTS OF THE PARENT

4.1 **Representations and Warranties.** The Parent hereby represents and warrants to the Subsidiary , with the intent that the Subsidiary shall rely thereon in entering into this Agreement and in concluding the transactions contemplated hereby, that:

- (a) it is duly incorporated, validly exists and is in good standing with respect to the filing of annual returns under the *Company Act* (British Columbia) and has the necessary corporate power, authority and capacity to own its property and assets and to carry on its business as presently conducted and is duly licensed to carry on business in all jurisdictions in which it presently carries on business;

- (b) it has duly obtained all corporate authorizations for the execution and performance of this Agreement by it, and that the consummation of the transactions herein contemplated will not conflict with or result in any breach of any covenants or agreements contained in, or constitute a default under, or result in the creation of any encumbrance under the provisions of its articles or constituting documents or any shareholders' or directors' resolution, indenture, agreement or other instrument whatsoever to which it is a party or by which it is bound including, but not limited to, its listing agreement with the Exchange;
- (c) this Agreement has been duly executed and delivered by it and constitutes a valid, binding and enforceable agreement against it;
- (d) no proceedings are pending for, and it is unaware of any basis for the institution of any proceedings leading to, its dissolution or winding up or the placing of it in bankruptcy or subject to any other laws governing the affairs of insolvent corporations;
- (e) it is a reporting issuer under the *Securities Act* (British Columbia) and not in default of any requirement of such Act or the regulations or rules made thereunder;
- (f) its common shares are listed and posted for trading on the Exchange;
- (g) it is in good standing under the rules and policies of the Exchange;
- (h) it is a "Canadian Corporation" within the meaning of such term under the Tax Act; and
- (i) no investigation, hearing, administrative proceeding or governmental inquiry, including appeals and applications for review, are in progress or are pending or threatened by the Regulatory Authorities or otherwise against it or any of its directors or officers which might materially and adversely affect its listing on the Exchange or its status as a "Canadian Corporation" within the meaning of the Tax Act and there are presently no judgments, decrees, injunctions, rules or orders of such Regulatory Authorities outstanding which would or could result in a loss or adversely affect its listing on the Exchange or its status as a "Canadian Corporation".

4.2 **Survival of Representation and Warranties.** The representations and warranties contained in section 4.1 are provided for the exclusive benefit of the Subsidiary and a breach of anyone or more thereof may be waived by the Subsidiary in whole or in part at any time without prejudice to its rights in respect of any other breach of the same or any other representation or warranty, and the representations and warranties contained in section 4.1 shall survive the execution hereof and shall continue in full force and effect for the benefit of the Subsidiary thereafter, notwithstanding any independent inquiry or investigation by the Subsidiary.

4.3 **Parent Indemnity.** The Parent covenants and agrees to indemnify and hold harmless the Subsidiary from and against any loss, claims, damages, liability, expenses and costs, including any payment made in good faith in settlement of any claim or potential claim, arising from any of the representations and warranties set forth in section 4.1 being incorrect or breached.

4.4 **Covenants of Parent.** The Parent further covenants and agrees with the Subsidiary that throughout the term of this Agreement the Parent shall:

- (a) maintain its status as a reporting issuer under the *Securities Act* (British Columbia) and not be in default of any requirements under such Act or the regulations or rules thereunder;
- (b) maintain in good standing its listing on the Exchange or a listing on another prescribed stock exchange in Canada as contemplated in the Tax Act;
- (c) maintain its status as a "Canadian Corporation" within the meaning of the Tax Act;
- (d) notify the Subsidiary immediately, in writing, of any halt trade order, cease trade order or suspension order or threatened, halt trade order, cease trade order or suspension order by the Regulatory Authorities or any investigation, whether formal or informal, by the Regulatory Authorities which could result in a halt trade order, cease trade order or suspension order being issued against it; and
- (e) maintain the corporate existence and good standing of the Subsidiary and the Parent's ownership and control of the Subsidiary as its subsidiary, as that term is defined under the Tax Act,

ARTICLE 5

REPRESENTATIONS, WARRANTIES AND COVENANTS OF THE SUBSIDIARY

5.1 **Representations and Warranties.** The Subsidiary represents and warrants to the Parent, with the intent that the Parent shall rely thereon in entering into this Agreement and in concluding the transactions contemplated hereby, that:

- (a) it is duly incorporated, validly exists and is in good standing with respect to the filing of annual returns under the *Canada Business Corporations Act*, and that it has the necessary corporate power, authority and capacity to own its property and assets and to carry on its business as presently conducted and is duly licensed to carry on business in all jurisdictions in which it presently carries on business;

- (b) it has duly obtained all corporate authorizations for the execution and performance of this Agreement by it, and that the consummation of the transactions herein contemplated will not conflict with or result in any breach of any covenants or agreements contained in, or constitute a default under, or result in the creation of any encumbrance under the provisions of its articles or constituting documents or any shareholders' or directors' resolution, indenture, agreement or other instrument whatsoever to which it is a party or by which it is bound;
- (c) this Agreement has been duly executed and delivered by it and constitutes a valid, binding and enforceable agreement against it; and
- (d) no proceedings are pending for, and it is unaware of any basis for the institution of any proceedings leading to, the dissolution or winding up of it or the placing of it in bankruptcy or subject to any other laws governing the affairs of insolvent corporations.

5.2 Survival of Representations and Warranties. The representations and warranties contained in section 5.1 are provided for the exclusive benefit of the Parent and a breach of any one or more thereof may be waived by the Parent in whole or in part at any time without prejudice to its rights in respect of any other breach of the same or any other representation or warranty, and the representations and warranties contained in section 5.1 shall survive the execution hereof and shall continue in full force and effect for the benefit of the Parent thereafter, notwithstanding any independent inquiry or investigation by it.

5.3 Subsidiary Indemnity. The Subsidiary covenants and agrees to indemnify and hold harmless the Parent from and against any loss, claims, damages, liability, expenses and costs, including any payment made in good faith in settlement of any claim or potential claim, arising from any of the representations and warranties set forth in section 5.1 being incorrect or breached.

5.4 Covenants of Subsidiary. The Subsidiary further covenants and agrees with the Parent that throughout the term of this Agreement the Subsidiary shall:

- (a) maintain its good standing with respect to the filing of annual returns under the *Canada Business Corporations Act*;
- (b) conduct its business affairs in accordance with prudent industry standards and all applicable laws;
- (c) notify the Parent immediately, in writing, of any:
 - (i) investigation into the affairs of the Subsidiary or its officers or directors, whether formal or informal, by any regulatory body;

- (ii) material change in the affairs or financial position of the Subsidiary;
 - (iii) change or proposed change in the management of the Subsidiary; and
 - (iv) actual, pending, threatened or contemplated action, suits or proceedings either instigated by the Subsidiary or against the Subsidiary or any of its officers or directors; and
- (d) it will fully comply with the requirements of all applicable securities laws, including, without limitation, the *Securities Act* (British Columbia) and its rules and regulations, in relation to the offering and sale of Debentures from time to time.

ARTICLE 6

TERMINATION

6.1 **Effective Date.** This Agreement shall become effective as of the date hereof and, unless sooner terminated as provided herein, shall continue in effect until such time as the Subsidiary no longer has any Debentures outstanding.

6.2 **Termination by Default.** If a party (in this Article called the "Defaulting Party") fails or neglects to make any payment when due hereunder or otherwise fails to perform or otherwise breaches any of the terms, conditions, agreements or covenants in this Agreement on its part to be performed and such default continues for a period of sixty (60) days after the other party" tin this Article called the "Non-Defaulting Party") notifies the Defaulting Party of such default in writing, then unless: ...

- (a) such default has been completely remedied by the Defaulting Party within such sixty (60) day period; or
- (b) in the event that the default reasonably requires a period of greater than sixty (60) days to cure, the Defaulting Party has commenced the remedying of same within such sixty (60) day period and thereafter with all diligence proceeds to completely remedy same, and the Non-Defaulting Party has agreed to the period required to remedy same,

the Non-Defaulting Party may, in its sole discretion and without further notice, terminate this Agreement forthwith upon written notice to the Defaulting Party.

6.3 **Termination on Insolvency, etc.** Either the Parent or the Subsidiary may terminate this Agreement immediately upon written notice to the other:

- (a) if the other passes any resolution or any order is made for the winding-up or dissolution of that party;
- (b) if any arrangement or compromise is proposed by the other to its creditors or to any class of creditors under bankruptcy, insolvency or similar legislation to which that other is subject; or

- (c) if a receiver or receiver-manager is appointed for the other or over any significant part of its assets or properties at the insistence of any one or more of that party's creditors or if any petition in bankruptcy or similar petition has been made by any creditor, which that other party has not discharged within sixty (60) days after the making thereof.

6.4 **Termination by Subsidiary.** The Subsidiary may terminate its obligations under this Agreement upon notice in writing to the Parent at any time if:

- (a) there is an event, law or regulation or other occurrence of any nature which, in the opinion of the Subsidiary , seriously affects or will seriously affect the Parent's ability to maintain its listing on the Exchange or another prescribed stock exchange in Canada or to retain its status as a "Canadian Corporation" within the meaning of the Tax Act;
- (b) any order to halt, cease or suspend trading in the securities of the Parent is made by the Regulatory Authorities or any of them;
- (c) the shares of the Parent cease to be listed on the Exchange or another prescribed stock exchange in Canada as contemplated in the Tax Act;
- (d) the Subsidiary determines that any of the representations or warranties made by the Parent in this Agreement are false or have become false; or
- (e) the Parent ceases to own all of the shares of the Subsidiary or the Subsidiary ceases to be a "subsidiary" of the Parent as contemplated under the Tax Act.

6.5 **Consequence of Termination.** The termination of this Agreement shall not relieve any party from its liabilities and obligations hereunder which have accrued to the date of termination and, without limitation, any Administration Fee due to the Parent prior to the date of termination shall be due and payable on the due date which would have applied had this Agreement not been terminated.

ARTICLE 7 GENERAL PROVISION

7.1 **Non-Assignable.** No party may assign this Agreement or any part thereof to any other person without the prior written consent of the other parties, which consent may not be unreasonably or arbitrarily withheld.

7.2 **Entire Agreement.** This Agreement embodies the entire agreement and understanding between the parties hereto and supersedes all prior agreements and undertakings, whether oral or written, pertaining to the subject matter hereof.

7.3 **Amendments.** The parties to this Agreement may amend this Agreement only in writing.

7.4 Further Assurance. The parties hereto agree to execute all such further and other documents or assurances as may be required in order to carry out this Agreement according to its true intent.

7.5 Notice. Unless otherwise provided herein, any notice or other communication to a party under this Agreement may be made, given or served by registered mail, postage pre-paid or by delivery to the parties at the addresses set out on the first page of this Agreement. Any notice or other communication:

(a) mailed shall be deemed to have been received on the business day following its mailing; and

(b) delivered shall be deemed to have been received on the date of delivery .

In the event of a postal strike or delay affecting mail delivery , the date of receipt of any notice by mail is deemed to be extended by the length of such strike or delay. Each party may change its address for service at any time by providing notice in writing of such change to the other parties.

7.6 Enurement. This Agreement shall enure to the benefit of and be binding upon the parties to this Agreement and their respective successors and permitted assigns.

7.7 Applicable Laws. This Agreement and all matters arising hereunder shall be governed by, construed and enforced in accordance with the laws of the Province of British Columbia and the laws of Canada applicable therein and all disputes arising under this Agreement shall be referred to the Courts of the Province of British Columbia.

7.8 .. Severability of Clauses. In the event that any provision of this Agreement or any part thereof is invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in anyway be affected or impaired thereby.

IN WITNESS WHEREOF the parties hereto have executed this Agreement as of the day and year first above written.

WATERFRONT CAPITAL CORP .

Per: .- Bruce Morley
Authorized Signatory

CHURCHILL DEBENTURE CORP .

Per:
Philip Langridge President