



**Second Report of  
KSV Kofman Inc.  
as Receiver and Manager of  
Certain Property of  
Scollard Development Corporation**

April 21, 2017

## Contents

Page

1.0	Introduction .....	1
1.1	Restrictions .....	2
2.0	Background.....	2
3.0	Receiver's Borrowings .....	3
3.1	Conclusions and Recommendations .....	5
4.0	Professional fees .....	5

## Appendices

Appendix

Tab

Commitment Letters .....	A
--------------------------	---



COURT FILE NO: CV-17-11689-00CL

ONTARIO  
SUPERIOR COURT OF JUSTICE  
(COMMERCIAL LIST)

IN THE MATTER OF THE RECEIVERSHIP OF SCOLLARD DEVELOPMENT  
CORPORATION

AND IN THE MATTER OF A MOTION PURSUANT TO SUBSECTION 243(1) OF THE  
BANKRUPTCY AND INSOLVENCY ACT, R.S.C. 1985, C. B-3, AS AMENDED, AND  
SECTION 101 OF THE COURTS OF JUSTICE ACT, R.S.O. 1990, C. C.43, AS AMENDED

SECOND REPORT OF  
KSV KOFMAN INC.  
AS RECEIVER AND MANAGER

APRIL 21, 2017

## 1.0 Introduction

1. Pursuant to an order made on February 2, 2017 (the "Initial Receivership Order"), KSV Kofman Inc. ("KSV") was appointed receiver and manager of the real property registered on title as being owned by Scollard Development Corporation ("Scollard"), and of all of the assets, undertaking and property of Scollard acquired for or used in relation to Scollard's real property.
2. On April 18, 2017, Grant Thornton Limited ("GTL"), in its capacity as trustee (the "Trustee") under Section 37 of the *Mortgage Brokerages, Lenders and Administrators Act*, 2006, S.O. 2006, c. 29, as amended, filed a motion to, *inter alia*:
  - a) place in receivership the real property registered on title as being owned by Memory Care Investments (Kitchener) Ltd. ("MC Kitchener"), Memory Care Investments (Oakville) Ltd. ("MC Oakville"), 1703858 Ontario Inc. ("MC Burlington" and together with MC Kitchener and MC Oakville, the "Memory Care Companies"), Legacy Lane Investments Ltd. ("Legacy Lane"), Textbook (525 Princess Street) Inc. ("525 Princess") and Textbook (555 Princess Street) Inc. ("555 Princess") (collectively, the "Additional Debtors"), and all of the assets, undertakings and property of the Additional Debtors acquired for or used in relation to the Additional Debtors' real property;
  - b) appoint KSV as the receiver and manager of such property; and
  - c) amend and restate the Initial Receivership Order to, *inter alia*, include the Additional Debtors.<sup>1</sup>

---

<sup>1</sup> The Initial Receivership Order as amended and restated being the "Receivership Order".

3. KSV has consented to act as receiver and manager in respect of the Additional Debtors.
4. The purposes of this report (“Report”) are to:
  - a) discuss the following loan facilities to be provided by MarshallZehr Group Inc. (the “Lender”):
    - I. up to \$1,475,000 to refinance the existing first mortgage of MC Kitchener and to fund the proposed MC Kitchener receivership proceedings;
    - II. up to \$1,775,000 to refinance the existing first mortgage of MC Burlington and to fund the proposed MC Burlington receivership proceedings; and
    - III. up to \$1,662,000 to refinance the existing first mortgage of MC Oakville and to fund the proposed MC Oakville receivership proceedings (collectively, the “Loans”).
  - b) discuss the intended allocation of professional fees in the proposed proceedings.

## 1.1 Restrictions

1. In preparing this Report, KSV has relied upon unaudited financial information of the Additional Debtors and discussions with the Trustee and its legal counsel. KSV has not performed an audit or other verification of such information. The financial information discussed herein is preliminary and remains subject to further review. KSV expresses no opinion or other form of assurance with respect to the financial information presented in this Report.

## 2.0 Background

1. Pursuant to an order of the Ontario Superior Court of Justice (“Court”) dated October 27, 2016, GTL was appointed Trustee of eleven related entities<sup>2</sup> (collectively, the “Trustee Corporations”).

---

<sup>2</sup> Textbook Student Suites (525 Princess Street) Trustee Corporation (“525 Princess Trustee”), Textbook Student Suites (555 Princess Street) Trustee Corporation (“555 Princess Trustee”), Textbook Student Suites (Ross Park) Trustee Corporation, 2223947 Ontario Limited (“2223947”), MC Trustee (Kitchener) Ltd. (“MC Kitchener Trustee”), Scollard Trustee Corporation, Textbook Student Suites (774 Bronson Avenue) Trustee Corporation, 7743718 Canada Inc., Keele Medical Trustee Corporation, Textbook Student Suites (445 Princess Street) Trustee Corporation and Hazelton 4070 Dixie Road Trustee Corporation

- The Trustee Corporations advanced monies raised from investors through syndicated mortgage investments on a secured basis to sixteen entities, including the Additional Debtors. A summary of the amounts advanced by the Trustee Corporations to the Additional Debtors is provided below.

Trustee Corporation	Additional Debtor	Amount Advanced
MC Kitchener Trustee 2223947	MC Kitchener	\$ 10,600,000
2223947	MC Burlington	8,262,600
525 Princess Trustee	MC Oakville	9,000,000
555 Princess Trustee	525 Princess	6,400,000
2223947	555 Princess	8,000,000
	Legacy Lane	3,500,000
		<u>\$ 45,762,600</u>

- Further background information regarding the monies raised by the Trustee Corporation and the events leading to the appointment of the Trustee is provided in the Sixth Report of the Trustee dated April 18, 2017.
- Each of MC Kitchener, MC Burlington and MC Oakville is also indebted to 2174217 Ontario Inc. ("217") in the amount of approximately \$1,054,000, \$1,320,770 and \$1,320,770, respectively.<sup>3</sup> KSV understands that each of the 217 mortgages ranks in priority to the mortgages made by the relevant Trustee Corporations. KSV further understands that 217 has issued notices of sale in respect of each of its mortgages to the Memory Care Companies.
- There are no mortgages ranking in priority to the relevant Trustee Corporations in respect of 525 Princess, 555 Princess and Legacy Lane. The costs of the proceedings in respect of those entities will be funded from the proceeds generated from their realization process, or alternatively, pursuant to funding arrangements for which KSV would seek prior Court approval.
- KSV's legal counsel, Bennett Jones LLP ("Bennett Jones"), is presently reviewing the security granted by each of MC Kitchener, MC Burlington and MC Oakville to 217. KSV intends to file a supplemental report to discuss the security opinions in advance of the return of this motion.

### 3.0 Receiver's Borrowings<sup>4</sup>

- KSV executed commitment letters with the Lender for each of the Loans on April 20, 2017 ("Commitment Letters"). The Commitment Letters are subject to Court approval. Copies of the Commitment Letters are provided in Appendix "A".

<sup>3</sup> Interest and costs continue to accrue.

<sup>4</sup> Terms not defined in this section have the meaning provided to them in the proposed Receivership Order.

2. The Loans are to be used to repay the 217 mortgages forthwith following the making of the Receivership Order and to fund the costs of these proceedings, including professional costs. The proceeds from each Loan will only be used by the Receiver in respect of the relevant Memory Care Company's development; they are not cross-collateralized.
3. The Trustee has advised KSV that it approached four parties, including 217, to determine if they had an interest in financing the receivership proceedings of Memory Care Companies. The Lender advised that it is prepared to do so, while the others are not.
4. A summary of the intended uses of the Loan proceeds is provided in the table below.

(unaudited; \$C)	MC Kitchener	MC Burlington	MC Oakville
Loan proceeds	1,475,000	1,775,000	1,662,000
Repayment of 217 mortgages	(1,054,000)	(1,320,770)	(1,320,770)
Interest reserve <sup>5</sup>	(140,200)	(168,700)	(157,900)
Lender fee	(29,500)	(35,500)	(33,300)
Funding available for receivership proceedings	<u>251,300</u>	<u>250,030</u>	<u>150,030</u>

5. A summary of the Loans is as follows:
  - a) Term: the earliest of: (i) demand; and (ii) one year from the date of the initial advance, which may be extended for an additional year upon at least 30 days prior written notice by the Receiver to the Lender;
  - b) Repayment: any time, with three business days written notice to the Lender;
  - c) Interest rate: 9.5% per annum, compounded monthly. Interest is payable monthly from the interest reserve, at the Lender's discretion;
  - d) Draws and Security: funds are to be advanced by way of Receiver's Certificates. Each of the Loans is to be secured by way of specific charge on the assets of the applicable Memory Care Company, which charge shall only be subordinate to the Receiver's Charge and the charges set out in sections 14.06 (7), 81.4(4) and 81.6 (2) of the *Bankruptcy and Insolvency Act*; and
  - e) Material Conditions: KSV understands that all conditions (other than Court approval) outlined in the Commitment Letters have been satisfied or waived.

---

<sup>5</sup> At the time of the initial advance, the Lender may at its sole direction, deduct the interest reserve amounts for each Loan.

### 3.1 Conclusions and Recommendations

1. KSV considered the following factors regarding the terms of the Loans:
  - a) they will provide the Receiver with liquidity to repay in full the 217 mortgages, which is necessary due to the power of sale proceedings which 217 commenced, as well as liquidity to fund the proceedings in respect of the Memory Care Companies;
  - b) the Trustee approached three other parties for financing, none of which is interested in making the Loans; and
  - c) the terms of the Loans are consistent with other recent real estate restructuring proceedings in which KSV is involved, including Scollard and the Urbancorp Group. KSV is the Monitor of a large number of Urbancorp entities in its proceedings under the *Companies' Creditors Arrangement Act*. Based on KSV's recent experience, including its real estate experience, the effective annualized interest rate of the Loans (estimated to be 11.5%<sup>6</sup>) is consistent with market for a loan of this nature.
2. Based on the foregoing, KSV believes that the terms of the Loans are reasonable in the circumstances.

### 4.0 Professional fees

1. The Receiver and its legal counsel intend to set up billing codes for each of the Additional Debtors (in addition to Scollard) and to allocate their time on an entity by entity basis to the extent practicable. Activities that relate to all of the Additional Debtors will be divided evenly among the Additional Debtors, unless inappropriate to do so.

\* \* \*

All of which is respectfully submitted,



**KSV KOFMAN INC.  
IN ITS CAPACITY AS RECEIVER AND MANAGER OF  
CERTAIN PROPERTY OF SCOLLARD DEVELOPMENT CORPORATION  
AND NOT IN ITS PERSONAL CAPACITY**

---

<sup>6</sup> Includes the Lender's fees.

## **Appendix “A”**



# MARSHALLZEHR

— REAL ESTATE CAPITAL —

April 20, 2017

KSV Kofman Inc.  
150 King Street W, Suite 2308  
Toronto, ON M5H 1J9

Attention: Robert Kofman

Dear Mr. Kofman,

Re: MarshallZehr Group Inc. (the "Lender") loan to KSV Kofman Inc., solely in its capacity as proposed Receiver and Manager of certain property of Memory Care Investment (Oakville) Ltd. (the "Borrower")

The Lender is pleased to offer financing by way of a loan described in this letter agreement (the "Agreement") subject to the terms and conditions set forth herein. Unless otherwise indicated, all amounts are expressed in Canadian currency.

- Facility:** Non-revolving loan of up to \$1,662,000 (the "Loan").
- Purpose:** The purpose of the Loan is to refinance the existing first mortgage and to fund the costs of the receivership of (Mortgagor) for 105 Garden Ave, Oakville, ON including the cost of marketing the site to potential buyers.
- Approximately \$1,320,770 to repay the existing 1<sup>st</sup> mortgage registered on title against the Property
- Term:** The earliest of (i) demand; and (ii) twelve (12) months from the date of the initial advance (the "Term"), which may be extended for an additional twelve (12) months upon at least 30 days prior written notice by Borrower to Lender.
- Facility Advances:** Available by way of advances to the Borrower to be evidenced by a Receiver's Certificate in a form satisfactory to the Lender each in the minimum amount of \$80,000.
- Security and Draws:** Certificates shall be approved by the Court in the Appointment Order to be issued forthwith upon the Proposed Receiver being appointed as the Receiver or Receiver and Manager of the Property. The Loan is to be secured by the Receiver's Borrowings Charge. The Proposed Receiver is to consent to a charge on the Property, if required by the Lender, to reflect the Lender's interest in the Receiver's Borrowings Charge.
- Interest Rate and Fees:**
- Interest:** Annual rate of 9.5% calculated on the daily outstanding balance of the Loan and compounded monthly, not in advance with interest only payments paid monthly from the Interest Reserve.
- Fee:** A fee of \$33,300 will be due and payable to the Lender at the time of the first advance of the Loan and shall be deducted from the advance of the Loan.

**Expenses:** The Borrower shall be responsible for all costs, fees and expenses incurred by the Lender in connection with the negotiation, preparation and administration of this Agreement and the enforcement of the Security (as hereinafter defined) including, without limitation, all court attendances in connection therewith. All such fees and expenses shall be added to the Loan and secured by the Security.

**Payments:** Without limiting the right of the Lender to at any time demand repayment and subject to and in addition to the requirement for repayment in full pursuant to this Agreement, interest only at the aforesaid rate, calculated daily and compounded monthly, paid monthly from the Interest Reserve.

**Advance**

**Deductions:** At the time of the initial advance, the Lender may at its sole discretion, deduct an amount equal to the applicable interest for such advance for the balance of the term of the Loan as an interest reserve (the "Interest Reserve").

Interest Reserve Amount: \$157,900.00

The Interest Reserve shall be held in the Lender's trust account and be used to service the interest payments on the outstanding balance of the Loan. Any funds held in the Lender's trust account from an advance are considered to be and shall be deemed to be principal advanced to the Borrower and interest shall accrue on those funds as if they had been paid directly to the Borrower.

**Prepayment:** The Loan can be repaid in whole or in part at any time without any fee or penalty upon three (3) Business Days written notice to the Lender.

**Remedies:** In the event that the Loan is not paid in full at the end of the Term, the Lender may exercise all rights and remedies available to it under the security or at law.

**General:** **Further Assurances and Documentation:** The Borrower shall do all things and execute all documents deemed necessary or appropriate by the Lender for the purposes of giving full force and effect to the terms hereof.

**Non-Merger:** The provisions of this Agreement shall not merge with any of the Security, but shall continue in full force and effect for the benefit of the parties hereto. In the event of an inconsistency between this Agreement and any of the Facility and security documentation, including the Security, the provisions of this Agreement shall prevail.

**Assignment and Syndication:** This Agreement when accepted and any commitment to advance, if issued, and the Security in furtherance thereof may be assigned by the Lender, or monies required to be advanced may be syndicated by the Lender from time to time. For greater certainty, the Lender may assign or grant participation in all or part of this Agreement or in the Facility made hereunder without notice to and without the Borrower's consent. The Borrower may not assign or transfer all or any part of its rights or obligations under this Agreement, any such transfer or assignment being null and void insofar as the Lender is concerned and rendering any balance then outstanding under the Facility immediately due and payable at the option of the Lender.

**Severability:** If any provisions of this Agreement is or becomes prohibited or unenforceable in any jurisdiction, such prohibition or unenforceability shall not invalidate or render unenforceable the provision concerned in any other jurisdiction nor shall it invalidate, affect or impair any of the remaining provisions of this Agreement.

**Governing Law:** This Agreement shall be construed in accordance with and be governed by the laws of the Province of Ontario and of Canada applicable therein.

**Counterparts:** This Agreement may be executed in any number of separate counterparts by any one or more of the parties thereto, and all of said counterparts taken together shall constitute one and the same instrument. Delivery of an executed counterpart of this Agreement by telecopier, PDF or by other electronic means shall be as effective as delivery of a manually executed counterpart.

**Time:** Time shall be of the essence in all provisions of this Agreement.

**Whole Agreement, Amendments and Waiver:** This Agreement, the Security and any other written agreement delivered pursuant to or referred to in this Agreement constitute the entire agreement between the parties in respect of the Loan. No amendment or waiver of any provision of this Agreement will be effective unless it is in writing signed by the Borrower and the Lender. No failure or delay on the part of the Lender in exercising any right or power hereunder or under any of the Security shall operate as a waiver thereof. No course of conduct by the Lender will give rise to any reasonable expectation which is in any way inconsistent with the terms and conditions of this Agreement and the Security or the Lender's rights thereunder.

**Conditions:** The Lender shall not be required to advance any funds prior to the Borrower having fulfilled to the Lender's satisfaction the following conditions:

1. A copy of the Site Plan Approval issued by the Town of Oakville.
2. Land valued at a minimum of \$2.2MM, satisfactory to the Lender.
3. The 1<sup>st</sup> mortgage outstanding does not exceed \$1,350,000 inclusive of unpaid interest and fees.

**Expiration:** This Agreement must be accepted by the Borrower by no later than 5:00 pm on May 5<sup>th</sup>, 2017, after which this Agreement will expire.

If the terms and conditions of this Agreement are acceptable to you, please sign in the space indicated below and return the signed copy of this Agreement to us.

We thank you for allowing us the opportunity to provide you with this offer of financing.

Yours truly,

MARSHALLZEHR GROUP INC.

Per: 

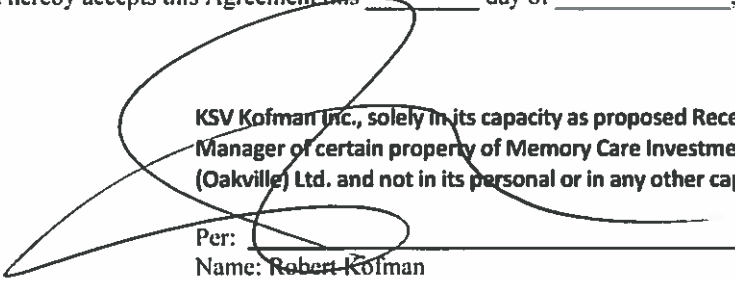
Name: DAVID MARSHALL

Title: CO-CEO

I have authority to bind the Corporation.

**ACCEPTANCE**

The undersigned hereby accepts this Agreement this \_\_\_\_\_ day of \_\_\_\_\_, 2017.



**KSV Kofman Inc., solely in its capacity as proposed Receiver and  
Manager of certain property of Memory Care Investment  
(Oakville) Ltd. and not in its personal or in any other capacity.**

Per: \_\_\_\_\_

Name: Robert Kofman

Title: President

I have authority to bind the Corporation.

# MARSHALLZEHR

— REAL ESTATE CAPITAL —

April 20, 2017

KSV Kofman Inc.  
150 King Street W, Suite 2308  
Toronto, ON M5H 1J9

Attention: Robert Kofman

Dear Mr. Kofman,

Re: MarshallZehr Group Inc. (the "Lender") loan to KSV Kofman Inc., solely in its capacity as proposed Receiver and Manager of certain property of 1703858 Ontario Inc. (the "Borrower")

The Lender is pleased to offer financing by way of a loan described in this letter agreement (the "Agreement") subject to the terms and conditions set forth herein. Unless otherwise indicated, all amounts are expressed in Canadian currency.

- Facility:** Non-revolving loan of up to \$1,775,000 (the "Loan").
- Purpose:** The purpose of the Loan is to refinance the existing first mortgage and to fund the costs of the receivership of (Mortgagor) for 2168 Ghent Ave, Burlington, ON including the cost of marketing the site to potential buyers.
- Approximately \$1,320,770 to repay the existing 1<sup>st</sup> mortgage registered on title against the Property
- Term:** The earliest of (i) demand; and (ii) twelve (12) months from the date of the initial advance (the "Term"), which may be extended for an additional twelve (12) months upon at least 30 days prior written notice by Borrower to Lender.
- Facility**
- Advances:** Available by way of advances to the Borrower to be evidenced by a Receiver's Certificate in a form satisfactory to the Lender each in the minimum amount of \$80,000.
- Security and**
- Draws:** Certificates shall be approved by the Court in the Appointment Order to be issued forthwith upon the Proposed Receiver being appointed as the Receiver or Receiver and Manager of the Property. The Loan is to be secured by the Receiver's Borrowings Charge. The Proposed Receiver is to consent to a charge on the Property, if required by the Lender, to reflect the Lender's interest in the Receiver's Borrowings Charge.
- Interest Rate and Fees:**
- Interest:** Annual rate of 9.5% calculated on the daily outstanding balance of the Loan and compounded monthly, not in advance with interest only payments paid monthly from the Interest Reserve.
- Fee:** A fee of \$35,500 will be due and payable to the Lender at the time of the first advance of the Loan and shall be deducted from the advance of the Loan.

Expenses: The Borrower shall be responsible for all costs, fees and expenses incurred by the Lender in connection with the negotiation, preparation and administration of this Agreement and the enforcement of the Security (as hereinafter defined) including, without limitation, all court attendances in connection therewith. All such fees and expenses shall be added to the Loan and secured by the Security.

**Payments:** Without limiting the right of the Lender to at any time demand repayment and subject to and in addition to the requirement for repayment in full pursuant to this Agreement, interest only at the aforesaid rate, calculated daily and compounded monthly, paid monthly from the Interest Reserve.

**Advance**

**Deductions:** At the time of the initial advance, the Lender may at its sole discretion, deduct an amount equal to the applicable interest for such advance for the balance of the term of the Loan as an interest reserve (the "Interest Reserve").

Interest Reserve Amount: \$168,700.00

The Interest Reserve shall be held in the Lender's trust account and be used to service the interest payments on the outstanding balance of the Loan. Any funds held in the Lender's trust account from an advance are considered to be and shall be deemed to be principal advanced to the Borrower and interest shall accrue on those funds as if they had been paid directly to the Borrower.

**Prepayment:** The Loan can be repaid in whole or in part at any time without any fee or penalty upon three (3) Business Days written notice to the Lender.

**Remedies:** In the event that the Loan is not paid in full at the end of the Term, the Lender may exercise all rights and remedies available to it with Court appearance.

**General:** Further Assurances and Documentation: The Borrower shall do all things and execute all documents deemed necessary or appropriate by the Lender for the purposes of giving full force and effect to the terms hereof.

Non-Merger: The provisions of this Agreement shall not merge with any of the Security, but shall continue in full force and effect for the benefit of the parties hereto. In the event of an inconsistency between this Agreement and any of the Facility and security documentation, including the Security, the provisions of this Agreement shall prevail.

Assignment and Syndication: This Agreement when accepted and any commitment to advance, if issued, and the Security in furtherance thereof may be assigned by the Lender, or monies required to be advanced may be syndicated by the Lender from time to time. For greater certainty, the Lender may assign or grant participation in all or part of this Agreement or in the Facility made hereunder without notice to and without the Borrower's consent. The Borrower may not assign or transfer all or any part of its rights or obligations under this Agreement, any such transfer or assignment being null and void insofar as the Lender is concerned and rendering any balance then outstanding under the Facility immediately due and payable at the option of the Lender.

Severability: If any provisions of this Agreement is or becomes prohibited or unenforceable in any jurisdiction, such prohibition or unenforceability shall not invalidate or render unenforceable the provision concerned in any other jurisdiction nor shall it invalidate, affect or impair any of the remaining provisions of this Agreement.

**Governing Law:** This Agreement shall be construed in accordance with and be governed by the laws of the Province of Ontario and of Canada applicable therein.

**Counterparts:** This Agreement may be executed in any number of separate counterparts by any one or more of the parties thereto, and all of said counterparts taken together shall constitute one and the same instrument. Delivery of an executed counterpart of this Agreement by telecopier, PDF or by other electronic means shall be as effective as delivery of a manually executed counterpart.

**Time:** Time shall be of the essence in all provisions of this Agreement.

**Whole Agreement, Amendments and Waiver:** This Agreement, the Security and any other written agreement delivered pursuant to or referred to in this Agreement constitute the entire agreement between the parties in respect of the Loan. No amendment or waiver of any provision of this Agreement will be effective unless it is in writing signed by the Borrower and the Lender. No failure or delay on the part of the Lender in exercising any right or power hereunder or under any of the Security shall operate as a waiver thereof. No course of conduct by the Lender will give rise to any reasonable expectation which is in any way inconsistent with the terms and conditions of this Agreement and the Security or the Lender's rights thereunder.

**Conditions:** The Lender shall not be required to advance any funds prior to the Borrower having fulfilled to the Lender's satisfaction the following conditions:

1. A copy of the Site Plan Approval issued by the City of Burlington
2. Land valued at a minimum of \$2.68MM, satisfactory to the Lender.
3. The 1<sup>st</sup> mortgage outstanding does not exceed \$1,350,000 inclusive of unpaid interest and fees.

**Expiration:** This Agreement must be accepted by the Borrower by no later than 5:00 pm on May 5<sup>th</sup>, 2017, after which this Agreement will expire.

If the terms and conditions of this Agreement are acceptable to you, please sign in the space indicated below and return the signed copy of this Agreement to us.

We thank you for allowing us the opportunity to provide you with this offer of financing.

Yours truly,

MARSHALLZEHR GROUP INC.

Per:   
Name: DAVID MARSHALL  
Title: CO-CEO

I have authority to bind the Corporation.

**ACCEPTANCE**

The undersigned hereby accepts this Agreement this \_\_\_\_\_ day of \_\_\_\_\_, 2017.

**KSV Kofman Inc., solely in its capacity as proposed Receiver and  
Manager of certain property of 1703858 Ontario Inc. and not in  
its personal or in any other capacity.**

Per: \_\_\_\_\_

Name: Robert Kofman

Title: President

I have authority to bind the Corporation.



# MARSHALLZEHR

— REAL ESTATE CAPITAL —

April 20, 2017

KSV Kofman Inc.  
150 King Street W, Suite 2308  
Toronto, ON M5H 1J9

Attention: Robert Kofman

Dear Mr. Kofman,

Re: MarshallZehr Group Inc. (the "Lender") loan to KSV Kofman Inc., solely in its capacity as proposed Receiver and Manager of certain property of Memory Care Investment (Kitchener) Ltd. (the Borrower")

The Lender is pleased to offer financing by way of a loan described in this letter agreement (the "Agreement") subject to the terms and conditions set forth herein. Unless otherwise indicated, all amounts are expressed in Canadian currency.

- Facility:** Non-revolving loan of up to \$1,475,000 (the "Loan").
- Purpose:** The purpose of the Loan is to refinance the existing first mortgage and to fund the costs of the receivership of (Mortgagor) for 169 Borden Ave, Kitchener, ON including the cost of marketing the site to potential buyers.
- Approximately \$1,054,000 to repay the existing 1<sup>st</sup> mortgage registered on title against the Property
- Term:** The earliest of (i) demand; and (ii) twelve (12) months from the date of the initial advance (the "Term"), which may be extended for an additional twelve (12) months upon at least 30 days prior written notice by Borrower to Lender.
- Facility Advances:** Available by way of advances to the Borrower to be evidenced by a Receiver's Certificate in a form satisfactory to the Lender each in the minimum amount of \$80,000.
- Security and Draws:** Certificates shall be approved by the Court in the Appointment Order to be issued forthwith upon the Proposed Receiver being appointed as the Receiver or Receiver and Manager of the Property. The Loan is to be secured by the Receiver's Borrowings Charge. The Proposed Receiver is to consent to a charge on the Property, if required by the Lender, to reflect the Lender's interest in the Receiver's Borrowings Charge.
- Interest Rate and Fees:**
- Interest:** Annual rate of 9.5% calculated on the daily outstanding balance of the Loan and compounded monthly, not in advance with interest only payments paid monthly from the Interest Reserve.
- Fee:** A fee of \$29,500 will be due and payable to the Lender at the time of the first advance of the Loan and shall be deducted from the advance of the Loan.

**Expenses:** The Borrower shall be responsible for all costs, fees and expenses incurred by the Lender in connection with the negotiation, preparation and administration of this Agreement and the enforcement of the Security (as hereinafter defined) including, without limitation, all court attendances in connection therewith. All such fees and expenses shall be added to the Loan and secured by the Security.

**Payments:** Without limiting the right of the Lender to at any time demand repayment and subject to and in addition to the requirement for repayment in full pursuant to this Agreement, interest only at the aforesaid rate, calculated daily and compounded monthly, paid monthly from the Interest Reserve.

**Advance**

**Deductions:** At the time of the initial advance, the Lender may at its sole discretion, deduct an amount equal to the applicable interest for such advance for the balance of the term of the Loan as an interest reserve (the "Interest Reserve").

Interest Reserve Amount: \$140,200.00

The Interest Reserve shall be held in the Lender's trust account and be used to service the interest payments on the outstanding balance of the Loan. Any funds held in the Lender's trust account from an advance are considered to be and shall be deemed to be principal advanced to the Borrower and interest shall accrue on those funds as if they had been paid directly to the Borrower.

**Prepayment:** The Loan can be repaid in whole or in part at any time without any fee or penalty upon three (3) Business Days written notice to the Lender.

**Remedies:** In the event that the Loan is not paid in full at the end of the Term, the Lender may exercise all rights and remedies available to it with Court appearance.

**General:** **Further Assurances and Documentation:** The Borrower shall do all things and execute all documents deemed necessary or appropriate by the Lender for the purposes of giving full force and effect to the terms hereof.

**Non-Merger:** The provisions of this Agreement shall not merge with any of the Security, but shall continue in full force and effect for the benefit of the parties hereto. In the event of an inconsistency between this Agreement and any of the Facility and security documentation, including the Security, the provisions of this Agreement shall prevail.

**Assignment and Syndication:** This Agreement when accepted and any commitment to advance, if issued, and the Security in furtherance thereof may be assigned by the Lender, or monies required to be advanced may be syndicated by the Lender from time to time. For greater certainty, the Lender may assign or grant participation in all or part of this Agreement or in the Facility made hereunder without notice to and without the Borrower's consent. The Borrower may not assign or transfer all or any part of its rights or obligations under this Agreement, any such transfer or assignment being null and void insofar as the Lender is concerned and rendering any balance then outstanding under the Facility immediately due and payable at the option of the Lender.

**Severability:** If any provisions of this Agreement is or becomes prohibited or unenforceable in any jurisdiction, such prohibition or unenforceability shall not invalidate or render unenforceable the provision concerned in any other jurisdiction nor shall it invalidate, affect or impair any of the remaining provisions of this Agreement.

**Governing Law:** This Agreement shall be construed in accordance with and be governed by the laws of the Province of Ontario and of Canada applicable therein.

**Counterparts:** This Agreement may be executed in any number of separate counterparts by any one or more of the parties thereto, and all of said counterparts taken together shall constitute one and the same instrument. Delivery of an executed counterpart of this Agreement by telecopier, PDF or by other electronic means shall be as effective as delivery of a manually executed counterpart.

**Time:** Time shall be of the essence in all provisions of this Agreement.

**Whole Agreement, Amendments and Waiver:** This Agreement, the Security and any other written agreement delivered pursuant to or referred to in this Agreement constitute the entire agreement between the parties in respect of the Loan. No amendment or waiver of any provision of this Agreement will be effective unless it is in writing signed by the Borrower and the Lender. No failure or delay on the part of the Lender in exercising any right or power hereunder or under any of the Security shall operate as a waiver thereof. No course of conduct by the Lender will give rise to any reasonable expectation which is in any way inconsistent with the terms and conditions of this Agreement and the Security or the Lender's rights thereunder.

**Conditions:** The Lender shall not be required to advance any funds prior to the Borrower having fulfilled to the Lender's satisfaction the following conditions:

1. A copy of the purchase and sale agreement confirming the purchase price of \$3,950,000.
2. Land valued at a minimum of \$4.5MM, satisfactory to the Lender.
3. The 1<sup>st</sup> mortgage outstanding does not exceed \$1,100,000 inclusive of unpaid interest and fees.

**Expiration:** This Agreement must be accepted by the Borrower by no later than 5:00 pm on May 5<sup>th</sup>, 2017, after which this Agreement will expire.

If the terms and conditions of this Agreement are acceptable to you, please sign in the space indicated below and return the signed copy of this Agreement to us.

We thank you for allowing us the opportunity to provide you with this offer of financing.

Yours truly,

**MARSHALLZEHR GROUP INC.**

Per:   
Name: DAVID MARSHALL  
Title: CO-CEO  
I have authority to bind the Corporation.

**ACCEPTANCE**

The undersigned hereby accepts this Agreement this \_\_\_\_\_ day of \_\_\_\_\_, 2017.

**KSV Kofman Inc., solely in its capacity as proposed Receiver and  
Manager of certain property of Memory Care Investment  
(Oakville) Ltd. and not in its personal or in any other capacity.**

Per: \_\_\_\_\_

Name: Robert Kofman

Title: President

I have authority to bind the Corporation.