

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

IN THE MATTER OF THE RECEIVERSHIP OF SCOLLARD DEVELOPMENT CORPORATION, MEMORY CARE INVESTMENTS (KITCHENER) LTD., MEMORY CARE INVESTMENTS (OAKVILLE) LTD., 1703858 ONTARIO INC., LEGACY LANE INVESTMENTS LTD., TEXTBOOK (525 PRINCESS STREET) INC. AND TEXTBOOK (555 PRINCESS STREET) INC.

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

MOTION RECORD
(Returnable: June 16, 2017)

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(Updated as of May 1, 2017)

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**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

IN THE MATTER OF THE RECEIVERSHIP OF SCOLLARD DEVELOPMENT CORPORATION, MEMORY CARE INVESTMENTS (KITCHENER) LTD., MEMORY CARE INVESTMENTS (OAKVILLE) LTD., 1703858 ONTARIO INC., LEGACY LANE INVESTMENTS LTD., TEXTBOOK (525 PRINCESS STREET) INC. AND TEXTBOOK (555 PRINCESS STREET) INC.

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

I N D E X

1. Notice of Motion returnable June 16, 2017
2. Fourth Report of the Receiver, KSV Kofman Inc.
3. Draft Production Order

TAB 1

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

IN THE MATTER OF THE RECEIVERSHIP OF SCOLLARD DEVELOPMENT CORPORATION, MEMORY CARE INVESTMENTS (KITCHENER) LTD., MEMORY CARE INVESTMENTS (OAKVILLE) LTD., 1703858 ONTARIO INC., LEGACY LANE INVESTMENTS LTD., TEXTBOOK (525 PRINCESS STREET) INC. AND TEXTBOOK (555 PRINCESS STREET) INC.

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

**NOTICE OF MOTION
(Returnable June 16, 2017)**

The moving party, KSV Kofman Inc. (“KSV” or the “Receiver”), in its capacity as receiver and manager of certain property of Scollard Development Corporation (“Scollard”), Memory Care Investments (Kitchener) Ltd. (“Kitchener”), Memory Care Investments (Oakville) Ltd. (“Oakville”), 1703858 Ontario Inc. (“Burlington”), Legacy Lane Investments Ltd. (“Legacy Lane”), Textbook (525 Princess Street) Inc. (“525 Princess”) and Textbook (555 Princess Street) Inc. (“555 Princess” and, together with Scollard, Kitchener, Oakville, Burlington, Legacy Lane and 525 Princess, the “Receivership Companies”), will make a motion to a judge presiding over the Ontario Superior Court of Justice (Commercial List) on Friday, June 16, 2017, at 9:30 a.m., or as soon after that time as the motion can be heard, at 330 University Avenue, Toronto, Ontario.

PROPOSED METHOD OF HEARING: The motion is to be heard orally.

1. **THE MOTION IS FOR:**

- (a) an order abridging and validating the time and manner of service of this Notice of Motion and Motion Record, including the Receiver's Fourth Report dated June 6, 2017, 2017 (the "**Fourth Report**"), so that this Motion is properly returnable on the date scheduled for the hearing of this Motion;
- (b) an order compelling Textbook Suites Inc. ("**TSI**"), Textbook Student Suites Inc. ("**TSSI**"), Memory Care Investments Ltd. ("**MCIL**") and Aeolian Investments Ltd. ("**Aeolian**") to forthwith produce, and provide the Receiver with, copies of any and all of their books, documents, contracts, corporate and accounting records, bank statements and any other papers, records and information of any kind relating to (i) the Receivership Companies and (ii) all disbursements made by the applicable company (collectively, the "**Books and Records**");
- (c) an order requiring TSI's, TSSI's, MCIL's and Aeolian's authorized representatives to forthwith, upon request by the Receiver, submit to examinations under oath following delivery of the aforementioned Books and Records; and
- (d) such further and other relief as this Honourable Court may deem just.

2. **THE GROUNDS FOR THIS MOTION ARE:**

- (a) October 27, 2016, Grant Thornton Limited (the "**Trustee**") was appointed trustee of eleven entities which raised monies from investors through syndicated mortgage investments, including Textbook Student Suites (525 Princess Street) Trustee Corporation, Textbook Student Suites (555 Princess Street) Trustee

Corporation, Textbook Student Suites (Ross Park) Trustee Corporation, 2223947 Ontario Limited, MC Trustee (Kitchener) Ltd., 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 (collectively, the “**Trustee Corporations**”);

(b) Eight of the Trustee Corporations advanced these monies on a secured basis pursuant to loan agreements (the “**Loan Agreements**”) to the Receivership Companies and the following entities, none of which is in receivership:

- (i) Textbook Ross Park Inc. (“**Ross Park**”);
- (ii) Textbook (445 Princess Street) Inc. (“**445 Princess**”);
- (iii) Textbook (774 Bronson Avenue) Inc. (“**Bronson**”); and
- (iv) McMurray Street Investments Inc. (“**McMurray**”);

(the “**Non-Receivership Companies**” and, collectively with the Receivership Companies, the “**Davies Developers**”);

(c) On January 21, 2017, the Trustee brought a motion for an order appointing KSV as receiver and manager (the “**Receiver**”) of certain property owned by Scollard (the “**Receivership Order**”);

(d) On February 2, 2017, the Court made the Receivership Order;

- (e) Following its appointment as the Receiver of Scollard, the Receiver reviewed Scollard's books and records and identified transactions between Scollard and certain of the other Davies Developers and other related parties, including shareholders of the Davies Developers, John Davies ("**Davies**"), Walter Thompson, Raj Singh and Greg Harris, and/or corporations and individuals related to each of them;
- (f) On April 18, 2017, the Trustee brought a motion, *inter alia*, seeking orders:
 - (i) amending and restating the Receivership Order to add the property owned by the Receivership Companies (except for Scollard, which was already in receivership) (the "**Amended and Restated Receivership Order**"); and
 - (ii) compelling Davies to immediately deliver to the Trustee all of the bank statements for the Davies Developers (the "**Production Order**");
- (g) On April 28, 2017, the Court made the Amended and Restated Receivership Order and the Production Order;
- (h) The Amended and Restated Receivership Order was further amended and restated by Court order made on May 2, 2017 to rectify certain clerical errors (the "**Second Amended and Restated Receivership Order**");
- (i) Following the issuance of the Amended and Restated Receivership Order, the Receiver commenced a review of the receipts and disbursements of the Receivership Companies (except for Scollard, which review was already underway). Additionally, at the request of the Trustee, the Receiver also

reviewed the receipts and disbursements of the Non-Receivership Companies (collectively, the “**Review**”);

- (j) In performing the Review, the Receiver discovered that, contrary to the applicable Loan Agreements and the Receivership Companies’ respective contractual and other legal obligations, certain of the Receivership Companies improperly transferred millions of dollars to TSI, TSSI and MCIL – the parent companies of Kitchener, Oakville, Burlington, 525 Princess and 555 Princess, all three of which are owned, in part, by Aeolian;
- (k) These funds were transferred to TSI, TSSI and MCIL by cheque. The memo line on each of the cheques indicated that payment was a “loan”, notwithstanding that:
 - (i) none of these “loans” were documented by the respective Receivership Companies that purportedly loaned the funds;
 - (ii) no interest has been received by any of the applicable Receivership Companies on account of any such “loan”; and
 - (iii) the relevant Loan Agreements do not permit the applicable Receivership Companies to make these loans;
- (l) In performing the Review, the Receiver further discovered that certain of the Non-Receivership Companies also improperly transferred funds to TSI, TSSI, MCIL, contrary to the Non-Receivership Companies’ respective contractual and other legal obligations;

- (m) As a result of these “loans”, a total of approximately \$4.14 million was transferred to TSI, TSSI and MCIL by the Davies Developers;
- (n) In connection with the Review, the Receiver also discovered that certain of the Receivership Companies and McMurray improperly transferred a total of \$4.069 million in prohibited management fees to Aeolian. Specifically:
 - (i) Scollard transferred \$1,244,000 to Aeolian;
 - (ii) Oakville transferred \$1,112,000 to Aeolian;
 - (iii) Kitchener transferred \$506,000 to Aeolian;
 - (iv) Burlington transferred \$592,000 to Aeolian;
 - (v) Legacy Lane transferred \$341,000 to Aeolian; and
 - (vi) McMurray transferred \$274,000 to Aeolian;
- (o) Production of the Books and Records of TSI, TSSI, MCIL and Aeolian is necessary for the Receiver to fulfill its duties and to maximize value for the Receivership Companies;
- (p) It is in the interests of justice that the Books and Records of TSI, TSSI, MCIL and Aeolian be produced and, if necessary or appropriate, that their authorized representatives submit to examinations under oath;
- (q) The matters as described in the Fourth Report;
- (r) The Second Amended and Restated Receivership Order;

- (s) The inherent and equitable jurisdiction of this Honourable Court;
- (t) The *Rules of Civil Procedure*, RRO 1990, Reg 194, as amended, including rules 1.04, 2.03, 3.02, 16 and 37;
- (u) The provisions of the *Courts of Justice Act*, RSO 1990, c C 43, as amended;
- (v) The provisions of the *Bankruptcy and Insolvency Act*, RSC, 1985, c B-3; and
- (w) Such further and other grounds as counsel may advise and this Honourable Court may permit.

3. **THE FOLLOWING DOCUMENTARY EVIDENCE** will be used at the hearing of the motion:

- (a) The Fourth Report with the appendices thereto; and
- (b) such further and other evidence as counsel may advise and this Honourable Court may permit.

June 12, 2017

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IN THE MATTER OF THE RECEIVERSHIP OF SCOLLARD DEVELOPMENT CORPORATION, MEMORY CARE INVESTMENTS (KITCHENER) LTD., MEMORY CARE INVESTMENTS (OAKVILLE) LTD., 1703858 ONTARIO INC., LEGACY LANE INVESTMENTS LTD., TEXTBOOK (525 PRINCESS STREET) INC. AND TEXTBOOK (555 PRINCESS STREET) INC.

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

Court File No.: CV-17-11689-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

NOTICE OF MOTION
(Returnable June 16, 2017)

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TAB 2



**Fourth Report of
KSV Kofman Inc.
as Receiver and Manager of Certain Property
of Scollard Development Corporation, Memory
Care Investments (Kitchener) Ltd., Memory
Care Investments (Oakville) Ltd., 1703858
Ontario Inc., Legacy Lane Investments Ltd.,
Textbook (525 Princess Street) Inc. and
Textbook (555 Princess Street) Inc.**

June 6, 2017

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

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

IN THE MATTER OF THE RECEIVERSHIP OF SCOLLARD DEVELOPMENT CORPORATION, MEMORY CARE INVESTMENTS (KITCHENER) LTD., MEMORY CARE INVESTMENTS (OAKVILLE) LTD., 1703858 ONTARIO INC., LEGACY LANE INVESTMENTS LTD., TEXTBOOK (525 PRINCESS STREET) INC. AND TEXTBOOK (555 PRINCESS STREET) INC.

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

FOURTH REPORT OF
KSV KOFMAN INC.
AS RECEIVER AND MANAGER

JUNE 6, 2017

1.0 Introduction

1. This report ("Report") is filed by KSV Kofman Inc. ("KSV") as receiver and manager of the real property ("Real Property") registered on title as being owned by, and of all of the assets, undertakings and properties acquired for or used in relation to the Real Property (together with the Real Property, the "Property"), of the following entities:
 - a) Scollard Development Corporation ("Scollard");
 - b) Memory Care Investments (Kitchener) Ltd. ("Kitchener");
 - c) Memory Care Investments (Oakville) Ltd. ("Oakville");
 - d) 1703858 Ontario Inc. ("Burlington")¹;
 - e) Legacy Lane Investments Ltd. ("Legacy Lane");
 - f) Textbook (555 Princess Street) Inc. ("555 Princess"); and
 - g) Textbook (525 Princess Street) Inc. ("525 Princess").

Collectively the above entities are referred to as the "Companies".

¹ This entity owns the real property on which the development known as "Memory Care (Burlington)" was to be developed. Burlington's shares are owned by Memory Care Investments (Burlington) Ltd., which is defined below as MC Burlington.

2. Pursuant to an order of the Ontario Superior Court of Justice (“Court”) dated October 27, 2016, Grant Thornton Limited was appointed Trustee (“Trustee”) of eleven entities² which raised monies from investors (“Investors”) through syndicated mortgage investments (collectively, the “Trustee Corporations”)³. Eight of the Trustee Corporations then advanced these monies on a secured basis pursuant to loan agreements (“Loan Agreements”) between the Trustee Corporation and one or more “Davies Developer”. The Davies Developers is a defined term used throughout this Report and includes the Companies and the following entities, none of which is in receivership:
 - a) Textbook Ross Park Inc. (“Ross Park”);
 - b) Textbook (445 Princess Street) Inc. (“445 Princess”);
 - c) Textbook (774 Bronson Avenue) Inc. (“Bronson”); and
 - d) McMurray Street Investments Inc. (“McMurray”).
3. A copy of each Loan Agreement and each Davies Developer’s corporate profile report is attached as Appendix “A”.
4. On January 21, 2017, the Trustee brought a motion for an order (“Receivership Order”) appointing KSV as receiver and manager (“Receiver”) of the Property owned by Scollard. On February 2, 2017, the Court made the Receivership Order.
5. Following its appointment as the Receiver of Scollard, the Receiver reviewed Scollard’s books and records and identified transactions between Scollard and certain of the other Davies Developers and other related parties, including shareholders of the Davies Developers, John Davies (“Davies”), Walter Thompson (“Thompson”), Raj Singh (“Singh”) and Greg Harris (“Harris”), and/or corporations and individuals related to each of them.
6. On April 18, 2017, the Trustee brought a motion, *inter alia*, seeking orders:
 - a) amending and restating the Receivership Order to add the Property owned by the Companies (except for Scollard, which was already in receivership) (the “Amended and Restated Receivership Order”); and
 - b) compelling Davies to immediately deliver to the Trustee all of the bank statements for the Davies Developers (the “Production Order”).
7. On April 28, 2017, the Court made the Amended and Restated Receivership Order and the Production Order.

² Textbook Student Suites (525 Princess Street) Trustee Corporation, Textbook Student Suites (555 Princess Street) Trustee Corporation, Textbook Student Suites (Ross Park) Trustee Corporation, 2223947 Ontario Limited, MC Trustee (Kitchener) Ltd., 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

³ Individuals who hold their mortgage investment in a Registered Retirement Savings Plan have a mortgage with Olympia Trust instead of the applicable Trustee Corporation.

8. The Amended and Restated Receivership Order was further amended and restated by a Court order made on May 2, 2017 to rectify certain clerical errors.
9. Following the issuance of the Amended and Restated Receivership Order, the Receiver commenced a review of the receipts and disbursements of the Companies (except for Scollard, which review was already underway). Additionally, at the request of the Trustee, the Receiver reviewed the receipts and disbursements of Ross Park, 445 Princess, Bronson and McMurray. The review of the books and records, Loan Agreements and other materials discussed in this Report is defined as the "Review".
10. The Receiver has learned that Davies recently sold his cottage and his house. The sale of the cottage closed on April 25, 2017. As of June 5, 2017, the sale of the house does not appear to have closed.

1.1 Purposes of this Report

1. The purposes of this Report are to:
 - a) provide the Court with the Receiver's findings concerning the Review; and
 - b) recommend that the Court issue orders:
 - granting an interim Mareva injunction against Davies and Aeolian Investments Ltd., ("Aeolian"), an entity owned by Davies' wife and daughters, such that both are restrained from disposing of their property; and
 - compelling Textbook Suites Inc. ("TSI") and Textbook Student Suites Inc. ("TSSI"), the shareholders of the Textbook Entities (as defined in Section 2.1), Memory Care Investments Ltd ("MCIL"), the shareholder of the Memory Care Entities (as defined in Section 2.2) and Aeolian to forthwith provide the Receiver with a copy of their books and records.

1.2 Restrictions

1. In preparing this Report, the Receiver has reviewed the following information:
 - a) all of the materials filed in this proceeding, the proceeding appointing the Trustee, and the failed application of the Davies Developers under the *Companies' Creditors Arrangement Act* ("CCAA");
 - b) unaudited financial information of the Companies;
 - c) accounting records and bank statements for the Companies, which were provided to the Receiver by Davies;
 - d) accounting records and bank statements for Memory Care Investments Burlington Ltd. ("MC Burlington"), a non-receivership entity which owns the shares of Burlington, which were provided to the Receiver by Davies; and
 - e) bank statements for Ross Park, 445 Princess, Bronson and McMurray, which were provided to the Trustee pursuant to the Production Order, and which were subsequently provided by the Trustee to the Receiver.

2. The Receiver has not performed an audit of the financial information addressed in this Report. The findings discussed herein remain subject to further review. The Receiver expresses no opinion or other form of assurance with respect to the financial information presented in this Report.
3. The Receiver has had a small number of discussions with, and corresponded on a limited basis with, Davies and Harris regarding certain of the matters addressed in this Report. The Receiver has not spoken to or communicated with Singh or Thompson regarding the matters addressed in this Report. None of Davies, Thompson, Singh, Harris or any other person or entity referenced herein has had the opportunity to respond to this Report.
4. The Receiver has neither had access to the books, records and bank statements of Aeolian, TSI, TSSI or MCIL, nor the books and records of Ross Park, 445 Princess, Bronson and McMurray.
5. The Receiver has no knowledge of the business interests and activities of Aeolian other than those discussed in this Report.
6. The Davies Developers poorly documented their transactions and their books and records do not appear to be well maintained. Examples include, but are not limited to:
 - a) Burlington's accounting records appear to be inaccurate and/or incomplete. Burlington's balance sheet does not reflect any debt owing to a Trustee Corporation or the real property owned by Burlington. A copy of Burlington's balance sheet as at May 2, 2017 is attached as Appendix "B"; and
 - b) the Davies Developers paid millions of dollars in management fees and transferred millions of dollars – purportedly by way of loans - to related parties but appear to have never entered into any management services agreements or to have documented the terms of the loans.
7. **No party has contested or disputed any of the findings in the Receiver's First Report dated April 5, 2017, which addressed issues similar to those discussed in this Report.** A copy of the First Report (without appendices) is attached as Appendix "C".

1.3 Currency

1. All currency references in this Report are to Canadian dollars.

2.0 Background⁴

1. The Davies Developers are developers of student residences, accommodations for people suffering from various forms of cognitive impairment and low-rise condominiums. All but one of the Davies Developers' projects (collectively the "Projects") are in pre-construction⁵.
2. The amounts borrowed by the Davies Developers total approximately \$119.940 million⁶, including approximately \$93.675 million in secured debt owing to the Trustee Corporations (being monies raised by the Trustee Corporations from Investors) and \$23.675 million owing to other mortgage lenders (the "Other Lenders"). The Receiver understands that all of the obligations owing to Other Lenders rank in priority to the Trustee Corporations.
3. The funds advanced from the Trustee Corporations to the Davies Developers were to be used to purchase real property and to pay the soft costs associated with the development of the Projects.
4. In raising monies from Investors:
 - a) the Davies Developers covenanted that they would not, without the consent of the applicable Trustee Corporation, "use the proceeds of any Loan Instalment for any purposes other than the development and construction of the project on the Property" (Section 7.02 (g) of the various Loan Agreements);⁷
 - b) all of the Trustee Corporations were to have a first ranking security interest against the applicable Davies Developer's property (Section 5.01 of the various Loan Agreements), with the exception of Ross Park, Bronson and 445 Princess, in which case the Trustee Corporations were to have a second ranking security interest behind existing mortgages; and
 - c) the security interests granted to the Trustee Corporations would only be subordinated in certain defined circumstances, such as to construction financing of certain specified maximum amounts and to Tarion warranty bond mortgage security (Section 5.01 of the various Loan Agreements). This was also noted on certain of the advertising materials, as evidenced by the Kitchener brochure attached as Appendix "D".

⁴ Unless otherwise noted, the background information in this section is sourced from the Affidavit of John Davies sworn December 6, 2016 filed in support of the Davies Developers' application for CCAA protection.

⁵ Footings and foundations have been laid down at the Project owned by Burlington.

⁶ Represents the principal amounts owed, excluding interest and fees.

⁷ The Loan Agreements for 445 Princess, 525 Princess, 555 Princess, Ross Park, Scollard and Bronson contain a carve-out allowing the Davies Developer to earn interest income on funds not immediately required to be expended.

2.1 Textbook Entities

- The entities in the table below are defined in this Report as the "Textbook Entities". The Textbook Entities were intended to develop student residences. The table below provides the purchase price for each property and a summary of the Textbook Entities' secured obligations (principal only).

(unaudited; \$000) Textbook Entity	Purchase Price	Trustee Corporation	Other Lenders	Mortgagee	Total Secured Obligations
555 Princess	2,000	7,927	-	-	7,927
525 Princess	2,400	6,387	-	-	6,387
445 Princess	9,300	8,397	7,000	Kingsett Mortgage Corporation	15,397
Bronson	10,250	10,806	5,700	Vector Financial Services Ltd.	16,506
Ross Park	7,000	11,617	3,500	2377358 Ontario Ltd. and Creek Crest Holdings Inc.	15,117

- Davies and Thompson are the sole officers and directors of the Textbook Entities⁸.
- The shareholders of the Textbook Entities are:
 - TSI;
 - TSSI; and
 - RS Consulting Group Inc. ("RSCG").
- TSI and TSSI are owned (in different proportions) by Aeolian, RSCG, 1321805 Ontario Inc. ("132") and Dachstein Holdings Inc. ("Dachstein"). The Receiver understands that:
 - Aeolian is owned by Davies' wife and children;
 - RSCG is owned by Singh;
 - Singh is also:
 - the sole director, officer and shareholder of the Trustee Corporations⁹;
 - the sole director, officer and shareholder of Tier 1 Transaction Advisory Services Inc. ("Tier 1 Advisory"); and

⁸ As at the date of this Report. Certain of the Davies Developers may have had different or additional officers and directors at different points in time. This footnote applies throughout this Report.

⁹ Except for Textbook Student Suites (445 Princess Street) Trustee Corporation.

- a director and sole officer of Tier 1 Mortgage Corporation (“Tier 1 Mortgage”) and a licensed mortgage agent with First Commonwealth Mortgage Corporation (“FCMC”, and together with Tier 1 Mortgage, the “Brokers”). The Brokers and Tier 1 Advisory promoted and sold the syndicated mortgage investments to Investors;¹⁰
- d) 132 holds its equity interest on behalf of a trust, of which Thompson, among others, is a beneficiary; and
 - e) The equity interest in Dachstein is held on behalf of family members of Harris, a partner at Harris + Harris LLP, legal counsel to the Davies Developers.
5. A corporate chart for the Textbook Entities is attached as Appendix “E”.

2.2 Memory Care Entities

1. The entities in the table below are defined as the “Memory Care Entities”. The Memory Care Entities were intended to develop residences for people suffering from various forms of cognitive impairment. The table below provides the purchase price for each property and a summary of the Memory Care Entities’ present secured obligations (principal only).

(unaudited; \$000) Memory Care Entity	Purchase Price	Trustee Corporation	Other Lenders	Mortgagee	Total Secured Obligations
Kitchener	3,950	10,577	950	2174217 Ontario Inc.	11,527
Burlington	2,500	8,303	1,250	2174217 Ontario Inc.	9,553
Oakville	1,945	9,063	1,250	2174217 Ontario Inc.	10,313

2. Pursuant to the Amended and Restated Receivership Order, MarshallZehr Group Inc. (“MZG”) made loans to the Receiver of \$1.475 million, \$1.775 million and \$1.662 million, and was granted a Court-ordered super-priority charge for these amounts on the properties owned by Kitchener, Burlington and Oakville, respectively. The MZG loans were used to repay the mortgages referenced in the table as owing to 2174217 Ontario Inc. (including principal, interest and fees) and to fund the fees and costs of the Kitchener, Burlington and Oakville receivership proceedings.
3. Davies is the sole director and officer of the Memory Care Entities.
4. MCIL is the shareholder of Kitchener and Oakville¹¹.
5. Burlington is a wholly owned subsidiary of MC Burlington. MCIL is the sole shareholder of MC Burlington.

¹⁰ The information concerning the Brokers and Tier 1 Advisory is sourced from the Affidavit of Mohammed Ali Marfatia sworn October, 20 2016 filed in support of the application by the Superintendent of Financial Services (“FSCO”) for an order appointing a receiver and manager over the property of the Trustee Corporations.

¹¹ The Class “B” shares of Oakville are owned by MCIL. The Class “A” preferred shares are owned by investors in the syndicated mortgage investment for Oakville.

6. MCIL is owned by Aeolian (50%) and Erika Harris (50%). Ms. Harris is the mother of Harris.
7. The Kitchener, Burlington and Oakville Loan Agreements prohibited each of them from granting a first ranking security interest in its real property to any lender other than the applicable Trustee Corporations, except in connection with construction financing.
8. A corporate chart for the Memory Care Entities is provided in Appendix "F".

2.3 Scollard

1. The real property owned by Scollard was purchased for \$9 million. Scollard was intended to develop a condominium project known as "Boathaus".
2. Scollard borrowed \$13.596 million from Investors.
3. Pursuant to the Receivership Order, Downing Street Financial Inc. ("Downing") made a \$3.5 million loan to the Receiver and was granted a super-priority Court ordered charge on the Property owned by Scollard. The Downing facility repaid a mortgage owing to Firm Capital Mortgage Corporation in the approximate amount of \$2.5 million and the balance is being used to fund the fees and costs of Scollard's receivership proceedings.
4. Three liens totalling approximately \$800,000 have been registered on title against the Scollard Real Property. The Receiver's counsel is reviewing the lien claims to determine their validity and priority.
5. Davies is the sole director and officer of Scollard.
6. The shareholders of Scollard are Aeolian (50%) and Erika Harris (50%).
7. The Scollard Loan Agreement prohibits it from granting a first ranking security interest in its real property to any lender other than the applicable Trustee Corporation, except in connection with construction financing.

2.4 Legacy Lane

1. Legacy Lane's real property was purchased for \$650,000. Legacy Lane was intended to develop a low-rise condominium building consisting of 33 townhomes.
2. Legacy Lane borrowed \$3.478 million from Investors. Legacy Lane has no other secured obligations.
3. Davies is the sole director and officer of Legacy Lane.
4. The shareholders of Legacy Lane are Aeolian (50%) and Alan Harris (50%). Alan Harris is the father of Harris.

2.5 McMurray

1. The real property owned by McMurray was purchased for \$650,000. McMurray was intended to develop 88 residential condominiums and lofts.
2. McMurray borrowed \$3.5 million from Investors.
3. McMurray has a mortgage owing in the amount of \$2 million to Pillar Financial Services Inc. ("Pillar"). The Receiver has not been able to trace the mortgage proceeds received from Pillar into McMurray's bank statements.
4. The sole directors and officers of McMurray are Davies and Harris. The officers of McMurray are Davies, Harris and David Arsenault.
5. The shareholders of McMurray are the Davies Family Trust (30%), Alan Harris (16%), Tori Manchulenko (46%) and D. Arsenault Holdings Inc. (8%). The latter two shareholders appear to be unrelated to any of the other Davies Developers' shareholders.
6. The McMurray Loan Agreement prohibits it from granting a first ranking security interest in its real property to any lender other than the applicable Trustee Corporation, except in connection with construction financing.

3.0 Review of Receipts and Disbursements

1. The table below provides a summary of the Review.¹²

(unaudited; \$000)	Amount	% Receipts / Disbursements
Receipts		
Loan proceeds		
Trustee Corporations	93,675	74.4%
Other loans	26,265	20.8%
	119,940	95.2%
Preference shares (Oakville)	1,000	0.8%
Sales tax refunds	1,717	1.4%
Other related parties	345	0.3%
Sundry and unknown	2,913	2.3%
Total receipts	125,915	100%
Disbursements		
Property related costs		
Purchase of Real Property	48,935	38.9%
Development costs	12,354	9.8%
Subtotal	61,289	48.7%
Payments to Shareholders ¹³ and entities related to Shareholders ¹⁴		
TSSI/TSI	4,384	3.5%
MCIL	1,124	0.9%
Davies and entities related to Davies	6,763	5.4%
Singh and entities related to Singh, including broker commissions	9,407	7.5%
Thompson and entities related to Thompson	1,947	1.5%
Harris and entities related to Harris, excluding professional fees	1,000	0.8%
Textbook (256 Rideau Street) Inc.	3,700	2.9%
Advances to Affiliates	339	0.3%
Subtotal	28,664	22.8%
Interest and fees	14,529	11.5%
FCCM broker commissions ¹⁵	9,988	7.9%
Professional fees	3,357	2.7%
Traditions Development Company	1,487	1.2%
Other related parties	156	0.1%
Other and unknown	6,440	5.1%
Subtotal	35,957	28.5%
Total disbursements	125,910	100.0%
Ending balance	5	

¹² Includes MC Burlington transactions, i.e. the shareholder of Burlington.

¹³ Defined in Section 3.2 below.

¹⁴ Reflects net payments to shareholders.

¹⁵ Of this amount, \$219,000 was paid to third party brokers.

2. The discussion in Section 3.1 to 3.6 below addresses each line item in the table, in the order presented in the table.
3. The table reflects that the Davies Developers had:
 - a) receipts of approximately \$125.915 million, including loans from Trustee Corporations of \$93.675 million and loans of \$26.265 million from Other Lenders; and
 - b) disbursements of approximately \$125.910 million, including:
 - \$48.935 million to purchase Real Property;
 - \$28.664 million to Shareholders and entities related to Shareholders¹⁶;
 - \$14.529 million in interest paid and fees;
 - \$12.354 million in development costs; and
 - \$9.988 million in broker fees paid to FCMC.
4. Schedules of the receipts and disbursements for each Davies Developer are attached as Appendices “G” to “Q”.
5. The table above excludes monies transferred among the Davies Developers, which transfers exceed \$17.2 million. A summary of those transactions is provided in Section 4.0 below.

3.1 Property Related Costs

3.1.1 Real Property Transactions

1. The Davies Developers own eleven properties which were purchased for a total of approximately \$48.935 million.¹⁷ All of the property transactions appear to be at arm’s length, except for the property owned by Kitchener, as discussed in the immediately following section.

3.1.2 Kitchener Property Purchase

1. On June 4, 2013, 2375219 Ontario Ltd. (“237”), an entity in which Singh and Harris have an ownership interest, purchased, in the context of a receivership, a retirement home located at 169 Borden Avenue, Kitchener (the “Kitchener Property”) for \$1.585 million.

¹⁶ Defined in Section 3.2 below.

¹⁷ Excludes the purchase price of the real property owned by McMurray which was purchased for \$650,000 in January 2010.

2. MCIL incorporated Lafontaine Terrace Management Corporation (“Lafontaine”) to discontinue the business of the retirement facility which was operating on the Kitchener property¹⁸. Davies is the sole officer and director of Lafontaine. Further information regarding Lafontaine and 237 is provided in Section 3.2 below.
3. On February 25, 2014, approximately nine months after the retirement home was purchased, the Kitchener Property was sold by 237 to Kitchener for \$3.950 million, apparently netting a gain for 237 in the amount of approximately \$2.365 million. The Kitchener Property was purchased from 237 with funds advanced by Investors to Kitchener.
4. Harris has provided the Receiver with a copy of an Acknowledgement and Direction (the “Acknowledgement”), which Harris has advised was provided to all Kitchener syndicated mortgage investors. The Acknowledgement is attached as Appendix “R”. The Acknowledgement discloses that:
 - a) the Kitchener Property would be acquired from 237;
 - b) the shareholders of 237 would earn a gain on the transaction;¹⁹ and
 - c) Harris and Singh are the shareholders of 237.
5. The Receiver has asked Harris for further details regarding the sale to Kitchener, including confirmation of the amount of the gain earned by 237 and the ownership structure of 237. As of the date of this Report, the Receiver has not received this information.

3.1.3 Development Costs

1. A summary of the development costs paid by the Davies Developers is provided below.

(unaudited; \$000) Davies Developer	Development Costs	Total Disbursements	% of Total Disbursements
McMurray	3,353	8,797	38.1%
Scollard	2,737	20,493	13.4%
Burlington	2,402	9,495	25.3%
Oakville	1,478	11,236	13.2%
Kitchener	762	10,069	7.6%
Ross Park	705	16,963	4.2%
Legacy Lane	502	4,318	11.6%
Bronson	239	15,844	1.5%
555 Princess	74	8,047	0.9%
525 Princess	73	6,548	1.1%
445 Princess	29	14,100	0.2%
Total	12,354	125,910	9.8%

¹⁸ Sourced from the Affidavit of John Davies sworn December 6, 2016 filed in support of the Davies Developers’ application for protection under the *Companies’ Creditors Arrangement Act*.

¹⁹ The Acknowledgement states that 237 funded operating shortfalls. Information is not available to the Receiver so that it can confirm this statement.

2. The table reflects:
 - a) Of the nearly \$126 million that was raised, \$12.354 million (or 9.8% of the total raised) was spent on development costs. Of this amount, \$8.4 million (or 68.7%) of the development costs were spent on the McMurray, Scollard and Burlington Projects.
 - b) Less than \$250,000 was spent on development costs for each of Bronson, 445 Princess, 555 Princess and 525 Princess.

3.2 Payments to Shareholders and Affiliates

1. A summary of the net amounts paid to Davies Developers' shareholders and entities related to and affiliated with the shareholders referenced in the table (collectively, the "Shareholders") is provided in the table below.

(unaudited; \$000)			Davies	Singh	Thompson	Harris		
Davies Developer	TSI/TSSI	MCIL	Entities	Entities	Entities	Entities	Other	Total
Oakville	(35)	305	1,231	2,142	-	-	2	3,645
Ross Park	1,554	2	499	434	749	250	1,267	4,755
Kitchener	(48)	128	510	2,579	-	-	111	3,280
525 Princess	880	4	340	483	340	250	16	2,313
555 Princess	786	3	408	401	408	250	1,478	3,734
Burlington	(145)	199	602	1,444	-	-	110	2,210
Scollard	(27)	181	1,310	286	-	-	75	1,825
Bronson	576	-	127	524	250	250	56	1,783
445 Princess	843	48	-	264	200	-	767	2,122
Legacy Lane	-	44	363	556	-	-	207	1,170
McMurray	-	210	1,373	294	-	-	(50)	1,827
Total	4,384	1,124	6,763	9,407	1,947	1,000	4,039	28,664

2. A summary of these payments, including whether they were disclosed in the Loan Agreements, is provided in the table below.

(unaudited; \$000)	TSI/TSSI	MCIL	Davies	Singh	Thompson	Harris	Other	Amount	Disclosed
Referral and broker fees	-	-	-	5,861	-	-	-	5,861	Yes
Dividends	-	-	875	1,125	1,000	1,000	-	4,000	Yes
	-	-	875	6,986	1,000	1,000	-	9,861	
Moscowitz (section 3.2)	-	-	935	-	-	-	-	935	No
Management Fees	-	-	4,069	-	-	-	-	4,069	No
Loans to Shareholders	3,512	602	-	-	-	-	-	4,114	No
Rideau	-	-	-	-	-	-	3,700	3,700	No
Advances to affiliates	-	-	-	-	-	-	339	339	No
	3,512	602	5,004	-	-	-	4,039	13,157	
Other management fees	-	-	500	-	947	-	-	1,447	Note
Consulting	-	-	-	1,485	-	-	-	1,485	Note
Repayment of loan	-	-	-	650	-	-	-	650	Note
Notary fees	-	-	-	330	-	-	-	330	Note
Family members	-	-	422	-	-	-	-	423	Note
Other	872	522	55	306	-	-	-	1,755	Note
	872	522	977	2,771	947	-	-	6,089	
Less: receipts	-	-	(93)	(350)	-	-	-	(443)	
Total	4,384	1,124	6,763	9,407	1,947	1,000	4,039	28,664	

Note: The Receiver is unable to determine if these transactions are permitted under the Loan Agreements. More information is required.

3. The Receiver's counsel has reviewed the Loan Agreements and other documents provided to Investors ("Ancillary Documents") to determine whether the payments to the Shareholders were disclosed and/or are prohibited. A list of the Ancillary Documents reviewed by the Receiver's counsel is attached as Appendix "S".

Disclosure

- a) **Referral and broker fees (\$5.861 million):** These amounts were disclosed in the Loan Agreements; however, the referral fees paid to Tier 1 Advisory were approximately \$69,000 greater than permitted (discussed in section 3.4 below).
- b) **Dividends (\$4 million):** Entities related to Davies, Thompson, Singh and Harris received \$4 million in dividends. These are disclosed in the Loan Agreements. They were to be paid from the "excess proceeds after the Property has been acquired". In each instance, the dividends were paid immediately after the applicable Davies Developer received the funds from the Trustee Corporation, and after the dividend was paid and related party transactions, the applicable Davies Developer had essentially no further monies to advance its project. These payments contributed to or may have caused each such Davies Developer to become insolvent, if they were not already insolvent at the time of payment. Additionally, the Receiver questions why dividends would be payable from a fundraising, particularly because the Shareholders had not created value for the Investors, no profits were generated (which is typically the source of

dividends) and all of the Davies Developers which paid dividends had negligible or no equity either prior to or shortly following the payment of the dividends.

Prohibited Payments

- c) **Payments to Moscowitz Capital Mortgage Fund II (“Moscowitz”) (\$935,000):** Moscowitz is not a mortgagee on the property owned by McMurray; however, it is a mortgagee on Davies’ home. A copy of a title search for Davies’ home reflecting the mortgage owing to Moscowitz is attached as Appendix “T”. The McMurray Loan Agreement prohibits these payments.
- d) **Management fees (\$4.069 million):** These amounts were paid to Aeolian from Oakville, Kitchener, Burlington, Scollard, McMurray and Legacy Lane. These payments are prohibited under the Loan Agreements with each of these entities.
- e) **Loans to TSI, TSSI and MCIL (\$4.114 million):** The Davies Developers made loans of approximately \$4.114 million to TSI, TSSI and MCIL, the parent companies of the Textbook Entities and the Memory Care Entities. Each loan was made by cheque and the memo line on each of the cheques indicated that payment was a “loan”. The Loan Agreements do not permit the Davies Developers to make loans. The Receiver is unaware of the terms of these loans and whether they were documented, but the Receiver notes that no interest was received by any Davies Development in respect of any loan.
- f) **Textbook (256 Rideau Street) Inc. (“Rideau”) (\$3.7 million):** The Davies Developers made payments of \$3.7 million to Rideau. The Loan Agreements do not permit the Davies Developers to make these payments and these amounts were not used by the applicable Davies Developer to advance the Project for which the funds were raised.
- g) **Advances to affiliates (\$339,000):** These amounts are comprised of \$324,000 to Lafontaine and \$15,000 to Memory Care Investments (Victoria) Ltd. (“MC Victoria”). Davies is the sole director and officer of Lafontaine and MC Victoria (the shareholders of these entities are not known to the Receiver).
 - Lafontaine: The Receiver understands that Lafontaine was incorporated to discontinue the operations of the retirement facility on the Kitchener Property at the time it was purchased by 237. The payments to Lafontaine were made by Scollard, Legacy Lane, Burlington and Oakville. These payments contravene these entities’ Loan Agreements as the payments do not relate to their Projects.
 - MC Victoria: Davies has advised the Receiver that MC Victoria was considering a project in Victoria, British Columbia. The payments to MC Victoria were made by Legacy Lane. This payment contravenes Legacy Lane’s Loan Agreement as it did not relate to the Legacy Lane project.

Payments for which Additional Information is Required

- h) **Other management fees (\$1.447 million):** Pursuant to Section 7.02(c) of the Loan Agreements with Bronson, 445 Princess, 525 Princess, 555 Princess and Ross Park, ordinary course payments to shareholders for amounts related to the management, development and operation of the Property are permitted, provided such payments are reasonable in relation to the services rendered. The amounts paid by these entities to their indirect shareholders were \$500,477 (to Aeolian) and \$947,200 (to 132). Davies has advised the Receiver that none of the Davies Developers entered into a management agreement with any party, including with him or any of the Shareholders.
- i) **Consulting and diligence fees (\$1.485 million):** All consulting and diligence fees were paid to Tier 1 Advisory or RSCG. These amounts do not appear to be referenced or disclosed in the Loan Agreements or Ancillary Documents reviewed by the Receiver and its counsel. The consulting fees that were referenced and disclosed in the Ancillary Documents were exhausted by the payment of the referral and broker fees (i.e. 15% to 16% of amounts raised from Investors).
- j) **Repayment of loan to Singh (\$650,000):** The Receiver has no information concerning this loan, including whether a loan was made. The Receiver has asked Harris for information concerning this loan, but it has not been provided as of the date of this Report.
- k) **Notary fees (\$330,000):** These amounts were paid to Tier 1 Advisory by the Davies Developers to have each investor's loan documents notarized. The Receiver has no knowledge of the documents that were notarized and whether these fees are reasonable in the circumstances.
- l) **Payments to Davies' family members (\$423,000):** The permissibility of these payments depends on the services provided, if any, by these individuals. The Receiver has no knowledge of the services provided.
- m) **Other (\$1.755 million):** This amount is largely comprised of payments to TSSI and TSI (\$872,000) and MCIL (\$522,000). The purpose of these payments cannot be determined by the Receiver based on the available books and records. Their permissibility would likely depend on the services provided and the reasonableness of the amounts charged. Given the general prohibition in the Loan Agreements with respect to payments to shareholders, the Receiver and its counsel have concerns regarding these payments.

3.2.1 Textbook and MCIL

1. TSI and TSSI are shareholders of the Textbook Entities. TSI and TSSI received a net amount of \$4.384 million from the entities listed in the table below. Of the amount advanced to TSI and TSSI, \$3.512 million was advanced by way of a loan, which is prohibited, as noted in 3(e) above.

(unaudited; \$000)	Amount
Ross Park	1,554
525 Princess	1,080
445 Princess	843
555 Princess	786
Other	122
	4,384

2. MCIL is the direct shareholder of Oakville and Kitchener, and the indirect shareholder of Burlington. MCIL received a net amount of \$1.124 million from the entities listed in the table below. Of the amount advanced to MCIL, \$602,000 was advanced by way of a loan, which is prohibited as noted in 3(e) above.

(unaudited; \$000)	Amount
Entities owned by MCIL	
Kitchener	128
Burlington	199
Oakville	305
	632
Entities not owned by MCIL	
McMurray	210
Scollard	181
Legacy Lane	44
445 Princess	48
Other	9
	492
Total	1,124

3. TSI, TSSI and MCIL are not subject to insolvency proceedings, and neither the Receiver nor the Trustee has access to their bank statements and/or accounting records. Accordingly, the Receiver is unable to confirm whether the amounts advanced to them were used for development purposes for any of the Davies Developers. As part of the relief sought by the Receiver, the Receiver is seeking an order compelling TSI, TSSI and MCIL to make their books and records available to the Receiver.

3.2.2 Davies Entities

1. The Davies Entities received a net amount of \$6.763 million from the Davies Developers. A summary of the funds received by the Davies Entities is provided below.

(unaudited; \$000)	Amount
Management fees paid to Aeolian	
Scollard	1,244
Oakville	1,112
Kitchener	506
Burlington	592
Legacy Lane	341
McMurray	274
	<u>4,069</u>
Ross Park	249
Other entities	251
	<u>500</u>
	4,569
Dividends paid to Aeolian	
525 Princess	250
555 Princess	250
Ross Park	250
Bronson	125
	<u>875</u>
Payments to family members	
Judith Davies	365
Sarah Davies	29
Y2 Media Group Ltd. (owned by son of John Davies)	14
Jessica Davies	14
	<u>422</u>
Payments to Moscowitz	935
Payments to Davies	55
Less: receipts from Aeolian	(93)
Total	<u><u>6,763</u></u>

2. The table reflects that:
 - a) Aeolian received management fees of \$4.569 million, of which \$4.069 million is prohibited under the Scollard, Oakville, Kitchener, McMurray and Burlington Loan Agreements. As noted, Davies has advised the Receiver that there are no management agreements between Aeolian and any of the Davies Developers;
 - b) Aeolian received dividends of \$875,000 from 525 Princess, 555 Princess, Bronson and Ross Park;

- c) Davies' family members and entities related to Davies' family members received approximately \$422,000, including \$365,000 by Judith Davies, Davies' wife; and
- d) McMurray paid \$935,000 to Moscovitz. Moscovitz is not a registered mortgagee on McMurray's real property or any of the other of the Davies Developers' real property. It is a registered mortgagee on Davies' personal residence.

3.2.3 Singh Entities

1. Singh and entities related to Singh (the "Singh Entities") received a net amount of \$9.407 million from the Davies Developers. A summary of the funds received by the Singh Entities is provided below.

(unaudited; \$000)	RSCG	Tier 1 Advisory	Raj Singh	Total
Broker and referral fees	-	5,861	-	5,861
Due diligence and consulting				
Scollard	113	217	-	330
Kitchener	-	116	-	116
Burlington	-	78	-	78
Oakville	158	138	-	296
525 Princess	113	-	-	113
555 Princess	113	-	-	113
445 Princess	226	-	-	226
Bronson	100	-	-	100
Ross Park	113	-	-	113
	936	549	-	1,485
Dividends				
525 Princess	250	-	-	250
555 Princess	250	-	-	250
Ross Park	250	-	-	250
Bronson	375	-	-	375
	1,125	-	-	1,125
Loan payments (Kitchener)	-	-	650	650
Notary fees	-	330	-	330
Unknown	56	250	-	306
Less: receipts	-	(250)	(100)	(350)
Total	2,118	6,740	550	9,407

2. The table reflects:
 - a) Tier 1 Advisory received broker and referral fees of approximately \$5.861 million. (This is discussed in Section 3.4 below);
 - b) RSCG and Tier 1 Transaction received \$1.485 million in due diligence and consulting fees;
 - c) RSCG received \$1.125 million in "dividends" from 525 Princess, 555 Princess, Bronson and Ross Park;

- d) Singh received \$650,000 from Kitchener, which is characterized in the books and records as a loan repayment;
 - e) Tier 1 Advisory received \$330,000 as a reimbursement of notary fees from several Davies Developers (as discussed in Section 3.2 above).
3. Additionally, as a shareholder of 237, Singh participated in the gain on the sale of Kitchener. This transaction is not reflected in the table above. The gain appears to be approximately \$2.365 million; however, the Receiver has asked Harris to provide an accounting for this transaction.

3.2.4 Thompson Entities

1. 132 received \$1.947 million from the Davies Developers, comprised of a total of \$1 million in dividends from 525 Princess, 555 Princess, Bronson and Ross Park (\$250,000 from each entity) and \$947,000 in management fees from 525 Princess, 555 Princess, 445 Princess and Ross Park. The Loan Agreements for 525 Princess, 555 Princess, 445 Princess and Ross Park permit the payment of management fees; albeit such amounts are required to be reasonable. Davies has advised that none of the Davies Developers had a management services agreement with any party, including Thompson and entities controlled by Thompson.

3.2.5 Harris Entities

1. Dachstein received \$1 million in "dividends" from 525 Princess, 555 Princess, Bronson and Ross Park (\$250,000 from each entity). This is in addition to \$2.4 million in legal fees paid to Harris, which is discussed in Section 3.5 below.
2. As a shareholder of 237, Harris participated in the gain on the sale of Kitchener.

3.2.6 Rideau

1. Rideau is neither subject to these receivership proceedings nor is it a Davies Developer. Rideau is the registered owner of real properties municipally described as 256 Rideau Street, Ottawa and 211 Besserer Street, Ottawa (jointly, the "Ottawa Property").
2. The officers and directors of Rideau are Davies and Thompson.
3. According to title searches, the Ottawa Property was purchased by Rideau for \$11 million on or around November 6, 2015. Kingsett has two mortgages totalling \$8.25 million (before interest and fees, which continue to accrue) registered on title to the Ottawa Property.
4. The Receiver identified payments of \$3.7 million by the Davies Developers to Rideau, including \$2.75 million paid on October 27, 2015 by 555 Princess (\$1.39 million), Kitchener (\$111,000) and Ross Park (\$1.25 million).
5. As set out in the Receiver's Third Report to Court dated May 16, 2017 (the "Third Report"), it appears that monies transferred to Rideau from 555 Princess, Kitchener and Ross Park were used to finance the acquisition of the Ottawa Property. These payments contravene the Loan Agreements of 555 Princess, Kitchener and Ross Park as they are not related to the development of their Projects.

6. On May 16, 2017, the Receiver sought an order that the registrar issue and register Certificates of Pending Litigation (“CPLs”) on and against title to the real property owned by Rideau. On May 17 2017, the Court made the order and the CPLs were subsequently registered (the “May 17 Order”). A copy of the May 17 Order and the Third Report (without appendices) are attached as Appendix “U”, together with the Court’s endorsement. No party has contested the May 17 Order or the Receiver’s Third Report in support of the May 17 Order.

3.3 Interest and fees

1. The Davies Developers paid interest and fees of \$14.529 million, comprised of \$12.191 million in interest paid to the Trustee Corporations and \$2.338 million in interest and fees paid to the Other Lenders.
2. The interest payments to the Trustee Corporations were disclosed in the Loan Agreements.

3.4 Brokers

1. The Brokers and Tier 1 Advisory promoted and sold the syndicated mortgage investments to Investors. The Brokers sold the mortgages through other brokers, who would receive a fee for doing so. The Receiver is not aware of the sharing arrangement between the individual brokers and Tier 1 Mortgage/FCMC.
2. Each of the Loan Agreements includes a provision requiring the Davies Developer to pay:
 - a) 1% of the amounts raised by the relevant Trustee Corporation as a brokerage fee to the Brokers; and
 - b) 15% to 16%²⁰ of the amounts raised by the Trustee Corporation as a referral fee to an entity directed by the Brokers (collectively, the “Broker and Referral Fees”).
3. Broker and Referral Fees totalling \$15.848 million were paid by the Davies Developers, comprised of \$5.861 million to Tier 1 Advisory, \$9.768 million to FCMC and \$219,000 to other referring brokers. Based on the Receiver’s review, the broker and referral fees paid in connection with Kitchener, Burlington and McMurray are \$113,915 greater than permitted under the Loan Agreements, as reflected below.

(unaudited; \$000)		Permitted	Actual	
	Paid to	Referral Fees	Referral Fees	Variance
Kitchener	Tier 1	1,692,288	1,733,088	(40,800)
Burlington	Tier 1	1,328,416	1,356,231	(27,815)
McMurray	Various brokers	480,000	525,300	(45,300)
		3,500,704	3,614,619	(113,915)

4. The remaining referral fees appear to be consistent with the referral fees set out in the various Loan Agreements.

²⁰ Except the McMurray Loan Agreement, which provides fixed referral fees of \$445,000 (12.7% of the funds raised).

3.5 Professional fees

1. A summary of the professional fees paid by the Davies Developers is reflected in the table below.

(unaudited; \$000)	Elliot			
Davies Developer	Harris	Law Firm	Other	Total
Kitchener	189	49	32	270
Oakville	402	68	48	518
Bronson	160	23	61	244
445 Princess	255	29	186	470
Burlington	168	49	42	259
Scollard	308	32	107	447
555 Princess	181	26	11	218
525 Princess	188	26	11	225
Legacy Lane	96	26	27	149
Ross Park	274	26	11	311
McMurray	185	-	62	247
Total	2,406	354	598	3,357

2. The table reflects that:
 - a) \$2.406 million was paid to Harris. The Loan Agreements provide a combined estimate for Harris' legal fees of \$748,060, plus disbursements and HST. Pursuant to the Loan Agreements, Harris was to charge fees ranging \$25,000 to \$35,000 on the first advance under a Loan Agreement and \$15,000 to \$20,000 on subsequent advances. Harris has advised the Receiver that his law firm provided services to the Davies Developers in addition to those contemplated in the Loan Agreements. The Receiver is reviewing Harris' invoices, which were recently provided to it by Harris;
 - b) \$354,000 was paid to Elliot Law Firm ("Elliot"), counsel to the Trustee Corporations. The Loan Agreements provide a combined estimate for Elliot's legal fees of \$287,020, plus disbursements and HST; and
 - c) \$598,000 was paid in other professional fees.

3.6 Traditions Development Company

1. The Memory Care Entities and Legacy Lane made payments to Traditions Development Company ("Traditions") totaling \$1.487 million.
2. Davies has advised the Receiver that:
 - a) the fees paid to Traditions were development management fees relating to the Memory Care Entities and Legacy Lane Projects;

- b) there is no consulting or other agreement between Traditions and either the Memory Care Entities or Legacy Lane; and
 - c) the principal of Traditions, Bruce Stewart, was formerly a director and officer of the Memory Care Entities and Legacy Lane.
3. Harris has provided the Receiver with copies of the directors', officers' and shareholders' registers for each of the Memory Care Entities and Legacy Lane. A copy of the registers is attached as Appendix "V".
 4. The Legacy Lane Loan Agreement prohibits the payment of management and consulting fees to Legacy Lane's directors and officers.

4.0 Davies Developer Transactions

1. The table below illustrates that the Davies Developers routinely transferred monies between entities in contravention of the Loan Agreements. The Loan Agreements require that funds advanced from Investors are to be used solely for the Project for which the funds were raised. A summary of the transactions between Davies Developers is provided in the table below.

(unaudited, \$000) Davies Developer	Amounts Received from Other Davies Developers	Amounts Advanced to Other Davies Developers	Net Received/ (Advanced)
McMurray	4,137	401	3,736
Scollard	5,980	2,906	3,074
Legacy Lane	1,023	773	250
Ross Park	838	247	591
555 Princess Street	55	24	31
525 Princess Street	57	80	(23)
Burlington	2,178	2,571	(393)
Bronson	281	1,087	(806)
Kitchener	1,225	2,943	(1,718)
445 Princess	61	1,732	(1,671)
Oakville	1,368	4,439	(3,071)
	17,203	17,203	-

2. The details of the transactions among the Davies Developers is provided in Appendices "G" to "Q".

5.0 Disposition by Davies of His Cottage and a Home

1. The Receiver understands that Davies recently sold his cottage and is in the process of selling his house. In this regard:
 - a) on April 25, 2017, Davies sold his cottage for \$3 million. A copy of the title search for the cottage is attached as Appendix "W"; and
 - b) Davies has sold his home, which is jointly owned with his wife; however, based on the title search, it appears that the transaction has not yet closed. The listing price for the house was \$1.6 million.²¹ The Receiver does not know the current balance of the mortgage (Moscowitz is the registered mortgagee) and whether there is any equity in the house.
2. The Receiver has also been advised that Davies and/or his family, either directly or indirectly, own a property in Arizona in the United States. The Receiver has no other information regarding this property.

6.0 Conclusion and Recommendation

1. Based on the Receiver's findings as detailed throughout this Report, the Receiver recommends that the Court issue orders: (i) granting an interim Mareva injunction against Davies and Aeolian, and (ii) compelling TSI, TSSI and MCIL to forthwith provide a copy of its books and records to the Receiver. Certain of the Receiver's critical findings are summarized below:
 - a) The Davies Developers raised a total of approximately \$125 million to develop eleven Projects, including approximately \$93.975 million from Investors. Notwithstanding the substantial monies raised, each of the Projects is in the early stages of development and none has any capital to further develop its Project. Each is insolvent.
 - b) Millions of dollars were paid by the Davies Developers to the Shareholders in respect of management fees, consulting fees, dividends, loans and other amounts. A substantial portion of these payments contravenes the Loan Agreements.
 - c) Davies and entities or individuals related to him received a net amount of \$6.763 million from the Davies Developers, including at least \$4.069 million in prohibited management fees, \$875,000 in dividends, over \$900,000 in payments to Moscowitz, and over \$422,000 paid to family members. This does not consider any amounts that he may have received from TSI, TSSI and MCIL, which, on a combined basis, received over \$5.5 million from the Davies Developers. The Receiver believes it is appropriate to investigate further, *inter alia*, the use of the monies by TSI, TSSI and MCIL.
 - d) Of the amounts paid to Davies and parties related to Davies, Aeolian received \$5.444 million, including the prohibited management fees and dividends. Aeolian is also a shareholder of TSI, TSSI and MCIL.

²¹ The selling price is not known to the Receiver.

- e) Moscowitz is the mortgagee on Davies' personal residence. Moscowitz is not the mortgagee on any of the Davies Developers' real estate, including McMurray, which is the entity from which these payments were sourced.
- f) Entities related to the Shareholders received \$4 million in dividends. Although the intention to pay these dividends was disclosed in the applicable Davies Developer Loan Agreements, no value was created to justify the payment of the dividends and each entity had no or negligible equity after related party transactions and the payment of dividends. It is possible that the entities were insolvent at the time these amounts were paid, or that the payment of them contributed to their insolvency.
- g) The Davies Developers' transactions are poorly documented and their books and records are incomplete.
- h) There are numerous other breaches of the Loan Agreements, including: i) in the case of the Memory Care Entities, Scollard and McMurray, the granting of security interests on their real estate in priority to the security interests granted to the applicable Trustee Corporations; and ii) the routine transfer of dollars among the Davies Developers.
- i) Davies recently closed the sale of his cottage. His house has been sold and to the Receiver's knowledge, has not yet closed. In light of those dispositions and Davies' other conduct described in this Report, the Receiver is concerned that Davies is attempting to dissipate assets so that they are out of reach of creditors.

* * *

All of which is respectfully submitted,



**KSV KOFMAN INC.
SOLELY IN ITS CAPACITY AS RECEIVER AND MANAGER OF
CERTAIN PROPERTY OF SCOLLARD DEVELOPMENT CORPORATION, MEMORY CARE
INVESTMENTS (KITCHENER) LTD., MEMORY CARE INVESTMENTS (OAKVILLE) LTD.,
1703858 ONTARIO INC., LEGACY LANE INVESTMENTS LTD., TEXTBOOK (525 PRINCESS
STREET) INC. AND TEXTBOOK (555 PRINCESS STREET) INC.
AND NOT IN ITS PERSONAL OR IN ANY OTHER CAPACITY**

Appendix “A”

LOAN AGREEMENT

THIS AGREEMENT is made as of the 7th day of January, 2016.

B E T W E E N:

**TEXTBOOK STUDENT SUITES (774 BRONSON AVENUE)
TRUSTEE CORPORATION**, a corporation incorporated under
the laws of the Province of Ontario

(hereinafter referred to as the “**Lender**”)

AND

TEXTBOOK (774 BRONSON AVENUE) INC., a corporation
incorporated under the laws of the Province of Ontario

(hereinafter referred to as the “**Borrower**”)

WHEREAS the Lender, on the terms and conditions hereinafter set forth, has agreed to lend to the Borrower and the Borrower has agreed to borrow from the Lender the sum of up to **Sixteen Million Five Hundred Seventy-Five Thousand (\$16,575,000) Dollars** of lawful money of Canada (the “**Principal Sum**”) for a term of Three (3) years, subject to extensions as provided herein, (the “**Term**”) in connection with the development and construction by the Borrower of a condominium/apartment project on the lands and premises situated at 774 Bronson Avenue, Ottawa, Ontario and 557 Cambridge Street South, Ottawa, Ontario, and more particularly described in Schedule “A” attached hereto (the “**Property**”).

AND WHEREAS the Borrower agrees to pay to the Lender interest on the Principal Sum at the Loan Rate (as hereinafter defined), calculated annually and payable quarterly during the Term along with the Additional Loan Payment as more particularly described in Schedule “D” attached hereto;

AND WHEREAS the Borrower has agreed to allow a Charge/Mortgage of Land in addition to the other Security Documents, on the terms set out herein, to be registered against the Property in second position and in favour of the Lender (the “**Mortgage**”), as security for repayment of the Principal Sum with interest at the Loan Rate and the payment of the Additional Loan Payment, which Mortgage shall rank subordinate to a first charge in the amount of up to \$5.7 million, which proceeds are to be used to assist with the acquisition of the Property (the “**First Charge**”);

AND WHEREAS the Borrower agrees to repay to the Lender the Principal Sum and interest at the Loan Rate and the payment of the Additional Loan Payment on or before the expiry of the Term, as specified herein;

AND WHEREAS the Lender and the Borrower (collectively, the "Parties") wish to evidence their agreement in respect of the Loan;

AND WHEREAS the Lender acknowledges that the Mortgage shall be granted, *inter alia*, in the form of a syndicated second Charge/Mortgage of Land as more fully described herein and shall be in form and substance satisfactory to the Lender;

NOW THEREFORE THIS AGREEMENT WITNESSETH THAT in consideration of the covenants, agreements herein contained and for other good and valuable consideration (the receipt and sufficiency of which is hereby acknowledged), the parties hereto agree as follows:

ARTICLE 1 RECITALS

1.01 The Parties to this Agreement acknowledge and agree that the recitals to this Agreement are true and correct in substance and in fact are incorporated into and form an integral part of this Agreement.

ARTICLE 2 DEFINITIONS AND TERMS

2.01 The following words and phrases have the following meanings when used in this Agreement:

- (a) "Acceleration Date" means the date on which an Acceleration Event occurs;
- (b) "Acceleration Event" means the earlier of: (i) the occurrence of an Insolvency Event; and (ii) the delivery by the Lender to the Borrower of a written notice that the Borrowers Liabilities or any part thereof are immediately due and payable, following the occurrence and during the continuation of an Event of Default other than an Insolvency Event;
- (c) "Additional Loan Payment" has the same meaning as set forth in Section 4.11 hereof;
- (d) "Agreement", means this Agreement entitled "Loan Agreement", and all instruments supplemental hereto or in amendment or confirmation hereof; "hereof", "hereto" and "hereunder" and similar expressions refer to this Agreement, and where relevant, to any particular article, section or paragraph hereof; "Article", "Section" and "paragraph" mean and refer to the specified article, section or paragraph of this Agreement;
- (e) "BIA" means the *Bankruptcy and Insolvency Act* (Canada), as amended from time to time;
- (f) "Borrower's Books and Records" shall have the same meaning as set forth in Section 7.04 hereof.

- (g) "Borrower's Liabilities", refers collectively to the Loan, all interest from time to time accruing thereon as set forth in this Agreement, and all liabilities and indebtedness now or hereafter owing, arising, due or payable by the Borrower to the Lender whether under this Agreement or the Security Documents and including the Additional Loan Payment;
- (h) "Borrower's Solicitors" shall mean Harris + Harris LLP, or such other solicitors that the Borrower may in writing designate;
- (i) "Business Day", refers to any day other than a Saturday, Sunday or Statutory Holiday in Toronto, Ontario;
- (j) "Closing Date" or "Closing", or similar references means the date of the initial Loan Instalment or the date, as the context requires, of any other Loan Instalments made pursuant hereto;
- (k) "Commodity Taxes" means all commodity taxes, including all sales, use, retail, goods and services, harmonized sales, value-added and similar taxes imposed, levied or assessed by any Governmental Authority;
- (l) "Default" means any event, act, omission or condition which with the giving of notice or the passage of time, or both, would result in an Event of Default;
- (m) "Distributable Cash Proceeds" means all amounts received by the Borrower arising out of the Property or the sale or operation thereof or of the sale of condominium units for the period including but not limited to the following:
 - (i) all revenues derived from the sale of condominium units or any part or all of the Property (including all premiums, upgrade costs (net of commissions) and applicable harmonized sales tax or goods and services tax rebates);
 - (ii) all gross receipts derived from all rents and fees payable by tenants, licensees and concessionaires;
 - (iii) the gross amount, if any, of any insurance proceeds received by the Borrower, including business interruption payments;
 - (iv) the net proceeds of any refinancing, if any, received by the Borrower, other than any construction loan which contains terms prohibiting the use of such loan proceeds to repay existing indebtedness (net of repayments of existing mortgage financing being refinanced); and
 - (v) the gross amount, if any, from partial or total expropriations of all or part of the Property,

but excluding: (i) Commodity Taxes which the Borrower is required by law to collect from purchasers, tenants, concessionaires or licensees and remit to an applicable taxing authority.

- (n) "Distribution" means, other than as specifically provided for elsewhere in this Agreement or in any other acknowledgement or direction executed by the Lender prior to the advance of the Loan, any amount paid to or on behalf of the employees, directors, officers, shareholders, partners or unitholders of the Borrower, by way of salary, bonus, commission, management fees, directors' fees, dividends, redemption of shares, distribution of profits or otherwise, other than ordinary course payment of amounts related to the management, development and operation of the Property, provided such payments are in amounts reasonable for the services rendered, and whether payments are made to such Persons in their capacity as shareholders, partners, unitholders, directors, officers, employees, owners or creditors of the Borrower or otherwise, or any other direct or indirect payment in respect of the earnings or capital of the Borrower;
- (o) "Event of Default" is defined in Section 9.01 hereof;
- (p) "Expenses", means all expenses relating to the Loan and all fees and expenses for legal services relative to the preparation, review and enforcement of this Agreement and the Security Documents, the making of Loan Instalments and the repayment of the Borrower's Liabilities and the release of the security therefore;
- (q) "Fiscal Year" means the fiscal year end of the Borrower, being December 31st in every year;
- (r) "GAAP" means generally accepted accounting principles in Canada as approved by the Canadian Institute of Chartered Accountants in effect from time to time; and for greater certainty if international financial reporting standards are adopted by the Canadian Institute of Chartered Accountants in replacement for generally accepted accounting principles, each reference to "GAAP" herein shall be deemed to refer to such international financial reporting standards;
- (s) "Governmental Authority" means any: (i) federal, provincial, state, municipal, local or other governmental or public department, central bank, court, commission, board, bureau, agency or instrumentality, domestic or foreign; (ii) any subdivision or authority of any of the foregoing; or (iii) any quasi-governmental, judicial or administrative body exercising any regulatory, expropriation or taxing authority under or for the account of any of the foregoing;
- (t) "Hazardous Materials" means any contaminant, pollutant, waste or substance that is likely to cause immediately or at some future time harm or degradation to the surrounding environment or risk to human health; and without restricting the generality of the foregoing, including any pollutant, contaminant, waste, hazardous waste or dangerous goods that is regulated by any Requirements of Environmental Law or that

is designated, classified, listed or defined as hazardous, toxic, radioactive or dangerous or as a contaminant, pollutant or waste by any Requirements of Environmental Law;

- (u) "Indemnitees" means the Lender and its successors and permitted assignees, any agent of any of them (specifically including a receiver or receiver-manager) and its officers, directors, employees, beneficial owners and shareholders;
- (v) "Insolvency Event" means, in respect of any Person:
 - (i) such Person ceases to carry on its business; or commits an act of bankruptcy or becomes insolvent (as such terms are used in the BIA); or makes an assignment for the benefit of creditors, files a petition in bankruptcy, makes a proposal or commences a proceeding under Insolvency Legislation; or petitions or applies to any tribunal for, or consents to, the appointment of any receiver, trustee or similar liquidator in respect of all or a substantial part of its property; or admits the material allegations of a petition or application filed with respect to it in any proceeding commenced in respect of it under Insolvency Legislation; or takes any corporate action for the purpose of effecting any of the foregoing; or
 - (ii) any proceeding or filing is commenced against such Person seeking to have an order for relief entered against it as debtor or to adjudicate it a bankrupt or insolvent, or seeking liquidation, winding-up, reorganization, arrangement, adjustment or composition of it or its debts under any Insolvency Legislation, or seeking appointment of a receiver, trustee, custodian or other similar official for it or any of its property or assets; unless (i) such Person is diligently defending such proceeding in good faith and on reasonable grounds as determined by the Lender and (ii) such proceeding does not in the reasonable opinion of the Lender materially adversely affect the ability of such Person to carry on its business and to perform and satisfy all of its obligations hereunder;
- (w) "Insolvency Legislation" means legislation in any applicable jurisdiction relating to reorganization, arrangement, compromise or re-adjustment of debt, dissolution or winding-up, or any similar legislation, and specifically includes for greater certainty the BIA, the *Companies' Creditors Arrangement Act* (Canada) and the *Winding-Up and Restructuring Act* (Canada);
- (x) "Interest Reserve" means the amounts set aside or deducted as contemplated in Section 4.12 hereof to fund the obligations of the Borrower to pay interest as set forth in this Agreement on the Loan Instalments that may from time to time be made by the Lender to the Borrower.
- (y) "Laws" means all statutes, codes, ordinances, decrees, rules, regulations, municipal by-laws, judicial or arbitral or administrative or ministerial or departmental or regulatory judgments, orders, decisions, rulings or awards, or any provisions of such laws,

including general principles of common and civil law and equity or policies or guidelines, to the extent such policies or guidelines have the force of law, binding on the Person referred to in the context in which such word is used; and "Law" means any of the foregoing;

- (z) "Lender's Solicitors" shall mean Elliott Law Professional Corporation, or such other solicitors that the Lender may in writing designate;
- (aa) "Lien" means: (i) a lien, charge, mortgage, pledge, security interest or conditional sale agreement; (ii) an assignment, lease, consignment, trust or deemed trust that secures payment or performance of an obligation; (iii) a garnishment; (iv) any other encumbrance of any kind; and (v) any commitment or agreement to enter into or grant any of the foregoing;
- (bb) "Loan", means the aggregate amount, not to exceed Sixteen Million Five Hundred Seventy-Five Thousand (\$16,575,000) Dollars, of all Loan Instalments made from time to time hereunder by the Lender to the Borrower, less the amount, if any, repaid from time to time by the Borrower to the Lender;
- (cc) "Loan Instalment" has the same meaning as set forth in Sub-Section 4.08(a) hereof, with each Loan Instalment to be made in the sole and absolute discretion of the Lender;
- (dd) "Loan Rate", means the annual rate of interest applicable to any particular amount outstanding pursuant to this Agreement being Eight (8%) percent per annum;
- (ee) "Material Adverse Change" means any change or event which: (i) constitutes a material adverse change in the business, operations, condition (financial or otherwise) or properties of the Borrower taken as a whole; or (ii) could materially impair the Borrower's ability to timely and fully perform its obligations under this Agreement or the Security Documents, or materially impair the ability of the Lender to enforce its rights and remedies under this Agreement or the Security Documents;
- (ff) "Material Agreement" means, in respect of the Borrower, any agreement made between the Borrower and another Person which the Lender, in its sole and absolute discretion, determines to be material to the Borrower;
- (gg) "Maturity Date" shall have the same meaning as set forth in Section 4.04 hereof;
- (hh) "Mortgage" has the same meaning as set forth in Sub-Section 5.01(c) hereof;
- (ii) "Note" shall mean the promissory note executed by the Borrower in favour of the Lender in the sum of up to Sixteen Million Five Hundred Seventy-Five Thousand (\$16,575,000) Dollars which Note shall be in form and substance satisfactory to the solicitors of the Lender;
- (jj) "Outstanding Encumbrances and Liens" shall have the same meaning as set forth in Sub-Section 7.01(l) hereof;

- (kk) "Person", means a natural person, firm, trust, partnership, association, corporation, government or governmental board, agency or instrumentality;
- (ll) "Permitted Encumbrances" are those Liens described in Schedule "E" attached hereto and any construction financing subsequently acquired by the Borrower for the construction of the condominium project on the Property not exceeding Fifty-Two Million (\$52,000,000) Dollars (plus any Tarion bonding company insurance mortgage security);
- (mm) "Requirements of Environmental Law" means: (i) obligations under common law; (ii) requirements imposed by or pursuant to statutes, regulations and by-laws whether presently or hereafter in force; (iii) requirements announced by a Governmental Authority as having immediate effect (provided that at the time of making such announcement the government also states its intention of enacting legislation to confirm such requirements retroactively); (iv) all directives, policies and guidelines issued or relied upon by any Governmental Authority to the extent such directives, policies or guidelines have the force of law; (v) all permits, licenses, certificates and approvals from Governmental Authorities which are required in connection with air emissions, discharges to surface or groundwater, noise emissions, solid or liquid waste disposal, the use, generation, storage, transportation or disposal of Hazardous Materials; and (vi) all requirements imposed under any clean-up, compliance or other order made pursuant to any of the foregoing, in each and every case relating to environmental, health or safety matters including all such obligations and requirements which relate to (A) solid, gaseous or liquid waste generation, handling, treatment, storage, disposal or transportation and (B) exposure to Hazardous Materials;
- (nn) "Security" means all guarantees, security agreements, mortgages, debentures and other documents mentioned comprising the Security Documents or otherwise and all other documents and agreements delivered by the Borrower or other Persons to the Lender for the benefit of the Lender from time to time as security for the payment and performance of the Borrowers Liabilities, and the security interests, assignments and Liens constituted by the foregoing;
- (oo) "Security Documents", refers collectively to this Agreement, the Mortgage, those documents and instruments referred to in Section 5.01 hereof and any and other documents, agreements or writings delivered to the Lender as contemplated in this Agreement whether as security for the Loan or otherwise. At the option of the Lender, the Security Documents may reflect a fixed rate of interest as designated by the Lender's counsel. Notwithstanding the same, the provisions with respect to the payment of interest as set out in this Agreement shall prevail;
- (pp) "Statutory Lien" means a Lien in respect of any property or assets of a Company created by or arising pursuant to any applicable legislation in favour of any Person (such as but not limited to a Governmental Authority), including a Lien for the purpose of securing the Borrower's obligation to deduct and remit employee source deductions and goods and services tax pursuant to the *Income Tax Act* (Canada), the *Excise Tax Act* (Canada), the *Canada Pension Plan* (Canada), the *Employment Insurance Act*

(Canada) and any federal or provincial legislation similar to or enacted in replacement of the foregoing from time to time; and,

- (qq) "Subsidiary" means a business entity which is controlled by another business entity (as used herein, "business entity" includes a corporation, company, partnership, limited partnership, trust or joint venture).

2.02 Unless otherwise provided herein, all financial terms used in this Agreement shall be determined in accordance with GAAP in effect at the date of such determination. Where the character or amount of any asset or liability or item of revenue or expense is required to be determined, or any consolidation or other computation is required to be made for the purpose of this Agreement, such determination or calculation shall be made in accordance with GAAP applied on a consistent basis, unless otherwise indicated.

2.03 All amounts referred to in this Agreement are in Canadian Dollars unless otherwise noted.

2.04 Whenever in this Agreement reference is made to a statute or regulations made pursuant to a statute, such reference shall, unless otherwise specified, be deemed to include all amendments to such statute or regulations from time to time and all statutes or regulations which may come into effect from time to time substantially in replacement for the said statutes or regulations.

2.05 Terms defined in the singular have the same meaning when used in the plural, and vice-versa. When used in the context of a general statement followed by a reference to one or more specific items or matters, the term "including" shall mean "including, without limitation", and the term "includes" shall mean "includes, without limitation". Any reference herein to the exercise of discretion by the Lender (including phrases such as "in the discretion of", "in the opinion of", "in its opinion", "to the satisfaction of" and similar phrases) shall mean that such discretion is absolute and unfettered and shall not imply any obligation to act reasonably, unless otherwise expressly stated herein.

ARTICLE 3 SCHEDULES

3.01 The following are the schedules attached to and incorporated in this Agreement by reference and deemed to be a part thereof:

Schedule "A" – Lands to be Charged/Mortgaged

Schedule "B" – Schedule of Interest Payments

Schedule "C" – Expenses

Schedule "D" – Additional Loan Payment

Schedule "E" – Permitted Encumbrances

ARTICLE 4
THE LOAN, INTEREST, EXPENSES, AND PAYMENT THEREOF

4.01 Subject to the terms and conditions hereof, the Lender agrees to provide to the Borrower the Loan.

4.02 The Borrower and the Lender acknowledge and confirm that, notwithstanding any rate of interest set out in the Security Documents or any of them, the provisions of this Agreement regarding the Loan Rate shall govern the rate of interest payable on the Loan. The Borrower and the Lender further acknowledge and confirm that the Security Documents shall be in form and substance satisfactory to the Lender.

4.03 Interest on the Loan Rate shall be determined daily and shall be due, payable and compounded quarterly, not in advance, on the 1st day of each month during such quarterly period, as well after as before demand, maturity, default and judgment, together with interest on overdue interest determined daily (if relevant) and compounded quarterly at the same rate applicable until the Borrower's Liabilities have been paid in full. Interest shall be calculated on the basis of a three hundred and sixty-five (365) day year. Interest on the Loan at the Loan Rate and calculated as aforesaid shall accrue as of the date of the first Loan Instalment. Any disputes on the determination and calculation of interest of the Interest Rate shall be resolved by the Lender, in its opinion but acting reasonably. The first payment of interest and all subsequent payments of interest as aforesaid shall be payable in the amounts and on the dates as set forth in Schedule "B" attached hereto.

4.04 The Loan, together with all accrued and outstanding interest and other charges in connection therewith as set forth in this Agreement and the Security Documents including without limiting the generality of the foregoing the Additional Loan Payment and all other Borrower's Liabilities, shall become fully due and repayable on the third anniversary of the first Loan Instalment, unless extended as set out in this Agreement (the "Maturity Date"). The Maturity Date may be extended for up to two six month extension periods, by notice in writing delivered by the Borrower to the Lender at least 60 days prior to the scheduled Maturity Date, or extended Maturity Date, in the case of a second six month extension. During any extension of the Term, all of the provisions in this Agreement shall remain in full force and effect and interest shall continue to be payable and accrue during any extension to the Term, on the same terms and conditions as interest is calculated and payable prior to any extension of the Term. The Maturity Date shall be deemed amended to the date which is six months from the date of the prior Maturity Date, or first amended Maturity Date in the case of a second six month extension.

4.05 Any payment provided hereunder to be made by the Borrower to the Lender shall be in certified funds or Bank Draft and shall be payable to the Borrower's Solicitors, in trust, and delivered to the Borrower's Solicitors, or any other payee or office designated by the Lender from time to time. The Borrower's Solicitors shall coordinate further delivery of such funds with the Lender's Solicitors. Any payment as aforesaid received after two o'clock (2:00) p.m. Toronto time shall be deemed to have been received on the next following Business Day.

4.06 This Agreement shall constitute evidence of the obligation of the Borrower to repay all the Borrower's Liabilities in accordance with the terms hereof. The Borrower shall repay the Loan and

the Borrower's Liabilities in full on the Maturity Date, and until then shall pay interest at the time or times and in the manner provided herein.

4.07 All Loan Instalments and Expenses as and when advanced or incurred shall be and become secured by the Security Documents and Expenses may be paid by the Lender and be deducted from Loan Instalments which would otherwise have been made to the Borrower. The Security Documents shall be in addition to any other security which the Lender may now have or subsequently acquire for the performance of the Borrower's Liabilities. The Expenses listed in Schedule "C" attached hereto are a list of Expenses (but by no means an exhaustive list of all Expenses) that shall be deducted from the Loan Instalments.

4.08 The Lender and the Borrower mutually acknowledge, confirm, represent and covenant as follows:

- (a) Any amounts advanced by the Lender, in its sole and absolute discretion, to the Borrower pursuant to this Agreement, may occur in tranches (the "**Loan Instalments**"). The Loan Instalments are expected to be in the aggregate amount of up to Sixteen Million Five Hundred and Seventy-Five Thousand (\$16,575,000) Dollars; and
- (b) prior to the release of any funds by the Lender's Solicitors to the solicitor(s) for the Borrower, each Party hereby irrevocably acknowledges and directs that their respective solicitors are authorized to and shall cause to be registered any such instruments on title to the Lands which in the opinion of the solicitor for the Lender may be required as evidence of any sums advanced to the Borrower on the security of this Agreement or the Security Documents.

4.09 The Borrower may not prepay all or any portion of the Borrower's Liabilities hereunder, other than pursuant to Section 4.13 hereof.

4.10 Notwithstanding anything to the contrary contained in this Agreement, any Loan Instalment made by the Lender and the Borrower shall be at the Lender's sole and absolute discretion and the Lender shall not be obligated at any time or times to make any Loan Instalment to the Borrower.

4.11 In addition to the payment by the Borrower of the Loan plus interest as set forth in this Agreement, the Borrower shall also pay to the Lender, in certified funds or Bank Draft, forthwith after the determination is made by the Lender in its opinion that the Additional Loan Payment is payable, the amount of the Additional Loan Payment calculated as described in Schedule "D" attached hereto in the same manner as contemplated in Section 4.05 hereof. Notwithstanding the foregoing, the Lender, at its option, may also deduct from the Distributable Cash Proceeds, at any time and from time to time, all or any part of the Additional Loan Payment that the Lender, in its opinion, believes is due and payable.

4.12 The parties hereto acknowledge, confirm, covenant and agree that the Lender shall be deducting from the first Loan Instalment and any subsequent Loan Instalments an amount equal to the projected interest on the amount of such Loan Instalment for 12 months which shall be a contribution of the Borrower to the Interest Reserve. The parties hereto further acknowledge,

confirm, covenant and agree that the Lender may from time to time and at any time, acting reasonably, deduct from the funds held in trust by the Lender's Solicitors or received from the Borrower, whether from the Distributable Cash Proceeds or otherwise, such amounts that in its opinion is necessary or appropriate to replenish the Interest Reserve. The Borrower covenants and agrees that the amount in the Interest Reserve shall be applied by the Lender against the obligations of the Borrower to pay interest hereunder on the Loan Instalments and that once applied or deducted by the Lender from the Loan Instalments, the Distributable Cash Proceeds or otherwise, the Borrower shall have no claim against the funds in the Interest Reserve.

4.13 The Borrower, at any time after the second anniversary hereof, shall be entitled to repay all or a portion of the Loan without penalty, notice or bonus and the interest at the rate of 8% per annum on the principal outstanding ceasing at the date of prepayment; provided that the Lender shall continue to be entitled to the Additional Loan Payment for all three years of this Loan, even though the Loan shall have been prepaid prior to the three year term expiry (to also be paid at the time of prepayment) plus the prepayment amount; but shall not be entitled to any additional interest Payment for the third year of the Term of this Loan nor any compensation for loss of interest after the date of such prepayment.

ARTICLE 5 SECURITY

5.01 The Borrower agrees to provide the Security Documents listed below to the Lender, as continuing security for the payment and performance of all of its present and future, direct and indirect obligations to the Lender, specifically including the Loan, the Borrowers Liabilities and its direct indebtedness and obligations to the Lender arising under this Agreement:

- (a) The Note;
- (b) A mortgage in the amount of the Principal Sum (or such lesser amount as determined by the Lender in its sole and unfettered discretion and provided that the Principal Sum shall not exceed the result of \$16,575,000 less any other mortgages (excluding any Tarion Warranty bond mortgage security registered against the Property) ranking as a second mortgage; provided that said mortgage shall also be subordinated to (i) the First Charge and (ii) any construction and related financing (in one or multiple tranches) not exceeding in the aggregate Fifty-Two Million (\$52,000,000) Dollars obtained by the Borrower related to construction of the condominium/apartment project on the Property and for the hard and soft costs related thereto, plus any Tarion warranty bond mortgage security (the "**Mortgage**");
- (c) if requested by the Lender from time to time, security agreements creating an assignment security interest in respect of its rights to and interest in Material Agreements to which it is a party, together with any necessary consents from the other parties thereto which security interest may not be a first ranking security interest;

- (d) an assignment of its interest in all policies of insurance, specifically including the right to receive any refunds of premiums paid thereunder, which security interest may not be a first ranking security interest; and
- (e) such other security and further assurances as the Lender may reasonably require from time to time, which security interests may not be first ranking security interests.

5.02 The Security Documents shall be in form and substance satisfactory to the Lender, acting reasonably. The Lender may require that any item of Security Documents be governed by the laws of the jurisdiction where the property subject to such item of Security Documents is located. The Security Documents shall be registered by the Lender or, at the request of the Lender, by the Borrower, all at the Borrower's cost and expense, where necessary or desirable to record and perfect the charges contained therein, as determined by the Lender in its sole and absolute discretion.

5.03 The Borrower shall cause to be delivered to the Lender prior to each Loan Instalment the opinion of the solicitors for the Borrower regarding its corporate status, the due authorization, execution and delivery of the Security Documents provided by it, all registrations in respect of the Security Documents, the results of all applicable searches in respect of them, and the enforceability of such Security Documents and any other matters requested by the Lender in its opinion; all such opinions to be in form and substance satisfactory to the Lender.

5.04 The Borrower shall execute and deliver from time to time all such further documents and assurances as may be reasonably required by the Lender from time to time in order to provide the Security Documents contemplated hereunder, specifically including supplemental or additional security agreements which shall include lists of specific assets to be subject to the security interests required hereunder.

5.05 If insurance proceeds become payable in respect of loss of or damage to any property owned by the Borrower the Lender shall apply such proceeds against the Borrower's Liabilities (allocated amongst the components of the Borrower's Liabilities, at all times, by the Lender in its sole and absolute discretion).

ARTICLE 6 COVENANTS, REPRESENTATIONS AND WARRANTIES

6.01 The Borrower represents and warrants to the Lender as follows (which shall survive the execution and delivery of this Agreement), the truth and accuracy of which are a continuing condition of the advance of the Loan Instalments and the Borrower hereby acknowledges, confirms and agrees that the Lender is relying on such representations and warranties:

- (a) The Borrower is a validly subsisting corporation under the *Business Corporations Act* (Ontario), and is duly qualified to carry on its business in the jurisdiction in which it carries on business and has the power and authority to enter into and perform its obligations under this Agreement, is the registered owner of the

Property and is legally entitled to carry on its business as currently conducted or as currently contemplated.

- (b) The Borrower has obtained all material licenses, permits and approvals from all governments, governmental commissions, boards and other agencies of jurisdictions in which it carries on (or contemplates carrying on) business which are required and which will allow for the development of the Property.
- (c) The Borrower or its solicitor has delivered to the Lender, or its solicitor, copies of the constating documents of the Borrower and the Lender's solicitor has obtained a legal opinion from the Borrower's solicitor that the Borrower is authorized to enter into this Agreement and the Security Documents.
- (d) The execution, delivery and performance of this Agreement and the Security Documents has been duly authorized by all requisite action on the part of the Borrower; and this Agreement and the Security Documents have been, or will be, duly executed and delivered by the Borrower, and this Agreement and the Security Documents delivered or to be delivered pursuant hereto and thereto constitutes, or when delivered will constitute, a valid and binding obligation of the Borrower and enforceable against the Borrower in accordance with their terms, subject to the application of bankruptcy, insolvency and similar laws affecting the enforcement of creditors' rights generally and the fact that the right to obtain judicial orders requiring specific performance or other equitable remedies is in the discretion of the court.
- (e) The Borrower shall and does indemnify and hold harmless the Lender and the Indemnitees from and against all losses, claims, damages, liabilities, and expenses, to which any such person or entity may become subject arising out of or in connection with this Agreement, the use of proceeds, or any related transaction or any claim, litigation, investigation or proceeding, relating to any of the foregoing, regardless of whether the Lender is a party thereto, and to reimburse the Lender, forthwith upon demand for any reasonable, legal or other expenses incurred in connection with investigating or defending any of the foregoing.
- (f) The Borrower acknowledges that neither its execution nor delivery of this Agreement or the Security Documents the consummation of the transactions herein contemplated nor compliance with the terms, conditions and provisions hereof or thereof does not and will not conflict with, and does not and will not result in any breach of or constitutes a default under any of the provisions of the constating documents or by-laws of the Borrower or any applicable Law including applicable securities laws, rules, policies and regulations or any contract or agreement upon or to which the Borrower is a party.
- (g) The Borrower has good and marketable title to the Property and its assets free from all mortgages, security interests, Liens, pledges, charges, encumbrances, title retention agreements, options or adverse claims, other than the permitted

encumbrances as identified in Schedule "E" attached hereto (the "**Permitted Encumbrances**") and the Outstanding Encumbrances and Liens.

- (h) The Borrower has filed or caused to be filed, in a timely manner all tax returns, reports and declarations, which are required to be filed by it. All information in such tax returns, reports and declarations is complete and accurate in all material respects. The Borrower has paid or caused to be paid all taxes due and payable or claimed due and payable in any assessment received by it, except taxes the validity of which are being contested in good faith by appropriate proceedings diligently pursued and available to the said Borrower and with respect to which adequate reserves have been set aside on its books. Adequate provision has been made for the payment of all accrued and unpaid federal, provincial, local, foreign and other taxes whether or not yet due and payable and whether or not disputed.
- (i) All representations and warranties of the Borrower contained in this Agreement or in any of the Security Documents shall survive the execution and delivery of this Agreement and shall be deemed to have been made again to the Lender on the date of each Loan Instalment pursuant to this Agreement and shall be conclusively presumed to have been relied on by the Lender regardless of any investigation made or information possessed by the Lender. The representations and warranties set forth herein shall be cumulative and in addition to any other representations or warranties which the Borrower shall now or hereafter give, or cause to be given, to the Lender.
- (j) The Borrower further acknowledges and agrees that the terms of this Agreement shall override the terms of any previous loan agreements to which the Borrower and the Lender may be or may have been Parties.
- (k) The Borrower acknowledges that the Lender may have executed a loan agreement that has been amended to accommodate the beneficial owners of the Lender and the Borrower agrees to abide by the specific terms of each of said Agreements.
- (l) The Borrower has no Subsidiaries.
- (m) no Person has any agreement or option or any right or privilege (whether by law, pre-emptive or contractual) capable of becoming an agreement, including convertible securities, warrants or convertible obligations of any nature, for the purchase of any properties or assets of the Borrower out of the ordinary course of business or for the purchase, subscription, allotment or issuance of any debt or equity securities of the Borrower.
- (n) The Borrower is in compliance in all material respects with all applicable Laws of each jurisdiction in which it carries on business and is duly licensed, registered and qualified to do business and is in good standing in each jurisdiction in which the nature of the business conducted by it or the property owned or leased by it make such qualification necessary; and all such licences, registrations and qualifications are valid and subsisting and in good standing.

- (o) The Borrower owns, possesses and has a good and marketable title to its undertaking, property and assets, free and clear of any and all Liens except for Permitted Encumbrances and the Outstanding Encumbrances and Liens. The Borrower does not have any commitment or obligation (contingent or otherwise) to grant any Liens except for the Permitted Encumbrances. No event has occurred which constitutes, or which with the giving of notice, lapse of time or both.
- (p) The Borrower has/will place(d) insurance, including property, boiler and machinery, business interruption and liability insurance, in appropriate amounts and for appropriate risks as would be considered prudent for similar business.
- (q) The Borrower and its business, operations, assets, equipment, property, leaseholds and other facilities is in compliance in all material respects with all Requirements of Environmental Law, specifically including all Requirements of Environmental Law concerning the storage and handling of Hazardous Materials. The Borrower holds all material permits, licenses, certificates and approvals from Governmental Authorities which are required in connection with (i) air emissions; (ii) discharges to surface or groundwater; (iii) noise emissions; (iv) solid or liquid waste disposal; (v) the use, generation, storage, transportation or disposal of Hazardous Materials; and (vi) all other Requirements of Environmental Law. There has been no material emission, spill, release, or discharge into or upon (i) the air; (ii) soils, or any improvements located thereon; (iii) surface water or groundwater; or (iv) the sewer, septic system or waste treatment, storage or disposal system servicing the premises, of any Hazardous Materials at or from the Property, and there has been no complaint, order, directive, claim, citation, or notice from any Governmental Authority or any other Person with respect to (i) air emissions; (ii) spills, releases, or discharges to soils or improvements located thereon, surface water, groundwater or the sewer, septic system or waste treatment, storage or disposal systems servicing the Property; (iii) noise emissions; (iv) solid or liquid waste disposal; (v) the use, generation, storage, transportation, or disposal of Hazardous Materials; or (vi) other Requirements of Environmental Law affecting the Property. There are no legal or administrative proceedings, investigations or claims now pending, or to the Borrower's knowledge, threatened, with respect to the presence on or under, or the discharge, emission, spill, radiation or disposal into or upon any of the Properties, the atmosphere, or any watercourse or body of water, of any Hazardous Material; nor are there any material matters under discussion with any Governmental Authority relating thereto; and there is no factual basis for any such proceedings, investigations or claims. The Borrower has no material indebtedness, obligation or liability, absolute or contingent, matured or not matured, with respect to the storage, treatment, cleanup or disposal of any Hazardous Materials (including without limitation any such indebtedness, obligation, or liability under any Requirements of Environmental Law regarding such storage, treatment, cleanup or disposal).
- (r) Save and except for the Outstanding Encumbrances and Liens, there are no actions, suits or proceedings now pending, or to the Borrower's knowledge,

threatened, against the Borrower in any court or before or by any federal, provincial, municipal or other Governmental Authority.

- (s) No guarantees have been granted by the Borrower.
- (t) The Borrower has remitted on a timely basis all amounts required to have been withheld and remitted (including withholdings from employee wages and salaries relating to income tax, employment insurance and Canada Pension Plan contributions), goods and services and Harmonized Sales tax and all other amounts which if not paid when due could result in the creation of a Statutory Lien against any of the Borrower's property including the Property, except for Permitted Encumbrances.
- (u) Save and except for the Outstanding Encumbrances and Lien, no Default, Event of Default or Material Adverse Change has occurred and is continuing.
- (v) All financial and other information furnished by or in respect of the Borrower to the Lender for the purposes of or in connection with this Agreement or the Security Documents are true and accurate in all material respects and is not incomplete by omitting to state any fact necessary to make such information not misleading. There are no facts known to the Borrower which could materially adversely affect the Borrower's ability to observe and perform their obligations under the Security Documents, or which if known to the Lender could reasonably be expected to deter the Lender from making any Loan Instalments hereunder on the terms and conditions contained herein.

ARTICLE 7 COVENANTS

7.01 The Borrower hereby covenants and agrees with the Lender that it will:

- (a) pay all principal, interest and other amounts due hereunder including the Borrowers Liabilities at the times and in the manner specified herein;
- (b) maintain its corporate existence in good standing, continue to carry on its business, preserve its rights, powers, licences, privileges, franchises and goodwill, exercise any rights of renewal or extensions of any leases, licences, concessions, franchises or any other rights whatsoever which are material to the conduct of its business, maintain all qualifications to carry on business in each jurisdiction in which such qualifications are required, and carry on and conduct its business in a proper and efficient manner so as to protect its property and income; and not materially change the nature of its business;
- (c) comply in all material respects with all applicable Laws (specifically including, for greater certainty, all applicable Requirements of Environmental Law), use the proceeds of all Loan Instalments hereunder for legal and proper purposes in connection with the purposes set out in the first recital of this Agreement, and obtain and maintain in good standing all material leases, licences, permits and approvals

from any and all Governmental Authorities required in respect of its business and operations;

- (d) pay when due all rents, taxes, rates, levies, assessments and governmental charges, fees and dues lawfully levied, assessed or imposed in respect of its property which are material to the conduct of its business, and deliver to the Lender upon request receipts evidencing such payments;
- (e) maintain adequate books, accounts and records in accordance with GAAP;
- (f) keep the Property and its assets in good repair and working condition;
- (g) permit the Lender and its employees, representatives and agents (during normal business hours and in a manner which does not materially interfere with its business) to enter upon and inspect the Property and its properties, assets, books and records from time to time and make copies of and abstracts from such books and records, and discuss its affairs, finances and accounts with its officers, directors, accountants and auditors; such access shall be on 48 hours' prior notice unless a Default has occurred and is continuing in which event no notice shall be required;
- (h) obtain from financially responsible insurance company and maintain liability insurance, all-risks property insurance on a replacement cost basis (less a reasonable deductible not to exceed amounts customary in the industry for similar businesses and properties), business interruption insurance and insurance in respect of such other risks as the Lender may reasonably require from time to time; all of which policies of insurance shall be in such amounts as may be reasonably required by the Lender and shall include a standard mortgage clause approved by the Insurance Bureau of Canada; and the Lender's interest shall be noted as an additional insured on all liability insurance policies and as second mortgagee and loss payee on all other insurance policies; and the Lender shall be provided with certificates of insurance and certified copies of such policies from time to time upon request;
- (i) fulfil all covenants and obligations required to be performed by it under this Agreement and the Security Documents to which it is a party and any other agreement or undertaking now or hereafter made between it and the Lender;
- (j) provide prompt notice to the Lender of: (i) the occurrence of any Default or Event of Default; (ii) the incorrectness of any representation or warranty contained herein or any Security Documents in any material respect; (iii) any material contravention of or non-compliance by any Borrower with any terms and conditions of this Agreement or any Security Document; (iv) any Material Adverse Change; (v) any litigation affecting the Borrower; (vi) any material labour dispute affecting the Borrower; or (vii) any notice in respect of the termination or suspension of, or a material default under, any Material Contract;
- (k) provide the Lender with such further information, financial data, documentation and other assurances as the Lender may reasonably require from time to time in order to

ensure ongoing compliance with the terms of this Agreement and the Security Documents and to achieve the spirit and intent of this Agreement;

- (l) The Borrower hereby covenants and agrees with the Lender that the first Loan Instalment will be used to purchase the Property free and clear of any encumbrances and liens;
- (m) From any excess proceeds available after the Property has been acquired, the Borrower intends to pay a dividend of \$250,000 to each of its four shareholders, in compensation of expenses incurred and efforts in locating suitable property, negotiating and structuring the purchase transaction and matters ancillary thereto which shall not be a Distribution for the purposes of this Agreement.

7.02 The Borrower hereby covenants and agrees with the Lender that it will not without the prior written consent of the Lender (which consent may be withheld in the sole and absolute discretion of the Lender):

- (a) grant or suffer to exist any Liens in respect of any of its property and assets including the Property, except the Permitted Encumbrances;
- (b) directly or indirectly sell or otherwise dispose of any of its assets save and except in the ordinary course of its business or further save and except to sales of dwelling units to bona fide arm's length third party purchasers of such units;
- (c) make any Distributions;
- (d) not materially change the nature of its business, maintain a place of business or any material assets in any jurisdiction other than the Province of Ontario, or enter into any transaction whereby all or a substantial portion of its undertaking, property and assets would become the property of any other Person, whether by way of reconstruction, reorganization, recapitalization, consolidation, amalgamation, merger, transfer, sale or otherwise, in each case without the prior written consent of the Lender in its sole and absolute discretion;
- (e) change its Fiscal Year (which for greater certainty presently ends on the last day of December in each year);
- (f) change its Accountants except with the prior written consent of the Lender which consent shall not be unreasonably withheld; and,
- (g) use the proceeds of any Loan Instalment for any purposes other than the development and construction of a condominium project on the Property, unless otherwise specified in this Agreement; other than for the purposes of earning interest income on funds which are not immediately required to be expended by the Borrower.

7.03 The Borrower shall deliver by courier delivery to the Lender, upon request by the Lender, the following financial and other information at the times indicated below:

- (a) the annual Year-end Financial Statements of the Borrower, by the 120th day after the end of the Fiscal Year accompanied by a Compliance Certificate certified by the Chief Financial Officer of the Borrower or other senior officer of the Borrower acceptable to the Lender;
- (b) within the first 120 days after the start of each Fiscal Year, a business plan for the Borrower in respect of such Fiscal Year, which shall disclose all material assumptions utilized and shall include the following items set out on a quarterly basis: balance sheet, income statement, cashflow statement, Capital Expenditures and tax liabilities; and
- (c) such additional information and documents as the Lender may reasonably require from time to time.

7.04 Full, true and accurate accounting and financial information shall be kept by the Borrower in accordance with GAAP as of the date hereof until at least after eighteen (18) months after the Borrower's Liabilities have been repaid. The Lender or anyone designated by the Lender shall have access to the books, records, financial information, financial statements and data of the Borrower (the "**Borrower's Books and Records**") at any and all times during regular business hours for the purpose of examining and reviewing the Borrower's Books and Records. The Lender shall not disclose any confidential information so obtained except to the extent that disclosure is reasonable in the conduct of the Lender's business.

7.05 The Lender hereby covenants with the Borrower, that the Lender shall execute any necessary documents and register such documents as may be reasonably requested by any construction financier to subordinate the Lender's Mortgage security to any mortgage or other security granted by the construction financier or Tarion warranty bonding company to the Borrower, for the purposes of funding the Borrower's construction of the project on the Property (which shall include demolition costs and professional fees in furtherance of such construction (architectural, engineering, etc.)) or the provision Tarion insurance coverage, as the case may be; and the Lender appoints the Borrower as the Lender's power of attorney to execute any required documents on behalf of the Lender to evidence the foregoing.

ARTICLE 8 CONDITIONS PRECEDENT

8.01 The Lender shall have no obligation to make the first Loan Instalment hereunder or any Loan Instalments thereafter on the Closing Date unless at the time of making such Loan Instalment the following terms and conditions (which are condition precedents in favour of the Lender) shall have been satisfied in the opinion of the Lender:

- (a) the Lender shall have completed and shall be satisfied with its due diligence in respect of the Property;
- (b) all representations and warranties made by the Vendor contained in this Agreement or the Security Documents shall be true, correct and complete in all material respects;

- (c) all Security Documents required to be provided at the time of the first Loan Instalment shall have been executed and delivered, all registrations necessary or desirable in connection therewith shall have been made, and all legal opinions and other documentation required by the Lender in connection therewith shall have been executed and delivered, all in form and substance satisfactory to the Lender in its sole and absolute discretion;
- (d) the Lender shall have received satisfactory evidence that there are no Liens affecting the Borrower or its assets, except for Permitted Encumbrances which shall be paid in full and deducted from the First Loan Instalment on the Closing Date;
- (e) the Lender shall have received particulars of all Permitted Encumbrances, specifically including the assets encumbered thereby, the amounts due thereunder, and confirmation from the holders thereof that the terms thereof are being complied with;
- (f) the property and assets of the Borrower shall be insured on the Closing Date; the terms and conditions of such insurance to be in compliance with the requirements of this Agreement in the opinion of the Lender;
- (g) the Lender shall have received an officer's certificate and certified copies of resolutions of the board of directors of the Borrower concerning the due authorization, execution and delivery of the Security Documents to which it is a party, and such related matters as the Lender may reasonably require;
- (h) the Lender shall have received from the Borrower a certificate of status as of the Closing Date or the date of any Loan Instalment, as the case may be, certificate of compliance or similar certificate for the Borrower issued by its governing jurisdiction and each other jurisdiction in which it carries on business or holds any material assets;
- (i) the Lender shall have received such additional evidence, documents or undertakings as it may reasonably require to complete the transactions contemplated hereby in accordance with the terms and conditions contained herein;
- (j) All Realty Taxes related to the Property are up-to-date as of the Closing Date; and
- (k) All mortgages, charges, Liens and encumbrances have been discharged, on the Closing Date and prior to any Loan Instalment being made.

8.02 The Borrower hereby acknowledges, confirms, covenants and agrees that the Lender is syndicating the Loan and therefore, the Lender shall have no obligation to make the first Loan Instalment hereunder on the Closing Date or any Loan Instalment thereafter unless at the time of making such Loan Instalment the syndication of the Loan has been completed in the opinion of the Lender.

**ARTICLE 9
DEFAULT AND REMEDIES**

9.01 The occurrence of any one or more of the following events, after the expiry of any applicable cure period set out below, shall constitute an event of default under this Agreement (an "**Event of Default**"):

- (a) the Borrower fails to pay any principal, interest, Expenses or any other amount payable hereunder when due under the terms of this Agreement or any of the Security Documents;
- (b) any representation, warranty or statement made to the Borrower herein or in any Security Documents is incorrect in any material respect on the date on which such representation, warranty or statement was made or deemed to have been made, or subsequently becomes incorrect in any material respect; provided that if such representation, warranty or statement is capable of being corrected within twenty (20) days, the Borrower diligently attempts to take all such action as may be necessary in order that such representation, warranty or statement will become correct and diligently keep the Lender informed of its efforts in this regard, and such representation, warranty or statement is correct by not later than the expiry of such twenty (20) day period on the opinion of the Lender, then the incorrectness of such representation, warranty or statement shall not constitute an Event of Default;
- (c) the Borrower fails to perform or comply with any of the covenants or obligations set out in this Agreement;
- (d) the Borrower fails to perform or comply with any of its covenants or obligations contained in any of the Security Documents, in each case, following receipt of notice of such non-compliance from the Lender; provided that if such non-compliance is capable of remedy within twenty (20) days, the Borrower diligently attempts to remedy such non-compliance and diligently keeps the Lender informed of its efforts in this regard, and such non-compliance is remedied within such twenty (20) day period in the opinion of the Lender, then such non-compliance shall not constitute an Event of Default;
- (e) an Insolvency Event occurs in respect of the Borrower;
- (f) any document constituting part of the Security Documents shall for any reason cease to be in full force and effect or shall be declared in a final judgment of a court of competent jurisdiction to be null and void; or the Borrower contests the validity or enforceability thereof or denies it has any further liability or obligation thereunder; or any document constituting part of the Security Documents shall for any reason fail to create a valid and perfected First-Ranking Security Interest subject to Permitted Encumbrances in the opinion of the Lender, in and to the property purported to be subject thereto, except that if such failure is capable of remedy within thirty (30) days, the Borrower diligently attempts to remedy such failure and diligently informs the Lender of its efforts in this regard, and the failure is remedied within such thirty

(30) day period in the opinion of the Lender, then the failure shall not constitute an Event of Default;

- (g) any Person takes possession, or threatens to take possession, of any property of the Borrower including the Property by way of or in contemplation of enforcement of any security it may hold, or a distress or execution or similar process is levied or enforced against any such property; and,
- (h) any Governmental Authority shall take any action or proceeding to condemn, seize or appropriate any property of the Borrower that is material to its financial condition, business or operations.

9.02 Upon the occurrence of an Insolvency Event, the Borrower's Liabilities shall become immediately due and payable, without the necessity of any demand upon or notice to the Borrower by the Lender. Upon the occurrence and during the continuation of any Event of Default other than an Insolvency Event, the Lender may by written notice to the Borrower declare the Borrower's Liabilities to be immediately due and payable. Upon the occurrence and during the continuation of an Event of Default, both before and after the Acceleration Date, all outstanding Loan Instalments shall bear interest at the Loan Rate plus two percent (2%) per annum in order to compensate the Lender for the additional risk.

9.03 Upon the occurrence and during the continuation of an Event of Default, the Lender may apply any proceeds of realization from any Security or related to this Agreement or the Security Documents, against any portion or portions of the Borrower's Liabilities, and the Borrower may not require any different application. The taking of a judgment or any other action or dealing whatsoever by the Lender in respect of the Security Documents shall not operate as a merger of any of the Borrower's Liabilities hereunder or in any way affect or prejudice the rights, remedies and powers which the Lender may have, and the foreclosure, surrender, cancellation or any other dealing with any Security Documents or the said obligations shall not release or affect the liability of the Borrower or any other Person in respect of the remaining portion of the Borrower's Liabilities.

9.04 The Lender shall not be obliged to make any further Loan Instalments from and after the earliest to occur of the following: (i) delivery by the Lender to the Borrower of a written notice that a Default or an Event of Default has occurred and is continuing (whether or not such notice also requires immediate repayment of the Borrower's Liabilities); (ii) the occurrence of an Insolvency Event; and (iii) receipt by the Borrower of any garnishment notice or other notice of similar effect in respect of the Borrower pursuant to the *Income Tax Act* (Canada), the *Excise Tax Act* (Canada) or any similar notice under any other statute.

9.05 All of the rights and remedies granted to the Lender in this Agreement and the Security Documents, and any other rights and remedies available to the Lender at law or in equity, shall be cumulative. The exercise or failure to exercise any of the said remedies shall not constitute a waiver or release thereof or of any other right or remedy, and shall be non-exclusive.

9.06 If the Borrower fails to perform any covenant or obligation to be performed by it pursuant to this Agreement or the Security Documents, the Lender may in its sole and absolute

discretion, after written notice to the Borrower, perform any of the said obligations but shall be under no obligation to do so; and any amounts expended or advanced by the Lender for such purpose shall be payable by the Borrower upon demand together with interest at the Interest Rate.

9.07 If the Borrower intends to take the benefit of any Insolvency Legislation, including making an assignment for the general benefit of creditors, making a proposal or filing a notice of intention to make a proposal under Insolvency Legislation, the Borrower covenants and agrees to provide the Lender with five (5) Business Days' prior written notice before any of the aforementioned proceedings are commenced. As soon as possible prior to the commencement of any such proceedings, the Borrower shall provide to the Lender copies of all relevant filing materials, including copies of draft court orders, plans of compromise, proposals and notices of intention. During this notice period the Lender may, in its sole discretion, elect to exercise any and all rights and remedies which may be available to it at that time as set out in this Agreement.

ARTICLE 10 GENERAL CONTRACT TERMS

10.01 The failure or delay by the Lender in exercising any right or privilege with respect to the non-compliance with any provisions of this Agreement by the Borrower and any course of action on the part of the Lender, shall not operate as a waiver of any rights of the Lender unless made in writing by the Lender. Any such waiver shall be effective only in the specific instance and for the purpose for which it is given and shall not constitute a waiver of any other rights and remedies of the Lender with respect to any other or future non-compliance.

10.02 In addition to any other liability of the Borrower hereunder, the Borrower hereby agrees to indemnify and save harmless the Indemnitees from and against all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements (including reasonable legal fees on a solicitor and his own client basis) of any kind or nature whatsoever (but excluding any consequential damages and damages for loss of profit) which may be imposed on, incurred by or asserted against the Indemnitees (except to the extent arising from the negligence or wilful misconduct of such Indemnitees) which relate or arise out of or result from:

- (a) any failure by the Borrower to pay and satisfy its obligations hereunder and the Security Documents including the Borrower's Liabilities;
- (b) any investigation by Governmental Authorities or any litigation or other similar proceeding related to any use made or proposed to be made by the Borrower of the proceeds of any Loan Instalment;
- (c) any losses suffered by the Indemnitees for, in connection with, or as a direct or indirect result of, the failure of the Borrower to comply with all Requirements of Environmental Law;
- (d) any losses suffered by the Indemnitees for, in connection with, or as a direct or indirect result of, the presence of any Hazardous Material situated in, on or under any

property owned by the Borrower including the Property or upon which it carries on business; and

- (e) any and all liabilities, losses, damages, penalties, expenses (including reasonable legal fees) and claims which may be paid, incurred or asserted against the Indemnitees for, in connection with, or as a direct or indirect result of, any legal or administrative proceedings with respect to the presence of any Hazardous Material on or under any property owned by the Borrower including the Property or upon which it carries on business, or the discharge, emission, spill, radiation or disposal by the Borrower of any Hazardous Material into or upon the Property, the atmosphere, or any watercourse or body of water; including the costs of defending and/or counterclaiming or claiming against third parties in respect of any action or matter and any cost, liability or damage arising out of a settlement entered into by the Indemnitees of any such action or matter;

10.03 The termination of this Agreement shall not relieve the Borrower from its obligations to the Lender arising prior to such termination, such as but not limited to obligations arising as a result of or in connection with any breach of this Agreement or the Security Documents, any failure to comply with this Agreement or the Security Documents or the inaccuracy of any representations and warranties made or deemed to have been made prior to such termination, and obligations arising pursuant to all indemnity obligations contained herein.

10.04 If the Borrower fails to pay when due any Expenses or other amounts paid by the Lender hereunder (other than principal or interest on any Loan Instalment), the Borrower agrees to pay interest on such unpaid amount from the time such amount is due until paid at the Loan Rate.

10.05 Without prejudice to any other method of giving notice, all communications provided for or permitted hereunder shall be in writing and delivered to the addressee by prepaid private courier or sent by telecopy to the applicable address and to the attention of the officer of the addressee as follows:

- (i) to the Borrower:

Textbook (774 Bronson Avenue) Inc.
51 Caldari Road, Suite A1M
Concord, Ontario, L4K 4G3

Attention: John Davies

with a copy to:

Harris + Harris LLP
2355 Skymark Avenue, Suite 300
Mississauga, Ontario, L4W 4Y6

Attention: Mr. Gregory H. Harris
Fax Number: 905-629-4350

(ii) if to the Lender:

c/o Tier 1 Transaction Advisory Services Inc.
3100 Steeles Avenue East, Suite 902
Markham, Ontario, L3R 8T3

Attention: Mr. Raj Singh
Fax Number: 647-689-2374

with a copy to:

Elliott Law Professional Corporation
5000 Yonge Street
Suite 1901
Toronto, Ontario, M2N 7E9

Attention: Ms. Nancy Elliott
Fax Number: (416) 628-5597

Any communication transmitted by prepaid private courier shall be deemed to have been validly and effectively given or delivered on the Business Day after which it is submitted for delivery. Any communication transmitted by telecopy shall be deemed to have been validly and effectively given or delivered on the day on which it is transmitted, if transmitted on a Business Day on or before 5:00 p.m. (local time of the intended recipient), and otherwise on the next following Business Day. Any party may change its address for service by notice given in the foregoing manner.

10.06 Any provision of this Agreement which is illegal, prohibited or unenforceable in any jurisdiction, in whole or in part, shall not invalidate the remaining provisions hereof; and any such illegality, prohibition or unenforceability in any such jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

10.07 The Borrower shall from time to time at its own expense promptly execute and deliver or cause to be executed and delivered to the Lender all such other and further documents, agreements, opinions, certificates and instruments which may be requested by the Lender if necessary or desirable to more fully record or evidence the obligations intended to be entered into herein, or to make any recording, file any notice or obtain any consent.

10.08 Time shall be of the essence of this Agreement.

10.09 The Borrower may not assign any of its rights or obligations under this Agreement without the prior written consent of the Lender. The Lender may grant participations in all or any portion of its rights under this Agreement from time to time without notice to or obtaining the prior written consent of the Borrower. The Borrower agrees to co-operate fully with the Lender in connection with any assignment or participation pursuant to this section, and agrees to

execute and deliver from time to time in favour of the Lender and any such assignee or participant such documents and assurances as may be reasonably required by the Lender or the assignee or participant in connection with such assignment or participation.

10.10 This Agreement and any other documents or instruments contemplated herein or therein shall constitute the entire agreement and understanding between the Borrower and the Lender relating to the subject-matter hereof. For greater certainty and without limiting the generality of the foregoing, this Agreement supersedes all discussion papers previously issued by the Lender relating to the proposed establishment of the Loan, which have no force or effect.

10.11 To the extent that there is any inconsistency between a provision of this Agreement and a provision of any document constituting part of the Security including the Security Documents, the provision of this Agreement shall govern. For greater certainty, a provision of this Agreement and a provision of any Security Document shall be considered to be inconsistent if both relate to the same subject-matter and the provision in the Security Document imposes more onerous obligations or restrictions than the corresponding provision in this Agreement (excluding fees and Expenses).

10.12 This Agreement shall be interpreted in accordance with the laws of the Province of Ontario. Without prejudice to the right of the Lender to commence any proceedings with respect to this Agreement in any other proper jurisdiction, the parties hereby attorn and submit to the non-exclusive jurisdiction of the courts of the Province of Ontario.

10.13 This Agreement may be executed in several counterparts, each of which, when so executed, shall be deemed to be an original and which counterparts together shall constitute one and the same Agreement. This Agreement may be executed by facsimile, and any signature contained hereon by facsimile shall be deemed to be equivalent to an original signature for all purposes.

10.14 This Agreement shall be binding upon and shall enure to the benefit of the parties and their respective successors and permitted assigns; "successors" includes any corporation resulting from the amalgamation of any party with any other corporation.

IN WITNESS WHEREOF the parties hereto have executed this Agreement as of the date written on the first page hereof.

**TEXTBOOK STUDENT SUITES (774
BRONSON AVENUE) TRUSTEE
CORPORATION**

Per: _____

Name: Raj Singh

Title: President

I have authority to bind the corporation

**TEXTBOOK (774 BRONSON AVENUE)
INC.**

Per: _____

Name: John Davies

Title: Co-President

I have authority to bind the corporation

SCHEDULE "A"
THE LANDS

Legal Description:

774 Bronson Avenue, Ottawa, Ontario
LTS 3 & 4, PL 28; OTTAWA/NEPEAN
PIN 04103-0125 (LT)

557 Cambridge Street South, Ottawa, Ontario
LT 37 & PT LT 38, PL 28, PART 4, 5R14360; OTTAWA/NEPEAN
PIN 04103-0215 (LT)

Municipal Description:

774 Bronson Avenue, Ottawa, Ontario and 557 Cambridge Street South, Ottawa, Ontario

SCHEDULE "B"
SCHEDULE OF INTEREST PAYMENTS

Interest payments shall be calculated at an annual interest rate of EIGHT PERCENT (8%), paid quarterly in trust to the Borrower's Solicitor, commencing on or about July 1, 2016. All funds advanced by the Lender between the Closing Date (on or about April 1, 2016) to July 1, 2016 shall receive an initial payment pro rated for the period from the date of the advance by the Lender to July 1, 2016 and full payments quarterly thereafter until the maturity date, anticipated to be on or about April 1, 2019.

SCHEDULE "C"
EXPENSES

The Expenses include the following:

- a) Mortgage Brokerage Fee of \$165,750 payable to First Commonwealth Mortgage Corporation and Tier 1 Mortgage Corporation (collectively, referred to as the "**Mortgage Broker**"); (based on a maximum mortgage advance of \$16,575,000). The fee payable to the Mortgage Broker is 1% of the mortgage amount advanced.

- b) Referral and Related Fees of \$2,652,000 payable on account of fees and commission incurred in relation to the Loan which shall be paid as the Mortgage Broker may in writing direct (based on a maximum mortgage advance of \$16,575,000 where the actual mortgage advance is less than \$16,575,000, the referral and related fees will be proportionately reduced); and,

- c) Legal Fees. Legal Fees of \$20,000 plus HST plus Disbursements (which shall include Title Insurance and other Expenses) shall be payable to the Lender's Solicitors which shall be deducted from the first Loan Instalment. In the event that there is more than one (1) Loan Instalments, then additional legal fees of \$3,000 plus HST plus Disbursements shall be paid to the Lender's Solicitors on each additional Loan Instalment. The fees, taxes and disbursements of the Borrower's Solicitors shall be paid in addition to the fees, taxes and disbursements of the Lender's Solicitors. It is estimated the fees of the Borrower's Solicitors shall be \$35,000 (plus HST and disbursements) for the first Loan Instalment and \$20,000 (plus HST and disbursements) for each Loan Instalment thereafter, exclusive of the costs of preparation of any offering documents in jurisdictions where such documents are required.

SCHEDULE "D"
ADDITIONAL LOAN PAYMENT

The Additional Loan Payment shall be an amount equal to four (4%) per cent per annum of the principal amount of the Mortgage advanced to the Borrower and shall be payable for such time as the Loan remains outstanding, as determined by the Lender (the "**Additional Loan Payment**"). The Additional Loan Payment shall be payable by the Borrower from the Distributable Cash Proceeds. The payment of the Additional Loan Payment may be paid at any time and from time to time to the Lender after the Loan, plus interest thereon in accordance with this Agreement and all Expenses are paid pursuant to this Agreement. If the principal amount advanced to the Borrower is less than \$16,575,000, the Additional Loan Payment shall be reduced accordingly. The Additional Loan Payment will be paid after the Loan, plus interest thereon in accordance with this Agreement and all Expenses are paid pursuant to this Agreement as determined by the Lender, acting reasonably.

For the sake of clarity, if the face amount of the Mortgage is \$16,575,000 and the Borrower's Liabilities have not been paid until the third anniversary of the first Loan Instalment, then the amount of the Additional Loan Payment payable by the Borrower to the Lender shall be \$1,989,000, or 4% per annum for each year the Mortgage is outstanding; which interest amount shall not be compounded from time to time. Notwithstanding the foregoing, the calculation of the Additional Loan Payment and the timing of the payments thereof shall be determined by the Lender, acting reasonably.

The Lender shall provide to the Borrower reasonable notice of any payments made on account of the Additional Loan Payment. If the Borrower exercises its right to prepay all or a portion of the Loan, then the 4% per annum Additional Loan Payment for the third year (or any additional extensions) of the term of this Loan shall continue to be payable, in full, notwithstanding any prepayment, from Distributable Cash Proceeds.

SCHEDULE "E"
PERMITTED ENCUMBRANCES

1. Liens for municipal property taxes, local improvement assessments or taxes, or other taxes, assessments or recoveries relating to the Property which are not at the time due.
2. The reservations, limitations, exceptions, provisos and conditions, if any expressed in any original grants from the Crown including, without limitation, the reservations of any mines and minerals in the Crown or in any other person.
3. Any registered or unregistered licenses, easements, rights-of-way, rights in the nature of easements and agreements with respect thereof which relate to the provisions of utilities or services or easements or rights of way in favour of any governmental authority, any private or public utility, any railway company or any adjoining owner to the Property (including, without limitation, agreements, easements, licenses, rights-of-way and interests in the nature of easements for sidewalks, public ways, sewers, drains, gas, steam and water mains or electric light and power, or telephone and telegraphic conduits, poles, wires, and cables).
4. Title defects or irregularities, which are of a minor nature and in the aggregate will not materially adversely impair the use or marketability of the Real Property or that part thereof affected by the defect or irregularity for the purposes for which it is presently used.
5. The exceptions, limitations and qualifications of the *Land Titles Act* and any amendments thereto.
6. A first mortgage registered against the Property of up to \$5.7 million used to assist in the acquisition of the Property.

SYNDICATED MORTGAGE PARTICIPATION AGREEMENT

BETWEEN:

THOSE PARTIES LISTED IN SCHEDULE "A" ATTACHED

AND:

**TEXTBOOK STUDENT SUITES (774 BRONSON AVENUE)
TRUSTEE CORPORATION**

LOAN AGREEMENT

THIS AGREEMENT is made as of the 1st day of May, 2013

B E T W E E N:

2223947 ONTARIO LIMITED, a corporation incorporated under
the laws of the Province of Ontario

(hereinafter referred to as the "Lender")

AND

1703858 ONTARIO LTD., a corporation incorporated under the
laws of the Province of Ontario

(hereinafter referred to as the "Borrower")

WHEREAS the Lender, on the terms and conditions hereinafter set forth, has agreed to lend to the Borrower and the Borrower has agreed to borrow from the Lender the sum of up to **Twelve Million Eight Hundred Thousand (\$12,800,000) Dollars** of lawful money of Canada (the "**Principal Sum**") for a term of Four (4) years (the "**Term**") in connection with the development and construction by the Borrower of a dedicated Alzheimer's and dementia care facility project to be constructed on the lands and premises situated at 2170 Ghent Road, Burlington, Ontario, and more particularly described in Schedule "A" attached hereto (the "**Property**").

AND WHEREAS the Borrower agrees to pay to the Lender interest on the Principal Sum at the Loan Rate (as hereinafter defined), calculated annually and payable quarterly during the Term along with the Additional Loan Payment as more particularly described in Schedule "D" attached hereto;

AND WHEREAS the Borrower has agreed to allow a Charge/Mortgage of Land in addition to the other Security Documents, on the terms set out herein, to be registered against the Property in first priority and in favour of the Lender (the "**Mortgage**"), as security for repayment of the Principal Sum with interest at the Loan Rate and the payment of the Additional Loan Payment;

AND WHEREAS the Borrower agrees to repay to the Lender the Principal Sum and interest at the Loan Rate and the payment of the Additional Loan Payment on or before the expiry of the Term, as specified herein;

AND WHEREAS the Lender and the Borrower (collectively, the "**Parties**") wish to evidence their agreement in respect of the Loan;

AND WHEREAS the Lender acknowledges that the Mortgage shall be granted, *inter alia*, in the form of a syndicated first Charge/Mortgage of Land as more fully described herein and shall be in form and substance satisfactory to the Lender;

NOW THEREFORE THIS AGREEMENT WITNESSETH THAT in consideration of the covenants, agreements herein contained and for other good and valuable consideration (the receipt and sufficiency of which is hereby acknowledged), the parties hereto agree as follows:

ARTICLE 1 RECITALS

1.01 The Parties to this Agreement acknowledge and agree that the recitals to this Agreement are true and correct in substance and in fact are incorporated into and form an integral part of this Agreement.

ARTICLE 2 DEFINITIONS AND TERMS

2.01 The following words and phrases have the following meanings when used in this Agreement:

- (a) "Acceleration Date" means the date on which an Acceleration Event occurs;
- (b) "Acceleration Event" means the earlier of: (i) the occurrence of an Insolvency Event; and (ii) the delivery by the Lender to the Borrower of a written notice that the Borrowers Liabilities or any part thereof are immediately due and payable, following the occurrence and during the continuation of an Event of Default other than an Insolvency Event;
- (c) "Additional Loan Payment" has the same meaning as set forth in Section 4.11 hereof;
- (d) "Agreement", means this Agreement entitled "Loan Agreement", and all instruments supplemental hereto or in amendment or confirmation hereof; "hereof", "hereto" and "hereunder" and similar expressions refer to this Agreement, and where relevant, to any particular article, section or paragraph hereof; "Article", "Section" and "paragraph" mean and refer to the specified article, section or paragraph of this Agreement;
- (e) "BIA" means the *Bankruptcy and Insolvency Act* (Canada), as amended from time to time;
- (f) "Borrower's Books and Records" shall have the same meaning as set forth in Section 7.04 hereof.
- (g) "Borrower's Liabilities", refers collectively to the Loan, all interest from time to time accruing thereon as set forth in this Agreement, and all liabilities and indebtedness now or hereafter owing, arising, due or payable by the Borrower to the Lender whether

under this Agreement or the Security Documents and including the Additional Loan Payment;

- (h) "Borrower's Solicitors" shall mean Harris + Harris LLP, or such other solicitors that the Borrower may in writing designate;
- (i) "Business Day", refers to any day other than a Saturday, Sunday or Statutory Holiday in Toronto, Ontario;
- (j) "Closing Date" or "Closing", or similar references means the date of the initial Loan Instalment or the date, as the context requires, of any other Loan Instalments made pursuant hereto;
- (k) "Commodity Taxes" means all commodity taxes, including all sales, use, retail, goods and services, harmonized sales, value-added and similar taxes imposed, levied or assessed by any Governmental Authority;
- (l) "Default" means any event, act, omission or condition which with the giving of notice or the passage of time, or both, would result in an Event of Default;
- (m) "Distributable Cash Proceeds" means all amounts received by the Borrower arising out of the Property or the sale or operation thereof or of the sale of condominium units for the period including but not limited to the following:
 - (i) all revenues derived from the sale of condominium units or any part or all of the Property (including all premiums, upgrade costs (net of commissions) and applicable harmonized sales tax or goods and services tax rebates);
 - (ii) all gross receipts derived from all rents and fees payable by tenants, licensees and concessionaires;
 - (iii) the gross amount, if any, of any insurance proceeds received by the Borrower, including business interruption payments;
 - (iv) the net proceeds of any refinancing, if any, received by the Borrower, other than any construction loan which contains terms prohibiting the use of such loan proceeds to repay existing indebtedness (net of repayments of existing mortgage financing being refinanced); and
 - (v) the gross amount, if any, from partial or total expropriations of all or part of the Property,

but excluding: (i) Commodity Taxes which the Borrower is required by law to collect from purchasers, tenants, concessionaires or licensees and remit to an applicable taxing authority.

- (n) "Distribution" means any amount paid to or on behalf of the employees, directors, officers, shareholders, partners or unitholders of the Borrower, by way of salary, bonus, commission, management fees, directors' fees, dividends, redemption of shares, distribution of profits or otherwise, and whether payments are made to such Persons in their capacity as shareholders, partners, unitholders, directors, officers, employees, owners or creditors of the Borrower or otherwise, or any other direct or indirect payment in respect of the earnings or capital of the Borrower;
- (o) "Event of Default" is defined in Section 9.01 hereof;
- (p) "Expenses", means all expenses relating to the Loan and all fees and expenses for legal services relative to the preparation, review and enforcement of this Agreement and the Security Documents, the making of Loan Instalments and the repayment of the Borrower's Liabilities and the release of the security therefore;
- (q) "Fiscal Year" means the fiscal year end of the Borrower, being December 31st in every year;
- (r) "GAAP" means generally accepted accounting principles in Canada as approved by the Canadian Institute of Chartered Accountants in effect from time to time; and for greater certainty if international financial reporting standards are adopted by the Canadian Institute of Chartered Accountants in replacement for generally accepted accounting principles, each reference to "GAAP" herein shall be deemed to refer to such international financial reporting standards;
- (s) "Governmental Authority" means any: (i) federal, provincial, state, municipal, local or other governmental or public department, central bank, court, commission, board, bureau, agency or instrumentality, domestic or foreign; (ii) any subdivision or authority of any of the foregoing; or (iii) any quasi-governmental, judicial or administrative body exercising any regulatory, expropriation or taxing authority under or for the account of any of the foregoing;
- (t) "Hazardous Materials" means any contaminant, pollutant, waste or substance that is likely to cause immediately or at some future time harm or degradation to the surrounding environment or risk to human health; and without restricting the generality of the foregoing, including any pollutant, contaminant, waste, hazardous waste or dangerous goods that is regulated by any Requirements of Environmental Law or that is designated, classified, listed or defined as hazardous, toxic, radioactive or dangerous or as a contaminant, pollutant or waste by any Requirements of Environmental Law;
- (u) "Indemnitees" means the Lender and its successors and permitted assignees, any agent of any of them (specifically including a receiver or receiver-manager) and its officers, directors, employees, beneficial owners and shareholders;
- (v) "Insolvency Event" means, in respect of any Person:
 - (i) such Person ceases to carry on its business; or commits an act of bankruptcy or becomes insolvent (as such terms are used in the BIA); or

makes an assignment for the benefit of creditors, files a petition in bankruptcy, makes a proposal or commences a proceeding under Insolvency Legislation; or petitions or applies to any tribunal for, or consents to, the appointment of any receiver, trustee or similar liquidator in respect of all or a substantial part of its property; or admits the material allegations of a petition or application filed with respect to it in any proceeding commenced in respect of it under Insolvency Legislation; or takes any corporate action for the purpose of effecting any of the foregoing; or

- (ii) any proceeding or filing is commenced against such Person seeking to have an order for relief entered against it as debtor or to adjudicate it a bankrupt or insolvent, or seeking liquidation, winding-up, reorganization, arrangement, adjustment or composition of it or its debts under any Insolvency Legislation, or seeking appointment of a receiver, trustee, custodian or other similar official for it or any of its property or assets; unless (i) such Person is diligently defending such proceeding in good faith and on reasonable grounds as determined by the Lender and (ii) such proceeding does not in the reasonable opinion of the Lender materially adversely affect the ability of such Person to carry on its business and to perform and satisfy all of its obligations hereunder;
- (w) "Insolvency Legislation" means legislation in any applicable jurisdiction relating to reorganization, arrangement, compromise or re-adjustment of debt, dissolution or winding-up, or any similar legislation, and specifically includes for greater certainty the BIA, the *Companies' Creditors Arrangement Act* (Canada) and the *Winding-Up and Restructuring Act* (Canada);
- (x) "Interest Reserve" means the amounts set aside or deducted as contemplated in Section 4.12 hereof to fund the obligations of the Borrower to pay interest as set forth in this Agreement on the Loan Instalments that may from time to time be made by the Lender to the Borrower.
- (y) "Laws" means all statutes, codes, ordinances, decrees, rules, regulations, municipal by-laws, judicial or arbitral or administrative or ministerial or departmental or regulatory judgments, orders, decisions, rulings or awards, or any provisions of such laws, including general principles of common and civil law and equity or policies or guidelines, to the extent such policies or guidelines have the force of law, binding on the Person referred to in the context in which such word is used; and "Law" means any of the foregoing;
- (z) "Lender's Solicitors" shall mean Nancy Elliott, Barrister & Solicitor, or such other solicitors that the Lender may in writing designate;
- (aa) "Lien" means: (i) a lien, charge, mortgage, pledge, security interest or conditional sale agreement; (ii) an assignment, lease, consignment, trust or deemed trust that secures payment or performance of an obligation; (iii) a garnishment; (iv) any other

encumbrance of any kind; and (v) any commitment or agreement to enter into or grant any of the foregoing;

- (bb) "Loan", means the aggregate amount, not to exceed Twelve Million Eight Hundred Thousand (\$12,800,000) Dollars, of all Loan Instalments made from time to time hereunder by the Lender to the Borrower, less the amount, if any, repaid from time to time by the Borrower to the Lender;
- (cc) "Loan Instalment" has the same meaning as set forth in Sub-Section 4.08(a) hereof, with each Loan Instalment to be made in the sole and absolute discretion of the Lender;
- (dd) "Loan Rate", means the annual rate of interest applicable to any particular amount outstanding pursuant to this Agreement being Eight (8%) percent per annum;
- (ee) "Material Adverse Change" means any change or event which: (i) constitutes a material adverse change in the business, operations, condition (financial or otherwise) or properties of the Borrower taken as a whole; or (ii) could materially impair the Borrower's ability to timely and fully perform its obligations under this Agreement or the Security Documents, or materially impair the ability of the Lender to enforce its rights and remedies under this Agreement or the Security Documents;
- (ff) "Material Agreement" means, in respect of the Borrower, any agreement made between the Borrower and another Person which the Lender, in its sole and absolute discretion, determines to be material to the Borrower;
- (gg) "Maturity Date" shall have the same meaning as set forth in Section 4.04 hereof;
- (hh) "Mortgage" has the same meaning as set forth in Sub-Section 5.01(c) hereof;
- (ii) "Note" shall mean the promissory note executed by the Borrower in favour of the Lender in the sum of up to Twelve Million Eight Hundred Thousand (\$12,800,000) Dollars which Note shall be in form and substance satisfactory to the solicitors of the Lender;
- (jj) "Outstanding Encumbrances and Liens" shall have the same meaning as set forth in Sub-Section 7.01(l) hereof;
- (kk) "Person", means a natural person, firm, trust, partnership, association, corporation, government or governmental board, agency or instrumentality;
- (ll) "Permitted Encumbrances" are those Liens described in Schedule "E" attached hereto and any construction financing subsequently acquired by the Borrower for the construction of the condominium project of the Property;
- (mm) "Requirements of Environmental Law" means: (i) obligations under common law; (ii) requirements imposed by or pursuant to statutes, regulations and by-laws whether presently or hereafter in force; (iii) requirements announced by a Governmental

Authority as having immediate effect (provided that at the time of making such announcement the government also states its intention of enacting legislation to confirm such requirements retroactively); (iv) all directives, policies and guidelines issued or relied upon by any Governmental Authority to the extent such directives, policies or guidelines have the force of law; (v) all permits, licenses, certificates and approvals from Governmental Authorities which are required in connection with air emissions, discharges to surface or groundwater, noise emissions, solid or liquid waste disposal, the use, generation, storage, transportation or disposal of Hazardous Materials; and (vi) all requirements imposed under any clean-up, compliance or other order made pursuant to any of the foregoing, in each and every case relating to environmental, health or safety matters including all such obligations and requirements which relate to (A) solid, gaseous or liquid waste generation, handling, treatment, storage, disposal or transportation and (B) exposure to Hazardous Materials;

- (nn) "Security" means all guarantees, security agreements, mortgages, debentures and other documents mentioned comprising the Security Documents or otherwise and all other documents and agreements delivered by the Borrower or other Persons to the Lender for the benefit of the Lender from time to time as security for the payment and performance of the Borrowers Liabilities, and the security interests, assignments and Liens constituted by the foregoing;
- (oo) "Security Documents", refers collectively to this Agreement, the Mortgage, those documents and instruments referred to in Section 5.01 hereof and any and other documents, agreements or writings delivered to the Lender as contemplated in this Agreement whether as security for the Loan or otherwise. At the option of the Lender, the Security Documents may reflect a fixed rate of interest as designated by the Lender's counsel. Notwithstanding the same, the provisions with respect to the payment of interest as set out in this Agreement shall prevail;
- (pp) "Statutory Lien" means a Lien in respect of any property or assets of a Company created by or arising pursuant to any applicable legislation in favour of any Person (such as but not limited to a Governmental Authority), including a Lien for the purpose of securing the Borrower's obligation to deduct and remit employee source deductions and goods and services tax pursuant to the *Income Tax Act* (Canada), the *Excise Tax Act* (Canada), the Canada Pension Plan (Canada), the *Employment Insurance Act* (Canada) and any federal or provincial legislation similar to or enacted in replacement of the foregoing from time to time; and,
- (qq) "Subsidiary" means a business entity which is controlled by another business entity (as used herein, "business entity" includes a corporation, company, partnership, limited partnership, trust or joint venture).

2.02 Unless otherwise provided herein, all financial terms used in this Agreement shall be determined in accordance with GAAP in effect at the date of such determination. Where the character or amount of any asset or liability or item of revenue or expense is required to be determined, or any consolidation or other computation is required to be made for the purpose of

this Agreement, such determination or calculation shall be made in accordance with GAAP applied on a consistent basis, unless otherwise indicated.

2.03 All amounts referred to in this Agreement are in Canadian Dollars unless otherwise noted.

2.04 Whenever in this Agreement reference is made to a statute or regulations made pursuant to a statute, such reference shall, unless otherwise specified, be deemed to include all amendments to such statute or regulations from time to time and all statutes or regulations which may come into effect from time to time substantially in replacement for the said statutes or regulations.

2.05 Terms defined in the singular have the same meaning when used in the plural, and vice-versa. When used in the context of a general statement followed by a reference to one or more specific items or matters, the term "including" shall mean "including, without limitation", and the term "includes" shall mean "includes, without limitation". Any reference herein to the exercise of discretion by the Lender (including phrases such as "in the discretion of", "in the opinion of", "in its opinion", "to the satisfaction of" and similar phrases) shall mean that such discretion is absolute and unfettered and shall not imply any obligation to act reasonably, unless otherwise expressly stated herein.

ARTICLE 3 SCHEDULES

3.01 The following are the schedules attached to and incorporated in this Agreement by reference and deemed to be a part thereof:

Schedule "A" – Lands to be Charged/Mortgaged

Schedule "B" – Schedule of Interest Payments

Schedule "C" – Expenses

Schedule "D" – Additional Loan Payment

Schedule "E" – Permitted Encumbrances

ARTICLE 4 THE LOAN, INTEREST, EXPENSES, AND PAYMENT THEREOF

4.01 Subject to the terms and conditions hereof, the Lender agrees to provide to the Borrower the Loan.

4.02 The Borrower and the Lender acknowledge and confirm that, notwithstanding any rate of interest set out in the Security Documents or any of them, the provisions of this Agreement

regarding the Loan Rate shall govern the rate of interest payable on the Loan. The Borrower and the Lender further acknowledge and confirm that the Security Documents shall be in form and substance satisfactory to the Lender.

4.03 Interest on the Loan Rate shall be determined daily and shall be due, payable and compounded quarterly, not in advance, on the 1st day of each month during such quarterly period, as well after as before demand, maturity, default and judgment, together with interest on overdue interest determined daily (if relevant) and compounded quarterly at the same rate applicable until the Borrower's Liabilities have been paid in full. Interest shall be calculated on the basis of a three hundred and sixty-five (365) day year. Interest on the Loan at the Loan Rate and calculated as aforesaid shall accrue as of the date of the first Loan Instalment. Any disputes on the determination and calculation of interest of the Interest Rate shall be resolved by the Lender, in its opinion but acting reasonably. The first payment of interest and all subsequent payments of interest as aforesaid shall be payable in the amounts and on the dates as set forth in Schedule "B" attached hereto.

4.04 The Loan, together with all accrued and outstanding interest and other charges in connection therewith as set forth in this Agreement and the Security Documents including without limiting the generality of the foregoing the Additional Loan Payment and all other Borrower's Liabilities, shall become fully due and repayable on the fourth anniversary of the first Loan Instalment (the "Maturity Date").

4.05 Any payment provided hereunder to be made by the Borrower to the Lender shall be in certified funds or Bank Draft and shall be payable to the Borrower's Solicitors, in trust, and delivered to the Borrower's Solicitors, or any other payee or office designated by the Lender from time to time. The Borrower's Solicitors shall coordinate further delivery of such funds with the Lender's Solicitors. Any payment as aforesaid received after two o'clock (2:00) p.m. Toronto time shall be deemed to have been received on the next following Business Day.

4.06 This Agreement shall constitute evidence of the obligation of the Borrower to repay all the Borrower's Liabilities in accordance with the terms hereof. The Borrower shall repay the Loan and the Borrower's Liabilities in full on the Maturity Date, and until then shall pay interest at the time or times and in the manner provided herein.

4.07 All Loan Instalments and Expenses as and when advanced or incurred shall be and become secured by the Security Documents and Expenses may be paid by the Lender and be deducted from Loan Instalments which would otherwise have been made to the Borrower. The Security Documents shall be in addition to any other security which the Lender may now have or subsequently acquire for the performance of the Borrower's Liabilities. The Expenses listed in Schedule "C" attached hereto are a list of Expenses (but by no means an exhaustive list of all Expenses) that shall be deducted from the Loan Instalments.

4.08 The Lender and the Borrower mutually acknowledge, confirm, represent and covenant as follows:

- (a) Any amounts advanced by the Lender, in its sole and absolute discretion, to the Borrower pursuant to this Agreement, and pursuant to an offering of secured notes being completed concurrently with the transactions contemplated in this

Agreement, shall occur in tranches (the "Loan Instalments") with the first Loan Instalment to be in the amount of not less than Three Million (\$3,000,000) Dollars;

- (b) the initial face value of the Mortgage will be \$5,500,000; which amount can be increased where the Borrower obtains a new valuation/appraisal for the property in form satisfactory to Olympia Trust, whereupon Olympia Trust agrees to increase the maximum mortgage amount; provided in no circumstance will the maximum mortgage amount exceed \$12,800,000; and,
- (c) prior to the release of any funds by the Lender's Solicitors to the solicitor(s) for the Borrower, each Party hereby irrevocably acknowledges and directs that their respective solicitors are authorized to and shall cause to be registered any such instruments on title to the Lands which in the opinion of the solicitor for the Lender may be required as evidence of any sums advanced to the Borrower on the security of this Agreement or the Security Documents.

4.09 The Borrower may not prepay all or any portion of the Borrower's Liabilities hereunder.

4.10 Notwithstanding anything to the contrary contained in this Agreement, any Loan Instalment made by the Lender and the Borrower shall be at the Lender's sole and absolute discretion and the Lender shall not be obligated at any time or times to make any Loan Instalment to the Borrower.

4.11 In addition to the payment by the Borrower of the Loan plus interest as set forth in this Agreement, the Borrower shall also pay to the Lender, in certified funds or Bank Draft, forthwith after the determination is made by the Lender in its opinion that the Additional Loan Payment is payable, the amount of the Additional Loan Payment calculated as described in Schedule "D" attached hereto in the same manner as contemplated in Section 4.05 hereof. Notwithstanding the foregoing, the Lender, at its option, may also deduct from the Distributable Cash Proceeds, at any time and from time to time, all or any part of the Additional Loan Payment that the Lender, in its opinion, believes is due and payable.

4.12 The parties hereto acknowledge, confirm, covenant and agree that the Lender shall be deducting from the first Loan Instalment and any subsequent Loan Instalments an amount equal to the projected interest on the amount of such Loan Instalment for 12 months which shall be a contribution of the Borrower to the Interest Reserve. The parties hereto further acknowledge, confirm, covenant and agree that the Lender may from time to time and at any time, acting reasonably, deduct from the funds held in trust by the Lender's Solicitors or received from the Borrower, whether from the Distributable Cash Proceeds or otherwise, such amounts that in its opinion is necessary or appropriate to replenish the Interest Reserve. The Borrower covenants and agrees that the amount in the Interest Reserve shall be applied by the Lender against the obligations of the Borrower to pay interest hereunder on the Loan Instalments and that once applied or deducted by the Lender from the Loan Instalments, the Distributable Cash Proceeds or otherwise, the Borrower shall have no claim against the funds in the Interest Reserve. The Lender agrees to provide monthly reports on the disposition, if any, of funds set aside and in the Lender's Solicitors trust account.

4.13 The Borrower, at any time after the third anniversary hereof, shall be entitled to repay all or a portion of the Loan without penalty, notice or bonus and the interest at the rate of 8% per annum on the principal outstanding ceasing at the date of prepayment; provided that the Lender shall continue to be entitled to the Additional Loan Payment for all four years of this Loan, even though the Loan shall have been prepaid prior to the four year term expiry (to also be paid at the time of prepayment) plus the prepayment fee; but shall not be entitled to any Additional Loan Payment for the fourth year of the term of this Loan nor any compensation for loss of interest after the date of such prepayment.

ARTICLE 5 SECURITY

5.01 The Borrower agrees to provide the Security Documents listed below to the Lender, as continuing security for the payment and performance of all of its present and future, direct and indirect obligations to the Lender, specifically including the Loan, the Borrowers Liabilities and its direct indebtedness and obligations to the Lender arising under this Agreement:

- (a) The Note;
- (b) A mortgage in the amount of the Principal Sum ranking as a first mortgage; provided that the mortgage shall be subordinated to any construction financing obtained by the Borrower related to construction of the dedicated Alzheimer's and dementia care project on the Property (the "Mortgage");
- (c) if requested by the Lender from time to time, security agreements creating an assignment security interest in respect of its rights to and interest in Material Agreements to which it is a party, together with any necessary consents from the other parties thereto which security interest may not be a first ranking security interest;
- (d) an assignment of its interest in all policies of insurance, specifically including the right to receive any refunds of premiums paid thereunder; and
- (e) such other security and further assurances as the Lender may reasonably require from time to time.

5.02 The Security Documents shall be in form and substance satisfactory to the Lender, acting reasonably. The Lender may require that any item of Security Documents be governed by the laws of the jurisdiction where the property subject to such item of Security Documents is located. The Security Documents shall be registered by the Lender or, at the request of the Lender, by the Borrower, all at the Borrower's cost and expense, where necessary or desirable to record and perfect the charges contained therein, as determined by the Lender in its sole and absolute discretion.

5.03 The Borrower shall cause to be delivered to the Lender prior to each Loan Instalment the opinion of the solicitors for the Borrower regarding its corporate status, the due authorization,

execution and delivery of the Security Documents provided by it, all registrations in respect of the Security Documents, the results of all applicable searches in respect of them, and the enforceability of such Security Documents and any other matters requested by the Lender in its opinion; all such opinions to be in form and substance satisfactory to the Lender.

5.04 The Borrower shall execute and deliver from time to time all such further documents and assurances as may be reasonably required by the Lender from time to time in order to provide the Security Documents contemplated hereunder, specifically including supplemental or additional security agreements which shall include lists of specific assets to be subject to the security interests required hereunder.

5.05 If insurance proceeds become payable in respect of loss of or damage to any property owned by the Borrower the Lender shall apply such proceeds against the Borrower's Liabilities (allocated amongst the components of the Borrower's Liabilities, at all times, by the Lender in its sole and absolute discretion).

ARTICLE 6 COVENANTS, REPRESENTATIONS AND WARRANTIES

6.01 The Borrower represents and warrants to the Lender as follows (which shall survive the execution and delivery of this Agreement), the truth and accuracy of which are a continuing condition of the advance of the Loan Instalments and the Borrower hereby acknowledges, confirms and agrees that the Lender is relying on such representations and warranties:

- (a) The Borrower is a validly subsisting corporation under the *Business Corporations Act* (Ontario), and is duly qualified to carry on its business in the jurisdiction in which it carries on business and has the power and authority to enter into and perform its obligations under this Agreement, is the registered owner of the Property and is legally entitled to carry on its business as currently conducted or as currently contemplated.
- (b) The Borrower has obtained all material licenses, permits and approvals from all governments, governmental commissions, boards and other agencies of jurisdictions in which it carries on (or contemplates carrying on) business which are required and which will allow for the development of the Property.
- (c) The Borrower or its solicitor has delivered to the Lender, or its solicitor, copies of the constating documents of the Borrower and the Lender's solicitor has obtained a legal opinion from the Borrower's solicitor that the Borrower is authorized to enter into this Agreement and the Security Documents.
- (d) The execution, delivery and performance of this Agreement and the Security Documents has been duly authorized by all requisite action on the part of the Borrower; and this Agreement and the Security Documents have been, or will be, duly executed and delivered by the Borrower, and this Agreement and the Security Documents delivered or to be delivered pursuant hereto and thereto constitutes, or when delivered will constitute, a valid and binding obligation of the

Borrower and enforceable against the Borrower in accordance with their terms, subject to the application of bankruptcy, insolvency and similar laws affecting the enforcement of creditors' rights generally and the fact that the right to obtain judicial orders requiring specific performance or other equitable remedies is in the discretion of the court.

- (e) The Borrower shall and does indemnify and hold harmless the Lender and the Indemnitees from and against all losses, claims, damages, liabilities, and expenses, to which any such person or entity may become subject arising out of or in connection with this Agreement, the use of proceeds, or any related transaction or any claim, litigation, investigation or proceeding, relating to any of the foregoing, regardless of whether the Lender is a party thereto, and to reimburse the Lender, forthwith upon demand for any reasonable, legal or other expenses incurred in connection with investigating or defending any of the foregoing.
- (f) The Borrower acknowledges that neither its execution nor delivery of this Agreement or the Security Documents the consummation of the transactions herein contemplated nor compliance with the terms, conditions and provisions hereof or thereof does not and will not conflict with, and does not and will not result in any breach of or constitutes a default under any of the provisions of the constating documents or by-laws of the Borrower or any applicable Law including applicable securities laws, rules, policies and regulations or any contract or agreement upon or to which the Borrower is a party.
- (g) The Borrower has good and marketable title to the Property and its assets free from all mortgages, security interests, Liens, pledges, charges, encumbrances, title retention agreements, options or adverse claims, other than the permitted encumbrances as identified in Schedule "D" attached hereto (the "Permitted Encumbrances") and the Outstanding Encumbrances and Liens.
- (h) The Borrower has filed or caused to be filed, in a timely manner all tax returns, reports and declarations, which are required to be filed by it. All information in such tax returns, reports and declarations is complete and accurate in all material respects. The Borrower has paid or caused to be paid all taxes due and payable or claimed due and payable in any assessment received by it, except taxes the validity of which are being contested in good faith by appropriate proceedings diligently pursued and available to the said Borrower and with respect to which adequate reserves have been set aside on its books. Adequate provision has been made for the payment of all accrued and unpaid federal, provincial, local, foreign and other taxes whether or not yet due and payable and whether or not disputed.
- (i) All representations and warranties of the Borrower contained in this Agreement or in any of the Security Documents shall survive the execution and delivery of this Agreement and shall be deemed to have been made again to the Lender on the date of each Loan Instalment pursuant to this Agreement and shall be conclusively presumed to have been relied on by the Lender regardless of any investigation made or information possessed by the Lender. The representations

and warranties set forth herein shall be cumulative and in addition to any other representations or warranties which the Borrower shall now or hereafter give, or cause to be given, to the Lender.

- (j) The Borrower further acknowledges and agrees that the terms of this Agreement shall override the terms of any previous loan agreements to which the Borrower and the Lender may be or may have been Parties.
- (k) The Borrower acknowledges that the Lender may have executed a loan agreement that has been amended to accommodate the beneficial owners of the Lender and the Borrower agrees to abide by the specific terms of each of said Agreements.
- (l) The Borrower has no Subsidiaries.
- (m) no Person has any agreement or option or any right or privilege (whether by law, pre-emptive or contractual) capable of becoming an agreement, including convertible securities, warrants or convertible obligations of any nature, for the purchase of any properties or assets of the Borrower out of the ordinary course of business or for the purchase, subscription, allotment or issuance of any debt or equity securities of the Borrower.
- (n) The Borrower is in compliance in all material respects with all applicable Laws of each jurisdiction in which it carries on business and is duly licensed, registered and qualified to do business and is in good standing in each jurisdiction in which the nature of the business conducted by it or the property owned or leased by it make such qualification necessary; and all such licences, registrations and qualifications are valid and subsisting and in good standing.
- (o) The Borrower owns, possesses and has a good and marketable title to its undertaking, property and assets, free and clear of any and all Liens except for Permitted Encumbrances and the Outstanding Encumbrances and Liens. The Borrower does not have any commitment or obligation (contingent or otherwise) to grant any Liens except for the Permitted Encumbrances. No event has occurred which constitutes, or which with the giving of notice, lapse of time or both.
- (p) The Borrower have placed insurance, including property, boiler and machinery, business interruption and liability insurance, in appropriate amounts and for appropriate risks as would be considered prudent for similar business.
- (q) The Borrower and its business, operations, assets, equipment, property, leaseholds and other facilities is in compliance in all material respects with all Requirements of Environmental Law, specifically including all Requirements of Environmental Law concerning the storage and handling of Hazardous Materials. The Borrower holds all material permits, licenses, certificates and approvals from Governmental Authorities which are required in connection with (i) air emissions; (ii) discharges to surface or groundwater; (iii) noise emissions; (iv) solid or liquid waste disposal; (v) the use, generation, storage, transportation or disposal of

Hazardous Materials; and (vi) all other Requirements of Environmental Law. There has been no material emission, spill, release, or discharge into or upon (i) the air; (ii) soils, or any improvements located thereon; (iii) surface water or groundwater; or (iv) the sewer, septic system or waste treatment, storage or disposal system servicing the premises, of any Hazardous Materials at or from the Property, and there has been no complaint, order, directive, claim, citation, or notice from any Governmental Authority or any other Person with respect to (i) air emissions; (ii) spills, releases, or discharges to soils or improvements located thereon, surface water, groundwater or the sewer, septic system or waste treatment, storage or disposal systems servicing the Property; (iii) noise emissions; (iv) solid or liquid waste disposal; (v) the use, generation, storage, transportation, or disposal of Hazardous Materials; or (vi) other Requirements of Environmental Law affecting the Property. There are no legal or administrative proceedings, investigations or claims now pending, or, to the Borrower's knowledge, threatened, with respect to the presence on or under, or the discharge, emission, spill, radiation or disposal into or upon any of the Properties, the atmosphere, or any watercourse or body of water, of any Hazardous Material; nor are there any material matters under discussion with any Governmental Authority relating thereto; and there is no factual basis for any such proceedings, investigations or claims. The Borrower has no material indebtedness, obligation or liability, absolute or contingent, matured or not matured, with respect to the storage, treatment, cleanup or disposal of any Hazardous Materials (including without limitation any such indebtedness, obligation, or liability under any Requirements of Environmental Law regarding such storage, treatment, cleanup or disposal).

- (r) Save and except for the and the Outstanding Encumbrances and Liens, there are no actions, suits or proceedings now pending, or to the Borrower's knowledge, threatened, against the Borrower in any court or before or by any federal, provincial, municipal or other Governmental Authority.
- (s) No guarantees have been granted by the Borrower.
- (t) The Borrower has remitted on a timely basis all amounts required to have been withheld and remitted (including withholdings from employee wages and salaries relating to income tax, employment insurance and Canada Pension Plan contributions), goods and services and Harmonized Sales tax and all other amounts which if not paid when due could result in the creation of a Statutory Lien against any of the Borrower's property including the Property, except for Permitted Encumbrances.
- (u) Save and except for and the Outstanding Encumbrances and Lien, no Default, Event of Default or Material Adverse Change has occurred and is continuing.
- (v) All financial and other information furnished by or in respect of the Borrower to the Lender for the purposes of or in connection with this Agreement or the Security Documents are true and accurate in all material respects and is not

incomplete by omitting to state any fact necessary to make such information not misleading. There are no facts known to the Borrower which could materially adversely affect the Borrower's ability to observe and perform their obligations under the Security Documents, or which if known to the Lender could reasonably be expected to deter the Lender from making any Loan Instalments hereunder on the terms and conditions contained herein.

ARTICLE 7 COVENANTS

7.01 The Borrower hereby covenants and agrees with the Lender that it will:

- (a) pay all principal, interest and other amounts due hereunder including the Borrowers Liabilities at the times and in the manner specified herein;
- (b) maintain its corporate existence in good standing, continue to carry on its business, preserve its rights, powers, licences, privileges, franchises and goodwill, exercise any rights of renewal or extensions of any leases, licences, concessions, franchises or any other rights whatsoever which are material to the conduct of its business, maintain all qualifications to carry on business in each jurisdiction in which such qualifications are required, and carry on and conduct its business in a proper and efficient manner so as to protect its property and income; and not materially change the nature of its business;
- (c) comply in all material respects with all applicable Laws (specifically including, for greater certainty, all applicable Requirements of Environmental Law), use the proceeds of all Loan Instalments hereunder for legal and proper purposes in connection with the purposes set out in the first recital of this Agreement, and obtain and maintain in good standing all material leases, licences, permits and approvals from any and all Governmental Authorities required in respect of its business and operations;
- (d) pay when due all rents, taxes, rates, levies, assessments and governmental charges, fees and dues lawfully levied, assessed or imposed in respect of its property which are material to the conduct of its business, and deliver to the Lender upon request receipts evidencing such payments;
- (e) maintain adequate books, accounts and records in accordance with GAAP;
- (f) keep the Property and its assets in good repair and working condition;
- (g) permit the Lender and its employees, representatives and agents (during normal business hours and in a manner which does not materially interfere with its business) to enter upon and inspect the Property and its properties, assets, books and records from time to time and make copies of and abstracts from such books and records, and discuss its affairs, finances and accounts with its officers, directors, accountants and auditors; such access shall be on 48 hours' prior notice unless a Default has occurred and is continuing in which event no notice shall be required;

- (h) obtain from financially responsible insurance company and maintain liability insurance, all-risks property insurance on a replacement cost basis (less a reasonable deductible not to exceed amounts customary in the industry for similar businesses and properties), business interruption insurance and insurance in respect of such other risks as the Lender may reasonably require from time to time; all of which policies of insurance shall be in such amounts as may be reasonably required by the Lender and shall include a standard mortgage clause approved by the Insurance Bureau of Canada; and the Lender's interest shall be noted as an additional insured on all liability insurance policies and as second mortgagee and loss payee on all other insurance policies; and the Lender shall be provided with certificates of insurance and certified copies of such policies from time to time upon request;
- (i) fulfil all covenants and obligations required to be performed by it under this Agreement and the Security Documents to which it is a party and any other agreement or undertaking now or hereafter made between it and the Lender;
- (j) provide prompt notice to the Lender of: (i) the occurrence of any Default or Event of Default; (ii) the incorrectness of any representation or warranty contained herein or any Security Documents in any material respect; (iii) any material contravention of or non-compliance by any Borrower with any terms and conditions of this Agreement or any Security Document; (iv) any Material Adverse Change; (v) any litigation affecting the Borrower; (vi) any material labour dispute affecting the Borrower; or (vii) any notice in respect of the termination or suspension of, or a material default under, any Material Contract;
- (k) provide the Lender with such further information, financial data, documentation and other assurances as the Lender may reasonably require from time to time in order to ensure ongoing compliance with the terms of this Agreement and the Security Documents and to achieve the spirit and intent of this Agreement;
- (l) The Borrower hereby covenants and agrees with the Lender that the first Loan Instalment will be used to purchase the Property free and clear of any encumbrances and liens. The Borrower acknowledges that no funds will be disbursed directly to the Borrower until the Property has been acquired, free and clear of liens and encumbrances.

7.02 The Borrower hereby covenants and agrees with the Lender that it will not without the prior written consent of the Lender (which consent may be withheld in the sole and absolute discretion of the Lender):

- (a) grant or suffer to exist any Liens in respect of any of its property and assets including the Property, except the Permitted Encumbrances;
- (b) directly or indirectly sell or otherwise dispose of any of its assets save and except in the ordinary course of its business or further save and except to sales of dwelling units to bona fide arm's length third party purchasers of Lots;
- (c) make any Distributions;

- (d) not materially change the nature of its business, maintain a place of business or any material assets in any jurisdiction other than the Province of Ontario, or enter into any transaction whereby all or a substantial portion of its undertaking, property and assets would become the property of any other Person, whether by way of reconstruction, reorganization, recapitalization, consolidation, amalgamation, merger, transfer, sale or otherwise, in each case without the prior written consent of the Lender in its sole and absolute discretion;
- (e) change its Fiscal Year (which for greater certainty presently ends on the last day of December in each year);
- (f) change its Accountants except with the prior written consent of the Lender which consent shall not be unreasonably withheld; and,
- (g) use the proceeds of any Loan Instalment for any purposes other than the development and construction of an Alzheimer's and Dementia care facility on the Property.

7.03 The Borrower shall deliver by courier delivery to the Lender the following financial and other information at the times indicated below:

- (a) the annual Year-end Financial Statements of the Borrower, by the 120th day after the end of the Fiscal Year accompanied by a Compliance Certificate certified by the Chief Financial Officer of the Borrower or other senior officer of the Borrower acceptable to the Lender;
- (b) within the first 120 days after the start of each Fiscal Year, a business plan for the Borrower in respect of such Fiscal Year, which shall disclose all material assumptions utilized and shall include the following items set out on a quarterly basis: balance sheet, income statement, cashflow statement, Capital Expenditures and tax liabilities; and
- (c) such additional information and documents as the Lender may reasonably require from time to time.

7.04 Full, true and accurate accounting and financial information shall be kept by the Borrower in accordance with GAAP as of the date hereof until at least after eighteen (18) months after the Borrower's Liabilities have been repaid. The Lender or anyone designated by the Lender shall have access to the books, records, financial information, financial statements and data of the Borrower (the "Borrower's Books and Records") at any and all times during regular business hours for the purpose of examining and reviewing the Borrower's Books and Records. The Lender shall not disclose any confidential information so obtained except to the extent that disclosure is reasonable in the conduct of the Lender's business.

7.05 The Lender hereby covenants with the Borrower, that the Lender shall execute any necessary documents and register such documents as may be reasonably requested by any construction financier to subordinate the Lender's Mortgage security to any mortgage or other security granted by the construction financier to the Borrower, for the purposes of funding the

Borrower's construction of the project on the Property (which shall include demolition costs and professional fees in furtherance of such construction (architectural, engineering, etc.)); and the Lender appoints the Borrower as the Lender's power of attorney to execute any required documents on behalf of the Lender to evidence the foregoing.

ARTICLE 8 CONDITIONS PRECEDENT

8.01 The Lender shall have no obligation to make the first Loan Instalment hereunder or any Loan Instalments thereafter on the Closing Date unless at the time of making such Loan Instalment the following terms and conditions (which are condition precedents in favour of the Lender) shall have been satisfied in the opinion of the Lender:

- (a) the Lender shall have completed and shall be satisfied with its due diligence in respect of the Property;
- (b) all representations and warranties made by the Vendor contained in this Agreement or the Security Documents shall be true, correct and complete in all material respects;
- (c) all Security Documents required to be provided at the time of the first Loan Instalment shall have been executed and delivered, all registrations necessary or desirable in connection therewith shall have been made, and all legal opinions and other documentation required by the Lender in connection therewith shall have been executed and delivered, all in form and substance satisfactory to the Lender in its sole and absolute discretion;
- (d) the Lender shall have received satisfactory evidence that there are no Liens affecting the Borrower or its assets, except for Permitted Encumbrances and the Outstanding Encumbrances and Liens which shall be paid in full and deducted from the First Loan Instalment on the Closing Date;
- (e) the Lender shall have received particulars of all Permitted Encumbrances, specifically including the assets encumbered thereby, the amounts due thereunder, and confirmation from the holders thereof that the terms thereof are being complied with;
- (f) the property and assets of the Borrower shall be insured on the Closing Date; the terms and conditions of such insurance to be in compliance with the requirements of this Agreement in the opinion of the Lender;
- (g) the Lender shall have received an officer's certificate and certified copies of resolutions of the board of directors of the Borrower concerning the due authorization, execution and delivery of the Security Documents to which it is a party, and such related matters as the Lender may reasonably require;
- (h) the Lender shall have received from the Borrower a certificate of status as of the Closing Date or the date of any Loan Instalment, as the case may be, certificate of compliance or similar certificate for the Borrower issued by its governing jurisdiction

and each other jurisdiction in which it carries on business or holds any material assets;

- (i) the Lender shall have received such additional evidence, documents or undertakings as it may reasonably require to complete the transactions contemplated hereby in accordance with the terms and conditions contained herein;
- (j) All Realty Taxes related to the Property are up-to-date as of the Closing Date; and
- (k) All mortgages, charges, Liens and encumbrances have been discharged, on the Closing Date and prior to any Loan Instalment being made.

8.02 The Borrower hereby acknowledges, confirms, covenants and agrees that the Lender is syndicating the Loan and therefore, the Lender shall have no obligation to make the first Loan Instalment hereunder on the Closing Date or any Loan Instalment thereafter unless at the time of making such Loan Instalment the syndication of the Loan has been completed in the opinion of the Lender.

ARTICLE 9 DEFAULT AND REMEDIES

9.01 The occurrence of any one or more of the following events, after the expiry of any applicable cure period set out below, shall constitute an event of default under this Agreement (an "Event of Default"):

- (a) the Borrower fails to pay any principal, interest, Expenses or any other amount payable hereunder when due under the terms of this Agreement or any of the Security Documents;
- (b) any representation, warranty or statement made to the Borrower herein or in any Security Documents is incorrect in any material respect on the date on which such representation, warranty or statement was made or deemed to have been made, or subsequently becomes incorrect in any material respect; provided that if such representation, warranty or statement is capable of being corrected within twenty (20) days, the Borrower diligently attempts to take all such action as may be necessary in order that such representation, warranty or statement will become correct and diligently keep the Lender informed of its efforts in this regard, and such representation, warranty or statement is correct by not later than the expiry of such twenty (20) day period on the opinion of the Lender, then the incorrectness of such representation, warranty or statement shall not constitute an Event of Default;
- (c) the Borrower fails to perform or comply with any of the covenants or obligations set out in this Agreement;
- (d) the Borrower fails to perform or comply with any of its covenants or obligations contained in any of the Security Documents, in each case, following receipt of notice of such non-compliance from the Lender; provided that if such non-compliance is capable of remedy within twenty (20) days, the Borrower diligently attempts to

remedy such non-compliance and diligently keeps the Lender informed of its efforts in this regard, and such non-compliance is remedied within such twenty (20) day period in the opinion of the Lender, then such non-compliance shall not constitute an Event of Default;

- (e) an Insolvency Event occurs in respect of the Borrower;
- (f) any document constituting part of the Security Documents shall for any reason cease to be in full force and effect or shall be declared in a final judgment of a court of competent jurisdiction to be null and void; or the Borrower contests the validity or enforceability thereof or denies it has any further liability or obligation thereunder; or any document constituting part of the Security Documents shall for any reason fail to create a valid and perfected First-Ranking Security Interest subject to Permitted Encumbrances in the opinion of the Lender, in and to the property purported to be subject thereto, except that if such failure is capable of remedy within thirty (30) days, the Borrower diligently attempts to remedy such failure and diligently informs the Lender of its efforts in this regard, and the failure is remedied within such thirty (30) day period in the opinion of the Lender, then the failure shall not constitute an Event of Default;
- (g) any Person takes possession, or threatens to take possession, of any property of the Borrower including the Property by way of or in contemplation of enforcement of any security it may hold, or a distress or execution or similar process is levied or enforced against any such property; and,
- (h) any Governmental Authority shall take any action or proceeding to condemn, seize or appropriate any property of the Borrower that is material to its financial condition, business or operations.

9.02 Upon the occurrence of an Insolvency Event, the Borrower's Liabilities shall become immediately due and payable, without the necessity of any demand upon or notice to the Borrower by the Lender. Upon the occurrence and during the continuation of any Event of Default other than an Insolvency Event, the Lender may by written notice to the Borrower declare the Borrower's Liabilities to be immediately due and payable. Upon the occurrence and during the continuation of an Event of Default, both before and after the Acceleration Date, all outstanding Loan Instalments shall bear interest at the Loan Rate plus two percent (2%) per annum in order to compensate the Lender for the additional risk.

9.03 Upon the occurrence and during the continuation of an Event of Default, the Lender may apply any proceeds of realization from any Security or related to this Agreement or the Security Documents, against any portion or portions of the Borrower's Liabilities, and the Borrower may not require any different application. The taking of a judgment or any other action or dealing whatsoever by the Lender in respect of the Security Documents shall not operate as a merger of any of the Borrower's Liabilities hereunder or in any way affect or prejudice the rights, remedies and powers which the Lender may have, and the foreclosure, surrender, cancellation or any other dealing with any Security Documents or the said obligations shall not release or affect the

liability of the Borrower or any other Person in respect of the remaining portion of the Borrower's Liabilities.

9.04 The Lender shall not be obliged to make any further Loan Instalments from and after the earliest to occur of the following: (i) delivery by the Lender to the Borrower of a written notice that a Default or an Event of Default has occurred and is continuing (whether or not such notice also requires immediate repayment of the Borrower's Liabilities); (ii) the occurrence of an Insolvency Event; and (iii) receipt by the Borrower of any garnishment notice or other notice of similar effect in respect of the Borrower pursuant to the *Income Tax Act* (Canada), the *Excise Tax Act* (Canada) or any similar notice under any other statute.

9.05 All of the rights and remedies granted to the Lender in this Agreement and the Security Documents, and any other rights and remedies available to the Lender at law or in equity, shall be cumulative. The exercise or failure to exercise any of the said remedies shall not constitute a waiver or release thereof or of any other right or remedy, and shall be non-exclusive.

9.06 If the Borrower fails to perform any covenant or obligation to be performed by it pursuant to this Agreement or the Security Documents, the Lender may in its sole and absolute discretion, after written notice to the Borrower, perform any of the said obligations but shall be under no obligation to do so; and any amounts expended or advanced by the Lender for such purpose shall be payable by the Borrower upon demand together with interest at the Interest Rate.

9.07 If the Borrower intends to take the benefit of any Insolvency Legislation, including making an assignment for the general benefit of creditors, making a proposal or filing a notice of intention to make a proposal under Insolvency Legislation, the Borrower covenants and agrees to provide the Lender with five (5) Business Days' prior written notice before any of the aforementioned proceedings are commenced. As soon as possible prior to the commencement of any such proceedings, the Borrower shall provide to the Lender copies of all relevant filing materials, including copies of draft court orders, plans of compromise, proposals and notices of intention. During this notice period the Lender may, in its sole discretion, elect to exercise any and all rights and remedies which may be available to it at that time as set out in this Agreement.

ARTICLE 10 GENERAL CONTRACT TERMS

10.01 The failure or delay by the Lender in exercising any right or privilege with respect to the non-compliance with any provisions of this Agreement by the Borrower and any course of action on the part of the Lender, shall not operate as a waiver of any rights of the Lender unless made in writing by the Lender. Any such waiver shall be effective only in the specific instance and for the purpose for which it is given and shall not constitute a waiver of any other rights and remedies of the Lender with respect to any other or future non-compliance.

10.02 In addition to any other liability of the Borrower hereunder, the Borrower hereby agrees to indemnify and save harmless the Indemnitees from and against all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements (including reasonable legal fees on a solicitor and his own client basis) of any kind or nature whatsoever

(but excluding any consequential damages and damages for loss of profit) which may be imposed on, incurred by or asserted against the Indemnitees (except to the extent arising from the negligence or wilful misconduct of such Indemnitees) which relate or arise out of or result from:

- (a) any failure by the Borrower to pay and satisfy its obligations hereunder and the Security Documents including the Borrower's Liabilities; and,
- (b) any investigation by Governmental Authorities or any litigation or other similar proceeding related to any use made or proposed to be made by the Borrower of the proceeds of any Loan Instalment
- (c) any losses suffered by the Indemnitees for, in connection with, or as a direct or indirect result of, the failure of the Borrower to comply with all Requirements of Environmental Law;
- (d) any losses suffered by the Indemnitees for, in connection with, or as a direct or indirect result of, the presence of any Hazardous Material situated in, on or under any property owned by the Borrower including the Property or upon which it carries on business; and
- (e) any and all liabilities, losses, damages, penalties, expenses (including reasonable legal fees) and claims which may be paid, incurred or asserted against the Indemnitees for, in connection with, or as a direct or indirect result of, any legal or administrative proceedings with respect to the presence of any Hazardous Material on or under any property owned by the Borrower including the Property or upon which it carries on business, or the discharge, emission, spill, radiation or disposal by the Borrower of any Hazardous Material into or upon the Property, the atmosphere, or any watercourse or body of water; including the costs of defending and/or counterclaiming or claiming against third parties in respect of any action or matter and any cost, liability or damage arising out of a settlement entered into by the Indemnitees of any such action or matter;

10.03 The termination of this Agreement shall not relieve the Borrower from its obligations to the Lender arising prior to such termination, such as but not limited to obligations arising as a result of or in connection with any breach of this Agreement or the Security Documents, any failure to comply with this Agreement or the Security Documents or the inaccuracy of any representations and warranties made or deemed to have been made prior to such termination, and obligations arising pursuant to all indemnity obligations contained herein.

10.04 If the Borrower fails to pay when due any Expenses or other amounts paid by the Lender hereunder (other than principal or interest on any Loan Instalment), the Borrower agrees to pay interest on such unpaid amount from the time such amount is due until paid at the Loan Rate.

10.05 Without prejudice to any other method of giving notice, all communications provided for or permitted hereunder shall be in writing and delivered to the addressee by prepaid private courier or sent by telecopy to the applicable address and to the attention of the officer of the addressee as follows:

(i) to the Borrower:

1703858 Ontario Ltd.
c/o Harris + Harris LLP
2355 Skymark Avenue, Suite 300
Mississauga, Ontario, L4W 4Y6

Attention: John Davies

with a copy to:

Harris + Harris LLP
2355 Skymark Avenue, Suite 300
Mississauga, Ontario, L4W 4Y6

Attention: Mr. Gregory H. Harris
Fax Number: 905-629-4350

(ii) if the Lender:

c/o Tier 1 Transaction Advisory Services Inc.
3655 Kingston Road
Toronto, ON M1M 1S2

Attention: Raj Singh
Fax Number: 416-218-0236

with a copy to:

Nancy Elliott, Barrister & Solicitor
5000 Yonge Street
Suite 1901
Toronto, Ontario
M2N 7E9

Attention: Ms. Nancy Elliott
Fax Number: (416) 628-5597

Any communication transmitted by prepaid private courier shall be deemed to have been validly and effectively given or delivered on the Business Day after which it is submitted for delivery. Any communication transmitted by telecopy shall be deemed to have been validly and effectively given or delivered on the day on which it is transmitted, if transmitted on a Business Day on or before 5:00 p.m. (local time of the intended recipient), and otherwise on the next following Business Day. Any party may change its address for service by notice given in the foregoing manner.

10.06 Any provision of this Agreement which is illegal, prohibited or unenforceable in any jurisdiction, in whole or in part, shall not invalidate the remaining provisions hereof; and any such illegality, prohibition or unenforceability in any such jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

10.07 The Borrower shall from time to time at its own expense promptly execute and deliver or cause to be executed and delivered to the Lender all such other and further documents, agreements, opinions, certificates and instruments which may be requested by the Lender if necessary or desirable to more fully record or evidence the obligations intended to be entered into herein, or to make any recording, file any notice or obtain any consent.

10.08 Time shall be of the essence of this Agreement.

10.09 The Borrower may not assign any of its rights or obligations under this Agreement without the prior written consent of the Lender. The Lender may grant participations in all or any portion of its rights under this Agreement from time to time without notice to or obtaining the prior written consent of the Borrower. The Borrower agrees to co-operate fully with the Lender in connection with any assignment or participation pursuant to this section, and agrees to execute and deliver from time to time in favour of the Lender and any such assignee or participant such documents and assurances as may be reasonably required by the Lender or the assignee or participant in connection with such assignment or participation.

10.10 This Agreement and any other documents or instruments contemplated herein or therein shall constitute the entire agreement and understanding between the Borrower and the Lender relating to the subject-matter hereof. For greater certainty and without limiting the generality of the foregoing, this Agreement supersedes all discussion papers previously issued by the Lender relating to the proposed establishment of the Loan, which have no force or effect.

10.11 To the extent that there is any inconsistency between a provision of this Agreement and a provision of any document constituting part of the Security including the Security Documents, the provision of this Agreement shall govern. For greater certainty, a provision of this Agreement and a provision of any Security Document shall be considered to be inconsistent if both relate to the same subject-matter and the provision in the Security Document imposes more onerous obligations or restrictions than the corresponding provision in this Agreement (excluding fees and Expenses).

10.12 This Agreement shall be interpreted in accordance with the laws of the Province of Ontario. Without prejudice to the right of the Lender to commence any proceedings with respect to this Agreement in any other proper jurisdiction, the parties hereby attorn and submit to the non-exclusive jurisdiction of the courts of the Province of Ontario.

10.13 This Agreement may be executed in several counterparts, each of which, when so executed, shall be deemed to be an original and which counterparts together shall constitute one and the same Agreement. This Agreement may be executed by facsimile, and any signature contained hereon by facsimile shall be deemed to be equivalent to an original signature for all purposes.

10.14 This Agreement shall be binding upon and shall enure to the benefit of the parties and their respective successors and permitted assigns; "successors" includes any corporation resulting from the amalgamation of any party with any other corporation.

IN WITNESS WHEREOF the parties hereto have executed this Agreement as of the date written on the first page hereof.

2223947 ONTARIO LIMITED

Per: _____


Name: Raj Singh

Title: President

I have authority to bind the corporation

1703858 ONTARIO LTD.

Per: _____


John Davies

I have authority to bind the corporation

SCHEDULE "A"
THE LANDS

PT LT 6, PL 125, AS IN 641723; BURLINGTON, PIN; 07074-0033 (LT) and PT LT 6, PL
125, AS IN 205910; BURLINGTON, PIN 07074-0034 (LT)

SCHEDULE "B"
SCHEDULE OF INTEREST PAYMENTS

Interest payments shall be calculated at an annual interest rate of EIGHT PERCENT (8%), paid quarterly in trust to the Borrower's Solicitor, commencing on or about July 1, 2013. All funds advanced after May 1, 2013 will receive an initial payment pro rated up to and including July 1, 2013 and full payments quarterly until the maturity date, anticipated to be on or about May 1, 2017.

SCHEDULE "C"
EXPENSES

The Expenses include the following:

- a) Mortgage Brokerage Fee of \$128,000 payable to First Commonwealth Mortgage Corporation and Tier 1 Mortgage Corporation (collectively, referred to as the "**Mortgage Broker**"); (based on a maximum mortgage advance of \$12,800,000). The fee payable to the Mortgage Broker is 1% of the mortgage amount advanced.
- b) Referral and Related Fees of \$1,920,000 payable on account of fees and commission incurred in relation to the Loan which shall be paid as the Mortgage Broker may in writing direct (based on a maximum mortgage advance of \$12,800,000 where the actual mortgage advance is less than \$12,800,000, the referral and related fees will be proportionately reduced); and,
- c) Legal Fees. Legal Fees of \$20,000.00 plus HST plus Disbursements (which shall include Title Insurance and other Expenses) shall be payable to the Lender's Solicitors which shall be deducted from the first Loan Instalment. In the event that there is more than one (1) Loan Instalments, then additional legal fees of \$3,000 plus HST plus Disbursements shall be paid to the Lender's Solicitors on each additional Loan Instalment. The fees, taxes and disbursements of the Borrower's Solicitors shall be paid in addition to the fees, taxes and disbursements of the Lender's Solicitors. It is estimated the fees of the Borrower's Solicitors shall be \$25,000 in the first Loan Instalment and \$15,000 for each Loan Instalment thereafter.

SCHEDULE "D"
ADDITIONAL LOAN PAYMENT

The Additional Loan Payment shall be an amount equal to four (4%) per cent per annum of the face value of the Mortgage and shall be payable for such time as the Loan remains outstanding, as determined by the Lender (the "Additional Loan Payment"). The Additional Loan Payment shall be payable by the Borrower from the Distributable Cash Proceeds or from the proceeds being held by the Lender's Solicitor, in trust, as contemplated in Sub-Section 7.01(n) of this Agreement. The payment of the Additional Loan Payment may be paid at any time and from time to time to the Lender after the Loan, plus interest thereon in accordance with this Agreement and all Expenses are paid pursuant to this Agreement. If the face amount of the Mortgage is less than \$12,800,000, the Additional Loan Payment shall be reduced accordingly. The Additional Loan Payment will be paid after the Loan, plus interest thereon in accordance with this Agreement and all Expenses are paid pursuant to this Agreement as determined by the Lender, acting reasonably.

For the sake of clarity, if the face amount of the Mortgage is \$12,800,000 and the Borrower's Liabilities have not been paid until the fourth anniversary of the first Loan Instalment, then the amount of the Additional Loan Payment payable by the Borrower to the Lender shall be \$2,048,000, or 4% per annum for each year the Mortgage is outstanding; which interest amount shall not be compounded from time to time. Notwithstanding the foregoing, the calculation of the Additional Loan Payment and the timing of the payments thereof shall be determined by the Lender, acting reasonably.

The Lender shall provide to the Borrower reasonable notice of any payments made on account of the Additional Loan Payment. If the Borrower exercises its right to prepay all or a portion of the Loan, then the 4% per annum Additional Loan Payment for the fourth year of the term of this Loan shall continue to be payable, in full, notwithstanding any prepayment, from Distributable Cash Proceeds.

SCHEDULE "E"
PERMITTED ENCUMBRANCES

1. Liens for municipal property taxes, local improvement assessments or taxes, or other taxes, assessments or recoveries relating to the Property which are not at the time due;
2. The reservations, limitations, exceptions, provisos and conditions, if any expressed in any original grants from the Crown including, without limitation, the reservations of any mines and minerals in the Crown or in any other person.
3. Any registered or unregistered licenses, easements, rights-of-way, rights in the nature of easements and agreements with respect thereof which relate to the provisions of utilities or services or easements or rights of way in favour of any governmental authority, any private or public utility, any railway company or any adjoining owner to the Property (including, without limitation, agreements, easements, licenses, rights-of-way and interests in the nature of easements for sidewalks, public ways, sewers, drains, gas, steam and water mains or electric light and power, or telephone and telegraphic conduits, poles, wires, and cables).
4. Title defects or irregularities, which are of a minor nature and in the aggregate will not materially adversely impair the use or marketability of the Real Property or that part thereof affected by the defect or irregularity for the purposes for which it is presently used.
5. The exceptions, limitations and qualifications of the Land Titles Act and any amendments thereto.

SCHEDULE "A"

LOAN AGREEMENT

THIS AGREEMENT is made as of the 2nd day of January, 2013

B E T W E E N:

2223947 ONTARIO LIMITED, a corporation incorporated under the laws of Canada

(hereinafter referred to as the "**Lender**")

AND

LEGACY LANE INVESTMENTS LTD., a corporation incorporated under the laws of the Province of Ontario

(hereinafter referred to as the "**Borrower**")

WHEREAS the Lender, on the terms and conditions hereinafter set forth, has agreed to lend to the Borrower and the Borrower has agreed to borrow from the Lender the sum of **Three Million Five Hundred Thousand (\$3,500,000.00) Dollars** of lawful money of Canada (the "**Principal Sum**") for a term of Three (3) years (the "**Term**") in connection with the development and construction by the Borrower of a condominium project on the lands and premises situated at 16 Legacy Lane, Huntsville, Ontario, P1H 0B1, and more particularly described in Schedule "A" attached hereto (the "**Property**").

AND WHEREAS the Borrower agrees to pay to the Lender interest on the Principal Sum at the Loan Rate (as hereinafter defined), calculated annually and payable quarterly during the Term along with the Additional Loan Payment as more particularly described in Schedule "D" attached hereto;

AND WHEREAS the Borrower has agreed to allow a Charge/Mortgage of Land in addition to the other Security Documents, on the terms set out herein, to be registered against the Property in first priority and in favour of the Lender (the "**Mortgage**"), as security for repayment of the Principal Sum with interest at the Loan Rate and the payment of the Additional Loan Payment;

AND WHEREAS the Borrower agrees to repay to the Lender the Principal Sum and interest at the Loan Rate and the payment of the Additional Loan Payment on or before the expiry of the Term, as specified herein;

AND WHEREAS the Lender and the Borrower (collectively, the "**Parties**") wish to evidence their agreement in respect of the Loan;

AND WHEREAS the Lender acknowledges that the Mortgage shall be granted, *inter alia*, in the form of a syndicated first Charge/Mortgage of Land as more fully described herein and shall be in form and substance satisfactory to the Lender;

NOW THEREFORE THIS AGREEMENT WITNESSETH THAT in consideration of the covenants, agreements herein contained and for other good and valuable consideration (the receipt and sufficiency of which is hereby acknowledged), the parties hereto agree as follows:

ARTICLE 1 RECITALS

The Parties to this Agreement acknowledge and agree that the recitals to this Agreement are true and correct in substance and in fact are incorporated into and form an integral part of this Agreement.

ARTICLE 2 DEFINITIONS AND TERMS

2.01 The following words and phrases have the following meanings when used in this Agreement:

- (a) "Acceleration Date" means the date on which an Acceleration Event occurs;
- (b) "Acceleration Event" means the earlier of: (i) the occurrence of an Insolvency Event; and (ii) the delivery by the Lender to the Borrower of a written notice that the Borrowers Liabilities or any part thereof are immediately due and payable, following the occurrence and during the continuation of an Event of Default other than an Insolvency Event;
- (c) "Additional Loan Payment" has the same meaning as set forth in Section 4.11 hereof;
- (d) "Agreement", means this Agreement entitled "Loan Agreement", and all instruments supplemental hereto or in amendment or confirmation hereof; "hereof", "hereto" and "hereunder" and similar expressions refer to this Agreement, and where relevant, to any particular article, section or paragraph hereof; "Article", "Section" and "paragraph" mean and refer to the specified article, section or paragraph of this Agreement;
- (e) "BIA" means the *Bankruptcy and Insolvency Act* (Canada), as amended from time to time;
- (f) "Borrower's Books and Records" shall have the same meaning as set forth in Section 7.04 hereof.
- (g) "Borrower's Liabilities", refers collectively to the Loan, all interest from time to time accruing thereon as set forth in this Agreement, and all liabilities and indebtedness now or hereafter owing, arising, due or payable by the Borrower to the Lender whether under this Agreement or the Security Documents and including the Additional Loan Payment;

- (h) "Borrower's Solicitors" shall mean Harris + Harris LLP, or such other solicitors that the Borrower may in writing designate;
- (i) "Business Day", refers to any day other than a Saturday, Sunday or Statutory Holiday in Toronto, Ontario;
- (j) "Closing Date" or "Closing", or similar references means the date of the initial Loan Instalment or the date, as the context requires, of any other Loan Instalments made pursuant hereto;
- (k) "Commodity Taxes" means all commodity taxes, including all sales, use, retail, goods and services, harmonized sales, value-added and similar taxes imposed, levied or assessed by any Governmental Authority;
- (l) "Default" means any event, act, omission or condition which with the giving of notice or the passage of time, or both, would result in an Event of Default;
- (m) "Distributable Cash Proceeds" means all amounts received by the Borrower arising out of the Property or the sale or operation thereof or of the sale of condominium units for the period including but not limited to the following:
 - (i) all revenues derived from the sale of condominium units or any part or all of the Property (including all premiums, upgrade costs (net of commissions) and applicable harmonized sales tax or goods and services tax rebates);
 - (ii) all gross receipts derived from all rents and fees payable by tenants, licensees and concessionaires;
 - (iii) the gross amount, if any, of any insurance proceeds received by the Borrower, including business interruption payments;
 - (iv) the net proceeds of any refinancing, if any, received by the Borrower, other than any construction loan which contains terms prohibiting the use of such loan proceeds to repay existing indebtedness (net of repayments of existing mortgage financing being refinanced); and
 - (v) the gross amount, if any, from partial or total expropriations of all or part of the Property,

but excluding: (i) Commodity Taxes which the Borrower is required by law to collect from purchasers, tenants, concessionaires or licensees and remit to an applicable taxing authority.

- (n) "Distribution" means any amount paid to or on behalf of the employees, directors, officers, shareholders, partners or unitholders of the Borrower, by way of salary, bonus, commission, management fees, directors' fees, dividends, redemption of shares, distribution of profits or otherwise, and whether payments are made to such Persons in their capacity as shareholders, partners, unitholders, directors, officers, employees, owners or creditors of the Borrower or otherwise, or any

other direct or indirect payment in respect of the earnings or capital of the Borrower;

- (o) "Event of Default" is defined in Section 9.01 hereof;
- (p) "Expenses", means all expenses relating to the Loan and all fees and expenses for legal services relative to the preparation, review and enforcement of this Agreement and the Security Documents, the making of Loan Instalments and the repayment of the Borrower's Liabilities and the release of the security therefore;
- (q) "Fiscal Year" means the fiscal year end of the Borrower, being December 31st in every year;
- (r) "GAAP" means generally accepted accounting principles in Canada as approved by the Canadian Institute of Chartered Accountants in effect from time to time; and for greater certainty if international financial reporting standards are adopted by the Canadian Institute of Chartered Accountants in replacement for generally accepted accounting principles, each reference to "GAAP" herein shall be deemed to refer to such international financial reporting standards;
- (s) "Governmental Authority" means any: (i) federal, provincial, state, municipal, local or other governmental or public department, central bank, court, commission, board, bureau, agency or instrumentality, domestic or foreign; (ii) any subdivision or authority of any of the foregoing; or (iii) any quasi-governmental, judicial or administrative body exercising any regulatory, expropriation or taxing authority under or for the account of any of the foregoing;
- (t) "General Security Agreement" means a general security agreement executed by the Borrower in favour of the Lender over all the assets, undertaking of the Borrower granting a first-ranking security interest in favour of the Lender;
- (u) "Hazardous Materials" means any contaminant, pollutant, waste or substance that is likely to cause immediately or at some future time harm or degradation to the surrounding environment or risk to human health; and without restricting the generality of the foregoing, including any pollutant, contaminant, waste, hazardous waste or dangerous goods that is regulated by any Requirements of Environmental Law or that is designated, classified, listed or defined as hazardous, toxic, radioactive or dangerous or as a contaminant, pollutant or waste by any Requirements of Environmental Law;
- (v) "Indemnitees" means the Lender and its successors and permitted assignees, any agent of any of them (specifically including a receiver or receiver-manager) and its officers, directors, employees, beneficial owners and shareholders;
- (w) "Insolvency Event" means, in respect of any Person:
 - (i) such Person ceases to carry on its business; or commits an act of bankruptcy or becomes insolvent (as such terms are used in the BIA); or makes an assignment for the benefit of creditors, files a petition in bankruptcy, makes a proposal or commences a proceeding under

Insolvency Legislation; or petitions or applies to any tribunal for, or consents to, the appointment of any receiver, trustee or similar liquidator in respect of all or a substantial part of its property; or admits the material allegations of a petition or application filed with respect to it in any proceeding commenced in respect of it under Insolvency Legislation; or takes any corporate action for the purpose of effecting any of the foregoing; or

- (ii) any proceeding or filing is commenced against such Person seeking to have an order for relief entered against it as debtor or to adjudicate it a bankrupt or insolvent, or seeking liquidation, winding-up, reorganization, arrangement, adjustment or composition of it or its debts under any Insolvency Legislation, or seeking appointment of a receiver, trustee, custodian or other similar official for it or any of its property or assets; unless (i) such Person is diligently defending such proceeding in good faith and on reasonable grounds as determined by the Lender and (ii) such proceeding does not in the reasonable opinion of the Lender materially adversely affect the ability of such Person to carry on its business and to perform and satisfy all of its obligations hereunder;
- (x) "Insolvency Legislation" means legislation in any applicable jurisdiction relating to reorganization, arrangement, compromise or re-adjustment of debt, dissolution or winding-up, or any similar legislation, and specifically includes for greater certainty the BIA, the *Companies' Creditors Arrangement Act* (Canada) and the *Winding-Up and Restructuring Act* (Canada);
- (y) "Interest Reserve" means the amounts set aside or deducted as contemplated in Section 4.12 hereof to fund the obligations of the Borrower to pay interest as set forth in this Agreement on the Loan Instalments that may from time to time be made by the Lender to the Borrower.
- (z) "Laws" means all statutes, codes, ordinances, decrees, rules, regulations, municipal by-laws, judicial or arbitral or administrative or ministerial or departmental or regulatory judgments, orders, decisions, rulings or awards, or any provisions of such laws, including general principles of common and civil law and equity or policies or guidelines, to the extent such policies or guidelines have the force of law, binding on the Person referred to in the context in which such word is used; and "Law" means any of the foregoing;
- (aa) "Lender's Solicitors" shall mean Nancy Elliott, Barrister & Solicitor, or such other solicitors that the Lender may in writing designate;
- (bb) "Lien" means: (i) a lien, charge, mortgage, pledge, security interest or conditional sale agreement; (ii) an assignment, lease, consignment, trust or deemed trust that secures payment or performance of an obligation; (iii) a garnishment; (iv) any other encumbrance of any kind; and (v) any commitment or agreement to enter into or grant any of the foregoing;

- (cc) "Loan", means the aggregate amount, not to exceed Three Million Five Hundred Thousand (\$3,500,000.00) Dollars, of all Loan Instalments made from time to time hereunder by the Lender to the Borrower, less the amount, if any, repaid from time to time by the Borrower to the Lender;
- (dd) "Loan Instalment" has the same meaning as set forth in Sub-Section 4.08(a) hereof, with each Loan Instalment to be made in the sole and absolute discretion of the Lender;
- (ee) "Loan Rate", means the annual rate of interest applicable to any particular amount outstanding pursuant to this Agreement being Eight (8%) percent per annum;
- (ff) "Material Adverse Change" means any change or event which: (i) constitutes a material adverse change in the business, operations, condition (financial or otherwise) or properties of the Borrower taken as a whole; or (ii) could materially impair the Borrower's ability to timely and fully perform its obligations under this Agreement or the Security Documents, or materially impair the ability of the Lender to enforce its rights and remedies under this Agreement or the Security Documents;
- (gg) "Material Agreement" means, in respect of the Borrower, any agreement made between the Borrower and another Person which the Lender, in its sole and absolute discretion, determines to be material to the Borrower;
- (hh) "Maturity Date" shall have the same meaning as set forth in Section 4.04 hereof;
- (ii) "Mortgage" has the same meaning as set forth in Sub-Section 5.01(c) hereof;
- (jj) "Note" shall mean the promissory note executed by the Borrower in favour of the Lender in the sum of Three Million Five Hundred Thousand (\$3,500,000.00) Dollars which Note shall be in form and substance satisfactory to the solicitors of the Lender;
- (kk) "Outstanding Encumbrances and Liens" shall have the same meaning as set forth in Sub-Section 7.01(l) hereof;
- (ll) "Person", means a natural person, firm, trust, partnership, association, corporation, government or governmental board, agency or instrumentality;
- (mm) "Permitted Encumbrances" are those Liens described in Schedule "E" attached hereto and any construction financing subsequently acquired by the Borrower for the construction of the condominium project of the Property;
- (nn) "Requirements of Environmental Law" means: (i) obligations under common law; (ii) requirements imposed by or pursuant to statutes, regulations and by-laws whether presently or hereafter in force; (iii) requirements announced by a Governmental Authority as having immediate effect (provided that at the time of making such announcement the government also states its intention of enacting legislation to confirm such requirements retroactively); (iv) all directives, policies and guidelines issued or relied upon by any Governmental Authority to the extent

such directives, policies or guidelines have the force of law; (v) all permits, licenses, certificates and approvals from Governmental Authorities which are required in connection with air emissions, discharges to surface or groundwater, noise emissions, solid or liquid waste disposal, the use, generation, storage, transportation or disposal of Hazardous Materials; and (vi) all requirements imposed under any clean-up, compliance or other order made pursuant to any of the foregoing, in each and every case relating to environmental, health or safety matters including all such obligations and requirements which relate to (A) solid, gaseous or liquid waste generation, handling, treatment, storage, disposal or transportation and (B) exposure to Hazardous Materials;

- (oo) "Security" means all guarantees, security agreements, mortgages, debentures and other documents mentioned comprising the Security Documents or otherwise and all other documents and agreements delivered by the Borrower or other Persons to the Lender for the benefit of the Lender from time to time as security for the payment and performance of the Borrowers Liabilities, and the security interests, assignments and Liens constituted by the foregoing;
- (pp) "Security Documents", refers collectively to this Agreement, the Mortgage, those documents and instruments referred to in Section 5.01 hereof and any and other documents, agreements or writings delivered to the Lender as contemplated in this Agreement whether as security for the Loan or otherwise. At the option of the Lender, the Security Documents may reflect a fixed rate of interest as designated by the Lender's counsel. Notwithstanding the same, the provisions with respect to the payment of interest as set out in this Agreement shall prevail;
- (qq) "Statutory Lien" means a Lien in respect of any property or assets of a Company created by or arising pursuant to any applicable legislation in favour of any Person (such as but not limited to a Governmental Authority), including a Lien for the purpose of securing the Borrower's obligation to deduct and remit employee source deductions and goods and services tax pursuant to the *Income Tax Act* (Canada), the *Excise Tax Act* (Canada), the *Canada Pension Plan* (Canada), the *Employment Insurance Act* (Canada) and any federal or provincial legislation similar to or enacted in replacement of the foregoing from time to time; and,
- (rr) "Subsidiary" means a business entity which is controlled by another business entity (as used herein, "business entity" includes a corporation, company, partnership, limited partnership, trust or joint venture).

2.02 Unless otherwise provided herein, all financial terms used in this Agreement shall be determined in accordance with GAAP in effect at the date of such determination. Where the character or amount of any asset or liability or item of revenue or expense is required to be determined, or any consolidation or other computation is required to be made for the purpose of this Agreement, such determination or calculation shall be made in accordance with GAAP applied on a consistent basis, unless otherwise indicated.

2.03 All amounts referred to in this Agreement are in Canadian Dollars unless otherwise noted.

2.04 Whenever in this Agreement reference is made to a statute or regulations made pursuant to a statute, such reference shall, unless otherwise specified, be deemed to include all amendments to such statute or regulations from time to time and all statutes or regulations which may come into effect from time to time substantially in replacement for the said statutes or regulations.

2.05 Terms defined in the singular have the same meaning when used in the plural, and vice-versa. When used in the context of a general statement followed by a reference to one or more specific items or matters, the term "including" shall mean "including, without limitation", and the term "includes" shall mean "includes, without limitation". Any reference herein to the exercise of discretion by the Lender (including phrases such as "in the discretion of", "in the opinion of", "in its opinion", "to the satisfaction of" and similar phrases) shall mean that such discretion is absolute and unfettered and shall not imply any obligation to act reasonably, unless otherwise expressly stated herein.

ARTICLE 3 SCHEDULES

3.01 *The following are the schedules attached to and incorporated in this Agreement by reference and deemed to be a part thereof:*

Schedule "A" – Lands to be Charged/Mortgaged

Schedule "B" – Schedule of Interest Payments

Schedule "C" – Expenses

Schedule "D" – Additional Loan Payment

Schedule "E" – Permitted Encumbrances

Schedule "F" – Outstanding Encumbrances and Liens

ARTICLE 4 THE LOAN, INTEREST, EXPENSES, AND PAYMENT THEREOF

4.01 Subject to the terms and conditions hereof, the Lender agrees to provide to the Borrower the Loan.

4.02 The Borrower and the Lender acknowledge and confirm that, notwithstanding any rate of interest set out in the Security Documents or any of them, the provisions of this Agreement regarding the Loan Rate shall govern the rate of interest payable on the Loan. The Borrower and the Lender further acknowledge and confirm that the Security Documents shall be in form and substance satisfactory to the Lender.

4.03 Interest on the Loan Rate shall be determined daily and shall be due, payable and compounded quarterly, not in advance, on the 1st day of each month during such quarterly period, as well after as before demand, maturity, default and judgment, together with interest on overdue interest determined daily (if relevant) and compounded quarterly at the same rate applicable until

the Borrower's Liabilities have been paid in full. Interest shall be calculated on the basis of a three hundred and sixty-five (365) day year. Interest on the Loan at the Loan Rate and calculated as aforesaid shall accrue as of the date of the first Loan Instalment. Any disputes on the determination and calculation of interest of the Interest Rate shall be resolved by the Lender, in its opinion but acting reasonably. The first payment of interest and all subsequent payments of interest as aforesaid shall be payable in the amounts and on the dates as set forth in Schedule "B" attached hereto.

4.04 The Loan, together with all accrued and outstanding interest and other charges in connection therewith as set forth in this Agreement and the Security Documents including without limiting the generality of the foregoing the Additional Loan Payment and all other Borrower's Liabilities, shall become fully due and repayable on the third anniversary of the first Loan Instalment (the "Maturity Date").

4.05 Any payment provided hereunder to be made by the Borrower to the Lender shall be in certified funds or bank draft and shall be payable to the Borrower's Solicitors, in trust, and delivered to the Borrower's Solicitors, or any other payee or office designated by the Lender from time to time. The Borrower's Solicitors shall coordinate further delivery of such funds with the Lender's Solicitors. Any payment as aforesaid received after two o'clock (2:00) p.m. Toronto time shall be deemed to have been received on the next following Business Day.

4.06 This Agreement shall constitute evidence of the obligation of the Borrower to repay all the Borrower's Liabilities in accordance with the terms hereof. The Borrower shall repay the Loan and the Borrower's Liabilities in full on the Maturity Date, and until then shall pay interest at the time or times and in the manner provided herein.

4.07 All Loan Instalments and Expenses as and when advanced or incurred shall be and become secured by the Security Documents and Expenses may be paid by the Lender and be deducted from Loan Instalments which would otherwise have been made to the Borrower. The Security Documents shall be in addition to any other security which the Lender may now have or subsequently acquire for the performance of the Borrower's Liabilities. The Expenses listed in Schedule "C" attached hereto are a list of Expenses (but by no means an exhaustive list of all Expenses) that shall be deducted from the Loan Instalments.

4.08 The Lender and the Borrower mutually acknowledge, confirm, represent and covenant as follows:

- (a) Any amounts advanced by the Lender, in its sole and absolute discretion, to the Borrower pursuant to this Agreement shall occur in tranches (the "**Loan Instalments**") with the first Loan Instalment to be in the amount of not less than One Million Five Hundred Thousand (\$1,500,000.00) Dollars;
- (b) the initial face value of the Mortgage will be \$3,500,000.00; and,
- (c) prior to the release of any funds by the Lender's Solicitors to the solicitor(s) for the Borrower, each Party hereby irrevocably acknowledges and directs that their respective solicitors are authorized to and shall cause to be registered any such instruments on title to the Lands which in the opinion of the solicitor for the Lender may be required as evidence of any sums advanced to the Borrower on the security of this Agreement or the Security Documents.

4.09 The Borrower may not prepay all or any portion of the Borrower's Liabilities hereunder.

4.10 Notwithstanding anything to the contrary contained in this Agreement, any Loan Instalment made by the Lender and the Borrower shall be at the Lender's sole and absolute discretion and the Lender shall not be obligated at any time or times to make any Loan Instalment to the Borrower.

4.11 In addition to the payment by the Borrower of the Loan plus interest as set forth in this Agreement, the Borrower shall also pay to the Lender, in certified funds or Bank Draft, forthwith after the determination is made by the Lender in its opinion that the Additional Loan Payment is payable, the amount of the Additional Loan Payment calculated as described in Schedule "D" attached hereto in the same manner as contemplated in Section 4.05 hereof. Notwithstanding the foregoing, the Lender, at its option, may also deduct from the Distributable Cash Proceeds, at any time and from time to time, all or any part of the Additional Loan Payment that the Lender, in its opinion, believes is due and payable.

4.12 The parties hereto acknowledge, confirm, covenant and agree that the Lender shall be deducting from the first Loan Instalment and any subsequent Loan Instalments an amount equal to the projected interest on the amount of such Loan Instalment for 12 months which shall be a contribution of the Borrower to the Interest Reserve. The parties hereto further acknowledge, confirm, covenant and agree that the Lender may from time to time and at any time, acting reasonably, deduct from the funds held in trust by the Lender's Solicitors or received from the Borrower, whether from the Distributable Cash Proceeds or otherwise, such amounts that in its opinion is necessary or appropriate to replenish the Interest Reserve. The Borrower covenants and agrees that the amount in the Interest Reserve shall be applied by the Lender against the obligations of the Borrower to pay interest hereunder on the Loan Instalments and that once applied or deducted by the Lender from the Loan Instalments, the Distributable Cash Proceeds or otherwise, the Borrower shall have no claim against the funds in the Interest Reserve. The Lender agrees to provide monthly reports on the disposition, if any, of funds set aside and in the Lender's Solicitors trust account.

ARTICLE 5 SECURITY

5.01 The Borrower agrees to provide the Security Documents listed below to the Lender, as continuing security for the payment and performance of all of its present and future, direct and indirect obligations to the Lender, specifically including the Loan, the Borrowers Liabilities and its direct indebtedness and obligations to the Lender arising under this Agreement:

- (a) The General Security Agreement;
- (b) The Note;
- (c) A mortgage in the amount of the Principal Sum ranking as a first mortgage; provided that the mortgage shall be subordinated to any construction financing obtained by the Borrower related to construction of the condominium project on the Property (the "Mortgage");
- (d) if requested by the Lender from time to time, security agreements creating an assignment security interest in respect of its rights to and interest in Material

Agreements to which it is a party, together with any necessary consents from the other parties thereto, which security interest may not be a first ranking security interest;

- (e) an assignment of its interest in all policies of insurance, specifically including the right to receive any refunds of premiums paid thereunder; and
- (f) such other security and further assurances as the Lender may reasonably require from time to time.

5.02 The Security Documents shall be in form and substance satisfactory to the Lender, acting reasonably. The Lender may require that any item of Security Documents be governed by the laws of the jurisdiction where the property subject to such item of Security Documents is located. The Security Documents shall be registered by the Lender or, at the request of the Lender, by the Borrower, all at the Borrower's cost and expense, where necessary or desirable to record and perfect the charges contained therein, as determined by the Lender in its sole and absolute discretion.

5.03 The Borrower shall cause to be delivered to the Lender prior to each Loan Instalment the opinion of the solicitors for the Borrower regarding its corporate status, the due authorization, execution and delivery of the Security Documents provided by it, all registrations in respect of the Security Documents, the results of all applicable searches in respect of them, and the enforceability of such Security Documents and any other matters requested by the Lender in its opinion; all such opinions to be in form and substance satisfactory to the Lender.

5.04 The Borrower shall execute and deliver from time to time all such further documents and assurances as may be reasonably required by the Lender from time to time in order to provide the Security Documents contemplated hereunder, specifically including supplemental or additional security agreements which shall include lists of specific assets to be subject to the security interests required hereunder.

5.05 If insurance proceeds become payable in respect of loss of or damage to any property owned by the Borrower the Lender shall apply such proceeds against the Borrower's Liabilities (allocated amongst the components of the Borrower's Liabilities, at all times, by the Lender in its sole and absolute discretion).

ARTICLE 6 COVENANTS, REPRESENTATIONS AND WARRANTIES

6.01 The Borrower represents and warrants to the Lender as follows (which shall survive the execution and delivery of this Agreement), the truth and accuracy of which are a continuing condition of the advance of the Loan Instalments and the Borrower hereby acknowledges, confirms and agrees that the Lender is relying on such representations and warranties:

- (a) The Borrower is a validly subsisting corporation under the *Business Corporations Act* (Ontario), and is duly qualified to carry on its business in the jurisdiction in which it carries on business and has the power and authority to enter into and

perform its obligations under this Agreement, is the registered owner of the Property and is legally entitled to carry on its business as currently conducted or as currently contemplated.

- (b) The Borrower has obtained all material licenses, permits and approvals from all governments, governmental commissions, boards and other agencies of jurisdictions in which it carries on (or contemplates carrying on) business which are required and which will allow for the development of the Property.
- (c) The Borrower or its solicitor has delivered to the Lender, or its solicitor, copies of the constating documents of the Borrower and the Lender's solicitor has obtained a legal opinion from the Borrower's solicitor that the Borrower is authorized to enter into this Agreement and the Security Documents.
- (d) The execution, delivery and performance of this Agreement and the Security Documents has been duly authorized by all requisite action on the part of the Borrower; and this Agreement and the Security Documents have been, or will be, duly executed and delivered by the Borrower, and this Agreement and the Security Documents delivered or to be delivered pursuant hereto and thereto constitutes, or when delivered will constitute, a valid and binding obligation of the Borrower and enforceable against the Borrower in accordance with their terms, subject to the application of bankruptcy, insolvency and similar laws affecting the enforcement of creditors' rights generally and the fact that the right to obtain judicial orders requiring specific performance or other equitable remedies is in the discretion of the court.
- (e) The Borrower shall and does indemnify and hold harmless the Lender and the Indemnitees from and against all losses, claims, damages, liabilities, and expenses, to which any such person or entity may become subject arising out of or in connection with this Agreement, the use of proceeds, or any related transaction or any claim, litigation, investigation or proceeding, relating to any of the foregoing, regardless of whether the Lender is a party thereto, and to reimburse the Lender, forthwith upon demand for any reasonable, legal or other expenses incurred in connection with investigating or defending any of the foregoing.
- (f) The Borrower acknowledges that neither its execution nor delivery of this Agreement or the Security Documents the consummation of the transactions herein contemplated nor compliance with the terms, conditions and provisions hereof or thereof does not and will not conflict with, and does not and will not result in any breach of or constitutes a default under any of the provisions of the constating documents or by-laws of the Borrower or any applicable Law including applicable securities laws, rules, policies and regulations or any contract or agreement upon or to which the Borrower is a party.
- (g) The Borrower has good and marketable title to the Property and its assets free from all mortgages, security interests, Liens, pledges, charges, encumbrances, title retention agreements, options or adverse claims, other than the permitted encumbrances as identified in Schedule "D" attached hereto (the "Permitted Encumbrances") and the Outstanding Encumbrances and Liens.

- (h) The Borrower has filed or caused to be filed, in a timely manner all tax returns, reports and declarations, which are required to be filed by it. All information in such tax returns, reports and declarations is complete and accurate in all material respects. The Borrower has paid or caused to be paid all taxes due and payable or claimed due and payable in any assessment received by it, except taxes the validity of which are being contested in good faith by appropriate proceedings diligently pursued and available to the said Borrower and with respect to which adequate reserves have been set aside on its books. Adequate provision has been made for the payment of all accrued and unpaid federal, provincial, local, foreign and other taxes whether or not yet due and payable and whether or not disputed.
- (i) All representations and warranties of the Borrower contained in this Agreement or in any of the Security Documents shall survive the execution and delivery of this Agreement and shall be deemed to have been made again to the Lender on the date of each Loan Instalment pursuant to this Agreement and shall be conclusively presumed to have been relied on by the Lender regardless of any investigation made or information possessed by the Lender. The representations and warranties set forth herein shall be cumulative and in addition to any other representations or warranties which the Borrower shall now or hereafter give, or cause to be given, to the Lender.
- (j) The Borrower further acknowledges and agrees that the terms of this Agreement shall override the terms of any previous loan agreements to which the Borrower and the Lender may be or may have been Parties.
- (k) The Borrower acknowledges that the Lender may have executed a loan agreement that has been amended to accommodate the beneficial owners of the Lender and the Borrower agrees to abide by the specific terms of each of said Agreements.
- (l) The Borrower has no Subsidiaries.
- (m) no Person has any agreement or option or any right or privilege (whether by law, pre-emptive or contractual) capable of becoming an agreement, including convertible securities, warrants or convertible obligations of any nature, for the purchase of any properties or assets of the Borrower out of the ordinary course of business or for the purchase, subscription, allotment or issuance of any debt or equity securities of the Borrower.
- (n) The Borrower is in compliance in all material respects with all applicable Laws of each jurisdiction in which it carries on business and is duly licensed, registered and qualified to do business and is in good standing in each jurisdiction in which the nature of the business conducted by it or the property owned or leased by it make such qualification necessary; and all such licences, registrations and qualifications are valid and subsisting and in good standing.
- (o) The Borrower owns, possesses and has a good and marketable title to its undertaking, property and assets, free and clear of any and all Liens except for Permitted Encumbrances and the Outstanding Encumbrances and Liens. The Borrower does not have any commitment or obligation (contingent or otherwise)

to grant any Liens except for the Permitted Encumbrances. No event has occurred which constitutes, or which with the giving of notice, lapse of time or both.

- (p) The Borrower have placed insurance, including property, boiler and machinery, business interruption and liability insurance, in appropriate amounts and for appropriate risks as would be considered prudent for similar business.
- (q) The Borrower and its business, operations, assets, equipment, property, leaseholds and other facilities is in compliance in all material respects with all Requirements of Environmental Law, specifically including all Requirements of Environmental Law concerning the storage and handling of Hazardous Materials. The Borrower holds all material permits, licenses, certificates and approvals from Governmental Authorities which are required in connection with (i) air emissions; (ii) discharges to surface or groundwater; (iii) noise emissions; (iv) solid or liquid waste disposal; (v) the use, generation, storage, transportation or disposal of Hazardous Materials; and (vi) all other Requirements of Environmental Law. There has been no material emission, spill, release, or discharge into or upon (i) the air; (ii) soils, or any improvements located thereon; (iii) surface water or groundwater; or (iv) the sewer, septic system or waste treatment, storage or disposal system servicing the premises, of any Hazardous Materials at or from the Property, and there has been no complaint, order, directive, claim, citation, or notice from any Governmental Authority or any other Person with respect to (i) air emissions; (ii) spills, releases, or discharges to soils or improvements located thereon, surface water, groundwater or the sewer, septic system or waste treatment, storage or disposal systems servicing the Property; (iii) noise emissions; (iv) solid or liquid waste disposal; (v) the use, generation, storage, transportation, or disposal of Hazardous Materials; or (vi) other Requirements of Environmental Law affecting the Property. There are no legal or administrative proceedings, investigations or claims now pending, or to the Borrower's knowledge, threatened, with respect to the presence on or under, or the discharge, emission, spill, radiation or disposal into or upon any of the Properties, the atmosphere, or any watercourse or body of water, of any Hazardous Material; nor are there any material matters under discussion with any Governmental Authority relating thereto; and there is no factual basis for any such proceedings, investigations or claims. The Borrower has no material indebtedness, obligation or liability, absolute or contingent, matured or not matured, with respect to the storage, treatment, cleanup or disposal of any Hazardous Materials (including without limitation any such indebtedness, obligation, or liability under any Requirements of Environmental Law regarding such storage, treatment, cleanup or disposal).
- (r) Save and except for the and the Outstanding Encumbrances and Liens, there are no actions, suits or proceedings now pending, or to the Borrower's knowledge, threatened, against the Borrower in any court or before or by any federal, provincial, municipal or other Governmental Authority.
- (s) No guarantees have been granted by the Borrower.
- (t) The Borrower has remitted on a timely basis all amounts required to have been withheld and remitted (including withholdings from employee wages and salaries

relating to income tax, employment insurance and Canada Pension Plan contributions), goods and services and Harmonized Sales tax and all other amounts which if not paid when due could result in the creation of a Statutory Lien against any of the Borrower's property including the Property, except for Permitted Encumbrances.

- (u) Save and except for and the Outstanding Encumbrances and Lien, no Default, Event of Default or Material Adverse Change has occurred and is continuing.
- (v) All financial and other information furnished by or in respect of the Borrower to the Lender for the purposes of or in connection with this Agreement or the Security Documents are true and accurate in all material respects and is not incomplete by omitting to state any fact necessary to make such information not misleading. There are no facts known to the Borrower which could materially adversely affect the Borrower's ability to observe and perform their obligations under the Security Documents, or which if known to the Lender could reasonably be expected to deter the Lender from making any Loan Instalments hereunder on the terms and conditions contained herein.

ARTICLE 7 COVENANTS

7.01 The Borrower hereby covenants and agrees with the Lender that it will:

- (a) pay all principal, interest and other amounts due hereunder including the Borrowers Liabilities at the times and in the manner specified herein;
- (b) maintain its corporate existence in good standing, continue to carry on its business, preserve its rights, powers, licences, privileges, franchises and goodwill, exercise any rights of renewal or extensions of any leases, licences, concessions, franchises or any other rights whatsoever which are material to the conduct of its business, maintain all qualifications to carry on business in each jurisdiction in which such qualifications are required, and carry on and conduct its business in a proper and efficient manner so as to protect its property and income; and not materially change the nature of its business;
- (c) comply in all material respects with all applicable Laws (specifically including, for greater certainty, all applicable Requirements of Environmental Law), use the proceeds of all Loan Instalments hereunder for legal and proper purposes in connection with the purposes set out in the first recital of this Agreement, and obtain and maintain in good standing all material leases, licences, permits and approvals from any and all Governmental Authorities required in respect of its business and operations;
- (d) pay when due all rents, taxes, rates, levies, assessments and governmental charges, fees and dues lawfully levied, assessed or imposed in respect of its property which are material to the conduct of its business, and deliver to the Lender upon request receipts evidencing such payments;
- (e) maintain adequate books, accounts and records in accordance with GAAP;

- (f) keep the Property and its assets in good repair and working condition;
- (g) permit the Lender and its employees, representatives and agents (during normal business hours and in a manner which does not materially interfere with its business) to enter upon and inspect the Property and its properties, assets, books and records from time to time and make copies of and abstracts from such books and records, and discuss its affairs, finances and accounts with its officers, directors, accountants and auditors; such access shall be on 48 hours' prior notice unless a Default has occurred and is continuing in which event no notice shall be required;
- (h) obtain from financially responsible insurance company and maintain liability insurance, all-risks property insurance on a replacement cost basis (less a reasonable deductible not to exceed amounts customary in the industry for similar businesses and properties), business interruption insurance and insurance in respect of such other risks as the Lender may reasonably require from time to time; all of which policies of insurance shall be in such amounts as may be reasonably required by the Lender and shall include a standard mortgage clause approved by the Insurance Bureau of Canada; and the Lender's interest shall be noted as an additional insured on all liability insurance policies and as second mortgagee and loss payee on all other insurance policies; and the Lender shall be provided with certificates of insurance and certified copies of such policies from time to time upon request;
- (i) fulfil all covenants and obligations required to be performed by it under this Agreement and the Security Documents to which it is a party and any other agreement or undertaking now or hereafter made between it and the Lender;
- (j) provide prompt notice to the Lender of: (i) the occurrence of any Default or Event of Default; (ii) the incorrectness of any representation or warranty contained herein or any Security Documents in any material respect; (iii) any material contravention of or non-compliance by any Borrower with any terms and conditions of this Agreement or any Security Document; (iv) any Material Adverse Change; (v) any litigation affecting the Borrower; (vi) any material labour dispute affecting the Borrower; or (vii) any notice in respect of the termination or suspension of, or a material default under, any Material Contract;
- (k) provide the Lender with such further information, financial data, documentation and other assurances as the Lender may reasonably require from time to time in order to ensure ongoing compliance with the terms of this Agreement and the Security Documents and to achieve the spirit and intent of this Agreement;
- (l) The Borrower hereby covenants and agrees with the Lender that the first Loan Instalment will be used to fund, payoff and discharge the encumbrances and liens set out in Schedule "F" attached hereto (the "Outstanding Encumbrances and Liens") which are currently registered on title to the Property. The Borrower acknowledges that no funds will be disbursed directly to the Borrower until all amounts hereunder that are required to be paid by the Borrower are in fact paid

and the Outstanding Encumbrances and Liens have been discharged from title to the Property.

7.02 The Borrower hereby covenants and agrees with the Lender that it will not without the prior written consent of the Lender (which consent may be withheld in the sole and absolute discretion of the Lender):

- (a) grant or suffer to exist any Liens in respect of any of its property and assets including the Property, except the Permitted Encumbrances;
- (b) directly or indirectly sell or otherwise dispose of any of its assets save and except in the ordinary course of its business or further save and except to sales of dwelling units to bona fide arm's length third party purchasers of Lots;
- (c) make any Distributions;
- (d) not materially change the nature of its business, maintain a place of business or any material assets in any jurisdiction other than the Province of Ontario, or enter into any transaction whereby all or a substantial portion of its undertaking, property and assets would become the property of any other Person, whether by way of reconstruction, reorganization, recapitalization, consolidation, amalgamation, merger, transfer, sale or otherwise, in each case without the prior written consent of the Lender in its sole and absolute discretion;
- (e) change its Fiscal Year (which for greater certainty presently ends on the last day of December in each year);
- (f) change its Accountants except with the prior written consent of the Lender which consent shall not be unreasonably withheld; and,
- (g) use the proceeds of any Loan Instalment for any purposes other than the development and construction of residential townhouses on the Property.

7.03 The Borrower shall deliver by courier delivery to the Lender the following financial and other information at the times indicated below:

- (a) the annual Year-end Financial Statements of the Borrower, by the 120th day after the end of the Fiscal Year accompanied by a Compliance Certificate certified by the Chief Financial Officer of the Borrower or other senior officer of the Borrower acceptable to the Lender;
- (b) within the first 120 days after the start of each Fiscal Year, a business plan for the Borrower in respect of such Fiscal Year, which shall disclose all material assumptions utilized and shall include the following items set out on a quarterly basis: balance sheet, income statement, cashflow statement, Capital Expenditures and tax liabilities; and
- (c) such additional information and documents as the Lender may reasonably require from time to time.

7.04 Full, true and accurate accounting and financial information shall be kept by the Borrower in accordance with GAAP as of the date hereof until at least after eighteen (18) months after the Borrower's Liabilities have been repaid. The Lender or anyone designated by the Lender shall have access to the books, records, financial information, financial statements and data of the Borrower (the "Borrower's Books and Records") at any and all times during regular business hours for the purpose of examining and reviewing the Borrower's Books and Records. The Lender shall not disclose any confidential information so obtained except to the extent that disclosure is reasonable in the conduct of the Lender's business.

7.05 The Lender hereby covenants with the Borrower, that the Lender shall execute any necessary documents and register such documents as may be reasonably requested by any construction financier to subordinate the Lender's Mortgage security and personal property security to any mortgage or other security granted by the construction financier to the Borrower, for the purposes of funding the Borrower's construction of the condominium project on the Property; and the Lender appoints the Borrower as the Lender's power of attorney to execute any required documents on behalf of the Lender to evidence the foregoing.

ARTICLE 8 CONDITIONS PRECEDENT

8.01 The Lender shall have no obligation to make the first Loan Instalment hereunder or any Loan Instalments thereafter on the Closing Date unless at the time of making such Loan Instalment the following terms and conditions (which are condition precedents in favour of the Lender) shall have been satisfied in the opinion of the Lender:

- (a) the Lender shall have completed and shall be satisfied with its due diligence in respect of the Property;
- (b) all representations and warranties made by the Borrower contained in this Agreement or the Security Documents shall be true, correct and complete in all material respects;
- (c) all Security Documents required to be provided at the time of the first Loan Instalment shall have been executed and delivered, all registrations necessary or desirable in connection therewith shall have been made, and all legal opinions and other documentation required by the Lender in connection therewith shall have been executed and delivered, all in form and substance satisfactory to the Lender in its sole and absolute discretion;
- (d) the Lender shall have received satisfactory evidence that there are no Liens affecting the Borrower or its assets, except for Permitted Encumbrances and the Outstanding Encumbrances and Liens which shall be paid in full and deducted from the First Loan Instalment on the Closing Date;
- (e) the Lender shall have received particulars of all Permitted Encumbrances, specifically including the assets encumbered thereby, the amounts due thereunder, and confirmation from the holders thereof that the terms thereof are being complied with;

- (f) the property and assets of the Borrower shall be insured on the Closing Date; the terms and conditions of such insurance to be in compliance with the requirements of this Agreement in the opinion of the Lender;
- (g) the Lender shall have received an officer's certificate and certified copies of resolutions of the board of directors of the Borrower concerning the due authorization, execution and delivery of the Security Documents to which it is a party, and such related matters as the Lender may reasonably require;
- (h) the Lender shall have received from the Borrower a certificate of status as of the Closing Date or the date of any Loan Instalment, as the case may be, certificate of compliance or similar certificate for the Borrower issued by its governing jurisdiction and each other jurisdiction in which it carries on business or holds any material assets;
- (i) the Lender shall have received such additional evidence, documents or undertakings as it may reasonably require to complete the transactions contemplated hereby in accordance with the terms and conditions contained herein;
- (j) All Realty Taxes related to the Property are up-to-date as of the Closing Date; and
- (k) All mortgages, charges, Liens and encumbrances have been discharged, on the Closing Date and prior to any Loan Instalment being made.

8.02 The Borrower hereby acknowledges, confirms, covenants and agrees that the Lender is syndicating the Loan and therefore, the Lender shall have no obligation to make the first Loan Instalment hereunder on the Closing Date or any Loan Instalment thereafter unless at the time of making such Loan Instalment the syndication of the Loan has been completed in the opinion of the Lender.

ARTICLE 9 DEFAULT AND REMEDIES

9.01 The occurrence of any one or more of the following events, after the expiry of any applicable cure period set out below, shall constitute an event of default under this Agreement (an "Event of Default"):

- (a) the Borrower fails to pay any principal, interest, Expenses or any other amount payable hereunder when due under the terms of this Agreement or any of the Security Documents;
- (b) any representation, warranty or statement made to the Borrower herein or in any Security Documents is incorrect in any material respect on the date on which such representation, warranty or statement was made or deemed to have been made, or subsequently becomes incorrect in any material respect; provided that if such representation, warranty or statement is capable of being corrected within twenty (20) days, the Borrower diligently attempts to take all such action as may be necessary in order that such representation, warranty or statement will become correct and diligently keep the Lender informed of its efforts in this regard, and

such representation, warranty or statement is correct by not later than the expiry of such twenty (20) day period on the opinion of the Lender, then the incorrectness of such representation, warranty or statement shall not constitute an Event of Default;

- (c) the Borrower fails to perform or comply with any of the covenants or obligations set out in this Agreement;
- (d) the Borrower fails to perform or comply with any of its covenants or obligations contained in any of the Security Documents, in each case, following receipt of notice of such non-compliance from the Lender; provided that if such non-compliance is capable of remedy within twenty (20) days, the Borrower diligently attempts to remedy such non-compliance and diligently keeps the Lender informed of its efforts in this regard, and such non-compliance is remedied within such twenty (20) day period in the opinion of the Lender, then such non-compliance shall not constitute an Event of Default;
- (e) an Insolvency Event occurs in respect of the Borrower;
- (f) any document constituting part of the Security Documents shall for any reason cease to be in full force and effect or shall be declared in a final judgment of a court of competent jurisdiction to be null and void; or the Borrower contests the validity or enforceability thereof or denies it has any further liability or obligation thereunder; or any document constituting part of the Security Documents shall for any reason fail to create a valid and perfected First-Ranking Security Interest subject to Permitted Encumbrances in the opinion of the Lender, in and to the property purported to be subject thereto, except that if such failure is capable of remedy within thirty (30) days, the Borrower diligently attempts to remedy such failure and diligently informs the Lender of its efforts in this regard, and the failure is remedied within such thirty (30) day period in the opinion of the Lender, then the failure shall not constitute an Event of Default;
- (g) any Person takes possession, or threatens to take possession, of any property of the Borrower including the Property by way of or in contemplation of enforcement of any security it may hold, or a distress or execution or similar process is levied or enforced against any such property; and,
- (h) any Governmental Authority shall take any action or proceeding to condemn, seize or appropriate any property of the Borrower that is material to its financial condition, business or operations.

9.02 Upon the occurrence of an Insolvency Event, the Borrower's Liabilities shall become immediately due and payable, without the necessity of any demand upon or notice to the Borrower by the Lender. Upon the occurrence and during the continuation of any Event of Default other than an Insolvency Event, the Lender may by written notice to the Borrower declare the Borrower's Liabilities to be immediately due and payable. Upon the occurrence and during the continuation of an Event of Default, both before and after the Acceleration Date, all outstanding Loan Instalments shall bear interest at the Loan Rate plus two percent (2%) per annum in order to compensate the Lender for the additional risk.

9.03 Upon the occurrence and during the continuation of an Event of Default, the Lender may apply any proceeds of realization from any Security or related to this Agreement or the Security Documents, against any portion or portions of the Borrower's Liabilities, and the Borrower may not require any different application. The taking of a judgment or any other action or dealing whatsoever by the Lender in respect of the Security Documents shall not operate as a merger of any of the Borrower's Liabilities hereunder or in any way affect or prejudice the rights, remedies and powers which the Lender may have, and the foreclosure, surrender, cancellation or any other dealing with any Security Documents or the said obligations shall not release or affect the liability of the Borrower or any other Person in respect of the remaining portion of the Borrower's Liabilities.

9.04 The Lender shall not be obliged to make any further Loan Instalments from and after the earliest to occur of the following: (i) delivery by the Lender to the Borrower of a written notice that a Default or an Event of Default has occurred and is continuing (whether or not such notice also requires immediate repayment of the Borrower's Liabilities); (ii) the occurrence of an Insolvency Event; and (iii) receipt by the Borrower of any garnishment notice or other notice of similar effect in respect of the Borrower pursuant to the *Income Tax Act* (Canada), the *Excise Tax Act* (Canada) or any similar notice under any other statute.

9.05 All of the rights and remedies granted to the Lender in this Agreement and the Security Documents, and any other rights and remedies available to the Lender at law or in equity, shall be cumulative. The exercise or failure to exercise any of the said remedies shall not constitute a waiver or release thereof or of any other right or remedy, and shall be non-exclusive.

9.06 If the Borrower fails to perform any covenant or obligation to be performed by it pursuant to this Agreement or the Security Documents, the Lender may in its sole and absolute discretion, after written notice to the Borrower, perform any of the said obligations but shall be under no obligation to do so; and any amounts expended or advanced by the Lender for such purpose shall be payable by the Borrower upon demand together with interest at the Interest Rate.

9.07 If the Borrower intends to take the benefit of any Insolvency Legislation, including making an assignment for the general benefit of creditors, making a proposal or filing a notice of intention to make a proposal under Insolvency Legislation, the Borrower covenants and agrees to provide the Lender with five (5) Business Days' prior written notice before any of the aforementioned proceedings are commenced. As soon as possible prior to the commencement of any such proceedings, the Borrower shall provide to the Lender copies of all relevant filing materials, including copies of draft court orders, plans of compromise, proposals and notices of intention. During this notice period the Lender may, in its sole discretion, elect to exercise any and all rights and remedies which may be available to it at that time as set out in this Agreement.

ARTICLE 10 GENERAL CONTRACT TERMS

10.01 The failure or delay by the Lender in exercising any right or privilege with respect to the non-compliance with any provisions of this Agreement by the Borrower and any course of action on the part of the Lender, shall not operate as a waiver of any rights of the Lender unless made in writing by the Lender. Any such waiver shall be effective only in the specific instance and for

the purpose for which it is given and shall not constitute a waiver of any other rights and remedies of the Lender with respect to any other or future non-compliance.

10.02 In addition to any other liability of the Borrower hereunder, the Borrower hereby agrees to indemnify and save harmless the Indemnitees from and against all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements (including reasonable legal fees on a solicitor and his own client basis) of any kind or nature whatsoever (but excluding any consequential damages and damages for loss of profit) which may be imposed on, incurred by or asserted against the Indemnitees (except to the extent arising from the negligence or wilful misconduct of such Indemnitees) which relate or arise out of or result from:

- (a) any failure by the Borrower to pay and satisfy its obligations hereunder and the Security Documents including the Borrower's Liabilities; and,
- (b) any investigation by Governmental Authorities or any litigation or other similar proceeding related to any use made or proposed to be made by the Borrower of the proceeds of any Loan Instalment
- (c) any losses suffered by the Indemnitees for, in connection with, or as a direct or indirect result of, the failure of the Borrower to comply with all Requirements of Environmental Law;
- (d) any losses suffered by the Indemnitees for, in connection with, or as a direct or indirect result of, the presence of any Hazardous Material situated in, on or under any property owned by the Borrower including the Property or upon which it carries on business; and
- (e) any and all liabilities, losses, damages, penalties, expenses (including reasonable legal fees) and claims which may be paid, incurred or asserted against the Indemnitees for, in connection with, or as a direct or indirect result of, any legal or administrative proceedings with respect to the presence of any Hazardous Material on or under any property owned by the Borrower including the Property or upon which it carries on business, or the discharge, emission, spill, radiation or disposal by the Borrower of any Hazardous Material into or upon the Property, the atmosphere, or any watercourse or body of water; including the costs of defending and/or counterclaiming or claiming against third parties in respect of any action or matter and any cost, liability or damage arising out of a settlement entered into by the Indemnitees of any such action or matter;

10.03 The termination of this Agreement shall not relieve the Borrower from its obligations to the Lender arising prior to such termination, such as but not limited to obligations arising as a result of or in connection with any breach of this Agreement or the Security Documents, any failure to comply with this Agreement or the Security Documents or the inaccuracy of any representations and warranties made or deemed to have been made prior to such termination, and obligations arising pursuant to all indemnity obligations contained herein.

10.04 If the Borrower fails to pay when due any Expenses or other amounts paid by the Lender hereunder (other than principal or interest on any Loan Instalment), the Borrower agrees to pay interest on such unpaid amount from the time such amount is due until paid at the Loan Rate.

10.05 Without prejudice to any other method of giving notice, all communications provided for or permitted hereunder shall be in writing and delivered to the addressee by prepaid private courier or sent by telecopy to the applicable address and to the attention of the officer of the addressee as follows:

(i) to the Borrower:

Legacy Lane Investments Ltd.
c/o Harris + Harris LLP
2355 Skymark Avenue, Suite 300
Mississauga, Ontario, L4W 4Y6

E-mail: bwstewart@rogers.com

Attention: Bruce Stewart

with a copy to:

Harris + Harris LLP
2355 Skymark Avenue, Suite 300
Mississauga, Ontario, L4W 4Y6

Attention: Mr. Gregory H. Harris
Fax No. 905-629-4350
Email: gregharris@harrisandharris.com

(ii) to the Lender:

c/o Tier 1 Transaction Advisory Services Inc.
3655 Kingston Road
Toronto, ON M1M 1S2

Attention: Raj Singh
Fax Number: 416-218-0236

with a copy to:

Nancy Elliott, Barrister & Solicitor

5000 Yonge Street
Suite 1901
Toronto, Ontario
M2N 7E9

Attention: Ms. Nancy Elliott
Fax Number: (416) 628-5597

Any communication transmitted by prepaid private courier shall be deemed to have been validly and effectively given or delivered on the Business Day after which it is submitted for delivery. Any communication transmitted by telecopy shall be deemed to have been validly and effectively given or delivered on the day on which it is transmitted, if transmitted on a Business Day on or before 5:00 p.m. (local time of the intended recipient), and otherwise on the next following Business Day. Any party may change its address for service by notice given in the foregoing manner.

10.06 Any provision of this Agreement which is illegal, prohibited or unenforceable in any jurisdiction, in whole or in part, shall not invalidate the remaining provisions hereof; and any such illegality, prohibition or unenforceability in any such jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

10.07 The Borrower shall from time to time at its own expense promptly execute and deliver or cause to be executed and delivered to the Lender all such other and further documents, agreements, opinions, certificates and instruments which may be requested by the Lender if necessary or desirable to more fully record or evidence the obligations intended to be entered into herein, or to make any recording, file any notice or obtain any consent.

10.08 Time shall be of the essence of this Agreement.

10.09 The Borrower may not assign any of its rights or obligations under this Agreement without the prior written consent of the Lender. The Lender may grant participations in all or any portion of its rights under this Agreement from time to time without notice to or obtaining the prior written consent of the Borrower. The Borrower agrees to co-operate fully with the Lender in connection with any assignment or participation pursuant to this section, and agrees to execute and deliver from time to time in favour of the Lender and any such assignee or participant such documents and assurances as may be reasonably required by the Lender or the assignee or participant in connection with such assignment or participation.

10.10 This Agreement and any other documents or instruments contemplated herein or therein shall constitute the entire agreement and understanding between the Borrower and the Lender relating to the subject-matter hereof. For greater certainty and without limiting the generality of the foregoing, this Agreement supersedes all discussion papers previously issued by the Lender relating to the proposed establishment of the Loan, which have no force or effect.

10.11 To the extent that there is any inconsistency between a provision of this Agreement and a provision of any document constituting part of the Security including the Security Documents, the provision of this Agreement shall govern. For greater certainty, a provision of this Agreement and a provision of any Security Document shall be considered to be inconsistent if both relate to the same subject-matter and the provision in the Security Document imposes more onerous obligations or restrictions than the corresponding provision in this Agreement (excluding fees and Expenses).

10.12 This Agreement shall be interpreted in accordance with the laws of the Province of Ontario. Without prejudice to the right of the Lender to commence any proceedings with respect to this Agreement in any other proper jurisdiction, the parties hereby attorn and submit to the non-exclusive jurisdiction of the courts of the Province of Ontario.

10.13 This Agreement may be executed in several counterparts, each of which, when so executed, shall be deemed to be an original and which counterparts together shall constitute one and the same Agreement. This Agreement may be executed by facsimile, and any signature contained hereon by facsimile shall be deemed to be equivalent to an original signature for all purposes.

10.14 This Agreement shall be binding upon and shall enure to the benefit of the parties and their respective successors and permitted assigns; "successors" includes any corporation resulting from the amalgamation of any party with any other corporation.

IN WITNESS WHEREOF the parties hereto have executed this Agreement as of the date written on the first page hereof.

2223947 ONTARIO LIMITED

Per: _____

Name: Raj Singh

Title: President

I have authority to bind the corporation

LEGACY LANE INVESTMENTS LTD.

Per: _____

Name: Bruce Stewart

Title: President

I have authority to bind the corporation

IN WITNESS WHEREOF the parties hereto have executed this Agreement as of the date written on the first page hereof.

2223947 ONTARIO LIMITED

Per: 

Name: Raj Singh

Title: President

I have authority to bind the corporation

LEGACY LANE INVESTMENTS LTD.

Per: 

Name: Bruce Stewart

Title: President

I have authority to bind the corporation

SCHEDULE "A"
THE LANDS

DESCRIPTION: PT OF BLK 23 PLAN 35M-694 PTS 1, 2, 3, 4, 5, 6, 7, 8 AND 12 35R22739; S/T TO PT 4 - 6 35R22739 EASEMENTS AS IN MT203, MT270; S/T PT 1 - 8 & 12 35R22739 AS IN MT43285; T/W PT 15 35R21206 AS IN MT26274;; TOGETHER WITH AN EASEMENT OVER PT 4, 6 AND 20 ON 35R21206 & PT 10 ON 35R22739 AS IN MT89198; SUBJECT TO AN EASEMENT OVER PT 2, 4, 5, 6 & 8 35R22739 IN FAVOUR OF PT 1-4, 6, 8, 10 , 12 , 14, 16, 17, 19 & 20 35R21206 EXCEPT PT 1-8 & 12 ON 35R22739 AS IN MT89198; TOWN OF HUNTSVILLE

SCHEDULE "B"
SCHEDULE OF INTEREST PAYMENTS

Interest payments shall be calculated at an annual interest rate of EIGHT PERCENT (8%), paid quarterly in trust to the Lender's Solicitor, commencing on or about April 1, 2013. All funds advanced after January 1, 2013 will receive an initial payment pro rated up to and including April 1, 2013 and full payments quarterly until the maturity date anticipated to be on or about December 31, 2015.

SCHEDULE "C"
EXPENSES

The Expenses include the following:

- a) Mortgage Brokerage Fee of \$35,000 payable to First Commonwealth Mortgage Corporation;
- b) Referral and Related Fees of \$525,000 payable on account of fees and commission incurred in relation to the Loan which shall be paid as the Mortgage Broker may in writing direct (based on a minimum mortgage advance of \$3,500,000; where the actual mortgage advance is less than \$3,500,000, the referral and related fees will be proportionately reduced); and,
- c) Legal Fees. Legal Fees of \$20,000.00 plus HST plus disbursements (which shall include Title Insurance and other Expenses) shall be payable to the Lender's Solicitors which shall be deducted from the first Loan Instalment. In the event that there is more than one (1) Loan Instalments, then additional legal fees of \$3,000 plus HST plus disbursements shall be paid to the Lender's Solicitors on each additional Loan Instalment. The fees, taxes and disbursements of the Borrower's Solicitors shall be paid in addition to the fees, taxes and disbursements of the Lender's Solicitors. It is estimated the fees of the Borrower's Solicitors shall be \$25,000 for the first Loan Instalment and \$15,000 for each Loan Instalment thereafter.

SCHEDULE "D"
ADDITIONAL LOAN PAYMENT

The Additional Loan Payment shall be an amount equal to four (4%) per cent per annum of the face value of the Mortgage and shall be payable for such time as the Loan remains outstanding, as determined by the Lender (the "Additional Loan Payment"). The Additional Loan Payment shall be payable by the Borrower from the Distributable Cash Proceeds or from the proceeds being held by the Lender's Solicitor, in trust. The payment of the Additional Loan Payment may be paid at any time and from time to time to the Lender after the Loan, plus interest thereon in accordance with this Agreement and all Expenses are paid pursuant to this Agreement. If the face amount of the Mortgage is less than \$3,500,000.00, the Additional Loan Payment shall be reduced accordingly. The Additional Loan Payment will be paid after the Loan, plus interest thereon in accordance with this Agreement and all Expenses are paid pursuant to this Agreement as determined by the Lender, acting reasonably.

For the sake of clarity, if the face amount of the Mortgage is \$3,500,000.00 and the Borrower's Liabilities have not been paid until the third anniversary of the first Loan Instalment, then the amount of the Additional Loan Payment payable by the Borrower to the Lender shall be \$420,000, or 4% per annum for each year the Mortgage is outstanding; which interest amount shall not be compounded from time to time. Notwithstanding the foregoing, the calculation of the Additional Loan Payment and the timing of the payments thereof shall be determined by the Lender, acting reasonably.

The Lender shall provide to the Borrower reasonable notice of any payments made on account of the Additional Loan Payment.

SCHEDULE "E"
PERMITTED ENCUMBRANCES

1. Liens for municipal property taxes, local improvement assessments or taxes, or other taxes, assessments or recoveries relating to the Property which are not at the time due;
2. The reservations, limitations, exceptions, provisos and conditions, if any expressed in any original grants from the Crown including, without limitation, the reservations of any mines and minerals in the Crown or in any other person.
3. Any registered or unregistered licenses, easements, rights-of-way, rights in the nature of easements and agreements with respect thereof which relate to the provisions of utilities or services or easements or rights of way in favour of any governmental authority, any private or public utility, any railway company or any adjoining owner to the Property (including, without limitation, agreements, easements, licenses, rights-of-way and interests in the nature of easements for sidewalks, public ways, sewers, drains, gas, steam and water mains or electric light and power, or telephone and telegraphic conduits, poles, wires, and cables).
4. Title defects or irregularities, which are of a minor nature and in the aggregate will not materially adversely impair the use or marketability of the Real Property or that part thereof affected by the defect or irregularity for the purposes for which it is presently used.
5. The exceptions, limitations and qualifications of the Land Titles Act and any amendments thereto.

SCHEDULE "F"
OUTSTANDING ENCUMBRANCES AND LIENS

A mortgage on the property in the registered amount of \$425,000.00 which shall be discharged on the closing of the Mortgage transaction contemplated in this Agreement.

LOAN AGREEMENT

THIS AGREEMENT is made as of the 1st day of October, 2013

B E T W E E N:

MC TRUSTEE (KITCHENER) LTD., a corporation
incorporated under the laws of the Province of Ontario

(hereinafter referred to as the "Lender")

AND

MEMORY CARE INVESTMENTS (KITCHENER) LTD., a
corporation incorporated under the laws of the Province of Ontario

(hereinafter referred to as the "Borrower")

WHEREAS the Lender, on the terms and conditions hereinafter set forth, has agreed to lend to the Borrower and the Borrower has agreed to borrow from the Lender the sum of up to **Twelve Million Eight Hundred Thousand (\$12,800,000.00) Dollars** of lawful money of Canada (the "**Principal Sum**") for a term of Four (4) years (the "**Term**") in connection with the development and construction by the Borrower of a dedicated Alzheimer's and dementia care facility project to be constructed on the lands and premises situated at 169 Borden Avenue, Kitchener, Ontario, and more particularly described in Schedule "A" attached hereto (the "**Property**").

AND WHEREAS the Borrower agrees to pay to the Lender interest on the Principal Sum at the Loan Rate (as hereinafter defined), calculated annually and payable quarterly during the Term along with the Additional Loan Payment as more particularly described in Schedule "D" attached hereto;

AND WHEREAS the Borrower has agreed to allow a Charge/Mortgage of Land in addition to the other Security Documents, on the terms set out herein, to be registered against the Property in first priority and in favour of the Lender (the "**Mortgage**"), as security for repayment of the Principal Sum with interest at the Loan Rate and the payment of the Additional Loan Payment;

AND WHEREAS the Borrower agrees to repay to the Lender the Principal Sum and interest at the Loan Rate and the payment of the Additional Loan Payment on or before the expiry of the Term, as specified herein;

AND WHEREAS the Lender and the Borrower (collectively, the "**Parties**") wish to evidence their agreement in respect of the Loan;

AND WHEREAS the Lender acknowledges that the Mortgage shall be granted, *inter alia*, in the form of a syndicated first Charge/Mortgage of Land as more fully described herein and shall be in form and substance satisfactory to the Lender;

NOW THEREFORE THIS AGREEMENT WITNESSETH THAT in consideration of the covenants, agreements herein contained and for other good and valuable consideration (the receipt and sufficiency of which is hereby acknowledged), the parties hereto agree as follows:

ARTICLE 1 RECITALS

1.01 The Parties to this Agreement acknowledge and agree that the recitals to this Agreement are true and correct in substance and in fact are incorporated into and form an integral part of this Agreement.

ARTICLE 2 DEFINITIONS AND TERMS

2.01 The following words and phrases have the following meanings when used in this Agreement:

- (a) "Acceleration Date" means the date on which an Acceleration Event occurs;
- (b) "Acceleration Event" means the earlier of: (i) the occurrence of an Insolvency Event; and (ii) the delivery by the Lender to the Borrower of a written notice that the Borrowers Liabilities or any part thereof are immediately due and payable, following the occurrence and during the continuation of an Event of Default other than an Insolvency Event;
- (c) "Additional Loan Payment" has the same meaning as set forth in Section 4.11 hereof;
- (d) "Agreement", means this Agreement entitled "Loan Agreement", and all instruments supplemental hereto or in amendment or confirmation hereof; "hereof", "hereto" and "hereunder" and similar expressions refer to this Agreement, and where relevant, to any particular article, section or paragraph hereof; "Article", "Section" and "paragraph" mean and refer to the specified article, section or paragraph of this Agreement;
- (e) "BIA" means the *Bankruptcy and Insolvency Act* (Canada), as amended from time to time;
- (f) "Borrower's Books and Records" shall have the same meaning as set forth in Section 7.04 hereof.
- (g) "Borrower's Liabilities", refers collectively to the Loan, all interest from time to time accruing thereon as set forth in this Agreement, and all liabilities and indebtedness now or hereafter owing, arising, due or payable by the Borrower to the Lender whether under this Agreement or the Security Documents and including the Additional Loan Payment;

- (h) "Borrower's Solicitors" shall mean Harris + Harris LLP, or such other solicitors that the Borrower may in writing designate;
- (i) "Business Day", refers to any day other than a Saturday, Sunday or Statutory Holiday in Toronto, Ontario;
- (j) "Closing Date" or "Closing", or similar references means the date of the initial Loan Instalment or the date, as the context requires, of any other Loan Instalments made pursuant hereto;
- (k) "Commodity Taxes" means all commodity taxes, including all sales, use, retail, goods and services, harmonized sales, value-added and similar taxes imposed, levied or assessed by any Governmental Authority;
- (l) "Default" means any event, act, omission or condition which with the giving of notice or the passage of time, or both, would result in an Event of Default;
- (m) "Distributable Cash Proceeds" means all amounts received by the Borrower arising out of the Property or the sale or operation thereof or of the sale of condominium units for the period including but not limited to the following:
 - (i) all revenues derived from the sale of condominium units or any part or all of the Property (including all premiums, upgrade costs (net of commissions) and applicable harmonized sales tax or goods and services tax rebates);
 - (ii) all gross receipts derived from all rents and fees payable by tenants, licensees and concessionaires;
 - (iii) the gross amount, if any, of any insurance proceeds received by the Borrower, including business interruption payments;
 - (iv) the net proceeds of any refinancing, if any, received by the Borrower, other than any construction loan which contains terms prohibiting the use of such loan proceeds to repay existing indebtedness (net of repayments of existing mortgage financing being refinanced); and
 - (v) the gross amount, if any, from partial or total expropriations of all or part of the Property,but excluding: (i) Commodity Taxes which the Borrower is required by law to collect from purchasers, tenants, concessionaires or licensees and remit to an applicable taxing authority.
- (n) "Distribution" means any amount paid to or on behalf of the employees, directors, officers, shareholders, partners or unitholders of the Borrower, by way of salary, bonus, commission, management fees, directors' fees, dividends, redemption of shares,

distribution of profits or otherwise, and whether payments are made to such Persons in their capacity as shareholders, partners, unitholders, directors, officers, employees, owners or creditors of the Borrower or otherwise, or any other direct or indirect payment in respect of the earnings or capital of the Borrower;

- (o) "Event of Default" is defined in Section 9.01 hereof;
- (p) "Expenses", means all expenses relating to the Loan and all fees and expenses for legal services relative to the preparation, review and enforcement of this Agreement and the Security Documents, the making of Loan Instalments and the repayment of the Borrower's Liabilities and the release of the security therefore;
- (q) "Fiscal Year" means the fiscal year end of the Borrower, being December 31st in every year;
- (r) "GAAP" means generally accepted accounting principles in Canada as approved by the Canadian Institute of Chartered Accountants in effect from time to time; and for greater certainty if international financial reporting standards are adopted by the Canadian Institute of Chartered Accountants in replacement for generally accepted accounting principles, each reference to "GAAP" herein shall be deemed to refer to such international financial reporting standards;
- (s) "Governmental Authority" means any: (i) federal, provincial, state, municipal, local or other governmental or public department, central bank, court, commission, board, bureau, agency or instrumentality, domestic or foreign; (ii) any subdivision or authority of any of the foregoing; or (iii) any quasi-governmental, judicial or administrative body exercising any regulatory, expropriation or taxing authority under or for the account of any of the foregoing;
- (t) "Hazardous Materials" means any contaminant, pollutant, waste or substance that is likely to cause immediately or at some future time harm or degradation to the surrounding environment or risk to human health; and without restricting the generality of the foregoing, including any pollutant, contaminant, waste, hazardous waste or dangerous goods that is regulated by any Requirements of Environmental Law or that is designated, classified, listed or defined as hazardous, toxic, radioactive or dangerous or as a contaminant, pollutant or waste by any Requirements of Environmental Law;
- (u) "Indemnitees" means the Lender and its successors and permitted assignees, any agent of any of them (specifically including a receiver or receiver-manager) and its officers, directors, employees, beneficial owners and shareholders;
- (v) "Insolvency Event" means, in respect of any Person:
 - (i) such Person ceases to carry on its business; or commits an act of bankruptcy or becomes insolvent (as such terms are used in the BIA); or makes an assignment for the benefit of creditors, files a petition in bankruptcy, makes a proposal or commences a proceeding under Insolvency Legislation; or petitions or applies to any tribunal for, or

consents to, the appointment of any receiver, trustee or similar liquidator in respect of all or a substantial part of its property; or admits the material allegations of a petition or application filed with respect to it in any proceeding commenced in respect of it under Insolvency Legislation; or takes any corporate action for the purpose of effecting any of the foregoing; or

- (ii) any proceeding or filing is commenced against such Person seeking to have an order for relief entered against it as debtor or to adjudicate it a bankrupt or insolvent, or seeking liquidation, winding-up, reorganization, arrangement, adjustment or composition of it or its debts under any Insolvency Legislation, or seeking appointment of a receiver, trustee, custodian or other similar official for it or any of its property or assets; unless (i) such Person is diligently defending such proceeding in good faith and on reasonable grounds as determined by the Lender and (ii) such proceeding does not in the reasonable opinion of the Lender materially adversely affect the ability of such Person to carry on its business and to perform and satisfy all of its obligations hereunder;
- (w) "Insolvency Legislation" means legislation in any applicable jurisdiction relating to reorganization, arrangement, compromise or re-adjustment of debt, dissolution or winding-up, or any similar legislation, and specifically includes for greater certainty the BIA, the *Companies' Creditors Arrangement Act* (Canada) and the *Winding-Up and Restructuring Act* (Canada);
- (x) "Interest Reserve" means the amounts set aside or deducted as contemplated in Section 4.12 hereof to fund the obligations of the Borrower to pay interest as set forth in this Agreement on the Loan Instalments that may from time to time be made by the Lender to the Borrower.
- (y) "Laws" means all statutes, codes, ordinances, decrees, rules, regulations, municipal by-laws, judicial or arbitral or administrative or ministerial or departmental or regulatory judgments, orders, decisions, rulings or awards, or any provisions of such laws, including general principles of common and civil law and equity or policies or guidelines, to the extent such policies or guidelines have the force of law, binding on the Person referred to in the context in which such word is used; and "Law" means any of the foregoing;
- (z) "Lender's Solicitors" shall mean Nancy Elliott, Barrister & Solicitor, or such other solicitors that the Lender may in writing designate;
- (aa) "Lien" means: (i) a lien, charge, mortgage, pledge, security interest or conditional sale agreement; (ii) an assignment, lease, consignment, trust or deemed trust that secures payment or performance of an obligation; (iii) a garnishment; (iv) any other encumbrance of any kind; and (v) any commitment or agreement to enter into or grant any of the foregoing;

- (bb) "Loan", means the aggregate amount, not to exceed Twelve Million Eight Hundred Thousand (\$12,800,000.00) Dollars, of all Loan Instalments made from time to time hereunder by the Lender to the Borrower, less the amount, if any, repaid from time to time by the Borrower to the Lender;
- (cc) "Loan Instalment" has the same meaning as set forth in Sub-Section 4.08(a) hereof, with each Loan Instalment to be made in the sole and absolute discretion of the Lender;
- (dd) "Loan Rate", means the annual rate of interest applicable to any particular amount outstanding pursuant to this Agreement being Eight (8%) percent per annum;
- (ee) "Material Adverse Change" means any change or event which: (i) constitutes a material adverse change in the business, operations, condition (financial or otherwise) or properties of the Borrower taken as a whole; or (ii) could materially impair the Borrower's ability to timely and fully perform its obligations under this Agreement or the Security Documents, or materially impair the ability of the Lender to enforce its rights and remedies under this Agreement or the Security Documents;
- (ff) "Material Agreement" means, in respect of the Borrower, any agreement made between the Borrower and another Person which the Lender, in its sole and absolute discretion, determines to be material to the Borrower;
- (gg) "Maturity Date" shall have the same meaning as set forth in Section 4.04 hereof;
- (hh) "Mortgage" has the same meaning as set forth in Sub-Section 5.01(c) hereof;
- (ii) "Note" shall mean the promissory note executed by the Borrower in favour of the Lender in the sum of up to Twelve Million Eight Hundred Thousand (\$12,800,000.00) Dollars which Note shall be in form and substance satisfactory to the solicitors of the Lender;
- (jj) "Outstanding Encumbrances and Liens" shall have the same meaning as set forth in Sub-Section 7.01(l) hereof;
- (kk) "Person", means a natural person, firm, trust, partnership, association, corporation, government or governmental board, agency or instrumentality;
- (ll) "Permitted Encumbrances" are those Liens described in Schedule "E" attached hereto and any construction financing subsequently acquired by the Borrower for the construction of the condominium project of the Property not exceeding Nineteen Million Seven Hundred and Fifty Thousand (\$19,750,000.00) Dollars;
- (mm) "Requirements of Environmental Law" means: (i) obligations under common law; (ii) requirements imposed by or pursuant to statutes, regulations and by-laws whether presently or hereafter in force; (iii) requirements announced by a Governmental Authority as having immediate effect (provided that at the time of making such announcement the government also states its intention of enacting legislation to

confirm such requirements retroactively); (iv) all directives, policies and guidelines issued or relied upon by any Governmental Authority to the extent such directives, policies or guidelines have the force of law; (v) all permits, licenses, certificates and approvals from Governmental Authorities which are required in connection with air emissions, discharges to surface or groundwater, noise emissions, solid or liquid waste disposal, the use, generation, storage, transportation or disposal of Hazardous Materials; and (vi) all requirements imposed under any clean-up, compliance or other order made pursuant to any of the foregoing, in each and every case relating to environmental, health or safety matters including all such obligations and requirements which relate to (A) solid, gaseous or liquid waste generation, handling, treatment, storage, disposal or transportation and (B) exposure to Hazardous Materials;

- (nn) "Security" means all guarantees, security agreements, mortgages, debentures and other documents mentioned comprising the Security Documents or otherwise and all other documents and agreements delivered by the Borrower or other Persons to the Lender for the benefit of the Lender from time to time as security for the payment and performance of the Borrowers Liabilities, and the security interests, assignments and Liens constituted by the foregoing;
- (oo) "Security Documents", refers collectively to this Agreement, the Mortgage, those documents and instruments referred to in Section 5.01 hereof and any and other documents, agreements or writings delivered to the Lender as contemplated in this Agreement whether as security for the Loan or otherwise. At the option of the Lender, the Security Documents may reflect a fixed rate of interest as designated by the Lender's counsel. Notwithstanding the same, the provisions with respect to the payment of interest as set out in this Agreement shall prevail;
- (pp) "Statutory Lien" means a Lien in respect of any property or assets of a Company created by or arising pursuant to any applicable legislation in favour of any Person (such as but not limited to a Governmental Authority), including a Lien for the purpose of securing the Borrower's obligation to deduct and remit employee source deductions and goods and services tax pursuant to the *Income Tax Act* (Canada), the *Excise Tax Act* (Canada), the Canada Pension Plan (Canada), the *Employment Insurance Act* (Canada) and any federal or provincial legislation similar to or enacted in replacement of the foregoing from time to time; and,
- (qq) "Subsidiary" means a business entity which is controlled by another business entity (as used herein, "business entity" includes a corporation, company, partnership, limited partnership, trust or joint venture).

2.02 Unless otherwise provided herein, all financial terms used in this Agreement shall be determined in accordance with GAAP in effect at the date of such determination. Where the character or amount of any asset or liability or item of revenue or expense is required to be determined, or any consolidation or other computation is required to be made for the purpose of this Agreement, such determination or calculation shall be made in accordance with GAAP applied on a consistent basis, unless otherwise indicated.

2.03 All amounts referred to in this Agreement are in Canadian Dollars unless otherwise noted.

2.04 Whenever in this Agreement reference is made to a statute or regulations made pursuant to a statute, such reference shall, unless otherwise specified, be deemed to include all amendments to such statute or regulations from time to time and all statutes or regulations which may come into effect from time to time substantially in replacement for the said statutes or regulations.

2.05 Terms defined in the singular have the same meaning when used in the plural, and vice-versa. When used in the context of a general statement followed by a reference to one or more specific items or matters, the term "including" shall mean "including, without limitation", and the term "includes" shall mean "includes, without limitation". Any reference herein to the exercise of discretion by the Lender (including phrases such as "in the discretion of", "in the opinion of", "in its opinion", "to the satisfaction of" and similar phrases) shall mean that such discretion is absolute and unfettered and shall not imply any obligation to act reasonably, unless otherwise expressly stated herein.

ARTICLE 3 SCHEDULES

3.01 The following are the schedules attached to and incorporated in this Agreement by reference and deemed to be a part thereof:

Schedule "A" – Lands to be Charged/Mortgaged

Schedule "B" – Schedule of Interest Payments

Schedule "C" – Expenses

Schedule "D" – Additional Loan Payment

Schedule "E" – Permitted Encumbrances

ARTICLE 4 THE LOAN, INTEREST, EXPENSES, AND PAYMENT THEREOF

4.01 Subject to the terms and conditions hereof, the Lender agrees to provide to the Borrower the Loan.

4.02 The Borrower and the Lender acknowledge and confirm that, notwithstanding any rate of interest set out in the Security Documents or any of them, the provisions of this Agreement regarding the Loan Rate shall govern the rate of interest payable on the Loan. The Borrower and the Lender further acknowledge and confirm that the Security Documents shall be in form and substance satisfactory to the Lender.

4.03 Interest on the Loan Rate shall be determined daily and shall be due, payable and compounded quarterly, not in advance, on the 1st day of each month during such quarterly period, as well after as before demand, maturity, default and judgment, together with interest on overdue interest determined daily (if relevant) and compounded quarterly at the same rate applicable until the Borrower's Liabilities have been paid in full. Interest shall be calculated on the basis of a three hundred and sixty-five (365) day year. Interest on the Loan at the Loan Rate and calculated as aforesaid shall accrue as of the date of the first Loan Instalment. Any disputes on the determination and calculation of interest of the Interest Rate shall be resolved by the Lender, in its opinion but acting reasonably. The first payment of interest and all subsequent payments of interest as aforesaid shall be payable in the amounts and on the dates as set forth in Schedule "B" attached hereto.

4.04 The Loan, together with all accrued and outstanding interest and other charges in connection therewith as set forth in this Agreement and the Security Documents including without limiting the generality of the foregoing the Additional Loan Payment and all other Borrower's Liabilities, shall become fully due and repayable on the fourth anniversary of the first Loan Instalment (the "Maturity Date").

4.05 Any payment provided hereunder to be made by the Borrower to the Lender shall be in certified funds or Bank Draft and shall be payable to the Borrower's Solicitors, in trust, and delivered to the Borrower's Solicitors, or any other payee or office designated by the Lender from time to time. The Borrower's Solicitors shall coordinate further delivery of such funds with the Lender's Solicitors. Any payment as aforesaid received after two o'clock (2:00) p.m. Toronto time shall be deemed to have been received on the next following Business Day.

4.06 This Agreement shall constitute evidence of the obligation of the Borrower to repay all the Borrower's Liabilities in accordance with the terms hereof. The Borrower shall repay the Loan and the Borrower's Liabilities in full on the Maturity Date, and until then shall pay interest at the time or times and in the manner provided herein.

4.07 All Loan Instalments and Expenses as and when advanced or incurred shall be and become secured by the Security Documents and Expenses may be paid by the Lender and be deducted from Loan Instalments which would otherwise have been made to the Borrower. The Security Documents shall be in addition to any other security which the Lender may now have or subsequently acquire for the performance of the Borrower's Liabilities. The Expenses listed in Schedule "C" attached hereto are a list of Expenses (but by no means an exhaustive list of all Expenses) that shall be deducted from the Loan Instalments.

4.08 The Lender and the Borrower mutually acknowledge, confirm, represent and covenant as follows:

- (a) Any amounts advanced by the Lender, in its sole and absolute discretion, to the Borrower pursuant to this Agreement, and pursuant to an offering of secured notes being completed concurrently with the transactions contemplated in this Agreement, shall occur in tranches (the "Loan Instalments") with the first Loan Instalment to be in the amount of not less than Four Million Two Hundred and Fifty Thousand (\$4,250,000.00) Dollars. The second Loan Installment is

expected to be in the amount of Two Million Two Hundred and Fifty Thousand (\$2,250,000.00) Dollars;

- (b) the initial face value of the Mortgage will be Six Million Five Hundred Thousand (\$6,500,000.00) Dollars; which amount can be increased where the Borrower obtains a new valuation/appraisal for the property in form satisfactory to Olympia Trust, whereupon Olympia Trust agrees to increase the maximum mortgage amount; provided in no circumstance will the maximum mortgage amount exceed Twelve Million Eight Hundred Thousand (\$12,800,000.00) Dollars; and,
- (c) prior to the release of any funds by the Lender's Solicitors to the solicitor(s) for the Borrower, each Party hereby irrevocably acknowledges and directs that their respective solicitors are authorized to and shall cause to be registered any such instruments on title to the Lands which in the opinion of the solicitor for the Lender may be required as evidence of any sums advanced to the Borrower on the security of this Agreement or the Security Documents.

4.09 The Borrower may not prepay all or any portion of the Borrower's Liabilities hereunder.

4.10 Notwithstanding anything to the contrary contained in this Agreement, any Loan Instalment made by the Lender and the Borrower shall be at the Lender's sole and absolute discretion and the Lender shall not be obligated at any time or times to make any Loan Instalment to the Borrower.

4.11 In addition to the payment by the Borrower of the Loan plus interest as set forth in this Agreement, the Borrower shall also pay to the Lender, in certified funds or Bank Draft, forthwith after the determination is made by the Lender in its opinion that the Additional Loan Payment is payable, the amount of the Additional Loan Payment calculated as described in Schedule "D" attached hereto in the same manner as contemplated in Section 4.05 hereof. Notwithstanding the foregoing, the Lender, at its option, may also deduct from the Distributable Cash Proceeds, at any time and from time to time, all or any part of the Additional Loan Payment that the Lender, in its opinion, believes is due and payable.

4.12 The parties hereto acknowledge, confirm, covenant and agree that the Lender shall be deducting from the first Loan Instalment and any subsequent Loan Instalments an amount equal to the projected interest on the amount of such Loan Instalment for 12 months which shall be a contribution of the Borrower to the Interest Reserve. The parties hereto further acknowledge, confirm, covenant and agree that the Lender may from time to time and at any time, acting reasonably, deduct from the funds held in trust by the Lender's Solicitors or received from the Borrower, whether from the Distributable Cash Proceeds or otherwise, such amounts that in its opinion is necessary or appropriate to replenish the Interest Reserve. The Borrower covenants and agrees that the amount in the Interest Reserve shall be applied by the Lender against the obligations of the Borrower to pay interest hereunder on the Loan Instalments and that once applied or deducted by the Lender from the Loan Instalments, the Distributable Cash Proceeds or otherwise, the Borrower shall have no claim against the funds in the Interest Reserve. The Lender agrees to provide monthly reports on the disposition, if any, of funds set aside and in the Lender's Solicitors trust account.

4.13 The Borrower, at any time after the third anniversary hereof, shall be entitled to repay all or a portion of the Loan without penalty, notice or bonus and the interest at the rate of 8% per annum on the principal outstanding ceasing at the date of prepayment; provided that the Lender shall continue to be entitled to the Additional Loan Payment for all four years of this Loan, even though the Loan shall have been prepaid prior to the four year term expiry (to also be paid at the time of prepayment) plus the prepayment fee; but shall not be entitled to any Additional Loan Payment for the fourth year of the term of this Loan nor any compensation for loss of interest after the date of such prepayment.

ARTICLE 5 SECURITY

5.01 The Borrower agrees to provide the Security Documents listed below to the Lender, as continuing security for the payment and performance of all of its present and future, direct and indirect obligations to the Lender, specifically including the Loan, the Borrowers Liabilities and its direct indebtedness and obligations to the Lender arising under this Agreement:

- (a) The Note;
- (b) A mortgage in the amount of the Principal Sum (or such lesser amount as determined by the Lender in its sole and unfettered discretion) ranking as a first mortgage; provided that said mortgage shall be subordinated to any construction financing (in one or multiple tranches) not exceeding in the aggregate Nineteen Million Seven Hundred and Fifty Thousand (\$19,750,000.00) Dollars obtained by the Borrower related to construction of the dedicated Alzheimer's and dementia care project on the Property and for the hard and soft costs related thereto (the "Mortgage");
- (c) if requested by the Lender from time to time, security agreements creating an assignment security interest in respect of its rights to and interest in Material Agreements to which it is a party, together with any necessary consents from the other parties thereto which security interest may not be a first ranking security interest;
- (d) an assignment of its interest in all policies of insurance, specifically including the right to receive any refunds of premiums paid thereunder; and
- (e) such other security and further assurances as the Lender may reasonably require from time to time.

5.02 The Security Documents shall be in form and substance satisfactory to the Lender, acting reasonably. The Lender may require that any item of Security Documents be governed by the laws of the jurisdiction where the property subject to such item of Security Documents is located. The Security Documents shall be registered by the Lender or, at the request of the Lender, by the Borrower, all at the Borrower's cost and expense, where necessary or desirable to record and perfect the charges contained therein, as determined by the Lender in its sole and absolute discretion.

5.03 The Borrower shall cause to be delivered to the Lender prior to each Loan Instalment the opinion of the solicitors for the Borrower regarding its corporate status, the due authorization, execution and delivery of the Security Documents provided by it, all registrations in respect of the Security Documents, the results of all applicable searches in respect of them, and the enforceability of such Security Documents and any other matters requested by the Lender in its opinion; all such opinions to be in form and substance satisfactory to the Lender.

5.04 The Borrower shall execute and deliver from time to time all such further documents and assurances as may be reasonably required by the Lender from time to time in order to provide the Security Documents contemplated hereunder, specifically including supplemental or additional security agreements which shall include lists of specific assets to be subject to the security interests required hereunder.

5.05 If insurance proceeds become payable in respect of loss of or damage to any property owned by the Borrower the Lender shall apply such proceeds against the Borrower's Liabilities (allocated amongst the components of the Borrower's Liabilities, at all times, by the Lender in its sole and absolute discretion).

ARTICLE 6 COVENANTS, REPRESENTATIONS AND WARRANTIES

6.01 The Borrower represents and warrants to the Lender as follows (which shall survive the execution and delivery of this Agreement), the truth and accuracy of which are a continuing condition of the advance of the Loan Instalments and the Borrower hereby acknowledges, confirms and agrees that the Lender is relying on such representations and warranties:

- (a) The Borrower is a validly subsisting corporation under the *Business Corporations Act* (Ontario), and is duly qualified to carry on its business in the jurisdiction in which it carries on business and has the power and authority to enter into and perform its obligations under this Agreement, is the registered owner of the Property and is legally entitled to carry on its business as currently conducted or as currently contemplated.
- (b) The Borrower has obtained all material licenses, permits and approvals from all governments, governmental commissions, boards and other agencies of jurisdictions in which it carries on (or contemplates carrying on) business which are required and which will allow for the development of the Property.
- (c) The Borrower or its solicitor has delivered to the Lender, or its solicitor, copies of the constating documents of the Borrower and the Lender's solicitor has obtained a legal opinion from the Borrower's solicitor that the Borrower is authorized to enter into this Agreement and the Security Documents.
- (d) The execution, delivery and performance of this Agreement and the Security Documents has been duly authorized by all requisite action on the part of the Borrower; and this Agreement and the Security Documents have been, or will be,

duly executed and delivered by the Borrower, and this Agreement and the Security Documents delivered or to be delivered pursuant hereto and thereto constitutes, or when delivered will constitute, a valid and binding obligation of the Borrower and enforceable against the Borrower in accordance with their terms, subject to the application of bankruptcy, insolvency and similar laws affecting the enforcement of creditors' rights generally and the fact that the right to obtain judicial orders requiring specific performance or other equitable remedies is in the discretion of the court.

- (e) The Borrower shall and does indemnify and hold harmless the Lender and the Indemnitees from and against all losses, claims, damages, liabilities, and expenses, to which any such person or entity may become subject arising out of or in connection with this Agreement, the use of proceeds, or any related transaction or any claim, litigation, investigation or proceeding, relating to any of the foregoing, regardless of whether the Lender is a party thereto, and to reimburse the Lender, forthwith upon demand for any reasonable, legal or other expenses incurred in connection with investigating or defending any of the foregoing.
- (f) The Borrower acknowledges that neither its execution nor delivery of this Agreement or the Security Documents the consummation of the transactions herein contemplated nor compliance with the terms, conditions and provisions hereof or thereof does not and will not conflict with, and does not and will not result in any breach of or constitutes a default under any of the provisions of the constating documents or by-laws of the Borrower or any applicable Law including applicable securities laws, rules, policies and regulations or any contract or agreement upon or to which the Borrower is a party.
- (g) The Borrower has good and marketable title to the Property and its assets free from all mortgages, security interests, Liens, pledges, charges, encumbrances, title retention agreements, options or adverse claims, other than the permitted encumbrances as identified in Schedule "D" attached hereto (the "Permitted Encumbrances") and the Outstanding Encumbrances and Liens.
- (h) The Borrower has filed or caused to be filed, in a timely manner all tax returns, reports and declarations, which are required to be filed by it. All information in such tax returns, reports and declarations is complete and accurate in all material respects. The Borrower has paid or caused to be paid all taxes due and payable or claimed due and payable in any assessment received by it, except taxes the validity of which are being contested in good faith by appropriate proceedings diligently pursued and available to the said Borrower and with respect to which adequate reserves have been set aside on its books. Adequate provision has been made for the payment of all accrued and unpaid federal, provincial, local, foreign and other taxes whether or not yet due and payable and whether or not disputed.
- (i) All representations and warranties of the Borrower contained in this Agreement or in any of the Security Documents shall survive the execution and delivery of this Agreement and shall be deemed to have been made again to the Lender on the

date of each Loan Instalment pursuant to this Agreement and shall be conclusively presumed to have been relied on by the Lender regardless of any investigation made or information possessed by the Lender. The representations and warranties set forth herein shall be cumulative and in addition to any other representations or warranties which the Borrower shall now or hereafter give, or cause to be given, to the Lender.

- (j) The Borrower further acknowledges and agrees that the terms of this Agreement shall override the terms of any previous loan agreements to which the Borrower and the Lender may be or may have been Parties.
- (k) The Borrower acknowledges that the Lender may have executed a loan agreement that has been amended to accommodate the beneficial owners of the Lender and the Borrower agrees to abide by the specific terms of each of said Agreements.
- (l) The Borrower has no Subsidiaries.
- (m) no Person has any agreement or option or any right or privilege (whether by law, pre-emptive or contractual) capable of becoming an agreement, including convertible securities, warrants or convertible obligations of any nature, for the purchase of any properties or assets of the Borrower out of the ordinary course of business or for the purchase, subscription, allotment or issuance of any debt or equity securities of the Borrower.
- (n) The Borrower is in compliance in all material respects with all applicable Laws of each jurisdiction in which it carries on business and is duly licensed, registered and qualified to do business and is in good standing in each jurisdiction in which the nature of the business conducted by it or the property owned or leased by it make such qualification necessary; and all such licences, registrations and qualifications are valid and subsisting and in good standing.
- (o) The Borrower owns, possesses and has a good and marketable title to its undertaking, property and assets, free and clear of any and all Liens except for Permitted Encumbrances and the Outstanding Encumbrances and Liens. The Borrower does not have any commitment or obligation (contingent or otherwise) to grant any Liens except for the Permitted Encumbrances. No event has occurred which constitutes, or which with the giving of notice, lapse of time or both.
- (p) The Borrower have placed insurance, including property, boiler and machinery, business interruption and liability insurance, in appropriate amounts and for appropriate risks as would be considered prudent for similar business.
- (q) The Borrower and its business, operations, assets, equipment, property, leaseholds and other facilities is in compliance in all material respects with all Requirements of Environmental Law, specifically including all Requirements of Environmental Law concerning the storage and handling of Hazardous Materials. The Borrower holds all material permits, licenses, certificates and approvals from

Governmental Authorities which are required in connection with (i) air emissions; (ii) discharges to surface or groundwater; (iii) noise emissions; (iv) solid or liquid waste disposal; (v) the use, generation, storage, transportation or disposal of Hazardous Materials; and (vi) all other Requirements of Environmental Law. There has been no material emission, spill, release, or discharge into or upon (i) the air; (ii) soils, or any improvements located thereon; (iii) surface water or groundwater; or (iv) the sewer, septic system or waste treatment, storage or disposal system servicing the premises, of any Hazardous Materials at or from the Property, and there has been no complaint, order, directive, claim, citation, or notice from any Governmental Authority or any other Person with respect to (i) air emissions; (ii) spills, releases, or discharges to soils or improvements located thereon, surface water, groundwater or the sewer, septic system or waste treatment, storage or disposal systems servicing the Property; (iii) noise emissions; (iv) solid or liquid waste disposal; (v) the use, generation, storage, transportation, or disposal of Hazardous Materials; or (vi) other Requirements of Environmental Law affecting the Property. There are no legal or administrative proceedings, investigations or claims now pending, or to the Borrower's knowledge, threatened, with respect to the presence on or under, or the discharge, emission, spill, radiation or disposal into or upon any of the Properties, the atmosphere, or any watercourse or body of water, of any Hazardous Material; nor are there any material matters under discussion with any Governmental Authority relating thereto; and there is no factual basis for any such proceedings, investigations or claims. The Borrower has no material indebtedness, obligation or liability, absolute or contingent, matured or not matured, with respect to the storage, treatment, cleanup or disposal of any Hazardous Materials (including without limitation any such indebtedness, obligation, or liability under any Requirements of Environmental Law regarding such storage, treatment, cleanup or disposal).

- (r) Save and except for the and the Outstanding Encumbrances and Liens, there are no actions, suits or proceedings now pending, or to the Borrower's knowledge, threatened, against the Borrower in any court or before or by any federal, provincial, municipal or other Governmental Authority.
- (s) No guarantees have been granted by the Borrower.
- (t) The Borrower has remitted on a timely basis all amounts required to have been withheld and remitted (including withholdings from employee wages and salaries relating to income tax, employment insurance and Canada Pension Plan contributions), goods and services and Harmonized Sales tax and all other amounts which if not paid when due could result in the creation of a Statutory Lien against any of the Borrower's property including the Property, except for Permitted Encumbrances.
- (u) Save and except for and the Outstanding Encumbrances and Lien, no Default, Event of Default or Material Adverse Change has occurred and is continuing.

- (v) All financial and other information furnished by or in respect of the Borrower to the Lender for the purposes of or in connection with this Agreement or the Security Documents are true and accurate in all material respects and is not incomplete by omitting to state any fact necessary to make such information not misleading. There are no facts known to the Borrower which could materially adversely affect the Borrower's ability to observe and perform their obligations under the Security Documents, or which if known to the Lender could reasonably be expected to deter the Lender from making any Loan Instalments hereunder on the terms and conditions contained herein.

ARTICLE 7 COVENANTS

7.01 The Borrower hereby covenants and agrees with the Lender that it will:

- (a) pay all principal, interest and other amounts due hereunder including the Borrowers Liabilities at the times and in the manner specified herein;
- (b) maintain its corporate existence in good standing, continue to carry on its business, preserve its rights, powers, licences, privileges, franchises and goodwill, exercise any rights of renewal or extensions of any leases, licences, concessions, franchises or any other rights whatsoever which are material to the conduct of its business, maintain all qualifications to carry on business in each jurisdiction in which such qualifications are required, and carry on and conduct its business in a proper and efficient manner so as to protect its property and income; and not materially change the nature of its business;
- (c) comply in all material respects with all applicable Laws (specifically including, for greater certainty, all applicable Requirements of Environmental Law), use the proceeds of all Loan Instalments hereunder for legal and proper purposes in connection with the purposes set out in the first recital of this Agreement, and obtain and maintain in good standing all material leases, licences, permits and approvals from any and all Governmental Authorities required in respect of its business and operations;
- (d) pay when due all rents, taxes, rates, levies, assessments and governmental charges, fees and dues lawfully levied, assessed or imposed in respect of its property which are material to the conduct of its business, and deliver to the Lender upon request receipts evidencing such payments;
- (e) maintain adequate books, accounts and records in accordance with GAAP;
- (f) keep the Property and its assets in good repair and working condition;
- (g) permit the Lender and its employees, representatives and agents (during normal business hours and in a manner which does not materially interfere with its business) to enter upon and inspect the Property and its properties, assets, books and records from time to time and make copies of and abstracts from such books and records, and

discuss its affairs, finances and accounts with its officers, directors, accountants and auditors; such access shall be on 48 hours' prior notice unless a Default has occurred and is continuing in which event no notice shall be required;

- (h) obtain from financially responsible insurance company and maintain liability insurance, all-risks property insurance on a replacement cost basis (less a reasonable deductible not to exceed amounts customary in the industry for similar businesses and properties), business interruption insurance and insurance in respect of such other risks as the Lender may reasonably require from time to time; all of which policies of insurance shall be in such amounts as may be reasonably required by the Lender and shall include a standard mortgage clause approved by the Insurance Bureau of Canada; and the Lender's interest shall be noted as an additional insured on all liability insurance policies and as second mortgagee and loss payee on all other insurance policies; and the Lender shall be provided with certificates of insurance and certified copies of such policies from time to time upon request;
- (i) fulfil all covenants and obligations required to be performed by it under this Agreement and the Security Documents to which it is a party and any other agreement or undertaking now or hereafter made between it and the Lender;
- (j) provide prompt notice to the Lender of: (i) the occurrence of any Default or Event of Default; (ii) the incorrectness of any representation or warranty contained herein or any Security Documents in any material respect; (iii) any material contravention of or non-compliance by any Borrower with any terms and conditions of this Agreement or any Security Document; (iv) any Material Adverse Change; (v) any litigation affecting the Borrower; (vi) any material labour dispute affecting the Borrower; or (vii) any notice in respect of the termination or suspension of, or a material default under, any Material Contract;
- (k) provide the Lender with such further information, financial data, documentation and other assurances as the Lender may reasonably require from time to time in order to ensure ongoing compliance with the terms of this Agreement and the Security Documents and to achieve the spirit and intent of this Agreement;
- (l) The Borrower hereby covenants and agrees with the Lender that the first Loan Instalment will be used to purchase the Property free and clear of any encumbrances and liens. The Borrower acknowledges that no funds will be disbursed directly to the Borrower until the Property has been acquired, free and clear of liens and encumbrances.

7.02 The Borrower hereby covenants and agrees with the Lender that it will not without the prior written consent of the Lender (which consent may be withheld in the sole and absolute discretion of the Lender):

- (a) grant or suffer to exist any Liens in respect of any of its property and assets including the Property, except the Permitted Encumbrances;

- (b) directly or indirectly sell or otherwise dispose of any of its assets save and except in the ordinary course of its business or further save and except to sales of dwelling units to bona fide arm's length third party purchasers of Lots;
- (c) make any Distributions;
- (d) not materially change the nature of its business, maintain a place of business or any material assets in any jurisdiction other than the Province of Ontario, or enter into any transaction whereby all or a substantial portion of its undertaking, property and assets would become the property of any other Person, whether by way of reconstruction, reorganization, recapitalization, consolidation, amalgamation, merger, transfer, sale or otherwise, in each case without the prior written consent of the Lender in its sole and absolute discretion;
- (e) change its Fiscal Year (which for greater certainty presently ends on the last day of December in each year);
- (f) change its Accountants except with the prior written consent of the Lender which consent shall not be unreasonably withheld; and,
- (g) use the proceeds of any Loan Instalment for any purposes other than the development and construction of an Alzheimer's and Dementia care facility on the Property.

7.03 The Borrower shall deliver by courier delivery to the Lender the following financial and other information at the times indicated below:

- (a) the annual Year-end Financial Statements of the Borrower, by the 120th day after the end of the Fiscal Year accompanied by a Compliance Certificate certified by the Chief Financial Officer of the Borrower or other senior officer of the Borrower acceptable to the Lender;
- (b) within the first 120 days after the start of each Fiscal Year, a business plan for the Borrower in respect of such Fiscal Year, which shall disclose all material assumptions utilized and shall include the following items set out on a quarterly basis: balance sheet, income statement, cashflow statement, Capital Expenditures and tax liabilities; and
- (c) such additional information and documents as the Lender may reasonably require from time to time.

7.04 Full, true and accurate accounting and financial information shall be kept by the Borrower in accordance with GAAP as of the date hereof until at least after eighteen (18) months after the Borrower's Liabilities have been repaid. The Lender or anyone designated by the Lender shall have access to the books, records, financial information, financial statements and data of the Borrower (the "Borrower's Books and Records") at any and all times during regular business hours for the purpose of examining and reviewing the Borrower's Books and Records. The Lender shall not disclose any confidential information so obtained except to the extent that disclosure is reasonable in the conduct of the Lender's business.

7.05 The Lender hereby covenants with the Borrower, that the Lender shall execute any necessary documents and register such documents as may be reasonably requested by any construction financier to subordinate the Lender's Mortgage security to any mortgage or other security granted by the construction financier to the Borrower, for the purposes of funding the Borrower's construction of the project on the Property (which shall include demolition costs and professional fees in furtherance of such construction (architectural, engineering, etc.)); and the Lender appoints the Borrower as the Lender's power of attorney to execute any required documents on behalf of the Lender to evidence the foregoing.

ARTICLE 8 CONDITIONS PRECEDENT

8.01 The Lender shall have no obligation to make the first Loan Instalment hereunder or any Loan Instalments thereafter on the Closing Date unless at the time of making such Loan Instalment the following terms and conditions (which are condition precedents in favour of the Lender) shall have been satisfied in the opinion of the Lender:

- (a) the Lender shall have completed and shall be satisfied with its due diligence in respect of the Property;
- (b) all representations and warranties made by the Vendor contained in this Agreement or the Security Documents shall be true, correct and complete in all material respects;
- (c) all Security Documents required to be provided at the time of the first Loan Instalment shall have been executed and delivered, all registrations necessary or desirable in connection therewith shall have been made, and all legal opinions and other documentation required by the Lender in connection therewith shall have been executed and delivered, all in form and substance satisfactory to the Lender in its sole and absolute discretion;
- (d) the Lender shall have received satisfactory evidence that there are no Liens affecting the Borrower or its assets, except for Permitted Encumbrances and the Outstanding Encumbrances and Liens which shall be paid in full and deducted from the First Loan Instalment on the Closing Date;
- (e) the Lender shall have received particulars of all Permitted Encumbrances, specifically including the assets encumbered thereby, the amounts due thereunder, and confirmation from the holders thereof that the terms thereof are being complied with;
- (f) the property and assets of the Borrower shall be insured on the Closing Date; the terms and conditions of such insurance to be in compliance with the requirements of this Agreement in the opinion of the Lender;
- (g) the Lender shall have received an officer's certificate and certified copies of resolutions of the board of directors of the Borrower concerning the due authorization, execution and delivery of the Security Documents to which it is a party, and such related matters as the Lender may reasonably require;

- (h) the Lender shall have received from the Borrower a certificate of status as of the Closing Date or the date of any Loan Instalment, as the case may be, certificate of compliance or similar certificate for the Borrower issued by its governing jurisdiction and each other jurisdiction in which it carries on business or holds any material assets;
- (i) the Lender shall have received such additional evidence, documents or undertakings as it may reasonably require to complete the transactions contemplated hereby in accordance with the terms and conditions contained herein;
- (j) All Realty Taxes related to the Property are up-to-date as of the Closing Date; and
- (k) All mortgages, charges, Liens and encumbrances have been discharged, on the Closing Date and prior to any Loan Instalment being made.

8.02 The Borrower hereby acknowledges, confirms, covenants and agrees that the Lender is syndicating the Loan and therefore, the Lender shall have no obligation to make the first Loan Instalment hereunder on the Closing Date or any Loan Instalment thereafter unless at the time of making such Loan Instalment the syndication of the Loan has been completed in the opinion of the Lender.

ARTICLE 9 DEFAULT AND REMEDIES

9.01 The occurrence of any one or more of the following events, after the expiry of any applicable cure period set out below, shall constitute an event of default under this Agreement (an "Event of Default"):

- (a) the Borrower fails to pay any principal, interest, Expenses or any other amount payable hereunder when due under the terms of this Agreement or any of the Security Documents;
- (b) any representation, warranty or statement made to the Borrower herein or in any Security Documents is incorrect in any material respect on the date on which such representation, warranty or statement was made or deemed to have been made, or subsequently becomes incorrect in any material respect; provided that if such representation, warranty or statement is capable of being corrected within twenty (20) days, the Borrower diligently attempts to take all such action as may be necessary in order that such representation, warranty or statement will become correct and diligently keep the Lender informed of its efforts in this regard, and such representation, warranty or statement is correct by not later than the expiry of such twenty (20) day period on the opinion of the Lender, then the incorrectness of such representation, warranty or statement shall not constitute an Event of Default;
- (c) the Borrower fails to perform or comply with any of the covenants or obligations set out in this Agreement;

- (d) the Borrower fails to perform or comply with any of its covenants or obligations contained in any of the Security Documents, in each case, following receipt of notice of such non-compliance from the Lender; provided that if such non-compliance is capable of remedy within twenty (20) days, the Borrower diligently attempts to remedy such non-compliance and diligently keeps the Lender informed of its efforts in this regard, and such non-compliance is remedied within such twenty (20) day period in the opinion of the Lender, then such non-compliance shall not constitute an Event of Default;
- (e) an Insolvency Event occurs in respect of the Borrower;
- (f) any document constituting part of the Security Documents shall for any reason cease to be in full force and effect or shall be declared in a final judgment of a court of competent jurisdiction to be null and void; or the Borrower contests the validity or enforceability thereof or denies it has any further liability or obligation thereunder; or any document constituting part of the Security Documents shall for any reason fail to create a valid and perfected First-Ranking Security Interest subject to Permitted Encumbrances in the opinion of the Lender, in and to the property purported to be subject thereto, except that if such failure is capable of remedy within thirty (30) days, the Borrower diligently attempts to remedy such failure and diligently informs the Lender of its efforts in this regard, and the failure is remedied within such thirty (30) day period in the opinion of the Lender, then the failure shall not constitute an Event of Default;
- (g) any Person takes possession, or threatens to take possession, of any property of the Borrower including the Property by way of or in contemplation of enforcement of any security it may hold, or a distress or execution or similar process is levied or enforced against any such property; and,
- (h) any Governmental Authority shall take any action or proceeding to condemn, seize or appropriate any property of the Borrower that is material to its financial condition, business or operations.

9.02 Upon the occurrence of an Insolvency Event, the Borrower's Liabilities shall become immediately due and payable, without the necessity of any demand upon or notice to the Borrower by the Lender. Upon the occurrence and during the continuation of any Event of Default other than an Insolvency Event, the Lender may by written notice to the Borrower declare the Borrower's Liabilities to be immediately due and payable. Upon the occurrence and during the continuation of an Event of Default, both before and after the Acceleration Date, all outstanding Loan Instalments shall bear interest at the Loan Rate plus two percent (2%) per annum in order to compensate the Lender for the additional risk.

9.03 Upon the occurrence and during the continuation of an Event of Default, the Lender may apply any proceeds of realization from any Security or related to this Agreement or the Security Documents, against any portion or portions of the Borrower's Liabilities, and the Borrower may not require any different application. The taking of a judgment or any other action or dealing whatsoever by the Lender in respect of the Security Documents shall not operate as a merger of

any of the Borrower's Liabilities hereunder or in any way affect or prejudice the rights, remedies and powers which the Lender may have, and the foreclosure, surrender, cancellation or any other dealing with any Security Documents or the said obligations shall not release or affect the liability of the Borrower or any other Person in respect of the remaining portion of the Borrower's Liabilities.

9.04 The Lender shall not be obliged to make any further Loan Instalments from and after the earliest to occur of the following: (i) delivery by the Lender to the Borrower of a written notice that a Default or an Event of Default has occurred and is continuing (whether or not such notice also requires immediate repayment of the Borrower's Liabilities); (ii) the occurrence of an Insolvency Event; and (iii) receipt by the Borrower of any garnishment notice or other notice of similar effect in respect of the Borrower pursuant to the *Income Tax Act* (Canada), the *Excise Tax Act* (Canada) or any similar notice under any other statute.

9.05 All of the rights and remedies granted to the Lender in this Agreement and the Security Documents, and any other rights and remedies available to the Lender at law or in equity, shall be cumulative. The exercise or failure to exercise any of the said remedies shall not constitute a waiver or release thereof or of any other right or remedy, and shall be non-exclusive.

9.06 If the Borrower fails to perform any covenant or obligation to be performed by it pursuant to this Agreement or the Security Documents, the Lender may in its sole and absolute discretion, after written notice to the Borrower, perform any of the said obligations but shall be under no obligation to do so; and any amounts expended or advanced by the Lender for such purpose shall be payable by the Borrower upon demand together with interest at the Interest Rate.

9.07 If the Borrower intends to take the benefit of any Insolvency Legislation, including making an assignment for the general benefit of creditors, making a proposal or filing a notice of intention to make a proposal under Insolvency Legislation, the Borrower covenants and agrees to provide the Lender with five (5) Business Days' prior written notice before any of the aforementioned proceedings are commenced. As soon as possible prior to the commencement of any such proceedings, the Borrower shall provide to the Lender copies of all relevant filing materials, including copies of draft court orders, plans of compromise, proposals and notices of intention. During this notice period the Lender may, in its sole discretion, elect to exercise any and all rights and remedies which may be available to it at that time as set out in this Agreement.

ARTICLE 10 GENERAL CONTRACT TERMS

10.01 The failure or delay by the Lender in exercising any right or privilege with respect to the non-compliance with any provisions of this Agreement by the Borrower and any course of action on the part of the Lender, shall not operate as a waiver of any rights of the Lender unless made in writing by the Lender. Any such waiver shall be effective only in the specific instance and for the purpose for which it is given and shall not constitute a waiver of any other rights and remedies of the Lender with respect to any other or future non-compliance.

10.02 In addition to any other liability of the Borrower hereunder, the Borrower hereby agrees to indemnify and save harmless the Indemnitees from and against all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements (including reasonable legal fees on a solicitor and his own client basis) of any kind or nature whatsoever (but excluding any consequential damages and damages for loss of profit) which may be imposed on, incurred by or asserted against the Indemnitees (except to the extent arising from the negligence or wilful misconduct of such Indemnitees) which relate or arise out of or result from:

- (a) any failure by the Borrower to pay and satisfy its obligations hereunder and the Security Documents including the Borrower's Liabilities; and,
- (b) any investigation by Governmental Authorities or any litigation or other similar proceeding related to any use made or proposed to be made by the Borrower of the proceeds of any Loan Instalment
- (c) any losses suffered by the Indemnitees for, in connection with, or as a direct or indirect result of, the failure of the Borrower to comply with all Requirements of Environmental Law;
- (d) any losses suffered by the Indemnitees for, in connection with, or as a direct or indirect result of, the presence of any Hazardous Material situated in, on or under any property owned by the Borrower including the Property or upon which it carries on business; and
- (e) any and all liabilities, losses, damages, penalties, expenses (including reasonable legal fees) and claims which may be paid, incurred or asserted against the Indemnitees for, in connection with, or as a direct or indirect result of, any legal or administrative proceedings with respect to the presence of any Hazardous Material on or under any property owned by the Borrower including the Property or upon which it carries on business, or the discharge, emission, spill, radiation or disposal by the Borrower of any Hazardous Material into or upon the Property, the atmosphere, or any watercourse or body of water; including the costs of defending and/or counterclaiming or claiming against third parties in respect of any action or matter and any cost, liability or damage arising out of a settlement entered into by the Indemnitees of any such action or matter;

10.03 The termination of this Agreement shall not relieve the Borrower from its obligations to the Lender arising prior to such termination, such as but not limited to obligations arising as a result of or in connection with any breach of this Agreement or the Security Documents, any failure to comply with this Agreement or the Security Documents or the inaccuracy of any representations and warranties made or deemed to have been made prior to such termination, and obligations arising pursuant to all indemnity obligations contained herein.

10.04 If the Borrower fails to pay when due any Expenses or other amounts paid by the Lender hereunder (other than principal or interest on any Loan Instalment), the Borrower agrees to pay interest on such unpaid amount from the time such amount is due until paid at the Loan Rate.

10.05 Without prejudice to any other method of giving notice, all communications provided for or permitted hereunder shall be in writing and delivered to the addressee by prepaid private courier or sent by telecopy to the applicable address and to the attention of the officer of the addressee as follows:

(i) to the Borrower:

1703858 Ontario Ltd.
c/o Harris + Harris LLP
2355 Skymark Avenue, Suite 300
Mississauga, Ontario, L4W 4Y6

Attention: John Davies

with a copy to:

Harris + Harris LLP
2355 Skymark Avenue, Suite 300
Mississauga, Ontario, L4W 4Y6

Attention: Mr. Gregory H. Harris
Fax Number: 905-629-4350

(ii) if to the Lender:

c/o Tier 1 Transaction Advisory Services Inc.
3655 Kingston Road
Toronto, ON M1M 1S2

Attention: Raj Singh
Fax Number: 416-218-0236

with a copy to:

Nancy Elliott, Barrister & Solicitor
5000 Yonge Street
Suite 1901
Toronto, Ontario
M2N 7E9

Attention: Ms. Nancy Elliott
Fax Number: (416) 628-5597

Any communication transmitted by prepaid private courier shall be deemed to have been validly and effectively given or delivered on the Business Day after which it is submitted for delivery. Any communication transmitted by telecopy shall be deemed to have been validly and effectively given or delivered on the day on which it is transmitted, if transmitted on a Business

Day on or before 5:00 p.m. (local time of the intended recipient), and otherwise on the next following Business Day. Any party may change its address for service by notice given in the foregoing manner.

10.06 Any provision of this Agreement which is illegal, prohibited or unenforceable in any jurisdiction, in whole or in part, shall not invalidate the remaining provisions hereof; and any such illegality, prohibition or unenforceability in any such jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

10.07 The Borrower shall from time to time at its own expense promptly execute and deliver or cause to be executed and delivered to the Lender all such other and further documents, agreements, opinions, certificates and instruments which may be requested by the Lender if necessary or desirable to more fully record or evidence the obligations intended to be entered into herein, or to make any recording, file any notice or obtain any consent.

10.08 Time shall be of the essence of this Agreement.

10.09 The Borrower may not assign any of its rights or obligations under this Agreement without the prior written consent of the Lender. The Lender may grant participations in all or any portion of its rights under this Agreement from time to time without notice to or obtaining the prior written consent of the Borrower. The Borrower agrees to co-operate fully with the Lender in connection with any assignment or participation pursuant to this section, and agrees to execute and deliver from time to time in favour of the Lender and any such assignee or participant such documents and assurances as may be reasonably required by the Lender or the assignee or participant in connection with such assignment or participation.

10.10 This Agreement and any other documents or instruments contemplated herein or therein shall constitute the entire agreement and understanding between the Borrower and the Lender relating to the subject-matter hereof. For greater certainty and without limiting the generality of the foregoing, this Agreement supersedes all discussion papers previously issued by the Lender relating to the proposed establishment of the Loan, which have no force or effect.

10.11 To the extent that there is any inconsistency between a provision of this Agreement and a provision of any document constituting part of the Security including the Security Documents, the provision of this Agreement shall govern. For greater certainty, a provision of this Agreement and a provision of any Security Document shall be considered to be inconsistent if both relate to the same subject-matter and the provision in the Security Document imposes more onerous obligations or restrictions than the corresponding provision in this Agreement (excluding fees and Expenses).

10.12 This Agreement shall be interpreted in accordance with the laws of the Province of Ontario. Without prejudice to the right of the Lender to commence any proceedings with respect to this Agreement in any other proper jurisdiction, the parties hereby attorn and submit to the non-exclusive jurisdiction of the courts of the Province of Ontario.

10.13 This Agreement may be executed in several counterparts, each of which, when so executed, shall be deemed to be an original and which counterparts together shall constitute one and the same Agreement. This Agreement may be executed by facsimile, and any signature contained hereon by facsimile shall be deemed to be equivalent to an original signature for all purposes.

10.14 This Agreement shall be binding upon and shall enure to the benefit of the parties and their respective successors and permitted assigns; "successors" includes any corporation resulting from the amalgamation of any party with any other corporation.

IN WITNESS WHEREOF the parties hereto have executed this Agreement as of the date written on the first page hereof.

MC TRUSTEE (KITCHENER) LTD.

Per: 

Name: Raj Singh

Title: President

I have authority to bind the corporation

MEMORY CARE INVESTMENTS
(KITCHENER) LTD.

Per: 

John Davies

I have authority to bind the corporation

SCHEDULE "A"
THE LANDS

Legal Description:

PIN: 22507-0109 LT
LT 6 PL 655 KITCHENER; KITCHENER

Municipal Description:

169 Borden Avenue, Kitchener, Ontario

SCHEDULE "B"
SCHEDULE OF INTEREST PAYMENTS

Interest payments shall be calculated at an annual interest rate of EIGHT PERCENT (8%), paid quarterly in trust to the Borrower's Solicitor, commencing on or about January 1, 2014. All funds advanced after October 1, 2013 will receive an initial payment pro rated up to and including January 1, 2014 and full payments quarterly until the maturity date, anticipated to be on or about November 1, 2017.

SCHEDULE "C"
EXPENSES

The Expenses include the following:

- a) Mortgage Brokerage Fee of \$128,000 payable to First Commonwealth Mortgage Corporation and Tier 1 Mortgage Corporation (collectively, referred to as the "Mortgage Broker"); (based on a maximum mortgage advance of \$12,800,000). The fee payable to the Mortgage Broker is 1% of the mortgage amount advanced.
- b) Referral and Related Fees of \$1,920,000 payable on account of fees and commission incurred in relation to the Loan which shall be paid as the Mortgage Broker may in writing direct (based on a maximum mortgage advance of \$12,800,000 where the actual mortgage advance is less than \$12,800,000, the referral and related fees will be proportionately reduced); and,
- c) Legal Fees. Legal Fees of \$20,000.00 plus HST plus Disbursements (which shall include Title Insurance and other Expenses) shall be payable to the Lender's Solicitors which shall be deducted from the first Loan Instalment. In the event that there is more than one (1) Loan Instalments, then additional legal fees of \$3,000 plus HST plus Disbursements shall be paid to the Lender's Solicitors on each additional Loan Instalment. The fees, taxes and disbursements of the Borrower's Solicitors shall be paid in addition to the fees, taxes and disbursements of the Lender's Solicitors. It is estimated the fees of the Borrower's Solicitors shall be \$28,000 (plus HST and disbursements) for the first Loan Instalment and \$17,000 (plus HST and disbursements) for each Loan Instalment thereafter, exclusive of the costs of preparation of any offering documents in jurisdictions where such documents are required.

SCHEDULE "D"
ADDITIONAL LOAN PAYMENT

The Additional Loan Payment shall be an amount equal to four (4%) per cent per annum of the face value of the Mortgage and shall be payable for such time as the Loan remains outstanding, as determined by the Lender (the "Additional Loan Payment"). The Additional Loan Payment shall be payable by the Borrower from the Distributable Cash Proceeds or from the proceeds being held by the Lender's Solicitor, in trust, as contemplated in Sub-Section 7.01(n) of this Agreement. The payment of the Additional Loan Payment may be paid at any time and from time to time to the Lender after the Loan, plus interest thereon in accordance with this Agreement and all Expenses are paid pursuant to this Agreement. If the face amount of the Mortgage is less than \$12,800,000, the Additional Loan Payment shall be reduced accordingly. The Additional Loan Payment will be paid after the Loan, plus interest thereon in accordance with this Agreement and all Expenses are paid pursuant to this Agreement as determined by the Lender, acting reasonably.

For the sake of clarity, if the face amount of the Mortgage is \$6,500,000 and the Borrower's Liabilities have not been paid until the fourth anniversary of the first Loan Instalment, then the amount of the Additional Loan Payment payable by the Borrower to the Lender shall be \$1,040,000, or 4% per annum for each year the Mortgage is outstanding; which interest amount shall not be compounded from time to time. Notwithstanding the foregoing, the calculation of the Additional Loan Payment and the timing of the payments thereof shall be determined by the Lender, acting reasonably.

The Lender shall provide to the Borrower reasonable notice of any payments made on account of the Additional Loan Payment. If the Borrower exercises its right to prepay all or a portion of the Loan, then the 4% per annum Additional Loan Payment for the fourth year of the term of this Loan shall continue to be payable, in full, notwithstanding any prepayment, from Distributable Cash Proceeds.

SCHEDULE "E"
PERMITTED ENCUMBRANCES

1. Liens for municipal property taxes, local improvement assessments or taxes, or other taxes, assessments or recoveries relating to the Property which are not at the time due;
2. The reservations, limitations, exceptions, provisos and conditions, if any expressed in any original grants from the Crown including, without limitation, the reservations of any mines and minerals in the Crown or in any other person.
3. Any registered or unregistered licenses, easements, rights-of-way, rights in the nature of easements and agreements with respect thereof which relate to the provisions of utilities or services or easements or rights of way in favour of any governmental authority, any private or public utility, any railway company or any adjoining owner to the Property (including, without limitation, agreements, easements, licenses, rights-of-way and interests in the nature of easements for sidewalks, public ways, sewers, drains, gas, steam and water mains or electric light and power, or telephone and telegraphic conduits, poles, wires, and cables).
4. Title defects or irregularities, which are of a minor nature and in the aggregate will not materially adversely impair the use or marketability of the Real Property or that part thereof affected by the defect or irregularity for the purposes for which it is presently used.
5. The exceptions, limitations and qualifications of the *Land Titles Act* and any amendments thereto.

LOAN AGREEMENT

THIS AGREEMENT is made as of the 28th day of September, 2012

B E T W E E N:

2223947 ONTARIO LIMITED, a corporation incorporated under the laws of the Province of Ontario.

(hereinafter referred to as the "**Lender**")

AND

MEMORY CARE INVESTMENTS (OAKVILLE) LTD., a corporation incorporated under the laws of the Province of Ontario

(hereinafter referred to as the "**Borrower**")

WHEREAS the Lender, on the terms and conditions hereinafter set forth, has agreed to lend to the Borrower and the Borrower has agreed to borrow from the Lender the sum of up to **Twelve Million Eight Hundred Thousand (\$12,800,000) Dollars** of lawful money of Canada (the "**Principal Sum**") for a term of Four (4) years (the "**Term**") in connection with the development and construction by the Borrower of a dedicated Alzheimer's and dementia care facility project to be constructed on the lands and premises situated at 103 and 109 Garden Drive, Oakville, Ontario, and more particularly described in Schedule "A" attached hereto (the "**Property**").

AND WHEREAS the Borrower agrees to pay to the Lender interest on the Principal Sum at the Loan Rate (as hereinafter defined), calculated annually and payable quarterly during the Term along with the Additional Loan Payment as more particularly described in Schedule "D" attached hereto;

AND WHEREAS the Borrower has agreed to allow a Charge/Mortgage of Land in addition to the other Security Documents, on the terms set out herein, to be registered against the Property in first priority and in favour of the Lender (the "**Mortgage**"), as security for repayment of the Principal Sum with interest at the Loan Rate and the payment of the Additional Loan Payment;

AND WHEREAS the Borrower agrees to repay to the Lender the Principal Sum and interest at the Loan Rate and the payment of the Additional Loan Payment on or before the expiry of the Term, as specified herein;

AND WHEREAS the Lender and the Borrower (collectively, the "**Parties**") wish to evidence their agreement in respect of the Loan;

AND WHEREAS the Lender acknowledges that the Mortgage shall be granted, *inter alia*, in the form of a syndicated first Charge/Mortgage of Land as more fully described herein and shall be in form and substance satisfactory to the Lender;

NOW THEREFORE THIS AGREEMENT WITNESSETH THAT in consideration of the covenants, agreements herein contained and for other good and valuable consideration (the receipt and sufficiency of which is hereby acknowledged), the parties hereto agree as follows:

ARTICLE 1 RECITALS

1.01 The Parties to this Agreement acknowledge and agree that the recitals to this Agreement are true and correct in substance and in fact are incorporated into and form an integral part of this Agreement.

ARTICLE 2 DEFINITIONS AND TERMS

2.01 The following words and phrases have the following meanings when used in this Agreement:

- (a) "Acceleration Date" means the date on which an Acceleration Event occurs;
- (b) "Acceleration Event" means the earlier of: (i) the occurrence of an Insolvency Event; and (ii) the delivery by the Lender to the Borrower of a written notice that the Borrowers Liabilities or any part thereof are immediately due and payable, following the occurrence and during the continuation of an Event of Default other than an Insolvency Event;
- (c) "Additional Loan Payment" has the same meaning as set forth in Section 4.11 hereof;
- (d) "Agreement", means this Agreement entitled "Loan Agreement", and all instruments supplemental hereto or in amendment or confirmation hereof; "hereof", "hereto" and "hereunder" and similar expressions refer to this Agreement, and where relevant, to any particular article, section or paragraph hereof; "Article", "Section" and "paragraph" mean and refer to the specified article, section or paragraph of this Agreement;
- (e) "BIA" means the *Bankruptcy and Insolvency Act* (Canada), as amended from time to time;
- (f) "Borrower's Books and Records" shall have the same meaning as set forth in Section 7.04 hereof.
- (g) "Borrower's Liabilities", refers collectively to the Loan, all interest from time to time accruing thereon as set forth in this Agreement, and all liabilities and indebtedness now or hereafter owing, arising, due or payable by the Borrower to the Lender whether

under this Agreement or the Security Documents and including the Additional Loan Payment;

- (h) "Borrower's Solicitors" shall mean Harris + Harris LLP, or such other solicitors that the Borrower may in writing designate;
- (i) "Business Day", refers to any day other than a Saturday, Sunday or Statutory Holiday in Toronto, Ontario;
- (j) "Closing Date" or "Closing", or similar references means the date of the initial Loan Instalment or the date, as the context requires, of any other Loan Instalments made pursuant hereto;
- (k) "Commodity Taxes" means all commodity taxes, including all sales, use, retail, goods and services, harmonized sales, value-added and similar taxes imposed, levied or assessed by any Governmental Authority;
- (l) "Default" means any event, act, omission or condition which with the giving of notice or the passage of time, or both, would result in an Event of Default;
- (m) "Distributable Cash Proceeds" means all amounts received by the Borrower arising out of the Property or the sale or operation thereof or of the sale of condominium units for the period including but not limited to the following:
 - (i) all revenues derived from the sale of condominium units or any part or all of the Property (including all premiums, upgrade costs (net of commissions) and applicable harmonized sales tax or goods and services tax rebates);
 - (ii) all gross receipts derived from all rents and fees payable by tenants, licensees and concessionaires;
 - (iii) the gross amount, if any, of any insurance proceeds received by the Borrower, including business interruption payments;
 - (iv) the net proceeds of any refinancing, if any, received by the Borrower, other than any construction loan which contains terms prohibiting the use of such loan proceeds to repay existing indebtedness (net of repayments of existing mortgage financing being refinanced); and
 - (v) the gross amount, if any, from partial or total expropriations of all or part of the Property,

but excluding: (i) Commodity Taxes which the Borrower is required by law to collect from purchasers, tenants, concessionaires or licensees and remit to an applicable taxing authority.

- (n) "Distribution" means any amount paid to or on behalf of the employees, directors, officers, shareholders, partners or unitholders of the Borrower, by way of salary, bonus, commission, management fees, directors' fees, dividends, redemption of shares, distribution of profits or otherwise, and whether payments are made to such Persons in their capacity as shareholders, partners, unitholders, directors, officers, employees, owners or creditors of the Borrower or otherwise, or any other direct or indirect payment in respect of the earnings or capital of the Borrower;
- (o) "Event of Default" is defined in Section 9.01 hereof;
- (p) "Expenses", means all expenses relating to the Loan and all fees and expenses for legal services relative to the preparation, review and enforcement of this Agreement and the Security Documents, the making of Loan Instalments and the repayment of the Borrower's Liabilities and the release of the security therefore;
- (q) "Fiscal Year" means the fiscal year end of the Borrower, being December 31st in every year;
- (r) "GAAP" means generally accepted accounting principles in Canada as approved by the Canadian Institute of Chartered Accountants in effect from time to time; and for greater certainty if international financial reporting standards are adopted by the Canadian Institute of Chartered Accountants in replacement for generally accepted accounting principles, each reference to "GAAP" herein shall be deemed to refer to such international financial reporting standards;
- (s) "Governmental Authority" means any: (i) federal, provincial, state, municipal, local or other governmental or public department, central bank, court, commission, board, bureau, agency or instrumentality, domestic or foreign; (ii) any subdivision or authority of any of the foregoing; or (iii) any quasi-governmental, judicial or administrative body exercising any regulatory, expropriation or taxing authority under or for the account of any of the foregoing;
- (t) "Hazardous Materials" means any contaminant, pollutant, waste or substance that is likely to cause immediately or at some future time harm or degradation to the surrounding environment or risk to human health; and without restricting the generality of the foregoing, including any pollutant, contaminant, waste, hazardous waste or dangerous goods that is regulated by any Requirements of Environmental Law or that is designated, classified, listed or defined as hazardous, toxic, radioactive or dangerous or as a contaminant, pollutant or waste by any Requirements of Environmental Law;
- (u) "Indemnitees" means the Lender and its successors and permitted assignees, any agent of any of them (specifically including a receiver or receiver-manager) and its officers, directors, employees, beneficial owners and shareholders;
- (v) "Insolvency Event" means, in respect of any Person:
 - (i) such Person ceases to carry on its business; or commits an act of bankruptcy or becomes insolvent (as such terms are used in the BIA); or

makes an assignment for the benefit of creditors, files a petition in bankruptcy, makes a proposal or commences a proceeding under Insolvency Legislation; or petitions or applies to any tribunal for, or consents to, the appointment of any receiver, trustee or similar liquidator in respect of all or a substantial part of its property; or admits the material allegations of a petition or application filed with respect to it in any proceeding commenced in respect of it under Insolvency Legislation; or takes any corporate action for the purpose of effecting any of the foregoing; or

- (ii) any proceeding or filing is commenced against such Person seeking to have an order for relief entered against it as debtor or to adjudicate it a bankrupt or insolvent, or seeking liquidation, winding-up, reorganization, arrangement, adjustment or composition of it or its debts under any Insolvency Legislation, or seeking appointment of a receiver, trustee, custodian or other similar official for it or any of its property or assets; unless (i) such Person is diligently defending such proceeding in good faith and on reasonable grounds as determined by the Lender and (ii) such proceeding does not in the reasonable opinion of the Lender materially adversely affect the ability of such Person to carry on its business and to perform and satisfy all of its obligations hereunder;
- (w) "Insolvency Legislation" means legislation in any applicable jurisdiction relating to reorganization, arrangement, compromise or re-adjustment of debt, dissolution or winding-up, or any similar legislation, and specifically includes for greater certainty the BIA, the *Companies' Creditors Arrangement Act* (Canada) and the *Winding-Up and Restructuring Act* (Canada);
- (x) "Interest Reserve" means the amounts set aside or deducted as contemplated in Section 4.12 hereof to fund the obligations of the Borrower to pay interest as set forth in this Agreement on the Loan Instalments that may from time to time be made by the Lender to the Borrower.
- (y) "Laws" means all statutes, codes, ordinances, decrees, rules, regulations, municipal by-laws, judicial or arbitral or administrative or ministerial or departmental or regulatory judgments, orders, decisions, rulings or awards, or any provisions of such laws, including general principles of common and civil law and equity or policies or guidelines, to the extent such policies or guidelines have the force of law, binding on the Person referred to in the context in which such word is used; and "Law" means any of the foregoing;
- (z) "Lender's Solicitors" shall mean Nancy Elliott, Barrister & Solicitor, or such other solicitors that the Lender may in writing designate;
- (aa) "Lien" means: (i) a lien, charge, mortgage, pledge, security interest or conditional sale agreement; (ii) an assignment, lease, consignment, trust or deemed trust that secures payment or performance of an obligation; (iii) a garnishment; (iv) any other

encumbrance of any kind; and (v) any commitment or agreement to enter into or grant any of the foregoing;

- (bb) "Loan", means the aggregate amount, not to exceed Twelve Million Eight Hundred Thousand (\$12,800,000) Dollars, of all Loan Instalments made from time to time hereunder by the Lender to the Borrower, less the amount, if any, repaid from time to time by the Borrower to the Lender;
- (cc) "Loan Instalment" has the same meaning as set forth in Sub-Section 4.08(a) hereof, with each Loan Instalment to be made in the sole and absolute discretion of the Lender;
- (dd) "Loan Rate", means the annual rate of interest applicable to any particular amount outstanding pursuant to this Agreement being Eight (8%) percent per annum;
- (ee) "Material Adverse Change" means any change or event which: (i) constitutes a material adverse change in the business, operations, condition (financial or otherwise) or properties of the Borrower taken as a whole; or (ii) could materially impair the Borrower's ability to timely and fully perform its obligations under this Agreement or the Security Documents, or materially impair the ability of the Lender to enforce its rights and remedies under this Agreement or the Security Documents;
- (ff) "Material Agreement" means, in respect of the Borrower, any agreement made between the Borrower and another Person which the Lender, in its sole and absolute discretion, determines to be material to the Borrower;
- (gg) "Maturity Date" shall have the same meaning as set forth in Section 4.04 hereof;
- (hh) "Mortgage" has the same meaning as set forth in Sub-Section 5.01(c) hereof;
- (ii) "Note" shall mean the promissory note executed by the Borrower in favour of the Lender in the sum of up to Twelve Million Eight Hundred Thousand (\$12,800,000) Dollars which Note shall be in form and substance satisfactory to the solicitors of the Lender;
- (jj) "Outstanding Encumbrances and Liens" shall have the same meaning as set forth in Sub-Section 7.01(1) hereof;
- (kk) "Person", means a natural person, firm, trust, partnership, association, corporation, government or governmental board, agency or instrumentality;
- (ll) "Permitted Encumbrances" are those Liens described in Schedule "E" attached hereto and any construction financing subsequently acquired by the Borrower for the construction of the condominium project of the Property;
- (mm) "Requirements of Environmental Law" means: (i) obligations under common law; (ii) requirements imposed by or pursuant to statutes, regulations and by-laws whether presently or hereafter in force; (iii) requirements announced by a Governmental

Authority as having immediate effect (provided that at the time of making such announcement the government also states its intention of enacting legislation to confirm such requirements retroactively); (iv) all directives, policies and guidelines issued or relied upon by any Governmental Authority to the extent such directives, policies or guidelines have the force of law; (v) all permits, licenses, certificates and approvals from Governmental Authorities which are required in connection with air emissions, discharges to surface or groundwater, noise emissions, solid or liquid waste disposal, the use, generation, storage, transportation or disposal of Hazardous Materials; and (vi) all requirements imposed under any clean-up, compliance or other order made pursuant to any of the foregoing, in each and every case relating to environmental, health or safety matters including all such obligations and requirements which relate to (A) solid, gaseous or liquid waste generation, handling, treatment, storage, disposal or transportation and (B) exposure to Hazardous Materials;

- (nn) "Security" means all guarantees, security agreements, mortgages, debentures and other documents mentioned comprising the Security Documents or otherwise and all other documents and agreements delivered by the Borrower or other Persons to the Lender for the benefit of the Lender from time to time as security for the payment and performance of the Borrowers Liabilities, and the security interests, assignments and Liens constituted by the foregoing;
- (oo) "Security Documents", refers collectively to this Agreement, the Mortgage, those documents and instruments referred to in Section 5.01 hereof and any and other documents, agreements or writings delivered to the Lender as contemplated in this Agreement whether as security for the Loan or otherwise. At the option of the Lender, the Security Documents may reflect a fixed rate of interest as designated by the Lender's counsel. Notwithstanding the same, the provisions with respect to the payment of interest as set out in this Agreement shall prevail;
- (pp) "Statutory Lien" means a Lien in respect of any property or assets of a Company created by or arising pursuant to any applicable legislation in favour of any Person (such as but not limited to a Governmental Authority), including a Lien for the purpose of securing the Borrower's obligation to deduct and remit employee source deductions and goods and services tax pursuant to the *Income Tax Act* (Canada), the *Excise Tax Act* (Canada), the Canada Pension Plan (Canada), the *Employment Insurance Act* (Canada) and any federal or provincial legislation similar to or enacted in replacement of the foregoing from time to time; and,
- (qq) "Subsidiary" means a business entity which is controlled by another business entity (as used herein, "business entity" includes a corporation, company, partnership, limited partnership, trust or joint venture).

2.02 Unless otherwise provided herein, all financial terms used in this Agreement shall be determined in accordance with GAAP in effect at the date of such determination. Where the character or amount of any asset or liability or item of revenue or expense is required to be determined, or any consolidation or other computation is required to be made for the purpose of

this Agreement, such determination or calculation shall be made in accordance with GAAP applied on a consistent basis, unless otherwise indicated.

2.03 All amounts referred to in this Agreement are in Canadian Dollars unless otherwise noted.

2.04 Whenever in this Agreement reference is made to a statute or regulations made pursuant to a statute, such reference shall, unless otherwise specified, be deemed to include all amendments to such statute or regulations from time to time and all statutes or regulations which may come into effect from time to time substantially in replacement for the said statutes or regulations.

2.05 Terms defined in the singular have the same meaning when used in the plural, and vice-versa. When used in the context of a general statement followed by a reference to one or more specific items or matters, the term "including" shall mean "including, without limitation", and the term "includes" shall mean "includes, without limitation". Any reference herein to the exercise of discretion by the Lender (including phrases such as "in the discretion of", "in the opinion of", "in its opinion", "to the satisfaction of" and similar phrases) shall mean that such discretion is absolute and unfettered and shall not imply any obligation to act reasonably, unless otherwise expressly stated herein.

ARTICLE 3 SCHEDULES

3.01 The following are the schedules attached to and incorporated in this Agreement by reference and deemed to be a part thereof:

Schedule "A" – Lands to be Charged/Mortgaged

Schedule "B" – Schedule of Interest Payments

Schedule "C" – Expenses

Schedule "D" – Additional Loan Payment

Schedule "E" – Permitted Encumbrances

ARTICLE 4 THE LOAN, INTEREST, EXPENSES, AND PAYMENT THEREOF

4.01 Subject to the terms and conditions hereof, the Lender agrees to provide to the Borrower the Loan.

4.02 The Borrower and the Lender acknowledge and confirm that, notwithstanding any rate of interest set out in the Security Documents or any of them, the provisions of this Agreement

regarding the Loan Rate shall govern the rate of interest payable on the Loan. The Borrower and the Lender further acknowledge and confirm that the Security Documents shall be in form and substance satisfactory to the Lender.

4.03 Interest on the Loan Rate shall be determined daily and shall be due, payable and compounded quarterly, not in advance, on the 1st day of each month during such quarterly period, as well after as before demand, maturity, default and judgment, together with interest on overdue interest determined daily (if relevant) and compounded quarterly at the same rate applicable until the Borrower's Liabilities have been paid in full. Interest shall be calculated on the basis of a three hundred and sixty-five (365) day year. Interest on the Loan at the Loan Rate and calculated as aforesaid shall accrue as of the date of the first Loan Instalment. Any disputes on the determination and calculation of interest of the Interest Rate shall be resolved by the Lender, in its opinion but acting reasonably. The first payment of interest and all subsequent payments of interest as aforesaid shall be payable in the amounts and on the dates as set forth in Schedule "B" attached hereto.

4.04 The Loan, together with all accrued and outstanding interest and other charges in connection therewith as set forth in this Agreement and the Security Documents including without limiting the generality of the foregoing the Additional Loan Payment and all other Borrower's Liabilities, shall become fully due and repayable on the third anniversary of the first Loan Instalment (the "Maturity Date").

4.05 Any payment provided hereunder to be made by the Borrower to the Lender shall be in certified funds or Bank Draft and shall be payable to the Borrower's Solicitors, in trust, and delivered to the Borrower's Solicitors, or any other payee or office designated by the Lender from time to time. The Borrower's Solicitors shall coordinate further delivery of such funds with the Lender's Solicitors. Any payment as aforesaid received after two o'clock (2:00) p.m. Toronto time shall be deemed to have been received on the next following Business Day.

4.06 This Agreement shall constitute evidence of the obligation of the Borrower to repay all the Borrower's Liabilities in accordance with the terms hereof. The Borrower shall repay the Loan and the Borrower's Liabilities in full on the Maturity Date, and until then shall pay interest at the time or times and in the manner provided herein.

4.07 All Loan Instalments and Expenses as and when advanced or incurred shall be and become secured by the Security Documents and Expenses may be paid by the Lender and be deducted from Loan Instalments which would otherwise have been made to the Borrower. The Security Documents shall be in addition to any other security which the Lender may now have or subsequently acquire for the performance of the Borrower's Liabilities. The Expenses listed in Schedule "C" attached hereto are a list of Expenses (but by no means an exhaustive list of all Expenses) that shall be deducted from the Loan Instalments.

4.08 The Lender and the Borrower mutually acknowledge, confirm, represent and covenant as follows:

- (a) Any amounts advanced by the Lender, in its sole and absolute discretion, to the Borrower pursuant to this Agreement, and pursuant to an offering of secured notes being completed concurrently with the transactions contemplated in this

Agreement, shall occur in tranches (the "Loan Instalments") with the first Loan Instalment to be in the amount of not less than Three Million (\$3,000,000) Dollars;

- (b) the initial face value of the Mortgage will be \$3,000,000; which amount can be increased where the Borrower obtains a new valuation/appraisal for the property in form satisfactory to Olympia Trust, where upon Olympia Trust agrees to increase the maximum mortgage amount; provided in no circumstance will the maximum mortgage amount exceed \$12,800,000; and,
- (c) prior to the release of any funds by the Lender's Solicitors to the solicitor(s) for the Borrower, each Party hereby irrevocably acknowledges and directs that their respective solicitors are authorized to and shall cause to be registered any such instruments on title to the Lands which in the opinion of the solicitor for the Lender may be required as evidence of any sums advanced to the Borrower on the security of this Agreement or the Security Documents.

4.09 The Borrower may not prepay all or any portion of the Borrower's Liabilities hereunder.

4.10 Notwithstanding anything to the contrary contained in this Agreement, any Loan Instalment made by the Lender and the Borrower shall be at the Lender's sole and absolute discretion and the Lender shall not be obligated at any time or times to make any Loan Instalment to the Borrower.

4.11 In addition to the payment by the Borrower of the Loan plus interest as set forth in this Agreement, the Borrower shall also pay to the Lender, in certified funds or Bank Draft, forthwith after the determination is made by the Lender in its opinion that the Additional Loan Payment is payable, the amount of the Additional Loan Payment calculated as described in Schedule "D" attached hereto in the same manner as contemplated in Section 4.05 hereof. Notwithstanding the foregoing, the Lender, at its option, may also deduct from the Distributable Cash Proceeds, at any time and from time to time, all or any part of the Additional Loan Payment that the Lender, in its opinion, believes is due and payable.

4.12 The parties hereto acknowledge, confirm, covenant and agree that the Lender shall be deducting from the first Loan Instalment and any subsequent Loan Instalments an amount equal to the projected interest on the amount of such Loan Instalment for 12 months which shall be a contribution of the Borrower to the Interest Reserve. The parties hereto further acknowledge, confirm, covenant and agree that the Lender may from time to time and at any time, acting reasonably, deduct from the funds held in trust by the Lender's Solicitors or received from the Borrower, whether from the Distributable Cash Proceeds or otherwise, such amounts that in its opinion is necessary or appropriate to replenish the Interest Reserve. The Borrower covenants and agrees that the amount in the Interest Reserve shall be applied by the Lender against the obligations of the Borrower to pay interest hereunder on the Loan Instalments and that once applied or deducted by the Lender from the Loan Instalments, the Distributable Cash Proceeds or otherwise, the Borrower shall have no claim against the funds in the Interest Reserve. The Lender agrees to provide monthly reports on the disposition, if any, of funds set aside and in the Lender's Solicitors trust account.

4.13 The Borrower, at any time after the third anniversary hereof, shall be entitled to repay all or a portion of the Loan without penalty, notice or bonus and the interest at the rate of 8% per annum on the principal outstanding ceasing at the date of prepayment; provided that the Lender shall continue to be entitled to the Additional Loan Payment for all four years of this Loan, even though the Loan shall have been prepaid prior to the four year term expiry (to also be paid at the time of prepayment) plus the prepayment fee; but shall not be entitled to any Additional Loan Payment for the fourth year of the term of this Loan nor any compensation for loss of interest after the date of such prepayment.

ARTICLE 5 SECURITY

5.01 The Borrower agrees to provide the Security Documents listed below to the Lender, as continuing security for the payment and performance of all of its present and future, direct and indirect obligations to the Lender, specifically including the Loan, the Borrowers Liabilities and its direct indebtedness and obligations to the Lender arising under this Agreement:

- (a) The Note;
- (b) A mortgage in the amount of the Principal Sum ranking as a first mortgage; provided that the mortgage shall be subordinated to any construction financing obtained by the Borrower related to construction of the dedicated Alzheimer's and dementia care project on the Property (the "Mortgage");
- (c) if requested by the Lender from time to time, security agreements creating an assignment security interest in respect of its rights to and interest in Material Agreements to which it is a party, together with any necessary consents from the other parties thereto which security interest may not be a first ranking security interest;
- (d) an assignment of its interest in all policies of insurance, specifically including the right to receive any refunds of premiums paid thereunder; and
- (e) such other security and further assurances as the Lender may reasonably require from time to time.

5.02 The Security Documents shall be in form and substance satisfactory to the Lender, acting reasonably. The Lender may require that any item of Security Documents be governed by the laws of the jurisdiction where the property subject to such item of Security Documents is located. The Security Documents shall be registered by the Lender or, at the request of the Lender, by the Borrower, all at the Borrower's cost and expense, where necessary or desirable to record and perfect the charges contained therein, as determined by the Lender in its sole and absolute discretion.

5.03 The Borrower shall cause to be delivered to the Lender prior to each Loan Instalment the opinion of the solicitors for the Borrower regarding its corporate status, the due authorization,

execution and delivery of the Security Documents provided by it, all registrations in respect of the Security Documents, the results of all applicable searches in respect of them, and the enforceability of such Security Documents and any other matters requested by the Lender in its opinion; all such opinions to be in form and substance satisfactory to the Lender.

5.04 The Borrower shall execute and deliver from time to time all such further documents and assurances as may be reasonably required by the Lender from time to time in order to provide the Security Documents contemplated hereunder, specifically including supplemental or additional security agreements which shall include lists of specific assets to be subject to the security interests required hereunder.

5.05 If insurance proceeds become payable in respect of loss of or damage to any property owned by the Borrower the Lender shall apply such proceeds against the Borrower's Liabilities (allocated amongst the components of the Borrower's Liabilities, at all times, by the Lender in its sole and absolute discretion).

ARTICLE 6 COVENANTS, REPRESENTATIONS AND WARRANTIES

6.01 The Borrower represents and warrants to the Lender as follows (which shall survive the execution and delivery of this Agreement), the truth and accuracy of which are a continuing condition of the advance of the Loan Instalments and the Borrower hereby acknowledges, confirms and agrees that the Lender is relying on such representations and warranties:

- (a) The Borrower is a validly subsisting corporation under the *Business Corporations Act* (Ontario), and is duly qualified to carry on its business in the jurisdiction in which it carries on business and has the power and authority to enter into and perform its obligations under this Agreement, is the registered owner of the Property and is legally entitled to carry on its business as currently conducted or as currently contemplated.
- (b) The Borrower has obtained all material licenses, permits and approvals from all governments, governmental commissions, boards and other agencies of jurisdictions in which it carries on (or contemplates carrying on) business which are required and which will allow for the development of the Property.
- (c) The Borrower or its solicitor has delivered to the Lender, or its solicitor, copies of the constating documents of the Borrower and the Lender's solicitor has obtained a legal opinion from the Borrower's solicitor that the Borrower is authorized to enter into this Agreement and the Security Documents.
- (d) The execution, delivery and performance of this Agreement and the Security Documents has been duly authorized by all requisite action on the part of the Borrower; and this Agreement and the Security Documents have been, or will be, duly executed and delivered by the Borrower, and this Agreement and the Security Documents delivered or to be delivered pursuant hereto and thereto constitutes, or when delivered will constitute, a valid and binding obligation of the

Borrower and enforceable against the Borrower in accordance with their terms, subject to the application of bankruptcy, insolvency and similar laws affecting the enforcement of creditors' rights generally and the fact that the right to obtain judicial orders requiring specific performance or other equitable remedies is in the discretion of the court.

- (e) The Borrower shall and does indemnify and hold harmless the Lender and the Indemnitees from and against all losses, claims, damages, liabilities, and expenses, to which any such person or entity may become subject arising out of or in connection with this Agreement, the use of proceeds, or any related transaction or any claim, litigation, investigation or proceeding, relating to any of the foregoing, regardless of whether the Lender is a party thereto, and to reimburse the Lender, forthwith upon demand for any reasonable, legal or other expenses incurred in connection with investigating or defending any of the foregoing.
- (f) The Borrower acknowledges that neither its execution nor delivery of this Agreement or the Security Documents the consummation of the transactions herein contemplated nor compliance with the terms, conditions and provisions hereof or thereof does not and will not conflict with, and does not and will not result in any breach of or constitutes a default under any of the provisions of the constating documents or by-laws of the Borrower or any applicable Law including applicable securities laws, rules, policies and regulations or any contract or agreement upon or to which the Borrower is a party.
- (g) The Borrower has good and marketable title to the Property and its assets free from all mortgages, security interests, Liens, pledges, charges, encumbrances, title retention agreements, options or adverse claims, other than the permitted encumbrances as identified in Schedule "D" attached hereto (the "Permitted Encumbrances") and the Outstanding Encumbrances and Liens.
- (h) The Borrower has filed or caused to be filed, in a timely manner all tax returns, reports and declarations, which are required to be filed by it. All information in such tax returns, reports and declarations is complete and accurate in all material respects. The Borrower has paid or caused to be paid all taxes due and payable or claimed due and payable in any assessment received by it, except taxes the validity of which are being contested in good faith by appropriate proceedings diligently pursued and available to the said Borrower and with respect to which adequate reserves have been set aside on its books. Adequate provision has been made for the payment of all accrued and unpaid federal, provincial, local, foreign and other taxes whether or not yet due and payable and whether or not disputed.
- (i) All representations and warranties of the Borrower contained in this Agreement or in any of the Security Documents shall survive the execution and delivery of this Agreement and shall be deemed to have been made again to the Lender on the date of each Loan Instalment pursuant to this Agreement and shall be conclusively presumed to have been relied on by the Lender regardless of any investigation made or information possessed by the Lender. The representations

and warranties set forth herein shall be cumulative and in addition to any other representations or warranties which the Borrower shall now or hereafter give, or cause to be given, to the Lender.

- (j) The Borrower further acknowledges and agrees that the terms of this Agreement shall override the terms of any previous loan agreements to which the Borrower and the Lender may be or may have been Parties.
- (k) The Borrower acknowledges that the Lender may have executed a loan agreement that has been amended to accommodate the beneficial owners of the Lender and the Borrower agrees to abide by the specific terms of each of said Agreements.
- (l) The Borrower has no Subsidiaries.
- (m) no Person has any agreement or option or any right or privilege (whether by law, pre-emptive or contractual) capable of becoming an agreement, including convertible securities, warrants or convertible obligations of any nature, for the purchase of any properties or assets of the Borrower out of the ordinary course of business or for the purchase, subscription, allotment or issuance of any debt or equity securities of the Borrower.
- (n) The Borrower is in compliance in all material respects with all applicable Laws of each jurisdiction in which it carries on business and is duly licensed, registered and qualified to do business and is in good standing in each jurisdiction in which the nature of the business conducted by it or the property owned or leased by it make such qualification necessary; and all such licences, registrations and qualifications are valid and subsisting and in good standing.
- (o) The Borrower owns, possesses and has a good and marketable title to its undertaking, property and assets, free and clear of any and all Liens except for Permitted Encumbrances and the Outstanding Encumbrances and Liens. The Borrower does not have any commitment or obligation (contingent or otherwise) to grant any Liens except for the Permitted Encumbrances. No event has occurred which constitutes, or which with the giving of notice, lapse of time or both.
- (p) The Borrower have placed insurance, including property, boiler and machinery, business interruption and liability insurance, in appropriate amounts and for appropriate risks as would be considered prudent for similar business.
- (q) The Borrower and its business, operations, assets, equipment, property, leaseholds and other facilities is in compliance in all material respects with all Requirements of Environmental Law, specifically including all Requirements of Environmental Law concerning the storage and handling of Hazardous Materials. The Borrower holds all material permits, licenses, certificates and approvals from Governmental Authorities which are required in connection with (i) air emissions; (ii) discharges to surface or groundwater; (iii) noise emissions; (iv) solid or liquid waste disposal; (v) the use, generation, storage, transportation or disposal of

Hazardous Materials; and (vi) all other Requirements of Environmental Law. There has been no material emission, spill, release, or discharge into or upon (i) the air; (ii) soils, or any improvements located thereon; (iii) surface water or groundwater; or (iv) the sewer, septic system or waste treatment, storage or disposal system servicing the premises, of any Hazardous Materials at or from the Property, and there has been no complaint, order, directive, claim, citation, or notice from any Governmental Authority or any other Person with respect to (i) air emissions; (ii) spills, releases, or discharges to soils or improvements located thereon, surface water, groundwater or the sewer, septic system or waste treatment, storage or disposal systems servicing the Property; (iii) noise emissions; (iv) solid or liquid waste disposal; (v) the use, generation, storage, transportation, or disposal of Hazardous Materials; or (vi) other Requirements of Environmental Law affecting the Property. There are no legal or administrative proceedings, investigations or claims now pending, or to the Borrower's knowledge, threatened, with respect to the presence on or under, or the discharge, emission, spill, radiation or disposal into or upon any of the Properties, the atmosphere, or any watercourse or body of water, of any Hazardous Material; nor are there any material matters under discussion with any Governmental Authority relating thereto; and there is no factual basis for any such proceedings, investigations or claims. The Borrower has no material indebtedness, obligation or liability, absolute or contingent, matured or not matured, with respect to the storage, treatment, cleanup or disposal of any Hazardous Materials (including without limitation any such indebtedness, obligation, or liability under any Requirements of Environmental Law regarding such storage, treatment, cleanup or disposal).

- (r) Save and except for the and the Outstanding Encumbrances and Liens, there are no actions, suits or proceedings now pending, or to the Borrower's knowledge, threatened, against the Borrower in any court or before or by any federal, provincial, municipal or other Governmental Authority.
- (s) No guarantees have been granted by the Borrower.
- (t) The Borrower has remitted on a timely basis all amounts required to have been withheld and remitted (including withholdings from employee wages and salaries relating to income tax, employment insurance and Canada Pension Plan contributions), goods and services and Harmonized Sales tax and all other amounts which if not paid when due could result in the creation of a Statutory Lien against any of the Borrower's property including the Property, except for Permitted Encumbrances.
- (u) Save and except for and the Outstanding Encumbrances and Lien, no Default, Event of Default or Material Adverse Change has occurred and is continuing.
- (v) All financial and other information furnished by or in respect of the Borrower to the Lender for the purposes of or in connection with this Agreement or the Security Documents are true and accurate in all material respects and is not

incomplete by omitting to state any fact necessary to make such information not misleading. There are no facts known to the Borrower which could materially adversely affect the Borrower's ability to observe and perform their obligations under the Security Documents, or which if known to the Lender could reasonably be expected to deter the Lender from making any Loan Instalments hereunder on the terms and conditions contained herein.

ARTICLE 7 COVENANTS

7.01 The Borrower hereby covenants and agrees with the Lender that it will:

- (a) pay all principal, interest and other amounts due hereunder including the Borrowers Liabilities at the times and in the manner specified herein;
- (b) maintain its corporate existence in good standing, continue to carry on its business, preserve its rights, powers, licences, privileges, franchises and goodwill, exercise any rights of renewal or extensions of any leases, licences, concessions, franchises or any other rights whatsoever which are material to the conduct of its business, maintain all qualifications to carry on business in each jurisdiction in which such qualifications are required, and carry on and conduct its business in a proper and efficient manner so as to protect its property and income; and not materially change the nature of its business;
- (c) comply in all material respects with all applicable Laws (specifically including, for greater certainty, all applicable Requirements of Environmental Law), use the proceeds of all Loan Instalments hereunder for legal and proper purposes in connection with the purposes set out in the first recital of this Agreement, and obtain and maintain in good standing all material leases, licences, permits and approvals from any and all Governmental Authorities required in respect of its business and operations;
- (d) pay when due all rents, taxes, rates, levies, assessments and governmental charges, fees and dues lawfully levied, assessed or imposed in respect of its property which are material to the conduct of its business, and deliver to the Lender upon request receipts evidencing such payments;
- (e) maintain adequate books, accounts and records in accordance with GAAP;
- (f) keep the Property and its assets in good repair and working condition;
- (g) permit the Lender and its employees, representatives and agents (during normal business hours and in a manner which does not materially interfere with its business) to enter upon and inspect the Property and its properties, assets, books and records from time to time and make copies of and abstracts from such books and records, and discuss its affairs, finances and accounts with its officers, directors, accountants and auditors; such access shall be on 48 hours' prior notice unless a Default has occurred and is continuing in which event no notice shall be required;

- (h) obtain from financially responsible insurance company and maintain liability insurance, all-risks property insurance on a replacement cost basis (less a reasonable deductible not to exceed amounts customary in the industry for similar businesses and properties), business interruption insurance and insurance in respect of such other risks as the Lender may reasonably require from time to time; all of which policies of insurance shall be in such amounts as may be reasonably required by the Lender and shall include a standard mortgage clause approved by the Insurance Bureau of Canada; and the Lender's interest shall be noted as an additional insured on all liability insurance policies and as second mortgagee and loss payee on all other insurance policies; and the Lender shall be provided with certificates of insurance and certified copies of such policies from time to time upon request;
- (i) fulfil all covenants and obligations required to be performed by it under this Agreement and the Security Documents to which it is a party and any other agreement or undertaking now or hereafter made between it and the Lender;
- (j) provide prompt notice to the Lender of: (i) the occurrence of any Default or Event of Default; (ii) the incorrectness of any representation or warranty contained herein or any Security Documents in any material respect; (iii) any material contravention of or non-compliance by any Borrower with any terms and conditions of this Agreement or any Security Document; (iv) any Material Adverse Change; (v) any litigation affecting the Borrower; (vi) any material labour dispute affecting the Borrower; or (vii) any notice in respect of the termination or suspension of, or a material default under, any Material Contract;
- (k) provide the Lender with such further information, financial data, documentation and other assurances as the Lender may reasonably require from time to time in order to ensure ongoing compliance with the terms of this Agreement and the Security Documents and to achieve the spirit and intent of this Agreement;
- (l) The Borrower hereby covenants and agrees with the Lender that the first Loan Instalment will be used to purchase the Property free and clear of any encumbrances and liens. The Borrower acknowledges that no funds will be disbursed directly to the Borrower until the Property has been acquired, free and clear of liens and encumbrances.

7.02 The Borrower hereby covenants and agrees with the Lender that it will not without the prior written consent of the Lender (which consent may be withheld in the sole and absolute discretion of the Lender):

- (a) grant or suffer to exist any Liens in respect of any of its property and assets including the Property, except the Permitted Encumbrances;
- (b) directly or indirectly sell or otherwise dispose of any of its assets save and except in the ordinary course of its business or further save and except to sales of dwelling units to bona fide arm's length third party purchasers of Lots;
- (c) make any Distributions;

- (d) not materially change the nature of its business, maintain a place of business or any material assets in any jurisdiction other than the Province of Ontario, or enter into any transaction whereby all or a substantial portion of its undertaking, property and assets would become the property of any other Person, whether by way of reconstruction, reorganization, recapitalization, consolidation, amalgamation, merger, transfer, sale or otherwise, in each case without the prior written consent of the Lender in its sole and absolute discretion;
- (e) change its Fiscal Year (which for greater certainty presently ends on the last day of December in each year);
- (f) change its Accountants except with the prior written consent of the Lender which consent shall not be unreasonably withheld; and,
- (g) use the proceeds of any Loan Instalment for any purposes other than the development and construction of residential townhouses on the Property.

7.03 The Borrower shall deliver by courier delivery to the Lender the following financial and other information at the times indicated below:

- (a) the annual Year-end Financial Statements of the Borrower, by the 120th day after the end of the Fiscal Year accompanied by a Compliance Certificate certified by the Chief Financial Officer of the Borrower or other senior officer of the Borrower acceptable to the Lender;
- (b) within the first 120 days after the start of each Fiscal Year, a business plan for the Borrower in respect of such Fiscal Year, which shall disclose all material assumptions utilized and shall include the following items set out on a quarterly basis: balance sheet, income statement, cashflow statement, Capital Expenditures and tax liabilities; and
- (c) such additional information and documents as the Lender may reasonably require from time to time.

7.04 Full, true and accurate accounting and financial information shall be kept by the Borrower in accordance with GAAP as of the date hereof until at least after eighteen (18) months after the Borrower's Liabilities have been repaid. The Lender or anyone designated by the Lender shall have access to the books, records, financial information, financial statements and data of the Borrower (the "Borrower's Books and Records") at any and all times during regular business hours for the purpose of examining and reviewing the Borrower's Books and Records. The Lender shall not disclose any confidential information so obtained except to the extent that disclosure is reasonable in the conduct of the Lender's business.

7.05 The Lender hereby covenants with the Borrower, that the Lender shall execute any necessary documents and register such documents as may be reasonably requested by any construction financier to subordinate the Lender's Mortgage security to any mortgage or other security granted by the construction financier to the Borrower, for the purposes of funding the

Borrower's construction of the project on the Property; and the Lender appoints the Borrower as the Lender's power of attorney to execute any required documents on behalf of the Lender to evidence the foregoing.

**ARTICLE 8
CONDITIONS PRECEDENT**

8.01 The Lender shall have no obligation to make the first Loan Instalment hereunder or any Loan Instalments thereafter on the Closing Date unless at the time of making such Loan Instalment the following terms and conditions (which are condition precedents in favour of the Lender) shall have been satisfied in the opinion of the Lender:

- (a) the Lender shall have completed and shall be satisfied with its due diligence in respect of the Property;
- (b) all representations and warranties made by the Vendor contained in this Agreement or the Security Documents shall be true, correct and complete in all material respects;
- (c) all Security Documents required to be provided at the time of the first Loan Instalment shall have been executed and delivered, all registrations necessary or desirable in connection therewith shall have been made, and all legal opinions and other documentation required by the Lender in connection therewith shall have been executed and delivered, all in form and substance satisfactory to the Lender in its sole and absolute discretion;
- (d) the Lender shall have received satisfactory evidence that there are no Liens affecting the Borrower or its assets, except for Permitted Encumbrances and the Outstanding Encumbrances and Liens which shall be paid in full and deducted from the First Loan Instalment on the Closing Date;
- (e) the Lender shall have received particulars of all Permitted Encumbrances, specifically including the assets encumbered thereby, the amounts due thereunder, and confirmation from the holders thereof that the terms thereof are being complied with;
- (f) the property and assets of the Borrower shall be insured on the Closing Date; the terms and conditions of such insurance to be in compliance with the requirements of this Agreement in the opinion of the Lender;
- (g) the Lender shall have received an officer's certificate and certified copies of resolutions of the board of directors of the Borrower concerning the due authorization, execution and delivery of the Security Documents to which it is a party, and such related matters as the Lender may reasonably require;
- (h) the Lender shall have received from the Borrower a certificate of status as of the Closing Date or the date of any Loan Instalment, as the case may be, certificate of compliance or similar certificate for the Borrower issued by its governing jurisdiction and each other jurisdiction in which it carries on business or holds any material assets;

- (i) the Lender shall have received such additional evidence, documents or undertakings as it may reasonably require to complete the transactions contemplated hereby in accordance with the terms and conditions contained herein;
- (j) All Realty Taxes related to the Property are up-to-date as of the Closing Date; and
- (k) All mortgages, charges, Liens and encumbrances have been discharged, on the Closing Date and prior to any Loan Instalment being made.

8.02 The Borrower hereby acknowledges, confirms, covenants and agrees that the Lender is syndicating the Loan and therefore, the Lender shall have no obligation to make the first Loan Instalment hereunder on the Closing Date or any Loan Instalment thereafter unless at the time of making such Loan Instalment the syndication of the Loan has been completed in the opinion of the Lender.

ARTICLE 9 DEFAULT AND REMEDIES

9.01 The occurrence of any one or more of the following events, after the expiry of any applicable cure period set out below, shall constitute an event of default under this Agreement (an "Event of Default"):

- (a) the Borrower fails to pay any principal, interest, Expenses or any other amount payable hereunder when due under the terms of this Agreement or any of the Security Documents;
- (b) any representation, warranty or statement made to the Borrower herein or in any Security Documents is incorrect in any material respect on the date on which such representation, warranty or statement was made or deemed to have been made, or subsequently becomes incorrect in any material respect; provided that if such representation, warranty or statement is capable of being corrected within twenty (20) days, the Borrower diligently attempts to take all such action as may be necessary in order that such representation, warranty or statement will become correct and diligently keep the Lender informed of its efforts in this regard, and such representation, warranty or statement is correct by not later than the expiry of such twenty (20) day period on the opinion of the Lender, then the incorrectness of such representation, warranty or statement shall not constitute an Event of Default;
- (c) the Borrower fails to perform or comply with any of the covenants or obligations set out in this Agreement;
- (d) the Borrower fails to perform or comply with any of its covenants or obligations contained in any of the Security Documents, in each case, following receipt of notice of such non-compliance from the Lender; provided that if such non-compliance is capable of remedy within twenty (20) days, the Borrower diligently attempts to remedy such non-compliance and diligently keeps the Lender informed of its efforts in this regard, and such non-compliance is remedied within such twenty (20) day

period in the opinion of the Lender, then such non-compliance shall not constitute an Event of Default;

- (e) an Insolvency Event occurs in respect of the Borrower;
- (f) any document constituting part of the Security Documents shall for any reason cease to be in full force and effect or shall be declared in a final judgment of a court of competent jurisdiction to be null and void; or the Borrower contests the validity or enforceability thereof or denies it has any further liability or obligation thereunder; or any document constituting part of the Security Documents shall for any reason fail to create a valid and perfected First-Ranking Security Interest subject to Permitted Encumbrances in the opinion of the Lender, in and to the property purported to be subject thereto, except that if such failure is capable of remedy within thirty (30) days, the Borrower diligently attempts to remedy such failure and diligently informs the Lender of its efforts in this regard, and the failure is remedied within such thirty (30) day period in the opinion of the Lender, then the failure shall not constitute an Event of Default;
- (g) any Person takes possession, or threatens to take possession, of any property of the Borrower including the Property by way of or in contemplation of enforcement of any security it may hold, or a distress or execution or similar process is levied or enforced against any such property; and,
- (h) any Governmental Authority shall take any action or proceeding to condemn, seize or appropriate any property of the Borrower that is material to its financial condition, business or operations.

9.02 Upon the occurrence of an Insolvency Event, the Borrower's Liabilities shall become immediately due and payable, without the necessity of any demand upon or notice to the Borrower by the Lender. Upon the occurrence and during the continuation of any Event of Default other than an Insolvency Event, the Lender may by written notice to the Borrower declare the Borrower's Liabilities to be immediately due and payable. Upon the occurrence and during the continuation of an Event of Default, both before and after the Acceleration Date, all outstanding Loan Instalments shall bear interest at the Loan Rate plus two percent (2%) per annum in order to compensate the Lender for the additional risk.

9.03 Upon the occurrence and during the continuation of an Event of Default, the Lender may apply any proceeds of realization from any Security or related to this Agreement or the Security Documents, against any portion or portions of the Borrower's Liabilities, and the Borrower may not require any different application. The taking of a judgment or any other action or dealing whatsoever by the Lender in respect of the Security Documents shall not operate as a merger of any of the Borrower's Liabilities hereunder or in any way affect or prejudice the rights, remedies and powers which the Lender may have, and the foreclosure, surrender, cancellation or any other dealing with any Security Documents or the said obligations shall not release or affect the liability of the Borrower or any other Person in respect of the remaining portion of the Borrower's Liabilities.

9.04 The Lender shall not be obliged to make any further Loan Instalments from and after the earliest to occur of the following: (i) delivery by the Lender to the Borrower of a written notice that a Default or an Event of Default has occurred and is continuing (whether or not such notice also requires immediate repayment of the Borrower's Liabilities); (ii) the occurrence of an Insolvency Event; and (iii) receipt by the Borrower of any garnishment notice or other notice of similar effect in respect of the Borrower pursuant to the *Income Tax Act* (Canada), the *Excise Tax Act* (Canada) or any similar notice under any other statute.

9.05 All of the rights and remedies granted to the Lender in this Agreement and the Security Documents, and any other rights and remedies available to the Lender at law or in equity, shall be cumulative. The exercise or failure to exercise any of the said remedies shall not constitute a waiver or release thereof or of any other right or remedy, and shall be non-exclusive.

9.06 If the Borrower fails to perform any covenant or obligation to be performed by it pursuant to this Agreement or the Security Documents, the Lender may in its sole and absolute discretion, after written notice to the Borrower, perform any of the said obligations but shall be under no obligation to do so; and any amounts expended or advanced by the Lender for such purpose shall be payable by the Borrower upon demand together with interest at the Interest Rate.

9.07 If the Borrower intends to take the benefit of any Insolvency Legislation, including making an assignment for the general benefit of creditors, making a proposal or filing a notice of intention to make a proposal under Insolvency Legislation, the Borrower covenants and agrees to provide the Lender with five (5) Business Days' prior written notice before any of the aforementioned proceedings are commenced. As soon as possible prior to the commencement of any such proceedings, the Borrower shall provide to the Lender copies of all relevant filing materials, including copies of draft court orders, plans of compromise, proposals and notices of intention. During this notice period the Lender may, in its sole discretion, elect to exercise any and all rights and remedies which may be available to it at that time as set out in this Agreement.

ARTICLE 10 GENERAL CONTRACT TERMS

10.01 The failure or delay by the Lender in exercising any right or privilege with respect to the non-compliance with any provisions of this Agreement by the Borrower and any course of action on the part of the Lender, shall not operate as a waiver of any rights of the Lender unless made in writing by the Lender. Any such waiver shall be effective only in the specific instance and for the purpose for which it is given and shall not constitute a waiver of any other rights and remedies of the Lender with respect to any other or future non-compliance.

10.02 In addition to any other liability of the Borrower hereunder, the Borrower hereby agrees to indemnify and save harmless the Indemnitees from and against all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements (including reasonable legal fees on a solicitor and his own client basis) of any kind or nature whatsoever (but excluding any consequential damages and damages for loss of profit) which may be imposed on, incurred by or asserted against the Indemnitees (except to the extent arising from the negligence or wilful misconduct of such Indemnitees) which relate or arise out of or result from:

- (a) any failure by the Borrower to pay and satisfy its obligations hereunder and the Security Documents including the Borrower's Liabilities; and,
- (b) any investigation by Governmental Authorities or any litigation or other similar proceeding related to any use made or proposed to be made by the Borrower of the proceeds of any Loan Instalment
- (c) any losses suffered by the Indemnitees for, in connection with, or as a direct or indirect result of, the failure of the Borrower to comply with all Requirements of Environmental Law;
- (d) any losses suffered by the Indemnitees for, in connection with, or as a direct or indirect result of, the presence of any Hazardous Material situated in, on or under any property owned by the Borrower including the Property or upon which it carries on business; and
- (e) any and all liabilities, losses, damages, penalties, expenses (including reasonable legal fees) and claims which may be paid, incurred or asserted against the Indemnitees for, in connection with, or as a direct or indirect result of, any legal or administrative proceedings with respect to the presence of any Hazardous Material on or under any property owned by the Borrower including the Property or upon which it carries on business, or the discharge, emission, spill, radiation or disposal by the Borrower of any Hazardous Material into or upon the Property, the atmosphere, or any watercourse or body of water; including the costs of defending and/or counterclaiming or claiming against third parties in respect of any action or matter and any cost, liability or damage arising out of a settlement entered into by the Indemnitees of any such action or matter;

10.03 The termination of this Agreement shall not relieve the Borrower from its obligations to the Lender arising prior to such termination, such as but not limited to obligations arising as a result of or in connection with any breach of this Agreement or the Security Documents, any failure to comply with this Agreement or the Security Documents or the inaccuracy of any representations and warranties made or deemed to have been made prior to such termination, and obligations arising pursuant to all indemnity obligations contained herein.

10.04 If the Borrower fails to pay when due any Expenses or other amounts paid by the Lender hereunder (other than principal or interest on any Loan Instalment), the Borrower agrees to pay interest on such unpaid amount from the time such amount is due until paid at the Loan Rate.

10.05 Without prejudice to any other method of giving notice, all communications provided for or permitted hereunder shall be in writing and delivered to the addressee by prepaid private courier or sent by telecopy to the applicable address and to the attention of the officer of the addressee as follows:

(i) to the Borrower:

Memory Care Investments (Oakville) Ltd.
c/o Harris + Harris LLP
2355 Skymark Avenue, Suite 300
Mississauga, Ontario, L4W 4Y6

Attention: John Davies

with a copy to:

Harris + Harris LLP
2355 Skymark Avenue, Suite 300
Mississauga, Ontario, L4W 4Y6

Attention: Mr. Gregory H. Harris
Fax Number: 905-629-4350

(ii) if the Lender:

c/o Tier 1 Transaction Advisory Services Inc.
3655 Kingston Road
Toronto, ON M1M 1S2

Attention: Raj Singh
Fax Number: 416-218-0236

with a copy to:

Nancy Elliott, Barrister & Solicitor
5000 Yonge Street
Suite 1901
Toronto, Ontario
M2N 7E9

Attention: Ms. Nancy Elliott
Fax Number: (416) 628-5597

Any communication transmitted by prepaid private courier shall be deemed to have been validly and effectively given or delivered on the Business Day after which it is submitted for delivery. Any communication transmitted by telecopy shall be deemed to have been validly and effectively given or delivered on the day on which it is transmitted, if transmitted on a Business Day on or before 5:00 p.m. (local time of the intended recipient), and otherwise on the next following Business Day. Any party may change its address for service by notice given in the foregoing manner.

10.06 Any provision of this Agreement which is illegal, prohibited or unenforceable in any jurisdiction, in whole or in part, shall not invalidate the remaining provisions hereof; and any such illegality, prohibition or unenforceability in any such jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

10.07 The Borrower shall from time to time at its own expense promptly execute and deliver or cause to be executed and delivered to the Lender all such other and further documents, agreements, opinions, certificates and instruments which may be requested by the Lender if necessary or desirable to more fully record or evidence the obligations intended to be entered into herein, or to make any recording, file any notice or obtain any consent.

10.08 Time shall be of the essence of this Agreement.

10.09 The Borrower may not assign any of its rights or obligations under this Agreement without the prior written consent of the Lender. The Lender may grant participations in all or any portion of its rights under this Agreement from time to time without notice to or obtaining the prior written consent of the Borrower. The Borrower agrees to co-operate fully with the Lender in connection with any assignment or participation pursuant to this section, and agrees to execute and deliver from time to time in favour of the Lender and any such assignee or participant such documents and assurances as may be reasonably required by the Lender or the assignee or participant in connection with such assignment or participation.

10.10 This Agreement and any other documents or instruments contemplated herein or therein shall constitute the entire agreement and understanding between the Borrower and the Lender relating to the subject-matter hereof. For greater certainty and without limiting the generality of the foregoing, this Agreement supersedes all discussion papers previously issued by the Lender relating to the proposed establishment of the Loan, which have no force or effect.

10.11 To the extent that there is any inconsistency between a provision of this Agreement and a provision of any document constituting part of the Security including the Security Documents, the provision of this Agreement shall govern. For greater certainty, a provision of this Agreement and a provision of any Security Document shall be considered to be inconsistent if both relate to the same subject-matter and the provision in the Security Document imposes more onerous obligations or restrictions than the corresponding provision in this Agreement (excluding fees and Expenses).

10.12 This Agreement shall be interpreted in accordance with the laws of the Province of Ontario. Without prejudice to the right of the Lender to commence any proceedings with respect to this Agreement in any other proper jurisdiction, the parties hereby attorn and submit to the non-exclusive jurisdiction of the courts of the Province of Ontario.

10.13 This Agreement may be executed in several counterparts, each of which, when so executed, shall be deemed to be an original and which counterparts together shall constitute one and the same Agreement. This Agreement may be executed by facsimile, and any signature contained hereon by facsimile shall be deemed to be equivalent to an original signature for all purposes.

10.14 This Agreement shall be binding upon and shall enure to the benefit of the parties and their respective successors and permitted assigns; "successors" includes any corporation resulting from the amalgamation of any party with any other corporation.

IN WITNESS WHEREOF the parties hereto have executed this Agreement as of the date written on the first page hereof.

2223947 ONTARIO LIMITED

Per: _____


Name: Raj Singh

Title: President

I have authority to bind the corporation

**MEMORY CARE INVESTMENTS
(OAKVILLE) LTD.**

Per: _____


John Davies

I have authority to bind the corporation

SCHEDULE "A"
THE LANDS

109 Garden Drive, Oakville, Ontario

Firstly:

PIN: 24821-0111 (LT) - PT LT 17, CON 3 TRAFALGAR, SOUTH OF DUNDAS STREET,
AS IN 333503 EXCEPT THE EASEMENT THEREIN; S/T TW22975
OAKVILLE/TRAFALGAR;

Secondly:

PIN: 24821-0112 (LT) - PT LT 17, CON 3 TRAFALGAR, SOUTH OF DUNDAS STREET,
PART 2 & 3, 20R6837; S/T TW22975, TW23033 OAKVILLE/TRAFALGAR;

103 Garden Drive, Oakville, Ontario

PIN: 24821-0112 (LT) - PT LT 17, CON 3 TRAFALGAR, SOUTH OF DUNDAS STREET,
PART 2 & 3, 20R6837; S/T TW22975, TW23033
OAKVILLE/TRAFALGAR

SCHEDULE "B"
SCHEDULE OF INTEREST PAYMENTS

Interest payments shall be calculated at an annual interest rate of EIGHT PERCENT (8%), paid quarterly in trust to the Borrower's Solicitor, commencing on or about January 1, 2013. All funds advanced after September 30, 2012 will receive an initial payment pro rated up to and including December 31, 2012 and full payments quarterly until the maturity date, anticipated to be on or about September 30, 2016.

SCHEDULE "C"
EXPENSES

The Expenses include the following:

- a) Mortgage Brokerage Fee of \$128,000 payable to First Commonwealth Mortgage Corporation; (based on a maximum mortgage advance of \$12,800,000). The fee payable to the Mortgage Broker is 1% of the mortgage amount advanced.
- b) Referral and Related Fees of \$1,920,000 payable on account of fees and commission incurred in relation to the Loan which shall be paid as the Mortgage Broker may in writing direct (based on a maximum mortgage advance of \$12,800,000 where the actual mortgage advance is less than \$12,800,000, the referral and related fees will be proportionately reduced); and,
- c) Legal Fees. Legal Fees of \$20,000.00 plus HST plus Disbursements (which shall include Title Insurance and other Expenses) shall be payable to the Lender's Solicitors which shall be deducted from the first Loan Instalment. In the event that there is more than one (1) Loan Instalments, then additional legal fees of \$3,000 plus HST plus Disbursements shall be paid to the Lender's Solicitors on each additional Loan Instalment. The fees, taxes and disbursements of the Borrower's Solicitors shall be paid in addition to the fees, taxes and disbursements of the Lender's Solicitors. It is estimated the fees of the Borrower's Solicitors shall be \$25,000 in the first Loan Instalment and \$15,000 for each Loan Instalment thereafter.

SCHEDULE "D"
ADDITIONAL LOAN PAYMENT

The Additional Loan Payment shall be an amount equal to four (4%) per cent per annum of the face value of the Mortgage and shall be payable for such time as the Loan remains outstanding, as determined by the Lender (the "Additional Loan Payment"). The Additional Loan Payment shall be payable by the Borrower from the Distributable Cash Proceeds or from the proceeds being held by the Lender's Solicitor, in trust, as contemplated in Sub-Section 7.01(n) of this Agreement. The payment of the Additional Loan Payment may be paid at any time and from time to time to the Lender after the Loan, plus interest thereon in accordance with this Agreement and all Expenses are paid pursuant to this Agreement. If the face amount of the Mortgage is less than \$12,800,000, the Additional Loan Payment shall be reduced accordingly. The Additional Loan Payment will be paid after the Loan, plus interest thereon in accordance with this Agreement and all Expenses are paid pursuant to this Agreement as determined by the Lender, acting reasonably.

For the sake of clarity, if the face amount of the Mortgage is \$12,800,000 and the Borrower's Liabilities have not been paid until the fourth anniversary of the first Loan Instalment, then the amount of the Additional Loan Payment payable by the Borrower to the Lender shall be \$2,048,000, or 4% per annum for each year the Mortgage is outstanding; which interest amount shall not be compounded from time to time. Notwithstanding the foregoing, the calculation of the Additional Loan Payment and the timing of the payments thereof shall be determined by the Lender, acting reasonably.

The Lender shall provide to the Borrower reasonable notice of any payments made on account of the Additional Loan Payment. If the Borrower exercises its right to prepay all or a portion of the Loan, then the 4% per annum Additional Loan Payment for the fourth year of the term of this Loan shall continue to be payable, in full, notwithstanding any prepayment, from Distributable Cash Proceeds.

SCHEDULE "E"
PERMITTED ENCUMBRANCES

1. Liens for municipal property taxes, local improvement assessments or taxes, or other taxes, assessments or recoveries relating to the Property which are not at the time due;
2. The reservations, limitations, exceptions, provisos and conditions, if any expressed in any original grants from the Crown including, without limitation, the reservations of any mines and minerals in the Crown or in any other person.
3. Any registered or unregistered licenses, easements, rights-of-way, rights in the nature of easements and agreements with respect thereof which relate to the provisions of utilities or services or easements or rights of way in favour of any governmental authority, any private or public utility, any railway company or any adjoining owner to the Property (including, without limitation, agreements, easements, licenses, rights-of-way and interests in the nature of easements for sidewalks, public ways, sewers, drains, gas, steam and water mains or electric light and power, or telephone and telegraphic conduits, poles, wires, and cables).
4. Title defects or irregularities, which are of a minor nature and in the aggregate will not materially adversely impair the use or marketability of the Real Property or that part thereof affected by the defect or irregularity for the purposes for which it is presently used.
5. The exceptions, limitations and qualifications of the Land Titles Act and any amendments thereto.

LOAN AGREEMENT

THIS AGREEMENT is made as of the 8th day of April, 2014.

B E T W E E N:

SCOLLARD TRUSTEE CORPORATION, a corporation
incorporated under the laws of the Province of Ontario

(hereinafter referred to as the "Lender")

AND

SCOLLARD DEVELOPMENT CORPORATION, a
corporation incorporated under the laws of the Province of Ontario

(hereinafter referred to as the "Borrower")

WHEREAS the Lender, on the terms and conditions hereinafter set forth, has agreed to lend to the Borrower and the Borrower has agreed to borrow from the Lender the sum of up to **Eighteen Million Six Hundred Thousand (\$18,600,000.00) Dollars** of lawful money of Canada (the "**Principal Sum**") for a term of Three (3) years, subject to extensions as provided herein, (the "**Term**") in connection with the development and construction by the Borrower of a condominium project on the lands and premises situated at 1606, 1610 and 1614 Charles Street, Whitby, Ontario, and more particularly described in Schedule "A" attached hereto (the "**Property**").

AND WHEREAS the Borrower agrees to pay to the Lender interest on the Principal Sum at the Loan Rate (as hereinafter defined), calculated annually and payable quarterly during the Term along with the Additional Loan Payment as more particularly described in Schedule "D" attached hereto;

AND WHEREAS the Borrower has agreed to allow a Charge/Mortgage of Land in addition to the other Security Documents, on the terms set out herein, to be registered against the Property in first priority and in favour of the Lender (the "**Mortgage**"), as security for repayment of the Principal Sum with interest at the Loan Rate and the payment of the Additional Loan Payment;

AND WHEREAS the Borrower agrees to repay to the Lender the Principal Sum and interest at the Loan Rate and the payment of the Additional Loan Payment on or before the expiry of the Term, as specified herein;

AND WHEREAS the Lender and the Borrower (collectively, the "**Parties**") wish to evidence their agreement in respect of the Loan;

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AND WHEREAS the Lender acknowledges that the Mortgage shall be granted, *inter alia*, in the form of a syndicated first Charge/Mortgage of Land as more fully described herein and shall be in form and substance satisfactory to the Lender;

NOW THEREFORE THIS AGREEMENT WITNESSETH THAT in consideration of the covenants, agreements herein contained and for other good and valuable consideration (the receipt and sufficiency of which is hereby acknowledged), the parties hereto agree as follows:

ARTICLE 1 RECITALS

1.01 The Parties to this Agreement acknowledge and agree that the recitals to this Agreement are true and correct in substance and in fact are incorporated into and form an integral part of this Agreement.

ARTICLE 2 DEFINITIONS AND TERMS

2.01 The following words and phrases have the following meanings when used in this Agreement:

- (a) "Acceleration Date" means the date on which an Acceleration Event occurs;
- (b) "Acceleration Event" means the earlier of: (i) the occurrence of an Insolvency Event; and (ii) the delivery by the Lender to the Borrower of a written notice that the Borrowers Liabilities or any part thereof are immediately due and payable, following the occurrence and during the continuation of an Event of Default other than an Insolvency Event;
- (c) "Additional Loan Payment" has the same meaning as set forth in Section 4.11 hereof;
- (d) "Agreement", means this Agreement entitled "Loan Agreement", and all instruments supplemental hereto or in amendment or confirmation hereof; "hereof", "hereto" and "hereunder" and similar expressions refer to this Agreement, and where relevant, to any particular article, section or paragraph hereof; "Article", "Section" and "paragraph" mean and refer to the specified article, section or paragraph of this Agreement;
- (e) "BIA" means the *Bankruptcy and Insolvency Act* (Canada), as amended from time to time;
- (f) "Borrower's Books and Records" shall have the same meaning as set forth in Section 7.04 hereof.
- (g) "Borrower's Liabilities", refers collectively to the Loan, all interest from time to time accruing thereon as set forth in this Agreement, and all liabilities and indebtedness now or hereafter owing, arising, due or payable by the Borrower to the Lender whether

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under this Agreement or the Security Documents and including the Additional Loan Payment;

- (h) "Borrower's Solicitors" shall mean Harris + Harris LLP, or such other solicitors that the Borrower may in writing designate;
- (i) "Business Day", refers to any day other than a Saturday, Sunday or Statutory Holiday in Toronto, Ontario;
- (j) "Closing Date" or "Closing", or similar references means the date of the initial Loan Instalment or the date, as the context requires, of any other Loan Instalments made pursuant hereto;
- (k) "Commodity Taxes" means all commodity taxes, including all sales, use, retail, goods and services, harmonized sales, value-added and similar taxes imposed, levied or assessed by any Governmental Authority;
- (l) "Default" means any event, act, omission or condition which with the giving of notice or the passage of time, or both, would result in an Event of Default;
- (m) "Distributable Cash Proceeds" means all amounts received by the Borrower arising out of the Property or the sale or operation thereof or of the sale of condominium units for the period including but not limited to the following:
 - (i) all revenues derived from the sale of condominium units or any part or all of the Property (including all premiums, upgrade costs (net of commissions) and applicable harmonized sales tax or goods and services tax rebates);
 - (ii) all gross receipts derived from all rents and fees payable by tenants, licensees and concessionaires;
 - (iii) the gross amount, if any, of any insurance proceeds received by the Borrower, including business interruption payments;
 - (iv) the net proceeds of any refinancing, if any, received by the Borrower, other than any construction loan which contains terms prohibiting the use of such loan proceeds to repay existing indebtedness (net of repayments of existing mortgage financing being refinanced); and
 - (v) the gross amount, if any, from partial or total expropriations of all or part of the Property,

but excluding: (i) Commodity Taxes which the Borrower is required by law to collect from purchasers, tenants, concessionaires or licensees and remit to an applicable taxing authority.

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- (n) "Distribution" means any amount paid to or on behalf of the employees, directors, officers, shareholders, partners or unitholders of the Borrower, by way of salary, bonus, commission, management fees, directors' fees, dividends, redemption of shares, distribution of profits or otherwise, and whether payments are made to such Persons in their capacity as shareholders, partners, unitholders, directors, officers, employees, owners or creditors of the Borrower or otherwise, or any other direct or indirect payment in respect of the earnings or capital of the Borrower;
- (o) "Event of Default" is defined in Section 9.01 hereof;
- (p) "Expenses", means all expenses relating to the Loan and all fees and expenses for legal services relative to the preparation, review and enforcement of this Agreement and the Security Documents, the making of Loan Instalments and the repayment of the Borrower's Liabilities and the release of the security therefore;
- (q) "Fiscal Year" means the fiscal year end of the Borrower, being December 31st in every year;
- (r) "GAAP" means generally accepted accounting principles in Canada as approved by the Canadian Institute of Chartered Accountants in effect from time to time; and for greater certainty if international financial reporting standards are adopted by the Canadian Institute of Chartered Accountants in replacement for generally accepted accounting principles, each reference to "GAAP" herein shall be deemed to refer to such international financial reporting standards;
- (s) "Governmental Authority" means any: (i) federal, provincial, state, municipal, local or other governmental or public department, central bank, court, commission, board, bureau, agency or instrumentality, domestic or foreign; (ii) any subdivision or authority of any of the foregoing; or (iii) any quasi-governmental, judicial or administrative body exercising any regulatory, expropriation or taxing authority under or for the account of any of the foregoing;
- (t) "Hazardous Materials" means any contaminant, pollutant, waste or substance that is likely to cause immediately or at some future time harm or degradation to the surrounding environment or risk to human health; and without restricting the generality of the foregoing, including any pollutant, contaminant, waste, hazardous waste or dangerous goods that is regulated by any Requirements of Environmental Law or that is designated, classified, listed or defined as hazardous, toxic, radioactive or dangerous or as a contaminant, pollutant or waste by any Requirements of Environmental Law;
- (u) "Indemnitees" means the Lender and its successors and permitted assignees, any agent of any of them (specifically including a receiver or receiver-manager) and its officers, directors, employees, beneficial owners and shareholders;
- (v) "Insolvency Event" means, in respect of any Person:
 - (i) such Person ceases to carry on its business; or commits an act of bankruptcy or becomes insolvent (as such terms are used in the BIA); or

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makes an assignment for the benefit of creditors, files a petition in bankruptcy, makes a proposal or commences a proceeding under Insolvency Legislation; or petitions or applies to any tribunal for, or consents to, the appointment of any receiver, trustee or similar liquidator in respect of all or a substantial part of its property; or admits the material allegations of a petition or application filed with respect to it in any proceeding commenced in respect of it under Insolvency Legislation; or takes any corporate action for the purpose of effecting any of the foregoing; or

- (ii) any proceeding or filing is commenced against such Person seeking to have an order for relief entered against it as debtor or to adjudicate it a bankrupt or insolvent, or seeking liquidation, winding-up, reorganization, arrangement, adjustment or composition of it or its debts under any Insolvency Legislation, or seeking appointment of a receiver, trustee, custodian or other similar official for it or any of its property or assets; unless (i) such Person is diligently defending such proceeding in good faith and on reasonable grounds as determined by the Lender and (ii) such proceeding does not in the reasonable opinion of the Lender materially adversely affect the ability of such Person to carry on its business and to perform and satisfy all of its obligations hereunder;
- (w) "Insolvency Legislation" means legislation in any applicable jurisdiction relating to reorganization, arrangement, compromise or re-adjustment of debt, dissolution or winding-up, or any similar legislation, and specifically includes for greater certainty the BIA, the *Companies' Creditors Arrangement Act* (Canada) and the *Winding-Up and Restructuring Act* (Canada);
- (x) "Interest Reserve" means the amounts set aside or deducted as contemplated in Section 4.12 hereof to fund the obligations of the Borrower to pay interest as set forth in this Agreement on the Loan Instalments that may from time to time be made by the Lender to the Borrower.
- (y) "Laws" means all statutes, codes, ordinances, decrees, rules, regulations, municipal by-laws, judicial or arbitral or administrative or ministerial or departmental or regulatory judgments, orders, decisions, rulings or awards, or any provisions of such laws, including general principles of common and civil law and equity or policies or guidelines, to the extent such policies or guidelines have the force of law, binding on the Person referred to in the context in which such word is used; and "Law" means any of the foregoing;
- (z) "Lender's Solicitors" shall mean Nancy Elliott, Barrister & Solicitor, or such other solicitors that the Lender may in writing designate;
- (aa) "Lien" means: (i) a lien, charge, mortgage, pledge, security interest or conditional sale agreement; (ii) an assignment, lease, consignment, trust or deemed trust that secures payment or performance of an obligation; (iii) a garnishment; (iv) any other

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encumbrance of any kind; and (v) any commitment or agreement to enter into or grant any of the foregoing;

- (bb) "Loan", means the aggregate amount, not to exceed Eighteen Million Six Hundred Thousand (\$18,600,000.00) Dollars, of all Loan Instalments made from time to time hereunder by the Lender to the Borrower, less the amount, if any, repaid from time to time by the Borrower to the Lender;
- (cc) "Loan Instalment" has the same meaning as set forth in Sub-Section 4.08(a) hereof, with each Loan Instalment to be made in the sole and absolute discretion of the Lender;
- (dd) "Loan Rate", means the annual rate of interest applicable to any particular amount outstanding pursuant to this Agreement being Eight (8%) percent per annum;
- (ee) "Material Adverse Change" means any change or event which: (i) constitutes a material adverse change in the business, operations, condition (financial or otherwise) or properties of the Borrower taken as a whole; or (ii) could materially impair the Borrower's ability to timely and fully perform its obligations under this Agreement or the Security Documents, or materially impair the ability of the Lender to enforce its rights and remedies under this Agreement or the Security Documents;
- (ff) "Material Agreement" means, in respect of the Borrower, any agreement made between the Borrower and another Person which the Lender, in its sole and absolute discretion, determines to be material to the Borrower;
- (gg) "Maturity Date" shall have the same meaning as set forth in Section 4.04 hereof;
- (hh) "Mortgage" has the same meaning as set forth in Sub-Section 5.01(c) hereof;
- (ii) "Note" shall mean the promissory note executed by the Borrower in favour of the Lender in the sum of up to Eighteen Million Six Hundred Thousand (\$18,600,000.00) Dollars which Note shall be in form and substance satisfactory to the solicitors of the Lender;
- (jj) "Outstanding Encumbrances and Liens" shall have the same meaning as set forth in Sub-Section 7.01(l) hereof;
- (lck) "Person", means a natural person, firm, trust, partnership, association, corporation, government or governmental board, agency or instrumentality;
- (ll) "Permitted Encumbrances" are those Liens described in Schedule "E" attached hereto and any construction financing subsequently acquired by the Borrower for the construction of the condominium project on the Property not exceeding Fifty-Two Million (\$52,000,000.00) Dollars;
- (mm) "Requirements of Environmental Law" means: (i) obligations under common law; (ii) requirements imposed by or pursuant to statutes, regulations and by-laws whether

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presently or hereafter in force; (iii) requirements announced by a Governmental Authority as having immediate effect (provided that at the time of making such announcement the government also states its intention of enacting legislation to confirm such requirements retroactively); (iv) all directives, policies and guidelines issued or relied upon by any Governmental Authority to the extent such directives, policies or guidelines have the force of law; (v) all permits, licenses, certificates and approvals from Governmental Authorities which are required in connection with air emissions, discharges to surface or groundwater, noise emissions, solid or liquid waste disposal, the use, generation, storage, transportation or disposal of Hazardous Materials; and (vi) all requirements imposed under any clean-up, compliance or other order made pursuant to any of the foregoing, in each and every case relating to environmental, health or safety matters including all such obligations and requirements which relate to (A) solid, gaseous or liquid waste generation, handling, treatment, storage, disposal or transportation and (B) exposure to Hazardous Materials;

- (nn) "Security" means all guarantees, security agreements, mortgages, debentures and other documents mentioned comprising the Security Documents or otherwise and all other documents and agreements delivered by the Borrower or other Persons to the Lender for the benefit of the Lender from time to time as security for the payment and performance of the Borrowers Liabilities, and the security interests, assignments and Liens constituted by the foregoing;
- (oo) "Security Documents", refers collectively to this Agreement, the Mortgage, those documents and instruments referred to in Section 5.01 hereof and any and other documents, agreements or writings delivered to the Lender as contemplated in this Agreement whether as security for the Loan or otherwise. At the option of the Lender, the Security Documents may reflect a fixed rate of interest as designated by the Lender's counsel. Notwithstanding the same, the provisions with respect to the payment of interest as set out in this Agreement shall prevail;
- (pp) "Statutory Lien" means a Lien in respect of any property or assets of a Company created by or arising pursuant to any applicable legislation in favour of any Person (such as but not limited to a Governmental Authority), including a Lien for the purpose of securing the Borrower's obligation to deduct and remit employee source deductions and goods and services tax pursuant to the *Income Tax Act* (Canada), the *Excise Tax Act* (Canada), the Canada Pension Plan (Canada), the *Employment Insurance Act* (Canada) and any federal or provincial legislation similar to or enacted in replacement of the foregoing from time to time; and,
- (qq) "Subsidiary" means a business entity which is controlled by another business entity (as used herein, "business entity" includes a corporation, company, partnership, limited partnership, trust or joint venture).

2.02 Unless otherwise provided herein, all financial terms used in this Agreement shall be determined in accordance with GAAP in effect at the date of such determination. Where the character or amount of any asset or liability or item of revenue or expense is required to be determined, or any consolidation or other computation is required to be made for the purpose of

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this Agreement, such determination or calculation shall be made in accordance with GAAP applied on a consistent basis, unless otherwise indicated.

2.03 All amounts referred to in this Agreement are in Canadian Dollars unless otherwise noted.

2.04 Whenever in this Agreement reference is made to a statute or regulations made pursuant to a statute, such reference shall, unless otherwise specified, be deemed to include all amendments to such statute or regulations from time to time and all statutes or regulations which may come into effect from time to time substantially in replacement for the said statutes or regulations.

2.05 Terms defined in the singular have the same meaning when used in the plural, and vice-versa. When used in the context of a general statement followed by a reference to one or more specific items or matters, the term "including" shall mean "including, without limitation", and the term "includes" shall mean "includes, without limitation". Any reference herein to the exercise of discretion by the Lender (including phrases such as "in the discretion of", "in the opinion of", "in its opinion", "to the satisfaction of" and similar phrases) shall mean that such discretion is absolute and unfettered and shall not imply any obligation to act reasonably, unless otherwise expressly stated herein.

ARTICLE 3 SCHEDULES

3.01 The following are the schedules attached to and incorporated in this Agreement by reference and deemed to be a part thereof:

Schedule "A" – Lands to be Charged/Mortgaged

Schedule "B" – Schedule of Interest Payments

Schedule "C" – Expenses

Schedule "D" – Additional Loan Payment

Schedule "E" – Permitted Encumbrances

ARTICLE 4 THE LOAN, INTEREST, EXPENSES, AND PAYMENT THEREOF

4.01 Subject to the terms and conditions hereof, the Lender agrees to provide to the Borrower the Loan.

4.02 The Borrower and the Lender acknowledge and confirm that, notwithstanding any rate of interest set out in the Security Documents or any of them, the provisions of this Agreement

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regarding the Loan Rate shall govern the rate of interest payable on the Loan. The Borrower and the Lender further acknowledge and confirm that the Security Documents shall be in form and substance satisfactory to the Lender.

4.03 Interest on the Loan Rate shall be determined daily and shall be due, payable and compounded quarterly, not in advance, on the 1st day of each month during such quarterly period, as well after as before demand, maturity, default and judgment, together with interest on overdue interest determined daily (if relevant) and compounded quarterly at the same rate applicable until the Borrower's Liabilities have been paid in full. Interest shall be calculated on the basis of a three hundred and sixty-five (365) day year. Interest on the Loan at the Loan Rate and calculated as aforesaid shall accrue as of the date of the first Loan Instalment. Any disputes on the determination and calculation of interest of the Interest Rate shall be resolved by the Lender, in its opinion but acting reasonably. The first payment of interest and all subsequent payments of interest as aforesaid shall be payable in the amounts and on the dates as set forth in Schedule "B" attached hereto.

4.04 The Loan, together with all accrued and outstanding interest and other charges in connection therewith as set forth in this Agreement and the Security Documents including without limiting the generality of the foregoing the Additional Loan Payment and all other Borrower's Liabilities, shall become fully due and repayable on the third anniversary of the first Loan Instalment, unless extended as set out in this Agreement (the "Maturity Date"). The Maturity Date may be extended for up to two six month extension periods, by notice in writing delivered by the Borrower to the Lender at least 60 days prior to the scheduled Maturity Date, or extended Maturity Date, in the case of a second six month extension. During any extension of the Term, all of the provisions in this Agreement shall remain in full force and effect and interest shall continue to be payable and accrue during any extension to the Term, on the same terms and conditions as interest is calculated and payable prior to any extension of the Term. The Maturity Date shall be deemed amended to the date which is six months from the date of the prior Maturity Date, or first amended Maturity Date in the case of a second six month extension.

4.05 Any payment provided hereunder to be made by the Borrower to the Lender shall be in certified funds or Bank Draft and shall be payable to the Borrower's Solicitors, in trust, and delivered to the Borrower's Solicitors, or any other payee or office designated by the Lender from time to time. The Borrower's Solicitors shall coordinate further delivery of such funds with the Lender's Solicitors. Any payment as aforesaid received after two o'clock (2:00) p.m. Toronto time shall be deemed to have been received on the next following Business Day.

4.06 This Agreement shall constitute evidence of the obligation of the Borrower to repay all the Borrower's Liabilities in accordance with the terms hereof. The Borrower shall repay the Loan and the Borrower's Liabilities in full on the Maturity Date, and until then shall pay interest at the time or times and in the manner provided herein.

4.07 All Loan Instalments and Expenses as and when advanced or incurred shall be and become secured by the Security Documents and Expenses may be paid by the Lender and be deducted from Loan Instalments which would otherwise have been made to the Borrower. The Security Documents shall be in addition to any other security which the Lender may now have or subsequently acquire for the performance of the Borrower's Liabilities. The Expenses listed in

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Schedule "C" attached hereto are a list of Expenses (but by no means an exhaustive list of all Expenses) that shall be deducted from the Loan Instalments.

4.08 The Lender and the Borrower mutually acknowledge, confirm, represent and covenant as follows:

- (a) Any amounts advanced by the Lender, in its sole and absolute discretion, to the Borrower pursuant to this Agreement, may occur in tranches (the "Loan Instalments") with the anticipated first Loan Instalment to be in the amount of not less than Twelve Million Eight Hundred Thousand (\$12,800,000.00) Dollars. The second Loan Installment is expected to be in the amount of Eight Hundred Thousand (\$800,000.00) Dollars;
- (b) the initial face value of the Mortgage will be Thirteen Million Six Hundred Thousand (\$13,600,000.00) Dollars; which amount can be increased where the Borrower obtains a new valuation/appraisal for the property in form satisfactory to Olympia Trust (or any successor trust company acting for a majority of registered account syndicated mortgage participants), whereupon Olympia Trust agrees to increase the maximum mortgage amount; provided in no circumstance will the maximum mortgage amount exceed Eighteen Million Six Hundred Thousand (\$18,600,000.00) Dollars; and,
- (c) prior to the release of any funds by the Lender's Solicitors to the solicitor(s) for the Borrower, each Party hereby irrevocably acknowledges and directs that their respective solicitors are authorized to and shall cause to be registered any such instruments on title to the Lands which in the opinion of the solicitor for the Lender may be required as evidence of any sums advanced to the Borrower on the security of this Agreement or the Security Documents.

4.09 The Borrower may not prepay all or any portion of the Borrower's Liabilities hereunder, other than pursuant to Section 4.13 hereof.

4.10 Notwithstanding anything to the contrary contained in this Agreement, any Loan Instalment made by the Lender and the Borrower shall be at the Lender's sole and absolute discretion and the Lender shall not be obligated at any time or times to make any Loan Instalment to the Borrower.

4.11 In addition to the payment by the Borrower of the Loan plus interest as set forth in this Agreement, the Borrower shall also pay to the Lender, in certified funds or Bank Draft, forthwith after the determination is made by the Lender in its opinion that the Additional Loan Payment is payable, the amount of the Additional Loan Payment calculated as described in Schedule "D" attached hereto in the same manner as contemplated in Section 4.05 hereof. Notwithstanding the foregoing, the Lender, at its option, may also deduct from the Distributable Cash Proceeds, at any time and from time to time, all or any part of the Additional Loan Payment that the Lender, in its opinion, believes is due and payable.

4.12 The parties hereto acknowledge, confirm, covenant and agree that the Lender shall be deducting from the first Loan Instalment and any subsequent Loan Instalments an amount equal

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to the projected interest on the amount of such Loan Instalment for 12 months which shall be a contribution of the Borrower to the Interest Reserve. The parties hereto further acknowledge, confirm, covenant and agree that the Lender may from time to time and at any time, acting reasonably, deduct from the funds held in trust by the Lender's Solicitors or received from the Borrower, whether from the Distributable Cash Proceeds or otherwise, such amounts that in its opinion is necessary or appropriate to replenish the Interest Reserve. The Borrower covenants and agrees that the amount in the Interest Reserve shall be applied by the Lender against the obligations of the Borrower to pay interest hereunder on the Loan Instalments and that once applied or deducted by the Lender from the Loan Instalments, the Distributable Cash Proceeds or otherwise, the Borrower shall have no claim against the funds in the Interest Reserve.

4.13 The Borrower, at any time after the second anniversary hereof, shall be entitled to repay all or a portion of the Loan without penalty, notice or bonus and the interest at the rate of 8% per annum on the principal outstanding ceasing at the date of prepayment; provided that the Lender shall continue to be entitled to the Additional Loan Payment for all three years of this Loan, even though the Loan shall have been prepaid prior to the three year term expiry (to also be paid at the time of prepayment) plus the prepayment fee; but shall not be entitled to any additional interest Payment for the third year of the Term of this Loan nor any compensation for loss of interest after the date of such prepayment.

ARTICLE 5 SECURITY

5.01 The Borrower agrees to provide the Security Documents listed below to the Lender, as continuing security for the payment and performance of all of its present and future, direct and indirect obligations to the Lender, specifically including the Loan, the Borrowers Liabilities and its direct indebtedness and obligations to the Lender arising under this Agreement:

- (a) The Note;
- (b) A mortgage in the amount of the Principal Sum (or such lesser amount as determined by the Lender in its sole and unfettered discretion) ranking as a first mortgage; provided that said mortgage shall be subordinated to any construction financing (in one or multiple tranches) not exceeding in the aggregate Fifty-Two Million (\$52,000,000.00) Dollars obtained by the Borrower related to construction of the condominium project on the Property and for the hard and soft costs related thereto (the "Mortgage");
- (c) if requested by the Lender from time to time, security agreements creating an assignment security interest in respect of its rights to and interest in Material Agreements to which it is a party, together with any necessary consents from the other parties thereto which security interest may not be a first ranking security interest;
- (d) an assignment of its interest in all policies of insurance, specifically including the right to receive any refunds of premiums paid thereunder; and

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- (e) such other security and further assurances as the Lender may reasonably require from time to time.

5.02 The Security Documents shall be in form and substance satisfactory to the Lender, acting reasonably. The Lender may require that any item of Security Documents be governed by the laws of the jurisdiction where the property subject to such item of Security Documents is located. The Security Documents shall be registered by the Lender or, at the request of the Lender, by the Borrower, all at the Borrower's cost and expense, where necessary or desirable to record and perfect the charges contained therein, as determined by the Lender in its sole and absolute discretion.

5.03 The Borrower shall cause to be delivered to the Lender prior to each Loan Instalment the opinion of the solicitors for the Borrower regarding its corporate status, the due authorization, execution and delivery of the Security Documents provided by it, all registrations in respect of the Security Documents, the results of all applicable searches in respect of them, and the enforceability of such Security Documents and any other matters requested by the Lender in its opinion; all such opinions to be in form and substance satisfactory to the Lender.

5.04 The Borrower shall execute and deliver from time to time all such further documents and assurances as may be reasonably required by the Lender from time to time in order to provide the Security Documents contemplated hereunder, specifically including supplemental or additional security agreements which shall include lists of specific assets to be subject to the security interests required hereunder.

5.05 If insurance proceeds become payable in respect of loss of or damage to any property owned by the Borrower the Lender shall apply such proceeds against the Borrower's Liabilities (allocated amongst the components of the Borrower's Liabilities, at all times, by the Lender in its sole and absolute discretion).

ARTICLE 6 COVENANTS, REPRESENTATIONS AND WARRANTIES

6.01 The Borrower represents and warrants to the Lender as follows (which shall survive the execution and delivery of this Agreement), the truth and accuracy of which are a continuing condition of the advance of the Loan Instalments and the Borrower hereby acknowledges, confirms and agrees that the Lender is relying on such representations and warranties:

- (a) The Borrower is a validly subsisting corporation under the *Business Corporations Act* (Ontario), and is duly qualified to carry on its business in the jurisdiction in which it carries on business and has the power and authority to enter into and perform its obligations under this Agreement, is the registered owner of the Property and is legally entitled to carry on its business as currently conducted or as currently contemplated.
- (b) The Borrower has obtained all material licenses, permits and approvals from all governments, governmental commissions, boards and other agencies of

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jurisdictions in which it carries on (or contemplates carrying on) business which are required and which will allow for the development of the Property.

- (c) The Borrower or its solicitor has delivered to the Lender, or its solicitor, copies of the constating documents of the Borrower and the Lender's solicitor has obtained a legal opinion from the Borrower's solicitor that the Borrower is authorized to enter into this Agreement and the Security Documents.
- (d) The execution, delivery and performance of this Agreement and the Security Documents has been duly authorized by all requisite action on the part of the Borrower; and this Agreement and the Security Documents have been, or will be, duly executed and delivered by the Borrower, and this Agreement and the Security Documents delivered or to be delivered pursuant hereto and thereto constitutes, or when delivered will constitute, a valid and binding obligation of the Borrower and enforceable against the Borrower in accordance with their terms, subject to the application of bankruptcy, insolvency and similar laws affecting the enforcement of creditors' rights generally and the fact that the right to obtain judicial orders requiring specific performance or other equitable remedies is in the discretion of the court.
- (e) The Borrower shall and does indemnify and hold harmless the Lender and the Indemnitees from and against all losses, claims, damages, liabilities, and expenses, to which any such person or entity may become subject arising out of or in connection with this Agreement, the use of proceeds, or any related transaction or any claim, litigation, investigation or proceeding, relating to any of the foregoing, regardless of whether the Lender is a party thereto, and to reimburse the Lender, forthwith upon demand for any reasonable, legal or other expenses incurred in connection with investigating or defending any of the foregoing.
- (f) The Borrower acknowledges that neither its execution nor delivery of this Agreement or the Security Documents the consummation of the transactions herein contemplated nor compliance with the terms, conditions and provisions hereof or thereof does not and will not conflict with, and does not and will not result in any breach of or constitutes a default under any of the provisions of the constating documents or by-laws of the Borrower or any applicable Law including applicable securities laws, rules, policies and regulations or any contract or agreement upon or to which the Borrower is a party.
- (g) The Borrower has good and marketable title to the Property and its assets free from all mortgages, security interests, Liens, pledges, charges, encumbrances, title retention agreements, options or adverse claims, other than the permitted encumbrances as identified in Schedule "D" attached hereto (the "Permitted Encumbrances") and the Outstanding Encumbrances and Liens.
- (h) The Borrower has filed or caused to be filed, in a timely manner all tax returns, reports and declarations, which are required to be filed by it. All information in such tax returns, reports and declarations is complete and accurate in all material

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respects. The Borrower has paid or caused to be paid all taxes due and payable or claimed due and payable in any assessment received by it, except taxes the validity of which are being contested in good faith by appropriate proceedings diligently pursued and available to the said Borrower and with respect to which adequate reserves have been set aside on its books. Adequate provision has been made for the payment of all accrued and unpaid federal, provincial, local, foreign and other taxes whether or not yet due and payable and whether or not disputed.

- (i) All representations and warranties of the Borrower contained in this Agreement or in any of the Security Documents shall survive the execution and delivery of this Agreement and shall be deemed to have been made again to the Lender on the date of each Loan Instalment pursuant to this Agreement and shall be conclusively presumed to have been relied on by the Lender regardless of any investigation made or information possessed by the Lender. The representations and warranties set forth herein shall be cumulative and in addition to any other representations or warranties which the Borrower shall now or hereafter give, or cause to be given, to the Lender.
- (j) The Borrower further acknowledges and agrees that the terms of this Agreement shall override the terms of any previous loan agreements to which the Borrower and the Lender may be or may have been Parties.
- (k) The Borrower acknowledges that the Lender may have executed a loan agreement that has been amended to accommodate the beneficial owners of the Lender and the Borrower agrees to abide by the specific terms of each of said Agreements.
- (l) The Borrower has no Subsidiaries.
- (m) no Person has any agreement or option or any right or privilege (whether by law, pre-emptive or contractual) capable of becoming an agreement, including convertible securities, warrants or convertible obligations of any nature, for the purchase of any properties or assets of the Borrower out of the ordinary course of business or for the purchase, subscription, allotment or issuance of any debt or equity securities of the Borrower.
- (n) The Borrower is in compliance in all material respects with all applicable Laws of each jurisdiction in which it carries on business and is duly licensed, registered and qualified to do business and is in good standing in each jurisdiction in which the nature of the business conducted by it or the property owned or leased by it make such qualification necessary; and all such licences, registrations and qualifications are valid and subsisting and in good standing.
- (o) The Borrower owns, possesses and has a good and marketable title to its undertaking, property and assets, free and clear of any and all Liens except for Permitted Encumbrances and the Outstanding Encumbrances and Liens. The Borrower does not have any commitment or obligation (contingent or otherwise)

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to grant any Liens except for the Permitted Encumbrances. No event has occurred which constitutes, or which with the giving of notice, lapse of time or both.

- (p) The Borrower have placed insurance, including property, boiler and machinery, business interruption and liability insurance, in appropriate amounts and for appropriate risks as would be considered prudent for similar business.
- (q) The Borrower and its business, operations, assets, equipment, property, leaseholds and other facilities is in compliance in all material respects with all Requirements of Environmental Law, specifically including all Requirements of Environmental Law concerning the storage and handling of Hazardous Materials. The Borrower holds all material permits, licenses, certificates and approvals from Governmental Authorities which are required in connection with (i) air emissions; (ii) discharges to surface or groundwater; (iii) noise emissions; (iv) solid or liquid waste disposal; (v) the use, generation, storage, transportation or disposal of Hazardous Materials; and (vi) all other Requirements of Environmental Law. There has been no material emission, spill, release, or discharge into or upon (i) the air; (ii) soils, or any improvements located thereon; (iii) surface water or groundwater; or (iv) the sewer, septic system or waste treatment, storage or disposal system servicing the premises, of any Hazardous Materials at or from the Property, and there has been no complaint, order, directive, claim, citation, or notice from any Governmental Authority or any other Person with respect to (i) air emissions; (ii) spills, releases, or discharges to soils or improvements located thereon, surface water, groundwater or the sewer, septic system or waste treatment, storage or disposal systems servicing the Property; (iii) noise emissions; (iv) solid or liquid waste disposal; (v) the use, generation, storage, transportation, or disposal of Hazardous Materials; or (vi) other Requirements of Environmental Law affecting the Property. There are no legal or administrative proceedings, investigations or claims now pending, or to the Borrower's knowledge, threatened, with respect to the presence on or under, or the discharge, emission, spill, radiation or disposal into or upon any of the Properties, the atmosphere, or any watercourse or body of water, of any Hazardous Material; nor are there any material matters under discussion with any Governmental Authority relating thereto; and there is no factual basis for any such proceedings, investigations or claims. The Borrower has no material indebtedness, obligation or liability, absolute or contingent, matured or not matured, with respect to the storage, treatment, cleanup or disposal of any Hazardous Materials (including without limitation any such indebtedness, obligation, or liability under any Requirements of Environmental Law regarding such storage, treatment, cleanup or disposal).
- (r) Save and except for the Outstanding Encumbrances and Liens, there are no actions, suits or proceedings now pending, or to the Borrower's knowledge, threatened, against the Borrower in any court or before or by any federal, provincial, municipal or other Governmental Authority.
- (s) No guarantees have been granted by the Borrower.

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- (t) The Borrower has remitted on a timely basis all amounts required to have been withheld and remitted (including withholdings from employee wages and salaries relating to income tax, employment insurance and Canada Pension Plan contributions), goods and services and Harmonized Sales tax and all other amounts which if not paid when due could result in the creation of a Statutory Lien against any of the Borrower's property including the Property, except for Permitted Encumbrances.
- (u) Save and except for the Outstanding Encumbrances and Lien, no Default, Event of Default or Material Adverse Change has occurred and is continuing.
- (v) All financial and other information furnished by or in respect of the Borrower to the Lender for the purposes of or in connection with this Agreement or the Security Documents are true and accurate in all material respects and is not incomplete by omitting to state any fact necessary to make such information not misleading. There are no facts known to the Borrower which could materially adversely affect the Borrower's ability to observe and perform their obligations under the Security Documents, or which if known to the Lender could reasonably be expected to deter the Lender from making any Loan Instalments hereunder on the terms and conditions contained herein.

ARTICLE 7 COVENANTS

- 7.01 The Borrower hereby covenants and agrees with the Lender that it will:
- (a) pay all principal, interest and other amounts due hereunder including the Borrowers Liabilities at the times and in the manner specified herein;
 - (b) maintain its corporate existence in good standing, continue to carry on its business, preserve its rights, powers, licences, privileges, franchises and goodwill, exercise any rights of renewal or extensions of any leases, licences, concessions, franchises or any other rights whatsoever which are material to the conduct of its business, maintain all qualifications to carry on business in each jurisdiction in which such qualifications are required, and carry on and conduct its business in a proper and efficient manner so as to protect its property and income; and not materially change the nature of its business;
 - (c) comply in all material respects with all applicable Laws (specifically including, for greater certainty, all applicable Requirements of Environmental Law), use the proceeds of all Loan Instalments hereunder for legal and proper purposes in connection with the purposes set out in the first recital of this Agreement, and obtain and maintain in good standing all material leases, licences, permits and approvals from any and all Governmental Authorities required in respect of its business and operations;

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- (d) pay when due all rents, taxes, rates, levies, assessments and governmental charges, fees and dues lawfully levied, assessed or imposed in respect of its property which are material to the conduct of its business, and deliver to the Lender upon request receipts evidencing such payments;
- (e) maintain adequate books, accounts and records in accordance with GAAP;
- (f) keep the Property and its assets in good repair and working condition;
- (g) permit the Lender and its employees, representatives and agents (during normal business hours and in a manner which does not materially interfere with its business) to enter upon and inspect the Property and its properties, assets, books and records from time to time and make copies of and abstracts from such books and records, and discuss its affairs, finances and accounts with its officers, directors, accountants and auditors; such access shall be on 48 hours' prior notice unless a Default has occurred and is continuing in which event no notice shall be required;
- (h) obtain from financially responsible insurance company and maintain liability insurance, all-risks property insurance on a replacement cost basis (less a reasonable deductible not to exceed amounts customary in the industry for similar businesses and properties), business interruption insurance and insurance in respect of such other risks as the Lender may reasonably require from time to time; all of which policies of insurance shall be in such amounts as may be reasonably required by the Lender and shall include a standard mortgage clause approved by the Insurance Bureau of Canada; and the Lender's interest shall be noted as an additional insured on all liability insurance policies and as second mortgagee and loss payee on all other insurance policies; and the Lender shall be provided with certificates of insurance and certified copies of such policies from time to time upon request;
- (i) fulfil all covenants and obligations required to be performed by it under this Agreement and the Security Documents to which it is a party and any other agreement or undertaking now or hereafter made between it and the Lender;
- (j) provide prompt notice to the Lender of: (i) the occurrence of any Default or Event of Default; (ii) the incorrectness of any representation or warranty contained herein or any Security Documents in any material respect; (iii) any material contravention of or non-compliance by any Borrower with any terms and conditions of this Agreement or any Security Document; (iv) any Material Adverse Change; (v) any litigation affecting the Borrower; (vi) any material labour dispute affecting the Borrower; or (vii) any notice in respect of the termination or suspension of, or a material default under, any Material Contract;
- (k) provide the Lender with such further information, financial data, documentation and other assurances as the Lender may reasonably require from time to time in order to ensure ongoing compliance with the terms of this Agreement and the Security Documents and to achieve the spirit and intent of this Agreement;

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- (l) The Borrower hereby covenants and agrees with the Lender that the first Loan Instalment will be used to purchase the Property free and clear of any encumbrances and liens. The Borrower acknowledges that no funds will be disbursed directly to the Borrower until the Property has been acquired, free and clear of liens and encumbrances.

7.02 The Borrower hereby covenants and agrees with the Lender that it will not without the prior written consent of the Lender (which consent may be withheld in the sole and absolute discretion of the Lender):

- (a) grant or suffer to exist any Liens in respect of any of its property and assets including the Property, except the Permitted Encumbrances;
- (b) directly or indirectly sell or otherwise dispose of any of its assets save and except in the ordinary course of its business or further save and except to sales of dwelling units to bona fide arm's length third party purchasers of such units;
- (c) make any Distributions;
- (d) not materially change the nature of its business, maintain a place of business or any material assets in any jurisdiction other than the Province of Ontario, or enter into any transaction whereby all or a substantial portion of its undertaking, property and assets would become the property of any other Person, whether by way of reconstruction, reorganization, recapitalization, consolidation, amalgamation, merger, transfer, sale or otherwise, in each case without the prior written consent of the Lender in its sole and absolute discretion;
- (e) change its Fiscal Year (which for greater certainty presently ends on the last day of December in each year);
- (f) change its Accountants except with the prior written consent of the Lender which consent shall not be unreasonably withheld; and,
- (g) use the proceeds of any Loan Instalment for any purposes other than the development and construction of a condominium project on the Property; other than for the purposes of earning interest income on funds which are not immediately required to be expended by the Borrower.

7.03 The Borrower shall deliver by courier delivery to the Lender the following financial and other information at the times indicated below:

- (a) the annual Year-end Financial Statements of the Borrower, by the 120th day after the end of the Fiscal Year accompanied by a Compliance Certificate certified by the Chief Financial Officer of the Borrower or other senior officer of the Borrower acceptable to the Lender;
- (b) within the first 120 days after the start of each Fiscal Year, a business plan for the Borrower in respect of such Fiscal Year, which shall disclose all material

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assumptions utilized and shall include the following items set out on a quarterly basis: balance sheet, income statement, cashflow statement, Capital Expenditures and tax liabilities; and

- (c) such additional information and documents as the Lender may reasonably require from time to time.

7.04 Full, true and accurate accounting and financial information shall be kept by the Borrower in accordance with GAAP as of the date hereof until at least after eighteen (18) months after the Borrower's Liabilities have been repaid. The Lender or anyone designated by the Lender shall have access to the books, records, financial information, financial statements and data of the Borrower (the "Borrower's Books and Records") at any and all times during regular business hours for the purpose of examining and reviewing the Borrower's Books and Records. The Lender shall not disclose any confidential information so obtained except to the extent that disclosure is reasonable in the conduct of the Lender's business.

7.05 The Lender hereby covenants with the Borrower, that the Lender shall execute any necessary documents and register such documents as may be reasonably requested by any construction financier to subordinate the Lender's Mortgage security to any mortgage or other security granted by the construction financier to the Borrower, for the purposes of funding the Borrower's construction of the project on the Property (which shall include demolition costs and professional fees in furtherance of such construction (architectural, engineering, etc.)); and the Lender appoints the Borrower as the Lender's power of attorney to execute any required documents on behalf of the Lender to evidence the foregoing.

ARTICLE 8 CONDITIONS PRECEDENT

8.01 The Lender shall have no obligation to make the first Loan Instalment hereunder or any Loan Instalments thereafter on the Closing Date unless at the time of making such Loan Instalment the following terms and conditions (which are condition precedents in favour of the Lender) shall have been satisfied in the opinion of the Lender:

- (a) the Lender shall have completed and shall be satisfied with its due diligence in respect of the Property;
- (b) all representations and warranties made by the Vendor contained in this Agreement or the Security Documents shall be true, correct and complete in all material respects;
- (c) all Security Documents required to be provided at the time of the first Loan Instalment shall have been executed and delivered, all registrations necessary or desirable in connection therewith shall have been made, and all legal opinions and other documentation required by the Lender in connection therewith shall have been executed and delivered, all in form and substance satisfactory to the Lender in its sole and absolute discretion;

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- (d) the Lender shall have received satisfactory evidence that there are no Liens affecting the Borrower or its assets, except for Permitted Encumbrances and the Outstanding Encumbrances and Liens which shall be paid in full and deducted from the First Loan Instalment on the Closing Date;
- (e) the Lender shall have received particulars of all Permitted Encumbrances, specifically including the assets encumbered thereby, the amounts due thereunder, and confirmation from the holders thereof that the terms thereof are being complied with;
- (f) the property and assets of the Borrower shall be insured on the Closing Date; the terms and conditions of such insurance to be in compliance with the requirements of this Agreement in the opinion of the Lender;
- (g) the Lender shall have received an officer's certificate and certified copies of resolutions of the board of directors of the Borrower concerning the due authorization, execution and delivery of the Security Documents to which it is a party, and such related matters as the Lender may reasonably require;
- (h) the Lender shall have received from the Borrower a certificate of status as of the Closing Date or the date of any Loan Instalment, as the case may be, certificate of compliance or similar certificate for the Borrower issued by its governing jurisdiction and each other jurisdiction in which it carries on business or holds any material assets;
- (i) the Lender shall have received such additional evidence, documents or undertakings as it may reasonably require to complete the transactions contemplated hereby in accordance with the terms and conditions contained herein;
- (j) All Realty Taxes related to the Property are up-to-date as of the Closing Date; and
- (k) All mortgages, charges, Liens and encumbrances have been discharged, on the Closing Date and prior to any Loan Instalment being made.

8.02 The Borrower hereby acknowledges, confirms, covenants and agrees that the Lender is syndicating the Loan and therefore, the Lender shall have no obligation to make the first Loan Instalment hereunder on the Closing Date or any Loan Instalment thereafter unless at the time of making such Loan Instalment the syndication of the Loan has been completed in the opinion of the Lender.

ARTICLE 9 DEFAULT AND REMEDIES

9.01 The occurrence of any one or more of the following events, after the expiry of any applicable cure period set out below, shall constitute an event of default under this Agreement (an "Event of Default"):

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- (a) the Borrower fails to pay any principal, interest, Expenses or any other amount payable hereunder when due under the terms of this Agreement or any of the Security Documents;
- (b) any representation, warranty or statement made to the Borrower herein or in any Security Documents is incorrect in any material respect on the date on which such representation, warranty or statement was made or deemed to have been made, or subsequently becomes incorrect in any material respect; provided that if such representation, warranty or statement is capable of being corrected within twenty (20) days, the Borrower diligently attempts to take all such action as may be necessary in order that such representation, warranty or statement will become correct and diligently keep the Lender informed of its efforts in this regard, and such representation, warranty or statement is correct by not later than the expiry of such twenty (20) day period on the opinion of the Lender, then the incorrectness of such representation, warranty or statement shall not constitute an Event of Default;
- (c) the Borrower fails to perform or comply with any of the covenants or obligations set out in this Agreement;
- (d) the Borrower fails to perform or comply with any of its covenants or obligations contained in any of the Security Documents, in each case, following receipt of notice of such non-compliance from the Lender; provided that if such non-compliance is capable of remedy within twenty (20) days, the Borrower diligently attempts to remedy such non-compliance and diligently keeps the Lender informed of its efforts in this regard, and such non-compliance is remedied within such twenty (20) day period in the opinion of the Lender, then such non-compliance shall not constitute an Event of Default;
- (e) an Insolvency Event occurs in respect of the Borrower;
- (f) any document constituting part of the Security Documents shall for any reason cease to be in full force and effect or shall be declared in a final judgment of a court of competent jurisdiction to be null and void; or the Borrower contests the validity or enforceability thereof or denies it has any further liability or obligation thereunder; or any document constituting part of the Security Documents shall for any reason fail to create a valid and perfected First-Ranking Security Interest subject to Permitted Encumbrances in the opinion of the Lender, in and to the property purported to be subject thereto, except that if such failure is capable of remedy within thirty (30) days, the Borrower diligently attempts to remedy such failure and diligently informs the Lender of its efforts in this regard, and the failure is remedied within such thirty (30) day period in the opinion of the Lender, then the failure shall not constitute an Event of Default;
- (g) any Person takes possession, or threatens to take possession, of any property of the Borrower including the Property by way of or in contemplation of enforcement of any security it may hold, or a distress or execution or similar process is levied or enforced against any such property; and,

- (h) any Governmental Authority shall take any action or proceeding to condemn, seize or appropriate any property of the Borrower that is material to its financial condition, business or operations.

9.02 Upon the occurrence of an Insolvency Event, the Borrower's Liabilities shall become immediately due and payable, without the necessity of any demand upon or notice to the Borrower by the Lender. Upon the occurrence and during the continuation of any Event of Default other than an Insolvency Event, the Lender may by written notice to the Borrower declare the Borrower's Liabilities to be immediately due and payable. Upon the occurrence and during the continuation of an Event of Default, both before and after the Acceleration Date, all outstanding Loan Instalments shall bear interest at the Loan Rate plus two percent (2%) per annum in order to compensate the Lender for the additional risk.

9.03 Upon the occurrence and during the continuation of an Event of Default, the Lender may apply any proceeds of realization from any Security or related to this Agreement or the Security Documents, against any portion or portions of the Borrower's Liabilities, and the Borrower may not require any different application. The taking of a judgment or any other action or dealing whatsoever by the Lender in respect of the Security Documents shall not operate as a merger of any of the Borrower's Liabilities hereunder or in any way affect or prejudice the rights, remedies and powers which the Lender may have, and the foreclosure, surrender, cancellation or any other dealing with any Security Documents or the said obligations shall not release or affect the liability of the Borrower or any other Person in respect of the remaining portion of the Borrower's Liabilities.

9.04 The Lender shall not be obliged to make any further Loan Instalments from and after the earliest to occur of the following: (i) delivery by the Lender to the Borrower of a written notice that a Default or an Event of Default has occurred and is continuing (whether or not such notice also requires immediate repayment of the Borrower's Liabilities); (ii) the occurrence of an Insolvency Event; and (iii) receipt by the Borrower of any garnishment notice or other notice of similar effect in respect of the Borrower pursuant to the *Income Tax Act* (Canada), the *Excise Tax Act* (Canada) or any similar notice under any other statute.

9.05 All of the rights and remedies granted to the Lender in this Agreement and the Security Documents, and any other rights and remedies available to the Lender at law or in equity, shall be cumulative. The exercise or failure to exercise any of the said remedies shall not constitute a waiver or release thereof or of any other right or remedy, and shall be non-exclusive.

9.06 If the Borrower fails to perform any covenant or obligation to be performed by it pursuant to this Agreement or the Security Documents, the Lender may in its sole and absolute discretion, after written notice to the Borrower, perform any of the said obligations but shall be under no obligation to do so; and any amounts expended or advanced by the Lender for such purpose shall be payable by the Borrower upon demand together with interest at the Interest Rate.

9.07 If the Borrower intends to take the benefit of any Insolvency Legislation, including making an assignment for the general benefit of creditors, making a proposal or filing a notice of intention to make a proposal under Insolvency Legislation, the Borrower covenants and agrees to

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provide the Lender with five (5) Business Days' prior written notice before any of the aforementioned proceedings are commenced. As soon as possible prior to the commencement of any such proceedings, the Borrower shall provide to the Lender copies of all relevant filing materials, including copies of draft court orders, plans of compromise, proposals and notices of intention. During this notice period the Lender may, in its sole discretion, elect to exercise any and all rights and remedies which may be available to it at that time as set out in this Agreement.

ARTICLE 10 GENERAL CONTRACT TERMS

10.01 The failure or delay by the Lender in exercising any right or privilege with respect to the non-compliance with any provisions of this Agreement by the Borrower and any course of action on the part of the Lender, shall not operate as a waiver of any rights of the Lender unless made in writing by the Lender. Any such waiver shall be effective only in the specific instance and for the purpose for which it is given and shall not constitute a waiver of any other rights and remedies of the Lender with respect to any other or future non-compliance.

10.02 In addition to any other liability of the Borrower hereunder, the Borrower hereby agrees to indemnify and save harmless the Indemnitees from and against all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements (including reasonable legal fees on a solicitor and his own client basis) of any kind or nature whatsoever (but excluding any consequential damages and damages for loss of profit) which may be imposed on, incurred by or asserted against the Indemnitees (except to the extent arising from the negligence or wilful misconduct of such Indemnitees) which relate or arise out of or result from:

- (a) any failure by the Borrower to pay and satisfy its obligations hereunder and the Security Documents including the Borrower's Liabilities; and,
- (b) any investigation by Governmental Authorities or any litigation or other similar proceeding related to any use made or proposed to be made by the Borrower of the proceeds of any Loan Instalment
- (c) any losses suffered by the Indemnitees for, in connection with, or as a direct or indirect result of, the failure of the Borrower to comply with all Requirements of Environmental Law;
- (d) any losses suffered by the Indemnitees for, in connection with, or as a direct or indirect result of, the presence of any Hazardous Material situated in, on or under any property owned by the Borrower including the Property or upon which it carries on business; and
- (e) any and all liabilities, losses, damages, penalties, expenses (including reasonable legal fees) and claims which may be paid, incurred or asserted against the Indemnitees for, in connection with, or as a direct or indirect result of, any legal or administrative proceedings with respect to the presence of any Hazardous Material on or under any property owned by the Borrower including the Property or upon which it carries on business, or the discharge, emission, spill, radiation or disposal by the Borrower of

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any Hazardous Material into or upon the Property, the atmosphere, or any watercourse or body of water; including the costs of defending and/or counterclaiming or claiming against third parties in respect of any action or matter and any cost, liability or damage arising out of a settlement entered into by the Indemnitees of any such action or matter;

10.03 The termination of this Agreement shall not relieve the Borrower from its obligations to the Lender arising prior to such termination, such as but not limited to obligations arising as a result of or in connection with any breach of this Agreement or the Security Documents, any failure to comply with this Agreement or the Security Documents or the inaccuracy of any representations and warranties made or deemed to have been made prior to such termination, and obligations arising pursuant to all indemnity obligations contained herein.

10.04 If the Borrower fails to pay when due any Expenses or other amounts paid by the Lender hereunder (other than principal or interest on any Loan Instalment), the Borrower agrees to pay interest on such unpaid amount from the time such amount is due until paid at the Loan Rate.

10.05 Without prejudice to any other method of giving notice, all communications provided for or permitted hereunder shall be in writing and delivered to the addressee by prepaid private courier or sent by telecopy to the applicable address and to the attention of the officer of the addressee as follows:

(i) to the Borrower:

Scollard Development Corporation
51 Caldari Road, Suite M1
Vaughan, Ontario, L4K 4G3

Attention: John Davies

with a copy to:

Harris + Harris LLP
2355 Skymark Avenue, Suite 300
Mississauga, Ontario, L4W 4Y6

Attention: Mr. Gregory H. Harris
Fax Number: 905-629-4350

(ii) if to the Lender:

c/o Tier 1 Transaction Advisory Services Inc.
3100 Steeles Avenue East, Suite 902
Markham, Ontario, L3R 8T3

Attention: Mr. Raj Singh
Fax Number: 647-689-2374

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with a copy to:

Nancy Elliott, Barrister & Solicitor
5000 Yonge Street
Suite 1901
Toronto, Ontario, M2N 7E9

Attention: Ms. Nancy Elliott
Fax Number: (416) 628-5597

Any communication transmitted by prepaid private courier shall be deemed to have been validly and effectively given or delivered on the Business Day after which it is submitted for delivery. Any communication transmitted by telecopy shall be deemed to have been validly and effectively given or delivered on the day on which it is transmitted, if transmitted on a Business Day on or before 5:00 p.m. (local time of the intended recipient), and otherwise on the next following Business Day. Any party may change its address for service by notice given in the foregoing manner.

10.06 Any provision of this Agreement which is illegal, prohibited or unenforceable in any jurisdiction, in whole or in part, shall not invalidate the remaining provisions hereof; and any such illegality, prohibition or unenforceability in any such jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

10.07 The Borrower shall from time to time at its own expense promptly execute and deliver or cause to be executed and delivered to the Lender all such other and further documents, agreements, opinions, certificates and instruments which may be requested by the Lender if necessary or desirable to more fully record or evidence the obligations intended to be entered into herein, or to make any recording, file any notice or obtain any consent.

10.08 Time shall be of the essence of this Agreement.

10.09 The Borrower may not assign any of its rights or obligations under this Agreement without the prior written consent of the Lender. The Lender may grant participations in all or any portion of its rights under this Agreement from time to time without notice to or obtaining the prior written consent of the Borrower. The Borrower agrees to co-operate fully with the Lender in connection with any assignment or participation pursuant to this section, and agrees to execute and deliver from time to time in favour of the Lender and any such assignee or participant such documents and assurances as may be reasonably required by the Lender or the assignee or participant in connection with such assignment or participation.

10.10 This Agreement and any other documents or instruments contemplated herein or therein shall constitute the entire agreement and understanding between the Borrower and the Lender relating to the subject-matter hereof. For greater certainty and without limiting the generality of the foregoing, this Agreement supersedes all discussion papers previously issued by the Lender relating to the proposed establishment of the Loan, which have no force or effect.

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10.11 To the extent that there is any inconsistency between a provision of this Agreement and a provision of any document constituting part of the Security including the Security Documents, the provision of this Agreement shall govern. For greater certainty, a provision of this Agreement and a provision of any Security Document shall be considered to be inconsistent if both relate to the same subject-matter and the provision in the Security Document imposes more onerous obligations or restrictions than the corresponding provision in this Agreement (excluding fees and Expenses).

10.12 This Agreement shall be interpreted in accordance with the laws of the Province of Ontario. Without prejudice to the right of the Lender to commence any proceedings with respect to this Agreement in any other proper jurisdiction, the parties hereby attorn and submit to the non-exclusive jurisdiction of the courts of the Province of Ontario.

10.13 This Agreement may be executed in several counterparts, each of which, when so executed, shall be deemed to be an original and which counterparts together shall constitute one and the same Agreement. This Agreement may be executed by facsimile, and any signature contained hereon by facsimile shall be deemed to be equivalent to an original signature for all purposes.

10.14 This Agreement shall be binding upon and shall enure to the benefit of the parties and their respective successors and permitted assigns; "successors" includes any corporation resulting from the amalgamation of any party with any other corporation.

IN WITNESS WHEREOF the parties hereto have executed this Agreement as of the date written on the first page hereof.

SCOLLARD TRUSTEE CORPORATION

Per: _____

Name: Raj Singh
Title: President

I have authority to bind the corporation

SCOLLARD DEVELOPMENT CORPORATION

Per: _____

John Davies

I have authority to bind the corporation

SCHEDULE "A"
THE LANDS

Legal Description:

PIN 26484-0005 (LT)

PT LT 8 BLK 4 PL H50035 WHITBY; PT LT 9 BLK 4 PL H50035 WHITBY; PT LT 14 BLK 4 PL H50035 WHITBY; PT LT 15 BLK 4 PL H50035 WHITBY AS IN D405505; WHITBY, and municipally known as 1606 Charles Street, Whitby

PIN 26484-0006 (LT)

PT LT 8 BLK 4 PL H50035 WHITBY; PT LT BLK 4 PL H50035 WHITBY AS IN CO139720 & PT 18, 40R10885; S/T CO139720; WHITBY, and municipally known as 1610 Charles Street, Whitby

PIN 26484-0007 (LT)

PT LT 7 BLK 4 PL H50035 WHITBY; PT LT 16 BLK 4 PL H50035 WHITBY AS IN D374163; S/T CO132238; WHITBY, and municipally known as 1614 Charles Street, Whitby

Municipal Description:

1606, 1610 and 1614 Charles Street, Whitby, Ontario

SCHEDULE "B"
SCHEDULE OF INTEREST PAYMENTS

Interest payments shall be calculated at an annual interest rate of EIGHT PERCENT (8%), paid quarterly in trust to the Borrower's Solicitor, commencing on or about October 1, 2014. All funds advanced after July 1, 2014 will receive an initial payment pro rated up to and including October 1, 2014 and full payments quarterly until the maturity date, anticipated to be on or about August 1, 2017.

SCHEDULE "C"
EXPENSES

The Expenses include the following:

- a) Mortgage Brokerage Fee of \$186,000 payable to First Commonwealth Mortgage Corporation and Tier 1 Mortgage Corporation (collectively, referred to as the "Mortgage Broker"); (based on a maximum mortgage advance of \$18,600,000). The fee payable to the Mortgage Broker is 1% of the mortgage amount advanced.
- b) Referral and Related Fees of \$2,790,000 payable on account of fees and commission incurred in relation to the Loan which shall be paid as the Mortgage Broker may in writing direct (based on a maximum mortgage advance of \$18,600,000 where the actual mortgage advance is less than \$18,600,000, the referral and related fees will be proportionately reduced); and,
- c) Legal Fees. Legal Fees of \$20,000.00 plus HST plus Disbursements (which shall include Title Insurance and other Expenses) shall be payable to the Lender's Solicitors which shall be deducted from the first Loan Instalment. In the event that there is more than one (1) Loan Instalments, then additional legal fees of \$3,000 plus HST plus Disbursements shall be paid to the Lender's Solicitors on each additional Loan Instalment. The fees, taxes and disbursements of the Borrower's Solicitors shall be paid in addition to the fees, taxes and disbursements of the Lender's Solicitors. It is estimated the fees of the Borrower's Solicitors shall be \$35,000 (plus HST and disbursements) for the first Loan Instalment and \$20,000 (plus HST and disbursements) for each Loan Instalment thereafter, exclusive of the costs of preparation of any offering documents in jurisdictions where such documents are required.

SCHEDULE "D"
ADDITIONAL LOAN PAYMENT

The Additional Loan Payment shall be an amount equal to four (4%) per cent per annum of the principal amount of the Mortgage advanced to the Borrower and shall be payable for such time as the Loan remains outstanding, as determined by the Lender (the "Additional Loan Payment"). The Additional Loan Payment shall be payable by the Borrower from the Distributable Cash Proceeds or from the proceeds being held by the Lender's Solicitor, in trust, as contemplated in Sub-Section 7.01(n) of this Agreement. The payment of the Additional Loan Payment may be paid at any time and from time to time to the Lender after the Loan, plus interest thereon in accordance with this Agreement and all Expenses are paid pursuant to this Agreement. If the principal amount advanced to the Borrower is less than \$18,600,000, the Additional Loan Payment shall be reduced accordingly. The Additional Loan Payment will be paid after the Loan, plus interest thereon in accordance with this Agreement and all Expenses are paid pursuant to this Agreement as determined by the Lender, acting reasonably.

For the sake of clarity, if the face amount of the Mortgage is \$18,600,000 and the Borrower's Liabilities have not been paid until the third anniversary of the first Loan Instalment, then the amount of the Additional Loan Payment payable by the Borrower to the Lender shall be \$2,232,000, or 4% per annum for each year the Mortgage is outstanding; which interest amount shall not be compounded from time to time. Notwithstanding the foregoing, the calculation of the Additional Loan Payment and the timing of the payments thereof shall be determined by the Lender, acting reasonably.

The Lender shall provide to the Borrower reasonable notice of any payments made on account of the Additional Loan Payment. If the Borrower exercises its right to prepay all or a portion of the Loan, then the 4% per annum Additional Loan Payment for the third year (or any additional extensions) of the term of this Loan shall continue to be payable, in full, notwithstanding any prepayment, from Distributable Cash Proceeds.

SCHEDULE "E"
PERMITTED ENCUMBRANCES

1. Liens for municipal property taxes, local improvement assessments or taxes, or other taxes, assessments or recoveries relating to the Property which are not at the time due;
2. The reservations, limitations, exceptions, provisos and conditions, if any expressed in any original grants from the Crown including, without limitation, the reservations of any mines and minerals in the Crown or in any other person.
3. Any registered or unregistered licenses, easements, rights-of-way, rights in the nature of easements and agreements with respect thereof which relate to the provisions of utilities or services or easements or rights of way in favour of any governmental authority, any private or public utility, any railway company or any adjoining owner to the Property (including, without limitation, agreements, easements, licenses, rights-of-way and interests in the nature of easements for sidewalks, public ways, sewers, drains, gas, steam and water mains or electric light and power, or telephone and telegraphic conduits, poles, wires, and cables).
4. Title defects or irregularities, which are of a minor nature and in the aggregate will not materially adversely impair the use or marketability of the Real Property or that part thereof affected by the defect or irregularity for the purposes for which it is presently used.
5. The exceptions, limitations and qualifications of the *Land Titles Act* and any amendments thereto.

LOAN AGREEMENT

THIS AGREEMENT is made as of the 18th day of May, 2016.

B E T W E E N:

**TEXTBOOK STUDENT SUITES (445 PRINCESS STREET)
TRUSTEE CORPORATION**, a corporation incorporated under the
laws of the Province of Ontario

(hereinafter referred to as the "**Lender**")

AND

TEXTBOOK (445 PRINCESS STREET) INC., a corporation
incorporated under the laws of the Province of Ontario

(hereinafter referred to as the "**Borrower**")

WHEREAS the Lender, on the terms and conditions hereinafter set forth, has agreed to lend to the Borrower and the Borrower has agreed to borrow from the Lender the sum of up to **Eight Million Four Hundred and Fifty Thousand (\$8,450,000) Dollars** of lawful money of Canada (the "**Principal Sum**") for a term of Three (3) years, subject to extensions as provided herein, (the "**Term**") in connection with the development and construction by the Borrower of a condominium/apartment/commercial project on the lands and premises situated at 429 and 445 Princess Street, Kingston, Ontario, and more particularly described in Schedule "A" attached hereto (the "**Property**").

AND WHEREAS the Property currently has a building structure located thereon which houses a Shoppers Drug Mart retail location as well as parking lot used by Shoppers Drug Mart.

AND WHEREAS the Borrower has had preliminary discussions with Shoppers Drug Mart regarding moving and relocating the retail store while the project is completed on the Property and then relocating the store back to the Property on completion of the project, which discussions still need to be finalized and then formalized in an agreement.

AND WHEREAS the Borrower agrees to pay to the Lender interest on the Principal Sum at the Loan Rate (as hereinafter defined), calculated and payable quarterly during the Term along with the Additional Loan Payment as more particularly described in Schedule "D" attached hereto;

AND WHEREAS the Borrower has agreed to allow a Charge/Mortgage of Land in addition to the other Security Documents, on the terms set out herein, to be registered against the Property in second position and in favour of the Lender (the "**Mortgage**"), as security for repayment of the Principal Sum with interest at the Loan Rate and the payment of the Additional Loan Payment, which Mortgage shall rank subordinate to a first charge in the amount of up to

\$7,000,000, which proceeds are to be used to assist with the acquisition of the Property (the "First Charge");

AND WHEREAS the Borrower agrees to repay to the Lender the Principal Sum and interest at the Loan Rate and the payment of the Additional Loan Payment on or before the expiry of the Term, as specified herein;

AND WHEREAS the Lender and the Borrower (collectively, the "Parties") wish to evidence their agreement in respect of the Loan;

AND WHEREAS the Lender acknowledges that the Mortgage shall be granted, *inter alia*, in the form of a syndicated second Charge/Mortgage of Land as more fully described herein and shall be in form and substance satisfactory to the Lender;

NOW THEREFORE THIS AGREEMENT WITNESSETH THAT in consideration of the covenants, agreements herein contained and for other good and valuable consideration (the receipt and sufficiency of which is hereby acknowledged), the parties hereto agree as follows:

ARTICLE 1 RECITALS

1.01 The Parties to this Agreement acknowledge and agree that the recitals to this Agreement are true and correct in substance and in fact are incorporated into and form an integral part of this Agreement.

ARTICLE 2 DEFINITIONS AND TERMS

2.01 The following words and phrases have the following meanings when used in this Agreement:

- (a) "Acceleration Date" means the date on which an Acceleration Event occurs;
- (b) "Acceleration Event" means the earlier of: (i) the occurrence of an Insolvency Event; and (ii) the delivery by the Lender to the Borrower of a written notice that the Borrowers Liabilities or any part thereof are immediately due and payable, following the occurrence and during the continuation of an Event of Default other than an Insolvency Event;
- (c) "Additional Loan Payment" has the same meaning as set forth in Section 4.11 hereof;
- (d) "Agreement", means this Agreement entitled "Loan Agreement", and all instruments supplemental hereto or in amendment or confirmation hereof; "hereof", "hereto" and "hereunder" and similar expressions refer to this Agreement, and where relevant, to any particular article, section or paragraph hereof; "Article", "Section" and "paragraph" mean and refer to the specified article, section or paragraph of this Agreement;

- (e) "BIA" means the *Bankruptcy and Insolvency Act* (Canada), as amended from time to time;
- (f) "Borrower's Books and Records" shall have the same meaning as set forth in Section 7.04 hereof.
- (g) "Borrower's Liabilities", refers collectively to the Loan, all interest from time to time accruing thereon as set forth in this Agreement, and all liabilities and indebtedness now or hereafter owing, arising, due or payable by the Borrower to the Lender whether under this Agreement or the Security Documents and including the Additional Loan Payment;
- (h) "Borrower's Solicitors" shall mean Harris + Harris LLP, or such other solicitors that the Borrower may in writing designate;
- (i) "Business Day", refers to any day other than a Saturday, Sunday or Statutory Holiday in Toronto, Ontario;
- (j) "Closing Date" or "Closing", or similar references means the date of the initial Loan Instalment or the date, as the context requires, of any other Loan Instalments made pursuant hereto;
- (k) "Commodity Taxes" means all commodity taxes, including all sales, use, retail, goods and services, harmonized sales, value-added and similar taxes imposed, levied or assessed by any Governmental Authority;
- (l) "Default" means any event, act, omission or condition which with the giving of notice or the passage of time, or both, would result in an Event of Default;
- (m) "Distributable Cash Proceeds" means all amounts received by the Borrower arising out of the Property or the sale or operation thereof or of the sale of condominium units for the period including but not limited to the following:
 - (i) all revenues derived from the sale of condominium units or any part or all of the Property (including all premiums, upgrade costs (net of commissions) and applicable harmonized sales tax or goods and services tax rebates);
 - (ii) all gross receipts derived from all rents and fees payable by tenants, licensees and concessionaires, but excluding any and all rents received prior to completion/construction of the project on the Property;
 - (iii) the gross amount, if any, of any insurance proceeds received by the Borrower, including business interruption payments;
 - (iv) the net proceeds of any refinancing, if any, received by the Borrower, other than any construction loan which contains terms prohibiting the use

of such loan proceeds to repay existing indebtedness (net of repayments of existing mortgage financing being refinanced); and

- (v) the gross amount, if any, from partial or total expropriations of all or part of the Property,

but excluding: (i) Commodity Taxes which the Borrower is required by law to collect from purchasers, tenants, concessionaires or licensees and remit to an applicable taxing authority.

- (n) "Distribution" means, other than as specifically provided for elsewhere in this Agreement or in any other acknowledgement or direction executed by the Lender prior to the advance of the Loan, any amount paid to or on behalf of the employees, directors, officers, shareholders, partners or unitholders of the Borrower, by way of salary, bonus, commission, management fees, directors' fees, dividends, redemption of shares, distribution of profits or otherwise, other than ordinary course payment of amounts related to the management, development and operation of the Property, provided such payments are in amounts reasonable for the services rendered, and whether payments are made to such Persons in their capacity as shareholders, partners, unitholders, directors, officers, employees, owners or creditors of the Borrower or otherwise, or any other direct or indirect payment in respect of the earnings or capital of the Borrower;
- (o) "Event of Default" is defined in Section 9.01 hereof;
- (p) "Expenses", means all expenses relating to the Loan and all fees and expenses for legal services relative to the preparation, review and enforcement of this Agreement and the Security Documents, the making of Loan Instalments and the repayment of the Borrower's Liabilities and the release of the security therefore;
- (q) "Fiscal Year" means the fiscal year end of the Borrower, being December 31st in every year;
- (r) "GAAP" means generally accepted accounting principles in Canada as approved by the Canadian Institute of Chartered Accountants in effect from time to time; and for greater certainty if international financial reporting standards are adopted by the Canadian Institute of Chartered Accountants in replacement for generally accepted accounting principles, each reference to "GAAP" herein shall be deemed to refer to such international financial reporting standards;
- (s) "Governmental Authority" means any: (i) federal, provincial, state, municipal, local or other governmental or public department, central bank, court, commission, board, bureau, agency or instrumentality, domestic or foreign; (ii) any subdivision or authority of any of the foregoing; or (iii) any quasi-governmental, judicial or administrative body exercising any regulatory, expropriation or taxing authority under or for the account of any of the foregoing;

- (t) "Hazardous Materials" means any contaminant, pollutant, waste or substance that is likely to cause immediately or at some future time harm or degradation to the surrounding environment or risk to human health; and without restricting the generality of the foregoing, including any pollutant, contaminant, waste, hazardous waste or dangerous goods that is regulated by any Requirements of Environmental Law or that is designated, classified, listed or defined as hazardous, toxic, radioactive or dangerous or as a contaminant, pollutant or waste by any Requirements of Environmental Law;
- (u) "Indemnitees" means the Lender and its successors and permitted assignees, any agent of any of them (specifically including a receiver or receiver-manager) and its officers, directors, employees, beneficial owners and shareholders;
- (v) "Insolvency Event" means, in respect of any Person:
 - (i) such Person ceases to carry on its business; or commits an act of bankruptcy or becomes insolvent (as such terms are used in the BIA); or makes an assignment for the benefit of creditors, files a petition in bankruptcy, makes a proposal or commences a proceeding under Insolvency Legislation; or petitions or applies to any tribunal for, or consents to, the appointment of any receiver, trustee or similar liquidator in respect of all or a substantial part of its property; or admits the material allegations of a petition or application filed with respect to it in any proceeding commenced in respect of it under Insolvency Legislation; or takes any corporate action for the purpose of effecting any of the foregoing; or
 - (ii) any proceeding or filing is commenced against such Person seeking to have an order for relief entered against it as debtor or to adjudicate it a bankrupt or insolvent, or seeking liquidation, winding-up, reorganization, arrangement, adjustment or composition of it or its debts under any Insolvency Legislation, or seeking appointment of a receiver, trustee, custodian or other similar official for it or any of its property or assets; unless (i) such Person is diligently defending such proceeding in good faith and on reasonable grounds as determined by the Lender and (ii) such proceeding does not in the reasonable opinion of the Lender materially adversely affect the ability of such Person to carry on its business and to perform and satisfy all of its obligations hereunder;
- (w) "Insolvency Legislation" means legislation in any applicable jurisdiction relating to reorganization, arrangement, compromise or re-adjustment of debt, dissolution or winding-up, or any similar legislation, and specifically includes for greater certainty the BIA, the *Companies' Creditors Arrangement Act* (Canada) and the *Winding-Up and Restructuring Act* (Canada);
- (x) "Interest Reserve" means the amounts set aside or deducted as contemplated in Section 4.12 hereof to fund the obligations of the Borrower to pay interest as set forth in this

Agreement on the Loan Instalments that may from time to time be made by the Lender to the Borrower.

- (y) "Laws" means all statutes, codes, ordinances, decrees, rules, regulations, municipal by-laws, judicial or arbitral or administrative or ministerial or departmental or regulatory judgments, orders, decisions, rulings or awards, or any provisions of such laws, including general principles of common and civil law and equity or policies or guidelines, to the extent such policies or guidelines have the force of law, binding on the Person referred to in the context in which such word is used; and "Law" means any of the foregoing;
- (z) "Lender's Solicitors" shall mean Elliott Law Professional Corporation, or such other solicitors that the Lender may in writing designate;
- (aa) "Lien" means: (i) a lien, charge, mortgage, pledge, security interest or conditional sale agreement; (ii) an assignment, lease, consignment, trust or deemed trust that secures payment or performance of an obligation; (iii) a garnishment; (iv) any other encumbrance of any kind; and (v) any commitment or agreement to enter into or grant any of the foregoing;
- (bb) "Loan", means the aggregate amount, not to exceed Eight Million Four Hundred and Fifty Thousand (\$8,450,000) Dollars, of all Loan Instalments made from time to time hereunder by the Lender to the Borrower, less the amount, if any, repaid from time to time by the Borrower to the Lender;
- (cc) "Loan Instalment" has the same meaning as set forth in Sub-Section 4.08(a) hereof, with each Loan Instalment to be made in the sole and absolute discretion of the Lender;
- (dd) "Loan Rate", means the annual rate of interest applicable to any particular amount outstanding pursuant to this Agreement being Eight (8%) percent per annum;
- (ee) "Material Adverse Change" means any change or event which: (i) constitutes a material adverse change in the business, operations, condition (financial or otherwise) or properties of the Borrower taken as a whole; or (ii) could materially impair the Borrower's ability to timely and fully perform its obligations under this Agreement or the Security Documents, or materially impair the ability of the Lender to enforce its rights and remedies under this Agreement or the Security Documents;
- (ff) "Material Agreement" means, in respect of the Borrower, any agreement made between the Borrower and another Person which the Lender, in its sole and absolute discretion, determines to be material to the Borrower;
- (gg) "Maturity Date" shall have the same meaning as set forth in Section 4.04 hereof;
- (hh) "Mortgage" has the same meaning as set forth in Sub-Section 5.01(b) hereof;

- (ii) "Note" shall mean the promissory note executed by the Borrower in favour of the Lender in the sum of up to Eight Million Four Hundred and Fifty Thousand (\$8,450,000) Dollars which Note shall be in form and substance satisfactory to the solicitors of the Lender;
- (jj) "Outstanding Encumbrances and Liens" shall have the same meaning as set forth in Sub-Section 7.01(l) hereof;
- (kk) "Person", means a natural person, firm, trust, partnership, association, corporation, government or governmental board, agency or instrumentality;
- (ll) "Permitted Encumbrances" are those Liens described in Schedule "E" attached hereto and any construction financing subsequently acquired by the Borrower for the construction of the condominium or comparable project on the Property not exceeding Seventy-Five Million (\$75,000,000) Dollars (plus any Tarion bonding company insurance mortgage security);
- (mm) "Requirements of Environmental Law" means: (i) obligations under common law; (ii) requirements imposed by or pursuant to statutes, regulations and by-laws whether presently or hereafter in force; (iii) requirements announced by a Governmental Authority as having immediate effect (provided that at the time of making such announcement the government also states its intention of enacting legislation to confirm such requirements retroactively); (iv) all directives, policies and guidelines issued or relied upon by any Governmental Authority to the extent such directives, policies or guidelines have the force of law; (v) all permits, licenses, certificates and approvals from Governmental Authorities which are required in connection with air emissions, discharges to surface or groundwater, noise emissions, solid or liquid waste disposal, the use, generation, storage, transportation or disposal of Hazardous Materials; and (vi) all requirements imposed under any clean-up, compliance or other order made pursuant to any of the foregoing, in each and every case relating to environmental, health or safety matters including all such obligations and requirements which relate to (A) solid, gaseous or liquid waste generation, handling, treatment, storage, disposal or transportation and (B) exposure to Hazardous Materials;
- (nn) "Security" means all guarantees, security agreements, mortgages, debentures and other documents mentioned comprising the Security Documents or otherwise and all other documents and agreements delivered by the Borrower or other Persons to the Lender for the benefit of the Lender from time to time as security for the payment and performance of the Borrowers Liabilities, and the security interests, assignments and Liens constituted by the foregoing;
- (oo) "Security Documents", refers collectively to this Agreement, the Mortgage, those documents and instruments referred to in Section 5.01 hereof and any and other documents, agreements or writings delivered to the Lender as contemplated in this Agreement whether as security for the Loan or otherwise. At the option of the Lender, the Security Documents may reflect a fixed rate of interest as designated by the

Lender's counsel. Notwithstanding the same, the provisions with respect to the payment of interest as set out in this Agreement shall prevail;

- (pp) "Statutory Lien" means a Lien in respect of any property or assets of a Company created by or arising pursuant to any applicable legislation in favour of any Person (such as but not limited to a Governmental Authority), including a Lien for the purpose of securing the Borrower's obligation to deduct and remit employee source deductions and goods and services tax pursuant to the *Income Tax Act* (Canada), the *Excise Tax Act* (Canada), the Canada Pension Plan (Canada), the *Employment Insurance Act* (Canada) and any federal or provincial legislation similar to or enacted in replacement of the foregoing from time to time; and;
- (qq) "Subsidiary" means a business entity which is controlled by another business entity (as used herein, "business entity" includes a corporation, company, partnership, limited partnership, trust or joint venture).

2.02 Unless otherwise provided herein, all financial terms used in this Agreement shall be determined in accordance with GAAP in effect at the date of such determination. Where the character or amount of any asset or liability or item of revenue or expense is required to be determined, or any consolidation or other computation is required to be made for the purpose of this Agreement, such determination or calculation shall be made in accordance with GAAP applied on a consistent basis, unless otherwise indicated.

2.03 All amounts referred to in this Agreement are in Canadian Dollars unless otherwise noted.

2.04 Whenever in this Agreement reference is made to a statute or regulations made pursuant to a statute, such reference shall, unless otherwise specified, be deemed to include all amendments to such statute or regulations from time to time and all statutes or regulations which may come into effect from time to time substantially in replacement for the said statutes or regulations.

2.05 Terms defined in the singular have the same meaning when used in the plural, and vice-versa. When used in the context of a general statement followed by a reference to one or more specific items or matters, the term "including" shall mean "including, without limitation", and the term "includes" shall mean "includes, without limitation". Any reference herein to the exercise of discretion by the Lender (including phrases such as "in the discretion of", "in the opinion of", "in its opinion", "to the satisfaction of" and similar phrases) shall mean that such discretion is absolute and unfettered and shall not imply any obligation to act reasonably, unless otherwise expressly stated herein.

ARTICLE 3 SCHEDULES

3.01 The following are the schedules attached to and incorporated in this Agreement by reference and deemed to be a part thereof:

Schedule "A" – Lands to be Charged/Mortgaged

Schedule "B" – Schedule of Interest Payments

Schedule "C" – Expenses

Schedule "D" – Additional Loan Payment

Schedule "E" – Permitted Encumbrances

ARTICLE 4
THE LOAN, INTEREST, EXPENSES, AND PAYMENT THEREOF

4.01 Subject to the terms and conditions hereof, the Lender agrees to provide to the Borrower the Loan.

4.02 The Borrower and the Lender acknowledge and confirm that, notwithstanding any rate of interest set out in the Security Documents or any of them, the provisions of this Agreement regarding the Loan Rate shall govern the rate of interest payable on the Loan. The Borrower and the Lender further acknowledge and confirm that the Security Documents shall be in form and substance satisfactory to the Lender.

4.03 Interest on the Loan Rate shall be determined daily and shall be due, payable and compounded quarterly, not in advance, on the 1st day of each month during such quarterly period, as well after as before demand, maturity, default and judgment, together with interest on overdue interest determined daily (if relevant) and compounded quarterly at the same rate applicable until the Borrower's Liabilities have been paid in full. Interest shall be calculated on the basis of a three hundred and sixty-five (365) day year. Interest on the Loan at the Loan Rate and calculated as aforesaid shall accrue as of the date of the first Loan Instalment. Any disputes on the determination and calculation of interest of the Interest Rate shall be resolved by the Lender, in its opinion but acting reasonably. The first payment of interest and all subsequent payments of interest as aforesaid shall be payable in the amounts and on the dates as set forth in Schedule "B" attached hereto.

4.04 The Loan, together with all accrued and outstanding interest and other charges in connection therewith as set forth in this Agreement and the Security Documents including without limiting the generality of the foregoing the Additional Loan Payment and all other Borrower's Liabilities, shall become fully due and repayable on the third anniversary of the first Loan Instalment, unless extended as set out in this Agreement (the "**Maturity Date**"). The Maturity Date may be extended for up to two six month extension periods, by notice in writing delivered by the Borrower to the Lender at least 60 days prior to the scheduled Maturity Date, or extended Maturity Date, in the case of a second six month extension. During any extension of the Term, all of the provisions in this Agreement shall remain in full force and effect and interest shall continue to be payable and accrue during any extension to the Term, on the same terms and conditions as interest is calculated and payable prior to any extension of the Term. The Maturity Date shall be deemed amended to the date which is six months from the date of the prior Maturity Date, or first amended Maturity Date in the case of a second six month extension.

4.05 Any payment provided hereunder to be made by the Borrower to the Lender shall be in certified funds or Bank Draft and shall be payable to the Borrower's Solicitors, in trust, and delivered to the Borrower's Solicitors, or any other payee or office designated by the Lender from time to time. The Borrower's Solicitors shall coordinate further delivery of such funds with the Lender's Solicitors. Any payment as aforesaid received after two o'clock (2:00) p.m. Toronto time shall be deemed to have been received on the next following Business Day.

4.06 This Agreement shall constitute evidence of the obligation of the Borrower to repay all the Borrower's Liabilities in accordance with the terms hereof. The Borrower shall repay the Loan and the Borrower's Liabilities in full on the Maturity Date, and until then shall pay interest at the time or times and in the manner provided herein.

4.07 All Loan Instalments and Expenses as and when advanced or incurred shall be and become secured by the Security Documents and Expenses may be paid by the Lender and be deducted from Loan Instalments which would otherwise have been made to the Borrower. The Security Documents shall be in addition to any other security which the Lender may now have or subsequently acquire for the performance of the Borrower's Liabilities. The Expenses listed in Schedule "C" attached hereto are a list of Expenses (but by no means an exhaustive list of all Expenses) that shall be deducted from the Loan Instalments.

4.08 The Lender and the Borrower mutually acknowledge, confirm, represent and covenant as follows:

- (a) Any amounts advanced by the Lender, in its sole and absolute discretion, to the Borrower pursuant to this Agreement, may occur in tranches (the "**Loan Instalments**"). The Loan Installments are expected to be in the aggregate amount of up to Eight Million Four Hundred and Fifty Thousand (\$8,450,000) Dollars;
- (b) The aggregate Loan Installments plus the First Charge shall not exceed the appraised value of the Property;
- (c) The initial face value of the Mortgage shall be equal to the result of \$15,450,000 less the amount of the First Charge; which amount can be increased where the Borrower obtains a new valuation/appraisal for the Property evidencing an increased value of the Property, and the Mortgage shall be registered for an amount equal to the result of the value of the Property in the new appraisal less the amount of the First Charge;
- (d) In no case shall the maximum aggregate Mortgage amount exceed \$8,450,000; and
- (e) prior to the release of any funds by the Lender's Solicitors to the solicitor(s) for the Borrower, each Party hereby irrevocably acknowledges and directs that their respective solicitors are authorized to and shall cause to be registered any such instruments on title to the Lands which in the opinion of the solicitor for the Lender may be required as evidence of any sums advanced to the Borrower on the security of this Agreement or the Security Documents.

4.09 The Borrower may not prepay all or any portion of the Borrower's Liabilities hereunder, other than pursuant to Section 4.13 hereof.

4.10 Notwithstanding anything to the contrary contained in this Agreement, any Loan Instalment made by the Lender and the Borrower shall be at the Lender's sole and absolute discretion and the Lender shall not be obligated at any time or times to make any Loan Instalment to the Borrower.

4.11 In addition to the payment by the Borrower of the Loan plus interest as set forth in this Agreement, the Borrower shall also pay to the Lender, in certified funds or Bank Draft, forthwith after the determination is made by the Lender in its opinion that the Additional Loan Payment is payable, the amount of the Additional Loan Payment calculated as described in Schedule "D" attached hereto in the same manner as contemplated in Section 4.05 hereof. Notwithstanding the foregoing, the Lender, at its option, may also deduct from the Distributable Cash Proceeds, at any time and from time to time, all or any part of the Additional Loan Payment that the Lender, in its opinion, believes is due and payable.

4.12 The parties hereto acknowledge, confirm, covenant and agree that the Lender shall be deducting from the first Loan Instalment and any subsequent Loan Instalments an amount equal to the projected interest on the amount of such Loan Instalment for 12 months which shall be a contribution of the Borrower to the Interest Reserve. The parties hereto further acknowledge, confirm, covenant and agree that the Lender may from time to time and at any time, acting reasonably, deduct from the funds held in trust by the Lender's Solicitors or received from the Borrower, whether from the Distributable Cash Proceeds or otherwise, such amounts that in its opinion is necessary or appropriate to replenish the Interest Reserve. The Borrower covenants and agrees that the amount in the Interest Reserve shall be applied by the Lender against the obligations of the Borrower to pay interest hereunder on the Loan Instalments and that once applied or deducted by the Lender from the Loan Instalments, the Distributable Cash Proceeds or otherwise, the Borrower shall have no claim against the funds in the Interest Reserve.

4.13 The Borrower, at any time after the second anniversary hereof, shall be entitled to repay all or a portion of the Loan without penalty, notice or bonus and the interest at the rate of 8% per annum on the principal outstanding ceasing at the date of prepayment; provided that the Lender shall continue to be entitled to the Additional Loan Payment for all three years of this Loan, even though the Loan shall have been prepaid prior to the three year term expiry (to also be paid at the time of prepayment) plus the prepayment amount; but shall not be entitled to any additional interest Payment for the third year of the Term of this Loan nor any compensation for loss of interest after the date of such prepayment.

ARTICLE 5 SECURITY

5.01 The Borrower agrees to provide the Security Documents listed below to the Lender, as continuing security for the payment and performance of all of its present and future, direct and indirect obligations to the Lender, specifically including the Loan, the Borrowers Liabilities and its direct indebtedness and obligations to the Lender arising under this Agreement:

- (a) The Note;

- (b) A mortgage in the amount of the Principal Sum (or such lesser amount as determined by the Lender in its sole and unfettered discretion and provided that the Principal Sum shall not exceed the result of \$8,450,000 less any other mortgages (excluding any Tarion Warranty bond and construction and related financing mortgage security registered against the Property) ranking as a second mortgage; provided that said mortgage shall also be subordinated to (i) the First Charge and (ii) any construction and related financing (in one or multiple tranches) not exceeding in the aggregate Seventy-Five Million (\$75,000,000) Dollars obtained by the Borrower related to construction of the condominium/apartment/commercial project on the Property and for the hard and soft costs related thereto, plus (iii) any Tarion warranty bond mortgage security (the "Mortgage");
- (c) if requested by the Lender from time to time, security agreements creating an assignment security interest in respect of its rights to and interest in Material Agreements to which it is a party, together with any necessary consents from the other parties thereto which security interest may not be a first ranking security interest;
- (d) an assignment of its interest in all policies of insurance, specifically including the right to receive any refunds of premiums paid thereunder, which security interest may not be a first ranking security interest; and
- (e) such other security and further assurances as the Lender may reasonably require from time to time, which security interests may not be first ranking security interests.

5.02 The Security Documents shall be in form and substance satisfactory to the Lender, acting reasonably. The Lender may require that any item of Security Documents be governed by the laws of the jurisdiction where the property subject to such item of Security Documents is located. The Security Documents shall be registered by the Lender or, at the request of the Lender, by the Borrower, all at the Borrower's cost and expense, where necessary or desirable to record and perfect the charges contained therein, as determined by the Lender in its sole and absolute discretion.

5.03 The Borrower shall cause to be delivered to the Lender prior to each Loan Instalment the opinion of the solicitors for the Borrower regarding its corporate status, the due authorization, execution and delivery of the Security Documents provided by it, all registrations in respect of the Security Documents, the results of all applicable searches in respect of them, and the enforceability of such Security Documents and any other matters requested by the Lender in its opinion; all such opinions to be in form and substance satisfactory to the Lender.

5.04 The Borrower shall execute and deliver from time to time all such further documents and assurances as may be reasonably required by the Lender from time to time in order to provide the Security Documents contemplated hereunder, specifically including supplemental or additional security agreements which shall include lists of specific assets to be subject to the security interests required hereunder.

5.05 If insurance proceeds become payable in respect of loss of or damage to any property owned by the Borrower the Lender shall apply such proceeds against the Borrower's Liabilities (allocated amongst the components of the Borrower's Liabilities, at all times, by the Lender in its sole and absolute discretion).

ARTICLE 6
COVENANTS, REPRESENTATIONS AND WARRANTIES

6.01 The Borrower represents and warrants to the Lender as follows (which shall survive the execution and delivery of this Agreement), the truth and accuracy of which are a continuing condition of the advance of the Loan Instalments and the Borrower hereby acknowledges, confirms and agrees that the Lender is relying on such representations and warranties:

- (a) The Borrower is a validly subsisting corporation under the *Business Corporations Act* (Ontario), and is duly qualified to carry on its business in the jurisdiction in which it carries on business and has the power and authority to enter into and perform its obligations under this Agreement, is the registered owner of the Property and is legally entitled to carry on its business as currently conducted or as currently contemplated.
- (b) The Borrower has obtained all material licenses, permits and approvals from all governments, governmental commissions, boards and other agencies of jurisdictions in which it carries on (or contemplates carrying on) business which are required and which will allow for the development of the Property.
- (c) The Borrower or its solicitor has delivered to the Lender, or its solicitor, copies of the constating documents of the Borrower and the Lender's solicitor has obtained a legal opinion from the Borrower's solicitor that the Borrower is authorized to enter into this Agreement and the Security Documents.
- (d) The execution, delivery and performance of this Agreement and the Security Documents has been duly authorized by all requisite action on the part of the Borrower; and this Agreement and the Security Documents have been, or will be, duly executed and delivered by the Borrower, and this Agreement and the Security Documents delivered or to be delivered pursuant hereto and thereto constitutes, or when delivered will constitute, a valid and binding obligation of the Borrower and enforceable against the Borrower in accordance with their terms, subject to the application of bankruptcy, insolvency and similar laws affecting the enforcement of creditors' rights generally and the fact that the right to obtain judicial orders requiring specific performance or other equitable remedies is in the discretion of the court.
- (e) The Borrower shall and does indemnify and hold harmless the Lender and the Indemnitees from and against all losses, claims, damages, liabilities, and expenses, to which any such person or entity may become subject arising out of or in connection with this Agreement, the use of proceeds, or any related transaction or any claim, litigation, investigation or proceeding, relating to any of the

foregoing, regardless of whether the Lender is a party thereto, and to reimburse the Lender, forthwith upon demand for any reasonable, legal or other expenses incurred in connection with investigating or defending any of the foregoing.

- (f) The Borrower acknowledges that neither its execution nor delivery of this Agreement or the Security Documents the consummation of the transactions herein contemplated nor compliance with the terms, conditions and provisions hereof or thereof does not and will not conflict with, and does not and will not result in any breach of or constitutes a default under any of the provisions of the constating documents or by-laws of the Borrower or any applicable Law including applicable securities laws, rules, policies and regulations or any contract or agreement upon or to which the Borrower is a party.
- (g) The Borrower has good and marketable title to the Property and its assets free from all mortgages, security interests, Liens, pledges, charges, encumbrances, title retention agreements, options or adverse claims, other than the permitted encumbrances as identified in Schedule "E" attached hereto (the "**Permitted Encumbrances**") and the Outstanding Encumbrances and Liens.
- (h) The Borrower has filed or caused to be filed, in a timely manner all tax returns, reports and declarations, which are required to be filed by it. All information in such tax returns, reports and declarations is complete and accurate in all material respects. The Borrower has paid or caused to be paid all taxes due and payable or claimed due and payable in any assessment received by it, except taxes the validity of which are being contested in good faith by appropriate proceedings diligently pursued and available to the said Borrower and with respect to which adequate reserves have been set aside on its books. Adequate provision has been made for the payment of all accrued and unpaid federal, provincial, local, foreign and other taxes whether or not yet due and payable and whether or not disputed.
- (i) All representations and warranties of the Borrower contained in this Agreement or in any of the Security Documents shall survive the execution and delivery of this Agreement and shall be deemed to have been made again to the Lender on the date of each Loan Instalment pursuant to this Agreement and shall be conclusively presumed to have been relied on by the Lender regardless of any investigation made or information possessed by the Lender. The representations and warranties set forth herein shall be cumulative and in addition to any other representations or warranties which the Borrower shall now or hereafter give, or cause to be given, to the Lender.
- (j) The Borrower further acknowledges and agrees that the terms of this Agreement shall override the terms of any previous loan agreements to which the Borrower and the Lender may be or may have been Parties.
- (k) The Borrower acknowledges that the Lender may have executed a loan agreement that has been amended to accommodate the beneficial owners of the Lender and the Borrower agrees to abide by the specific terms of each of said Agreements.

- (l) The Borrower has no Subsidiaries.
- (m) no Person has any agreement or option or any right or privilege (whether by law, pre-emptive or contractual) capable of becoming an agreement, including convertible securities, warrants or convertible obligations of any nature, for the purchase of any properties or assets of the Borrower out of the ordinary course of business or for the purchase, subscription, allotment or issuance of any debt or equity securities of the Borrower.
- (n) The Borrower is in compliance in all material respects with all applicable Laws of each jurisdiction in which it carries on business and is duly licensed, registered and qualified to do business and is in good standing in each jurisdiction in which the nature of the business conducted by it or the property owned or leased by it make such qualification necessary; and all such licences, registrations and qualifications are valid and subsisting and in good standing.
- (o) The Borrower owns, possesses and has a good and marketable title to its undertaking, property and assets, free and clear of any and all Liens except for Permitted Encumbrances and the Outstanding Encumbrances and Liens. The Borrower does not have any commitment or obligation (contingent or otherwise) to grant any Liens except for the Permitted Encumbrances. No event has occurred which constitutes, or which with the giving of notice, lapse of time or both.
- (p) The Borrower has/will place(d) insurance, including property, boiler and machinery, business interruption and liability insurance, in appropriate amounts and for appropriate risks as would be considered prudent for similar business.
- (q) The Borrower and its business, operations, assets, equipment, property, leaseholds and other facilities is in compliance in all material respects with all Requirements of Environmental Law, specifically including all Requirements of Environmental Law concerning the storage and handling of Hazardous Materials. The Borrower holds all material permits, licenses, certificates and approvals from Governmental Authorities which are required in connection with (i) air emissions; (ii) discharges to surface or groundwater; (iii) noise emissions; (iv) solid or liquid waste disposal; (v) the use, generation, storage, transportation or disposal of Hazardous Materials; and (vi) all other Requirements of Environmental Law. There has been no material emission, spill, release, or discharge into or upon (i) the air; (ii) soils, or any improvements located thereon; (iii) surface water or groundwater; or (iv) the sewer, septic system or waste treatment, storage or disposal system servicing the premises, of any Hazardous Materials at or from the Property, and there has been no complaint, order, directive, claim, citation, or notice from any Governmental Authority or any other Person with respect to (i) air emissions; (ii) spills, releases, or discharges to soils or improvements located thereon, surface water, groundwater or the sewer, septic system or waste treatment, storage or disposal systems servicing the Property; (iii) noise emissions; (iv) solid or liquid waste disposal; (v) the use, generation, storage,

transportation, or disposal of Hazardous Materials; or (vi) other Requirements of Environmental Law affecting the Property. There are no legal or administrative proceedings, investigations or claims now pending, or to the Borrower's knowledge, threatened, with respect to the presence on or under, or the discharge, emission, spill, radiation or disposal into or upon any of the Properties, the atmosphere, or any watercourse or body of water, of any Hazardous Material; nor are there any material matters under discussion with any Governmental Authority relating thereto; and there is no factual basis for any such proceedings, investigations or claims. The Borrower has no material indebtedness, obligation or liability, absolute or contingent, matured or not matured, with respect to the storage, treatment, cleanup or disposal of any Hazardous Materials (including without limitation any such indebtedness, obligation, or liability under any Requirements of Environmental Law regarding such storage, treatment, cleanup or disposal).

- (r) Save and except for the Outstanding Encumbrances and Liens, there are no actions, suits or proceedings now pending, or to the Borrower's knowledge, threatened, against the Borrower in any court or before or by any federal, provincial, municipal or other Governmental Authority.
- (s) No guarantees have been granted by the Borrower.
- (t) The Borrower has remitted on a timely basis all amounts required to have been withheld and remitted (including withholdings from employee wages and salaries relating to income tax, employment insurance and Canada Pension Plan contributions), goods and services and Harmonized Sales tax and all other amounts which if not paid when due could result in the creation of a Statutory Lien against any of the Borrower's property including the Property, except for Permitted Encumbrances.
- (u) Save and except for the Outstanding Encumbrances and Lien, no Default, Event of Default or Material Adverse Change has occurred and is continuing.
- (v) All financial and other information furnished by or in respect of the Borrower to the Lender for the purposes of or in connection with this Agreement or the Security Documents are true and accurate in all material respects and is not incomplete by omitting to state any fact necessary to make such information not misleading. There are no facts known to the Borrower which could materially adversely affect the Borrower's ability to observe and perform their obligations under the Security Documents, or which if known to the Lender could reasonably be expected to deter the Lender from making any Loan Instalments hereunder on the terms and conditions contained herein.

**ARTICLE 7
COVENANTS**

7.01 The Borrower hereby covenants and agrees with the Lender that it will:

- (a) pay all principal, interest and other amounts due hereunder including the Borrowers Liabilities at the times and in the manner specified herein;
- (b) maintain its corporate existence in good standing, continue to carry on its business, preserve its rights, powers, licences, privileges, franchises and goodwill, exercise any rights of renewal or extensions of any leases, licences, concessions, franchises or any other rights whatsoever which are material to the conduct of its business, maintain all qualifications to carry on business in each jurisdiction in which such qualifications are required, and carry on and conduct its business in a proper and efficient manner so as to protect its property and income; and not materially change the nature of its business;
- (c) comply in all material respects with all applicable Laws (specifically including, for greater certainty, all applicable Requirements of Environmental Law), use the proceeds of all Loan Instalments hereunder for legal and proper purposes in connection with the purposes set out in the first recital of this Agreement, and obtain and maintain in good standing all material leases, licences, permits and approvals from any and all Governmental Authorities required in respect of its business and operations;
- (d) pay when due all rents, taxes, rates, levies, assessments and governmental charges, fees and dues lawfully levied, assessed or imposed in respect of its property which are material to the conduct of its business, and deliver to the Lender upon request receipts evidencing such payments;
- (e) maintain adequate books, accounts and records in accordance with GAAP;
- (f) keep the Property and its assets in good repair and working condition;
- (g) permit the Lender and its employees, representatives and agents (during normal business hours and in a manner which does not materially interfere with its business) to enter upon and inspect the Property and its properties, assets, books and records from time to time and make copies of and abstracts from such books and records, and discuss its affairs, finances and accounts with its officers, directors, accountants and auditors; such access shall be on 48 hours' prior notice unless a Default has occurred and is continuing in which event no notice shall be required;
- (h) obtain from financially responsible insurance company and maintain liability insurance, all-risks property insurance on a replacement cost basis (less a reasonable deductible not to exceed amounts customary in the industry for similar businesses and properties), business interruption insurance and insurance in respect of such other risks as the Lender may reasonably require from time to time; all of which policies of insurance shall be in such amounts as may be reasonably required by the Lender and

shall include a standard mortgage clause approved by the Insurance Bureau of Canada; and the Lender's interest shall be noted as an additional insured on all liability insurance policies and as second mortgagee and loss payee on all other insurance policies; and the Lender shall be provided with certificates of insurance and certified copies of such policies from time to time upon request;

- (i) fulfil all covenants and obligations required to be performed by it under this Agreement and the Security Documents to which it is a party and any other agreement or undertaking now or hereafter made between it and the Lender;
- (j) provide prompt notice to the Lender of: (i) the occurrence of any Default or Event of Default; (ii) the incorrectness of any representation or warranty contained herein or any Security Documents in any material respect; (iii) any material contravention of or non-compliance by any Borrower with any terms and conditions of this Agreement or any Security Document; (iv) any Material Adverse Change; (v) any litigation affecting the Borrower; (vi) any material labour dispute affecting the Borrower; or (vii) any notice in respect of the termination or suspension of, or a material default under, any Material Contract;
- (k) provide the Lender with such further information, financial data, documentation and other assurances as the Lender may reasonably require from time to time in order to ensure ongoing compliance with the terms of this Agreement and the Security Documents and to achieve the spirit and intent of this Agreement; and
- (l) The Borrower hereby covenants and agrees with the Lender that the first Loan Instalment will be used to purchase the Property free and clear of any encumbrances and lien.

7.02 The Borrower hereby covenants and agrees with the Lender that it will not without the prior written consent of the Lender (which consent may be withheld in the sole and absolute discretion of the Lender):

- (a) grant or suffer to exist any Liens in respect of any of its property and assets including the Property, except the Permitted Encumbrances;
- (b) directly or indirectly sell or otherwise dispose of any of its assets save and except in the ordinary course of its business or further save and except to sales of dwelling units to bona fide arm's length third party purchasers of such units;
- (c) make any Distributions;
- (d) not materially change the nature of its business, maintain a place of business or any material assets in any jurisdiction other than the Province of Ontario, or enter into any transaction whereby all or a substantial portion of its undertaking, property and assets would become the property of any other Person, whether by way of reconstruction, reorganization, recapitalization, consolidation, amalgamation, merger, transfer, sale

or otherwise, in each case without the prior written consent of the Lender in its sole and absolute discretion;

- (e) change its Fiscal Year (which for greater certainty presently ends on the last day of December in each year);
- (f) change its Accountants except with the prior written consent of the Lender which consent shall not be unreasonably withheld; and,
- (g) use the proceeds of any Loan Instalment for any purposes other than the development and construction of a condominium project on the Property, unless otherwise specified in this Agreement; other than for the purposes of earning interest income on funds which are not immediately required to be expended by the Borrower.

7.03 The Borrower shall deliver by courier delivery to the Lender, upon request by the Lender, the following financial and other information at the times indicated below:

- (a) the annual Year-end Financial Statements of the Borrower, by the 120th day after the end of the Fiscal Year accompanied by a Compliance Certificate certified by the Chief Financial Officer of the Borrower or other senior officer of the Borrower acceptable to the Lender;
- (b) within the first 120 days after the start of each Fiscal Year, a business plan for the Borrower in respect of such Fiscal Year, which shall disclose all material assumptions utilized and shall include the following items set out on a quarterly basis: balance sheet, income statement, cashflow statement, Capital Expenditures and tax liabilities; and
- (c) such additional information and documents as the Lender may reasonably require from time to time.

7.04 Full, true and accurate accounting and financial information shall be kept by the Borrower in accordance with GAAP as of the date hereof until at least after eighteen (18) months after the Borrower's Liabilities have been repaid. The Lender or anyone designated by the Lender shall have access to the books, records, financial information, financial statements and data of the Borrower (the "**Borrower's Books and Records**") at any and all times during regular business hours for the purpose of examining and reviewing the Borrower's Books and Records. The Lender shall not disclose any confidential information so obtained except to the extent that disclosure is reasonable in the conduct of the Lender's business.

7.05 The Lender hereby covenants with the Borrower, that the Lender shall execute any necessary documents and register such documents as may be reasonably requested by any construction financier to subordinate the Lender's Mortgage security to any mortgage or other security granted by the construction financier or Tarion warranty bonding company to the Borrower, for the purposes of funding the Borrower's construction of the project on the Property (which shall include demolition costs and professional fees in furtherance of such construction (architectural, engineering, etc.)) or the provision Tarion insurance coverage, as the case may be;

and the Lender appoints the Borrower as the Lender's power of attorney to execute any required documents on behalf of the Lender to evidence the foregoing.

ARTICLE 8 CONDITIONS PRECEDENT

8.01 The Lender shall have no obligation to make the first Loan Instalment hereunder or any Loan Instalments thereafter on the Closing Date unless at the time of making such Loan Instalment the following terms and conditions (which are condition precedents in favour of the Lender) shall have been satisfied in the opinion of the Lender:

- (a) the Lender shall have completed and shall be satisfied with its due diligence in respect of the Property;
- (b) all representations and warranties made by the Vendor contained in this Agreement or the Security Documents shall be true, correct and complete in all material respects;
- (c) all Security Documents required to be provided at the time of the first Loan Instalment shall have been executed and delivered, all registrations necessary or desirable in connection therewith shall have been made, and all legal opinions and other documentation required by the Lender in connection therewith shall have been executed and delivered, all in form and substance satisfactory to the Lender in its sole and absolute discretion;
- (d) the Lender shall have received satisfactory evidence that there are no Liens affecting the Borrower or its assets, except for Permitted Encumbrances which shall be paid in full and deducted from the First Loan Instalment on the Closing Date;
- (e) the Lender shall have received particulars of all Permitted Encumbrances, specifically including the assets encumbered thereby, the amounts due thereunder, and confirmation from the holders thereof that the terms thereof are being complied with;
- (f) the property and assets of the Borrower shall be insured on the Closing Date; the terms and conditions of such insurance to be in compliance with the requirements of this Agreement in the opinion of the Lender;
- (g) the Lender shall have received an officer's certificate and certified copies of resolutions of the board of directors of the Borrower concerning the due authorization, execution and delivery of the Security Documents to which it is a party, and such related matters as the Lender may reasonably require;
- (h) the Lender shall have received from the Borrower a certificate of status as of the Closing Date or the date of any Loan Instalment, as the case may be, certificate of compliance or similar certificate for the Borrower issued by its governing jurisdiction and each other jurisdiction in which it carries on business or holds any material assets;

- (i) the Lender shall have received such additional evidence, documents or undertakings as it may reasonably require to complete the transactions contemplated hereby in accordance with the terms and conditions contained herein;
- (j) All Realty Taxes related to the Property are up-to-date as of the Closing Date; and
- (k) All mortgages, charges, Liens and encumbrances have been discharged, on the Closing Date and prior to any Loan Instalment being made.

8.02 The Borrower hereby acknowledges, confirms, covenants and agrees that the Lender is syndicating the Loan and therefore, the Lender shall have no obligation to make the first Loan Instalment hereunder on the Closing Date or any Loan Instalment thereafter unless at the time of making such Loan Instalment the syndication of the Loan has been completed in the opinion of the Lender.

ARTICLE 9 DEFAULT AND REMEDIES

9.01 The occurrence of any one or more of the following events, after the expiry of any applicable cure period set out below, shall constitute an event of default under this Agreement (an "**Event of Default**"):

- (a) the Borrower fails to pay any principal, interest, Expenses or any other amount payable hereunder when due under the terms of this Agreement or any of the Security Documents;
- (b) any representation, warranty or statement made to the Borrower herein or in any Security Documents is incorrect in any material respect on the date on which such representation, warranty or statement was made or deemed to have been made, or subsequently becomes incorrect in any material respect; provided that if such representation, warranty or statement is capable of being corrected within twenty (20) days, the Borrower diligently attempts to take all such action as may be necessary in order that such representation, warranty or statement will become correct and diligently keep the Lender informed of its efforts in this regard, and such representation, warranty or statement is correct by not later than the expiry of such twenty (20) day period on the opinion of the Lender, then the incorrectness of such representation, warranty or statement shall not constitute an Event of Default;
- (c) the Borrower fails to perform or comply with any of the covenants or obligations set out in this Agreement;
- (d) the Borrower fails to perform or comply with any of its covenants or obligations contained in any of the Security Documents, in each case, following receipt of notice of such non-compliance from the Lender; provided that if such non-compliance is capable of remedy within twenty (20) days, the Borrower diligently attempts to remedy such non-compliance and diligently keeps the Lender informed of its efforts in this regard, and such non-compliance is remedied within such twenty (20) day

period in the opinion of the Lender, then such non-compliance shall not constitute an Event of Default;

- (e) an Insolvency Event occurs in respect of the Borrower;
- (f) any document constituting part of the Security Documents shall for any reason cease to be in full force and effect or shall be declared in a final judgment of a court of competent jurisdiction to be null and void; or the Borrower contests the validity or enforceability thereof or denies it has any further liability or obligation thereunder; or any document constituting part of the Security Documents shall for any reason fail to create a valid and perfected First-Ranking Security Interest subject to Permitted Encumbrances in the opinion of the Lender, in and to the property purported to be subject thereto, except that if such failure is capable of remedy within thirty (30) days, the Borrower diligently attempts to remedy such failure and diligently informs the Lender of its efforts in this regard, and the failure is remedied within such thirty (30) day period in the opinion of the Lender, then the failure shall not constitute an Event of Default;
- (g) any Person takes possession, or threatens to take possession, of any property of the Borrower including the Property by way of or in contemplation of enforcement of any security it may hold, or a distress or execution or similar process is levied or enforced against any such property; and,
- (h) any Governmental Authority shall take any action or proceeding to condemn, seize or appropriate any property of the Borrower that is material to its financial condition, business or operations.

9.02 Upon the occurrence of an Insolvency Event, the Borrower's Liabilities shall become immediately due and payable, without the necessity of any demand upon or notice to the Borrower by the Lender. Upon the occurrence and during the continuation of any Event of Default other than an Insolvency Event, the Lender may by written notice to the Borrower declare the Borrower's Liabilities to be immediately due and payable. Upon the occurrence and during the continuation of an Event of Default, both before and after the Acceleration Date, all outstanding Loan Instalments shall bear interest at the Loan Rate plus two percent (2%) per annum in order to compensate the Lender for the additional risk.

9.03 Upon the occurrence and during the continuation of an Event of Default, the Lender may apply any proceeds of realization from any Security or related to this Agreement or the Security Documents, against any portion or portions of the Borrower's Liabilities, and the Borrower may not require any different application. The taking of a judgment or any other action or dealing whatsoever by the Lender in respect of the Security Documents shall not operate as a merger of any of the Borrower's Liabilities hereunder or in any way affect or prejudice the rights, remedies and powers which the Lender may have, and the foreclosure, surrender, cancellation or any other dealing with any Security Documents or the said obligations shall not release or affect the liability of the Borrower or any other Person in respect of the remaining portion of the Borrower's Liabilities.

9.04 The Lender shall not be obliged to make any further Loan Instalments from and after the earliest to occur of the following: (i) delivery by the Lender to the Borrower of a written notice that a Default or an Event of Default has occurred and is continuing (whether or not such notice also requires immediate repayment of the Borrower's Liabilities); (ii) the occurrence of an Insolvency Event; and (iii) receipt by the Borrower of any garnishment notice or other notice of similar effect in respect of the Borrower pursuant to the *Income Tax Act* (Canada), the *Excise Tax Act* (Canada) or any similar notice under any other statute.

9.05 All of the rights and remedies granted to the Lender in this Agreement and the Security Documents, and any other rights and remedies available to the Lender at law or in equity, shall be cumulative. The exercise or failure to exercise any of the said remedies shall not constitute a waiver or release thereof or of any other right or remedy, and shall be non-exclusive.

9.06 If the Borrower fails to perform any covenant or obligation to be performed by it pursuant to this Agreement or the Security Documents, the Lender may in its sole and absolute discretion, after written notice to the Borrower, perform any of the said obligations but shall be under no obligation to do so; and any amounts expended or advanced by the Lender for such purpose shall be payable by the Borrower upon demand together with interest at the Interest Rate.

9.07 If the Borrower intends to take the benefit of any Insolvency Legislation, including making an assignment for the general benefit of creditors, making a proposal or filing a notice of intention to make a proposal under Insolvency Legislation, the Borrower covenants and agrees to provide the Lender with five (5) Business Days' prior written notice before any of the aforementioned proceedings are commenced. As soon as possible prior to the commencement of any such proceedings, the Borrower shall provide to the Lender copies of all relevant filing materials, including copies of draft court orders, plans of compromise, proposals and notices of intention. During this notice period the Lender may, in its sole discretion, elect to exercise any and all rights and remedies which may be available to it at that time as set out in this Agreement.

ARTICLE 10 GENERAL CONTRACT TERMS

10.01 The failure or delay by the Lender in exercising any right or privilege with respect to the non-compliance with any provisions of this Agreement by the Borrower and any course of action on the part of the Lender, shall not operate as a waiver of any rights of the Lender unless made in writing by the Lender. Any such waiver shall be effective only in the specific instance and for the purpose for which it is given and shall not constitute a waiver of any other rights and remedies of the Lender with respect to any other or future non-compliance.

10.02 In addition to any other liability of the Borrower hereunder, the Borrower hereby agrees to indemnify and save harmless the Indemnitees from and against all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements (including reasonable legal fees on a solicitor and his own client basis) of any kind or nature whatsoever (but excluding any consequential damages and damages for loss of profit) which may be imposed on, incurred by or asserted against the Indemnitees (except to the extent arising from the negligence or wilful misconduct of such Indemnitees) which relate or arise out of or result from:

- (a) any failure by the Borrower to pay and satisfy its obligations hereunder and the Security Documents including the Borrower's Liabilities;
- (b) any investigation by Governmental Authorities or any litigation or other similar proceeding related to any use made or proposed to be made by the Borrower of the proceeds of any Loan Instalment;
- (c) any losses suffered by the Indemnitees for, in connection with, or as a direct or indirect result of, the failure of the Borrower to comply with all Requirements of Environmental Law;
- (d) any losses suffered by the Indemnitees for, in connection with, or as a direct or indirect result of, the presence of any Hazardous Material situated in, on or under any property owned by the Borrower including the Property or upon which it carries on business; and
- (e) any and all liabilities, losses, damages, penalties, expenses (including reasonable legal fees) and claims which may be paid, incurred or asserted against the Indemnitees for, in connection with, or as a direct or indirect result of, any legal or administrative proceedings with respect to the presence of any Hazardous Material on or under any property owned by the Borrower including the Property or upon which it carries on business, or the discharge, emission, spill, radiation or disposal by the Borrower of any Hazardous Material into or upon the Property, the atmosphere, or any watercourse or body of water; including the costs of defending and/or counterclaiming or claiming against third parties in respect of any action or matter and any cost, liability or damage arising out of a settlement entered into by the Indemnitees of any such action or matter;

10.03 The termination of this Agreement shall not relieve the Borrower from its obligations to the Lender arising prior to such termination, such as but not limited to obligations arising as a result of or in connection with any breach of this Agreement or the Security Documents, any failure to comply with this Agreement or the Security Documents or the inaccuracy of any representations and warranties made or deemed to have been made prior to such termination, and obligations arising pursuant to all indemnity obligations contained herein.

10.04 If the Borrower fails to pay when due any Expenses or other amounts paid by the Lender hereunder (other than principal or interest on any Loan Instalment), the Borrower agrees to pay interest on such unpaid amount from the time such amount is due until paid at the Loan Rate.

10.05 Without prejudice to any other method of giving notice, all communications provided for or permitted hereunder shall be in writing and delivered to the addressee by prepaid private courier or sent by telecopy to the applicable address and to the attention of the officer of the addressee as follows:

(i) to the Borrower:

Textbook (445 Princess Street) Inc.
51 Caldari Road, #A1M
Concord Ontario L4K 4G3

Attention: Mr. John Davies
Fax Number: 905-841-8081

with a copy to:

Harris + Harris LLP
2355 Skymark Avenue, Suite 300
Mississauga, Ontario, L4W 4Y6

Attention: Mr. Gregory H. Harris
Fax Number: 905-629-4350

(ii) if to the Lender:

c/o First Commonwealth Mortgage Corporation
337 Castlemore Avenue
Markham, Ontario, L6C 2Y1

Attention: Mr. Jude Cassimy

with a copy to:

Elliott Law Professional Corporation
5000 Yonge Street
Suite 1901
Toronto, Ontario, M2N 7E9

Attention: Ms. Nancy Elliott
Fax Number: (416) 628-5597

Any communication transmitted by prepaid private courier shall be deemed to have been validly and effectively given or delivered on the Business Day after which it is submitted for delivery. Any communication transmitted by telecopy shall be deemed to have been validly and effectively given or delivered on the day on which it is transmitted, if transmitted on a Business Day on or before 5:00 p.m. (local time of the intended recipient), and otherwise on the next following Business Day. Any party may change its address for service by notice given in the foregoing manner.

10.06 Any provision of this Agreement which is illegal, prohibited or unenforceable in any jurisdiction, in whole or in part, shall not invalidate the remaining provisions hereof; and any

such illegality, prohibition or unenforceability in any such jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

10.07 The Borrower shall from time to time at its own expense promptly execute and deliver or cause to be executed and delivered to the Lender all such other and further documents, agreements, opinions, certificates and instruments which may be requested by the Lender if necessary or desirable to more fully record or evidence the obligations intended to be entered into herein, or to make any recording, file any notice or obtain any consent.

10.08 Time shall be of the essence of this Agreement.

10.09 The Borrower may not assign any of its rights or obligations under this Agreement without the prior written consent of the Lender. The Lender may grant participations in all or any portion of its rights under this Agreement from time to time without notice to or obtaining the prior written consent of the Borrower. The Borrower agrees to co-operate fully with the Lender in connection with any assignment or participation pursuant to this section, and agrees to execute and deliver from time to time in favour of the Lender and any such assignee or participant such documents and assurances as may be reasonably required by the Lender or the assignee or participant in connection with such assignment or participation.

10.10 This Agreement and any other documents or instruments contemplated herein or therein shall constitute the entire agreement and understanding between the Borrower and the Lender relating to the subject-matter hereof. For greater certainty and without limiting the generality of the foregoing, this Agreement supersedes all discussion papers previously issued by the Lender relating to the proposed establishment of the Loan, which have no force or effect.

10.11 To the extent that there is any inconsistency between a provision of this Agreement and a provision of any document constituting part of the Security including the Security Documents, the provision of this Agreement shall govern. For greater certainty, a provision of this Agreement and a provision of any Security Document shall be considered to be inconsistent if both relate to the same subject-matter and the provision in the Security Document imposes more onerous obligations or restrictions than the corresponding provision in this Agreement (excluding fees and Expenses).

10.12 This Agreement shall be interpreted in accordance with the laws of the Province of Ontario. Without prejudice to the right of the Lender to commence any proceedings with respect to this Agreement in any other proper jurisdiction, the parties hereby attorn and submit to the non-exclusive jurisdiction of the courts of the Province of Ontario.

10.13 This Agreement may be executed in several counterparts, each of which, when so executed, shall be deemed to be an original and which counterparts together shall constitute one and the same Agreement. This Agreement may be executed by facsimile, and any signature contained hereon by facsimile shall be deemed to be equivalent to an original signature for all purposes.

10.14 This Agreement shall be binding upon and shall enure to the benefit of the parties and their respective successors and permitted assigns; "successors" includes any corporation resulting from the amalgamation of any party with any other corporation.

[Remainder of Page Intentionally Left Blank – Signature Page to Follow]

IN WITNESS WHEREOF the parties hereto have executed this Agreement as of the date written on the first page hereof.

**TEXTBOOK STUDENT SUITES (445
PRINCESS STREET) TRUSTEE
CORPORATION**

Per: _____

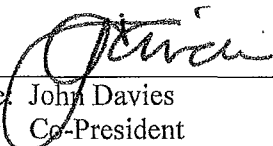

Name: Jude Cassimy

Title: President

I have authority to bind the corporation

TEXTBOOK (445 PRINCESS STREET) INC.

Per: _____


Name: John Davies

Title: Co-President

I have authority to bind the corporation

SCHEDULE "A"
THE LANDS

Legal Description:

PT LT 9 PL 135 KINGSTON CITY PT 1 13R6874; T/W FR600210; KINGSTON; THE
COUNTY OF FRONTENAC
PIN 36071-0211 (LT)

LT 7-8 PL 135 KINGSTON CITY; PT LT 6 PL 135 KINGSTON CITY; PT LT 24 BLK Z
CON 1 KINGSTON PT 1 13R9645; T/W & S/T FR396611; KINGSTON; THE COUNTY OF
FRONTENAC PIN 36071-0209 (LT)

Municipal Description:

429 and 445 Princess Street, Kingston, Ontario

SCHEDULE "B"
SCHEDULE OF INTEREST PAYMENTS

Interest payments shall be calculated at an annual interest rate of EIGHT PERCENT (8%), paid quarterly in trust to the Borrower's Solicitor, commencing on or about October 1, 2016. All funds advanced by the Lender between the Closing Date (on or about June 30, 2016) and October 1, 2016 shall receive an initial payment pro rated for the period from the date of the advance by the Lender to October 1, 2016 and full payments quarterly thereafter until the maturity date, anticipated to be on or about June 30, 2019.

SCHEDULE "C"
EXPENSES

The Expenses include the following:

- a) Mortgage Brokerage Fee of \$84,500 payable to First Commonwealth Mortgage Corporation and Tier 1 Mortgage Corporation (collectively, referred to as the "**Mortgage Broker**"); (based on a maximum mortgage advance of \$8,450,000). The fee payable to the Mortgage Broker is 1% of the mortgage amount advanced.
- b) Referral and Related Fees of \$1,352,000 payable on account of fees and commission incurred in relation to the Loan which shall be paid as the Mortgage Broker may in writing direct (based on a maximum mortgage advance of \$8,450,00 where the actual mortgage advance is less than \$8,450,00, the referral and related fees will be proportionately reduced); and,
- c) Legal Fees. Legal Fees of \$20,000 plus HST plus Disbursements (which shall include Title Insurance and other Expenses) shall be payable to the Lender's Solicitors which shall be deducted from the first Loan Instalment. In the event that there is more than one (1) Loan Instalments, then additional legal fees of \$3,000 plus HST plus Disbursements shall be paid to the Lender's Solicitors on each additional Loan Instalment. The fees, taxes and disbursements of the Borrower's Solicitors shall be paid in addition to the fees, taxes and disbursements of the Lender's Solicitors. It is estimated the fees of the Borrower's Solicitors shall be \$35,000 (plus HST and disbursements) for the first Loan Instalment and \$20,000 (plus HST and disbursements) for each Loan Instalment thereafter, exclusive of the costs of preparation of any offering documents in jurisdictions where such documents are required.

SCHEDULE "D"
ADDITIONAL LOAN PAYMENT

The Additional Loan Payment shall be an amount equal to two (2%) per cent per annum of the principal amount of the Mortgage advanced to the Borrower and shall be payable for such time as the Loan remains outstanding, as determined by the Lender (the "**Additional Loan Payment**"). The Additional Loan Payment shall be payable by the Borrower from the Distributable Cash Proceeds. The payment of the Additional Loan Payment may be paid at any time and from time to time to the Lender after the Loan, plus interest thereon in accordance with this Agreement and all Expenses are paid pursuant to this Agreement. If the principal amount advanced to the Borrower is less than \$8,450,000, the Additional Loan Payment shall be reduced accordingly. The Additional Loan Payment will be paid after the Loan, plus interest thereon in accordance with this Agreement and all Expenses are paid pursuant to this Agreement as determined by the Lender, acting reasonably.

For the sake of clarity, if the face amount of the Mortgage is \$8,450,000 and the Borrower's Liabilities have not been paid until the third anniversary of the first Loan Instalment, then the amount of the Additional Loan Payment payable by the Borrower to the Lender shall be \$507,000, or 2% per annum for each year the Mortgage is outstanding; which interest amount shall not be compounded from time to time. Notwithstanding the foregoing, the calculation of the Additional Loan Payment and the timing of the payments thereof shall be determined by the Lender, acting reasonably.

The Lender shall provide to the Borrower reasonable notice of any payments made on account of the Additional Loan Payment. If the Borrower exercises its right to prepay all or a portion of the Loan, then the 2% per annum Additional Loan Payment for the third year (or any additional extensions) of the term of this Loan shall continue to be payable, in full, notwithstanding any prepayment, from Distributable Cash Proceeds.

SCHEDULE "E"
PERMITTED ENCUMBRANCES

1. Liens for municipal property taxes, local improvement assessments or taxes, or other taxes, assessments or recoveries relating to the Property which are not at the time due.
2. The reservations, limitations, exceptions, provisos and conditions, if any expressed in any original grants from the Crown including, without limitation, the reservations of any mines and minerals in the Crown or in any other person.
3. Any registered or unregistered licenses, easements, rights-of-way, rights in the nature of easements and agreements with respect thereof which relate to the provisions of utilities or services or easements or rights of way in favour of any governmental authority, any private or public utility, any railway company or any adjoining owner to the Property (including, without limitation, agreements, easements, licenses, rights-of-way and interests in the nature of easements for sidewalks, public ways, sewers, drains, gas, steam and water mains or electric light and power, or telephone and telegraphic conduits, poles, wires, and cables).
4. Title defects or irregularities, which are of a minor nature and in the aggregate will not materially adversely impair the use or marketability of the Real Property or that part thereof affected by the defect or irregularity for the purposes for which it is presently used.
5. The exceptions, limitations and qualifications of the *Land Titles Act* and any amendments thereto.
6. The First Charge registered against the Property of up to \$7,000,000 used to assist in the acquisition of the Property.

LOAN AGREEMENT

THIS AGREEMENT is made as of the 5th day of October, 2015.

BETWEEN:

**TEXTBOOK STUDENT SUITES (525 PRINCESS STREET)
TRUSTEE CORPORATION**, a corporation incorporated under
the laws of the Province of Ontario

(hereinafter referred to as the "Lender")

AND

TEXTBOOK (525 PRINCESS STREET) INC., a corporation
incorporated under the laws of the Province of Ontario

(hereinafter referred to as the "Borrower")

WHEREAS the Lender, on the terms and conditions hereinafter set forth, has agreed to lend to the Borrower and the Borrower has agreed to borrow from the Lender the sum of up to **Six Million Four Hundred Thousand (\$6,400,000) Dollars** of lawful money of Canada (the "Principal Sum") for a term of Three (3) years, subject to extensions as provided herein, (the "Term") in connection with the development and construction by the Borrower of a condominium project on the lands and premises situated at 525 Princess Street, Kingston, Ontario, 531 Princess Street, Kingston, Ontario, 349 Alfred Street, Kingston, Ontario and 351 Alfred Street, Kingston, Ontario, and more particularly described in Schedule "A" attached hereto (the "Property").

AND WHEREAS the Borrower agrees to pay to the Lender interest on the Principal Sum at the Loan Rate (as hereinafter defined), calculated annually and payable quarterly during the Term along with the Additional Loan Payment as more particularly described in Schedule "D" attached hereto;

AND WHEREAS the Borrower has agreed to allow a Charge/Mortgage of Land in addition to the other Security Documents, on the terms set out herein, to be registered against the Property in first position and in favour of the Lender (the "Mortgage"), as security for repayment of the Principal Sum with interest at the Loan Rate and the payment of the Additional Loan Payment;

AND WHEREAS the Borrower agrees to repay to the Lender the Principal Sum and interest at the Loan Rate and the payment of the Additional Loan Payment on or before the expiry of the Term, as specified herein;

AND WHEREAS the Lender and the Borrower (collectively, the "Parties") wish to evidence their agreement in respect of the Loan;

AND WHEREAS the Lender acknowledges that the Mortgage shall be granted, *inter alia*, in the form of a syndicated first Charge/Mortgage of Land as more fully described herein and shall be in form and substance satisfactory to the Lender;

NOW THEREFORE THIS AGREEMENT WITNESSETH THAT in consideration of the covenants, agreements herein contained and for other good and valuable consideration (the receipt and sufficiency of which is hereby acknowledged), the parties hereto agree as follows:

ARTICLE 1 RECITALS

1.01 The Parties to this Agreement acknowledge and agree that the recitals to this Agreement are true and correct in substance and in fact are incorporated into and form an integral part of this Agreement.

ARTICLE 2 DEFINITIONS AND TERMS

2.01 The following words and phrases have the following meanings when used in this Agreement:

- (a) "Acceleration Date" means the date on which an Acceleration Event occurs;
- (b) "Acceleration Event" means the earlier of: (i) the occurrence of an Insolvency Event; and (ii) the delivery by the Lender to the Borrower of a written notice that the Borrowers Liabilities or any part thereof are immediately due and payable, following the occurrence and during the continuation of an Event of Default other than an Insolvency Event;
- (c) "Additional Loan Payment" has the same meaning as set forth in Section 4.11 hereof;
- (d) "Agreement", means this Agreement entitled "Loan Agreement", and all instruments supplemental hereto or in amendment or confirmation hereof; "hereof", "hereto" and "hereunder" and similar expressions refer to this Agreement, and where relevant, to any particular article, section or paragraph hereof; "Article", "Section" and "paragraph" mean and refer to the specified article, section or paragraph of this Agreement;
- (e) "BIA" means the *Bankruptcy and Insolvency Act* (Canada), as amended from time to time;
- (f) "Borrower's Books and Records" shall have the same meaning as set forth in Section 7.04 hereof.
- (g) "Borrower's Liabilities", refers collectively to the Loan, all interest from time to time accruing thereon as set forth in this Agreement, and all liabilities and indebtedness now or hereafter owing, arising, due or payable by the Borrower to the Lender whether

under this Agreement or the Security Documents and including the Additional Loan Payment;

- (h) "Borrower's Solicitors" shall mean Harris + Harris LLP, or such other solicitors that the Borrower may in writing designate;
- (i) "Business Day", refers to any day other than a Saturday, Sunday or Statutory Holiday in Toronto, Ontario;
- (j) "Closing Date" or "Closing", or similar references means the date of the initial Loan Instalment or the date, as the context requires, of any other Loan Instalments made pursuant hereto;
- (k) "Commodity Taxes" means all commodity taxes, including all sales, use, retail, goods and services, harmonized sales, value-added and similar taxes imposed, levied or assessed by any Governmental Authority;
- (l) "Default" means any event, act, omission or condition which with the giving of notice or the passage of time, or both, would result in an Event of Default;
- (m) "Distributable Cash Proceeds" means all amounts received by the Borrower arising out of the Property or the sale or operation thereof or of the sale of condominium units for the period including but not limited to the following:
 - (i) all revenues derived from the sale of condominium units or any part or all of the Property (including all premiums, upgrade costs (net of commissions) and applicable harmonized sales tax or goods and services tax rebates);
 - (ii) all gross receipts derived from all rents and fees payable by tenants, licensees and concessionaires;
 - (iii) the gross amount, if any, of any insurance proceeds received by the Borrower, including business interruption payments;
 - (iv) the net proceeds of any refinancing, if any, received by the Borrower, other than any construction loan which contains terms prohibiting the use of such loan proceeds to repay existing indebtedness (net of repayments of existing mortgage financing being refinanced); and
 - (v) the gross amount, if any, from partial or total expropriations of all or part of the Property,

but excluding: (i) Commodity Taxes which the Borrower is required by law to collect from purchasers, tenants, concessionaires or licensees and remit to an applicable taxing authority.

- (n) "Distribution" means, other than as specifically provided for elsewhere in this Agreement or in any other acknowledgement or direction executed by the Lender prior to the advance of the Loan, any amount paid to or on behalf of the employees, directors, officers, shareholders, partners or unitholders of the Borrower, by way of salary, bonus, commission, management fees, directors' fees, dividends, redemption of shares, distribution of profits or otherwise, other than ordinary course payment of amounts related to the management, development and operation of the Property, provided such payments are in amounts reasonable for the services rendered, and whether payments are made to such Persons in their capacity as shareholders, partners, unitholders, directors, officers, employees, owners or creditors of the Borrower or otherwise, or any other direct or indirect payment in respect of the earnings or capital of the Borrower;
- (o) "Event of Default" is defined in Section 9.01 hereof;
- (p) "Expenses", means all expenses relating to the Loan and all fees and expenses for legal services relative to the preparation, review and enforcement of this Agreement and the Security Documents, the making of Loan Instalments and the repayment of the Borrower's Liabilities and the release of the security therefore;
- (q) "Fiscal Year" means the fiscal year end of the Borrower, being December 31st in every year;
- (r) "GAAP" means generally accepted accounting principles in Canada as approved by the Canadian Institute of Chartered Accountants in effect from time to time; and for greater certainty if international financial reporting standards are adopted by the Canadian Institute of Chartered Accountants in replacement for generally accepted accounting principles, each reference to "GAAP" herein shall be deemed to refer to such international financial reporting standards;
- (s) "Governmental Authority" means any; (i) federal, provincial, state, municipal, local or other governmental or public department, central bank, court, commission, board, bureau, agency or instrumentality, domestic or foreign; (ii) any subdivision or authority of any of the foregoing; or (iii) any quasi-governmental, judicial or administrative body exercising any regulatory, expropriation or taxing authority under or for the account of any of the foregoing;
- (t) "Hazardous Materials" means any contaminant, pollutant, waste or substance that is likely to cause immediately or at some future time harm or degradation to the surrounding environment or risk to human health; and without restricting the generality of the foregoing, including any pollutant, contaminant, waste, hazardous waste or dangerous goods that is regulated by any Requirements of Environmental Law or that is designated, classified, listed or defined as hazardous, toxic, radioactive or dangerous or as a contaminant, pollutant or waste by any Requirements of Environmental Law;

- (u) "Indemnitees" means the Lender and its successors and permitted assignees, any agent of any of them (specifically including a receiver or receiver-manager) and its officers, directors, employees, beneficial owners and shareholders;
- (v) "Insolvency Event" means, in respect of any Person:
 - (i) such Person ceases to carry on its business; or commits an act of bankruptcy or becomes insolvent (as such terms are used in the BIA); or makes an assignment for the benefit of creditors, files a petition in bankruptcy, makes a proposal or commences a proceeding under Insolvency Legislation; or petitions or applies to any tribunal for, or consents to, the appointment of any receiver, trustee or similar liquidator in respect of all or a substantial part of its property; or admits the material allegations of a petition or application filed with respect to it in any proceeding commenced in respect of it under Insolvency Legislation; or takes any corporate action for the purpose of effecting any of the foregoing; or
 - (ii) any proceeding or filing is commenced against such Person seeking to have an order for relief entered against it as debtor or to adjudicate it a bankrupt or insolvent, or seeking liquidation, winding-up, reorganization, arrangement, adjustment or composition of it or its debts under any Insolvency Legislation, or seeking appointment of a receiver, trustee, custodian or other similar official for it or any of its property or assets; unless (i) such Person is diligently defending such proceeding in good faith and on reasonable grounds as determined by the Lender and (ii) such proceeding does not in the reasonable opinion of the Lender materially adversely affect the ability of such Person to carry on its business and to perform and satisfy all of its obligations hereunder;
- (w) "Insolvency Legislation" means legislation in any applicable jurisdiction relating to reorganization, arrangement, compromise or re-adjustment of debt, dissolution or winding-up, or any similar legislation, and specifically includes for greater certainty the BIA, the *Companies' Creditors Arrangement Act* (Canada) and the *Winding-Up and Restructuring Act* (Canada);
- (x) "Interest Reserve" means the amounts set aside or deducted as contemplated in Section 4.12 hereof to fund the obligations of the Borrower to pay interest as set forth in this Agreement on the Loan Instalments that may from time to time be made by the Lender to the Borrower.
- (y) "Laws" means all statutes, codes, ordinances, decrees, rules, regulations, municipal by-laws, judicial or arbitral or administrative or ministerial or departmental or regulatory judgments, orders, decisions, rulings or awards, or any provisions of such laws, including general principles of common and civil law and equity or policies or guidelines, to the extent such policies or guidelines have the force of law, binding on

the Person referred to in the context in which such word is used; and "Law" means any of the foregoing;

- (z) "Lender's Solicitors" shall mean Nancy Elliott, Barrister & Solicitor, or such other solicitors that the Lender may in writing designate;
- (aa) "Lien" means: (i) a lien, charge, mortgage, pledge, security interest or conditional sale agreement; (ii) an assignment, lease, consignment, trust or deemed trust that secures payment or performance of an obligation; (iii) a garnishment; (iv) any other encumbrance of any kind; and (v) any commitment or agreement to enter into or grant any of the foregoing;
- (bb) "Loan", means the aggregate amount, not to exceed Six Million Four Hundred Thousand (\$6,400,000) Dollars, of all Loan Instalments made from time to time hereunder by the Lender to the Borrower, less the amount, if any, repaid from time to time by the Borrower to the Lender;
- (cc) "Loan Instalment" has the same meaning as set forth in Sub-Section 4.08(a) hereof, with each Loan Instalment to be made in the sole and absolute discretion of the Lender;
- (dd) "Loan Rate", means the annual rate of interest applicable to any particular amount outstanding pursuant to this Agreement being Eight (8%) percent per annum;
- (ee) "Material Adverse Change" means any change or event which: (i) constitutes a material adverse change in the business, operations, condition (financial or otherwise) or properties of the Borrower taken as a whole; or (ii) could materially impair the Borrower's ability to timely and fully perform its obligations under this Agreement or the Security Documents, or materially impair the ability of the Lender to enforce its rights and remedies under this Agreement or the Security Documents;
- (ff) "Material Agreement" means, in respect of the Borrower, any agreement made between the Borrower and another Person which the Lender, in its sole and absolute discretion, determines to be material to the Borrower;
- (gg) "Maturity Date" shall have the same meaning as set forth in Section 4.04 hereof;
- (hh) "Mortgage" has the same meaning as set forth in Sub-Section 5.01(c) hereof;
- (ii) "Note" shall mean the promissory note executed by the Borrower in favour of the Lender in the sum of up to Six Million Four Hundred Thousand (\$6,400,000) Dollars which Note shall be in form and substance satisfactory to the solicitors of the Lender;
- (jj) "Outstanding Encumbrances and Liens" shall have the same meaning as set forth in Sub-Section 7.01(l) hereof;
- (kk) "Person", means a natural person, firm, trust, partnership, association, corporation, government or governmental board, agency or instrumentality;

- (ll) "Permitted Encumbrances" are those Liens described in Schedule "E" attached hereto and any construction financing (including Tarrion bonding company insurance mortgage security) subsequently acquired by the Borrower for the construction of the condominium project on the Property not exceeding Thirty Million (\$30,000,000) Dollars;
- (mm) "Requirements of Environmental Law" means: (i) obligations under common law; (ii) requirements imposed by or pursuant to statutes, regulations and by-laws whether presently or hereafter in force; (iii) requirements announced by a Governmental Authority as having immediate effect (provided that at the time of making such announcement the government also states its intention of enacting legislation to confirm such requirements retroactively); (iv) all directives, policies and guidelines issued or relied upon by any Governmental Authority to the extent such directives, policies or guidelines have the force of law; (v) all permits, licenses, certificates and approvals from Governmental Authorities which are required in connection with air emissions, discharges to surface or groundwater, noise emissions, solid or liquid waste disposal, the use, generation, storage, transportation or disposal of Hazardous Materials; and (vi) all requirements imposed under any clean-up, compliance or other order made pursuant to any of the foregoing, in each and every case relating to environmental, health or safety matters including all such obligations and requirements which relate to (A) solid, gaseous or liquid waste generation, handling, treatment, storage, disposal or transportation and (B) exposure to Hazardous Materials;
- (nn) "Security" means all guarantees, security agreements, mortgages, debentures and other documents mentioned comprising the Security Documents or otherwise and all other documents and agreements delivered by the Borrower or other Persons to the Lender for the benefit of the Lender from time to time as security for the payment and performance of the Borrowers Liabilities, and the security interests, assignments and Liens constituted by the foregoing;
- (oo) "Security Documents", refers collectively to this Agreement, the Mortgage, those documents and instruments referred to in Section 5.01 hereof and any and other documents, agreements or writings delivered to the Lender as contemplated in this Agreement whether as security for the Loan or otherwise. At the option of the Lender, the Security Documents may reflect a fixed rate of interest as designated by the Lender's counsel. Notwithstanding the same, the provisions with respect to the payment of interest as set out in this Agreement shall prevail;
- (pp) "Statutory Lien" means a Lien in respect of any property or assets of a Company created by or arising pursuant to any applicable legislation in favour of any Person (such as but not limited to a Governmental Authority), including a Lien for the purpose of securing the Borrower's obligation to deduct and remit employee source deductions and goods and services tax pursuant to the *Income Tax Act* (Canada), the *Excise Tax Act* (Canada), the Canada Pension Plan (Canada), the *Employment Insurance Act* (Canada) and any federal or provincial legislation similar to or enacted in replacement of the foregoing from time to time; and,

(qq) "Subsidiary" means a business entity which is controlled by another business entity (as used herein, "business entity" includes a corporation, company, partnership, limited partnership, trust or joint venture).

2.02 Unless otherwise provided herein, all financial terms used in this Agreement shall be determined in accordance with GAAP in effect at the date of such determination. Where the character or amount of any asset or liability or item of revenue or expense is required to be determined, or any consolidation or other computation is required to be made for the purpose of this Agreement, such determination or calculation shall be made in accordance with GAAP applied on a consistent basis, unless otherwise indicated.

2.03 All amounts referred to in this Agreement are in Canadian Dollars unless otherwise noted.

2.04 Whenever in this Agreement reference is made to a statute or regulations made pursuant to a statute, such reference shall, unless otherwise specified, be deemed to include all amendments to such statute or regulations from time to time and all statutes or regulations which may come into effect from time to time substantially in replacement for the said statutes or regulations.

2.05 Terms defined in the singular have the same meaning when used in the plural, and vice-versa. When used in the context of a general statement followed by a reference to one or more specific items or matters, the term "including" shall mean "including, without limitation", and the term "includes" shall mean "includes, without limitation". Any reference herein to the exercise of discretion by the Lender (including phrases such as "in the discretion of", "in the opinion of", "in its opinion", "to the satisfaction of" and similar phrases) shall mean that such discretion is absolute and unfettered and shall not imply any obligation to act reasonably, unless otherwise expressly stated herein.

ARTICLE 3 SCHEDULES

3.01 The following are the schedules attached to and incorporated in this Agreement by reference and deemed to be a part thereof:

Schedule "A" - Lands to be Charged/Mortgaged

Schedule "B" - Schedule of Interest Payments

Schedule "C" - Expenses

Schedule "D" - Additional Loan Payment

Schedule "E" - Permitted Encumbrances

ARTICLE 4
THE LOAN, INTEREST, EXPENSES, AND PAYMENT THEREOF

4.01 Subject to the terms and conditions hereof, the Lender agrees to provide to the Borrower the Loan.

4.02 The Borrower and the Lender acknowledge and confirm that, notwithstanding any rate of interest set out in the Security Documents or any of them, the provisions of this Agreement regarding the Loan Rate shall govern the rate of interest payable on the Loan. The Borrower and the Lender further acknowledge and confirm that the Security Documents shall be in form and substance satisfactory to the Lender.

4.03 Interest on the Loan Rate shall be determined daily and shall be due, payable and compounded quarterly, not in advance, on the 1st day of each month during such quarterly period, as well after as before demand, maturity, default and judgment, together with interest on overdue interest determined daily (if relevant) and compounded quarterly at the same rate applicable until the Borrower's Liabilities have been paid in full. Interest shall be calculated on the basis of a three hundred and sixty-five (365) day year. Interest on the Loan at the Loan Rate and calculated as aforesaid shall accrue as of the date of the first Loan Instalment. Any disputes on the determination and calculation of interest of the Interest Rate shall be resolved by the Lender, in its opinion but acting reasonably. The first payment of interest and all subsequent payments of interest as aforesaid shall be payable in the amounts and on the dates as set forth in Schedule "B" attached hereto.

4.04 The Loan, together with all accrued and outstanding interest and other charges in connection therewith as set forth in this Agreement and the Security Documents including without limiting the generality of the foregoing the Additional Loan Payment and all other Borrower's Liabilities, shall become fully due and repayable on the third anniversary of the first Loan Instalment, unless extended as set out in this Agreement (the "Maturity Date"). The Maturity Date may be extended for up to two six month extension periods, by notice in writing delivered by the Borrower to the Lender at least 60 days prior to the scheduled Maturity Date, or extended Maturity Date, in the case of a second six month extension. During any extension of the Term, all of the provisions in this Agreement shall remain in full force and effect and interest shall continue to be payable and accrue during any extension to the Term, on the same terms and conditions as interest is calculated and payable prior to any extension of the Term. The Maturity Date shall be deemed amended to the date which is six months from the date of the prior Maturity Date, or first amended Maturity Date in the case of a second six month extension.

4.05 Any payment provided hereunder to be made by the Borrower to the Lender shall be in certified funds or Bank Draft and shall be payable to the Borrower's Solicitors, in trust, and delivered to the Borrower's Solicitors, or any other payee or office designated by the Lender from time to time. The Borrower's Solicitors shall coordinate further delivery of such funds with the Lender's Solicitors. Any payment as aforesaid received after two o'clock (2:00) p.m. Toronto time shall be deemed to have been received on the next following Business Day.

4.06 This Agreement shall constitute evidence of the obligation of the Borrower to repay all the Borrower's Liabilities in accordance with the terms hereof. The Borrower shall repay the Loan and

the Borrower's Liabilities in full on the Maturity Date, and until then shall pay interest at the time or times and in the manner provided herein.

4.07 All Loan Instalments and Expenses as and when advanced or incurred shall be and become secured by the Security Documents and Expenses may be paid by the Lender and be deducted from Loan Instalments which would otherwise have been made to the Borrower. The Security Documents shall be in addition to any other security which the Lender may now have or subsequently acquire for the performance of the Borrower's Liabilities. The Expenses listed in Schedule "C" attached hereto are a list of Expenses (but by no means an exhaustive list of all Expenses) that shall be deducted from the Loan Instalments.

4.08 The Lender and the Borrower mutually acknowledge, confirm, represent and covenant as follows:

- (a) Any amounts advanced by the Lender, in its sole and absolute discretion, to the Borrower pursuant to this Agreement, may occur in tranches (the "Loan Instalments") with the anticipated first Loan Instalment to be in the amount of not less than Four Million Five Hundred and Fifty Thousand (\$4,550,000) Dollars. The second or further Loan Instalments are expected to be in the aggregate amount of One Million Eight Hundred and Fifty Thousand (\$1,850,000) Dollars; and
- (b) prior to the release of any funds by the Lender's Solicitors to the solicitor(s) for the Borrower, each Party hereby irrevocably acknowledges and directs that their respective solicitors are authorized to and shall cause to be registered any such instruments on title to the Lands which in the opinion of the solicitor for the Lender may be required as evidence of any sums advanced to the Borrower on the security of this Agreement or the Security Documents.

4.09 The Borrower may not prepay all or any portion of the Borrower's Liabilities hereunder, other than pursuant to Section 4.13 hereof.

4.10 Notwithstanding anything to the contrary contained in this Agreement, any Loan Instalment made by the Lender and the Borrower shall be at the Lender's sole and absolute discretion and the Lender shall not be obligated at any time or times to make any Loan Instalment to the Borrower.

4.11 In addition to the payment by the Borrower of the Loan plus interest as set forth in this Agreement, the Borrower shall also pay to the Lender, in certified funds or Bank Draft, forthwith after the determination is made by the Lender in its opinion that the Additional Loan Payment is payable, the amount of the Additional Loan Payment calculated as described in Schedule "D" attached hereto in the same manner as contemplated in Section 4.05 hereof. Notwithstanding the foregoing, the Lender, at its option, may also deduct from the Distributable Cash Proceeds, at any time and from time to time, all or any part of the Additional Loan Payment that the Lender, in its opinion, believes is due and payable.

4.12 The parties hereto acknowledge, confirm, covenant and agree that the Lender shall be deducting from the first Loan Instalment and any subsequent Loan Instalments an amount equal

to the projected interest on the amount of such Loan Instalment for 12 months which shall be a contribution of the Borrower to the Interest Reserve. The parties hereto further acknowledge, confirm, covenant and agree that the Lender may from time to time and at any time, acting reasonably, deduct from the funds held in trust by the Lender's Solicitors or received from the Borrower, whether from the Distributable Cash Proceeds or otherwise, such amounts that in its opinion is necessary or appropriate to replenish the Interest Reserve. The Borrower covenants and agrees that the amount in the Interest Reserve shall be applied by the Lender against the obligations of the Borrower to pay interest hereunder on the Loan Instalments and that once applied or deducted by the Lender from the Loan Instalments, the Distributable Cash Proceeds or otherwise, the Borrower shall have no claim against the funds in the Interest Reserve.

4.13 The Borrower, at any time after the second anniversary hereof, shall be entitled to repay all or a portion of the Loan without penalty, notice or bonus and the interest at the rate of 8% per annum on the principal outstanding ceasing at the date of prepayment; provided that the Lender shall continue to be entitled to the Additional Loan Payment for all three years of this Loan, even though the Loan shall have been prepaid prior to the three year term expiry (to also be paid at the time of prepayment) plus the prepayment amount; but shall not be entitled to any additional interest Payment for the third year of the Term of this Loan nor any compensation for loss of interest after the date of such prepayment.

ARTICLE 5 SECURITY

5.01 The Borrower agrees to provide the Security Documents listed below to the Lender, as continuing security for the payment and performance of all of its present and future, direct and indirect obligations to the Lender, specifically including the Loan, the Borrowers Liabilities and its direct indebtedness and obligations to the Lender arising under this Agreement:

- (a) The Note;
- (b) A mortgage in the amount of the Principal Sum (or such lesser amount as determined by the Lender in its sole and unfettered discretion and provided that the Principal Sum shall not exceed the result of \$6,400,000 less any other mortgages registered against the Property) ranking as a first mortgage; provided that said mortgage shall also be subordinated to (i) any construction and related financing (in one or multiple tranches) not exceeding in the aggregate Thirty Million (\$30,000,000) Dollars obtained by the Borrower related to construction of the condominium project on the Property and for the hard and soft costs related thereto, including any Tarion warranty bond mortgage security (the "Mortgage");
- (c) if requested by the Lender from time to time, security agreements creating an assignment security interest in respect of its rights to and interest in Material Agreements to which it is a party, together with any necessary consents from the other parties thereto which security interest may not be a first ranking security interest;

- (d) an assignment of its interest in all policies of insurance, specifically including the right to receive any refunds of premiums paid thereunder, which security interest may not be a first ranking security interest; and
- (e) such other security and further assurances as the Lender may reasonably require from time to time, which security interests may not be first ranking security interests.

5.02 The Security Documents shall be in form and substance satisfactory to the Lender, acting reasonably. The Lender may require that any item of Security Documents be governed by the laws of the jurisdiction where the property subject to such item of Security Documents is located. The Security Documents shall be registered by the Lender or, at the request of the Lender, by the Borrower, all at the Borrower's cost and expense, where necessary or desirable to record and perfect the charges contained therein, as determined by the Lender in its sole and absolute discretion.

5.03 The Borrower shall cause to be delivered to the Lender prior to each Loan Instalment the opinion of the solicitors for the Borrower regarding its corporate status, the due authorization, execution and delivery of the Security Documents provided by it, all registrations in respect of the Security Documents, the results of all applicable searches in respect of them, and the enforceability of such Security Documents and any other matters requested by the Lender in its opinion; all such opinions to be in form and substance satisfactory to the Lender.

5.04 The Borrower shall execute and deliver from time to time all such further documents and assurances as may be reasonably required by the Lender from time to time in order to provide the Security Documents contemplated hereunder, specifically including supplemental or additional security agreements which shall include lists of specific assets to be subject to the security interests required hereunder.

5.05 If insurance proceeds become payable in respect of loss of or damage to any property owned by the Borrower the Lender shall apply such proceeds against the Borrower's Liabilities (allocated amongst the components of the Borrower's Liabilities, at all times, by the Lender in its sole and absolute discretion).

ARTICLE 6 COVENANTS, REPRESENTATIONS AND WARRANTIES

6.01 The Borrower represents and warrants to the Lender as follows (which shall survive the execution and delivery of this Agreement), the truth and accuracy of which are a continuing condition of the advance of the Loan Instalments and the Borrower hereby acknowledges, confirms and agrees that the Lender is relying on such representations and warranties:

- (a) The Borrower is a validly subsisting corporation under the *Business Corporations Act* (Ontario), and is duly qualified to carry on its business in the jurisdiction in which it carries on business and has the power and authority to enter into and perform its obligations under this Agreement, is the registered owner of the

Property and is legally entitled to carry on its business as currently conducted or as currently contemplated.

- (b) The Borrower has obtained all material licenses, permits and approvals from all governments, governmental commissions, boards and other agencies of jurisdictions in which it carries on (or contemplates carrying on) business which are required and which will allow for the development of the Property.
- (c) The Borrower or its solicitor has delivered to the Lender, or its solicitor, copies of the constating documents of the Borrower and the Lender's solicitor has obtained a legal opinion from the Borrower's solicitor that the Borrower is authorized to enter into this Agreement and the Security Documents.
- (d) The execution, delivery and performance of this Agreement and the Security Documents has been duly authorized by all requisite action on the part of the Borrower; and this Agreement and the Security Documents have been, or will be, duly executed and delivered by the Borrower, and this Agreement and the Security Documents delivered or to be delivered pursuant hereto and thereto constitutes, or when delivered will constitute, a valid and binding obligation of the Borrower and enforceable against the Borrower in accordance with their terms, subject to the application of bankruptcy, insolvency and similar laws affecting the enforcement of creditors' rights generally and the fact that the right to obtain judicial orders requiring specific performance or other equitable remedies is in the discretion of the court.
- (e) The Borrower shall and does indemnify and hold harmless the Lender and the Indemnitees from and against all losses, claims, damages, liabilities, and expenses, to which any such person or entity may become subject arising out of or in connection with this Agreement, the use of proceeds, or any related transaction or any claim, litigation, investigation or proceeding, relating to any of the foregoing, regardless of whether the Lender is a party thereto, and to reimburse the Lender, forthwith upon demand for any reasonable, legal or other expenses incurred in connection with investigating or defending any of the foregoing.
- (f) The Borrower acknowledges that neither its execution nor delivery of this Agreement or the Security Documents the consummation of the transactions herein contemplated nor compliance with the terms, conditions and provisions hereof or thereof does not and will not conflict with, and does not and will not result in any breach of or constitutes a default under any of the provisions of the constating documents or by-laws of the Borrower or any applicable Law including applicable securities laws, rules, policies and regulations or any contract or agreement upon or to which the Borrower is a party.
- (g) The Borrower has good and marketable title to the Property and its assets free from all mortgages, security interests, Liens, pledges, charges, encumbrances, title retention agreements, options or adverse claims, other than the permitted

encumbrances as identified in Schedule "E" attached hereto (the "Permitted Encumbrances") and the Outstanding Encumbrances and Liens.

- (h) The Borrower has filed or caused to be filed, in a timely manner all tax returns, reports and declarations, which are required to be filed by it. All information in such tax returns, reports and declarations is complete and accurate in all material respects. The Borrower has paid or caused to be paid all taxes due and payable or claimed due and payable in any assessment received by it, except taxes the validity of which are being contested in good faith by appropriate proceedings diligently pursued and available to the said Borrower and with respect to which adequate reserves have been set aside on its books. Adequate provision has been made for the payment of all accrued and unpaid federal, provincial, local, foreign and other taxes whether or not yet due and payable and whether or not disputed.
- (i) All representations and warranties of the Borrower contained in this Agreement or in any of the Security Documents shall survive the execution and delivery of this Agreement and shall be deemed to have been made again to the Lender on the date of each Loan Instalment pursuant to this Agreement and shall be conclusively presumed to have been relied on by the Lender regardless of any investigation made or information possessed by the Lender. The representations and warranties set forth herein shall be cumulative and in addition to any other representations or warranties which the Borrower shall now or hereafter give, or cause to be given, to the Lender.
- (j) The Borrower further acknowledges and agrees that the terms of this Agreement shall override the terms of any previous loan agreements to which the Borrower and the Lender may be or may have been Parties.
- (k) The Borrower acknowledges that the Lender may have executed a loan agreement that has been amended to accommodate the beneficial owners of the Lender and the Borrower agrees to abide by the specific terms of each of said Agreements.
- (l) The Borrower has no Subsidiaries.
- (m) no Person has any agreement or option or any right or privilege (whether by law, pre-emptive or contractual) capable of becoming an agreement, including convertible securities, warrants or convertible obligations of any nature, for the purchase of any properties or assets of the Borrower out of the ordinary course of business or for the purchase, subscription, allotment or issuance of any debt or equity securities of the Borrower.
- (n) The Borrower is in compliance in all material respects with all applicable Laws of each jurisdiction in which it carries on business and is duly licensed, registered and qualified to do business and is in good standing in each jurisdiction in which the nature of the business conducted by it or the property owned or leased by it make such qualification necessary; and all such licences, registrations and qualifications are valid and subsisting and in good standing.

- (o) The Borrower owns, possesses and has a good and marketable title to its undertaking, property and assets, free and clear of any and all Liens except for Permitted Encumbrances and the Outstanding Encumbrances and Liens. The Borrower does not have any commitment or obligation (contingent or otherwise) to grant any Liens except for the Permitted Encumbrances. No event has occurred which constitutes, or which with the giving of notice, lapse of time or both.
- (p) The Borrower has/will place(d) insurance, including property, boiler and machinery, business interruption and liability insurance, in appropriate amounts and for appropriate risks as would be considered prudent for similar business.
- (q) The Borrower and its business, operations, assets, equipment, property, leaseholds and other facilities is in compliance in all material respects with all Requirements of Environmental Law, specifically including all Requirements of Environmental Law concerning the storage and handling of Hazardous Materials. The Borrower holds all material permits, licenses, certificates and approvals from Governmental Authorities which are required in connection with (i) air emissions; (ii) discharges to surface or groundwater; (iii) noise emissions; (iv) solid or liquid waste disposal; (v) the use, generation, storage, transportation or disposal of Hazardous Materials; and (vi) all other Requirements of Environmental Law. There has been no material emission, spill, release, or discharge into or upon (i) the air; (ii) soils, or any improvements located thereon; (iii) surface water or groundwater; or (iv) the sewer, septic system or waste treatment, storage or disposal system servicing the premises, of any Hazardous Materials at or from the Property, and there has been no complaint, order, directive, claim, citation, or notice from any Governmental Authority or any other Person with respect to (i) air emissions; (ii) spills, releases, or discharges to soils or improvements located thereon, surface water, groundwater or the sewer, septic system or waste treatment, storage or disposal systems servicing the Property; (iii) noise emissions; (iv) solid or liquid waste disposal; (v) the use, generation, storage, transportation, or disposal of Hazardous Materials; or (vi) other Requirements of Environmental Law affecting the Property. There are no legal or administrative proceedings, investigations or claims now pending, or to the Borrower's knowledge, threatened, with respect to the presence on or under, or the discharge, emission, spill, radiation or disposal into or upon any of the Properties, the atmosphere, or any watercourse or body of water, of any Hazardous Material; nor are there any material matters under discussion with any Governmental Authority relating thereto; and there is no factual basis for any such proceedings, investigations or claims. The Borrower has no material indebtedness, obligation or liability, absolute or contingent, matured or not matured, with respect to the storage, treatment, cleanup or disposal of any Hazardous Materials (including without limitation any such indebtedness, obligation, or liability under any Requirements of Environmental Law regarding such storage, treatment, cleanup or disposal).
- (r) Save and except for the Outstanding Encumbrances and Liens, there are no actions, suits or proceedings now pending, or to the Borrower's knowledge,

threatened, against the Borrower in any court or before or by any federal, provincial, municipal or other Governmental Authority.

- (s) No guarantees have been granted by the Borrower.
- (t) The Borrower has remitted on a timely basis all amounts required to have been withheld and remitted (including withholdings from employee wages and salaries relating to income tax, employment insurance and Canada Pension Plan contributions), goods and services and Harmonized Sales tax and all other amounts which if not paid when due could result in the creation of a Statutory Lien against any of the Borrower's property including the Property, except for Permitted Encumbrances.
- (u) Save and except for the Outstanding Encumbrances and Lien, no Default, Event of Default or Material Adverse Change has occurred and is continuing.
- (v) All financial and other information furnished by or in respect of the Borrower to the Lender for the purposes of or in connection with this Agreement or the Security Documents are true and accurate in all material respects and is not incomplete by omitting to state any fact necessary to make such information not misleading. There are no facts known to the Borrower which could materially adversely affect the Borrower's ability to observe and perform their obligations under the Security Documents, or which if known to the Lender could reasonably be expected to deter the Lender from making any Loan Instalments hereunder on the terms and conditions contained herein.

ARTICLE 7 COVENANTS

7.01 The Borrower hereby covenants and agrees with the Lender that it will:

- (a) pay all principal, interest and other amounts due hereunder including the Borrowers Liabilities at the times and in the manner specified herein;
- (b) maintain its corporate existence in good standing, continue to carry on its business, preserve its rights, powers, licences, privileges, franchises and goodwill, exercise any rights of renewal or extensions of any leases, licences, concessions, franchises or any other rights whatsoever which are material to the conduct of its business, maintain all qualifications to carry on business in each jurisdiction in which such qualifications are required, and carry on and conduct its business in a proper and efficient manner so as to protect its property and income; and not materially change the nature of its business;
- (c) comply in all material respects with all applicable Laws (specifically including, for greater certainty, all applicable Requirements of Environmental Law), use the proceeds of all Loan Instalments hereunder for legal and proper purposes in connection with the purposes set out in the first recital of this Agreement, and obtain and maintain in good standing all material leases, licences, permits and approvals.

from any and all Governmental Authorities required in respect of its business and operations;

- (d) pay when due all rents, taxes, rates, levies, assessments and governmental charges, fees and dues lawfully levied, assessed or imposed in respect of its property which are material to the conduct of its business, and deliver to the Lender upon request receipts evidencing such payments;
- (e) maintain adequate books, accounts and records in accordance with GAAP;
- (f) keep the Property and its assets in good repair and working condition;
- (g) permit the Lender and its employees, representatives and agents (during normal business hours and in a manner which does not materially interfere with its business) to enter upon and inspect the Property and its properties, assets, books and records from time to time and make copies of and abstracts from such books and records, and discuss its affairs, finances and accounts with its officers, directors, accountants and auditors; such access shall be on 48 hours' prior notice unless a Default has occurred and is continuing in which event no notice shall be required;
- (h) obtain from financially responsible insurance company and maintain liability insurance, all-risks property insurance on a replacement cost basis (less a reasonable deductible not to exceed amounts customary in the industry for similar businesses and properties), business interruption insurance and insurance in respect of such other risks as the Lender may reasonably require from time to time; all of which policies of insurance shall be in such amounts as may be reasonably required by the Lender and shall include a standard mortgage clause approved by the Insurance Bureau of Canada; and the Lender's interest shall be noted as an additional insured on all liability insurance policies and as second mortgagee and loss payee on all other insurance policies; and the Lender shall be provided with certificates of insurance and certified copies of such policies from time to time upon request;
- (i) fulfil all covenants and obligations required to be performed by it under this Agreement and the Security Documents to which it is a party and any other agreement or undertaking now or hereafter made between it and the Lender;
- (j) provide prompt notice to the Lender of: (i) the occurrence of any Default or Event of Default; (ii) the incorrectness of any representation or warranty contained herein or any Security Documents in any material respect; (iii) any material contravention of or non-compliance by any Borrower with any terms and conditions of this Agreement or any Security Document; (iv) any Material Adverse Change; (v) any litigation affecting the Borrower; (vi) any material labour dispute affecting the Borrower; or (vii) any notice in respect of the termination or suspension of, or a material default under, any Material Contract;
- (k) provide the Lender with such further information, financial data, documentation and other assurances as the Lender may reasonably require from time to time in order to

ensure ongoing compliance with the terms of this Agreement and the Security Documents and to achieve the spirit and intent of this Agreement;

- (l) The Borrower hereby covenants and agrees with the Lender that the first Loan Instalment will be used to purchase the Property free and clear of any encumbrances and liens;
- (m) From any excess proceeds available after the Property has been acquired, the Borrower intends to pay a dividend of \$250,000 to each of its four shareholders, in compensation of expenses incurred and efforts in locating suitable property, negotiating and structuring the purchase transaction and matters ancillary thereto which shall not be a Distribution for the purposes of this Agreement.

7.02 The Borrower hereby covenants and agrees with the Lender that it will not without the prior written consent of the Lender (which consent may be withheld in the sole and absolute discretion of the Lender):

- (a) grant or suffer to exist any Liens in respect of any of its property and assets including the Property, except the Permitted Encumbrances;
- (b) directly or indirectly sell or otherwise dispose of any of its assets save and except in the ordinary course of its business or further save and except to sales of dwelling units to bona fide arm's length third party purchasers of such units;
- (c) make any Distributions;
- (d) not materially change the nature of its business, maintain a place of business or any material assets in any jurisdiction other than the Province of Ontario, or enter into any transaction whereby all or a substantial portion of its undertaking, property and assets would become the property of any other Person, whether by way of reconstruction, reorganization, recapitalization, consolidation, amalgamation, merger, transfer, sale or otherwise, in each case without the prior written consent of the Lender in its sole and absolute discretion;
- (e) change its Fiscal Year (which for greater certainty presently ends on the last day of December in each year);
- (f) change its Accountants except with the prior written consent of the Lender which consent shall not be unreasonably withheld; and,
- (g) use the proceeds of any Loan Instalment for any purposes other than the development and construction of a condominium project on the Property, unless otherwise specified in this Agreement; other than for the purposes of earning interest income on funds which are not immediately required to be expended by the Borrower.

7.03 The Borrower shall deliver by courier delivery to the Lender, upon request by the Lender, the following financial and other information at the times indicated below:

- (a) the annual Year-end Financial Statements of the Borrower, by the 120th day after the end of the Fiscal Year accompanied by a Compliance Certificate certified by the Chief Financial Officer of the Borrower or other senior officer of the Borrower acceptable to the Lender;
- (b) within the first 120 days after the start of each Fiscal Year, a business plan for the Borrower in respect of such Fiscal Year, which shall disclose all material assumptions utilized and shall include the following items set out on a quarterly basis: balance sheet, income statement, cashflow statement, Capital Expenditures and tax liabilities; and
- (c) such additional information and documents as the Lender may reasonably require from time to time.

7.04 Full, true and accurate accounting and financial information shall be kept by the Borrower in accordance with GAAP as of the date hereof until at least after eighteen (18) months after the Borrower's Liabilities have been repaid. The Lender or anyone designated by the Lender shall have access to the books, records, financial information, financial statements and data of the Borrower (the "Borrower's Books and Records") at any and all times during regular business hours for the purpose of examining and reviewing the Borrower's Books and Records. The Lender shall not disclose any confidential information so obtained except to the extent that disclosure is reasonable in the conduct of the Lender's business.

7.05 The Lender hereby covenants with the Borrower, that the Lender shall execute any necessary documents and register such documents as may be reasonably requested by any construction financier to subordinate the Lender's Mortgage security to any mortgage or other security granted by the construction financier or Tarion warranty bonding company to the Borrower, for the purposes of funding the Borrower's construction of the project on the Property (which shall include demolition costs and professional fees in furtherance of such construction (architectural, engineering, etc.)) or the provision Tarion insurance coverage, as the case may be; and the Lender appoints the Borrower as the Lender's power of attorney to execute any required documents on behalf of the Lender to evidence the foregoing.

ARTICLE 8 CONDITIONS PRECEDENT

8.01 The Lender shall have no obligation to make the first Loan Instalment hereunder or any Loan Instalments thereafter on the Closing Date unless at the time of making such Loan Instalment the following terms and conditions (which are condition precedents in favour of the Lender) shall have been satisfied in the opinion of the Lender:

- (a) the Lender shall have completed and shall be satisfied with its due diligence in respect of the Property;
- (b) all representations and warranties made by the Vendor contained in this Agreement or the Security Documents shall be true, correct and complete in all material respects;

- (c) all Security Documents required to be provided at the time of the first Loan Instalment shall have been executed and delivered, all registrations necessary or desirable in connection therewith shall have been made, and all legal opinions and other documentation required by the Lender in connection therewith shall have been executed and delivered, all in form and substance satisfactory to the Lender in its sole and absolute discretion;
- (d) the Lender shall have received satisfactory evidence that there are no Liens affecting the Borrower or its assets, except for Permitted Encumbrances which shall be paid in full and deducted from the First Loan Instalment on the Closing Date;
- (e) the Lender shall have received particulars of all Permitted Encumbrances, specifically including the assets encumbered thereby, the amounts due thereunder, and confirmation from the holders thereof that the terms thereof are being complied with;
- (f) the property and assets of the Borrower shall be insured on the Closing Date; the terms and conditions of such insurance to be in compliance with the requirements of this Agreement in the opinion of the Lender;
- (g) the Lender shall have received an officer's certificate and certified copies of resolutions of the board of directors of the Borrower concerning the due authorization, execution and delivery of the Security Documents to which it is a party, and such related matters as the Lender may reasonably require;
- (h) the Lender shall have received from the Borrower a certificate of status as of the Closing Date or the date of any Loan Instalment, as the case may be, certificate of compliance or similar certificate for the Borrower issued by its governing jurisdiction and each other jurisdiction in which it carries on business or holds any material assets;
- (i) the Lender shall have received such additional evidence, documents or undertakings as it may reasonably require to complete the transactions contemplated hereby in accordance with the terms and conditions contained herein;
- (j) All Realty Taxes related to the Property are up-to-date as of the Closing Date; and
- (k) All mortgages, charges, Liens and encumbrances have been discharged, on the Closing Date and prior to any Loan Instalment being made.

8.02 The Borrower hereby acknowledges, confirms, covenants and agrees that the Lender is syndicating the Loan and therefore, the Lender shall have no obligation to make the first Loan Instalment hereunder on the Closing Date or any Loan Instalment thereafter unless at the time of making such Loan Instalment the syndication of the Loan has been completed in the opinion of the Lender.

**ARTICLE 9
DEFAULT AND REMEDIES**

9.01 The occurrence of any one or more of the following events, after the expiry of any applicable cure period set out below, shall constitute an event of default under this Agreement (an "Event of Default"):

- (a) the Borrower fails to pay any principal, interest, Expenses or any other amount payable hereunder when due under the terms of this Agreement or any of the Security Documents;
- (b) any representation, warranty or statement made to the Borrower herein or in any Security Documents is incorrect in any material respect on the date on which such representation, warranty or statement was made or deemed to have been made, or subsequently becomes incorrect in any material respect; provided that if such representation, warranty or statement is capable of being corrected within twenty (20) days, the Borrower diligently attempts to take all such action as may be necessary in order that such representation, warranty or statement will become correct and diligently keep the Lender informed of its efforts in this regard, and such representation, warranty or statement is correct by not later than the expiry of such twenty (20) day period on the opinion of the Lender, then the incorrectness of such representation, warranty or statement shall not constitute an Event of Default;
- (c) the Borrower fails to perform or comply with any of the covenants or obligations set out in this Agreement;
- (d) the Borrower fails to perform or comply with any of its covenants or obligations contained in any of the Security Documents, in each case, following receipt of notice of such non-compliance from the Lender; provided that if such non-compliance is capable of remedy within twenty (20) days, the Borrower diligently attempts to remedy such non-compliance and diligently keeps the Lender informed of its efforts in this regard, and such non-compliance is remedied within such twenty (20) day period in the opinion of the Lender, then such non-compliance shall not constitute an Event of Default;
- (e) an Insolvency Event occurs in respect of the Borrower;
- (f) any document constituting part of the Security Documents shall for any reason cease to be in full force and effect or shall be declared in a final judgment of a court of competent jurisdiction to be null and void; or the Borrower contests the validity or enforceability thereof or denies it has any further liability or obligation thereunder; or any document constituting part of the Security Documents shall for any reason fail to create a valid and perfected First-Ranking Security Interest subject to Permitted Encumbrances in the opinion of the Lender, in and to the property purported to be subject thereto, except that if such failure is capable of remedy within thirty (30) days, the Borrower diligently attempts to remedy such failure and diligently informs the Lender of its efforts in this regard, and the failure is remedied within such thirty

(30) day period in the opinion of the Lender, then the failure shall not constitute an Event of Default;

- (g) any Person takes possession, or threatens to take possession, of any property of the Borrower including the Property by way of or in contemplation of enforcement of any security it may hold, or a distress or execution or similar process is levied or enforced against any such property; and,
- (h) any Governmental Authority shall take any action or proceeding to condemn, seize or appropriate any property of the Borrower that is material to its financial condition, business or operations.

9.02 Upon the occurrence of an Insolvency Event, the Borrower's Liabilities shall become immediately due and payable, without the necessity of any demand upon or notice to the Borrower by the Lender. Upon the occurrence and during the continuation of any Event of Default other than an Insolvency Event, the Lender may by written notice to the Borrower declare the Borrower's Liabilities to be immediately due and payable. Upon the occurrence and during the continuation of an Event of Default, both before and after the Acceleration Date, all outstanding Loan Instalments shall bear interest at the Loan Rate plus two percent (2%) per annum in order to compensate the Lender for the additional risk.

9.03 Upon the occurrence and during the continuation of an Event of Default, the Lender may apply any proceeds of realization from any Security or related to this Agreement or the Security Documents, against any portion or portions of the Borrower's Liabilities, and the Borrower may not require any different application. The taking of a judgment or any other action or dealing whatsoever by the Lender in respect of the Security Documents shall not operate as a merger of any of the Borrower's Liabilities hereunder or in any way affect or prejudice the rights, remedies and powers which the Lender may have, and the foreclosure, surrender, cancellation or any other dealing with any Security Documents or the said obligations shall not release or affect the liability of the Borrower or any other Person in respect of the remaining portion of the Borrower's Liabilities.

9.04 The Lender shall not be obliged to make any further Loan Instalments from and after the earliest to occur of the following: (i) delivery by the Lender to the Borrower of a written notice that a Default or an Event of Default has occurred and is continuing (whether or not such notice also requires immediate repayment of the Borrower's Liabilities); (ii) the occurrence of an Insolvency Event; and (iii) receipt by the Borrower of any garnishment notice or other notice of similar effect in respect of the Borrower pursuant to the *Income Tax Act* (Canada), the *Excise Tax Act* (Canada) or any similar notice under any other statute.

9.05 All of the rights and remedies granted to the Lender in this Agreement and the Security Documents, and any other rights and remedies available to the Lender at law or in equity, shall be cumulative. The exercise or failure to exercise any of the said remedies shall not constitute a waiver or release thereof or of any other right or remedy, and shall be non-exclusive.

9.06 If the Borrower fails to perform any covenant or obligation to be performed by it pursuant to this Agreement or the Security Documents, the Lender may in its sole and absolute

discretion, after written notice to the Borrower, perform any of the said obligations but shall be under no obligation to do so; and any amounts expended or advanced by the Lender for such purpose shall be payable by the Borrower upon demand together with interest at the Interest Rate.

9.07 If the Borrower intends to take the benefit of any Insolvency Legislation, including making an assignment for the general benefit of creditors, making a proposal or filing a notice of intention to make a proposal under Insolvency Legislation, the Borrower covenants and agrees to provide the Lender with five (5) Business Days' prior written notice before any of the aforementioned proceedings are commenced. As soon as possible prior to the commencement of any such proceedings, the Borrower shall provide to the Lender copies of all relevant filing materials, including copies of draft court orders, plans of compromise, proposals and notices of intention. During this notice period the Lender may, in its sole discretion, elect to exercise any and all rights and remedies which may be available to it at that time as set out in this Agreement.

ARTICLE 10 GENERAL CONTRACT TERMS

10.01 The failure or delay by the Lender in exercising any right or privilege with respect to the non-compliance with any provisions of this Agreement by the Borrower and any course of action on the part of the Lender, shall not operate as a waiver of any rights of the Lender unless made in writing by the Lender. Any such waiver shall be effective only in the specific instance and for the purpose for which it is given and shall not constitute a waiver of any other rights and remedies of the Lender with respect to any other or future non-compliance.

10.02 In addition to any other liability of the Borrower hereunder, the Borrower hereby agrees to indemnify and save harmless the Indemnitees from and against all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements (including reasonable legal fees on a solicitor and his own client basis) of any kind or nature whatsoever (but excluding any consequential damages and damages for loss of profit) which may be imposed on, incurred by or asserted against the Indemnitees (except to the extent arising from the negligence or wilful misconduct of such Indemnitees) which relate or arise out of or result from:

- (a) any failure by the Borrower to pay and satisfy its obligations hereunder and the Security Documents including the Borrower's Liabilities;
- (b) any investigation by Governmental Authorities or any litigation or other similar proceeding related to any use made or proposed to be made by the Borrower of the proceeds of any Loan Instalment;
- (c) any losses suffered by the Indemnitees for, in connection with, or as a direct or indirect result of, the failure of the Borrower to comply with all Requirements of Environmental Law;
- (d) any losses suffered by the Indemnitees for, in connection with, or as a direct or indirect result of, the presence of any Hazardous Material situated in, on or under any

property owned by the Borrower including the Property or upon which it carries on business; and

- (e) any and all liabilities, losses, damages, penalties, expenses (including reasonable legal fees) and claims which may be paid, incurred or asserted against the Indemnitees for, in connection with, or as a direct or indirect result of, any legal or administrative proceedings with respect to the presence of any Hazardous Material on or under any property owned by the Borrower including the Property or upon which it carries on business, or the discharge, emission, spill, radiation or disposal by the Borrower of any Hazardous Material into or upon the Property, the atmosphere, or any watercourse or body of water; including the costs of defending and/or counterclaiming or claiming against third parties in respect of any action or matter and any cost, liability or damage arising out of a settlement entered into by the Indemnitees of any such action or matter;

10.03 The termination of this Agreement shall not relieve the Borrower from its obligations to the Lender arising prior to such termination, such as but not limited to obligations arising as a result of or in connection with any breach of this Agreement or the Security Documents, any failure to comply with this Agreement or the Security Documents or the inaccuracy of any representations and warranties made or deemed to have been made prior to such termination, and obligations arising pursuant to all indemnity obligations contained herein.

10.04 If the Borrower fails to pay when due any Expenses or other amounts paid by the Lender hereunder (other than principal or interest on any Loan Instalment), the Borrower agrees to pay interest on such unpaid amount from the time such amount is due until paid at the Loan Rate.

10.05 Without prejudice to any other method of giving notice, all communications provided for or permitted hereunder shall be in writing and delivered to the addressee by prepaid private courier or sent by telecopy to the applicable address and to the attention of the officer of the addressee as follows:

- (i) to the Borrower:

Textbook (525 Princess Street) Inc.
51 Caldari Road, Suite A1M
Concord, Ontario, L4K 4G3

Attention: John Davies

with a copy to:

Harris + Harris LLP
2355 Skymark Avenue, Suite 300
Mississauga, Ontario, L4W 4Y6

Attention: Mr. Gregory H. Harris
Fax Number: 905-629-4350

(ii) if to the Lender:

c/o Tier 1 Transaction Advisory Services Inc.
3100 Steeles Avenue East, Suite 902
Markham, Ontario, L3R 8T3

Attention: Mr. Raj Singh
Fax Number: 647-689-2374

with a copy to:

Nancy Elliott, Barrister & Solicitor
5000 Yonge Street
Suite 1901
Toronto, Ontario, M2N 7E9

Attention: Ms. Nancy Elliott
Fax Number: (416) 628-5597

Any communication transmitted by prepaid private courier shall be deemed to have been validly and effectively given or delivered on the Business Day after which it is submitted for delivery. Any communication transmitted by telecopy shall be deemed to have been validly and effectively given or delivered on the day on which it is transmitted, if transmitted on a Business Day on or before 5:00 p.m. (local time of the intended recipient), and otherwise on the next following Business Day. Any party may change its address for service by notice given in the foregoing manner.

10.06 Any provision of this Agreement which is illegal, prohibited or unenforceable in any jurisdiction, in whole or in part, shall not invalidate the remaining provisions hereof; and any such illegality, prohibition or unenforceability in any such jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

10.07 The Borrower shall from time to time at its own expense promptly execute and deliver or cause to be executed and delivered to the Lender all such other and further documents, agreements, opinions, certificates and instruments which may be requested by the Lender if necessary or desirable to more fully record or evidence the obligations intended to be entered into herein, or to make any recording, file any notice or obtain any consent.

10.08 Time shall be of the essence of this Agreement.

10.09 The Borrower may not assign any of its rights or obligations under this Agreement without the prior written consent of the Lender. The Lender may grant participations in all or any portion of its rights under this Agreement from time to time without notice to or obtaining the prior written consent of the Borrower. The Borrower agrees to co-operate fully with the Lender in connection with any assignment or participation pursuant to this section, and agrees to

execute and deliver from time to time in favour of the Lender and any such assignee or participant such documents and assurances as may be reasonably required by the Lender or the assignee or participant in connection with such assignment or participation.

10.10 This Agreement and any other documents or instruments contemplated herein or therein shall constitute the entire agreement and understanding between the Borrower and the Lender relating to the subject-matter hereof. For greater certainty and without limiting the generality of the foregoing, this Agreement supersedes all discussion papers previously issued by the Lender relating to the proposed establishment of the Loan, which have no force or effect.

10.11 To the extent that there is any inconsistency between a provision of this Agreement and a provision of any document constituting part of the Security including the Security Documents, the provision of this Agreement shall govern. For greater certainty, a provision of this Agreement and a provision of any Security Document shall be considered to be inconsistent if both relate to the same subject-matter and the provision in the Security Document imposes more onerous obligations or restrictions than the corresponding provision in this Agreement (excluding fees and Expenses).

10.12 This Agreement shall be interpreted in accordance with the laws of the Province of Ontario. Without prejudice to the right of the Lender to commence any proceedings with respect to this Agreement in any other proper jurisdiction, the parties hereby attain and submit to the non-exclusive jurisdiction of the courts of the Province of Ontario.

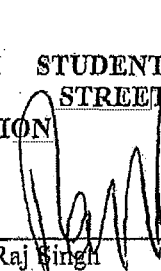
10.13 This Agreement may be executed in several counterparts, each of which, when so executed, shall be deemed to be an original and which counterparts together shall constitute one and the same Agreement. This Agreement may be executed by facsimile, and any signature contained hereon by facsimile shall be deemed to be equivalent to an original signature for all purposes.

10.14 This Agreement shall be binding upon and shall enure to the benefit of the parties and their respective successors and permitted assigns; "successors" includes any corporation resulting from the amalgamation of any party with any other corporation.

IN WITNESS WHEREOF the parties hereto have executed this Agreement as of the date written on the first page hereof.

TEXTBOOK STUDENT SUITES (525
PRINCESS STREET) TRUSTEE
CORPORATION

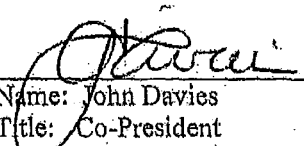
Per: _____


Name: Raj Singh
Title: President

I have authority to bind the corporation

TEXTBOOK (525 PRINCESS STREET) INC.

Per: _____


Name: John Davies
Title: Co-President

I have authority to bind the corporation

SCHEDULE "A"
THE LANDS

Legal Description:

525 Princess Street, Kingston, Ontario
PT LT 637-638 PL A12 KINGSTON CITY PT 1 13R6390; T/W FR412426; KINGSTON; THE
COUNTY OF FRONTENAC
PIN 36071-0118 (LT)

531 Princess Street, Kingston, Ontario
PT LT 637-638 PL A12 KINGSTON CITY AS IN FR218760 & FR142138 EXCEPT THE
EASEMENT THEREIN SECONDLY & THIRDLY DESCRIBED IN FR142138 AND
EXCEPT THE EASEMENT THEREIN FIRSTLY DESCRIBED IN FR218760; S/T FR218760
& FR142138; KINGSTON ; THE COUNTY OF FRONTENAC
36071-0117 (LT)

349 Alfred Street, Kingston, Ontario
PT LT 636 PL A12 KINGSTON CITY AS IN FR151313; S/T FR151313; KINGSTON; THE
COUNTY OF FRONENAC
36071-0116 (LT)

351 Alfred Street, Kingston, Ontario
PT LT 636 PL A12 KINGSTON CITY AS IN FR183198; T/W FR183198; S/T THE RIGHTS
OF OWNERS OF ADJOINING PARCELS IF ANY UNDER FR391069; KINGSTON
36071-0115 (LT)

Municipal Description:

525 Princess Street, Kingston, Ontario, 531 Princess Street, Kingston, Ontario, 349 Alfred Street,
Kingston, Ontario and 351 Alfred Street, Kingston, Ontario

SCHEDULE "B"
SCHEDULE OF INTEREST PAYMENTS

Interest payments shall be calculated at an annual interest rate of EIGHT PERCENT (8%), paid quarterly in trust to the Borrower's Solicitor, commencing on or about December 15, 2015. All funds advanced by the Lender between the Closing Date (on or about December 15, 2015) to April 1, 2016 shall receive an initial payment pro rated for the period from the date of the advance by the Lender to April 1, 2016 and full payments quarterly thereafter until the maturity date, anticipated to be on or about December 15, 2018.

SCHEDULE "C"
EXPENSES

The Expenses include the following:

- a) Mortgage Brokerage Fee of \$64,000 payable to First Commonwealth Mortgage Corporation and Tier 1 Mortgage Corporation (collectively, referred to as the "Mortgage Broker"); (based on a maximum mortgage advance of \$6,400,000). The fee payable to the Mortgage Broker is 1% of the mortgage amount advanced.
- b) Referral and Related Fees of \$1,024,000 payable on account of fees and commission incurred in relation to the Loan which shall be paid as the Mortgage Broker may in writing direct (based on a maximum mortgage advance of \$6,400,000 where the actual mortgage advance is less than \$6,400,000, the referral and related fees will be proportionately reduced); and,
- c) Legal Fees. Legal Fees of \$20,000 plus HST plus Disbursements (which shall include Title Insurance and other Expenses) shall be payable to the Lender's Solicitors which shall be deducted from the first Loan Instalment. In the event that there is more than one (1) Loan Instalments, then additional legal fees of \$3,000 plus HST plus Disbursements shall be paid to the Lender's Solicitors on each additional Loan Instalment. The fees, taxes and disbursements of the Borrower's Solicitors shall be paid in addition to the fees, taxes and disbursements of the Lender's Solicitors. It is estimated the fees of the Borrower's Solicitors shall be \$35,000 (plus HST and disbursements) for the first Loan Instalment and \$20,000 (plus HST and disbursements) for each Loan Instalment thereafter, exclusive of the costs of preparation of any offering documents in jurisdictions where such documents are required.

SCHEDULE "D"
ADDITIONAL LOAN PAYMENT

The Additional Loan Payment shall be an amount equal to four (4%) per cent per annum of the principal amount of the Mortgage advanced to the Borrower and shall be payable for such time as the Loan remains outstanding, as determined by the Lender (the "Additional Loan Payment"). The Additional Loan Payment shall be payable by the Borrower from the Distributable Cash Proceeds. The payment of the Additional Loan Payment may be paid at any time and from time to time to the Lender after the Loan, plus interest thereon in accordance with this Agreement and all Expenses are paid pursuant to this Agreement. If the principal amount advanced to the Borrower is less than \$6,400,000, the Additional Loan Payment shall be reduced accordingly. The Additional Loan Payment will be paid after the Loan, plus interest thereon in accordance with this Agreement and all Expenses are paid pursuant to this Agreement as determined by the Lender, acting reasonably.

For the sake of clarity, if the face amount of the Mortgage is \$6,400,000 and the Borrower's Liabilities have not been paid until the third anniversary of the first Loan Instalment, then the amount of the Additional Loan Payment payable by the Borrower to the Lender shall be \$768,000, or 4% per annum for each year the Mortgage is outstanding; which interest amount shall not be compounded from time to time. Notwithstanding the foregoing, the calculation of the Additional Loan Payment and the timing of the payments thereof shall be determined by the Lender, acting reasonably.

The Lender shall provide to the Borrower reasonable notice of any payments made on account of the Additional Loan Payment. If the Borrower exercises its right to prepay all or a portion of the Loan, then the 4% per annum Additional Loan Payment for the third year (or any additional extensions) of the term of this Loan shall continue to be payable, in full, notwithstanding any prepayment, from Distributable Cash Proceeds.

SCHEDULE "E"
PERMITTED ENCUMBRANCES

1. Liens for municipal property taxes, local improvement assessments or taxes, or other taxes, assessments or recoveries relating to the Property which are not at the time due.
2. The reservations, limitations, exceptions, provisos and conditions, if any expressed in any original grants from the Crown including, without limitation, the reservations of any mines and minerals in the Crown or in any other person.
3. Any registered or unregistered licenses, easements, rights-of-way, rights in the nature of easements and agreements with respect thereof which relate to the provisions of utilities or services or easements or rights of way in favour of any governmental authority, any private or public utility, any railway company or any adjoining owner to the Property (including, without limitation, agreements, easements, licenses, rights-of-way and interests in the nature of easements for sidewalks, public ways, sewers, drains, gas, steam and water mains or electric light and power, or telephone and telegraphic conduits, poles, wires, and cables).
4. Title defects or irregularities, which are of a minor nature and in the aggregate will not materially adversely impair the use or marketability of the Real Property or that part thereof affected by the defect or irregularity for the purposes for which it is presently used.
5. The exceptions, limitations and qualifications of the *Land Titles Act* and any amendments thereto.

LOAN AGREEMENT

THIS AGREEMENT is made as of the 17th day of August, 2015.

B E T W E E N:

**TEXTBOOK STUDENT SUITES (555 PRINCESS STREET)
TRUSTEE CORPORATION**, a corporation incorporated under
the laws of the Province of Ontario

(hereinafter referred to as the "Lender")

AND

TEXTBOOK (555 PRINCESS STREET) INC., a corporation
incorporated under the laws of the Province of Ontario

(hereinafter referred to as the "Borrower")

WHEREAS the Lender, on the terms and conditions hereinafter set forth, has agreed to lend to the Borrower and the Borrower has agreed to borrow from the Lender the sum of up to **Eight Million (\$8,000,000) Dollars** of lawful money of Canada (the "**Principal Sum**") for a term of Three (3) years, subject to extensions as provided herein, (the "**Term**") in connection with the development and construction by the Borrower of a condominium project on the lands and premises situated at 555 Princess Street, Kingston, Ontario, and more particularly described in Schedule "A" attached hereto (the "**Property**").

AND WHEREAS the Borrower agrees to pay to the Lender interest on the Principal Sum at the Loan Rate (as hereinafter defined), calculated annually and payable quarterly during the Term along with the Additional Loan Payment as more particularly described in Schedule "D" attached hereto;

AND WHEREAS the Borrower has agreed to allow a Charge/Mortgage of Land in addition to the other Security Documents, on the terms set out herein, to be registered against the Property in first position and in favour of the Lender (the "**Mortgage**"), as security for repayment of the Principal Sum with interest at the Loan Rate and the payment of the Additional Loan Payment;

AND WHEREAS the Borrower agrees to repay to the Lender the Principal Sum and interest at the Loan Rate and the payment of the Additional Loan Payment on or before the expiry of the Term, as specified herein;

AND WHEREAS the Lender and the Borrower (collectively, the "**Parties**") wish to evidence their agreement in respect of the Loan;

AND WHEREAS the Lender acknowledges that the Mortgage shall be granted, *inter alia*, in the form of a syndicated first Charge/Mortgage of Land as more fully described herein and shall be in form and substance satisfactory to the Lender;

NOW THEREFORE THIS AGREEMENT WITNESSETH THAT in consideration of the covenants, agreements herein contained and for other good and valuable consideration (the receipt and sufficiency of which is hereby acknowledged), the parties hereto agree as follows:

ARTICLE 1 RECITALS

1.01 The Parties to this Agreement acknowledge and agree that the recitals to this Agreement are true and correct in substance and in fact are incorporated into and form an integral part of this Agreement,

ARTICLE 2 DEFINITIONS AND TERMS

2.01 The following words and phrases have the following meanings when used in this Agreement:

- (a) "Acceleration Date" means the date on which an Acceleration Event occurs;
- (b) "Acceleration Event" means the earlier of: (i) the occurrence of an Insolvency Event; and (ii) the delivery by the Lender to the Borrower of a written notice that the Borrowers Liabilities or any part thereof are immediately due and payable, following the occurrence and during the continuation of an Event of Default other than an Insolvency Event;
- (c) "Additional Loan Payment" has the same meaning as set forth in Section 4.11 hereof;
- (d) "Agreement", means this Agreement entitled "Loan Agreement", and all instruments supplemental hereto or in amendment or confirmation hereof; "hereof", "hereto" and "hereunder" and similar expressions refer to this Agreement, and where relevant, to any particular article, section or paragraph hereof; "Article", "Section" and "paragraph" mean and refer to the specified article, section or paragraph of this Agreement;
- (e) "BIA" means the *Bankruptcy and Insolvency Act* (Canada), as amended from time to time;
- (f) "Borrower's Books and Records" shall have the same meaning as set forth in Section 7.04 hereof.
- (g) "Borrower's Liabilities", refers collectively to the Loan, all interest from time to time accruing thereon as set forth in this Agreement, and all liabilities and indebtedness now or hereafter owing, arising, due or payable by the Borrower to the Lender whether

under this Agreement or the Security Documents and including the Additional Loan Payment;

- (h) "Borrower's Solicitors" shall mean Harris + Harris LLP, or such other solicitors that the Borrower may in writing designate;
- (i) "Business Day", refers to any day other than a Saturday, Sunday or Statutory Holiday in Toronto, Ontario;
- (j) "Closing Date" or "Closing", or similar references means the date of the initial Loan Instalment or the date, as the context requires, of any other Loan Instalments made pursuant hereto;
- (k) "Commodity Taxes" means all commodity taxes, including all sales, use, retail, goods and services, harmonized sales, value-added and similar taxes imposed, levied or assessed by any Governmental Authority;
- (l) "Default" means any event, act, omission or condition which with the giving of notice or the passage of time, or both, would result in an Event of Default;
- (m) "Distributable Cash Proceeds" means all amounts received by the Borrower arising out of the Property or the sale or operation thereof or of the sale of condominium units for the period including but not limited to the following:
 - (i) all revenues derived from the sale of condominium units or any part or all of the Property (including all premiums, upgrade costs (net of commissions) and applicable harmonized sales tax or goods and services tax rebates);
 - (ii) all gross receipts derived from all rents and fees payable by tenants, licensees and concessionaires;
 - (iii) the gross amount, if any, of any insurance proceeds received by the Borrower, including business interruption payments;
 - (iv) the net proceeds of any refinancing, if any, received by the Borrower, other than any construction loan which contains terms prohibiting the use of such loan proceeds to repay existing indebtedness (net of repayments of existing mortgage financing being refinanced); and
 - (v) the gross amount, if any, from partial or total expropriations of all or part of the Property,

but excluding: (i) Commodity Taxes which the Borrower is required by law to collect from purchasers, tenants, concessionaires or licensees and remit to an applicable taxing authority.

- (n) "Distribution" means, other than as specifically provided for elsewhere in this Agreement or in any other acknowledgement or direction executed by the Lender prior to the advance of the Loan, any amount paid to or on behalf of the employees, directors, officers, shareholders, partners or unitholders of the Borrower, by way of salary, bonus, commission, management fees, directors' fees, dividends, redemption of shares, distribution of profits or otherwise, other than ordinary course payment of amounts related to the management, development and operation of the Property, provided such payments are in amounts reasonable for the services rendered, and whether payments are made to such Persons in their capacity as shareholders, partners, unitholders, directors, officers, employees, owners or creditors of the Borrower or otherwise, or any other direct or indirect payment in respect of the earnings or capital of the Borrower;
- (o) "Event of Default" is defined in Section 9.01 hereof;
- (p) "Expenses", means all expenses relating to the Loan and all fees and expenses for legal services relative to the preparation, review and enforcement of this Agreement and the Security Documents, the making of Loan Instalments and the repayment of the Borrower's Liabilities and the release of the security therefore;
- (q) "Fiscal Year" means the fiscal year end of the Borrower, being December 31st in every year;
- (r) "GAAP" means generally accepted accounting principles in Canada as approved by the Canadian Institute of Chartered Accountants in effect from time to time; and for greater certainty if international financial reporting standards are adopted by the Canadian Institute of Chartered Accountants in replacement for generally accepted accounting principles, each reference to "GAAP" herein shall be deemed to refer to such international financial reporting standards;
- (s) "Governmental Authority" means any: (i) federal, provincial, state, municipal, local or other governmental or public department, central bank, court, commission, board, bureau, agency or instrumentality, domestic or foreign; (ii) any subdivision or authority of any of the foregoing; or (iii) any quasi-governmental, judicial or administrative body exercising any regulatory, expropriation or taxing authority under or for the account of any of the foregoing;
- (t) "Hazardous Materials" means any contaminant, pollutant, waste or substance that is likely to cause immediately or at some future time harm or degradation to the surrounding environment or risk to human health; and without restricting the generality of the foregoing, including any pollutant, contaminant, waste, hazardous waste or dangerous goods that is regulated by any Requirements of Environmental Law or that is designated, classified, listed or defined as hazardous, toxic, radioactive or dangerous or as a contaminant, pollutant or waste by any Requirements of Environmental Law;

- (u) "Indemnitees" means the Lender and its successors and permitted assignees, any agent of any of them (specifically including a receiver or receiver-manager) and its officers, directors, employees, beneficial owners and shareholders;
- (v) "Insolvency Event" means, in respect of any Person:
 - (i) such Person ceases to carry on its business; or commits an act of bankruptcy or becomes insolvent (as such terms are used in the BIA); or makes an assignment for the benefit of creditors, files a petition in bankruptcy, makes a proposal or commences a proceeding under Insolvency Legislation; or petitions or applies to any tribunal for, or consents to, the appointment of any receiver, trustee or similar liquidator in respect of all or a substantial part of its property; or admits the material allegations of a petition or application filed with respect to it in any proceeding commenced in respect of it under Insolvency Legislation; or takes any corporate action for the purpose of effecting any of the foregoing; or
 - (ii) any proceeding or filing is commenced against such Person seeking to have an order for relief entered against it as debtor or to adjudicate it a bankrupt or insolvent, or seeking liquidation, winding-up, reorganization, arrangement, adjustment or composition of it or its debts under any Insolvency Legislation, or seeking appointment of a receiver, trustee, custodian or other similar official for it or any of its property or assets; unless (i) such Person is diligently defending such proceeding in good faith and on reasonable grounds as determined by the Lender and (ii) such proceeding does not in the reasonable opinion of the Lender materially adversely affect the ability of such Person to carry on its business and to perform and satisfy all of its obligations hereunder;
- (w) "Insolvency Legislation" means legislation in any applicable jurisdiction relating to reorganization, arrangement, compromise or re-adjustment of debt, dissolution or winding-up, or any similar legislation, and specifically includes for greater certainty the BIA, the *Companies' Creditors Arrangement Act* (Canada) and the *Winding-Up and Restructuring Act* (Canada);
- (x) "Interest Reserve" means the amounts set aside or deducted as contemplated in Section 4.12 hereof to fund the obligations of the Borrower to pay interest as set forth in this Agreement on the Loan Instalments that may from time to time be made by the Lender to the Borrower.
- (y) "Laws" means all statutes, codes, ordinances, decrees, rules, regulations, municipal by-laws, judicial or arbitral or administrative or ministerial or departmental or regulatory judgments, orders, decisions, rulings or awards, or any provisions of such laws, including general principles of common and civil law and equity or policies or guidelines, to the extent such policies or guidelines have the force of law, binding on

the Person referred to in the context in which such word is used; and "Law" means any of the foregoing;

- (z) "Lender's Solicitors" shall mean Nancy Elliott, Barrister & Solicitor, or such other solicitors that the Lender may in writing designate;
- (aa) "Lien" means: (i) a lien, charge, mortgage, pledge, security interest or conditional sale agreement; (ii) an assignment, lease, consignment, trust or deemed trust that secures payment or performance of an obligation; (iii) a garnishment; (iv) any other encumbrance of any kind; and (v) any commitment or agreement to enter into or grant any of the foregoing;
- (bb) "Loan", means the aggregate amount, not to exceed Eight Million (\$8,000,000) Dollars, of all Loan Instalments made from time to time hereunder by the Lender to the Borrower, less the amount, if any, repaid from time to time by the Borrower to the Lender;
- (cc) "Loan Instalment" has the same meaning as set forth in Sub-Section 4.08(a) hereof, with each Loan Instalment to be made in the sole and absolute discretion of the Lender;
- (dd) "Loan Rate", means the annual rate of interest applicable to any particular amount outstanding pursuant to this Agreement being Eight (8%) percent per annum;
- (ee) "Material Adverse Change" means any change or event which: (i) constitutes a material adverse change in the business, operations, condition (financial or otherwise) or properties of the Borrower taken as a whole; or (ii) could materially impair the Borrower's ability to timely and fully perform its obligations under this Agreement or the Security Documents, or materially impair the ability of the Lender to enforce its rights and remedies under this Agreement or the Security Documents;
- (ff) "Material Agreement" means, in respect of the Borrower, any agreement made between the Borrower and another Person which the Lender, in its sole and absolute discretion, determines to be material to the Borrower;
- (gg) "Maturity Date" shall have the same meaning as set forth in Section 4.04 hereof;
- (hh) "Mortgage" has the same meaning as set forth in Sub-Section 5.01(c) hereof;
- (ii) "Note" shall mean the promissory note executed by the Borrower in favour of the Lender in the sum of up to Eight Million (\$8,000,000) Dollars which Note shall be in form and substance satisfactory to the solicitors of the Lender;
- (jj) "Outstanding Encumbrances and Liens" shall have the same meaning as set forth in Sub-Section 7.01(l) hereof;
- (kk) "Person", means a natural person, firm, trust, partnership, association, corporation, government or governmental board, agency or instrumentality;

- (ll) "Permitted Encumbrances" are those Liens described in Schedule "E" attached hereto and any construction financing (including Tarion bonding company insurance mortgage security) subsequently acquired by the Borrower for the construction of the condominium project on the Property not exceeding Thirty-One Million Five Hundred Thousand (\$31,500,000) Dollars;
- (mm) "Requirements of Environmental Law" means: (i) obligations under common law; (ii) requirements imposed by or pursuant to statutes, regulations and by-laws whether presently or hereafter in force; (iii) requirements announced by a Governmental Authority as having immediate effect (provided that at the time of making such announcement the government also states its intention of enacting legislation to confirm such requirements retroactively); (iv) all directives, policies and guidelines issued or relied upon by any Governmental Authority to the extent such directives, policies or guidelines have the force of law; (v) all permits, licenses, certificates and approvals from Governmental Authorities which are required in connection with air emissions, discharges to surface or groundwater, noise emissions, solid or liquid waste disposal, the use, generation, storage, transportation or disposal of Hazardous Materials; and (vi) all requirements imposed under any clean-up, compliance or other order made pursuant to any of the foregoing, in each and every case relating to environmental, health or safety matters including all such obligations and requirements which relate to (A) solid, gaseous or liquid waste generation, handling, treatment, storage, disposal or transportation and (B) exposure to Hazardous Materials;
- (nn) "Security" means all guarantees, security agreements, mortgages, debentures and other documents mentioned comprising the Security Documents or otherwise and all other documents and agreements delivered by the Borrower or other Persons to the Lender for the benefit of the Lender from time to time as security for the payment and performance of the Borrowers Liabilities, and the security interests, assignments and Liens constituted by the foregoing;
- (oo) "Security Documents", refers collectively to this Agreement, the Mortgage, those documents and instruments referred to in Section 5.01 hereof and any and other documents, agreements or writings delivered to the Lender as contemplated in this Agreement whether as security for the Loan or otherwise. At the option of the Lender, the Security Documents may reflect a fixed rate of interest as designated by the Lender's counsel. Notwithstanding the same, the provisions with respect to the payment of interest as set out in this Agreement shall prevail;
- (pp) "Statutory Lien" means a Lien in respect of any property or assets of a Company created by or arising pursuant to any applicable legislation in favour of any Person (such as but not limited to a Governmental Authority), including a Lien for the purpose of securing the Borrower's obligation to deduct and remit employee source deductions and goods and services tax pursuant to the *Income Tax Act* (Canada), the *Excise Tax Act* (Canada), the *Canada Pension Plan* (Canada), the *Employment Insurance Act* (Canada) and any federal or provincial legislation similar to or enacted in replacement of the foregoing from time to time; and,

(qq) "Subsidiary" means a business entity which is controlled by another business entity (as used herein, "business entity" includes a corporation, company, partnership, limited partnership, trust or joint venture).

2.02 Unless otherwise provided herein, all financial terms used in this Agreement shall be determined in accordance with GAAP in effect at the date of such determination. Where the character or amount of any asset or liability or item of revenue or expense is required to be determined, or any consolidation or other computation is required to be made for the purpose of this Agreement, such determination or calculation shall be made in accordance with GAAP applied on a consistent basis, unless otherwise indicated.

2.03 All amounts referred to in this Agreement are in Canadian Dollars unless otherwise noted.

2.04 Whenever in this Agreement reference is made to a statute or regulations made pursuant to a statute, such reference shall, unless otherwise specified, be deemed to include all amendments to such statute or regulations from time to time and all statutes or regulations which may come into effect from time to time substantially in replacement for the said statutes or regulations.

2.05 Terms defined in the singular have the same meaning when used in the plural, and vice-versa. When used in the context of a general statement followed by a reference to one or more specific items or matters, the term "including" shall mean "including, without limitation", and the term "includes" shall mean "includes, without limitation". Any reference herein to the exercise of discretion by the Lender (including phrases such as "in the discretion of", "in the opinion of", "in its opinion", "to the satisfaction of" and similar phrases) shall mean that such discretion is absolute and unfettered and shall not imply any obligation to act reasonably, unless otherwise expressly stated herein.

ARTICLE 3 SCHEDULES

3.01 The following are the schedules attached to and incorporated in this Agreement by reference and deemed to be a part thereof:

Schedule "A" -- Lands to be Charged/Mortgaged

Schedule "B" -- Schedule of Interest Payments

Schedule "C" -- Expenses

Schedule "D" -- Additional Loan Payment

Schedule "E" -- Permitted Encumbrances

ARTICLE 4
THE LOAN, INTEREST, EXPENSES, AND PAYMENT THEREOF

4.01 Subject to the terms and conditions hereof, the Lender agrees to provide to the Borrower the Loan.

4.02 The Borrower and the Lender acknowledge and confirm that, notwithstanding any rate of interest set out in the Security Documents or any of them, the provisions of this Agreement regarding the Loan Rate shall govern the rate of interest payable on the Loan. The Borrower and the Lender further acknowledge and confirm that the Security Documents shall be in form and substance satisfactory to the Lender.

4.03 Interest on the Loan Rate shall be determined daily and shall be due, payable and compounded quarterly, not in advance, on the 1st day of each month during such quarterly period, as well after as before demand, maturity, default and judgment, together with interest on overdue interest determined daily (if relevant) and compounded quarterly at the same rate applicable until the Borrower's Liabilities have been paid in full. Interest shall be calculated on the basis of a three hundred and sixty-five (365) day year. Interest on the Loan at the Loan Rate and calculated as aforesaid shall accrue as of the date of the first Loan Instalment. Any disputes on the determination and calculation of interest of the Interest Rate shall be resolved by the Lender, in its opinion but acting reasonably. The first payment of interest and all subsequent payments of interest as aforesaid shall be payable in the amounts and on the dates as set forth in Schedule "B" attached hereto.

4.04 The Loan, together with all accrued and outstanding interest and other charges in connection therewith as set forth in this Agreement and the Security Documents including without limiting the generality of the foregoing the Additional Loan Payment and all other Borrower's Liabilities, shall become fully due and repayable on the third anniversary of the first Loan Instalment, unless extended as set out in this Agreement (the "Maturity Date"). The Maturity Date may be extended for up to two six month extension periods, by notice in writing delivered by the Borrower to the Lender at least 60 days prior to the scheduled Maturity Date, or extended Maturity Date, in the case of a second six month extension. During any extension of the Term, all of the provisions in this Agreement shall remain in full force and effect and interest shall continue to be payable and accrue during any extension to the Term, on the same terms and conditions as interest is calculated and payable prior to any extension of the Term. The Maturity Date shall be deemed amended to the date which is six months from the date of the prior Maturity Date, or first amended Maturity Date in the case of a second six month extension.

4.05 Any payment provided hereunder to be made by the Borrower to the Lender shall be in certified funds or Bank Draft and shall be payable to the Borrower's Solicitors, in trust, and delivered to the Borrower's Solicitors, or any other payee or office designated by the Lender from time to time. The Borrower's Solicitors shall coordinate further delivery of such funds with the Lender's Solicitors. Any payment as aforesaid received after two o'clock (2:00) p.m. Toronto time shall be deemed to have been received on the next following Business Day.

4.06 This Agreement shall constitute evidence of the obligation of the Borrower to repay all the Borrower's Liabilities in accordance with the terms hereof. The Borrower shall repay the Loan and

the Borrower's Liabilities in full on the Maturity Date, and until then shall pay interest at the time or times and in the manner provided herein.

4.07 All Loan Instalments and Expenses as and when advanced or incurred shall be and become secured by the Security Documents and Expenses may be paid by the Lender and be deducted from Loan Instalments which would otherwise have been made to the Borrower. The Security Documents shall be in addition to any other security which the Lender may now have or subsequently acquire for the performance of the Borrower's Liabilities. The Expenses listed in Schedule "C" attached hereto are a list of Expenses (but by no means an exhaustive list of all Expenses) that shall be deducted from the Loan Instalments.

4.08 The Lender and the Borrower mutually acknowledge, confirm, represent and covenant as follows:

- (a) Any amounts advanced by the Lender, in its sole and absolute discretion, to the Borrower pursuant to this Agreement, may occur in tranches (the "Loan Instalments") with the anticipated first Loan Instalment to be in the amount of not less than Four Million (\$4,000,000) Dollars. The second or further Loan Installments are expected to be in the aggregate amount of Four Million (\$4,000,000) Dollars; and
- (b) prior to the release of any funds by the Lender's Solicitors to the solicitor(s) for the Borrower, each Party hereby irrevocably acknowledges and directs that their respective solicitors are authorized to and shall cause to be registered any such instruments on title to the Lands which in the opinion of the solicitor for the Lender may be required as evidence of any sums advanced to the Borrower on the security of this Agreement or the Security Documents.

4.09 The Borrower may not prepay all or any portion of the Borrower's Liabilities hereunder, other than pursuant to Section 4.13 hereof.

4.10 Notwithstanding anything to the contrary contained in this Agreement, any Loan Instalment made by the Lender and the Borrower shall be at the Lender's sole and absolute discretion and the Lender shall not be obligated at any time or times to make any Loan Instalment to the Borrower.

4.11 In addition to the payment by the Borrower of the Loan plus interest as set forth in this Agreement, the Borrower shall also pay to the Lender, in certified funds or Bank Draft, forthwith after the determination is made by the Lender in its opinion that the Additional Loan Payment is payable, the amount of the Additional Loan Payment calculated as described in Schedule "D" attached hereto in the same manner as contemplated in Section 4.05 hereof. Notwithstanding the foregoing, the Lender, at its option, may also deduct from the Distributable Cash Proceeds, at any time and from time to time, all or any part of the Additional Loan Payment that the Lender, in its opinion, believes is due and payable.

4.12 The parties hereto acknowledge, confirm, covenant and agree that the Lender shall be deducting from the first Loan Instalment and any subsequent Loan Instalments an amount equal to the projected interest on the amount of such Loan Instalment for 12 months which shall be a

contribution of the Borrower to the Interest Reserve. The parties hereto further acknowledge, confirm, covenant and agree that the Lender may from time to time and at any time, acting reasonably, deduct from the funds held in trust by the Lender's Solicitors or received from the Borrower, whether from the Distributable Cash Proceeds or otherwise, such amounts that in its opinion is necessary or appropriate to replenish the Interest Reserve. The Borrower covenants and agrees that the amount in the Interest Reserve shall be applied by the Lender against the obligations of the Borrower to pay interest hereunder on the Loan Instalments and that once applied or deducted by the Lender from the Loan Instalments, the Distributable Cash Proceeds or otherwise, the Borrower shall have no claim against the funds in the Interest Reserve.

4.13 The Borrower, at any time after the second anniversary hereof, shall be entitled to repay all or a portion of the Loan without penalty, notice or bonus and the interest at the rate of 8% per annum on the principal outstanding ceasing at the date of prepayment; provided that the Lender shall continue to be entitled to the Additional Loan Payment for all three years of this Loan, even though the Loan shall have been prepaid prior to the three year term expiry (to also be paid at the time of prepayment) plus the prepayment amount; but shall not be entitled to any additional interest Payment for the third year of the Term of this Loan nor any compensation for loss of interest after the date of such prepayment.

ARTICLE 5 SECURITY

5.01 The Borrower agrees to provide the Security Documents listed below to the Lender, as continuing security for the payment and performance of all of its present and future, direct and indirect obligations to the Lender, specifically including the Loan, the Borrowers Liabilities and its direct indebtedness and obligations to the Lender arising under this Agreement:

- (a) The Note;
- (b) A mortgage in the amount of the Principal Sum (or such lesser amount as determined by the Lender in its sole and unfettered discretion and provided that the Principal Sum shall not exceed the result of \$8,000,000 less any other mortgages registered against the Property) ranking as a first mortgage; provided that said mortgage shall also be subordinated to (i) any construction and related financing (in one or multiple tranches) not exceeding in the aggregate Thirty-One Million Five Hundred Thousand (\$31,500,000) Dollars obtained by the Borrower related to construction of the condominium project on the Property and for the hard and soft costs related thereto, including any Tarion warranty bond mortgage security (the "Mortgage");
- (c) if requested by the Lender from time to time, security agreements creating an assignment security interest in respect of its rights to and interest in Material Agreements to which it is a party, together with any necessary consents from the other parties thereto which security interest may not be a first ranking security interest;
- (d) an assignment of its interest in all policies of insurance, specifically including the right to receive any refunds of premiums paid thereunder; and

- (e) such other security and further assurances as the Lender may reasonably require from time to time.

5.02 The Security Documents shall be in form and substance satisfactory to the Lender, acting reasonably. The Lender may require that any item of Security Documents be governed by the laws of the jurisdiction where the property subject to such item of Security Documents is located. The Security Documents shall be registered by the Lender or, at the request of the Lender, by the Borrower, all at the Borrower's cost and expense, where necessary or desirable to record and perfect the charges contained therein, as determined by the Lender in its sole and absolute discretion.

5.03 The Borrower shall cause to be delivered to the Lender prior to each Loan Instalment the opinion of the solicitors for the Borrower regarding its corporate status, the due authorization, execution and delivery of the Security Documents provided by it, all registrations in respect of the Security Documents, the results of all applicable searches in respect of them, and the enforceability of such Security Documents and any other matters requested by the Lender in its opinion; all such opinions to be in form and substance satisfactory to the Lender.

5.04 The Borrower shall execute and deliver from time to time all such further documents and assurances as may be reasonably required by the Lender from time to time in order to provide the Security Documents contemplated hereunder, specifically including supplemental or additional security agreements which shall include lists of specific assets to be subject to the security interests required hereunder.

5.05 If insurance proceeds become payable in respect of loss of or damage to any property owned by the Borrower the Lender shall apply such proceeds against the Borrower's Liabilities (allocated amongst the components of the Borrower's Liabilities, at all times, by the Lender in its sole and absolute discretion).

ARTICLE 6 COVENANTS, REPRESENTATIONS AND WARRANTIES

6.01 The Borrower represents and warrants to the Lender as follows (which shall survive the execution and delivery of this Agreement), the truth and accuracy of which are a continuing condition of the advance of the Loan Instalments and the Borrower hereby acknowledges, confirms and agrees that the Lender is relying on such representations and warranties:

- (a) The Borrower is a validly subsisting corporation under the *Business Corporations Act* (Ontario), and is duly qualified to carry on its business in the jurisdiction in which it carries on business and has the power and authority to enter into and perform its obligations under this Agreement, is the registered owner of the Property and is legally entitled to carry on its business as currently conducted or as currently contemplated.
- (b) The Borrower has obtained all material licenses, permits and approvals from all governments, governmental commissions, boards and other agencies of

jurisdictions in which it carries on (or contemplates carrying on) business which are required and which will allow for the development of the Property.

- (c) The Borrower or its solicitor has delivered to the Lender, or its solicitor, copies of the constating documents of the Borrower and the Lender's solicitor has obtained a legal opinion from the Borrower's solicitor that the Borrower is authorized to enter into this Agreement and the Security Documents.
- (d) The execution, delivery and performance of this Agreement and the Security Documents has been duly authorized by all requisite action on the part of the Borrower; and this Agreement and the Security Documents have been, or will be, duly executed and delivered by the Borrower, and this Agreement and the Security Documents delivered or to be delivered pursuant hereto and thereto constitutes, or when delivered will constitute, a valid and binding obligation of the Borrower and enforceable against the Borrower in accordance with their terms, subject to the application of bankruptcy, insolvency and similar laws affecting the enforcement of creditors' rights generally and the fact that the right to obtain judicial orders requiring specific performance or other equitable remedies is in the discretion of the court.
- (e) The Borrower shall and does indemnify and hold harmless the Lender and the Indemnitees from and against all losses, claims, damages, liabilities, and expenses, to which any such person or entity may become subject arising out of or in connection with this Agreement, the use of proceeds, or any related transaction or any claim, litigation, investigation or proceeding, relating to any of the foregoing, regardless of whether the Lender is a party thereto, and to reimburse the Lender, forthwith upon demand for any reasonable, legal or other expenses incurred in connection with investigating or defending any of the foregoing.
- (f) The Borrower acknowledges that neither its execution nor delivery of this Agreement or the Security Documents the consummation of the transactions herein contemplated nor compliance with the terms, conditions and provisions hereof or thereof does not and will not conflict with, and does not and will not result in any breach of or constitutes a default under any of the provisions of the constating documents or by-laws of the Borrower or any applicable Law including applicable securities laws, rules, policies and regulations or any contract or agreement upon or to which the Borrower is a party.
- (g) The Borrower has good and marketable title to the Property and its assets free from all mortgages, security interests, Liens, pledges, charges, encumbrances, title retention agreements, options or adverse claims, other than the permitted encumbrances as identified in Schedule "E" attached hereto (the "Permitted Encumbrances") and the Outstanding Encumbrances and Liens.
- (h) The Borrower has filed or caused to be filed, in a timely manner all tax returns, reports and declarations, which are required to be filed by it. All information in such tax returns, reports and declarations is complete and accurate in all material

respects. The Borrower has paid or caused to be paid all taxes due and payable or claimed due and payable in any assessment received by it, except taxes the validity of which are being contested in good faith by appropriate proceedings diligently pursued and available to the said Borrower and with respect to which adequate reserves have been set aside on its books. Adequate provision has been made for the payment of all accrued and unpaid federal, provincial, local, foreign and other taxes whether or not yet due and payable and whether or not disputed.

- (i) All representations and warranties of the Borrower contained in this Agreement or in any of the Security Documents shall survive the execution and delivery of this Agreement and shall be deemed to have been made again to the Lender on the date of each Loan Instalment pursuant to this Agreement and shall be conclusively presumed to have been relied on by the Lender regardless of any investigation made or information possessed by the Lender. The representations and warranties set forth herein shall be cumulative and in addition to any other representations or warranties which the Borrower shall now or hereafter give, or cause to be given, to the Lender.
- (j) The Borrower further acknowledges and agrees that the terms of this Agreement shall override the terms of any previous loan agreements to which the Borrower and the Lender may be or may have been Parties.
- (k) The Borrower acknowledges that the Lender may have executed a loan agreement that has been amended to accommodate the beneficial owners of the Lender and the Borrower agrees to abide by the specific terms of each of said Agreements.
- (l) The Borrower has no Subsidiaries.
- (m) no Person has any agreement or option or any right or privilege (whether by law, pre-emptive or contractual) capable of becoming an agreement, including convertible securities, warrants or convertible obligations of any nature, for the purchase of any properties or assets of the Borrower out of the ordinary course of business or for the purchase, subscription, allotment or issuance of any debt or equity securities of the Borrower.
- (n) The Borrower is in compliance in all material respects with all applicable Laws of each jurisdiction in which it carries on business and is duly licensed, registered and qualified to do business and is in good standing in each jurisdiction in which the nature of the business conducted by it or the property owned or leased by it make such qualification necessary; and all such licences, registrations and qualifications are valid and subsisting and in good standing.
- (o) The Borrower owns, possesses and has a good and marketable title to its undertaking, property and assets, free and clear of any and all Liens except for Permitted Encumbrances and the Outstanding Encumbrances and Liens. The Borrower does not have any commitment or obligation (contingent or otherwise)

to grant any Liens except for the Permitted Encumbrances. No event has occurred which constitutes, or which with the giving of notice, lapse of time or both.

- (p) The Borrower has/will place(d) insurance, including property, boiler and machinery, business interruption and liability insurance, in appropriate amounts and for appropriate risks as would be considered prudent for similar business.
- (q) The Borrower and its business, operations, assets, equipment, property, leaseholds and other facilities is in compliance in all material respects with all Requirements of Environmental Law, specifically including all Requirements of Environmental Law concerning the storage and handling of Hazardous Materials. The Borrower holds all material permits, licenses, certificates and approvals from Governmental Authorities which are required in connection with (i) air emissions; (ii) discharges to surface or groundwater; (iii) noise emissions; (iv) solid or liquid waste disposal; (v) the use, generation, storage, transportation or disposal of Hazardous Materials; and (vi) all other Requirements of Environmental Law. There has been no material emission, spill, release, or discharge into or upon (i) the air; (ii) soils, or any improvements located thereon; (iii) surface water or groundwater; or (iv) the sewer, septic system or waste treatment, storage or disposal system servicing the premises, of any Hazardous Materials at or from the Property, and there has been no complaint, order, directive, claim, citation, or notice from any Governmental Authority or any other Person with respect to (i) air emissions; (ii) spills, releases, or discharges to soils or improvements located thereon, surface water, groundwater or the sewer, septic system or waste treatment, storage or disposal systems servicing the Property; (iii) noise emissions; (iv) solid or liquid waste disposal; (v) the use, generation, storage, transportation, or disposal of Hazardous Materials; or (vi) other Requirements of Environmental Law affecting the Property. There are no legal or administrative proceedings, investigations or claims now pending, or to the Borrower's knowledge, threatened, with respect to the presence on or under, or the discharge, emission, spill, radiation or disposal into or upon any of the Properties, the atmosphere, or any watercourse or body of water, of any Hazardous Material; nor are there any material matters under discussion with any Governmental Authority relating thereto; and there is no factual basis for any such proceedings, investigations or claims. The Borrower has no material indebtedness, obligation or liability, absolute or contingent, matured or not matured, with respect to the storage, treatment, cleanup or disposal of any Hazardous Materials (including without limitation any such indebtedness, obligation, or liability under any Requirements of Environmental Law regarding such storage, treatment, cleanup or disposal).
- (r) Save and except for the Outstanding Encumbrances and Liens, there are no actions, suits or proceedings now pending, or to the Borrower's knowledge, threatened, against the Borrower in any court or before or by any federal, provincial, municipal or other Governmental Authority.
- (s) No guarantees have been granted by the Borrower.

- (t) The Borrower has remitted on a timely basis all amounts required to have been withheld and remitted (including withholdings from employee wages and salaries relating to income tax, employment insurance and Canada Pension Plan contributions), goods and services and Harmonized Sales tax and all other amounts which if not paid when due could result in the creation of a Statutory Lien against any of the Borrower's property including the Property, except for Permitted Encumbrances.
- (u) Save and except for the Outstanding Encumbrances and Lien, no Default, Event of Default or Material Adverse Change has occurred and is continuing.
- (v) All financial and other information furnished by or in respect of the Borrower to the Lender for the purposes of or in connection with this Agreement or the Security Documents are true and accurate in all material respects and is not incomplete by omitting to state any fact necessary to make such information not misleading. There are no facts known to the Borrower which could materially adversely affect the Borrower's ability to observe and perform their obligations under the Security Documents, or which if known to the Lender could reasonably be expected to deter the Lender from making any Loan Instalments hereunder on the terms and conditions contained herein.

ARTICLE 7 COVENANTS

7.01 The Borrower hereby covenants and agrees with the Lender that it will:

- (a) pay all principal, interest and other amounts due hereunder including the Borrowers Liabilities at the times and in the manner specified herein;
- (b) maintain its corporate existence in good standing, continue to carry on its business, preserve its rights, powers, licences, privileges, franchises and goodwill, exercise any rights of renewal or extensions of any leases, licences, concessions, franchises or any other rights whatsoever which are material to the conduct of its business, maintain all qualifications to carry on business in each jurisdiction in which such qualifications are required, and carry on and conduct its business in a proper and efficient manner so as to protect its property and income; and not materially change the nature of its business;
- (c) comply in all material respects with all applicable Laws (specifically including, for greater certainty, all applicable Requirements of Environmental Law), use the proceeds of all Loan Instalments hereunder for legal and proper purposes in connection with the purposes set out in the first recital of this Agreement, and obtain and maintain in good standing all material leases, licences, permits and approvals from any and all Governmental Authorities required in respect of its business and operations;

- (d) pay when due all rents, taxes, rates, levies, assessments and governmental charges, fees and dues lawfully levied, assessed or imposed in respect of its property which are material to the conduct of its business, and deliver to the Lender upon request receipts evidencing such payments;
- (e) maintain adequate books, accounts and records in accordance with GAAP;
- (f) keep the Property and its assets in good repair and working condition;
- (g) permit the Lender and its employees, representatives and agents (during normal business hours and in a manner which does not materially interfere with its business) to enter upon and inspect the Property and its properties, assets, books and records from time to time and make copies of and abstracts from such books and records, and discuss its affairs, finances and accounts with its officers, directors, accountants and auditors; such access shall be on 48 hours' prior notice unless a Default has occurred and is continuing in which event no notice shall be required;
- (h) obtain from financially responsible insurance company and maintain liability insurance, all-risks property insurance on a replacement cost basis (less a reasonable deductible not to exceed amounts customary in the industry for similar businesses and properties), business interruption insurance and insurance in respect of such other risks as the Lender may reasonably require from time to time; all of which policies of insurance shall be in such amounts as may be reasonably required by the Lender and shall include a standard mortgage clause approved by the Insurance Bureau of Canada; and the Lender's interest shall be noted as an additional insured on all liability insurance policies and as second mortgagee and loss payee on all other insurance policies; and the Lender shall be provided with certificates of insurance and certified copies of such policies from time to time upon request;
- (i) fulfil all covenants and obligations required to be performed by it under this Agreement and the Security Documents to which it is a party and any other agreement or undertaking now or hereafter made between it and the Lender;
- (j) provide prompt notice to the Lender of: (i) the occurrence of any Default or Event of Default; (ii) the incorrectness of any representation or warranty contained herein or any Security Documents in any material respect; (iii) any material contravention of or non-compliance by any Borrower with any terms and conditions of this Agreement or any Security Document; (iv) any Material Adverse Change; (v) any litigation affecting the Borrower; (vi) any material labour dispute affecting the Borrower; or (vii) any notice in respect of the termination or suspension of, or a material default under, any Material Contract;
- (k) provide the Lender with such further information, financial data, documentation and other assurances as the Lender may reasonably require from time to time in order to ensure ongoing compliance with the terms of this Agreement and the Security Documents and to achieve the spirit and intent of this Agreement;

- (l) The Borrower hereby covenants and agrees with the Lender that the first Loan Instalment will be used to purchase the Property free and clear of any encumbrances and liens;
- (m) From any excess proceeds available after the Property has been acquired, the Borrower intends to pay a dividend of \$250,000 to each of its four shareholders, in compensation of expenses incurred and efforts in locating suitable property, negotiating and structuring the purchase transaction and matters ancillary thereto which shall not be a Distribution for the purposes of this Agreement.

7.02 The Borrower hereby covenants and agrees with the Lender that it will not without the prior written consent of the Lender (which consent may be withheld in the sole and absolute discretion of the Lender):

- (a) grant or suffer to exist any Liens in respect of any of its property and assets including the Property, except the Permitted Encumbrances;
- (b) directly or indirectly sell or otherwise dispose of any of its assets save and except in the ordinary course of its business or further save and except to sales of dwelling units to bona fide arm's length third party purchasers of such units;
- (c) make any Distributions;
- (d) not materially change the nature of its business, maintain a place of business or any material assets in any jurisdiction other than the Province of Ontario, or enter into any transaction whereby all or a substantial portion of its undertaking, property and assets would become the property of any other Person, whether by way of reconstruction, reorganization, recapitalization, consolidation, amalgamation, merger, transfer, sale or otherwise, in each case without the prior written consent of the Lender in its sole and absolute discretion;
- (e) change its Fiscal Year (which for greater certainty presently ends on the last day of December in each year);
- (f) change its Accountants except with the prior written consent of the Lender which consent shall not be unreasonably withheld; and,
- (g) use the proceeds of any Loan Instalment for any purposes other than the development and construction of a condominium project on the Property, unless otherwise specified in this Agreement; other than for the purposes of earning interest income on funds which are not immediately required to be expended by the Borrower.

7.03 The Borrower shall deliver by courier delivery to the Lender, upon request by the Lender, the following financial and other information at the times indicated below:

- (a) the annual Year-end Financial Statements of the Borrower, by the 120th day after the end of the Fiscal Year accompanied by a Compliance Certificate

certified by the Chief Financial Officer of the Borrower or other senior officer of the Borrower acceptable to the Lender;

- (b) within the first 120 days after the start of each Fiscal Year, a business plan for the Borrower in respect of such Fiscal Year, which shall disclose all material assumptions utilized and shall include the following items set out on a quarterly basis: balance sheet, income statement, cashflow statement, Capital Expenditures and tax liabilities; and
- (c) such additional information and documents as the Lender may reasonably require from time to time.

7.04 Full, true and accurate accounting and financial information shall be kept by the Borrower in accordance with GAAP as of the date hereof until at least after eighteen (18) months after the Borrower's Liabilities have been repaid. The Lender or anyone designated by the Lender shall have access to the books, records, financial information, financial statements and data of the Borrower (the "Borrower's Books and Records") at any and all times during regular business hours for the purpose of examining and reviewing the Borrower's Books and Records. The Lender shall not disclose any confidential information so obtained except to the extent that disclosure is reasonable in the conduct of the Lender's business.

7.05 The Lender hereby covenants with the Borrower, that the Lender shall execute any necessary documents and register such documents as may be reasonably requested by any construction financier to subordinate the Lender's Mortgage security to any mortgage or other security granted by the construction financier or Tarion warranty bonding company to the Borrower, for the purposes of funding the Borrower's construction of the project on the Property (which shall include demolition costs and professional fees in furtherance of such construction (architectural, engineering, etc.)) or the provision Tarion insurance coverage, as the case may be; and the Lender appoints the Borrower as the Lender's power of attorney to execute any required documents on behalf of the Lender to evidence the foregoing.

ARTICLE 8 CONDITIONS PRECEDENT

8.01 The Lender shall have no obligation to make the first Loan Instalment hereunder or any Loan Instalments thereafter on the Closing Date unless at the time of making such Loan Instalment the following terms and conditions (which are condition precedents in favour of the Lender) shall have been satisfied in the opinion of the Lender:

- (a) the Lender shall have completed and shall be satisfied with its due diligence in respect of the Property;
- (b) all representations and warranties made by the Vendor contained in this Agreement or the Security Documents shall be true, correct and complete in all material respects;
- (c) all Security Documents required to be provided at the time of the first Loan Instalment shall have been executed and delivered, all registrations necessary or

desirable in connection therewith shall have been made, and all legal opinions and other documentation required by the Lender in connection therewith shall have been executed and delivered, all in form and substance satisfactory to the Lender in its sole and absolute discretion;

- (d) the Lender shall have received satisfactory evidence that there are no Liens affecting the Borrower or its assets, except for Permitted Encumbrances which shall be paid in full and deducted from the First Loan Instalment on the Closing Date;
- (e) the Lender shall have received particulars of all Permitted Encumbrances, specifically including the assets encumbered thereby, the amounts due thereunder, and confirmation from the holders thereof that the terms thereof are being complied with;
- (f) the property and assets of the Borrower shall be insured on the Closing Date; the terms and conditions of such insurance to be in compliance with the requirements of this Agreement in the opinion of the Lender;
- (g) the Lender shall have received an officer's certificate and certified copies of resolutions of the board of directors of the Borrower concerning the due authorization, execution and delivery of the Security Documents to which it is a party, and such related matters as the Lender may reasonably require;
- (h) the Lender shall have received from the Borrower a certificate of status as of the Closing Date or the date of any Loan Instalment, as the case may be, certificate of compliance or similar certificate for the Borrower issued by its governing jurisdiction and each other jurisdiction in which it carries on business or holds any material assets;
- (i) the Lender shall have received such additional evidence, documents or undertakings as it may reasonably require to complete the transactions contemplated hereby in accordance with the terms and conditions contained herein;
- (j) All Realty Taxes related to the Property are up-to-date as of the Closing Date; and
- (k) All mortgages, charges, Liens and encumbrances have been discharged, on the Closing Date and prior to any Loan Instalment being made.

8.02 The Borrower hereby acknowledges, confirms, covenants and agrees that the Lender is syndicating the Loan and therefore, the Lender shall have no obligation to make the first Loan Instalment hereunder on the Closing Date or any Loan Instalment thereafter unless at the time of making such Loan Instalment the syndication of the Loan has been completed in the opinion of the Lender.

**ARTICLE 9
DEFAULT AND REMEDIES**

9.01 The occurrence of any one or more of the following events, after the expiry of any applicable cure period set out below, shall constitute an event of default under this Agreement (an "Event of Default"):

- (a) the Borrower fails to pay any principal, interest, Expenses or any other amount payable hereunder when due under the terms of this Agreement or any of the Security Documents;
- (b) any representation, warranty or statement made to the Borrower herein or in any Security Documents is incorrect in any material respect on the date on which such representation, warranty or statement was made or deemed to have been made, or subsequently becomes incorrect in any material respect; provided that if such representation, warranty or statement is capable of being corrected within twenty (20) days, the Borrower diligently attempts to take all such action as may be necessary in order that such representation, warranty or statement will become correct and diligently keep the Lender informed of its efforts in this regard, and such representation, warranty or statement is correct by not later than the expiry of such twenty (20) day period on the opinion of the Lender, then the incorrectness of such representation, warranty or statement shall not constitute an Event of Default;
- (c) the Borrower fails to perform or comply with any of the covenants or obligations set out in this Agreement;
- (d) the Borrower fails to perform or comply with any of its covenants or obligations contained in any of the Security Documents, in each case, following receipt of notice of such non-compliance from the Lender; provided that if such non-compliance is capable of remedy within twenty (20) days, the Borrower diligently attempts to remedy such non-compliance and diligently keeps the Lender informed of its efforts in this regard, and such non-compliance is remedied within such twenty (20) day period in the opinion of the Lender, then such non-compliance shall not constitute an Event of Default;
- (e) an Insolvency Event occurs in respect of the Borrower;
- (f) any document constituting part of the Security Documents shall for any reason cease to be in full force and effect or shall be declared in a final judgment of a court of competent jurisdiction to be null and void; or the Borrower contests the validity or enforceability thereof or denies it has any further liability or obligation thereunder; or any document constituting part of the Security Documents shall for any reason fail to create a valid and perfected First-Ranking Security Interest subject to Permitted Encumbrances in the opinion of the Lender, in and to the property purported to be subject thereto, except that if such failure is capable of remedy within thirty (30) days, the Borrower diligently attempts to remedy such failure and diligently informs the Lender of its efforts in this regard, and the failure is remedied within such thirty

(30) day period in the opinion of the Lender, then the failure shall not constitute an Event of Default;

- (g) any Person takes possession, or threatens to take possession, of any property of the Borrower including the Property by way of or in contemplation of enforcement of any security it may hold, or a distress or execution or similar process is levied or enforced against any such property; and,
- (h) any Governmental Authority shall take any action or proceeding to condemn, seize or appropriate any property of the Borrower that is material to its financial condition, business or operations.

9.02 Upon the occurrence of an Insolvency Event, the Borrower's Liabilities shall become immediately due and payable, without the necessity of any demand upon or notice to the Borrower by the Lender. Upon the occurrence and during the continuation of any Event of Default other than an Insolvency Event, the Lender may by written notice to the Borrower declare the Borrower's Liabilities to be immediately due and payable. Upon the occurrence and during the continuation of an Event of Default, both before and after the Acceleration Date, all outstanding Loan Instalments shall bear interest at the Loan Rate plus two percent (2%) per annum in order to compensate the Lender for the additional risk.

9.03 Upon the occurrence and during the continuation of an Event of Default, the Lender may apply any proceeds of realization from any Security or related to this Agreement or the Security Documents, against any portion or portions of the Borrower's Liabilities, and the Borrower may not require any different application. The taking of a judgment or any other action or dealing whatsoever by the Lender in respect of the Security Documents shall not operate as a merger of any of the Borrower's Liabilities hereunder or in any way affect or prejudice the rights, remedies and powers which the Lender may have, and the foreclosure, surrender, cancellation or any other dealing with any Security Documents or the said obligations shall not release or affect the liability of the Borrower or any other Person in respect of the remaining portion of the Borrower's Liabilities.

9.04 The Lender shall not be obliged to make any further Loan Instalments from and after the earliest to occur of the following: (i) delivery by the Lender to the Borrower of a written notice that a Default or an Event of Default has occurred and is continuing (whether or not such notice also requires immediate repayment of the Borrower's Liabilities); (ii) the occurrence of an Insolvency Event; and (iii) receipt by the Borrower of any garnishment notice or other notice of similar effect in respect of the Borrower pursuant to the *Income Tax Act* (Canada), the *Excise Tax Act* (Canada) or any similar notice under any other statute.

9.05 All of the rights and remedies granted to the Lender in this Agreement and the Security Documents, and any other rights and remedies available to the Lender at law or in equity, shall be cumulative. The exercise or failure to exercise any of the said remedies shall not constitute a waiver or release thereof or of any other right or remedy, and shall be non-exclusive.

9.06 If the Borrower fails to perform any covenant or obligation to be performed by it pursuant to this Agreement or the Security Documents, the Lender may in its sole and absolute

discretion, after written notice to the Borrower, perform any of the said obligations but shall be under no obligation to do so; and any amounts expended or advanced by the Lender for such purpose shall be payable by the Borrower upon demand together with interest at the Interest Rate.

9.07 If the Borrower intends to take the benefit of any Insolvency Legislation, including making an assignment for the general benefit of creditors, making a proposal or filing a notice of intention to make a proposal under Insolvency Legislation, the Borrower covenants and agrees to provide the Lender with five (5) Business Days' prior written notice before any of the aforementioned proceedings are commenced. As soon as possible prior to the commencement of any such proceedings, the Borrower shall provide to the Lender copies of all relevant filing materials, including copies of draft court orders, plans of compromise, proposals and notices of intention. During this notice period the Lender may, in its sole discretion, elect to exercise any and all rights and remedies which may be available to it at that time as set out in this Agreement.

ARTICLE 10 GENERAL CONTRACT TERMS

10.01 The failure or delay by the Lender in exercising any right or privilege with respect to the non-compliance with any provisions of this Agreement by the Borrower and any course of action on the part of the Lender, shall not operate as a waiver of any rights of the Lender unless made in writing by the Lender. Any such waiver shall be effective only in the specific instance and for the purpose for which it is given and shall not constitute a waiver of any other rights and remedies of the Lender with respect to any other or future non-compliance.

10.02 In addition to any other liability of the Borrower hereunder, the Borrower hereby agrees to indemnify and save harmless the Indemnitees from and against all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements (including reasonable legal fees on a solicitor and his own client basis) of any kind or nature whatsoever (but excluding any consequential damages and damages for loss of profit) which may be imposed on, incurred by or asserted against the Indemnitees (except to the extent arising from the negligence or wilful misconduct of such Indemnitees) which relate or arise out of or result from:

- (a) any failure by the Borrower to pay and satisfy its obligations hereunder and the Security Documents including the Borrower's Liabilities;
- (b) any investigation by Governmental Authorities or any litigation or other similar proceeding related to any use made or proposed to be made by the Borrower of the proceeds of any Loan Instalment;
- (c) any losses suffered by the Indemnitees for, in connection with, or as a direct or indirect result of, the failure of the Borrower to comply with all Requirements of Environmental Law;
- (d) any losses suffered by the Indemnitees for, in connection with, or as a direct or indirect result of, the presence of any Hazardous Material situated in, on or under any

property owned by the Borrower including the Property or upon which it carries on business; and

- (e) any and all liabilities, losses, damages, penalties, expenses (including reasonable legal fees) and claims which may be paid, incurred or asserted against the Indemnitees for, in connection with, or as a direct or indirect result of, any legal or administrative proceedings with respect to the presence of any Hazardous Material on or under any property owned by the Borrower including the Property or upon which it carries on business, or the discharge, emission, spill, radiation or disposal by the Borrower of any Hazardous Material into or upon the Property, the atmosphere, or any watercourse or body of water; including the costs of defending and/or counterclaiming or claiming against third parties in respect of any action or matter and any cost, liability or damage arising out of a settlement entered into by the Indemnitees of any such action or matter;

10.03 The termination of this Agreement shall not relieve the Borrower from its obligations to the Lender arising prior to such termination, such as but not limited to obligations arising as a result of or in connection with any breach of this Agreement or the Security Documents, any failure to comply with this Agreement or the Security Documents or the inaccuracy of any representations and warranties made or deemed to have been made prior to such termination, and obligations arising pursuant to all indemnity obligations contained herein.

10.04 If the Borrower fails to pay when due any Expenses or other amounts paid by the Lender hereunder (other than principal or interest on any Loan Instalment), the Borrower agrees to pay interest on such unpaid amount from the time such amount is due until paid at the Loan Rate.

10.05 Without prejudice to any other method of giving notice, all communications provided for or permitted hereunder shall be in writing and delivered to the addressee by prepaid private courier or sent by telecopy to the applicable address and to the attention of the officer of the addressee as follows:

- (i) to the Borrower:

Textbook (555 Princess Street) Inc.
51 Caldari Road, Suite A1M
Concord, Ontario, L4K 4G3

Attention: John Davies

with a copy to:

Harris + Harris LLP
2355 Skymark Avenue, Suite 300
Mississauga, Ontario, L4W 4Y6

Attention: Mr. Gregory H. Harris
Fax Number: 905-629-4350

(ii) if to the Lender:

c/o Tier 1 Transaction Advisory Services Inc.
3100 Steeles Avenue East, Suite 902
Markham, Ontario, L3R 8T3

Attention: Mr. Raj Singh
Fax Number: 647-689-2374

with a copy to:

Nancy Elliott, Barrister & Solicitor
5000 Yonge Street
Suite 1901
Toronto, Ontario, M2N 7E9

Attention: Ms. Nancy Elliott
Fax Number: (416) 628-5597

Any communication transmitted by prepaid private courier shall be deemed to have been validly and effectively given or delivered on the Business Day after which it is submitted for delivery. Any communication transmitted by telecopy shall be deemed to have been validly and effectively given or delivered on the day on which it is transmitted, if transmitted on a Business Day on or before 5:00 p.m. (local time of the intended recipient), and otherwise on the next following Business Day. Any party may change its address for service by notice given in the foregoing manner.

10.06 Any provision of this Agreement which is illegal, prohibited or unenforceable in any jurisdiction, in whole or in part, shall not invalidate the remaining provisions hereof; and any such illegality, prohibition or unenforceability in any such jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

10.07 The Borrower shall from time to time at its own expense promptly execute and deliver or cause to be executed and delivered to the Lender all such other and further documents, agreements, opinions, certificates and instruments which may be requested by the Lender if necessary or desirable to more fully record or evidence the obligations intended to be entered into herein, or to make any recording, file any notice or obtain any consent.

10.08 Time shall be of the essence of this Agreement.

10.09 The Borrower may not assign any of its rights or obligations under this Agreement without the prior written consent of the Lender. The Lender may grant participations in all or any portion of its rights under this Agreement from time to time without notice to or obtaining the prior written consent of the Borrower. The Borrower agrees to co-operate fully with the Lender in connection with any assignment or participation pursuant to this section, and agrees to

execute and deliver from time to time in favour of the Lender and any such assignee or participant such documents and assurances as may be reasonably required by the Lender or the assignee or participant in connection with such assignment or participation.

10.10 This Agreement and any other documents or instruments contemplated herein or therein shall constitute the entire agreement and understanding between the Borrower and the Lender relating to the subject-matter hereof. For greater certainty and without limiting the generality of the foregoing, this Agreement supersedes all discussion papers previously issued by the Lender relating to the proposed establishment of the Loan, which have no force or effect.

10.11 To the extent that there is any inconsistency between a provision of this Agreement and a provision of any document constituting part of the Security including the Security Documents, the provision of this Agreement shall govern. For greater certainty, a provision of this Agreement and a provision of any Security Document shall be considered to be inconsistent if both relate to the same subject-matter and the provision in the Security Document imposes more onerous obligations or restrictions than the corresponding provision in this Agreement (excluding fees and Expenses).

10.12 This Agreement shall be interpreted in accordance with the laws of the Province of Ontario. Without prejudice to the right of the Lender to commence any proceedings with respect to this Agreement in any other proper jurisdiction, the parties hereby attorn and submit to the non-exclusive jurisdiction of the courts of the Province of Ontario.

10.13 This Agreement may be executed in several counterparts, each of which, when so executed, shall be deemed to be an original and which counterparts together shall constitute one and the same Agreement. This Agreement may be executed by facsimile, and any signature contained hereon by facsimile shall be deemed to be equivalent to an original signature for all purposes.

10.14 This Agreement shall be binding upon and shall enure to the benefit of the parties and their respective successors and permitted assigns; "successors" includes any corporation resulting from the amalgamation of any party with any other corporation.

IN WITNESS WHEREOF the parties hereto have executed this Agreement as of the date written on the first page hereof.

TEXTBOOK STUDENT SUITES (555
PRINCESS STREET) TRUSTEE
CORPORATION

Per: 

Name: Raj Singh

Title: President

I have authority to bind the corporation

TEXTBOOK (555 PRINCESS STREET) INC.

Per: 

Name: John Davies

Title: Co-President

I have authority to bind the corporation

SCHEDULE "A"
THE LANDS

Legal Description:

PT LT 626-627 PL A12 KINGSTON CITY AS IN CK40869 EXCEPT FR568186; KINGSTON;
THE COUNTY OF FRONTENAC

BEING THE WHOLE OF PIN 36072-0135(LT)

Municipal Description:

555 Princess Street, Kingston, Ontario

SCHEDULE "B"
SCHEDULE OF INTEREST PAYMENTS

Interest payments shall be calculated at an annual interest rate of EIGHT PERCENT (8%), paid quarterly in trust to the Borrower's Solicitor, commencing on or about November 20, 2015. All funds advanced by the Lender between the Closing Date (on or about November 20, 2015) to January 1, 2016 shall receive an initial payment pro rated for the period from the date of the advance by the Lender to December 31, 2015 and full payments quarterly thereafter until the maturity date, anticipated to be on or about November 20, 2018.

SCHEDULE "C"
EXPENSES

The Expenses include the following:

- a) Mortgage Brokerage Fee of \$80,000 payable to First Commonwealth Mortgage Corporation and Tier 1 Mortgage Corporation (collectively, referred to as the "Mortgage Broker"); (based on a maximum mortgage advance of \$8,000,000). The fee payable to the Mortgage Broker is 1% of the mortgage amount advanced.
- b) Referral and Related Fees of \$1,280,000 payable on account of fees and commission incurred in relation to the Loan which shall be paid as the Mortgage Broker may in writing direct (based on a maximum mortgage advance of \$8,000,000 where the actual mortgage advance is less than \$8,000,000, the referral and related fees will be proportionately reduced); and,
- c) Legal Fees. Legal Fees of \$20,000.00 plus HST plus Disbursements (which shall include Title Insurance and other Expenses) shall be payable to the Lender's Solicitors which shall be deducted from the first Loan Instalment. In the event that there is more than one (1) Loan Instalments, then additional legal fees of \$3,000 plus HST plus Disbursements shall be paid to the Lender's Solicitors on each additional Loan Instalment. The fees, taxes and disbursements of the Borrower's Solicitors shall be paid in addition to the fees, taxes and disbursements of the Lender's Solicitors. It is estimated the fees of the Borrower's Solicitors shall be \$35,000 (plus HST and disbursements) for the first Loan Instalment and \$20,000 (plus HST and disbursements) for each Loan Instalment thereafter, exclusive of the costs of preparation of any offering documents in jurisdictions where such documents are required.

SCHEDULE "D"
ADDITIONAL LOAN PAYMENT

The Additional Loan Payment shall be an amount equal to four (4%) per cent per annum of the principal amount of the Mortgage advanced to the Borrower and shall be payable for such time as the Loan remains outstanding, as determined by the Lender (the "Additional Loan Payment"). The Additional Loan Payment shall be payable by the Borrower from the Distributable Cash Proceeds. The payment of the Additional Loan Payment may be paid at any time and from time to time to the Lender after the Loan, plus interest thereon in accordance with this Agreement and all Expenses are paid pursuant to this Agreement. If the principal amount advanced to the Borrower is less than \$8,000,000, the Additional Loan Payment shall be reduced accordingly. The Additional Loan Payment will be paid after the Loan, plus interest thereon in accordance with this Agreement and all Expenses are paid pursuant to this Agreement as determined by the Lender, acting reasonably.

For the sake of clarity, if the face amount of the Mortgage is \$8,000,000 and the Borrower's Liabilities have not been paid until the third anniversary of the first Loan Instalment, then the amount of the Additional Loan Payment payable by the Borrower to the Lender shall be \$960,000, or 4% per annum for each year the Mortgage is outstanding; which interest amount shall not be compounded from time to time. Notwithstanding the foregoing, the calculation of the Additional Loan Payment and the timing of the payments thereof shall be determined by the Lender, acting reasonably.

The Lender shall provide to the Borrower reasonable notice of any payments made on account of the Additional Loan Payment. If the Borrower exercises its right to prepay all or a portion of the Loan, then the 4% per annum Additional Loan Payment for the third year (or any additional extensions) of the term of this Loan shall continue to be payable, in full, notwithstanding any prepayment, from Distributable Cash Proceeds.

SCHEDULE "E"
PERMITTED ENCUMBRANCES

1. Liens for municipal property taxes, local improvement assessments or taxes, or other taxes, assessments or recoveries relating to the Property which are not at the time due.
2. The reservations, limitations, exceptions, provisos and conditions, if any expressed in any original grants from the Crown including, without limitation, the reservations of any mines and minerals in the Crown or in any other person.
3. Any registered or unregistered licenses, easements, rights-of-way, rights in the nature of easements and agreements with respect thereof which relate to the provisions of utilities or services or easements or rights of way in favour of any governmental authority, any private or public utility, any railway company or any adjoining owner to the Property (including, without limitation, agreements, easements, licenses, rights-of-way and interests in the nature of easements for sidewalks, public ways, sewers, drains, gas, steam and water mains or electric light and power, or telephone and telegraphic conduits, poles, wires, and cables).
4. Title defects or irregularities, which are of a minor nature and in the aggregate will not materially adversely impair the use or marketability of the Real Property or that part thereof affected by the defect or irregularity for the purposes for which it is presently used.
5. The exceptions, limitations and qualifications of the *Land Titles Act* and any amendments thereto.

LOAN AGREEMENT

THIS AGREEMENT is made as of the 1st day of May, 2015.

B E T W E E N:

TEXTBOOK STUDENT SUITES (ROSS PARK) TRUSTEE CORPORATION, a corporation incorporated under the laws of the Province of Ontario

(hereinafter referred to as the “**Lender**”)

AND

TEXTBOOK ROSS PARK INC., a corporation incorporated under the laws of the Province of Ontario

(hereinafter referred to as the “**Borrower**”)

WHEREAS the Lender, on the terms and conditions hereinafter set forth, has agreed to lend to the Borrower and the Borrower has agreed to borrow from the Lender the sum of up to **Thirteen Million Five Hundred and Fifty Thousand (\$13,550,000) Dollars** of lawful money of Canada (the “**Principal Sum**”) for a term of Three (3) years, subject to extensions as provided herein, (the “**Term**”) in connection with the development and construction by the Borrower of a condominium project on the lands and premises situated at 1234, 1236, 1238, 1240, 1244 and 1246 Richmond Street, London, Ontario, and more particularly described in Schedule “A” attached hereto (the “**Property**”).

AND WHEREAS the Borrower agrees to pay to the Lender interest on the Principal Sum at the Loan Rate (as hereinafter defined), calculated annually and payable quarterly during the Term along with the Additional Loan Payment as more particularly described in Schedule “D” attached hereto;

AND WHEREAS the Borrower has agreed to allow a Charge/Mortgage of Land in addition to the other Security Documents, on the terms set out herein, to be registered against the Property in second position and in favour of the Lender (the “**Mortgage**”), as security for repayment of the Principal Sum with interest at the Loan Rate and the payment of the Additional Loan Payment, subject to a mortgage in the aggregate amount of \$4,500,000 granted to the vendor of the Property to the Borrower, as security for the balance of the seven million dollar purchase price for the Property (the “**VTB Mortgage**”);

AND WHEREAS the Borrower agrees to repay to the Lender the Principal Sum and interest at the Loan Rate and the payment of the Additional Loan Payment on or before the expiry of the Term, as specified herein;

AND WHEREAS the Lender and the Borrower (collectively, the “**Parties**”) wish to evidence their agreement in respect of the Loan;

AND WHEREAS the Lender acknowledges that the Mortgage shall be granted, *inter alia*, in the form of a syndicated second Charge/Mortgage of Land as more fully described herein and shall be in form and substance satisfactory to the Lender;

NOW THEREFORE THIS AGREEMENT WITNESSETH THAT in consideration of the covenants, agreements herein contained and for other good and valuable consideration (the receipt and sufficiency of which is hereby acknowledged), the parties hereto agree as follows:

ARTICLE 1 RECITALS

1.01 The Parties to this Agreement acknowledge and agree that the recitals to this Agreement are true and correct in substance and in fact are incorporated into and form an integral part of this Agreement.

ARTICLE 2 DEFINITIONS AND TERMS

2.01 The following words and phrases have the following meanings when used in this Agreement:

- (a) "Acceleration Date" means the date on which an Acceleration Event occurs;
- (b) "Acceleration Event" means the earlier of: (i) the occurrence of an Insolvency Event; and (ii) the delivery by the Lender to the Borrower of a written notice that the Borrowers Liabilities or any part thereof are immediately due and payable, following the occurrence and during the continuation of an Event of Default other than an Insolvency Event;
- (c) “Additional Loan Payment” has the same meaning as set forth in Section 4.11 hereof;
- (d) "Agreement", means this Agreement entitled "Loan Agreement", and all instruments supplemental hereto or in amendment or confirmation hereof; "hereof", "hereto" and "hereunder" and similar expressions refer to this Agreement, and where relevant, to any particular article, section or paragraph hereof; "Article", "Section" and "paragraph" mean and refer to the specified article, section or paragraph of this Agreement;
- (e) "BIA" means the *Bankruptcy and Insolvency Act* (Canada), as amended from time to time;
- (f) “Borrower’s Books and Records” shall have the same meaning as set forth in Section 7.04 hereof.

- (g) "Borrower's Liabilities", refers collectively to the Loan, all interest from time to time accruing thereon as set forth in this Agreement, and all liabilities and indebtedness now or hereafter owing, arising, due or payable by the Borrower to the Lender whether under this Agreement or the Security Documents and including the Additional Loan Payment;
- (h) "Borrower's Solicitors" shall mean Harris + Harris LLP, or such other solicitors that the Borrower may in writing designate;
- (i) "Business Day", refers to any day other than a Saturday, Sunday or Statutory Holiday in Toronto, Ontario;
- (j) "Closing Date" or "Closing", or similar references means the date of the initial Loan Instalment or the date, as the context requires, of any other Loan Instalments made pursuant hereto;
- (k) "Commodity Taxes" means all commodity taxes, including all sales, use, retail, goods and services, harmonized sales, value-added and similar taxes imposed, levied or assessed by any Governmental Authority;
- (l) "Default" means any event, act, omission or condition which with the giving of notice or the passage of time, or both, would result in an Event of Default;
- (m) "Distributable Cash Proceeds" means all amounts received by the Borrower arising out of the Property or the sale or operation thereof or of the sale of condominium units for the period including but not limited to the following:
 - (i) all revenues derived from the sale of condominium units or any part or all of the Property (including all premiums, upgrade costs (net of commissions) and applicable harmonized sales tax or goods and services tax rebates);
 - (ii) all gross receipts derived from all rents and fees payable by tenants, licensees and concessionaires;
 - (iii) the gross amount, if any, of any insurance proceeds received by the Borrower, including business interruption payments;
 - (iv) the net proceeds of any refinancing, if any, received by the Borrower, other than any construction loan which contains terms prohibiting the use of such loan proceeds to repay existing indebtedness (net of repayments of existing mortgage financing being refinanced); and
 - (v) the gross amount, if any, from partial or total expropriations of all or part of the Property,

but excluding: (i) Commodity Taxes which the Borrower is required by law to collect from purchasers, tenants, concessionaires or licensees and remit to an applicable taxing authority.

- (n) "Distribution" means, other than as specifically provided for elsewhere in this Agreement or in any other acknowledgement or direction executed by the Lender prior to the advance of the Loan, any amount paid to or on behalf of the employees, directors, officers, shareholders, partners or unitholders of the Borrower, by way of salary, bonus, commission, management fees, directors' fees, dividends, redemption of shares, distribution of profits or otherwise, other than ordinary course payment of amounts related to the management, development and operation of the Property, provided such payments are in amounts reasonable for the services rendered, and whether payments are made to such Persons in their capacity as shareholders, partners, unitholders, directors, officers, employees, owners or creditors of the Borrower or otherwise, or any other direct or indirect payment in respect of the earnings or capital of the Borrower;
- (o) "Event of Default" is defined in Section 9.01 hereof;
- (p) "Expenses", means all expenses relating to the Loan and all fees and expenses for legal services relative to the preparation, review and enforcement of this Agreement and the Security Documents, the making of Loan Instalments and the repayment of the Borrower's Liabilities and the release of the security therefore;
- (q) "Fiscal Year" means the fiscal year end of the Borrower, being December 31st in every year;
- (r) "GAAP" means generally accepted accounting principles in Canada as approved by the Canadian Institute of Chartered Accountants in effect from time to time; and for greater certainty if international financial reporting standards are adopted by the Canadian Institute of Chartered Accountants in replacement for generally accepted accounting principles, each reference to "GAAP" herein shall be deemed to refer to such international financial reporting standards;
- (s) "Governmental Authority" means any: (i) federal, provincial, state, municipal, local or other governmental or public department, central bank, court, commission, board, bureau, agency or instrumentality, domestic or foreign; (ii) any subdivision or authority of any of the foregoing; or (iii) any quasi-governmental, judicial or administrative body exercising any regulatory, expropriation or taxing authority under or for the account of any of the foregoing;
- (t) "Hazardous Materials" means any contaminant, pollutant, waste or substance that is likely to cause immediately or at some future time harm or degradation to the surrounding environment or risk to human health; and without restricting the generality of the foregoing, including any pollutant, contaminant, waste, hazardous waste or dangerous goods that is regulated by any Requirements of Environmental Law or that

is designated, classified, listed or defined as hazardous, toxic, radioactive or dangerous or as a contaminant, pollutant or waste by any Requirements of Environmental Law;

- (u) "Indemnitees" means the Lender and its successors and permitted assignees, any agent of any of them (specifically including a receiver or receiver-manager) and its officers, directors, employees, beneficial owners and shareholders;
- (v) "Insolvency Event" means, in respect of any Person:
 - (i) such Person ceases to carry on its business; or commits an act of bankruptcy or becomes insolvent (as such terms are used in the BIA); or makes an assignment for the benefit of creditors, files a petition in bankruptcy, makes a proposal or commences a proceeding under Insolvency Legislation; or petitions or applies to any tribunal for, or consents to, the appointment of any receiver, trustee or similar liquidator in respect of all or a substantial part of its property; or admits the material allegations of a petition or application filed with respect to it in any proceeding commenced in respect of it under Insolvency Legislation; or takes any corporate action for the purpose of effecting any of the foregoing; or
 - (ii) any proceeding or filing is commenced against such Person seeking to have an order for relief entered against it as debtor or to adjudicate it a bankrupt or insolvent, or seeking liquidation, winding-up, reorganization, arrangement, adjustment or composition of it or its debts under any Insolvency Legislation, or seeking appointment of a receiver, trustee, custodian or other similar official for it or any of its property or assets; unless (i) such Person is diligently defending such proceeding in good faith and on reasonable grounds as determined by the Lender and (ii) such proceeding does not in the reasonable opinion of the Lender materially adversely affect the ability of such Person to carry on its business and to perform and satisfy all of its obligations hereunder;
- (w) "Insolvency Legislation" means legislation in any applicable jurisdiction relating to reorganization, arrangement, compromise or re-adjustment of debt, dissolution or winding-up, or any similar legislation, and specifically includes for greater certainty the BIA, the *Companies' Creditors Arrangement Act* (Canada) and the *Winding-Up and Restructuring Act* (Canada);
- (x) "Interest Reserve" means the amounts set aside or deducted as contemplated in Section 4.12 hereof to fund the obligations of the Borrower to pay interest as set forth in this Agreement on the Loan Instalments that may from time to time be made by the Lender to the Borrower.
- (y) "Laws" means all statutes, codes, ordinances, decrees, rules, regulations, municipal by-laws, judicial or arbitral or administrative or ministerial or departmental or regulatory judgments, orders, decisions, rulings or awards, or any provisions of such laws,

including general principles of common and civil law and equity or policies or guidelines, to the extent such policies or guidelines have the force of law, binding on the Person referred to in the context in which such word is used; and "Law" means any of the foregoing;

- (z) "Lender's Solicitors" shall mean Nancy Elliott, Barrister & Solicitor, or such other solicitors that the Lender may in writing designate;
- (aa) "Lien" means: (i) a lien, charge, mortgage, pledge, security interest or conditional sale agreement; (ii) an assignment, lease, consignment, trust or deemed trust that secures payment or performance of an obligation; (iii) a garnishment; (iv) any other encumbrance of any kind; and (v) any commitment or agreement to enter into or grant any of the foregoing;
- (bb) "Loan", means the aggregate amount, not to exceed Thirteen Million Five Hundred and Fifty Thousand (\$13,550,000) Dollars, of all Loan Instalments made from time to time hereunder by the Lender to the Borrower, less the amount, if any, repaid from time to time by the Borrower to the Lender;
- (cc) "Loan Instalment" has the same meaning as set forth in Sub-Section 4.08(a) hereof, with each Loan Instalment to be made in the sole and absolute discretion of the Lender;
- (dd) "Loan Rate", means the annual rate of interest applicable to any particular amount outstanding pursuant to this Agreement being Eight (8%) percent per annum;
- (ee) "Material Adverse Change" means any change or event which: (i) constitutes a material adverse change in the business, operations, condition (financial or otherwise) or properties of the Borrower taken as a whole; or (ii) could materially impair the Borrower's ability to timely and fully perform its obligations under this Agreement or the Security Documents, or materially impair the ability of the Lender to enforce its rights and remedies under this Agreement or the Security Documents;
- (ff) "Material Agreement" means, in respect of the Borrower, any agreement made between the Borrower and another Person which the Lender, in its sole and absolute discretion, determines to be material to the Borrower;
- (gg) "Maturity Date" shall have the same meaning as set forth in Section 4.04 hereof;
- (hh) "Mortgage" has the same meaning as set forth in Sub-Section 5.01(c) hereof;
- (ii) "Note" shall mean the promissory note executed by the Borrower in favour of the Lender in the sum of up to Thirteen Million Five Hundred and Fifty Thousand (\$13,550,000) Dollars which Note shall be in form and substance satisfactory to the solicitors of the Lender;
- (jj) "Outstanding Encumbrances and Liens" shall have the same meaning as set forth in Sub-Section 7.01(l) hereof;

- (kk) "Person", means a natural person, firm, trust, partnership, association, corporation, government or governmental board, agency or instrumentality;
- (ll) "Permitted Encumbrances" are those Liens described in Schedule "E" attached hereto and any construction financing (including Tarion bonding company insurance mortgage security) subsequently acquired by the Borrower for the construction of the condominium project on the Property not exceeding Thirty-Nine Million (\$39,000,000) Dollars;
- (mm) "Requirements of Environmental Law" means: (i) obligations under common law; (ii) requirements imposed by or pursuant to statutes, regulations and by-laws whether presently or hereafter in force; (iii) requirements announced by a Governmental Authority as having immediate effect (provided that at the time of making such announcement the government also states its intention of enacting legislation to confirm such requirements retroactively); (iv) all directives, policies and guidelines issued or relied upon by any Governmental Authority to the extent such directives, policies or guidelines have the force of law; (v) all permits, licenses, certificates and approvals from Governmental Authorities which are required in connection with air emissions, discharges to surface or groundwater, noise emissions, solid or liquid waste disposal, the use, generation, storage, transportation or disposal of Hazardous Materials; and (vi) all requirements imposed under any clean-up, compliance or other order made pursuant to any of the foregoing, in each and every case relating to environmental, health or safety matters including all such obligations and requirements which relate to (A) solid, gaseous or liquid waste generation, handling, treatment, storage, disposal or transportation and (B) exposure to Hazardous Materials;
- (nn) "Security" means all guarantees, security agreements, mortgages, debentures and other documents mentioned comprising the Security Documents or otherwise and all other documents and agreements delivered by the Borrower or other Persons to the Lender for the benefit of the Lender from time to time as security for the payment and performance of the Borrowers Liabilities, and the security interests, assignments and Liens constituted by the foregoing;
- (oo) "Security Documents", refers collectively to this Agreement, the Mortgage, those documents and instruments referred to in Section 5.01 hereof and any and other documents, agreements or writings delivered to the Lender as contemplated in this Agreement whether as security for the Loan or otherwise. At the option of the Lender, the Security Documents may reflect a fixed rate of interest as designated by the Lender's counsel. Notwithstanding the same, the provisions with respect to the payment of interest as set out in this Agreement shall prevail;
- (pp) "Statutory Lien" means a Lien in respect of any property or assets of a Company created by or arising pursuant to any applicable legislation in favour of any Person (such as but not limited to a Governmental Authority), including a Lien for the purpose of securing the Borrower's obligation to deduct and remit employee source deductions and goods and services tax pursuant to the *Income Tax Act* (Canada), the *Excise Tax Act* (Canada), the Canada Pension Plan (Canada), the *Employment Insurance Act*

(Canada) and any federal or provincial legislation similar to or enacted in replacement of the foregoing from time to time; and,

(qq) "Subsidiary" means a business entity which is controlled by another business entity (as used herein, "business entity" includes a corporation, company, partnership, limited partnership, trust or joint venture).

2.02 Unless otherwise provided herein, all financial terms used in this Agreement shall be determined in accordance with GAAP in effect at the date of such determination. Where the character or amount of any asset or liability or item of revenue or expense is required to be determined, or any consolidation or other computation is required to be made for the purpose of this Agreement, such determination or calculation shall be made in accordance with GAAP applied on a consistent basis, unless otherwise indicated.

2.03 All amounts referred to in this Agreement are in Canadian Dollars unless otherwise noted.

2.04 Whenever in this Agreement reference is made to a statute or regulations made pursuant to a statute, such reference shall, unless otherwise specified, be deemed to include all amendments to such statute or regulations from time to time and all statutes or regulations which may come into effect from time to time substantially in replacement for the said statutes or regulations.

2.05 Terms defined in the singular have the same meaning when used in the plural, and vice-versa. When used in the context of a general statement followed by a reference to one or more specific items or matters, the term "including" shall mean "including, without limitation", and the term "includes" shall mean "includes, without limitation". Any reference herein to the exercise of discretion by the Lender (including phrases such as "in the discretion of", "in the opinion of", "in its opinion", "to the satisfaction of" and similar phrases) shall mean that such discretion is absolute and unfettered and shall not imply any obligation to act reasonably, unless otherwise expressly stated herein.

ARTICLE 3 SCHEDULES

3.01 The following are the schedules attached to and incorporated in this Agreement by reference and deemed to be a part thereof:

Schedule "A" – Lands to be Charged/Mortgaged

Schedule "B" – Schedule of Interest Payments

Schedule "C" – Expenses

Schedule "D" – Additional Loan Payment

Schedule "E" – Permitted Encumbrances

ARTICLE 4
THE LOAN, INTEREST, EXPENSES, AND PAYMENT THEREOF

4.01 Subject to the terms and conditions hereof, the Lender agrees to provide to the Borrower the Loan.

4.02 The Borrower and the Lender acknowledge and confirm that, notwithstanding any rate of interest set out in the Security Documents or any of them, the provisions of this Agreement regarding the Loan Rate shall govern the rate of interest payable on the Loan. The Borrower and the Lender further acknowledge and confirm that the Security Documents shall be in form and substance satisfactory to the Lender.

4.03 Interest on the Loan Rate shall be determined daily and shall be due, payable and compounded quarterly, not in advance, on the 1st day of each month during such quarterly period, as well after as before demand, maturity, default and judgment, together with interest on overdue interest determined daily (if relevant) and compounded quarterly at the same rate applicable until the Borrower's Liabilities have been paid in full. Interest shall be calculated on the basis of a three hundred and sixty-five (365) day year. Interest on the Loan at the Loan Rate and calculated as aforesaid shall accrue as of the date of the first Loan Instalment. Any disputes on the determination and calculation of interest of the Interest Rate shall be resolved by the Lender, in its opinion but acting reasonably. The first payment of interest and all subsequent payments of interest as aforesaid shall be payable in the amounts and on the dates as set forth in Schedule "B" attached hereto.

4.04 The Loan, together with all accrued and outstanding interest and other charges in connection therewith as set forth in this Agreement and the Security Documents including without limiting the generality of the foregoing the Additional Loan Payment and all other Borrower's Liabilities, shall become fully due and repayable on the third anniversary of the first Loan Instalment, unless extended as set out in this Agreement (the "Maturity Date"). The Maturity Date may be extended for up to two six month extension periods, by notice in writing delivered by the Borrower to the Lender at least 60 days prior to the scheduled Maturity Date, or extended Maturity Date, in the case of a second six month extension. During any extension of the Term, all of the provisions in this Agreement shall remain in full force and effect and interest shall continue to be payable and accrue during any extension to the Term, on the same terms and conditions as interest is calculated and payable prior to any extension of the Term. The Maturity Date shall be deemed amended to the date which is six months from the date of the prior Maturity Date, or first amended Maturity Date in the case of a second six month extension.

4.05 Any payment provided hereunder to be made by the Borrower to the Lender shall be in certified funds or Bank Draft and shall be payable to the Borrower's Solicitors, in trust, and delivered to the Borrower's Solicitors, or any other payee or office designated by the Lender from time to time. The Borrower's Solicitors shall coordinate further delivery of such funds with the Lender's Solicitors. Any payment as aforesaid received after two o'clock (2:00) p.m. Toronto time shall be deemed to have been received on the next following Business Day.

4.06 This Agreement shall constitute evidence of the obligation of the Borrower to repay all the Borrower's Liabilities in accordance with the terms hereof. The Borrower shall repay the Loan and

the Borrower's Liabilities in full on the Maturity Date, and until then shall pay interest at the time or times and in the manner provided herein.

4.07 All Loan Instalments and Expenses as and when advanced or incurred shall be and become secured by the Security Documents and Expenses may be paid by the Lender and be deducted from Loan Instalments which would otherwise have been made to the Borrower. The Security Documents shall be in addition to any other security which the Lender may now have or subsequently acquire for the performance of the Borrower's Liabilities. The Expenses listed in Schedule "C" attached hereto are a list of Expenses (but by no means an exhaustive list of all Expenses) that shall be deducted from the Loan Instalments.

4.08 The Lender and the Borrower mutually acknowledge, confirm, represent and covenant as follows:

- (a) Any amounts advanced by the Lender, in its sole and absolute discretion, to the Borrower pursuant to this Agreement, may occur in tranches (the "**Loan Instalments**") with the anticipated first Loan Instalment to be in the amount of not less than Five Million (\$5,000,000.00) Dollars. The second or further Loan Installments are expected to be in the aggregate amount of Eight Million Five Hundred and Fifty Thousand (\$8,550,000.00) Dollars; and
- (b) prior to the release of any funds by the Lender's Solicitors to the solicitor(s) for the Borrower, each Party hereby irrevocably acknowledges and directs that their respective solicitors are authorized to and shall cause to be registered any such instruments on title to the Lands which in the opinion of the solicitor for the Lender may be required as evidence of any sums advanced to the Borrower on the security of this Agreement or the Security Documents.

4.09 The Borrower may not prepay all or any portion of the Borrower's Liabilities hereunder, other than pursuant to Section 4.13 hereof.

4.10 Notwithstanding anything to the contrary contained in this Agreement, any Loan Instalment made by the Lender and the Borrower shall be at the Lender's sole and absolute discretion and the Lender shall not be obligated at any time or times to make any Loan Instalment to the Borrower.

4.11 In addition to the payment by the Borrower of the Loan plus interest as set forth in this Agreement, the Borrower shall also pay to the Lender, in certified funds or Bank Draft, forthwith after the determination is made by the Lender in its opinion that the Additional Loan Payment is payable, the amount of the Additional Loan Payment calculated as described in Schedule "D" attached hereto in the same manner as contemplated in Section 4.05 hereof. Notwithstanding the foregoing, the Lender, at its option, may also deduct from the Distributable Cash Proceeds, at any time and from time to time, all or any part of the Additional Loan Payment that the Lender, in its opinion, believes is due and payable.

4.12 The parties hereto acknowledge, confirm, covenant and agree that the Lender shall be deducting from the first Loan Instalment and any subsequent Loan Instalments an amount equal to the projected interest on the amount of such Loan Instalment for 12 months which shall be a

contribution of the Borrower to the Interest Reserve. The parties hereto further acknowledge, confirm, covenant and agree that the Lender may from time to time and at any time, acting reasonably, deduct from the funds held in trust by the Lender's Solicitors or received from the Borrower, whether from the Distributable Cash Proceeds or otherwise, such amounts that in its opinion is necessary or appropriate to replenish the Interest Reserve. The Borrower covenants and agrees that the amount in the Interest Reserve shall be applied by the Lender against the obligations of the Borrower to pay interest hereunder on the Loan Instalments and that once applied or deducted by the Lender from the Loan Instalments, the Distributable Cash Proceeds or otherwise, the Borrower shall have no claim against the funds in the Interest Reserve.

4.13 The Borrower, at any time after the second anniversary hereof, shall be entitled to repay all or a portion of the Loan without penalty, notice or bonus and the interest at the rate of 8% per annum on the principal outstanding ceasing at the date of prepayment; provided that the Lender shall continue to be entitled to the Additional Loan Payment for all three years of this Loan, even though the Loan shall have been prepaid prior to the three year term expiry (to also be paid at the time of prepayment) plus the prepayment amount; but shall not be entitled to any additional interest Payment for the third year of the Term of this Loan nor any compensation for loss of interest after the date of such prepayment.

ARTICLE 5 SECURITY

5.01 The Borrower agrees to provide the Security Documents listed below to the Lender, as continuing security for the payment and performance of all of its present and future, direct and indirect obligations to the Lender, specifically including the Loan, the Borrowers Liabilities and its direct indebtedness and obligations to the Lender arising under this Agreement:

- (a) The Note;
- (b) A mortgage in the amount of the Principal Sum (or such lesser amount as determined by the Lender in its sole and unfettered discretion and provided that the Principal Sum shall not exceed the result of \$13,550,000 less any other mortgages registered against the Property) ranking as a second mortgage subsequent to the VTB Mortgage; provided that said mortgage shall also be subordinated to (i) any construction and related financing (in one or multiple tranches) not exceeding in the aggregate Thirty-Nine Million (\$39,000,000) Dollars obtained by the Borrower related to construction of the condominium project on the Property and for the hard and soft costs related thereto, including any Tarion warranty bond mortgage security (the "**Mortgage**");
- (c) if requested by the Lender from time to time, security agreements creating an assignment security interest in respect of its rights to and interest in Material Agreements to which it is a party, together with any necessary consents from the other parties thereto which security interest may not be a first ranking security interest;
- (d) an assignment of its interest in all policies of insurance, specifically including the right to receive any refunds of premiums paid thereunder; and

- (e) such other security and further assurances as the Lender may reasonably require from time to time.

5.02 The Security Documents shall be in form and substance satisfactory to the Lender, acting reasonably. The Lender may require that any item of Security Documents be governed by the laws of the jurisdiction where the property subject to such item of Security Documents is located. The Security Documents shall be registered by the Lender or, at the request of the Lender, by the Borrower, all at the Borrower's cost and expense, where necessary or desirable to record and perfect the charges contained therein, as determined by the Lender in its sole and absolute discretion.

5.03 The Borrower shall cause to be delivered to the Lender prior to each Loan Instalment the opinion of the solicitors for the Borrower regarding its corporate status, the due authorization, execution and delivery of the Security Documents provided by it, all registrations in respect of the Security Documents, the results of all applicable searches in respect of them, and the enforceability of such Security Documents and any other matters requested by the Lender in its opinion; all such opinions to be in form and substance satisfactory to the Lender.

5.04 The Borrower shall execute and deliver from time to time all such further documents and assurances as may be reasonably required by the Lender from time to time in order to provide the Security Documents contemplated hereunder, specifically including supplemental or additional security agreements which shall include lists of specific assets to be subject to the security interests required hereunder.

5.05 If insurance proceeds become payable in respect of loss of or damage to any property owned by the Borrower the Lender shall apply such proceeds against the Borrower's Liabilities (allocated amongst the components of the Borrower's Liabilities, at all times, by the Lender in its sole and absolute discretion).

ARTICLE 6 COVENANTS, REPRESENTATIONS AND WARRANTIES

6.01 The Borrower represents and warrants to the Lender as follows (which shall survive the execution and delivery of this Agreement), the truth and accuracy of which are a continuing condition of the advance of the Loan Instalments and the Borrower hereby acknowledges, confirms and agrees that the Lender is relying on such representations and warranties:

- (a) The Borrower is a validly subsisting corporation under the *Business Corporations Act* (Ontario), and is duly qualified to carry on its business in the jurisdiction in which it carries on business and has the power and authority to enter into and perform its obligations under this Agreement, is the registered owner of the Property and is legally entitled to carry on its business as currently conducted or as currently contemplated.
- (b) The Borrower has obtained all material licenses, permits and approvals from all governments, governmental commissions, boards and other agencies of

jurisdictions in which it carries on (or contemplates carrying on) business which are required and which will allow for the development of the Property.

- (c) The Borrower or its solicitor has delivered to the Lender, or its solicitor, copies of the constating documents of the Borrower and the Lender's solicitor has obtained a legal opinion from the Borrower's solicitor that the Borrower is authorized to enter into this Agreement and the Security Documents.
- (d) The execution, delivery and performance of this Agreement and the Security Documents has been duly authorized by all requisite action on the part of the Borrower; and this Agreement and the Security Documents have been, or will be, duly executed and delivered by the Borrower, and this Agreement and the Security Documents delivered or to be delivered pursuant hereto and thereto constitutes, or when delivered will constitute, a valid and binding obligation of the Borrower and enforceable against the Borrower in accordance with their terms, subject to the application of bankruptcy, insolvency and similar laws affecting the enforcement of creditors' rights generally and the fact that the right to obtain judicial orders requiring specific performance or other equitable remedies is in the discretion of the court.
- (e) The Borrower shall and does indemnify and hold harmless the Lender and the Indemnitees from and against all losses, claims, damages, liabilities, and expenses, to which any such person or entity may become subject arising out of or in connection with this Agreement, the use of proceeds, or any related transaction or any claim, litigation, investigation or proceeding, relating to any of the foregoing, regardless of whether the Lender is a party thereto, and to reimburse the Lender, forthwith upon demand for any reasonable, legal or other expenses incurred in connection with investigating or defending any of the foregoing.
- (f) The Borrower acknowledges that neither its execution nor delivery of this Agreement or the Security Documents the consummation of the transactions herein contemplated nor compliance with the terms, conditions and provisions hereof or thereof does not and will not conflict with, and does not and will not result in any breach of or constitutes a default under any of the provisions of the constating documents or by-laws of the Borrower or any applicable Law including applicable securities laws, rules, policies and regulations or any contract or agreement upon or to which the Borrower is a party.
- (g) The Borrower has good and marketable title to the Property and its assets free from all mortgages, security interests, Liens, pledges, charges, encumbrances, title retention agreements, options or adverse claims, other than the permitted encumbrances as identified in Schedule "E" attached hereto (the "**Permitted Encumbrances**") and the Outstanding Encumbrances and Liens.
- (h) The Borrower has filed or caused to be filed, in a timely manner all tax returns, reports and declarations, which are required to be filed by it. All information in such tax returns, reports and declarations is complete and accurate in all material

respects. The Borrower has paid or caused to be paid all taxes due and payable or claimed due and payable in any assessment received by it, except taxes the validity of which are being contested in good faith by appropriate proceedings diligently pursued and available to the said Borrower and with respect to which adequate reserves have been set aside on its books. Adequate provision has been made for the payment of all accrued and unpaid federal, provincial, local, foreign and other taxes whether or not yet due and payable and whether or not disputed.

- (i) All representations and warranties of the Borrower contained in this Agreement or in any of the Security Documents shall survive the execution and delivery of this Agreement and shall be deemed to have been made again to the Lender on the date of each Loan Instalment pursuant to this Agreement and shall be conclusively presumed to have been relied on by the Lender regardless of any investigation made or information possessed by the Lender. The representations and warranties set forth herein shall be cumulative and in addition to any other representations or warranties which the Borrower shall now or hereafter give, or cause to be given, to the Lender.
- (j) The Borrower further acknowledges and agrees that the terms of this Agreement shall override the terms of any previous loan agreements to which the Borrower and the Lender may be or may have been Parties.
- (k) The Borrower acknowledges that the Lender may have executed a loan agreement that has been amended to accommodate the beneficial owners of the Lender and the Borrower agrees to abide by the specific terms of each of said Agreements.
- (l) The Borrower has no Subsidiaries.
- (m) no Person has any agreement or option or any right or privilege (whether by law, pre-emptive or contractual) capable of becoming an agreement, including convertible securities, warrants or convertible obligations of any nature, for the purchase of any properties or assets of the Borrower out of the ordinary course of business or for the purchase, subscription, allotment or issuance of any debt or equity securities of the Borrower.
- (n) The Borrower is in compliance in all material respects with all applicable Laws of each jurisdiction in which it carries on business and is duly licensed, registered and qualified to do business and is in good standing in each jurisdiction in which the nature of the business conducted by it or the property owned or leased by it make such qualification necessary; and all such licences, registrations and qualifications are valid and subsisting and in good standing.
- (o) The Borrower owns, possesses and has a good and marketable title to its undertaking, property and assets, free and clear of any and all Liens except for Permitted Encumbrances and the Outstanding Encumbrances and Liens. The Borrower does not have any commitment or obligation (contingent or otherwise)

to grant any Liens except for the Permitted Encumbrances. No event has occurred which constitutes, or which with the giving of notice, lapse of time or both.

- (p) The Borrower has/will place(d) insurance, including property, boiler and machinery, business interruption and liability insurance, in appropriate amounts and for appropriate risks as would be considered prudent for similar business.
- (q) The Borrower and its business, operations, assets, equipment, property, leaseholds and other facilities is in compliance in all material respects with all Requirements of Environmental Law, specifically including all Requirements of Environmental Law concerning the storage and handling of Hazardous Materials. The Borrower holds all material permits, licenses, certificates and approvals from Governmental Authorities which are required in connection with (i) air emissions; (ii) discharges to surface or groundwater; (iii) noise emissions; (iv) solid or liquid waste disposal; (v) the use, generation, storage, transportation or disposal of Hazardous Materials; and (vi) all other Requirements of Environmental Law. There has been no material emission, spill, release, or discharge into or upon (i) the air; (ii) soils, or any improvements located thereon; (iii) surface water or groundwater; or (iv) the sewer, septic system or waste treatment, storage or disposal system servicing the premises, of any Hazardous Materials at or from the Property, and there has been no complaint, order, directive, claim, citation, or notice from any Governmental Authority or any other Person with respect to (i) air emissions; (ii) spills, releases, or discharges to soils or improvements located thereon, surface water, groundwater or the sewer, septic system or waste treatment, storage or disposal systems servicing the Property; (iii) noise emissions; (iv) solid or liquid waste disposal; (v) the use, generation, storage, transportation, or disposal of Hazardous Materials; or (vi) other Requirements of Environmental Law affecting the Property. There are no legal or administrative proceedings, investigations or claims now pending, or to the Borrower's knowledge, threatened, with respect to the presence on or under, or the discharge, emission, spill, radiation or disposal into or upon any of the Properties, the atmosphere, or any watercourse or body of water, of any Hazardous Material; nor are there any material matters under discussion with any Governmental Authority relating thereto; and there is no factual basis for any such proceedings, investigations or claims. The Borrower has no material indebtedness, obligation or liability, absolute or contingent, matured or not matured, with respect to the storage, treatment, cleanup or disposal of any Hazardous Materials (including without limitation any such indebtedness, obligation, or liability under any Requirements of Environmental Law regarding such storage, treatment, cleanup or disposal).
- (r) Save and except for the Outstanding Encumbrances and Liens, there are no actions, suits or proceedings now pending, or to the Borrower's knowledge, threatened, against the Borrower in any court or before or by any federal, provincial, municipal or other Governmental Authority.
- (s) No guarantees have been granted by the Borrower.

- (t) The Borrower has remitted on a timely basis all amounts required to have been withheld and remitted (including withholdings from employee wages and salaries relating to income tax, employment insurance and Canada Pension Plan contributions), goods and services and Harmonized Sales tax and all other amounts which if not paid when due could result in the creation of a Statutory Lien against any of the Borrower's property including the Property, except for Permitted Encumbrances.
- (u) Save and except for the Outstanding Encumbrances and Lien, no Default, Event of Default or Material Adverse Change has occurred and is continuing.
- (v) All financial and other information furnished by or in respect of the Borrower to the Lender for the purposes of or in connection with this Agreement or the Security Documents are true and accurate in all material respects and is not incomplete by omitting to state any fact necessary to make such information not misleading. There are no facts known to the Borrower which could materially adversely affect the Borrower's ability to observe and perform their obligations under the Security Documents, or which if known to the Lender could reasonably be expected to deter the Lender from making any Loan Instalments hereunder on the terms and conditions contained herein.

ARTICLE 7 COVENANTS

7.01 The Borrower hereby covenants and agrees with the Lender that it will:

- (a) pay all principal, interest and other amounts due hereunder including the Borrowers Liabilities at the times and in the manner specified herein;
- (b) maintain its corporate existence in good standing, continue to carry on its business, preserve its rights, powers, licences, privileges, franchises and goodwill, exercise any rights of renewal or extensions of any leases, licences, concessions, franchises or any other rights whatsoever which are material to the conduct of its business, maintain all qualifications to carry on business in each jurisdiction in which such qualifications are required, and carry on and conduct its business in a proper and efficient manner so as to protect its property and income; and not materially change the nature of its business;
- (c) comply in all material respects with all applicable Laws (specifically including, for greater certainty, all applicable Requirements of Environmental Law), use the proceeds of all Loan Instalments hereunder for legal and proper purposes in connection with the purposes set out in the first recital of this Agreement, and obtain and maintain in good standing all material leases, licences, permits and approvals from any and all Governmental Authorities required in respect of its business and operations;

- (d) pay when due all rents, taxes, rates, levies, assessments and governmental charges, fees and dues lawfully levied, assessed or imposed in respect of its property which are material to the conduct of its business, and deliver to the Lender upon request receipts evidencing such payments;
- (e) maintain adequate books, accounts and records in accordance with GAAP;
- (f) keep the Property and its assets in good repair and working condition;
- (g) permit the Lender and its employees, representatives and agents (during normal business hours and in a manner which does not materially interfere with its business) to enter upon and inspect the Property and its properties, assets, books and records from time to time and make copies of and abstracts from such books and records, and discuss its affairs, finances and accounts with its officers, directors, accountants and auditors; such access shall be on 48 hours' prior notice unless a Default has occurred and is continuing in which event no notice shall be required;
- (h) obtain from financially responsible insurance company and maintain liability insurance, all-risks property insurance on a replacement cost basis (less a reasonable deductible not to exceed amounts customary in the industry for similar businesses and properties), business interruption insurance and insurance in respect of such other risks as the Lender may reasonably require from time to time; all of which policies of insurance shall be in such amounts as may be reasonably required by the Lender and shall include a standard mortgage clause approved by the Insurance Bureau of Canada; and the Lender's interest shall be noted as an additional insured on all liability insurance policies and as second mortgagee and loss payee on all other insurance policies; and the Lender shall be provided with certificates of insurance and certified copies of such policies from time to time upon request;
- (i) fulfil all covenants and obligations required to be performed by it under this Agreement and the Security Documents to which it is a party and any other agreement or undertaking now or hereafter made between it and the Lender;
- (j) provide prompt notice to the Lender of: (i) the occurrence of any Default or Event of Default; (ii) the incorrectness of any representation or warranty contained herein or any Security Documents in any material respect; (iii) any material contravention of or non-compliance by any Borrower with any terms and conditions of this Agreement or any Security Document; (iv) any Material Adverse Change; (v) any litigation affecting the Borrower; (vi) any material labour dispute affecting the Borrower; or (vii) any notice in respect of the termination or suspension of, or a material default under, any Material Contract;
- (k) provide the Lender with such further information, financial data, documentation and other assurances as the Lender may reasonably require from time to time in order to ensure ongoing compliance with the terms of this Agreement and the Security Documents and to achieve the spirit and intent of this Agreement;

- (l) The Borrower hereby covenants and agrees with the Lender that the first Loan Instalment will be used to purchase the Property free and clear of any encumbrances and liens, save and except for the VTB Mortgage of \$4,500,000 (the “**Outstanding Encumbrances and Liens**”);
- (m) From any excess proceeds available after the Property has been acquired, the Borrower intends to pay a dividend of \$250,000 to each of its four shareholders, in compensation of expenses incurred and efforts in locating suitable property, negotiating and structuring the purchase transaction and matters ancillary thereto which shall not be a Distribution for the purposes of this Agreement.

7.02 The Borrower hereby covenants and agrees with the Lender that it will not without the prior written consent of the Lender (which consent may be withheld in the sole and absolute discretion of the Lender):

- (a) grant or suffer to exist any Liens in respect of any of its property and assets including the Property, except the Permitted Encumbrances;
- (b) directly or indirectly sell or otherwise dispose of any of its assets save and except in the ordinary course of its business or further save and except to sales of dwelling units to bona fide arm's length third party purchasers of such units;
- (c) make any Distributions;
- (d) not materially change the nature of its business, maintain a place of business or any material assets in any jurisdiction other than the Province of Ontario, or enter into any transaction whereby all or a substantial portion of its undertaking, property and assets would become the property of any other Person, whether by way of reconstruction, reorganization, recapitalization, consolidation, amalgamation, merger, transfer, sale or otherwise, in each case without the prior written consent of the Lender in its sole and absolute discretion;
- (e) change its Fiscal Year (which for greater certainty presently ends on the last day of December in each year);
- (f) change its Accountants except with the prior written consent of the Lender which consent shall not be unreasonably withheld; and,
- (g) use the proceeds of any Loan Instalment for any purposes other than the development and construction of a condominium project on the Property, unless otherwise specified in this Agreement; other than for the purposes of earning interest income on funds which are not immediately required to be expended by the Borrower.

7.03 The Borrower shall deliver by courier delivery to the Lender, upon request by the Lender, the following financial and other information at the times indicated below:

- (a) the annual Year-end Financial Statements of the Borrower, by the 120th day after the end of the Fiscal Year accompanied by a Compliance Certificate certified by the Chief Financial Officer of the Borrower or other senior officer of the Borrower acceptable to the Lender;
- (b) within the first 120 days after the start of each Fiscal Year, a business plan for the Borrower in respect of such Fiscal Year, which shall disclose all material assumptions utilized and shall include the following items set out on a quarterly basis: balance sheet, income statement, cashflow statement, Capital Expenditures and tax liabilities; and
- (c) such additional information and documents as the Lender may reasonably require from time to time.

7.04 Full, true and accurate accounting and financial information shall be kept by the Borrower in accordance with GAAP as of the date hereof until at least after eighteen (18) months after the Borrower's Liabilities have been repaid. The Lender or anyone designated by the Lender shall have access to the books, records, financial information, financial statements and data of the Borrower (the "**Borrower's Books and Records**") at any and all times during regular business hours for the purpose of examining and reviewing the Borrower's Books and Records. The Lender shall not disclose any confidential information so obtained except to the extent that disclosure is reasonable in the conduct of the Lender's business.

7.05 The Lender hereby covenants with the Borrower, that the Lender shall execute any necessary documents and register such documents as may be reasonably requested by any construction financier to subordinate the Lender's Mortgage security to any mortgage or other security granted by the construction financier or Tarion warranty bonding company to the Borrower, for the purposes of funding the Borrower's construction of the project on the Property (which shall include demolition costs and professional fees in furtherance of such construction (architectural, engineering, etc.)) or the provision Tarion insurance coverage, as the case may be; and the Lender appoints the Borrower as the Lender's power of attorney to execute any required documents on behalf of the Lender to evidence the foregoing.

ARTICLE 8 CONDITIONS PRECEDENT

8.01 The Lender shall have no obligation to make the first Loan Instalment hereunder or any Loan Instalments thereafter on the Closing Date unless at the time of making such Loan Instalment the following terms and conditions (which are condition precedents in favour of the Lender) shall have been satisfied in the opinion of the Lender:

- (a) the Lender shall have completed and shall be satisfied with its due diligence in respect of the Property;
- (b) all representations and warranties made by the Vendor contained in this Agreement or the Security Documents shall be true, correct and complete in all material respects;

- (c) all Security Documents required to be provided at the time of the first Loan Instalment shall have been executed and delivered, all registrations necessary or desirable in connection therewith shall have been made, and all legal opinions and other documentation required by the Lender in connection therewith shall have been executed and delivered, all in form and substance satisfactory to the Lender in its sole and absolute discretion;
- (d) the Lender shall have received satisfactory evidence that there are no Liens affecting the Borrower or its assets, except for Permitted Encumbrances and the Outstanding Encumbrances and Liens which shall be paid in full and deducted from the First Loan Instalment on the Closing Date;
- (e) the Lender shall have received particulars of all Permitted Encumbrances, specifically including the assets encumbered thereby, the amounts due thereunder, and confirmation from the holders thereof that the terms thereof are being complied with;
- (f) the property and assets of the Borrower shall be insured on the Closing Date; the terms and conditions of such insurance to be in compliance with the requirements of this Agreement in the opinion of the Lender;
- (g) the Lender shall have received an officer's certificate and certified copies of resolutions of the board of directors of the Borrower concerning the due authorization, execution and delivery of the Security Documents to which it is a party, and such related matters as the Lender may reasonably require;
- (h) the Lender shall have received from the Borrower a certificate of status as of the Closing Date or the date of any Loan Instalment, as the case may be, certificate of compliance or similar certificate for the Borrower issued by its governing jurisdiction and each other jurisdiction in which it carries on business or holds any material assets;
- (i) the Lender shall have received such additional evidence, documents or undertakings as it may reasonably require to complete the transactions contemplated hereby in accordance with the terms and conditions contained herein;
- (j) All Realty Taxes related to the Property are up-to-date as of the Closing Date; and
- (k) All mortgages, charges, Liens and encumbrances have been discharged, on the Closing Date and prior to any Loan Instalment being made.

8.02 The Borrower hereby acknowledges, confirms, covenants and agrees that the Lender is syndicating the Loan and therefore, the Lender shall have no obligation to make the first Loan Instalment hereunder on the Closing Date or any Loan Instalment thereafter unless at the time of making such Loan Instalment the syndication of the Loan has been completed in the opinion of the Lender.

**ARTICLE 9
DEFAULT AND REMEDIES**

9.01 The occurrence of any one or more of the following events, after the expiry of any applicable cure period set out below, shall constitute an event of default under this Agreement (an "**Event of Default**"):

- (a) the Borrower fails to pay any principal, interest, Expenses or any other amount payable hereunder when due under the terms of this Agreement or any of the Security Documents;
- (b) any representation, warranty or statement made to the Borrower herein or in any Security Documents is incorrect in any material respect on the date on which such representation, warranty or statement was made or deemed to have been made, or subsequently becomes incorrect in any material respect; provided that if such representation, warranty or statement is capable of being corrected within twenty (20) days, the Borrower diligently attempts to take all such action as may be necessary in order that such representation, warranty or statement will become correct and diligently keep the Lender informed of its efforts in this regard, and such representation, warranty or statement is correct by not later than the expiry of such twenty (20) day period on the opinion of the Lender, then the incorrectness of such representation, warranty or statement shall not constitute an Event of Default;
- (c) the Borrower fails to perform or comply with any of the covenants or obligations set out in this Agreement;
- (d) the Borrower fails to perform or comply with any of its covenants or obligations contained in any of the Security Documents, in each case, following receipt of notice of such non-compliance from the Lender; provided that if such non-compliance is capable of remedy within twenty (20) days, the Borrower diligently attempts to remedy such non-compliance and diligently keeps the Lender informed of its efforts in this regard, and such non-compliance is remedied within such twenty (20) day period in the opinion of the Lender, then such non-compliance shall not constitute an Event of Default;
- (e) an Insolvency Event occurs in respect of the Borrower;
- (f) any document constituting part of the Security Documents shall for any reason cease to be in full force and effect or shall be declared in a final judgment of a court of competent jurisdiction to be null and void; or the Borrower contests the validity or enforceability thereof or denies it has any further liability or obligation thereunder; or any document constituting part of the Security Documents shall for any reason fail to create a valid and perfected First-Ranking Security Interest subject to Permitted Encumbrances in the opinion of the Lender, in and to the property purported to be subject thereto, except that if such failure is capable of remedy within thirty (30) days, the Borrower diligently attempts to remedy such failure and diligently informs the Lender of its efforts in this regard, and the failure is remedied within such thirty

(30) day period in the opinion of the Lender, then the failure shall not constitute an Event of Default;

- (g) any Person takes possession, or threatens to take possession, of any property of the Borrower including the Property by way of or in contemplation of enforcement of any security it may hold, or a distress or execution or similar process is levied or enforced against any such property; and,
- (h) any Governmental Authority shall take any action or proceeding to condemn, seize or appropriate any property of the Borrower that is material to its financial condition, business or operations.

9.02 Upon the occurrence of an Insolvency Event, the Borrower's Liabilities shall become immediately due and payable, without the necessity of any demand upon or notice to the Borrower by the Lender. Upon the occurrence and during the continuation of any Event of Default other than an Insolvency Event, the Lender may by written notice to the Borrower declare the Borrower's Liabilities to be immediately due and payable. Upon the occurrence and during the continuation of an Event of Default, both before and after the Acceleration Date, all outstanding Loan Instalments shall bear interest at the Loan Rate plus two percent (2%) per annum in order to compensate the Lender for the additional risk.

9.03 Upon the occurrence and during the continuation of an Event of Default, the Lender may apply any proceeds of realization from any Security or related to this Agreement or the Security Documents, against any portion or portions of the Borrower's Liabilities, and the Borrower may not require any different application. The taking of a judgment or any other action or dealing whatsoever by the Lender in respect of the Security Documents shall not operate as a merger of any of the Borrower's Liabilities hereunder or in any way affect or prejudice the rights, remedies and powers which the Lender may have, and the foreclosure, surrender, cancellation or any other dealing with any Security Documents or the said obligations shall not release or affect the liability of the Borrower or any other Person in respect of the remaining portion of the Borrower's Liabilities.

9.04 The Lender shall not be obliged to make any further Loan Instalments from and after the earliest to occur of the following: (i) delivery by the Lender to the Borrower of a written notice that a Default or an Event of Default has occurred and is continuing (whether or not such notice also requires immediate repayment of the Borrower's Liabilities); (ii) the occurrence of an Insolvency Event; and (iii) receipt by the Borrower of any garnishment notice or other notice of similar effect in respect of the Borrower pursuant to the *Income Tax Act* (Canada), the *Excise Tax Act* (Canada) or any similar notice under any other statute.

9.05 All of the rights and remedies granted to the Lender in this Agreement and the Security Documents, and any other rights and remedies available to the Lender at law or in equity, shall be cumulative. The exercise or failure to exercise any of the said remedies shall not constitute a waiver or release thereof or of any other right or remedy, and shall be non-exclusive.

9.06 If the Borrower fails to perform any covenant or obligation to be performed by it pursuant to this Agreement or the Security Documents, the Lender may in its sole and absolute

discretion, after written notice to the Borrower, perform any of the said obligations but shall be under no obligation to do so; and any amounts expended or advanced by the Lender for such purpose shall be payable by the Borrower upon demand together with interest at the Interest Rate.

9.07 If the Borrower intends to take the benefit of any Insolvency Legislation, including making an assignment for the general benefit of creditors, making a proposal or filing a notice of intention to make a proposal under Insolvency Legislation, the Borrower covenants and agrees to provide the Lender with five (5) Business Days' prior written notice before any of the aforementioned proceedings are commenced. As soon as possible prior to the commencement of any such proceedings, the Borrower shall provide to the Lender copies of all relevant filing materials, including copies of draft court orders, plans of compromise, proposals and notices of intention. During this notice period the Lender may, in its sole discretion, elect to exercise any and all rights and remedies which may be available to it at that time as set out in this Agreement.

ARTICLE 10 GENERAL CONTRACT TERMS

10.01 The failure or delay by the Lender in exercising any right or privilege with respect to the non-compliance with any provisions of this Agreement by the Borrower and any course of action on the part of the Lender, shall not operate as a waiver of any rights of the Lender unless made in writing by the Lender. Any such waiver shall be effective only in the specific instance and for the purpose for which it is given and shall not constitute a waiver of any other rights and remedies of the Lender with respect to any other or future non-compliance.

10.02 In addition to any other liability of the Borrower hereunder, the Borrower hereby agrees to indemnify and save harmless the Indemnitees from and against all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements (including reasonable legal fees on a solicitor and his own client basis) of any kind or nature whatsoever (but excluding any consequential damages and damages for loss of profit) which may be imposed on, incurred by or asserted against the Indemnitees (except to the extent arising from the negligence or wilful misconduct of such Indemnitees) which relate or arise out of or result from:

- (a) any failure by the Borrower to pay and satisfy its obligations hereunder and the Security Documents including the Borrower's Liabilities; and,
- (b) any investigation by Governmental Authorities or any litigation or other similar proceeding related to any use made or proposed to be made by the Borrower of the proceeds of any Loan Instalment
- (c) any losses suffered by the Indemnitees for, in connection with, or as a direct or indirect result of, the failure of the Borrower to comply with all Requirements of Environmental Law;
- (d) any losses suffered by the Indemnitees for, in connection with, or as a direct or indirect result of, the presence of any Hazardous Material situated in, on or under any

property owned by the Borrower including the Property or upon which it carries on business; and

- (e) any and all liabilities, losses, damages, penalties, expenses (including reasonable legal fees) and claims which may be paid, incurred or asserted against the Indemnitees for, in connection with, or as a direct or indirect result of, any legal or administrative proceedings with respect to the presence of any Hazardous Material on or under any property owned by the Borrower including the Property or upon which it carries on business, or the discharge, emission, spill, radiation or disposal by the Borrower of any Hazardous Material into or upon the Property, the atmosphere, or any watercourse or body of water; including the costs of defending and/or counterclaiming or claiming against third parties in respect of any action or matter and any cost, liability or damage arising out of a settlement entered into by the Indemnitees of any such action or matter;

10.03 The termination of this Agreement shall not relieve the Borrower from its obligations to the Lender arising prior to such termination, such as but not limited to obligations arising as a result of or in connection with any breach of this Agreement or the Security Documents, any failure to comply with this Agreement or the Security Documents or the inaccuracy of any representations and warranties made or deemed to have been made prior to such termination, and obligations arising pursuant to all indemnity obligations contained herein.

10.04 If the Borrower fails to pay when due any Expenses or other amounts paid by the Lender hereunder (other than principal or interest on any Loan Instalment), the Borrower agrees to pay interest on such unpaid amount from the time such amount is due until paid at the Loan Rate.

10.05 Without prejudice to any other method of giving notice, all communications provided for or permitted hereunder shall be in writing and delivered to the addressee by prepaid private courier or sent by telecopy to the applicable address and to the attention of the officer of the addressee as follows:

- (i) to the Borrower:

Textbook Ross Park Inc.
51 Caldari Road, Suite A1M
Concord, Ontario, L4K 4G3

Attention: John Davies

with a copy to:

Harris + Harris LLP
2355 Skymark Avenue, Suite 300
Mississauga, Ontario, L4W 4Y6

Attention: Mr. Gregory H. Harris
Fax Number: 905-629-4350

(ii) if to the Lender:

c/o Tier 1 Transaction Advisory Services Inc.
3100 Steeles Avenue East, Suite 902
Markham, Ontario, L3R 8T3

Attention: Mr. Raj Singh
Fax Number: 647-689-2374

with a copy to:

Nancy Elliott, Barrister & Solicitor
5000 Yonge Street
Suite 1901
Toronto, Ontario, M2N 7E9

Attention: Ms. Nancy Elliott
Fax Number: (416) 628-5597

Any communication transmitted by prepaid private courier shall be deemed to have been validly and effectively given or delivered on the Business Day after which it is submitted for delivery. Any communication transmitted by telecopy shall be deemed to have been validly and effectively given or delivered on the day on which it is transmitted, if transmitted on a Business Day on or before 5:00 p.m. (local time of the intended recipient), and otherwise on the next following Business Day. Any party may change its address for service by notice given in the foregoing manner.

10.06 Any provision of this Agreement which is illegal, prohibited or unenforceable in any jurisdiction, in whole or in part, shall not invalidate the remaining provisions hereof; and any such illegality, prohibition or unenforceability in any such jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

10.07 The Borrower shall from time to time at its own expense promptly execute and deliver or cause to be executed and delivered to the Lender all such other and further documents, agreements, opinions, certificates and instruments which may be requested by the Lender if necessary or desirable to more fully record or evidence the obligations intended to be entered into herein, or to make any recording, file any notice or obtain any consent.

10.08 Time shall be of the essence of this Agreement.

10.09 The Borrower may not assign any of its rights or obligations under this Agreement without the prior written consent of the Lender. The Lender may grant participations in all or any portion of its rights under this Agreement from time to time without notice to or obtaining the prior written consent of the Borrower. The Borrower agrees to co-operate fully with the Lender in connection with any assignment or participation pursuant to this section, and agrees to

execute and deliver from time to time in favour of the Lender and any such assignee or participant such documents and assurances as may be reasonably required by the Lender or the assignee or participant in connection with such assignment or participation.

10.10 This Agreement and any other documents or instruments contemplated herein or therein shall constitute the entire agreement and understanding between the Borrower and the Lender relating to the subject-matter hereof. For greater certainty and without limiting the generality of the foregoing, this Agreement supersedes all discussion papers previously issued by the Lender relating to the proposed establishment of the Loan, which have no force or effect.

10.11 To the extent that there is any inconsistency between a provision of this Agreement and a provision of any document constituting part of the Security including the Security Documents, the provision of this Agreement shall govern. For greater certainty, a provision of this Agreement and a provision of any Security Document shall be considered to be inconsistent if both relate to the same subject-matter and the provision in the Security Document imposes more onerous obligations or restrictions than the corresponding provision in this Agreement (excluding fees and Expenses).

10.12 This Agreement shall be interpreted in accordance with the laws of the Province of Ontario. Without prejudice to the right of the Lender to commence any proceedings with respect to this Agreement in any other proper jurisdiction, the parties hereby attorn and submit to the non-exclusive jurisdiction of the courts of the Province of Ontario.

10.13 This Agreement may be executed in several counterparts, each of which, when so executed, shall be deemed to be an original and which counterparts together shall constitute one and the same Agreement. This Agreement may be executed by facsimile, and any signature contained hereon by facsimile shall be deemed to be equivalent to an original signature for all purposes.

10.14 This Agreement shall be binding upon and shall enure to the benefit of the parties and their respective successors and permitted assigns; "successors" includes any corporation resulting from the amalgamation of any party with any other corporation.

IN WITNESS WHEREOF the parties hereto have executed this Agreement as of the date written on the first page hereof.

**TEXTBOOK STUDENT SUITES (ROSS
PARK) TRUSTEE CORPORATION**

Per: _____

Name: Raj Singh

Title: President

I have authority to bind the corporation

TEXTBOOK ROSS PARK INC.

Per: _____

Name: Walter Thompson

Title: Co-President

I have authority to bind the corporation

SCHEDULE "A"
THE LANDS

Legal Description:

08079-0016 (LT)
1234 Richmond Street, London
LOTS 11 AND 12 PLAN 460 LONDON/LONDON TOWNSHIP;

08079-0017
1236 Richmond Street, London
LOT 13, PLAN 460 LONDON/LONDON TOWNSHIP;

08079-0018
1238 Richmond Street, London
LOT 14 AND PART LOT 15 PLAN 460, AS IN 778474 LONDON/LONDON TOWNSHIP;

08079-0019
1240 Richmond Street, London
PART LOTS 15 AND 16 PLAN 460, AS IN 812726 LONDON/LONDON TOWNSHIP;

08079-0020
1244 Richmond Street, London
PART LOTS 16 AND LOT 17 PLAN 460, AS IN 797474 LONDON/LONDON TOWNSHIP;

08079-0004
1246 Richmond Street, London
LOT 1, PLAN 493 LONDON/LONDON TOWNSHIP;

Municipal Description:

1234, 1236, 1238, 1240, 1244 and 1246 Richmond Street, London, Ontario

SCHEDULE "B"
SCHEDULE OF INTEREST PAYMENTS

Interest payments shall be calculated at an annual interest rate of EIGHT PERCENT (8%), paid quarterly in trust to the Borrower's Solicitor, commencing on or about October 1, 2015. All funds advanced after July 1, 2015 will receive an initial payment pro rated up to and including October 1, 2015 and full payments quarterly until the maturity date, anticipated to be on or about June 1, 2018.

SCHEDULE "C"
EXPENSES

The Expenses include the following:

- a) Mortgage Brokerage Fee of \$135,000 payable to First Commonwealth Mortgage Corporation and Tier 1 Mortgage Corporation (collectively, referred to as the "**Mortgage Broker**"); (based on a maximum mortgage advance of \$13,550,000). The fee payable to the Mortgage Broker is 1% of the mortgage amount advanced.
- b) Referral and Related Fees of \$2,168,000 payable on account of fees and commission incurred in relation to the Loan which shall be paid as the Mortgage Broker may in writing direct (based on a maximum mortgage advance of \$13,550,000 where the actual mortgage advance is less than \$13,550,000, the referral and related fees will be proportionately reduced); and,
- c) Legal Fees. Legal Fees of \$20,000.00 plus HST plus Disbursements (which shall include Title Insurance and other Expenses) shall be payable to the Lender's Solicitors which shall be deducted from the first Loan Instalment. In the event that there is more than one (1) Loan Instalments, then additional legal fees of \$3,000 plus HST plus Disbursements shall be paid to the Lender's Solicitors on each additional Loan Instalment. The fees, taxes and disbursements of the Borrower's Solicitors shall be paid in addition to the fees, taxes and disbursements of the Lender's Solicitors. It is estimated the fees of the Borrower's Solicitors shall be \$35,000 (plus HST and disbursements) for the first Loan Instalment and \$20,000 (plus HST and disbursements) for each Loan Instalment thereafter, exclusive of the costs of preparation of any offering documents in jurisdictions where such documents are required.

SCHEDULE "D"
ADDITIONAL LOAN PAYMENT

The Additional Loan Payment shall be an amount equal to four (4%) per cent per annum of the principal amount of the Mortgage advanced to the Borrower and shall be payable for such time as the Loan remains outstanding, as determined by the Lender (the "**Additional Loan Payment**"). The Additional Loan Payment shall be payable by the Borrower from the Distributable Cash Proceeds. The payment of the Additional Loan Payment may be paid at any time and from time to time to the Lender after the Loan, plus interest thereon in accordance with this Agreement and all Expenses are paid pursuant to this Agreement. If the principal amount advanced to the Borrower is less than \$13,550,000, the Additional Loan Payment shall be reduced accordingly. The Additional Loan Payment will be paid after the Loan, plus interest thereon in accordance with this Agreement and all Expenses are paid pursuant to this Agreement as determined by the Lender, acting reasonably.

For the sake of clarity, if the face amount of the Mortgage is \$13,550,000 and the Borrower's Liabilities have not been paid until the third anniversary of the first Loan Instalment, then the amount of the Additional Loan Payment payable by the Borrower to the Lender shall be \$1,626,000, or 4% per annum for each year the Mortgage is outstanding; which interest amount shall not be compounded from time to time. Notwithstanding the foregoing, the calculation of the Additional Loan Payment and the timing of the payments thereof shall be determined by the Lender, acting reasonably.

The Lender shall provide to the Borrower reasonable notice of any payments made on account of the Additional Loan Payment. If the Borrower exercises its right to prepay all or a portion of the Loan, then the 4% per annum Additional Loan Payment for the third year (or any additional extensions) of the term of this Loan shall continue to be payable, in full, notwithstanding any prepayment, from Distributable Cash Proceeds.

SCHEDULE "E"
PERMITTED ENCUMBRANCES

1. Liens for municipal property taxes, local improvement assessments or taxes, or other taxes, assessments or recoveries relating to the Property which are not at the time due;
2. The reservations, limitations, exceptions, provisos and conditions, if any expressed in any original grants from the Crown including, without limitation, the reservations of any mines and minerals in the Crown or in any other person.
3. Any registered or unregistered licenses, easements, rights-of-way, rights in the nature of easements and agreements with respect thereof which relate to the provisions of utilities or services or easements or rights of way in favour of any governmental authority, any private or public utility, any railway company or any adjoining owner to the Property (including, without limitation, agreements, easements, licenses, rights-of-way and interests in the nature of easements for sidewalks, public ways, sewers, drains, gas, steam and water mains or electric light and power, or telephone and telegraphic conduits, poles, wires, and cables).
4. Title defects or irregularities, which are of a minor nature and in the aggregate will not materially adversely impair the use or marketability of the Real Property or that part thereof affected by the defect or irregularity for the purposes for which it is presently used.
5. The exceptions, limitations and qualifications of the *Land Titles Act* and any amendments thereto.
6. The VTB Mortgage of \$4,500,000.

LOAN AGREEMENT

THIS AGREEMENT is made as of the 20th day of April, 2012

B E T W E E N:

7743718 CANADA INC., a corporation incorporated under the laws of Canada

(hereinafter referred to as the "Lender")

AND

MCMURRAY STREET INVESTMENTS INC., a corporation incorporated under the laws of the Province of Ontario

(hereinafter referred to as the "Borrower")

WHEREAS the Lender, on the terms and conditions hereinafter set forth, has agreed to lend to the Borrower and the Borrower has agreed to borrow from the Lender the sum of **Three Million Five Hundred Thousand (\$3,500,000.00) Dollars** of lawful money of Canada (the "**Principal Sum**") for a term of Three (3) years (the "**Term**") in connection with the development and construction by the Borrower of a condominium project on the lands and premises situated at 28 McMurray Street, Bracebridge, Ontario P1L 2A1, and more particularly described in Schedule "A" attached hereto (the "**Property**").

AND WHEREAS the Borrower agrees to pay to the Lender interest on the Principal Sum at the Loan Rate (as hereinafter defined), calculated annually and payable quarterly during the Term along with the Additional Loan Payment as more particularly described in Schedule "D" attached hereto;

AND WHEREAS the Borrower has agreed to allow a Charge/Mortgage of Land in addition to the other Security Documents, on the terms set out herein, to be registered against the Property in first priority and in favour of the Lender (the "**Mortgage**"), as security for repayment of the Principal Sum with interest at the Loan Rate and the payment of the Additional Loan Payment;

AND WHEREAS the Borrower agrees to repay to the Lender the Principal Sum and interest at the Loan Rate and the payment of the Additional Loan Payment on or before the expiry of the Term, as specified herein;

AND WHEREAS the Lender and the Borrower (collectively, the "**Parties**") wish to evidence their agreement in respect of the Loan;

AND WHEREAS the Lender acknowledges that the Mortgage shall be granted, *inter alia*, in the form of a syndicated first Charge/Mortgage of Land as more fully described herein and shall be in form and substance satisfactory to the Lender;

NOW THEREFORE THIS AGREEMENT WITNESSETH THAT in consideration of the covenants, agreements herein contained and for other good and valuable consideration (the receipt and sufficiency of which is hereby acknowledged), the parties hereto agree as follows:

ARTICLE 1 RECITALS

1.01 The Parties to this Agreement acknowledge and agree that the recitals to this Agreement are true and correct in substance and in fact are incorporated into and form an integral part of this Agreement.

ARTICLE 2 DEFINITIONS AND TERMS

2.01 The following words and phrases have the following meanings when used in this Agreement:

- (a) "Acceleration Date" means the date on which an Acceleration Event occurs;
- (b) "Acceleration Event" means the earlier of: (i) the occurrence of an Insolvency Event; and (ii) the delivery by the Lender to the Borrower of a written notice that the Borrowers Liabilities or any part thereof are immediately due and payable, following the occurrence and during the continuation of an Event of Default other than an Insolvency Event;
- (c) "Additional Loan Payment" has the same meaning as set forth in Section 4.11 hereof;
- (d) "Agreement", means this Agreement entitled "Loan Agreement", and all instruments supplemental hereto or in amendment or confirmation hereof; "hereof", "hereto" and "hereunder" and similar expressions refer to this Agreement, and where relevant, to any particular article, section or paragraph hereof; "Article", "Section" and "paragraph" mean and refer to the specified article, section or paragraph of this Agreement;
- (e) "BIA" means the *Bankruptcy and Insolvency Act* (Canada), as amended from time to time;
- (f) "Borrower's Books and Records" shall have the same meaning as set forth in Section 7.04 hereof.
- (g) "Borrower's Liabilities", refers collectively to the Loan, all interest from time to time accruing thereon as set forth in this Agreement, and all liabilities and indebtedness now or hereafter owing, arising, due or payable by the Borrower to the Lender whether

under this Agreement or the Security Documents and including the Additional Loan Payment;

- (h) "Business Day", refers to any day other than a Saturday, Sunday or Statutory Holiday in Toronto, Ontario;
- (i) "Closing Date" or "Closing", or similar references means the date of the initial Loan Instalment or the date, as the context requires, of any other Loan Instalments made pursuant hereto;
- (j) "Commodity Taxes" means all commodity taxes, including all sales, use, retail, goods and services, harmonized sales, value-added and similar taxes imposed, levied or assessed by any Governmental Authority;
- (k) "Default" means any event, act, omission or condition which with the giving of notice or the passage of time, or both, would result in an Event of Default;
- (l) "Distributable Cash Proceeds" means all amounts received by the Borrower arising out of the Property or the sale or operation thereof or of the sale of condominium units for the period including but not limited to the following:
 - (i) all revenues derived from the sale of condominium units or any part or all of the Property (including all premiums, upgrade costs (net of commissions) and applicable harmonized sales tax or goods and services tax rebates);
 - (ii) all gross receipts derived from all rents and fees payable by tenants, licensees and concessionaires;
 - (iii) the gross amount, if any, of any insurance proceeds received by the Borrower, including business interruption payments;
 - (iv) the net proceeds of any refinancing, if any, received by the Borrower, other than any construction loan which contains terms prohibiting the use of such loan proceeds to repay existing indebtedness (net of repayments of existing mortgage financing being refinanced); and
 - (v) the gross amount, if any, from partial or total expropriations of all or part of the Property,but excluding: (i) Commodity Taxes which the Borrower is required by law to collect from purchasers, tenants, concessionaires or licensees and remit to an applicable taxing authority.
- (m) "Distribution" means any amount paid to or on behalf of the employees, directors, officers, shareholders, partners or unitholders of the Borrower, by way of salary,

bonus, commission, management fees, directors' fees, dividends, redemption of shares, distribution of profits or otherwise, and whether payments are made to such Persons in their capacity as shareholders, partners, unitholders, directors, officers, employees, owners or creditors of the Borrower or otherwise, or any other direct or indirect payment in respect of the earnings or capital of the Borrower;

- (n) "Event of Default" is defined in Section 9.01 hereof;
- (o) "Expenses", means all expenses relating to the Loan and all fees and expenses for legal services relative to the preparation, review and enforcement of this Agreement and the Security Documents, the making of Loan Instalments and the repayment of the Borrower's Liabilities and the release of the security therefore;
- (p) "Fiscal Year" means the fiscal year end of the Borrower, being December 31st in every year;
- (q) "GAAP" means generally accepted accounting principles in Canada as approved by the Canadian Institute of Chartered Accountants in effect from time to time; and for greater certainty if international financial reporting standards are adopted by the Canadian Institute of Chartered Accountants in replacement for generally accepted accounting principles, each reference to "GAAP" herein shall be deemed to refer to such international financial reporting standards;
- (r) "Governmental Authority" means any: (i) federal, provincial, state, municipal, local or other governmental or public department, central bank, court, commission, board, bureau, agency or instrumentality, domestic or foreign; (ii) any subdivision or authority of any of the foregoing; or (iii) any quasi-governmental, judicial or administrative body exercising any regulatory, expropriation or taxing authority under or for the account of any of the foregoing;
- (s) "General Security Agreement" means a general security agreement executed by the Borrower in favour of the Lender over all the assets, undertaking of the Borrower granting a first-ranking security interest in favour of the Lender;
- (t) "Hazardous Materials" means any contaminant, pollutant, waste or substance that is likely to cause immediately or at some future time harm or degradation to the surrounding environment or risk to human health; and without restricting the generality of the foregoing, including any pollutant, contaminant, waste, hazardous waste or dangerous goods that is regulated by any Requirements of Environmental Law or that is designated, classified, listed or defined as hazardous, toxic, radioactive or dangerous or as a contaminant, pollutant or waste by any Requirements of Environmental Law;
- (u) "Indemnitees" means the Lender and its successors and permitted assignees, any agent of any of them (specifically including a receiver or receiver-manager) and its officers, directors, employees, beneficial owners and shareholders;

- (v) "Insolvency Event" means, in respect of any Person:
- (i) such Person ceases to carry on its business; or commits an act of bankruptcy or becomes insolvent (as such terms are used in the BIA); or makes an assignment for the benefit of creditors, files a petition in bankruptcy, makes a proposal or commences a proceeding under Insolvency Legislation; or petitions or applies to any tribunal for, or consents to, the appointment of any receiver, trustee or similar liquidator in respect of all or a substantial part of its property; or admits the material allegations of a petition or application filed with respect to it in any proceeding commenced in respect of it under Insolvency Legislation; or takes any corporate action for the purpose of effecting any of the foregoing; or
 - (ii) any proceeding or filing is commenced against such Person seeking to have an order for relief entered against it as debtor or to adjudicate it a bankrupt or insolvent, or seeking liquidation, winding-up, reorganization, arrangement, adjustment or composition of it or its debts under any Insolvency Legislation, or seeking appointment of a receiver, trustee, custodian or other similar official for it or any of its property or assets; unless (i) such Person is diligently defending such proceeding in good faith and on reasonable grounds as determined by the Lender and (ii) such proceeding does not in the reasonable opinion of the Lender materially adversely affect the ability of such Person to carry on its business and to perform and satisfy all of its obligations hereunder;
- (w) "Insolvency Legislation" means legislation in any applicable jurisdiction relating to reorganization, arrangement, compromise or re-adjustment of debt, dissolution or winding-up, or any similar legislation, and specifically includes for greater certainty the BIA, the *Companies' Creditors Arrangement Act* (Canada) and the *Winding-Up and Restructuring Act* (Canada);
- (x) "Interest Reserve" means the amounts set aside or deducted as contemplated in Section 4.12 hereof to fund the obligations of the Borrower to pay interest as set forth in this Agreement on the Loan Instalments that may from time to time be made by the Lender to the Borrower.
- (y) "Laws" means all statutes, codes, ordinances, decrees, rules, regulations, municipal by-laws, judicial or arbitral or administrative or ministerial or departmental or regulatory judgments, orders, decisions, rulings or awards, or any provisions of such laws, including general principles of common and civil law and equity or policies or guidelines, to the extent such policies or guidelines have the force of law, binding on the Person referred to in the context in which such word is used; and "Law" means any of the foregoing;
- (z) "Lender's Solicitors" shall mean Harris + Harris LLP, or such other solicitors that the Lender may in writing designate;

- (aa) "Lien" means: (i) a lien, charge, mortgage, pledge, security interest or conditional sale agreement; (ii) an assignment, lease, consignment, trust or deemed trust that secures payment or performance of an obligation; (iii) a garnishment; (iv) any other encumbrance of any kind; and (v) any commitment or agreement to enter into or grant any of the foregoing;
- (bb) "Loan", means the aggregate amount, not to exceed Three Million Five Hundred Thousand (\$3,500,000.00) Dollars, of all Loan Instalments made from time to time hereunder by the Lender to the Borrower, less the amount, if any, repaid from time to time by the Borrower to the Lender;
- (cc) "Loan Instalment" has the same meaning as set forth in Sub-Section 4.08(a) hereof, with each Loan Instalment to be made in the sole and absolute discretion of the Lender;
- (dd) "Loan Rate", means the annual rate of interest applicable to any particular amount outstanding pursuant to this Agreement being Eight (8%) percent per annum;
- (ee) "Material Adverse Change" means any change or event which: (i) constitutes a material adverse change in the business, operations, condition (financial or otherwise) or properties of the Borrower taken as a whole; or (ii) could materially impair the Borrower's ability to timely and fully perform its obligations under this Agreement or the Security Documents, or materially impair the ability of the Lender to enforce its rights and remedies under this Agreement or the Security Documents;
- (ff) "Material Agreement" means, in respect of the Borrower, any agreement made between the Borrower and another Person which the Lender, in its sole and absolute discretion, determines to be material to the Borrower;
- (gg) "Maturity Date" shall have the same meaning as set forth in Section 4.04 hereof;
- (hh) "Mortgage" has the same meaning as set forth in Sub-Section 5.01(c) hereof;
- (ii) "Note" shall mean the promissory note executed by the Borrower in favour of the Lender in the sum of Three Million Five Hundred Thousand (\$3,500,000.00) Dollars which Note shall be in form and substance satisfactory to the solicitors of the Lender;
- (jj) "Outstanding Encumbrances and Liens" shall have the same meaning as set forth in Sub-Section 7.01(l) hereof;
- (kk) "Person", means a natural person, firm, trust, partnership, association, corporation, government or governmental board, agency or instrumentality;
- (ll) "Permitted Encumbrances" are those Liens described in Schedule "E" attached hereto and any construction financing subsequently acquired by the Borrower for the construction of the condominium project of the Property;

- (mm) "Purchase Agreements" has the same meaning as set forth in Sub-Section 7.03(e) hereof;
- (nn) "Requirements of Environmental Law" means: (i) obligations under common law; (ii) requirements imposed by or pursuant to statutes, regulations and by-laws whether presently or hereafter in force; (iii) requirements announced by a Governmental Authority as having immediate effect (provided that at the time of making such announcement the government also states its intention of enacting legislation to confirm such requirements retroactively); (iv) all directives, policies and guidelines issued or relied upon by any Governmental Authority to the extent such directives, policies or guidelines have the force of law; (v) all permits, licenses, certificates and approvals from Governmental Authorities which are required in connection with air emissions, discharges to surface or groundwater, noise emissions, solid or liquid waste disposal, the use, generation, storage, transportation or disposal of Hazardous Materials; and (vi) all requirements imposed under any clean-up, compliance or other order made pursuant to any of the foregoing, in each and every case relating to environmental, health or safety matters including all such obligations and requirements which relate to (A) solid, gaseous or liquid waste generation, handling, treatment, storage, disposal or transportation and (B) exposure to Hazardous Materials;
- (oo) "Security" means all guarantees, security agreements, mortgages, debentures and other documents mentioned comprising the Security Documents or otherwise and all other documents and agreements delivered by the Borrower or other Persons to the Lender for the benefit of the Lender from time to time as security for the payment and performance of the Borrowers Liabilities, and the security interests, assignments and Liens constituted by the foregoing;
- (pp) "Security Documents", refers collectively to this Agreement, the Mortgage, those documents and instruments referred to in Section 5.01 hereof and any and other documents, agreements or writings delivered to the Lender as contemplated in this Agreement whether as security for the Loan or otherwise. At the option of the Lender, the Security Documents may reflect a fixed rate of interest as designated by the Lender's counsel. Notwithstanding the same, the provisions with respect to the payment of interest as set out in this Agreement shall prevail;
- (qq) "Statutory Lien" means a Lien in respect of any property or assets of a Company created by or arising pursuant to any applicable legislation in favour of any Person (such as but not limited to a Governmental Authority), including a Lien for the purpose of securing the Borrower's obligation to deduct and remit employee source deductions and goods and services tax pursuant to the *Income Tax Act* (Canada), the *Excise Tax Act* (Canada), the Canada Pension Plan (Canada), the *Employment Insurance Act* (Canada) and any federal or provincial legislation similar to or enacted in replacement of the foregoing from time to time; and,
- (rr) "Subsidiary" means a business entity which is controlled by another business entity (as used herein, "business entity" includes a corporation, company, partnership, limited partnership, trust or joint venture).

2.02 Unless otherwise provided herein, all financial terms used in this Agreement shall be determined in accordance with GAAP in effect at the date of such determination. Where the character or amount of any asset or liability or item of revenue or expense is required to be determined, or any consolidation or other computation is required to be made for the purpose of this Agreement, such determination or calculation shall be made in accordance with GAAP applied on a consistent basis, unless otherwise indicated.

2.03 All amounts referred to in this Agreement are in Canadian Dollars unless otherwise noted.

2.04 Whenever in this Agreement reference is made to a statute or regulations made pursuant to a statute, such reference shall, unless otherwise specified, be deemed to include all amendments to such statute or regulations from time to time and all statutes or regulations which may come into effect from time to time substantially in replacement for the said statutes or regulations.

2.05 Terms defined in the singular have the same meaning when used in the plural, and vice-versa. When used in the context of a general statement followed by a reference to one or more specific items or matters, the term "including" shall mean "including, without limitation", and the term "includes" shall mean "includes, without limitation". Any reference herein to the exercise of discretion by the Lender (including phrases such as "in the discretion of", "in the opinion of", "in its opinion", "to the satisfaction of" and similar phrases) shall mean that such discretion is absolute and unfettered and shall not imply any obligation to act reasonably, unless otherwise expressly stated herein.

ARTICLE 3 SCHEDULES

3.01 The following are the schedules attached to and incorporated in this Agreement by reference and deemed to be a part thereof:

Schedule "A" – Lands to be Charged/Mortgaged

Schedule "B" – Schedule of Interest Payments

Schedule "C" – Expenses

Schedule "D" – Additional Loan Payment

Schedule "E" – Permitted Encumbrances

Schedule "F" – Outstanding Encumbrances and Liens

ARTICLE 4
THE LOAN, INTEREST, EXPENSES, AND PAYMENT THEREOF

4.01 Subject to the terms and conditions hereof, the Lender agrees to provide to the Borrower the Loan.

4.02 The Borrower and the Lender acknowledge and confirm that, notwithstanding any rate of interest set out in the Security Documents or any of them, the provisions of this Agreement regarding the Loan Rate shall govern the rate of interest payable on the Loan. The Borrower and the Lender further acknowledge and confirm that the Security Documents shall be in form and substance satisfactory to the Lender.

4.03 Interest on the Loan Rate shall be determined daily and shall be due, payable and compounded quarterly, not in advance, on the 1st day of each month during such quarterly period, as well after as before demand, maturity, default and judgment, together with interest on overdue interest determined daily (if relevant) and compounded quarterly at the same rate applicable until the Borrower's Liabilities have been paid in full. Interest shall be calculated on the basis of a three hundred and sixty-five (365) day year. Interest on the Loan at the Loan Rate and calculated as aforesaid shall accrue as of the date of the first Loan Instalment. Any disputes on the determination and calculation of interest of the Interest Rate shall be resolved by the Lender, in its opinion but acting reasonably. The first payment of interest and all subsequent payments of interest as aforesaid shall be payable in the amounts and on the dates as set forth in Schedule "B" attached hereto.

4.04 The Loan, together with all accrued and outstanding interest and other charges in connection therewith as set forth in this Agreement and the Security Documents including without limiting the generality of the foregoing the Additional Loan Payment and all other Borrower's Liabilities, shall become fully due and repayable on the third anniversary of the first Loan Instalment (the "Maturity Date").

4.05 Any payment provided hereunder to be made by the Borrower to the Lender shall be in certified funds or Bank Draft and shall be payable to Harris + Harris LLP, in trust, and delivered to Harris + Harris LLP, 2355 Skymark Drive, Suite 300, Mississauga, Ontario, L4W 4Y6, or any other payee or office designated by the Lender from time to time. Any payment as aforesaid received after two o'clock (2:00) p.m. Toronto time shall be deemed to have been received on the next following Business Day.

4.06 This Agreement shall constitute evidence of the obligation of the Borrower to repay all the Borrower's Liabilities in accordance with the terms hereof. The Borrower shall repay the Loan and the Borrower's Liabilities in full on the Maturity Date, and until then shall pay interest at the time or times and in the manner provided herein.

4.07 All Loan Instalments and Expenses as and when advanced or incurred shall be and become secured by the Security Documents and Expenses may be paid by the Lender and be deducted from Loan Instalments which would otherwise have been made to the Borrower. The Security Documents shall be in addition to any other security which the Lender may now have or subsequently acquire for the performance of the Borrower's Liabilities. The Expenses listed in

Schedule "C" attached hereto are a list of Expenses (but by no means an exhaustive list of all Expenses) that shall be deducted from the Loan Instalments.

4.08 The Lender and the Borrower mutually acknowledge, confirm, represent and covenant as follows:

- (a) Any amounts advanced by the Lender, in its sole and absolute discretion, to the Borrower pursuant to this Agreement shall occur in tranches (the "Loan Instalments") with the first Loan Instalment to be in the amount of not less than One Million Five Hundred Thousand (\$1,500,000.00) Dollars;
- (b) the initial face value of the Mortgage will be \$3,500,000.00; and,
- (c) prior to the release of any funds by the Lender's Solicitors to the solicitor(s) for the Borrower, each Party hereby irrevocably acknowledges and directs that their respective solicitors are authorized to and shall cause to be registered any such instruments on title to the Lands which in the opinion of the solicitor for the Lender may be required as evidence of any sums advanced to the Borrower on the security of this Agreement or the Security Documents.

4.09 The Borrower may not prepay all or any portion of the Borrower's Liabilities hereunder.

4.10 Notwithstanding anything to the contrary contained in this Agreement, any Loan Instalment made by the Lender and the Borrower shall be at the Lender's sole and absolute discretion and the Lender shall not be obligated at any time or times to make any Loan Instalment to the Borrower.

4.11 In addition to the payment by the Borrower of the Loan plus interest as set forth in this Agreement, the Borrower shall also pay to the Lender, in certified funds or Bank Draft, forthwith after the determination is made by the Lender in its opinion that the Additional Loan Payment is payable, the amount of the Additional Loan Payment calculated as described in Schedule "D" attached hereto in the same manner as contemplated in Section 4.05 hereof. Notwithstanding the foregoing, the Lender, at its option, may also deduct from the Distributable Cash Proceeds, at any time and from time to time, all or any part of the Additional Loan Payment that the Lender, in its opinion, believes is due and payable.

4.12 The parties hereto acknowledge, confirm, covenant and agree that the Lender shall be deducting from the first Loan Instalment and any subsequent Loan Instalments an amount equal to the projected interest on the amount of such Loan Instalment for 12 months which shall be a contribution of the Borrower to the Interest Reserve. The parties hereto further acknowledge, confirm, covenant and agree that the Lender may from time to time and at any time, acting reasonably, deduct from the funds held in trust by the Lender's Solicitors or received from the Borrower, whether from the Distributable Cash Proceeds or otherwise, such amounts that in its opinion is necessary or appropriate to replenish the Interest Reserve. The Borrower covenants and agrees that the amount in the Interest Reserve shall be applied by the Lender against the obligations of the Borrower to pay interest hereunder on the Loan Instalments and that once applied or deducted by the Lender from the Loan Instalments, the Distributable Cash Proceeds or otherwise, the Borrower shall have no claim against the funds in the Interest Reserve. The

Lender agrees to provide monthly reports on the disposition, if any, of funds set aside and in the Lender's Solicitors trust account.

ARTICLE 5 SECURITY

5.01 The Borrower agrees to provide the Security Documents listed below to the Lender, as continuing security for the payment and performance of all of its present and future, direct and indirect obligations to the Lender, specifically including the Loan, the Borrowers Liabilities and its direct indebtedness and obligations to the Lender arising under this Agreement:

- (a) The General Security Agreement;
- (b) The Note;
- (c) A mortgage in the amount of the Principal Sum ranking as a first mortgage; provided that the mortgage shall be subordinated to any construction financing obtained by the Borrower related to construction of the condominium project on the Property (the "Mortgage");
- (d) if requested by the Lender from time to time, security agreements creating an assignment security interest in respect of its rights to and interest in Material Agreements to which it is a party, together with any necessary consents from the other parties thereto;
- (e) an assignment of its interest in all policies of insurance, specifically including the right to receive any refunds of premiums paid thereunder; and
- (f) such other security and further assurances as the Lender may reasonably require from time to time.

5.02 The Security Documents shall be in form and substance satisfactory to the Lender, acting reasonably. The Lender may require that any item of Security Documents be governed by the laws of the jurisdiction where the property subject to such item of Security Documents is located. The Security Documents shall be registered by the Lender or, at the request of the Lender, by the Borrower, all at the Borrower's cost and expense, where necessary or desirable to record and perfect the charges contained therein, as determined by the Lender in its sole and absolute discretion.

5.03 The Borrower shall cause to be delivered to the Lender prior to each Loan Instalment the opinion of the solicitors for the Borrower regarding its corporate status, the due authorization, execution and delivery of the Security Documents provided by it, all registrations in respect of the Security Documents, the results of all applicable searches in respect of them, and the enforceability of such Security Documents and any other matters requested by the Lender in its opinion; all such opinions to be in form and substance satisfactory to the Lender.

5.04 The Borrower shall execute and deliver from time to time all such further documents and assurances as may be reasonably required by the Lender from time to time in order to provide the Security Documents contemplated hereunder, specifically including supplemental or additional security agreements which shall include lists of specific assets to be subject to the security interests required hereunder.

5.05 If insurance proceeds become payable in respect of loss of or damage to any property owned by the Borrower the Lender shall apply such proceeds against the Borrower's Liabilities (allocated amongst the components of the Borrower's Liabilities, at all times, by the Lender in its sole and absolute discretion).

ARTICLE 6 COVENANTS, REPRESENTATIONS AND WARRANTIES

6.01 The Borrower represents and warrants to the Lender as follows (which shall survive the execution and delivery of this Agreement), the truth and accuracy of which are a continuing condition of the advance of the Loan Instalments and the Borrower hereby acknowledges, confirms and agrees that the Lender is relying on such representations and warranties:

- (a) The Borrower is a validly subsisting corporation under the *Business Corporations Act* (Ontario), and is duly qualified to carry on its business in the jurisdiction in which it carries on business and has the power and authority to enter into and perform its obligations under this Agreement, is the registered owner of the Property and is legally entitled to carry on its business as currently conducted or as currently contemplated.
- (b) The Borrower has obtained all material licenses, permits and approvals from all governments, governmental commissions, boards and other agencies of jurisdictions in which it carries on (or contemplates carrying on) business which are required and which will allow for the development of the Property.
- (c) The Borrower or its solicitor has delivered to the Lender, or its solicitor, copies of the constating documents of the Borrower and the Lender's solicitor has obtained a legal opinion from the Borrower's solicitor that the Borrower is authorized to enter into this Agreement and the Security Documents.
- (d) The execution, delivery and performance of this Agreement and the Security Documents has been duly authorized by all requisite action on the part of the Borrower; and this Agreement and the Security Documents have been, or will be, duly executed and delivered by the Borrower, and this Agreement and the Security Documents delivered or to be delivered pursuant hereto and thereto constitutes, or when delivered will constitute, a valid and binding obligation of the Borrower and enforceable against the Borrower in accordance with their terms, subject to the application of bankruptcy, insolvency and similar laws affecting the enforcement of creditors' rights generally and the fact that the right to obtain judicial orders requiring specific performance or other equitable remedies is in the discretion of the court.

- (e) The Borrower shall and does indemnify and hold harmless the Lender and the Indemnitees from and against all losses, claims, damages, liabilities, and expenses, to which any such person or entity may become subject arising out of or in connection with this Agreement, the use of proceeds, or any related transaction or any claim, litigation, investigation or proceeding, relating to any of the foregoing, regardless of whether the Lender is a party thereto, and to reimburse the Lender, forthwith upon demand for any reasonable, legal or other expenses incurred in connection with investigating or defending any of the foregoing.
- (f) The Borrower acknowledges that neither its execution nor delivery of this Agreement or the Security Documents the consummation of the transactions herein contemplated nor compliance with the terms, conditions and provisions hereof or thereof does not and will not conflict with, and does not and will not result in any breach of or constitutes a default under any of the provisions of the constating documents or by-laws of the Borrower or any applicable Law including applicable securities laws, rules, policies and regulations or any contract or agreement upon or to which the Borrower is a party.
- (g) The Borrower has good and marketable title to the Property and its assets free from all mortgages, security interests, Liens, pledges, charges, encumbrances, title retention agreements, options or adverse claims, other than the permitted encumbrances as identified in Schedule "D" attached hereto (the "Permitted Encumbrances") and the Outstanding Encumbrances and Liens.
- (h) The Borrower has filed or caused to be filed, in a timely manner all tax returns, reports and declarations, which are required to be filed by it. All information in such tax returns, reports and declarations is complete and accurate in all material respects. The Borrower has paid or caused to be paid all taxes due and payable or claimed due and payable in any assessment received by it, except taxes the validity of which are being contested in good faith by appropriate proceedings diligently pursued and available to the said Borrower and with respect to which adequate reserves have been set aside on its books. Adequate provision has been made for the payment of all accrued and unpaid federal, provincial, local, foreign and other taxes whether or not yet due and payable and whether or not disputed.
- (i) All representations and warranties of the Borrower contained in this Agreement or in any of the Security Documents shall survive the execution and delivery of this Agreement and shall be deemed to have been made again to the Lender on the date of each Loan Instalment pursuant to this Agreement and shall be conclusively presumed to have been relied on by the Lender regardless of any investigation made or information possessed by the Lender. The representations and warranties set forth herein shall be cumulative and in addition to any other representations or warranties which the Borrower shall now or hereafter give, or cause to be given, to the Lender.

- (j) The Borrower further acknowledges and agrees that the terms of this Agreement shall override the terms of any previous loan agreements to which the Borrower and the Lender may be or may have been Parties.
- (k) The Borrower acknowledges that the Lender may have executed a loan agreement that has been amended to accommodate the beneficial owners of the Lender and the Borrower agrees to abide by the specific terms of each of said Agreements.
- (l) The Borrower has no Subsidiaries.
- (m) no Person has any agreement or option or any right or privilege (whether by law, pre-emptive or contractual) capable of becoming an agreement, including convertible securities, warrants or convertible obligations of any nature, for the purchase of any properties or assets of the Borrower out of the ordinary course of business or for the purchase, subscription, allotment or issuance of any debt or equity securities of the Borrower.
- (n) The Borrower is in compliance in all material respects with all applicable Laws of each jurisdiction in which it carries on business and is duly licensed, registered and qualified to do business and is in good standing in each jurisdiction in which the nature of the business conducted by it or the property owned or leased by it make such qualification necessary; and all such licences, registrations and qualifications are valid and subsisting and in good standing.
- (o) The Borrower owns, possesses and has a good and marketable title to its undertaking, property and assets, free and clear of any and all Liens except for Permitted Encumbrances and the Outstanding Encumbrances and Liens. The Borrower does not have any commitment or obligation (contingent or otherwise) to grant any Liens except for the Permitted Encumbrances. No event has occurred which constitutes, or which with the giving of notice, lapse of time or both.
- (p) The Borrower have placed insurance, including property, boiler and machinery, business interruption and liability insurance, in appropriate amounts and for appropriate risks as would be considered prudent for similar business.
- (q) The Borrower and its business, operations, assets, equipment, property, leaseholds and other facilities is in compliance in all material respects with all Requirements of Environmental Law, specifically including all Requirements of Environmental Law concerning the storage and handling of Hazardous Materials. The Borrower holds all material permits, licenses, certificates and approvals from Governmental Authorities which are required in connection with (i) air emissions; (ii) discharges to surface or groundwater; (iii) noise emissions; (iv) solid or liquid waste disposal; (v) the use, generation, storage, transportation or disposal of Hazardous Materials; and (vi) all other Requirements of Environmental Law. There has been no material emission, spill, release, or discharge into or upon (i) the air; (ii) soils, or any improvements located thereon; (iii) surface water or groundwater; or (iv) the sewer, septic system or waste treatment, storage or

disposal system servicing the premises, of any Hazardous Materials at or from the Property, and there has been no complaint, order, directive, claim, citation, or notice from any Governmental Authority or any other Person with respect to (i) air emissions; (ii) spills, releases, or discharges to soils or improvements located thereon, surface water, groundwater or the sewer, septic system or waste treatment, storage or disposal systems servicing the Property; (iii) noise emissions; (iv) solid or liquid waste disposal; (v) the use, generation, storage, transportation, or disposal of Hazardous Materials; or (vi) other Requirements of Environmental Law affecting the Property. There are no legal or administrative proceedings, investigations or claims now pending, or to the Borrower's knowledge, threatened, with respect to the presence on or under, or the discharge, emission, spill, radiation or disposal into or upon any of the Properties, the atmosphere, or any watercourse or body of water, of any Hazardous Material; nor are there any material matters under discussion with any Governmental Authority relating thereto; and there is no factual basis for any such proceedings, investigations or claims. The Borrower has no material indebtedness, obligation or liability, absolute or contingent, matured or not matured, with respect to the storage, treatment, cleanup or disposal of any Hazardous Materials (including without limitation any such indebtedness, obligation, or liability under any Requirements of Environmental Law regarding such storage, treatment, cleanup or disposal).

- (r) Save and except for the and the Outstanding Encumbrances and Liens, there are no actions, suits or proceedings now pending, or to the Borrower's knowledge, threatened, against the Borrower in any court or before or by any federal, provincial, municipal or other Governmental Authority.
- (s) No guarantees have been granted by the Borrower.
- (t) The Borrower has remitted on a timely basis all amounts required to have been withheld and remitted (including withholdings from employee wages and salaries relating to income tax, employment insurance and Canada Pension Plan contributions), goods and services and Harmonized Sales tax and all other amounts which if not paid when due could result in the creation of a Statutory Lien against any of the Borrower's property including the Property, except for Permitted Encumbrances.
- (u) Save and except for and the Outstanding Encumbrances and Lien, no Default, Event of Default or Material Adverse Change has occurred and is continuing.
- (v) All financial and other information furnished by or in respect of the Borrower to the Lender for the purposes of or in connection with this Agreement or the Security Documents are true and accurate in all material respects and is not incomplete by omitting to state any fact necessary to make such information not misleading. There are no facts known to the Borrower which could materially adversely affect the Borrower's ability to observe and perform their obligations under the Security Documents, or which if known to the Lender could reasonably

be expected to deter the Lender from making any Loan Instalments hereunder on the terms and conditions contained herein.

ARTICLE 7 COVENANTS

7.01 The Borrower hereby covenants and agrees with the Lender that it will:

- (a) pay all principal, interest and other amounts due hereunder including the Borrowers Liabilities at the times and in the manner specified herein;
- (b) maintain its corporate existence in good standing, continue to carry on its business, preserve its rights, powers, licences, privileges, franchises and goodwill, exercise any rights of renewal or extensions of any leases, licences, concessions, franchises or any other rights whatsoever which are material to the conduct of its business, maintain all qualifications to carry on business in each jurisdiction in which such qualifications are required, and carry on and conduct its business in a proper and efficient manner so as to protect its property and income; and not materially change the nature of its business;
- (c) comply in all material respects with all applicable Laws (specifically including, for greater certainty, all applicable Requirements of Environmental Law), use the proceeds of all Loan Instalments hereunder for legal and proper purposes in connection with the purposes set out in the first recital of this Agreement, and obtain and maintain in good standing all material leases, licences, permits and approvals from any and all Governmental Authorities required in respect of its business and operations;
- (d) pay when due all rents, taxes, rates, levies, assessments and governmental charges, fees and dues lawfully levied, assessed or imposed in respect of its property which are material to the conduct of its business, and deliver to the Lender upon request receipts evidencing such payments;
- (e) maintain adequate books, accounts and records in accordance with GAAP;
- (f) keep the Property and its assets in good repair and working condition;
- (g) permit the Lender and its employees, representatives and agents (during normal business hours and in a manner which does not materially interfere with its business) to enter upon and inspect the Property and its properties, assets, books and records from time to time and make copies of and abstracts from such books and records, and discuss its affairs, finances and accounts with its officers, directors, accountants and auditors; such access shall be on 48 hours' prior notice unless a Default has occurred and is continuing in which event no notice shall be required;
- (h) obtain from financially responsible insurance company and maintain liability insurance, all-risks property insurance on a replacement cost basis (less a reasonable deductible not to exceed amounts customary in the industry for similar businesses and

properties), business interruption insurance and insurance in respect of such other risks as the Lender may reasonably require from time to time; all of which policies of insurance shall be in such amounts as may be reasonably required by the Lender and shall include a standard mortgage clause approved by the Insurance Bureau of Canada; and the Lender's interest shall be noted as an additional insured on all liability insurance policies and as second mortgagee and loss payee on all other insurance policies; and the Lender shall be provided with certificates of insurance and certified copies of such policies from time to time upon request;

- (i) fulfil all covenants and obligations required to be performed by it under this Agreement and the Security Documents to which it is a party and any other agreement or undertaking now or hereafter made between it and the Lender;
- (j) provide prompt notice to the Lender of: (i) the occurrence of any Default or Event of Default; (ii) the incorrectness of any representation or warranty contained herein or any Security Documents in any material respect; (iii) any material contravention of or non-compliance by any Borrower with any terms and conditions of this Agreement or any Security Document; (iv) any Material Adverse Change; (v) any litigation affecting the Borrower; (vi) any material labour dispute affecting the Borrower; or (vii) any notice in respect of the termination or suspension of, or a material default under, any Material Contract;
- (k) provide the Lender with such further information, financial data, documentation and other assurances as the Lender may reasonably require from time to time in order to ensure ongoing compliance with the terms of this Agreement and the Security Documents and to achieve the spirit and intent of this Agreement;
- (l) The Borrower hereby covenants and agrees with the Lender that the first Loan Instalment will be used to fund, payoff and discharge the encumbrances and liens set out in Schedule "F" attached hereto (the "Outstanding Encumbrances and Liens") which are currently registered on title to the Property. The Borrower acknowledges that no funds will be disbursed directly to the Borrower until all amounts hereunder that are required to be paid by the Borrower are in fact paid and the Outstanding Encumbrances and Liens have been discharged from title to the Property.

7.02 The Borrower hereby covenants and agrees with the Lender that it will not without the prior written consent of the Lender (which consent may be withheld in the sole and absolute discretion of the Lender):

- (a) grant or suffer to exist any Liens in respect of any of its property and assets including the Property, except the Permitted Encumbrances;
- (b) directly or indirectly sell or otherwise dispose of any of its assets save and except in the ordinary course of its business or further save and except to sales of dwelling units to bona fide arm's length third party purchasers of Lots;
- (c) make any Distributions;

- (d) not materially change the nature of its business, maintain a place of business or any material assets in any jurisdiction other than the Province of Ontario, or enter into any transaction whereby all or a substantial portion of its undertaking, property and assets would become the property of any other Person, whether by way of reconstruction, reorganization, recapitalization, consolidation, amalgamation, merger, transfer, sale or otherwise, in each case without the prior written consent of the Lender in its sole and absolute discretion;
- (e) change its Fiscal Year (which for greater certainty presently ends on the last day of December in each year);
- (f) change its Accountants except with the prior written consent of the Lender which consent shall not be unreasonably withheld; and,
- (g) use the proceeds of any Loan Instalment for any purposes other than the development and construction of residential townhouses on the Property.

7.03 The Borrower shall deliver by courier delivery to the Lender the following financial and other information at the times indicated below:

- (a) the annual Year-end Financial Statements of the Borrower, by the 120th day after the end of the Fiscal Year accompanied by a Compliance Certificate certified by the Chief Financial Officer of the Borrower or other senior officer of the Borrower acceptable to the Lender;
- (b) within the first 120 days after the start of each Fiscal Year, a business plan for the Borrower in respect of such Fiscal Year, which shall disclose all material assumptions utilized and shall include the following items set out on a quarterly basis: balance sheet, income statement, cashflow statement, Capital Expenditures and tax liabilities; and
- (c) such additional information and documents as the Lender may reasonably require from time to time.

7.04. Full, true and accurate accounting and financial information shall be kept by the Borrower in accordance with GAAP as of the date hereof until at least after eighteen (18) months after the Borrower's Liabilities have been repaid. The Lender or anyone designated by the Lender shall have access to the books, records, financial information, financial statements and data of the Borrower (the "Borrower's Books and Records") at any and all times during regular business hours for the purpose of examining and reviewing the Borrower's Books and Records. The Lender shall not disclose any confidential information so obtained except to the extent that disclosure is reasonable in the conduct of the Lender's business.

7.05 The Lender hereby covenants with the Borrower, that the Lender shall execute any necessary documents and register such documents as may be reasonably requested by any construction financier to subordinate the lenders Mortgage security and personal property security to any mortgage or other security granted by the construction financier to the Borrower,

for the purposes of funding the Borrower's construction of the condominium project on the Property.

**ARTICLE 8
CONDITIONS PRECEDENT**

8.01 The Lender shall have no obligation to make the first Loan Instalment hereunder or any Loan Instalments thereafter on the Closing Date unless at the time of making such Loan Instalment the following terms and conditions (which are condition precedents in favour of the Lender) shall have been satisfied in the opinion of the Lender:

- (a) the Lender shall have completed and shall be satisfied with its due diligence in respect of the Property;
- (b) all representations and warranties made by the Vendor contained in this Agreement or the Security Documents shall be true, correct and complete in all material respects;
- (c) all Security Documents required to be provided at the time of the first Loan Instalment shall have been executed and delivered, all registrations necessary or desirable in connection therewith shall have been made, and all legal opinions and other documentation required by the Lender in connection therewith shall have been executed and delivered, all in form and substance satisfactory to the Lender in its sole and absolute discretion;
- (d) the Lender shall have received satisfactory evidence that there are no Liens affecting the Borrower or its assets, except for Permitted Encumbrances and the Outstanding Encumbrances and Liens which shall be paid in full and deducted from the First Loan Instalment on the Closing Date;
- (e) the Lender shall have received particulars of all Permitted Encumbrances, specifically including the assets encumbered thereby, the amounts due thereunder, and confirmation from the holders thereof that the terms thereof are being complied with;
- (f) the property and assets of the Borrower shall be insured on the Closing Date; the terms and conditions of such insurance to be in compliance with the requirements of this Agreement in the opinion of the Lender;
- (g) the Lender shall have received an officer's certificate and certified copies of resolutions of the board of directors of the Borrower concerning the due authorization, execution and delivery of the Security Documents to which it is a party, and such related matters as the Lender may reasonably require;
- (h) the Lender shall have received from the Borrower a certificate of status as of the Closing Date or the date of any Loan Instalment, as the case may be, certificate of compliance or similar certificate for the Borrower issued by its governing jurisdiction and each other jurisdiction in which it carries on business or holds any material assets;

- (i) the Lender shall have received such additional evidence, documents or undertakings as it may reasonably require to complete the transactions contemplated hereby in accordance with the terms and conditions contained herein;
- (j) All Realty Taxes related to the Property are up-to-date as of the Closing Date; and
- (k) All mortgages, charges, Liens and encumbrances have been discharged, on the Closing Date and prior to any Loan Instalment being made.

8.02 The Borrower hereby acknowledges, confirms, covenants and agrees that the Lender is syndicating the Loan and therefore, the Lender shall have no obligation to make the first Loan Instalment hereunder on the Closing Date or any Loan Instalment thereafter unless at the time of making such Loan Instalment the syndication of the Loan has been completed in the opinion of the Lender.

ARTICLE 9 DEFAULT AND REMEDIES

9.01 The occurrence of any one or more of the following events, after the expiry of any applicable cure period set out below, shall constitute an event of default under this Agreement (an "Event of Default"):

- (a) the Borrower fails to pay any principal, interest, Expenses or any other amount payable hereunder when due under the terms of this Agreement or any of the Security Documents;
- (b) any representation, warranty or statement made to the Borrower herein or in any Security Documents is incorrect in any material respect on the date on which such representation, warranty or statement was made or deemed to have been made, or subsequently becomes incorrect in any material respect; provided that if such representation, warranty or statement is capable of being corrected within twenty (20) days, the Borrower diligently attempts to take all such action as may be necessary in order that such representation, warranty or statement will become correct and diligently keep the Lender informed of its efforts in this regard, and such representation, warranty or statement is correct by not later than the expiry of such twenty (20) day period on the opinion of the Lender, then the incorrectness of such representation, warranty or statement shall not constitute an Event of Default;
- (c) the Borrower fails to perform or comply with any of the covenants or obligations set out in this Agreement;
- (d) the Borrower fails to perform or comply with any of its covenants or obligations contained in any of the Security Documents, in each case, following receipt of notice of such non-compliance from the Lender; provided that if such non-compliance is capable of remedy within twenty (20) days, the Borrower diligently attempts to remedy such non-compliance and diligently keeps the Lender informed of its efforts in this regard, and such non-compliance is remedied within such twenty (20) day

period in the opinion of the Lender, then such non-compliance shall not constitute an Event of Default;

- (e) an Insolvency Event occurs in respect of the Borrower;
- (f) any document constituting part of the Security Documents shall for any reason cease to be in full force and effect or shall be declared in a final judgment of a court of competent jurisdiction to be null and void; or the Borrower contests the validity or enforceability thereof or denies it has any further liability or obligation thereunder; or any document constituting part of the Security Documents shall for any reason fail to create a valid and perfected First-Ranking Security Interest subject to Permitted Encumbrances in the opinion of the Lender, in and to the property purported to be subject thereto, except that if such failure is capable of remedy within thirty (30) days, the Borrower diligently attempts to remedy such failure and diligently informs the Lender of its efforts in this regard, and the failure is remedied within such thirty (30) day period in the opinion of the Lender, then the failure shall not constitute an Event of Default;
- (g) any Person takes possession, or threatens to take possession, of any property of the Borrower including the Property by way of or in contemplation of enforcement of any security it may hold, or a distress or execution or similar process is levied or enforced against any such property; and,
- (h) any Governmental Authority shall take any action or proceeding to condemn, seize or appropriate any property of the Borrower that is material to its financial condition, business or operations.

9.02 Upon the occurrence of an Insolvency Event, the Borrower's Liabilities shall become immediately due and payable, without the necessity of any demand upon or notice to the Borrower by the Lender. Upon the occurrence and during the continuation of any Event of Default other than an Insolvency Event, the Lender may by written notice to the Borrower declare the Borrower's Liabilities to be immediately due and payable. Upon the occurrence and during the continuation of an Event of Default, both before and after the Acceleration Date, all outstanding Loan Instalments shall bear interest at the Loan Rate plus two percent (2%) per annum in order to compensate the Lender for the additional risk.

9.03 Upon the occurrence and during the continuation of an Event of Default, the Lender may apply any proceeds of realization from any Security or related to this Agreement or the Security Documents, against any portion or portions of the Borrower's Liabilities, and the Borrower may not require any different application. The taking of a judgment or any other action or dealing whatsoever by the Lender in respect of the Security Documents shall not operate as a merger of any of the Borrower's Liabilities hereunder or in any way affect or prejudice the rights, remedies and powers which the Lender may have, and the foreclosure, surrender, cancellation or any other dealing with any Security Documents or the said obligations shall not release or affect the liability of the Borrower or any other Person in respect of the remaining portion of the Borrower's Liabilities.

9.04 The Lender shall not be obliged to make any further Loan Instalments from and after the earliest to occur of the following: (i) delivery by the Lender to the Borrower of a written notice that a Default or an Event of Default has occurred and is continuing (whether or not such notice also requires immediate repayment of the Borrower's Liabilities); (ii) the occurrence of an Insolvency Event; and (iii) receipt by the Borrower of any garnishment notice or other notice of similar effect in respect of the Borrower pursuant to the *Income Tax Act* (Canada), the *Excise Tax Act* (Canada) or any similar notice under any other statute.

9.05 All of the rights and remedies granted to the Lender in this Agreement and the Security Documents, and any other rights and remedies available to the Lender at law or in equity, shall be cumulative. The exercise or failure to exercise any of the said remedies shall not constitute a waiver or release thereof or of any other right or remedy, and shall be non-exclusive.

9.06 If the Borrower fails to perform any covenant or obligation to be performed by it pursuant to this Agreement or the Security Documents, the Lender may in its sole and absolute discretion, after written notice to the Borrower, perform any of the said obligations but shall be under no obligation to do so; and any amounts expended or advanced by the Lender for such purpose shall be payable by the Borrower upon demand together with interest at the Interest Rate.

9.07 If the Borrower intends to take the benefit of any Insolvency Legislation, including making an assignment for the general benefit of creditors, making a proposal or filing a notice of intention to make a proposal under Insolvency Legislation, the Borrower covenants and agrees to provide the Lender with five (5) Business Days' prior written notice before any of the aforementioned proceedings are commenced. As soon as possible prior to the commencement of any such proceedings, the Borrower shall provide to the Lender copies of all relevant filing materials, including copies of draft court orders, plans of compromise, proposals and notices of intention. During this notice period the Lender may, in its sole discretion, elect to exercise any and all rights and remedies which may be available to it at that time as set out in this Agreement.

ARTICLE 10 GENERAL CONTRACT TERMS

10.01 The failure or delay by the Lender in exercising any right or privilege with respect to the non-compliance with any provisions of this Agreement by the Borrower and any course of action on the part of the Lender, shall not operate as a waiver of any rights of the Lender unless made in writing by the Lender. Any such waiver shall be effective only in the specific instance and for the purpose for which it is given and shall not constitute a waiver of any other rights and remedies of the Lender with respect to any other or future non-compliance.

10.02 In addition to any other liability of the Borrower hereunder, the Borrower hereby agrees to indemnify and save harmless the Indemnitees from and against all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements (including reasonable legal fees on a solicitor and his own client basis) of any kind or nature whatsoever (but excluding any consequential damages and damages for loss of profit) which may be imposed on, incurred by or asserted against the Indemnitees (except to the extent arising from the negligence or wilful misconduct of such Indemnitees) which relate or arise out of or result from:

- (a) any failure by the Borrower to pay and satisfy its obligations hereunder and the Security Documents including the Borrower's Liabilities; and,
- (b) any investigation by Governmental Authorities or any litigation or other similar proceeding related to any use made or proposed to be made by the Borrower of the proceeds of any Loan Instalment
- (c) any losses suffered by the Indemnitees for, in connection with, or as a direct or indirect result of, the failure of the Borrower to comply with all Requirements of Environmental Law;
- (d) any losses suffered by the Indemnitees for, in connection with, or as a direct or indirect result of, the presence of any Hazardous Material situated in, on or under any property owned by the Borrower including the Property or upon which it carries on business; and
- (e) any and all liabilities, losses, damages, penalties, expenses (including reasonable legal fees) and claims which may be paid, incurred or asserted against the Indemnitees for, in connection with, or as a direct or indirect result of, any legal or administrative proceedings with respect to the presence of any Hazardous Material on or under any property owned by the Borrower including the Property or upon which it carries on business, or the discharge, emission, spill, radiation or disposal by the Borrower of any Hazardous Material into or upon the Property, the atmosphere, or any watercourse or body of water; including the costs of defending and/or counterclaiming or claiming against third parties in respect of any action or matter and any cost, liability or damage arising out of a settlement entered into by the Indemnitees of any such action or matter;

10.03 The termination of this Agreement shall not relieve the Borrower from its obligations to the Lender arising prior to such termination, such as but not limited to obligations arising as a result of or in connection with any breach of this Agreement or the Security Documents, any failure to comply with this Agreement or the Security Documents or the inaccuracy of any representations and warranties made or deemed to have been made prior to such termination, and obligations arising pursuant to all indemnity obligations contained herein.

10.04 If the Borrower fails to pay when due any Expenses or other amounts paid by the Lender hereunder (other than principal or interest on any Loan Instalment), the Borrower agrees to pay interest on such unpaid amount from the time such amount is due until paid at the Loan Rate.

10.05 Without prejudice to any other method of giving notice, all communications provided for or permitted hereunder shall be in writing and delivered to the addressee by prepaid private courier or sent by telecopy to the applicable address and to the attention of the officer of the addressee as follows:

(i) to the Borrower:

McMurray Street Investments Inc.
c/o 24 Country Club Drive, King, Ontario L7B 1M5

E-mail: johndavies55@rogers.com

Attention: John Davies

(ii) to the Lender:

c/o Tier 1 Capital Management Inc.
250 Consumers Road, Suite 501
Toronto, ON M2J 4V6

Attention: Raj Singh
Fax Number: 416-304-4040

with a copy to:

Harris + Harris LLP
2355 Skymark Avenue, Suite 300
Mississauga, Ontario, L4W 4Y6

Attention: Mr. Mark L. Swartz
Fax No. 905-629-4350

Any communication transmitted by prepaid private courier shall be deemed to have been validly and effectively given or delivered on the Business Day after which it is submitted for delivery. Any communication transmitted by telecopy shall be deemed to have been validly and effectively given or delivered on the day on which it is transmitted, if transmitted on a Business Day on or before 5:00 p.m. (local time of the intended recipient), and otherwise on the next following Business Day. Any party may change its address for service by notice given in the foregoing manner.

10.06 Any provision of this Agreement which is illegal, prohibited or unenforceable in any jurisdiction, in whole or in part, shall not invalidate the remaining provisions hereof; and any such illegality, prohibition or unenforceability in any such jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

10.07 The Borrower shall from time to time at its own expense promptly execute and deliver or cause to be executed and delivered to the Lender all such other and further documents, agreements, opinions, certificates and instruments which may be requested by the Lender if

necessary or desirable to more fully record or evidence the obligations intended to be entered into herein, or to make any recording, file any notice or obtain any consent.

10.08 Time shall be of the essence of this Agreement.

10.09 The Borrower may not assign any of its rights or obligations under this Agreement without the prior written consent of the Lender. The Lender may grant participations in all or any portion of its rights under this Agreement from time to time without notice to or obtaining the prior written consent of the Borrower. The Borrower agrees to co-operate fully with the Lender in connection with any assignment or participation pursuant to this section, and agrees to execute and deliver from time to time in favour of the Lender and any such assignee or participant such documents and assurances as may be reasonably required by the Lender or the assignee or participant in connection with such assignment or participation.

10.10 This Agreement and any other documents or instruments contemplated herein or therein shall constitute the entire agreement and understanding between the Borrower and the Lender relating to the subject-matter hereof. For greater certainty and without limiting the generality of the foregoing, this Agreement supersedes all discussion papers previously issued by the Lender relating to the proposed establishment of the Loan, which have no force or effect.

10.11 To the extent that there is any inconsistency between a provision of this Agreement and a provision of any document constituting part of the Security including the Security Documents, the provision of this Agreement shall govern. For greater certainty, a provision of this Agreement and a provision of any Security Document shall be considered to be inconsistent if both relate to the same subject-matter and the provision in the Security Document imposes more onerous obligations or restrictions than the corresponding provision in this Agreement (excluding fees and Expenses).

10.12 This Agreement shall be interpreted in accordance with the laws of the Province of Ontario. Without prejudice to the right of the Lender to commence any proceedings with respect to this Agreement in any other proper jurisdiction, the parties hereby attorn and submit to the non-exclusive jurisdiction of the courts of the Province of Ontario.

10.13 This Agreement may be executed in several counterparts, each of which, when so executed, shall be deemed to be an original and which counterparts together shall constitute one and the same Agreement. This Agreement may be executed by facsimile, and any signature contained hereon by facsimile shall be deemed to be equivalent to an original signature for all purposes.

10.14 This Agreement shall be binding upon and shall enure to the benefit of the parties and their respective successors and permitted assigns; "successors" includes any corporation resulting from the amalgamation of any party with any other corporation.

***[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK
SIGNATURE PAGE TO FOLLOW]***

IN WITNESS WHEREOF the parties hereto have executed this Agreement as of the date written on the first page hereof.

7743718 CANADA INC.

Per: _____

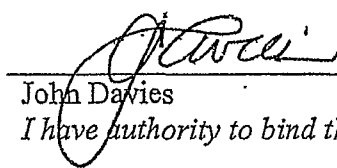

Name: Raj Singh

Title: President

I have authority to bind the corporation

MCMURRAY STREET INVESTMENTS
INC.

Per: _____


John Davies

I have authority to bind the corporation

SCHEDULE "A"
THE LANDS

Pts. 1, 2, 3, Pl. No. 35R-22861 (PT. PIN: 48115-0411) and Pt. 5, Pl. No. 35R-22861 (PIN: 48115-0168) or see Deed attached.

SCHEDULE "B"
SCHEDULE OF INTEREST PAYMENTS

Interest payments shall be calculated at an annual interest rate of EIGHT PERCENT (8%), paid quarterly in trust to the Lender's Solicitor, commencing on or about July 31, 2012. All funds advanced after April 30, 2012 will receive an initial payment pro rated up to and including July 31, 2012 and full payments quarterly until the maturity date on or about April 30, 2015.

SCHEDULE "C"
EXPENSES

The Expenses include the following:

- a) Mortgage Brokerage Fee of \$35,000 payable to First Commonwealth Mortgage Corporation;
- b) Referral and Related Fees of \$445,000 payable on account of fees and commission incurred in relation to the Loan which shall be paid as the Lender may in writing direct; and,
- c) Legal Fees. Legal Fees of \$35,000.00 plus HST plus Disbursements (which shall include Title Insurance and other Expenses) shall be payable to Harris + Harris LLP which shall be deducted from the first Loan Instalment. In the event that there is more than one (1) Loan Instalments, then additional legal fees of \$18,0000 plus HST plus Disbursements shall be paid to Harris + Harris LLP on each additional 1 Loan Instalment.

SCHEDULE "D"
ADDITIONAL LOAN PAYMENT

The Additional Loan Payment shall be an amount equal to four (4%) per cent per annum of the face value of the Mortgage and shall be payable for such time as the Loan remains outstanding, as determined by the Lender (the "Additional Loan Payment"). The Additional Loan Payment shall be payable by the Borrower from the Distributable Cash Proceeds or from the proceeds being held by the Lender's Solicitor, in trust, as contemplated in Sub-Section 7.01(n) of this Agreement. The payment of the Additional Loan Payment may be paid at any time and from time to time to the Lender after the Loan, plus interest thereon in accordance with this Agreement and all Expenses are paid pursuant to this Agreement. If the face amount of the Mortgage is less than \$3,500,000.00, the Additional Loan Payment shall be reduced accordingly. The Additional Loan Payment will be paid after the Loan, plus interest thereon in accordance with this Agreement and all Expenses are paid pursuant to this Agreement as determined by the Lender, acting reasonably.

For the sake of clarity, if the face amount of the Mortgage is \$3,500,000.00 and the Borrower's Liabilities have not been paid until the third anniversary of the first loan instalment, then the amount of the Additional Loan Payment payable by the Borrower to the Lender shall be \$420,000, or 4% per annum for each year the Mortgage is outstanding; which interest amount shall not be compounded from time to time. Notwithstanding the foregoing, the calculation of the Additional Loan Payment and the timing of the payments thereof shall be determined by the Lender, acting reasonably.

The Lender shall provide to the Borrower reasonable notice of any payments made on account of the Additional Loan Payment.

SCHEDULE "E"
PERMITTED ENCUMBRANCES

1. Liens for municipal property taxes, local improvement assessments or taxes, or other taxes, assessments or recoveries relating to the Property which are not at the time due;
2. The reservations, limitations, exceptions, provisos and conditions, if any expressed in any original grants from the Crown including, without limitation, the reservations of any mines and minerals in the Crown or in any other person.
3. Any registered or unregistered licenses, easements, rights-of-way, rights in the nature of easements and agreements with respect thereof which relate to the provisions of utilities or services or easements or rights of way in favour of any governmental authority, any private or public utility, any railway company or any adjoining owner to the Property (including, without limitation, agreements, easements, licenses, rights-of-way and interests in the nature of easements for sidewalks, public ways, sewers, drains, gas, steam and water mains or electric light and power, or telephone and telegraphic conduits, poles, wires, and cables).
4. Title defects or irregularities, which are of a minor nature and in the aggregate will not materially adversely impair the use or marketability of the Real Property or that part thereof affected by the defect or irregularity for the purposes for which it is presently used.
5. The exceptions, limitations and qualifications of the Land Titles Act and any amendments thereto.

SCHEDULE "F"
OUTSTANDING ENCUMBRANCES AND LIENS

A mortgage on the property in the registered amount of \$500,000 which shall be discharged on the closing of the Mortgage transaction contemplated in this Agreement.

Request ID: 020266219
Transaction ID: 64476648
Category ID: UN/E

Province of Ontario
Ministry of Government Services

Date Report Produced: 2017/05/16
Time Report Produced: 12:02:48
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CORPORATION PROFILE REPORT

Ontario Corp Number	Corporation Name	Incorporation Date	
1703858	1703858 ONTARIO LTD.	2006/10/12	
		Jurisdiction	
		ONTARIO	
Corporation Type	Corporation Status	Former Jurisdiction	
ONTARIO BUSINESS CORP.	ACTIVE	NOT APPLICABLE	
Registered Office Address	Date Amalgamated	Amalgamation Ind.	
2355 SKYMARK AVENUE	NOT APPLICABLE	NOT APPLICABLE	
Suite # 300 MISSISSAUGA ONTARIO CANADA L4W 4Y6	New Amal. Number	Notice Date	
	NOT APPLICABLE	NOT APPLICABLE	
Mailing Address	Letter Date		
24 COUNTRY CLUB DRIVE	NOT APPLICABLE		
KING CITY ONTARIO CANADA L7B 1M5	Revival Date	Continuation Date	
	NOT APPLICABLE	NOT APPLICABLE	
	Transferred Out Date	Cancel/Inactive Date	
	NOT APPLICABLE	NOT APPLICABLE	
	EP Licence Eff.Date	EP Licence Term.Date	
	NOT APPLICABLE	NOT APPLICABLE	
	Number of Directors Minimum Maximum	Date Commenced in Ontario	Date Ceased in Ontario
	00001 00007	NOT APPLICABLE	NOT APPLICABLE
Activity Classification			
NOT AVAILABLE			

Request ID: 020266219
Transaction ID: 64476648
Category ID: UN/E

Province of Ontario
Ministry of Government Services

Date Report Produced: 2017/05/16
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CORPORATION PROFILE REPORT

Ontario Corp Number

1703858

Corporation Name

1703858 ONTARIO LTD.

Corporate Name History

1703858 ONTARIO LTD.

Effective Date

2006/10/12

Current Business Name(s) Exist:

NO

Expired Business Name(s) Exist:

NO

Administrator:

Name (Individual / Corporation)

JOHN
EVAN
DAVIES

Address

24 COUNTRY CLUB DRIVE

KING CITY
ONTARIO
CANADA L7B 1M5

Date Began

2013/05/17

First Director

NOT APPLICABLE

Designation

DIRECTOR

Officer Type

Resident Canadian

Y

CORPORATION PROFILE REPORT

Ontario Corp Number

1703858

Corporation Name

1703858 ONTARIO LTD.

Administrator:

Name (Individual / Corporation)

JOHN
EVAN
DAVIES

Address

24 COUNTRY CLUB DRIVE

KING CITY
ONTARIO
CANADA L7B 1M5

Date Began

2013/05/17

First Director

NOT APPLICABLE

Designation

OFFICER

Officer Type

PRESIDENT

Resident Canadian

Y

Administrator:

Name (Individual / Corporation)

JOHN
EVAN
DAVIES

Address

24 COUNTRY CLUB DRIVE

KING CITY
ONTARIO
CANADA L7B 1M5

Date Began

2013/05/17

First Director

NOT APPLICABLE

Designation

OFFICER

Officer Type

SECRETARY

Resident Canadian

Y

Request ID: 020266219
Transaction ID: 64476648
Category ID: UN/E

Province of Ontario
Ministry of Government Services

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CORPORATION PROFILE REPORT

Ontario Corp Number	Corporation Name
1703858	1703858 ONTARIO LTD.

Last Document Recorded		Form	Date
Act/Code	Description		
CIA	CHANGE NOTICE	1	2014/12/05 (ELECTRONIC FILING)

THIS REPORT SETS OUT THE MOST RECENT INFORMATION FILED BY THE CORPORATION ON OR AFTER JUNE 27, 1992, AND RECORDED IN THE ONTARIO BUSINESS INFORMATION SYSTEM AS AT THE DATE AND TIME OF PRINTING. ALL PERSONS WHO ARE RECORDED AS CURRENT DIRECTORS OR OFFICERS ARE INCLUDED IN THE LIST OF ADMINISTRATORS.

ADDITIONAL HISTORICAL INFORMATION MAY EXIST ON MICROFICHE.

The issuance of this report in electronic form is authorized by the Ministry of Government Services.

Request ID: 020266250
 Transaction ID: 64476757
 Category ID: UN/E

Province of Ontario
 Ministry of Government Services

Date Report Produced: 2017/05/16
 Time Report Produced: 12:05:32
 Page: 1

CORPORATION PROFILE REPORT

Ontario Corp Number	Corporation Name	Incorporation Date
2343407	LEGACY LANE INVESTMENTS LTD.	2012/09/21
		Jurisdiction
		ONTARIO
		Former Jurisdiction
		NOT APPLICABLE
		Date Amalgamated
		NOT APPLICABLE
		Amalgamation Ind.
		NOT APPLICABLE
		Registered Office Address
	2355 SKYMARK AVENUE	
	Suite # 300	
	MISSISSAUGA	
	ONTARIO	
	CANADA L4W 4Y6	
		New Amal. Number
		NOT APPLICABLE
		Notice Date
		NOT APPLICABLE
		Letter Date
		NOT APPLICABLE
		Mailing Address
	24 COUNTRY CLUB DRIVE	
		Revival Date
		NOT APPLICABLE
		Continuation Date
		NOT APPLICABLE
		Transferred Out Date
		NOT APPLICABLE
		Cancel/Inactive Date
		NOT APPLICABLE
		EP Licence Eff.Date
		NOT APPLICABLE
		EP Licence Term.Date
		NOT APPLICABLE
		Date Commenced in Ontario
		NOT APPLICABLE
		Date Ceased in Ontario
		NOT APPLICABLE
		Activity Classification
	NOT AVAILABLE	
		Number of Directors
		Minimum
		00001
		Maximum
		00015

Request ID: 020266250
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CORPORATION PROFILE REPORT

Ontario Corp Number

2343407

Corporation Name

LEGACY LANE INVESTMENTS LTD.

Corporate Name History

LEGACY LANE INVESTMENTS LTD.

Effective Date

2012/09/21

Current Business Name(s) Exist:

NO

Expired Business Name(s) Exist:

NO

**Administrator:
Name (Individual / Corporation)**

JOHN
DAVIES

Address

24 COUNTRY CLUB DRIVE

KING CITY
ONTARIO
CANADA L7B 1M5

Date Began

2012/09/21

First Director

NOT APPLICABLE

Designation

DIRECTOR

Officer Type

Resident Canadian

Y

Request ID: 020266250
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Date Report Produced: 2017/05/16
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CORPORATION PROFILE REPORT

Ontario Corp Number

2343407

Corporation Name

LEGACY LANE INVESTMENTS LTD.

**Administrator:
Name (Individual / Corporation)**

JOHN
DAVIES

Address

24 COUNTRY CLUB DRIVE

KING CITY
ONTARIO
CANADA L7B 1M5

Date Began

2012/09/21

First Director

NOT APPLICABLE

Designation

OFFICER

Officer Type

SECRETARY

Resident Canadian

Y

**Administrator:
Name (Individual / Corporation)**

JOHN
DAVIES

Address

24 COUNTRY CLUB DRIVE

KING CITY
ONTARIO
CANADA L7B 1M5

Date Began

2012/09/21

First Director

NOT APPLICABLE

Designation

OFFICER

Officer Type

TREASURER

Resident Canadian

Y

Request ID: 020266250
Transaction ID: 64476757
Category ID: UN/E

Province of Ontario
Ministry of Government Services

Date Report Produced: 2017/05/16
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CORPORATION PROFILE REPORT

Ontario Corp Number

2343407

Corporation Name

LEGACY LANE INVESTMENTS LTD.

Last Document Recorded

Act/Code	Description	Form	Date
CIA	CHANGE NOTICE	1	2015/09/17 (ELECTRONIC FILING)

THIS REPORT SETS OUT THE MOST RECENT INFORMATION FILED BY THE CORPORATION ON OR AFTER JUNE 27, 1992, AND RECORDED IN THE ONTARIO BUSINESS INFORMATION SYSTEM AS AT THE DATE AND TIME OF PRINTING. ALL PERSONS WHO ARE RECORDED AS CURRENT DIRECTORS OR OFFICERS ARE INCLUDED IN THE LIST OF ADMINISTRATORS.

ADDITIONAL HISTORICAL INFORMATION MAY EXIST ON MICROFICHE.

The issuance of this report in electronic form is authorized by the Ministry of Government Services.

Request ID: 020266204
Transaction ID: 64478611
Category ID: UN/E

Province of Ontario
Ministry of Government Services

Date Report Produced: 2017/05/16
Time Report Produced: 12:01:55
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CORPORATION PROFILE REPORT

Ontario Corp Number	Corporation Name	Incorporation Date
2372509	MEMORY CARE INVESTMENTS (KITCHENER) LTD.	2013/05/09
		Jurisdiction
		ONTARIO
Corporation Type	Corporation Status	Former Jurisdiction
ONTARIO BUSINESS CORP.	ACTIVE	NOT APPLICABLE
Registered Office Address		Date Amalgamated
		NOT APPLICABLE
51 CALDARI ROAD		Amalgamation Ind.
		NOT APPLICABLE
Suite # #A1M		New Amal. Number
MAPLE		NOT APPLICABLE
ONTARIO		Notice Date
CANADA L4K 4G3		NOT APPLICABLE
		Letter Date
Mailing Address		NOT APPLICABLE
		Revival Date
51 CALDARI ROAD		NOT APPLICABLE
#A1M		Continuation Date
		NOT APPLICABLE
CONCORD		Transferred Out Date
ONTARIO		NOT APPLICABLE
CANADA L4K 4G3		Cancel/Inactive Date
		NOT APPLICABLE
		EP Licence Eff.Date
		NOT APPLICABLE
		EP Licence Term.Date
		NOT APPLICABLE
	Number of Directors	Date Commenced
	Minimum	in Ontario
	Maximum	Date Ceased
	00001	in Ontario
	00015	NOT APPLICABLE
Activity Classification		NOT APPLICABLE
NOT AVAILABLE		

Request ID: 020266204
Transaction ID: 64476611
Category ID: UN/E

Province of Ontario
Ministry of Government Services

Date Report Produced: 2017/05/16
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CORPORATION PROFILE REPORT

Ontario Corp Number	Corporation Name
2372509	MEMORY CARE INVESTMENTS (KITCHENER) LTD.

Corporate Name History	Effective Date
MEMORY CARE INVESTMENTS (KITCHENER) LTD.	2013/05/09

Current Business Name(s) Exist:	NO
Expired Business Name(s) Exist:	NO

Administrator: Name (Individual / Corporation)	Address
JOHN DAVIES	2355 SKYMARK AVENUE Suite # 300 MISSISSAUGA ONTARIO CANADA L4W 4Y6

Date Began	First Director	
2013/05/09	NOT APPLICABLE	
Designation	Officer Type	Resident Canadian
DIRECTOR		Y

Request ID: 020266204
Transaction ID: 64476611
Category ID: UN/E

Province of Ontario
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Date Report Produced: 2017/05/16
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CORPORATION PROFILE REPORT

Ontario Corp Number

2372509

Corporation Name

MEMORY CARE INVESTMENTS (KITCHENER) LTD.

**Administrator:
Name (Individual / Corporation)**

JOHN
DAVIES

Address

2355 SKYMARK AVENUE
Suite # 300
MISSISSAUGA
ONTARIO
CANADA L4W 4Y6

Date Began

2013/05/09

First Director

NOT APPLICABLE

Designation

OFFICER

Officer Type

SECRETARY

Resident Canadian

Y

**Administrator:
Name (Individual / Corporation)**

JOHN
DAVIES

Address

2355 SKYMARK AVENUE
Suite # 300
MISSISSAUGA
ONTARIO
CANADA L4W 4Y6

Date Began

2013/05/09

First Director

NOT APPLICABLE

Designation

OFFICER

Officer Type

VICE-PRESIDENT

Resident Canadian

Request ID: 020266204
Transaction ID: 64476611
Category ID: UN/E

Province of Ontario
Ministry of Government Services

Date Report Produced: 2017/05/16
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CORPORATION PROFILE REPORT

Ontario Corp Number

2372509

Corporation Name

MEMORY CARE INVESTMENTS (KITCHENER) LTD.

Last Document Recorded

Act/Code	Description	Form	Date
CIA	ANNUAL RETURN 2015	1C	2016/12/04 (ELECTRONIC FILING)

THIS REPORT SETS OUT THE MOST RECENT INFORMATION FILED BY THE CORPORATION ON OR AFTER JUNE 27, 1992, AND RECORDED IN THE ONTARIO BUSINESS INFORMATION SYSTEM AS AT THE DATE AND TIME OF PRINTING. ALL PERSONS WHO ARE RECORDED AS CURRENT DIRECTORS OR OFFICERS ARE INCLUDED IN THE LIST OF ADMINISTRATORS.

ADDITIONAL HISTORICAL INFORMATION MAY EXIST ON MICROFICHE.

The issuance of this report in electronic form is authorized by the Ministry of Government Services.

Request ID: 020266228
Transaction ID: 64476679
Category ID: UN/E

Province of Ontario
Ministry of Government Services

Date Report Produced: 2017/05/16
Time Report Produced: 12:03:27
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CORPORATION PROFILE REPORT

Ontario Corp Number	Corporation Name	Incorporation Date
2330709	MEMORY CARE INVESTMENTS (OAKVILLE) LTD.	2012/06/05
		Jurisdiction
		ONTARIO
Corporation Type	Corporation Status	Former Jurisdiction
ONTARIO BUSINESS CORP.	ACTIVE	NOT APPLICABLE
Registered Office Address	Date Amalgamated	Amalgamation Ind.
2355 SKYMARK AVENUE	NOT APPLICABLE	NOT APPLICABLE
Suite # 300	New Amal. Number	Notice Date
MISSISSAUGA	NOT APPLICABLE	NOT APPLICABLE
ONTARIO		
CANADA L4W 4Y6		Letter Date
Mailing Address		NOT APPLICABLE
51 CALDARI ROAD	Revival Date	Continuation Date
#A1M	NOT APPLICABLE	NOT APPLICABLE
CONCORD	Transferred Out Date	Cancel/Inactive Date
ONTARIO	NOT APPLICABLE	NOT APPLICABLE
CANADA L4K 4G3		
	EP Licence Eff.Date	EP Licence Term.Date
	NOT APPLICABLE	NOT APPLICABLE
	Number of Directors	Date Commenced
	Minimum	in Ontario
	Maximum	Date Ceased
	00001	in Ontario
	00015	NOT APPLICABLE
Activity Classification		NOT APPLICABLE
NOT AVAILABLE		

Request ID: 020266228
Transaction ID: 64476679
Category ID: UN/E

Province of Ontario
Ministry of Government Services

Date Report Produced: 2017/05/16
Time Report Produced: 12:03:27
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CORPORATION PROFILE REPORT

Ontario Corp Number

2330709

Corporation Name

MEMORY CARE INVESTMENTS (OAKVILLE) LTD.

Corporate Name History

MEMORY CARE INVESTMENTS (OAKVILLE) LTD.

Effective Date

2012/06/05

Current Business Name(s) Exist:

NO

Expired Business Name(s) Exist:

NO

Administrator:

Name (Individual / Corporation)

JOHN
DAVIES

Address

2355 SKYMARK AVENUE
Suite # 300
MISSISSAUGA
ONTARIO
CANADA L4W 4Y6

Date Began

2012/06/05

First Director

NOT APPLICABLE

Designation

DIRECTOR

Officer Type

Resident Canadian

Y

Request ID: 020266228
Transaction ID: 64476679
Category ID: UN/E

Province of Ontario
Ministry of Government Services

Date Report Produced: 2017/05/16
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CORPORATION PROFILE REPORT

Ontario Corp Number

2330709

Corporation Name

MEMORY CARE INVESTMENTS (OAKVILLE) LTD.

Administrator:

Name (Individual / Corporation)

JOHN
DAVIES

Address

2355 SKYMARK AVENUE
Suite # 300
MISSISSAUGA
ONTARIO
CANADA L4W 4Y6

Date Began

2012/06/05

First Director

NOT APPLICABLE

Designation

OFFICER

Officer Type

PRESIDENT

Resident Canadian

Y

Administrator:

Name (Individual / Corporation)

JOHN
DAVIES

Address

2355 SKYMARK AVENUE
Suite # 300
MISSISSAUGA
ONTARIO
CANADA L4W 4Y6

Date Began

2012/06/05

First Director

NOT APPLICABLE

Designation

OFFICER

Officer Type

SECRETARY

Resident Canadian

Y

Request ID: 020266228
Transaction ID: 64476679
Category ID: UN/E

Province of Ontario
Ministry of Government Services

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CORPORATION PROFILE REPORT

Ontario Corp Number

Corporation Name

2330709

MEMORY CARE INVESTMENTS (OAKVILLE) LTD.

Last Document Recorded

Act/Code	Description	Form	Date
BCA	ARTICLES OF AMENDMENT	3	2015/12/21

THIS REPORT SETS OUT THE MOST RECENT INFORMATION FILED BY THE CORPORATION ON OR AFTER JUNE 27, 1992, AND RECORDED IN THE ONTARIO BUSINESS INFORMATION SYSTEM AS AT THE DATE AND TIME OF PRINTING. ALL PERSONS WHO ARE RECORDED AS CURRENT DIRECTORS OR OFFICERS ARE INCLUDED IN THE LIST OF ADMINISTRATORS.

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Request ID: 020266233
Transaction ID: 64476712
Category ID: UN/E

Province of Ontario
Ministry of Government Services

Date Report Produced: 2017/05/16
Time Report Produced: 12:04:25
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CORPORATION PROFILE REPORT

Ontario Corp Number	Corporation Name	Incorporation Date	
2365054	SCOLLARD DEVELOPMENT CORPORATION	2013/03/14	
		Jurisdiction	
		ONTARIO	
Corporation Type	Corporation Status	Former Jurisdiction	
ONTARIO BUSINESS CORP.	ACTIVE	NOT APPLICABLE	
Registered Office Address	Date Amalgamated	Amalgamation Ind.	
51 CALDARI	NOT APPLICABLE	NOT APPLICABLE	
Suite # A1M CONCORD ONTARIO CANADA L4K 4G3	New Amal. Number	Notice Date	
	NOT APPLICABLE	NOT APPLICABLE	
Mailing Address	Letter Date		
24 COUNTRY CLUB DRIVE	NOT APPLICABLE		
KING CITY ONTARIO CANADA L7B 1M5	Revival Date	Continuation Date	
	NOT APPLICABLE	NOT APPLICABLE	
	Transferred Out Date	Cancel/Inactive Date	
	NOT APPLICABLE	NOT APPLICABLE	
	EP Licence Eff.Date	EP Licence Term.Date	
	NOT APPLICABLE	NOT APPLICABLE	
	Number of Directors Minimum Maximum	Date Commenced in Ontario	Date Ceased in Ontario
	00001 00015	NOT APPLICABLE	NOT APPLICABLE
Activity Classification			
NOT AVAILABLE			

Request ID: 020266233
Transaction ID: 64476712
Category ID: UN/E

Province of Ontario
Ministry of Government Services

Date Report Produced: 2017/05/16
Time Report Produced: 12:04:25
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CORPORATION PROFILE REPORT

Ontario Corp Number

2365054

Corporation Name

SCOLLARD DEVELOPMENT CORPORATION

Corporate Name History

SCOLLARD DEVELOPMENT CORPORATION

Effective Date

2013/03/14

Current Business Name(s) Exist:

NO

Expired Business Name(s) Exist:

NO

Administrator:

Name (Individual / Corporation)

JOHN
EVAN
DAVIES

Address

24 COUNTRY CLUB DRIVE

KING CITY
ONTARIO
CANADA L7B 1M5

Date Began

2013/03/14

First Director

NOT APPLICABLE

Designation

DIRECTOR

Officer Type

Resident Canadian

Y

Request ID: 020266233
Transaction ID: 64476712
Category ID: UN/E

Province of Ontario
Ministry of Government Services

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CORPORATION PROFILE REPORT

Ontario Corp Number

2365054

Corporation Name

SCOLLARD DEVELOPMENT CORPORATION

Administrator:

Name (Individual / Corporation)

JOHN
EVAN
DAVIES

Address

24 COUNTRY CLUB DRIVE

KING CITY
ONTARIO
CANADA L7B 1M5

Date Began

2013/03/14

First Director

NOT APPLICABLE

Designation

OFFICER

Officer Type

PRESIDENT

Resident Canadian

Y

Administrator:

Name (Individual / Corporation)

JOHN
EVAN
DAVIES

Address

24 COUNTRY CLUB DRIVE

KING CITY
ONTARIO
CANADA L7B 1M5

Date Began

2013/03/14

First Director

NOT APPLICABLE

Designation

OFFICER

Officer Type

SECRETARY

Resident Canadian

Y

Request ID: 020266233
Transaction ID: 64476712
Category ID: UN/E

Province of Ontario
Ministry of Government Services

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CORPORATION PROFILE REPORT

Ontario Corp Number

2365054

Corporation Name

SCOLLARD DEVELOPMENT CORPORATION

Last Document Recorded

Act/Code	Description	Form	Date
CIA	ANNUAL RETURN 2015	1C	2016/07/24 (ELECTRONIC FILING)

THIS REPORT SETS OUT THE MOST RECENT INFORMATION FILED BY THE CORPORATION ON OR AFTER JUNE 27, 1992, AND RECORDED IN THE ONTARIO BUSINESS INFORMATION SYSTEM AS AT THE DATE AND TIME OF PRINTING. ALL PERSONS WHO ARE RECORDED AS CURRENT DIRECTORS OR OFFICERS ARE INCLUDED IN THE LIST OF ADMINISTRATORS.

ADDITIONAL HISTORICAL INFORMATION MAY EXIST ON MICROFICHE.

The issuance of this report in electronic form is authorized by the Ministry of Government Services.

Request ID: 020265329
Transaction ID: 64473985
Category ID: UN/E

Province of Ontario
Ministry of Government Services

Date Report Produced: 2017/05/16
Time Report Produced: 10:47:13
Page: 1

CORPORATION PROFILE REPORT

Ontario Corp Number	Corporation Name	Incorporation Date
2512577	TEXTBOOK (445 PRINCESS STREET) INC.	2016/04/06
		Jurisdiction
		ONTARIO
Corporation Type	Corporation Status	Former Jurisdiction
ONTARIO BUSINESS CORP.	ACTIVE	NOT APPLICABLE
Registered Office Address		Date Amalgamated
		NOT APPLICABLE
2355 SKYMARK AVENUE		New Amal. Number
		NOT APPLICABLE
Suite # 300		Notice Date
MISSISSAUGA		NOT APPLICABLE
ONTARIO		Letter Date
CANADA L4W 4Y6		NOT APPLICABLE
Mailing Address		Revival Date
		NOT APPLICABLE
51 CALDARI ROAD		Continuation Date
#A1M		NOT APPLICABLE
CONCORD		Transferred Out Date
ONTARIO		NOT APPLICABLE
CANADA L4K 4G3		Cancel/Inactive Date
		NOT APPLICABLE
		EP Licence Eff.Date
		NOT APPLICABLE
		EP Licence Term.Date
		NOT APPLICABLE
	Number of Directors	Date Commenced
	Minimum	in Ontario
	Maximum	Date Ceased
	0001	in Ontario
	0015	NOT APPLICABLE
Activity Classification		NOT APPLICABLE
NOT AVAILABLE		

Request ID: 020265329
Transaction ID: 64473985
Category ID: UN/E

Province of Ontario
Ministry of Government Services

Date Report Produced: 2017/05/16
Time Report Produced: 10:47:13
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CORPORATION PROFILE REPORT

Ontario Corp Number

2512577

Corporation Name

TEXTBOOK (445 PRINCESS STREET) INC.

Corporate Name History

TEXTBOOK (445 PRINCESS STREET) INC.

Effective Date

2016/04/06

Current Business Name(s) Exist:

NO

Expired Business Name(s) Exist:

NO

Administrator:

Name (Individual / Corporation)

JOHN
DAVIES

Address

24 COUNTRY CLUB DRIVE

KING CITY
ONTARIO
CANADA L7B 1M5

Date Began

2016/04/06

First Director

NOT APPLICABLE

Designation

DIRECTOR

Officer Type

Resident Canadian

Y

Request ID: 020265329
Transaction ID: 64473985
Category ID: UN/E

Province of Ontario
Ministry of Government Services

Date Report Produced: 2017/05/16
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CORPORATION PROFILE REPORT

Ontario Corp Number

2512577

Corporation Name

TEXTBOOK (445 PRINCESS STREET) INC.

**Administrator:
Name (Individual / Corporation)**

JOHN
DAVIES

Address

24 COUNTRY CLUB DRIVE

KING CITY
ONTARIO
CANADA L7B 1M5

Date Began

2016/04/06

First Director

NOT APPLICABLE

Designation

OFFICER

Officer Type

SECRETARY

Resident Canadian

**Administrator:
Name (Individual / Corporation)**

JOHN
DAVIES

Address

24 COUNTRY CLUB DRIVE

KING CITY
ONTARIO
CANADA L7B 1M5

Date Began

2016/04/06

First Director

NOT APPLICABLE

Designation

OFFICER

Officer Type

OTHER

Resident Canadian

Request ID: 020265329
Transaction ID: 64473985
Category ID: UN/E

Province of Ontario
Ministry of Government Services

Date Report Produced: 2017/05/16
Time Report Produced: 10:47:13
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CORPORATION PROFILE REPORT

Ontario Corp Number

2512577

Corporation Name

TEXTBOOK (445 PRINCESS STREET) INC.

Administrator:

Name (Individual / Corporation)

JAMES

GRACE

Address

266 266
266
Suite # ORIOLE PAR
TORONTO
ONTARIO
CANADA M5P 2H3

Date Began

2016/04/06

First Director

NOT APPLICABLE

Designation

OFFICER

Officer Type

VICE-PRESIDENT

Resident Canadian

Administrator:

Name (Individual / Corporation)

WALTER

THOMPSON

Address

1248 ATKINS DRIVE

NEWMARKET
ONTARIO
CANADA L3X 0C3

Date Began

2016/04/06

First Director

NOT APPLICABLE

Designation

DIRECTOR

Officer Type

Resident Canadian

Y

Request ID: 020265329
Transaction ID: 64473985
Category ID: UN/E

Province of Ontario
Ministry of Government Services

Date Report Produced: 2017/05/16
Time Report Produced: 10:47:13
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CORPORATION PROFILE REPORT

Ontario Corp Number

2512577

Corporation Name

TEXTBOOK (445 PRINCESS STREET) INC.

Administrator:

Name (Individual / Corporation)

WALTER
THOMPSON

Address

1248 ATKINS DRIVE

NEWMARKET
ONTARIO
CANADA L3X 0C3

Date Began

2016/04/06

First Director

NOT APPLICABLE

Designation

OFFICER

Officer Type

TREASURER

Resident Canadian

Administrator:

Name (Individual / Corporation)

WALTER
THOMPSON

Address

1248 ATKINS DRIVE

NEWMARKET
ONTARIO
CANADA L3X 0C3

Date Began

2016/04/06

First Director

NOT APPLICABLE

Designation

OFFICER

Officer Type

OTHER

Resident Canadian

Request ID: 020265329
Transaction ID: 64473985
Category ID: UN/E

Province of Ontario
Ministry of Government Services

Date Report Produced: 2017/05/16
Time Report Produced: 10:47:13
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CORPORATION PROFILE REPORT

Ontario Corp Number

Corporation Name

2512577

TEXTBOOK (445 PRINCESS STREET) INC.

Last Document Recorded

Act/Code	Description	Form	Date
BCA	ARTICLES OF AMENDMENT	3	2016/05/12

THIS REPORT SETS OUT THE MOST RECENT INFORMATION FILED BY THE CORPORATION ON OR AFTER JUNE 27, 1992, AND RECORDED IN THE ONTARIO BUSINESS INFORMATION SYSTEM AS AT THE DATE AND TIME OF PRINTING. ALL PERSONS WHO ARE RECORDED AS CURRENT DIRECTORS OR OFFICERS ARE INCLUDED IN THE LIST OF ADMINISTRATORS.

PLEASE NOTE THAT WHEN THE SAME INDIVIDUAL HOLDS MULTIPLE 'OTHER UNTITLED' OFFICER POSITIONS, AS INDICATED ON A FORM 1 UNDER THE *CORPORATIONS INFORMATION ACT*, ONLY ONE OF THESE 'OTHER UNTITLED' POSITIONS HELD BY THAT INDIVIDUAL WILL BE REFLECTED ON THIS REPORT.

ADDITIONAL HISTORICAL INFORMATION MAY EXIST ON MICROFICHE.

The issuance of this report in electronic form is authorized by the Ministry of Government Services.

Request ID: 020265313
 Transaction ID: 64473940
 Category ID: UN/E

Province of Ontario
 Ministry of Government Services

Date Report Produced: 2017/05/16
 Time Report Produced: 10:45:40
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CORPORATION PROFILE REPORT

Ontario Corp Number	Corporation Name	Incorporation Date
2484767	TEXTBOOK (525 PRINCESS STREET) INC.	2015/09/28
		Jurisdiction
		ONTARIO
Corporation Type	Corporation Status	Former Jurisdiction
ONTARIO BUSINESS CORP.	ACTIVE	NOT APPLICABLE
Registered Office Address	Date Amalgamated	Amalgamation Ind.
2355 SKYMARK AVENUE	NOT APPLICABLE	NOT APPLICABLE
Suite # 300 MISSISSAUGA ONTARIO CANADA L4W 4Y6	New Amal. Number	Notice Date
	NOT APPLICABLE	NOT APPLICABLE
Mailing Address	Letter Date	
51 CALDARI ROAD #A1M	NOT APPLICABLE	
CONCORD ONTARIO CANADA L4K 4G3	Revival Date	Continuation Date
	NOT APPLICABLE	NOT APPLICABLE
	Transferred Out Date	Cancel/Inactive Date
	NOT APPLICABLE	NOT APPLICABLE
	EP Licence Eff.Date	EP Licence Term.Date
	NOT APPLICABLE	NOT APPLICABLE
	Number of Directors Minimum Maximum	Date Commenced in Ontario
	00001 00015	NOT APPLICABLE
Activity Classification	Date Ceased in Ontario	
NOT AVAILABLE	NOT APPLICABLE	

Request ID: 020265313
Transaction ID: 64473940
Category ID: UN/E

Province of Ontario
Ministry of Government Services

Date Report Produced: 2017/05/16
Time Report Produced: 10:45:40
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CORPORATION PROFILE REPORT

Ontario Corp Number

2484767

Corporation Name

TEXTBOOK (525 PRINCESS STREET) INC.

Corporate Name History

TEXTBOOK (525 PRINCESS STREET) INC.

Effective Date

2015/09/28

Current Business Name(s) Exist:

NO

Expired Business Name(s) Exist:

NO

**Administrator:
Name (Individual / Corporation)**

JOHN
DAVIES

Address

24 COUNTRY CLUB DRIVE

KING CITY
ONTARIO
CANADA L7B 1M5

Date Began

2015/09/28

First Director

NOT APPLICABLE

Designation

DIRECTOR

Officer Type

Resident Canadian

Y

Request ID: 020265313
Transaction ID: 64473940
Category ID: UN/E

Province of Ontario
Ministry of Government Services

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CORPORATION PROFILE REPORT

Ontario Corp Number

2484767

Corporation Name

TEXTBOOK (525 PRINCESS STREET) INC.

Administrator:

Name (Individual / Corporation)

JOHN

DAVIES

Address

24 COUNTRY CLUB DRIVE

KING CITY
ONTARIO
CANADA L7B 1M5

Date Began

2015/09/28

First Director

NOT APPLICABLE

Designation

OFFICER

Officer Type

OTHER

Resident Canadian

Administrator:

Name (Individual / Corporation)

JOHN

DAVIES

Address

24 COUNTRY CLUB DRIVE

KING CITY
ONTARIO
CANADA L7B 1M5

Date Began

2015/09/28

First Director

NOT APPLICABLE

Designation

OFFICER

Officer Type

SECRETARY

Resident Canadian

Request ID: 020265313
Transaction ID: 64473940
Category ID: UN/E

Province of Ontario
Ministry of Government Services

Date Report Produced: 2017/05/16
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CORPORATION PROFILE REPORT

Ontario Corp Number	Corporation Name
2484767	TEXTBOOK (525 PRINCESS STREET) INC.

Administrator: Name (Individual / Corporation)	Address
WALTER THOMPSON	1248 ATKINS DRIVE NEWMARKET ONTARIO CANADA L3X 0C3

Date Began	First Director	Resident Canadian
2015/09/28	NOT APPLICABLE	
Designation	Officer Type	Resident Canadian
DIRECTOR		Y

Administrator: Name (Individual / Corporation)	Address
WALTER THOMPSON	1248 ATKINS DRIVE NEWMARKET ONTARIO CANADA L3X 0C3

Date Began	First Director	Resident Canadian
2015/09/28	NOT APPLICABLE	
Designation	Officer Type	Resident Canadian
OFFICER	OTHER	

Request ID: 020265313
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Province of Ontario
Ministry of Government Services

Date Report Produced: 2017/05/16
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CORPORATION PROFILE REPORT

Ontario Corp Number

2484767

Corporation Name

TEXTBOOK (525 PRINCESS STREET) INC.

**Administrator:
Name (Individual / Corporation)**

WALTER
THOMPSON

Address

1248 ATKINS DRIVE

NEWMARKET
ONTARIO
CANADA L3X 0C3

Date Began

2015/09/28

First Director

NOT APPLICABLE

Designation

OFFICER

Officer Type

TREASURER

Resident Canadian

Request ID: 020265313
Transaction ID: 64473940
Category ID: UN/E

Province of Ontario
Ministry of Government Services

Date Report Produced: 2017/05/16
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CORPORATION PROFILE REPORT

Ontario Corp Number

Corporation Name

2484767

TEXTBOOK (525 PRINCESS STREET) INC.

Last Document Recorded

Act/Code	Description	Form	Date
CIA	INITIAL RETURN	1	2015/11/12 (ELECTRONIC FILING)

THIS REPORT SETS OUT THE MOST RECENT INFORMATION FILED BY THE CORPORATION ON OR AFTER JUNE 27, 1992, AND RECORDED IN THE ONTARIO BUSINESS INFORMATION SYSTEM AS AT THE DATE AND TIME OF PRINTING. ALL PERSONS WHO ARE RECORDED AS CURRENT DIRECTORS OR OFFICERS ARE INCLUDED IN THE LIST OF ADMINISTRATORS.

PLEASE NOTE THAT WHEN THE SAME INDIVIDUAL HOLDS MULTIPLE 'OTHER UNTITLED' OFFICER POSITIONS, AS INDICATED ON A FORM 1 UNDER THE *CORPORATIONS INFORMATION ACT*, ONLY ONE OF THESE 'OTHER UNTITLED' POSITIONS HELD BY THAT INDIVIDUAL WILL BE REFLECTED ON THIS REPORT.

ADDITIONAL HISTORICAL INFORMATION MAY EXIST ON MICROFICHE.

The issuance of this report in electronic form is authorized by the Ministry of Government Services.

Request ID: 020265323
 Transaction ID: 64473965
 Category ID: UN/E

Province of Ontario
 Ministry of Government Services

Date Report Produced: 2017/05/16
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CORPORATION PROFILE REPORT

Ontario Corp Number	Corporation Name	Incorporation Date
2479030	TEXTBOOK (555 PRINCESS STREET) INC.	2015/08/14
		Jurisdiction
		ONTARIO
Corporation Type	Corporation Status	Former Jurisdiction
ONTARIO BUSINESS CORP.	ACTIVE	NOT APPLICABLE
Registered Office Address	Date Amalgamated	Amalgamation Ind.
2355 SKYMARK AVENUE	NOT APPLICABLE	NOT APPLICABLE
Suite # 300 MISSISSAUGA ONTARIO CANADA L4W 4Y6	New Amal. Number	Notice Date
	NOT APPLICABLE	NOT APPLICABLE
Mailing Address	Letter Date	NOT APPLICABLE
51 CALDARI ROAD #A1M		
CONCORD ONTARIO CANADA L4K 4G3	Revival Date	Continuation Date
	NOT APPLICABLE	NOT APPLICABLE
	Transferred Out Date	Cancel/Inactive Date
	NOT APPLICABLE	NOT APPLICABLE
	EP Licence Eff.Date	EP Licence Term.Date
	NOT APPLICABLE	NOT APPLICABLE
	Number of Directors Minimum Maximum	Date Commenced in Ontario
	00001 00015	NOT APPLICABLE
Activity Classification		Date Ceased in Ontario
NOT AVAILABLE		NOT APPLICABLE

Request ID: 020265323
Transaction ID: 64473965
Category ID: UN/E

Province of Ontario
Ministry of Government Services

Date Report Produced: 2017/05/16
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CORPORATION PROFILE REPORT

Ontario Corp Number

2479030

Corporation Name

TEXTBOOK (555 PRINCESS STREET) INC.

Corporate Name History

TEXTBOOK (555 PRINCESS STREET) INC.

Effective Date

2015/08/14

Current Business Name(s) Exist:

NO

Expired Business Name(s) Exist:

NO

**Administrator:
Name (Individual / Corporation)**

JOHN
DAVIES

Address

24 COUNTRY CLUB DRIVE

KING CITY
ONTARIO
CANADA L7B 1M5

Date Began

2015/08/14

First Director

NOT APPLICABLE

Designation

OFFICER

Officer Type

OTHER

Resident Canadian

Request ID: 020265323
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Category ID: UN/E

Province of Ontario
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CORPORATION PROFILE REPORT

Ontario Corp Number

2479030

Corporation Name

TEXTBOOK (555 PRINCESS STREET) INC.

Administrator:

Name (Individual / Corporation)

JOHN

DAVIES

Address

24 COUNTRY CLUB DRIVE

KING CITY
ONTARIO
CANADA L7B 1M5

Date Began

2015/08/14

First Director

NOT APPLICABLE

Designation

OFFICER

Officer Type

SECRETARY

Resident Canadian

Administrator:

Name (Individual / Corporation)

JOHN

DAVIES

Address

24 COUNTRY CLUB DRIVE

KING CITY
ONTARIO
CANADA L7B 1M5

Date Began

2015/08/14

First Director

NOT APPLICABLE

Designation

DIRECTOR

Officer Type

Resident Canadian

Y

Request ID: 020265323
Transaction ID: 64473965
Category ID: UN/E

Province of Ontario
Ministry of Government Services

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CORPORATION PROFILE REPORT

Ontario Corp Number

2479030

Corporation Name

TEXTBOOK (555 PRINCESS STREET) INC.

**Administrator:
Name (Individual / Corporation)**

WALTER
THOMPSON

Address

1248 ATKINS DRIVE

NEWMARKET
ONTARIO
CANADA L3X 0C3

Date Began

2015/08/14

First Director

NOT APPLICABLE

Designation

OFFICER

Officer Type

TREASURER

Resident Canadian

**Administrator:
Name (Individual / Corporation)**

WALTER
THOMPSON

Address

1248 ATKINS DRIVE

NEWMARKET
ONTARIO
CANADA L3X 0C3

Date Began

2015/08/14

First Director

NOT APPLICABLE

Designation

OFFICER

Officer Type

OTHER

Resident Canadian

Request ID: 020265323
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CORPORATION PROFILE REPORT

Ontario Corp Number

2479030

Corporation Name

TEXTBOOK (555 PRINCESS STREET) INC.

**Administrator:
Name (Individual / Corporation)**

WALTER
THOMPSON

Address

1248 ATKINS DRIVE

NEWMARKET
ONTARIO
CANADA L3X 0C3

Date Began

2015/08/14

First Director

NOT APPLICABLE

Designation

DIRECTOR

Officer Type

Resident Canadian

Y

Request ID: 020265323
Transaction ID: 64473965
Category ID: UN/E

Province of Ontario
Ministry of Government Services

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CORPORATION PROFILE REPORT

Ontario Corp Number

Corporation Name

2479030

TEXTBOOK (555 PRINCESS STREET) INC.

Last Document Recorded

Act/Code	Description	Form	Date
CIA	INITIAL RETURN	1	2015/08/18 (ELECTRONIC FILING)

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The issuance of this report in electronic form is authorized by the Ministry of Government Services.

Request ID: 020265340
 Transaction ID: 64474018
 Category ID: UN/E

Province of Ontario
 Ministry of Government Services

Date Report Produced: 2017/05/16
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CORPORATION PROFILE REPORT

Ontario Corp Number	Corporation Name	Incorporation Date
2492831	TEXTBOOK (774 BRONSON AVENUE) INC.	2015/11/24
		Jurisdiction
		ONTARIO
Corporation Type	Corporation Status	Former Jurisdiction
ONTARIO BUSINESS CORP.	ACTIVE	NOT APPLICABLE
Registered Office Address	Date Amalgamated	Amalgamation Ind.
2355 SKYMARK AVENUE	NOT APPLICABLE	NOT APPLICABLE
Suite # 300 MISSISSAUGA ONTARIO CANADA L4W 4Y6	New Amal. Number	Notice Date
	NOT APPLICABLE	NOT APPLICABLE
Mailing Address	Letter Date	
51 CALDARI ROAD #A1M	NOT APPLICABLE	
CONCORD ONTARIO CANADA L4K 4G3	Revival Date	Continuation Date
	NOT APPLICABLE	NOT APPLICABLE
	Transferred Out Date	Cancel/Inactive Date
	NOT APPLICABLE	NOT APPLICABLE
	EP Licence Eff.Date	EP Licence Term.Date
	NOT APPLICABLE	NOT APPLICABLE
	Number of Directors Minimum Maximum	Date Commenced in Ontario
	00001 00015	NOT APPLICABLE
Activity Classification	Date Ceased in Ontario	
NOT AVAILABLE	NOT APPLICABLE	

Request ID: 020265340
Transaction ID: 64474018
Category ID: UN/E

Province of Ontario
Ministry of Government Services

Date Report Produced: 2017/05/16
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CORPORATION PROFILE REPORT

Ontario Corp Number

2492831

Corporation Name

TEXTBOOK (774 BRONSON AVENUE) INC.

Corporate Name History

TEXTBOOK (774 BRONSON AVENUE) INC.

Effective Date

2015/11/24

Current Business Name(s) Exist:

NO

Expired Business Name(s) Exist:

NO

**Administrator:
Name (Individual / Corporation)**

JOHN
DAVIES

Address

24 COUNTRY CLUB DRIVE

KING CITY
ONTARIO
CANADA L7B 1M5

Date Began

2015/11/24

First Director

NOT APPLICABLE

Designation

DIRECTOR

Officer Type

Resident Canadian

Y

Request ID: 020265340
Transaction ID: 64474018
Category ID: UN/E

Province of Ontario
Ministry of Government Services

Date Report Produced: 2017/05/16
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CORPORATION PROFILE REPORT

Ontario Corp Number

2492831

Corporation Name

TEXTBOOK (774 BRONSON AVENUE) INC.

**Administrator:
Name (Individual / Corporation)**

JOHN
DAVIES

Address

24 COUNTRY CLUB DRIVE

KING CITY
ONTARIO
CANADA L7B 1M5

Date Began

2015/11/24

First Director

NOT APPLICABLE

Designation

OFFICER

Officer Type

SECRETARY

Resident Canadian

**Administrator:
Name (Individual / Corporation)**

JOHN
DAVIES

Address

24 COUNTRY CLUB DRIVE

KING CITY
ONTARIO
CANADA L7B 1M5

Date Began

2015/11/24

First Director

NOT APPLICABLE

Designation

OFFICER

Officer Type

OTHER

Resident Canadian

Request ID: 020265340
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Province of Ontario
Ministry of Government Services

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CORPORATION PROFILE REPORT

Ontario Corp Number

2492831

Corporation Name

TEXTBOOK (774 BRONSON AVENUE) INC.

**Administrator:
Name (Individual / Corporation)**

WALTER
THOMPSON

Address

1248 ATKINS DRIVE

NEWMARKET
ONTARIO
CANADA L3X 0C3

Date Began
2015/11/24

First Director
NOT APPLICABLE

Designation
DIRECTOR

Officer Type

Resident Canadian
Y

**Administrator:
Name (Individual / Corporation)**

WALTER
THOMPSON

Address

1248 ATKINS DRIVE

NEWMARKET
ONTARIO
CANADA L3X 0C3

Date Began
2015/11/24

First Director
NOT APPLICABLE

Designation
OFFICER

Officer Type
OTHER

Resident Canadian

Request ID: 020265340
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Province of Ontario
Ministry of Government Services

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CORPORATION PROFILE REPORT

Ontario Corp Number

2492831

Corporation Name

TEXTBOOK (774 BRONSON AVENUE) INC.

**Administrator:
Name (Individual / Corporation)**

WALTER
THOMPSON

Address

1248 ATKINS DRIVE

NEWMARKET
ONTARIO
CANADA L3X 0C3

Date Began

2015/11/24

First Director

NOT APPLICABLE

Designation

OFFICER

Officer Type

TREASURER

Resident Canadian

Request ID: 020265340
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Province of Ontario
Ministry of Government Services

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CORPORATION PROFILE REPORT

Ontario Corp Number

Corporation Name

2492831

TEXTBOOK (774 BRONSON AVENUE) INC.

Last Document Recorded

Act/Code	Description	Form	Date
CIA	INITIAL RETURN	1	2016/02/05 (ELECTRONIC FILING)

THIS REPORT SETS OUT THE MOST RECENT INFORMATION FILED BY THE CORPORATION ON OR AFTER JUNE 27, 1992, AND RECORDED IN THE ONTARIO BUSINESS INFORMATION SYSTEM AS AT THE DATE AND TIME OF PRINTING. ALL PERSONS WHO ARE RECORDED AS CURRENT DIRECTORS OR OFFICERS ARE INCLUDED IN THE LIST OF ADMINISTRATORS.

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The issuance of this report in electronic form is authorized by the Ministry of Government Services.

Request ID: 020265309
Transaction ID: 64473932
Category ID: UN/E

Province of Ontario
Ministry of Government Services

Date Report Produced: 2017/05/16
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CORPORATION PROFILE REPORT

Ontario Corp Number	Corporation Name	Incorporation Date		
2462423	TEXTBOOK ROSS PARK INC.	2015/04/16		
		Jurisdiction		
		ONTARIO		
Corporation Type	Corporation Status	Former Jurisdiction		
ONTARIO BUSINESS CORP.	ACTIVE	NOT APPLICABLE		
Registered Office Address	Date Amalgamated	Amalgamation Ind.		
2355 SKYMARK AVENUE	NOT APPLICABLE	NOT APPLICABLE		
Suite # 300 MISSISSAUGA ONTARIO CANADA L4W 4Y6	New Amal. Number	Notice Date		
	NOT APPLICABLE	NOT APPLICABLE		
Mailing Address	Letter Date			
51 CALDARI ROAD #A1M	NOT APPLICABLE			
CONCORD ONTARIO CANADA L4K 4G3	Revival Date	Continuation Date		
	NOT APPLICABLE	NOT APPLICABLE		
	Transferred Out Date	Cancel/Inactive Date		
	NOT APPLICABLE	NOT APPLICABLE		
	EP Licence Eff.Date	EP Licence Term.Date		
	NOT APPLICABLE	NOT APPLICABLE		
	Number of Directors		Date Commenced in Ontario	Date Ceased in Ontario
	Minimum	Maximum		
	00001	00015	NOT APPLICABLE	NOT APPLICABLE
Activity Classification				
NOT AVAILABLE				

Request ID: 020265309
Transaction ID: 64473932
Category ID: UN/E

Province of Ontario
Ministry of Government Services

Date Report Produced: 2017/05/16
Time Report Produced: 10:45:01
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CORPORATION PROFILE REPORT

Ontario Corp Number	Corporation Name
2462423	TEXTBOOK ROSS PARK INC.

Corporate Name History	Effective Date
TEXTBOOK ROSS PARK INC.	2015/05/13
TEXTBOOK STUDENT SUITES (ROSS PARK) INC.	2015/04/16

Current Business Name(s) Exist:	NO
Expired Business Name(s) Exist:	NO

Administrator: Name (Individual / Corporation)	Address
JOHN DAVIES	24 COUNTRY CLUB DRIVE KING CITY ONTARIO CANADA L7B 1M5

Date Began	First Director	Resident Canadian
2015/04/16	NOT APPLICABLE	
Designation	Officer Type	
OFFICER	SECRETARY	

Request ID: 020265309
Transaction ID: 64473932
Category ID: UN/E

Province of Ontario
Ministry of Government Services

Date Report Produced: 2017/05/16
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CORPORATION PROFILE REPORT

Ontario Corp Number	Corporation Name
2462423	TEXTBOOK ROSS PARK INC.

Administrator: Name (Individual / Corporation)	Address
JOHN DAVIES	24 COUNTRY CLUB DRIVE KING CITY ONTARIO CANADA L7B 1M5

Date Began	First Director	Resident Canadian
2015/04/16	NOT APPLICABLE	
Designation	Officer Type	Resident Canadian
DIRECTOR		Y

Administrator: Name (Individual / Corporation)	Address
JOHN DAVIES	24 COUNTRY CLUB DRIVE KING CITY ONTARIO CANADA L7B 1M5

Date Began	First Director	Resident Canadian
2015/04/16	NOT APPLICABLE	
Designation	Officer Type	Resident Canadian
OFFICER	OTHER	

Request ID: 020265309
Transaction ID: 64473932
Category ID: UN/E

Province of Ontario
Ministry of Government Services

Date Report Produced: 2017/05/16
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CORPORATION PROFILE REPORT

Ontario Corp Number	Corporation Name
2462423	TEXTBOOK ROSS PARK INC.

Administrator: Name (Individual / Corporation)	Address
WALTER THOMPSON	1248 ATKINS DRIVE NEWMARKET ONTARIO CANADA L3X 0C3

Date Began	First Director	Resident Canadian
2015/04/16	NOT APPLICABLE	
Designation	Officer Type	
OFFICER	TREASURER	

Administrator: Name (Individual / Corporation)	Address
WALTER THOMPSON	1248 ATKINS DRIVE NEWMARKET ONTARIO CANADA L3X 0C3

Date Began	First Director	Resident Canadian
2015/04/16	NOT APPLICABLE	
Designation	Officer Type	
OFFICER	OTHER	

Request ID: 020265309
Transaction ID: 64473932
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Province of Ontario
Ministry of Government Services

Date Report Produced: 2017/05/16
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CORPORATION PROFILE REPORT

Ontario Corp Number

2462423

Corporation Name

TEXTBOOK ROSS PARK INC.

**Administrator:
Name (Individual / Corporation)**

WALTER
THOMPSON

Address

1248 ATKINS DRIVE

NEWMARKET
ONTARIO
CANADA L3X 0C3

Date Began
2015/04/16

First Director
NOT APPLICABLE

Designation
DIRECTOR

Officer Type

Resident Canadian
Y

Request ID: 020265309
Transaction ID: 64473932
Category ID: UN/E

Province of Ontario
Ministry of Government Services

Date Report Produced: 2017/05/16
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CORPORATION PROFILE REPORT

Ontario Corp Number

Corporation Name

2462423

TEXTBOOK ROSS PARK INC.

Last Document Recorded

Act/Code	Description	Form	Date
CIA	INITIAL RETURN	1	2015/05/15 (ELECTRONIC FILING)

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Request ID: 020334563
 Transaction ID: 64656437
 Category ID: UN/E

Province of Ontario
 Ministry of Government Services

Date Report Produced: 2017/06/05
 Time Report Produced: 09:40:20
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CORPORATION PROFILE REPORT

Ontario Corp Number	Corporation Name	Incorporation Date
2218179	MCMURRAY STREET INVESTMENTS INC.	2009/09/18
		Jurisdiction
		ONTARIO
Corporation Type	Corporation Status	Former Jurisdiction
ONTARIO BUSINESS CORP.	ACTIVE	NOT APPLICABLE
Registered Office Address	Date Amalgamated	Amalgamation Ind.
2355 SKYMARK AVENUE	NOT APPLICABLE	NOT APPLICABLE
Suite # 300 MISSISSAUGA ONTARIO CANADA L4W 4Y6	New Amal. Number	Notice Date
	NOT APPLICABLE	NOT APPLICABLE
Mailing Address	Letter Date	NOT APPLICABLE
51 CALDARI ROAD #A1M	Revival Date	Continuation Date
CONCORD ONTARIO CANADA L4K 4G3	NOT APPLICABLE	NOT APPLICABLE
	Transferred Out Date	Cancel/Inactive Date
	NOT APPLICABLE	NOT APPLICABLE
	EP Licence Eff.Date	EP Licence Term.Date
	NOT APPLICABLE	NOT APPLICABLE
	Number of Directors Minimum Maximum	Date Commenced in Ontario
	00001 00015	NOT APPLICABLE
Activity Classification		Date Ceased in Ontario
NOT AVAILABLE		NOT APPLICABLE

Request ID: 020334563
Transaction ID: 64656437
Category ID: UN/E

Province of Ontario
Ministry of Government Services

Date Report Produced: 2017/06/05
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CORPORATION PROFILE REPORT

Ontario Corp Number

2218179

Corporation Name

MCMURRAY STREET INVESTMENTS INC.

Corporate Name History

MCMURRAY STREET INVESTMENTS INC.

Effective Date

2009/09/18

Current Business Name(s) Exist:

YES

Expired Business Name(s) Exist:

NO

**Administrator:
Name (Individual / Corporation)**

DAVID
ARSENAULT

Address

5186 DUNDAS STREET WEST

TORONTO
ONTARIO
CANADA M9A 1C4

Date Began

2009/09/18

First Director

NOT APPLICABLE

Designation

OFFICER

Officer Type

VICE-PRESIDENT

Resident Canadian

Request ID: 020334563
Transaction ID: 64656437
Category ID: UN/E

Province of Ontario
Ministry of Government Services

Date Report Produced: 2017/06/05
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CORPORATION PROFILE REPORT

Ontario Corp Number

2218179

Corporation Name

MCMURRAY STREET INVESTMENTS INC.

**Administrator:
Name (Individual / Corporation)**

JOHN
E.
DAVIES

Address

24 COUNTRY CLUB DRIVE

KING CITY
ONTARIO
CANADA L7B 1M5

Date Began
2009/09/18

First Director
NOT APPLICABLE

Designation
DIRECTOR

Officer Type

Resident Canadian
Y

**Administrator:
Name (Individual / Corporation)**

JOHN
E.
DAVIES

Address

24 COUNTRY CLUB DRIVE

KING CITY
ONTARIO
CANADA L7B 1M5

Date Began
2009/09/18

First Director
NOT APPLICABLE

Designation
OFFICER

Officer Type
PRESIDENT

Resident Canadian
Y

Request ID: 020334563
Transaction ID: 64656437
Category ID: UN/E

Province of Ontario
Ministry of Government Services

Date Report Produced: 2017/06/05
Time Report Produced: 09:40:20
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CORPORATION PROFILE REPORT

Ontario Corp Number

2218179

Corporation Name

MCMURRAY STREET INVESTMENTS INC.

**Administrator:
Name (Individual / Corporation)**

GREGORY
H.
HARRIS

Address

95 LOCH ERNE LANE

NOBLETON
ALBERTA
CANADA LOG 1N0

Date Began

2009/09/18

First Director

NOT APPLICABLE

Designation

OFFICER

Officer Type

SECRETARY

Resident Canadian

**Administrator:
Name (Individual / Corporation)**

GREGORY
H.
HARRIS

Address

95 LOCH ERNE LANE

NOBLETON
ALBERTA
CANADA LOG 1N0

Date Began

2009/09/18

First Director

NOT APPLICABLE

Designation

OFFICER

Officer Type

TREASURER

Resident Canadian

Request ID: 020334563
Transaction ID: 64656437
Category ID: UN/E

Province of Ontario
Ministry of Government Services

Date Report Produced: 2017/06/05
Time Report Produced: 09:40:20
Page: 5

CORPORATION PROFILE REPORT

Ontario Corp Number

2218179

Corporation Name

MCMURRAY STREET INVESTMENTS INC.

Last Document Recorded

Act/Code	Description	Form	Date
CIA	CHANGE NOTICE	1	2014/12/05 (ELECTRONIC FILING)

THIS REPORT SETS OUT THE MOST RECENT INFORMATION FILED BY THE CORPORATION ON OR AFTER JUNE 27, 1992, AND RECORDED IN THE ONTARIO BUSINESS INFORMATION SYSTEM AS AT THE DATE AND TIME OF PRINTING. ALL PERSONS WHO ARE RECORDED AS CURRENT DIRECTORS OR OFFICERS ARE INCLUDED IN THE LIST OF ADMINISTRATORS.

ADDITIONAL HISTORICAL INFORMATION MAY EXIST ON MICROFICHE.

The issuance of this report in electronic form is authorized by the Ministry of Government Services.

Appendix “B”

1703858 Ont Inc. Burlington
Balance Sheet
As of 2 May 2017

	<u>2 May 17</u>
ASSETS	
Current Assets	
Chequing/Savings	
RBC 100-414-2	23.12
Total Chequing/Savings	23.12
Total Current Assets	23.12
TOTAL ASSETS	<u>23.12</u>
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Other Current Liabilities	
Due from Legacy Lane	-17,790.00
Due to Lafontaine	-88,000.00
Due to McMurray	163,910.00
Due to Memory Care Burlington	773,915.67
Due to Memory Care Investments	-628,160.00
Due to Memory Care Kitchener	-420.00
Due to Memory Care Oakville	16,245.00
Due to Scollard Development Cor	-29,800.00
Due to Textbook Ross Park	-50,000.00
Due to Textbook Student Suites	108,000.00
Due to TSI	-2,200.00
GST/HST Payable	-12,756.29
Loan from Scollard	25,000.00
Total Other Current Liabilities	257,944.38
Total Current Liabilities	257,944.38
Total Liabilities	257,944.38
Equity	
Retained Earnings	-257,903.26
Net Income	-16.00
Total Equity	-257,921.26
TOTAL LIABILITIES & EQUITY	<u>23.12</u>

Appendix “C”



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

April 5, 2017

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Confidential Appendix

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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

FIRST REPORT OF
KSV KOFMAN INC.
AS RECEIVER AND MANAGER

APRIL 5, 2017

1.0 Introduction

1. This report ("Report") is filed by KSV Kofman Inc. ("KSV") as receiver and manager of the real property ("Real Property") registered on title as being owned by Scollard Development Corporation (the "Company"), and of all of the assets, undertakings and properties of the Company acquired for or used in relation to the Real Property (together with the Real Property, the "Property").
2. Pursuant to an order of the Ontario Superior Court of Justice (Commercial List) (the "Court") made on February 2, 2017 (the "Receivership Order"), KSV was appointed as the receiver and manager ("Receiver") of the Property.
3. The principal purpose of these proceedings is to complete a transaction that maximizes value for the Company's creditors.

1.1 Purposes of this Report

1. The purposes of this Report are to:
 - a) provide background information about the Company;
 - b) summarize the recommended marketing process to solicit offers for the development and/or sale of the Property (the "Strategic Process"), including the retention of TD Cornerstone Commercial Realty Inc. ("TD") to act as listing agent for the Property;

- c) provide the Receiver's preliminary findings concerning its review of the Company's receipts and disbursements for the period April 1, 2014, the date the Company appeared to have opened its bank account, to February 2, 2017, the date of the Receivership Order; and
- d) recommend that the Court issue an order, among other things:
 - approving the Strategic Process, including the retention of TD as the listing agent;
 - approving the activities of the Receiver as described in this Report; and
 - sealing the confidential appendices until further order of this Court.

1.2 Restrictions

1. In preparing this Report, the Receiver has relied upon unaudited financial information of the Company and discussions with the Company's accountant, SourcePoint Business Group Inc., and the Company's legal counsel, Harris & Harris LLP ("Harris"). The Receiver has not performed an audit or other verification of such information. The financial information discussed herein is preliminary and remains subject to further review, including the information discussed in Section 5 below. The Receiver expresses no opinion or other form of assurance with respect to the financial information presented in this Report.

2.0 Background

1. The Company purchased the Real Property in September, 2014. The Real Property is located in Whitby, Ontario and comprises approximately three acres.
2. The Company intended to develop a project known as "Boathaus" on the Real Property. Boathaus is presently intended to be a five-story condominium consisting of 291 residential units. The Company was considering adding a sixth story with an additional 74 residential units. As part of its development efforts, the Company pre-sold 214 units and collected approximately \$8 million in deposits. The deposits are being held by Chaitons LLP and are not being used by the Receiver to fund these proceedings or for any other purpose.
3. The only structure on the Real Property is a single storey 7,500 square foot commercial building that was renovated by the Company so that it could be used as the project sales centre.
4. John Davies is the sole director and officer of the Company. The Receiver understands that the Company's shareholders are Aeolian Investments Ltd. ("Aeolian") (50%) and Erika Harris (50%). The Receiver understands that Aeolian is owned by Mr. Davies' wife and children¹. Ms. Harris is the mother of Greg Harris, a partner at Harris.

¹ This information is sourced from the Affidavit of John Davies sworn December 6, 2016 in support of the Company's and certain related entities' application for protection under the *Companies' Creditors Arrangement Act*.

2.1 Creditors

2.1.1 Downing Street Financial Inc.

1. Pursuant to the Receivership Order, the Receiver was authorized to borrow \$3.5 million from Downing Street Financial Inc. ("Downing Street") under a Receiver's Certificate (the "Downing Street Facility"). Downing Street was granted a charge on the Property (other than the deposits). At the commencement of the receivership, Downing Street advanced the Receiver all funds available under the Downing Street Facility. In accordance with the Receivership Order, the Downing Street Facility was used to repay a mortgage in the amount of approximately \$2.5 million owing to Firm Capital Mortgage Corporation ("Firm Capital") and the remaining funds are being used to fund the costs of these proceedings.

2.1.2 Scollard Trustee Corporation

1. Scollard Trustee Corporation ("STC") raised monies from investors through syndicated mortgage investments. STC then entered into a loan agreement with the Company for the full amount of the funds advanced by investors, secured by a mortgage over the Property. STC is a bare trustee and is responsible for holding and administering the mortgage. The STC debt ranks behind the Downing Street Facility.
2. As of the date of the receivership, the Company's indebtedness to STC totalled approximately \$14.1 million; interest and costs continue to accrue on this debt.
3. Pursuant to an order of the Court dated October 27, 2016, Grant Thornton Limited was appointed the trustee ("Trustee") of STC and several related entities under Section 37 of the *Mortgage Brokerages, Lenders and Administrators Act*, 2006, S.O. 2006, c. 29, as amended. The application to appoint KSV as Receiver was brought by the Trustee.

2.2 Other Creditors

1. Trisura Guarantee Insurance Company and Everest Insurance Company of Canada (jointly, the "Sureties") provided bonds to Tarion Warranty Corporation ("Tarion") in connection with certain liabilities that may accrue to Tarion in connection with the Boathaus project. As of the date of the receivership, the amounts, if any, owing to the Sureties are unknown; however, they are not expected to be significant. The Receivership Order provides that Trisura will be paid, in full, for any and all losses, damages, liabilities, costs and expenses owed to it from any proceeds of sale resulting from a transaction in respect of the Property.
2. According to searches conducted of the Land Titles Office (Toronto), three liens totalling approximately \$800,000 have been registered on title against the Real Property pursuant to the *Construction Lien Act*, R.S.O. 1990, c. C.30, as amended. The Receiver's counsel is in the process of reviewing these lien claims.

3. According to the Company's books and records, as of the date of the Receivership Order, the Company's unsecured obligations totalled approximately \$6.1 million, of which approximately \$4.5 million appears to be owing to affiliated entities for monies advanced by them to the Company. Details concerning the amounts owing to the affiliated entities are provided in Section 5 below.

3.0 Company Sale Process

1. The Receiver understands that the Company engaged Wynn Realty Corporation ("Wynn") in January, 2017 to list the Property for sale.
2. Since the date of its appointment, the Receiver has considered two offers presented by Wynn:
 - in respect of the first offer, immediately following its appointment, the Receiver spoke with the prospective purchaser to understand the status of its diligence - the offer had a one month diligence condition. The prospective purchaser advised the Receiver that Wynn had approached it just a few days prior to the receivership application and that it had neither conducted any diligence on the Property nor had any background on the Company. The Receiver advised that Purchaser that it was not prepared to pursue this transaction; and
 - in respect of the second offer, an agreement of purchase and sale ("APS") was negotiated; however, the purchaser failed to pay the deposit contemplated by the APS when due. On April 4, 2017, the purchaser advised that it would not be pursuing this transaction.

4.0 Strategic Process

4.1 Request for Proposals from Realtors

1. Contemporaneous with its discussions with parties that expressed an interest in acquiring the Property, the Receiver solicited proposals from six realtors to act as listing agent for the Property. The Receiver requested that each realtor provide, among other information, background information regarding each firm's experience with real estate similar to the Property, a marketing plan which considered investment, development and the outright sale of the Property, an estimate of value of the Property and the realtor's proposed commission structure. A copy of the request for proposal sent to realtors is attached as Appendix "A".
2. Each realtor was provided access to an electronic data room after it executed a confidentiality agreement ("CA").
3. The deadline for proposals was February 22, 2017. Five of the six realtors submitted a proposal. The Receiver prepared a summary of the proposals (the "Realtor Summary") and provided it to the Trustee and its legal counsel. The Realtor Summary is attached as Confidential Appendix "1". The rationale for seeking a sealing order for the Realtor Summary is provided in Section 4.2 below.
4. Two realtors, including TD, were short listed to present to the Receiver their proposals to sell the Property. Presentations were conducted on March 2, 2017.

5. The Receiver selected TD to act as the realtor on this assignment. The Receiver considered, among other things, TD's experience selling similar properties and its identification of opportunities to enhance value on the project. The Receiver negotiated TD's commission structure. The commission structure is such that TD's fees increase as the value of any transaction increases. The Receiver discussed its realtor recommendation with the Trustee and after consideration, the Trustee provided its consent.
6. The Receiver negotiated a "carve out" in the listing agreement in respect of one party who has expressed an interest in the Property (the "Excluded Party"). Pursuant to the carve-out, TD agreed to waive its commission under the listing agreement and to receive a maximum fee of \$50,000², plus its out of pocket expenses, in the event the Receiver completes a transaction with the Excluded Party. The fee is intended to compensate TD for its time and costs incurred in connection with its early stage marketing efforts for the Property.
7. A copy of TD's listing agreement is provided in Confidential Appendix "2". The Receiver proposes to file the listing agreement on a sealed basis for the reasons provided below.

4.2 Confidentiality

1. The Receiver respectfully requests that the Realtor Summary and the listing agreement be filed with the Court on a confidential basis and be sealed ("Sealing Order") as the documents contain confidential information. If these documents are not sealed, the information in these documents may negatively impact realizations on the Property as interested parties would have access to value estimates. The Receiver is not aware of any party that will be prejudiced if the information is sealed. The Receiver believes the proposed Sealing Order is appropriate in the circumstances.

4.3 Strategic Process

1. The Receiver recommends that the Court issue an order approving the Strategic Process summarized in the table below.

Summary of Sale Process		
Milestone	Description of Activities	Timeline
<i>Phase 1 – Underwriting</i>		
Finalize marketing materials	<ul style="list-style-type: none"> ➤ TD and the Receiver to: <ul style="list-style-type: none"> ○ prepare a summary of the project and the opportunity; ○ populate an online data room; ○ prepare a CA; and 	

² In the event the Receiver closes a transaction with the Excluded Party within 30 days from the date the Court approves a marketing process (the "Exclusion Period"), TD will be entitled to a fee of \$25,000 plus its out-of-pocket expenses. The fee increases by \$25,000 if the Receiver enters into a transaction with the Excluded Party after the Exclusion Period.

Summary of Sale Process		
Milestone	Description of Activities	Timeline
	<ul style="list-style-type: none"> ○ prepare a Confidential Information Memorandum ("CIM"). 	Weeks 1-2
Prospect Identification	<ul style="list-style-type: none"> ➤ TD to develop a master prospect list. TD will qualify and prioritize prospects. ➤ TD will also have pre-marketing discussions with targeted developers. 	
<i>Phase 2 – Marketing</i>		
Stage 1	<ul style="list-style-type: none"> ➤ Mass market introduction, including: <ul style="list-style-type: none"> ○ Offering summary and marketing materials printed; ○ publication of the acquisition opportunity in <i>The Globe and Mail</i> (National Edition); ○ telephone and email canvass of leading prospects; and ○ meet with and interview prospective bidders. ➤ Assist the Receiver and its legal counsel in the preparation of a vendor's form of Purchase and Sale Agreement (the "PSA"). 	Weeks 3-4
Stage 2	<ul style="list-style-type: none"> ➤ TD to provide detailed information to qualified prospects which sign the CA, including the CIM, access to the data room and a form PSA. ➤ TD to facilitate all diligence by interested parties. 	Weeks 4-5
Stage 3	<ul style="list-style-type: none"> ➤ Prospective purchasers to submit PSAs or other proposals, including development proposals. 	Week 6
<i>Phase 3 – Offer Review and Negotiations</i>		
Short-listing of Offers	<ul style="list-style-type: none"> ➤ Short listing of bidders. ➤ Further bidding - Interested bidders may be asked to improve their offers. 	One week following bid deadline
Selection of Successful Bids	<ul style="list-style-type: none"> ➤ Select successful bidder and finalize definitive documents. 	One week
Transaction Approval Motion and Closing	<ul style="list-style-type: none"> ➤ Motion for transaction approval and close transaction 	Two weeks

2. Additional aspects of the Strategic Process include:

- a) the Property will be marketed on an "as is, where is" basis;
- b) the Receiver will be entitled to extend the deadline to submit offers under the Strategic Process if it considers it to be appropriate and necessary;

- c) the Receiver will have the right to reject any and all offers, including the highest offer; and
- d) any transaction will be subject to Court-approval.

4.4 Strategic Process Recommendation

1. The Receiver recommends that the Court issue an order approving the Strategic Process, including the retention of TD as the listing agent, for the following reasons:
 - a) TD's team will be led by individuals who have extensive real estate experience, including properties similar to the Property - TD has relationships with likely bidders for the Property. Its fees are structured is structured to incentivize it to maximize recoveries. Its fee structure is consistent with market;
 - b) the Strategic Process provides flexibility for the Receiver to consider various options for the Property, including sale and development proposals;
 - c) the Strategic Process is a fair, open and transparent process intended to canvass the market broadly in order to obtain the highest and best offer;
 - d) there will be no delay commencing the process – TD has conducted a review of information concerning the Property; and
 - e) the duration of the Strategic Process is sufficient to allow interested parties to perform diligence and to submit an offer. The Receiver will also have the right to extend or amend timelines. Each bidder will be provided with the same deadline to submit an offer.

5.0 Sources and Uses of the Company's Cash

1. At the commencement of the receivership proceedings, the Receiver reviewed the Company's balance sheet and identified significant balances owing to and from other real estate development projects affiliated with the Company's principal, Mr. Davies (collectively, the "Affiliated Property Companies"³).
2. Pursuant to paragraph 7.02 (g) of the loan agreement between STC and the Company dated April 8, 2014 (the "Loan Agreement"), the Company is not permitted to use the loan proceeds received from STC (the "Loan Proceeds") for any purpose other than the development and construction of the Boathaus project, unless the consent of STC is obtained for such alternative use. A copy of the Loan Agreement is attached as Appendix "B".

³ These are: Memory Care Investments (Kitchener) Ltd., Memory Care Investments (Oakville) Ltd., Memory Care Investments (Burlington) Ltd., Textbook (445 Princess Street) Inc., Textbook (555 Princess Street) Inc., Textbook (525 Princess Street) Inc., 1703858 Ontario Inc., Memory Care Investments Ltd., Textbook Student Suites Inc., Textbook Suites Inc., 2375219 Ontario Ltd., McKenzie Marsh Investments Ltd., Lafontaine Terrace Management Corporation, Legacy Lane Investments Ltd., McMurray Street Investments Inc. and Textbook (774 Bronson Avenue) Inc.

3. The Receiver reviewed the Company's bank statements, accounting records and unaudited financial statements for the period April 1, 2014 to February 2, 2017 (the "Review Period").

(unaudited; \$C000s)	Amount
<i>Receipts</i>	
Loan proceeds	
STC	13,596
Firm Capital	2,350
2174217 Ontario Ltd.	750
Affiliated Property Companies	6,186
Raj Singh and entities related to Mr. Singh	350
Aeolian	25
Sundry receipts	602
Total receipts	23,859
<i>Disbursements</i>	
Purchase of Real Property	9,163
Affiliated Property Companies	3,355
Interest and fees ⁴	2,705
STC loan commissions	2,175
Aeolian	1,244
Sales centre construction and operating costs	1,174
Development costs	1,161
Raj Singh and entities related to Mr. Singh	636
Loan repayment (2174217 Ontario Ltd.)	750
Professional fees	446
Entities and individuals related to John Davies (excluding Aeolian)	92
Other	955
Total disbursements	23,856
Ending balance	3

4. The table above reflects that the Company:
- a) had total receipts of approximately \$23.859 million, including \$6.186 million from Affiliated Property Companies; and
 - b) made disbursements of approximately \$23.856 million, including \$3.355 million to Affiliated Property Companies and approximately \$1.244 million to Aeolian, a company owned by Mr. Davies' wife and children. Details regarding payments to Aeolian are discussed in Section 5.1 below.

⁴ Approximately \$2.0 million in interest was paid in respect of STC. The remainder represents amounts paid to Firm Capital and 2174217 Ontario Ltd.

5. The Receiver understands that each Affiliated Property Company is a single purpose entity. Set out in Appendix "C" is a brief description of the single purpose activity. A summary of the amounts received from Affiliated Property Companies and paid to Affiliated Property Companies is provided in the table below:

(unaudited; \$C000s) Entity	Amounts Received From	Amounts Advanced To	Net Received/ (Advanced)
Memory Care Investments (Oakville) Ltd.	2,191	(687)	1,504
Memory Care Investments (Kitchener) Ltd.	1,516	(95)	1,421
Textbook (445 Princess Street) Inc.	645	-	645
Textbook (774 Bronson Avenue) Inc.	559	-	559
1703858 Ontario Inc.	553	(28)	525
Textbook Student Suites Inc.	122	(6)	116
Textbook (555 Princess Street) Inc.	13	-	13
Textbook Suites Inc.	14	(3)	11
Textbook (525 Princess Street) Inc.	7	-	7
2375219 Ontario Ltd.	23	(25)	(2)
McKenzie Marsh Investments Ltd.	100	(111)	(11)
Lafontaine Terrace Management Corporation	-	(75)	(75)
Memory Care Investments Ltd.	47	(229)	(182)
Legacy Lane Investments Ltd.	12	(229)	(217)
Memory Care Investments (Burlington) Ltd.	384	(884)	(500)
McMurray Street Investments Inc.	-	(983)	(983)
Total	<u>6,186</u>	<u>(3,355)</u>	<u>2,831</u>

6. During September and October, 2014, Loan Proceeds totalling approximately \$13.596 million were advanced from STC to the Company on four different dates. The Receiver was able to isolate the use of the Loan Proceeds, as reflected in the table below.

(unaudited; \$C000s)	Amount
Cash balance, as of September 1, 2014	3
<i>Receipts</i>	
STC	13,596
Other ⁵	32
Subtotal	13,628
<i>Disbursements</i>	
Purchase of Real Property	8,163 ⁶
First Commonwealth Mortgage Corporation	2,175
Affiliated Property Companies	1,259
STC interest reserve	1,088
Development costs	331
Professional fees	287
Tier 1 Transaction Advisory Services Inc.	156
Aeolian	133
Subtotal	13,592
Cash balance, as of October 31, 2014	39

7. The table reflects:

- a) \$2.175 million (16.0% of the total proceeds) was paid to First Commonwealth Mortgage Corporation⁷ as commissions and brokerage fees in connection with raising the STC loan. The amount of the commissions appears to be consistent with the Loan Agreement;
- b) approximately \$1.259 million (9.3% of the total proceeds) was advanced to certain Affiliated Property Companies. These advances occurred almost immediately after the Company received the Loan Proceeds. A schedule of these advances is provided below.

⁵ Mainly represents an HST refund.

⁶ The total amount paid for the Real Property, including closing expenses, was \$9.2 million. Of this amount, \$1 million was paid by Memory Care Investments (Oakville) Ltd.

⁷ The Loan Agreement indicates that First Commonwealth Mortgage Corporation and Tier 1 Mortgage Corporation are jointly the Mortgage Broker in connection with the STC loan.

(unaudited; \$C000s) Entity	Amount Advanced
Memory Care Investments (Burlington) Ltd.	366
McMurray Street Investments Inc.	350
Memory Care Investments (Oakville) Ltd.	322
Legacy Lane Investments Ltd.	120
Memory Care Investments (Kitchener) Ltd.	71
Memory Care Investments Ltd.	30
	1,259

- c) approximately \$287,000 was paid in professional fees and related disbursements, including approximately \$243,000 to Harris. Pursuant to Schedule "C" of the Loan Agreement, it appears that Harris was to receive approximately \$95,000, plus disbursements, in connection with the STC Loan. The amount received by Harris is subject to further review, including whether Harris performed other services to the Company which would have entitled it to further fees.

5.1 Advances to Aeolian

1. Net payments to Aeolian during the Review Period totalled approximately \$1.2 million, as follows:

(unaudited; C\$000's) Description	Amount
Management fees	780
Amounts advanced by the Company on behalf of:	
Legacy Lane Investments Ltd.	116
Memory Care Investments (Burlington) Ltd.	116
Memory Care Investments (Kitchener) Ltd.	116
Memory Care Investments (Oakville) Ltd.	116
	464
Total	1,244

2. The table above reflects:
- a) \$780,000 was charged by Aeolian on account of management fees on the Company's project. Approximately \$624,000 of these fees were recorded subsequent to the commencement of the receivership, the effect of which was to eliminate a receivable owing by Aeolian to the Company which arose because Aeolian had received cash from the Company in excess of the management fees it charged the Company prior to the commencement of the receivership; and
- b) approximately \$464,000 was paid by the Company to Aeolian on behalf of the projects noted in the table above.

3. The transactions between the Company and both the Affiliated Property Companies and Aeolian raise concerns about the use of monies invested by syndicated mortgage investors in the Company and in the Affiliated Property Companies.
4. The Receiver intends to discuss the implications of its preliminary findings in this section with the Trustee.

6.0 Conclusion and Recommendation

1. Based on the foregoing, the Receiver respectfully recommends that the Court make an order granting the relief detailed in Section 1.1 (1)(d) of this Report.

* * *

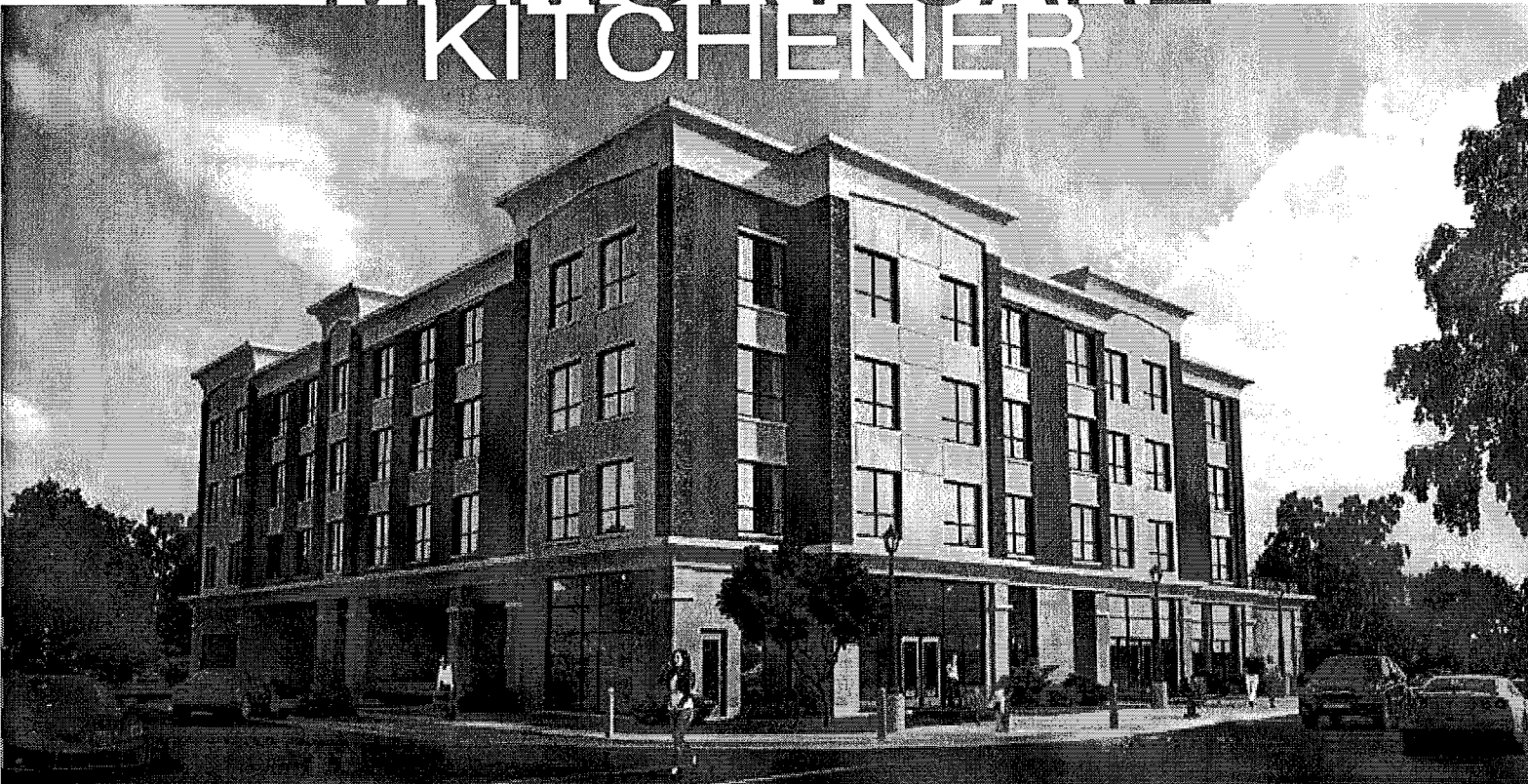
All of which is respectfully submitted,



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

Appendix “D”

MEMORY CARE KITCHENER



DEDICATED ALZHEIMER'S AND DEMENTIA CARE RESIDENCE

A WORLD-CLASS INVESTMENT OPPORTUNITY SYNDICATED MORTGAGE

- 8% annual fixed rate of interest
- Interest paid quarterly
- 4% per annum end-of-term investor bonus
- Up to 48-month term
- Cash, RRSP, RESP, TFSA and LIRA eligible
- \$25,000 minimum

KITCHENER

THE LARGEST GENERATION IN HISTORY IS APPROACHING THE YEARS OF DEMENTIA

The Baby Boom generation is the largest the world has ever seen and the oldest Boomers are now approaching 65 years of age. This generation faces two daunting and terrifying challenges: the need to care for parents who suffer from dementia and the possibility that they will suffer from it themselves. There are currently about 500,000 Canadians with Alzheimer's disease or a related dementia. One in 10 Canadians over the age of 65 suffers from some form of dementia but it is not just an affliction of the elderly. Over 120,000 dementia patients are under 65 and they are the leading edge of the Baby Boom. As it has been in virtually every area of society, the Baby Boomers are creating an unprecedented demand for dementia care as both caregivers and those in need of care themselves.

THE NEED FOR CARE FACILITIES IS DIRE AND GROWING

Dementia is a brain illness that affects memory, behaviour and the ability to perform even familiar tasks. About 70% of cases are believed to be caused by Alzheimer's disease. Regardless of the cause, the results of dementia are an increasing need for care and treatment for those afflicted. At present the vast majority of this care is being provided by family members. One in five Canadians over the age of 45 is providing some form of care to seniors, while over 200,000 caregivers in Canada are over 75 themselves. This is the front line of care for dementia patients and it is fracturing. Forty percent of family members who are caring for a loved one with dementia say they suffer from conditions such as depression, rage and the inability to cope

With the number of dementia patients expected to rise to over 1 million during this generation, the need for care facilities will outstrip health-care resources. In fact, the World Health Organization has found that the drive to place dementia patients in institutions is "a mistake that some developed countries have made that is neither financially viable nor providing the best care." There is an urgent need for care options from the private sector that are both effective and sustainable.



By 2038:

- 1,125,200 people will have dementia in Canada – 2.8% of the Canadian population.
- The cumulative economic burden will be \$872 billion.
- Demand for long-term care will increase 10-fold

—*Alzheimer Society of Canada*



A SOLUTION WITH REAL OPPORTUNITIES

Memory Care and its dedicated team of professionals have over 20 years of experience designing, building and operating seniors' retirement facilities. They have now turned their expertise to the development of the first Alzheimer's-only care facilities in Canada. These facilities will offer full-time care by health-care professionals as well as a wide range of amenities. The focus of each facility will be to provide individualized care to residents that reflects their needs and abilities.

Memory Care facilities will feature a variety of suites with private baths, individual climate control and emergency call systems. A state-of-the-art GPS monitoring and communications system will protect residents at all times while health and wellness care is integrated with local hospitals and physicians.

Some of the features for residents include:

- Central control and front entry plus swipe access at all entrances and exits
- Bright and contrasting colours and different design and décor throughout to enhance residents' experience
- Purpose-specific rooms (fitness, spa, dining, etc.)
- No dead-end hallways or corners and clear, simple, eye-level signage
- Everyday places such as bathrooms and dining rooms are easily accessible and visible
- Minimal obstacles in hallways and common areas
- Handrails and grab bars in bathrooms and hallways
- Sensors in each bed to alert nurses when patients are up
- Home-like atmosphere: residents encouraged to place personal pictures, mementos or familiar things on doors and in rooms
- Sound-proofed activity rooms to prevent noise carrying to other patients' activities and rooms
- Outdoor living space for physical activities
- Roof gardens and horticultural rooms
- Activity baskets for residents
- Meeting areas for friends and family
- Coffee room and wine bar on ground floor
- Registered nurse on call 24/7

In addition to these amenities and services, each Memory Care facility will be conveniently located adjacent to shopping venues, dining options and medical facilities. Most importantly, each of Memory Care's 20 proposed residences will be located in the communities across Canada where the need is greatest.

Memory Care has devised a sustainable model for the creation and operation of these facilities that provides much-needed care while reinvesting in future development. Through a financing model that uses both traditional lenders and private investors, Memory Care can achieve its goal of building 20 residences by 2021.



"The predicted surge in dementia cases will certainly overwhelm Canada's health care system unless specific and targeted action is taken. Canada must act now."

*—Richard Nakoneczny
Volunteer President
Alzheimer Society of Canada*

One in five people receiving home-care services suffers from Alzheimer's disease or other forms of dementia.

*—Canadian Institute for
Health information*

Currently, there are no standalone Alzheimer's-only care facilities specifically designed and managed to provide for the care of dementia patients in Canada.

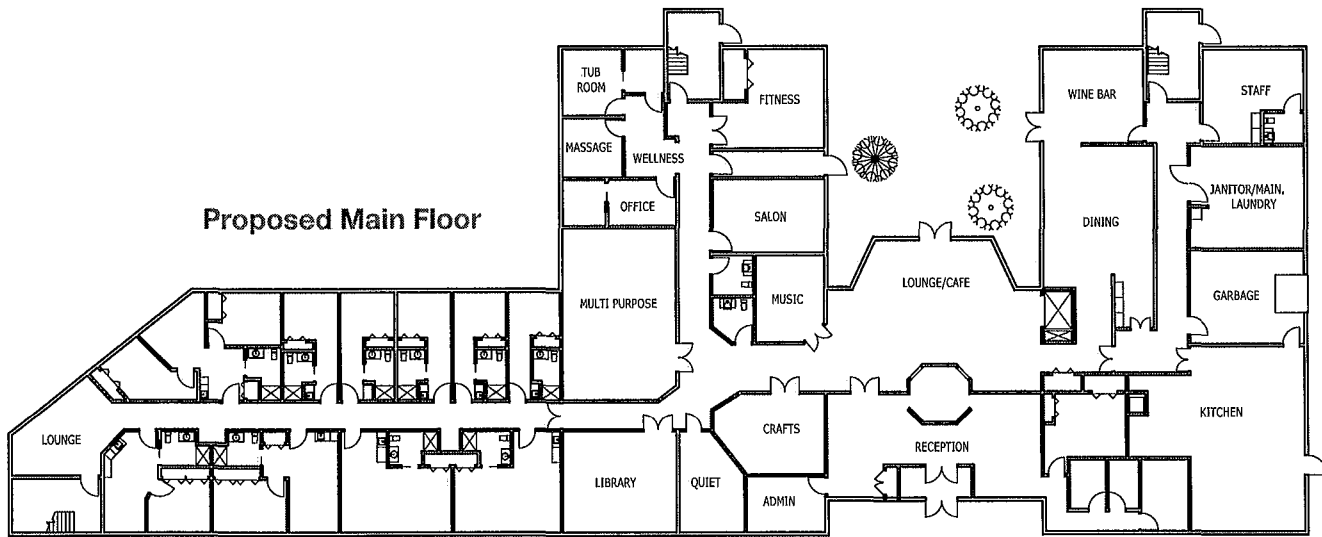
MARKET AND DEMOGRAPHICS

- With a population of more than 232,000, Kitchener is the largest city in Waterloo Region, which is home to over 550,000.
- The Kitchener catchment area has more than 63,000 residents aged 60 or older and this cohort is growing at a rate of 13% per year.
- Kitchener boasts an average household income that is 4% above the national average due in part to the large high-tech industry that is based in the region.
- Despite its aging population, Kitchener has only 646 hospital beds and a limited number of private facilities offering long-term care for dementia sufferers.
- There are over 6,500 Alzheimer's sufferers in Kitchener and that number is expected to double over the next decade.

Sixty-five percent of Kitchener's seniors are women and women account for over 75% of all Alzheimer's sufferers. Women also tend to outlive men by five years, increasing the need for long-term care.



MEMORY CARE



- Location:** 169 Borden Avenue North, Kitchener, Ontario
- Zoning:** Retirement Residence (zoning fully in place)
- Site Area:** 1.85 acre +/-
- Building Size:** 63,000 square feet
- Height:** 3 storeys
- Parking:** Surface
- Units:** 63 proposed suites, housing up to 90 residents

PROJECT DESCRIPTION

Memory Care Kitchener is a 63-suite development to be located on Borden Avenue North in the core of the City of Kitchener. The surrounding area comprises century homes, parks and local attractions, including the Kitchener Memorial Auditorium Complex, within walking distance of the site. Borden Avenue is virtually at the intersection of highways 7 and 8 and minutes from the 401, thereby providing excellent access for all 550,000 residents of the Waterloo Region.

Memory Care Kitchener will house up to 90 residents on three levels that will include state-of-the-art accommodations for those with dementia. Residents will live in an environment that meets their physical needs and engages their senses positively to reduce the impacts of the disease. In addition to benefiting from a physical environment unavailable in any other facility, Memory Care Kitchener residents will be cared for by a specialized group of professionals trained specifically in the treatment and care of people with Alzheimer's and other forms of dementia.

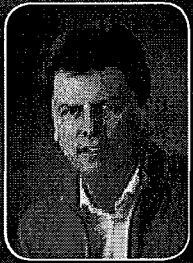
Memory Care Kitchener is a specially designed assisted-living facility that enhances quality of life by catering to the specific requirements of people with dementia.

- 90-resident maximum to allow for an unrivalled level of care and treatment
- Highly trained management and personnel
- On-site medical practitioners
- Carefully designed accommodations that include circular routes and corridors without ends, bright and contrasting colours, classical music, indirect lighting, natural light and outdoor spaces to enhance the experience and help create a calm living environment

KITCHENER



John Davies
Memory Care
Investments Ltd.



Bruce W. Stewart
Memory Care
Investments Ltd.



Raj Singh
Tier 1 Transaction
Advisory Services Inc.



Manny Simon
Eldercare
Equities Inc.



Shael Simon
Eldercare
Consulting Inc.

THE DEVELOPER

Memory Care Investments Ltd.

Memory Care Investments Ltd., the developer of the Kitchener Alzheimer's and Dementia Care facility, was founded by John Davies, a founding partner of GenerX Inc., one of Canada's most successful condominium, resort, retail and office developers. John's projects have received numerous awards, including a Governor General's Award for design, an ICSC Award of Merit, an ASLA Gold Medal and over one dozen Urban Design Awards. John served as Vice President, Acquisitions and Development, at Markborough Properties Inc., at the time Canada's third largest real estate developer, with assets in excess of \$3 billion. John was responsible for the acquisition, development and lease-up of over \$300 million of Class A office space in major US office markets, as well as overseeing the renovation of the company's 20 million square foot regional shopping centre portfolio in Canada and the expansion of Meadowvale Business Park in Mississauga, Ontario. Since 1995, companies in which John has been a principal have borrowed and re-paid over \$200 million in real estate development financing. John Davies has 30 years of experience conceiving and successfully executing a wide spectrum of real estate development projects resulting in substantial financial returns by employing innovative design, engineering, construction and marketing strategies.

Bruce W. Stewart is the founder and president of the Traditions Development Company, a nationally recognized developer of quality seniors' housing providers. Bruce has a 25 year proven track record in real-estate development and construction, specializing in seniors housing and care management. Traditions has joint ventured with some of Canada's leading seniors' housing providers as well as developing and building for the Traditions portfolio. Bruce has been the proponent of the design, development, construction and management of over 1700 seniors' units in Ontario as well as numerous residential housing developments. To date, the total value of these projects exceeds \$300 million. Formerly Bruce was a senior executive of two major Canadian financial institutions specializing in seniors' housing development and construction financing.

THE FINANCIER

Tier 1 Transaction Advisory Services Inc.

Raj Singh is the President and founder of Tier 1 Transaction Advisory Services Inc., a firm specializing in financing real estate related projects in Canada.

A senior executive with over 20 years' experience in business services, his responsibilities have included operations management; corporate finance (mergers and acquisitions, raising debt and equity financing); capital markets activities; operational and financial restructuring; building and managing high-performance sales and delivery teams; conceptualizing, developing and executing sales and marketing strategies; and technology product development and management.

Raj has solid experience selling to and servicing a broad range of industries, including financial services; retail; oil and gas; refinery; nuclear; consumer products; educational institutions; federal, provincial and municipal governments; and consulting and staffing industry clients.

He holds a BSc from York University and an MBA from Florida International University and has completed post-graduate studies in mergers and acquisitions at Wharton School of Business, University of Pennsylvania. He has been a frequent speaker at industry conferences and trade shows. He co-authored and published three research studies in prestigious international scientific journals while an undergraduate.

FACILITY MANAGER

Eldercare Management Group

Eldercare Management Group provides management and consulting services to retirement homes, residential homes for Alzheimer's and dementia care and long-term care facilities through Eldercare Equities Inc., Eldercare Management & Consulting Corp., and Eldercare Consulting Inc. The principals of these companies are Manny Simon and Shael Simon. Eldercare has been an approved manager for First National Financial Corp., Sun Life Financial, Carlisle Capital, RBC, Bank of Montreal and CMHC. Eldercare currently oversees a portfolio of four retirement homes and two long-term care facilities and recently provided extensive consulting services for three specialized residential homes for Alzheimer's and dementia care, which are currently in various stages of construction or development.

Manny Simon, President of Eldercare Equities Inc., has been involved in the industry as an owner and operator since taking over management of a family-owned nursing home from his father in 1975. Over the course of his career, Manny has been involved, in various capacities, with approximately 25 retirement and long-term care homes, several of which have planned or incorporated specialized care programs for Alzheimer's disease and dementia. He has served on the executive and board of directors of the Ontario Nursing Home Association (now OLTCA) and the executive of the Council on Aging for York Region and was a founding member and past chair of the board of directors of the Community Care Access Centre (CCAC) for York Region. A chartered accountant by training, Manny couples a vast knowledge of the financial side of the business with his broad operating experience.

As President of Eldercare Consulting Inc., **Shael Simon** has nine years of retirement home and long-term care home management experience. Shael was first exposed to the industry at an early age thanks to his father and mentor, Manny Simon, a 37-year industry veteran. He has been involved in all aspects of the business, including business development, finance and marketing. Shael earned a BSc from the University of Western Ontario as well as an MBA from the University of Toronto. Upon graduation, Shael got his start in the health-care field at a generic pharmaceutical company, where he was employed for two years as a Financial Analyst.

SYNDICATED MORTGAGE

In a syndicated mortgage, your RRSP or cash investment is secured and registered as a mortgage on a real estate asset. Memory Care Investments Ltd. (Memory Care), the developer of this specialty care facility, through its principals has 30 years of experience in commercial, residential and resort property development and has assembled a world-class team of award-winning architects, engineers and marketing consultants who each has a proven track record of delivering projects on time and on budget.

SECURITY AND RISK MITIGATION

Mortgage Registration:

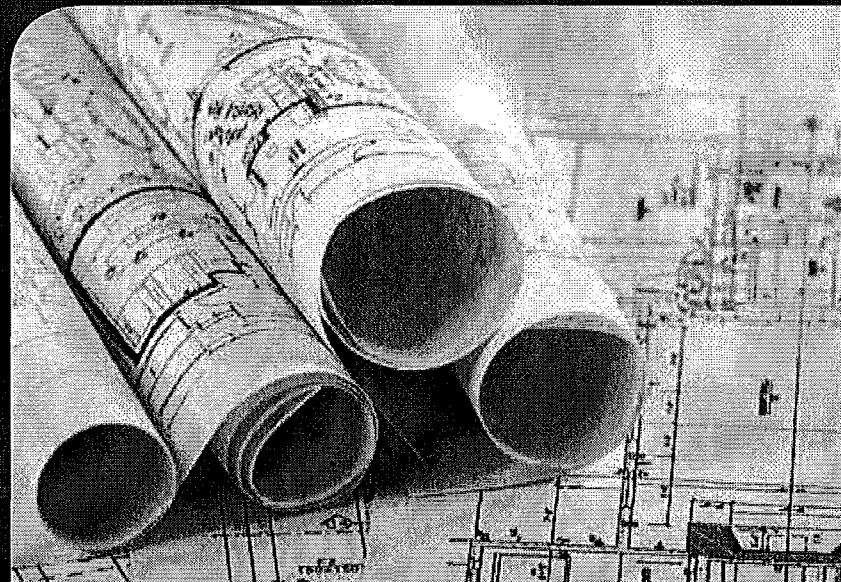
The mortgage that will secure the investment by investors will be registered as a first mortgage against the property, in the name of each lender through a nominee trust corporation and in the case of RRSP investors, directly in the name of the RRSP account and the RRSP trustee. The first mortgage will be subordinated only to construction financing. At that point, the syndicated mortgage holders will rank in second position behind the construction lender. No other financing will be permitted to be registered ahead of the syndicated mortgage holders.

Loan to Value Ratio:

The loan to value ratio during development and construction shall not exceed 80% of the completed and stabilized value. Funds will be advanced on a cost-to-complete basis and certified by independent quantitative surveys. The developer has contracted the acquisition of the land and retained the entire consulting team. Design and development have begun in conjunction with Kitchener city staff, the immediate neighbourhood and the operations management team.

Nominee Trust Corporation:

A trustee corporation will hold the syndicated mortgage on behalf of each lender, while RRSP accounts will hold the mortgage interest directly. Mr. Raj Singh, officer and director of the nominee corporation, will provide status reports to the lenders throughout the term of the mortgage and will serve as liaison between the lenders and borrower.



LIMITED-TIME OFFERING

Once the full amount has been raised, the offering is closed to new investors. Ask your advisor today about how to participate with your RRSP, LIRA, RESP, TFSA or cash.

Professional Services

Facility Manager and Operator:
Eldercare Consulting Inc.

Quantity Surveyors:
Pelican Woodcliff Inc.

Legal Advisors:
Harris + Harris LLP

Appraisers:
Michael Cane Consultants

Registered Custodian:
Olympia Trust Company

Architects:
Fabiani Architects

Structural Engineers:
SWS Engineering

Site Servicing Engineers:
WMI Engineering

Electrical Engineers:
Tristar Engineering

Landscape:
Terraplan

Planners:
Lucas and Associates

Environmental:
Church and Trought Ltd.

Management Firm –

Tier 1 Transaction Advisory Services Inc.
3100 Steeles Ave. E., Suite 902 Markham, ON L3R 8T3
Telephone: 647-748-8437 | Fax: 647-689-2374

TIER1 ADVISORY Tier1 Transaction Advisory Services Inc., advises in the creation and design of mortgage products. Tier1 Advisory's products are distributed through First Commonwealth Mortgage Corporation (FSCO # 10636) and Tier1 Mortgage Corporation (FSCO # 12314).

Mortgage Brokerage – First Commonwealth Mortgage Corporation



First Commonwealth has been in business since 1994. Its principal broker is Jude Cassimy, FSCO licence #10636. Mr. Cassimy has been licensed by the Financial Services Commission of Ontario since 1991. All syndicated mortgage transactions will be handled by licensed mortgage agents and brokers.

Tier 1 Mortgage Corporation

FSCO license # 12314 | Broker: Dave Balkissoon

Law Firm – Harris + Harris LLP



HARRIS + HARRIS LLP
BARRISTERS AND SOLICITORS

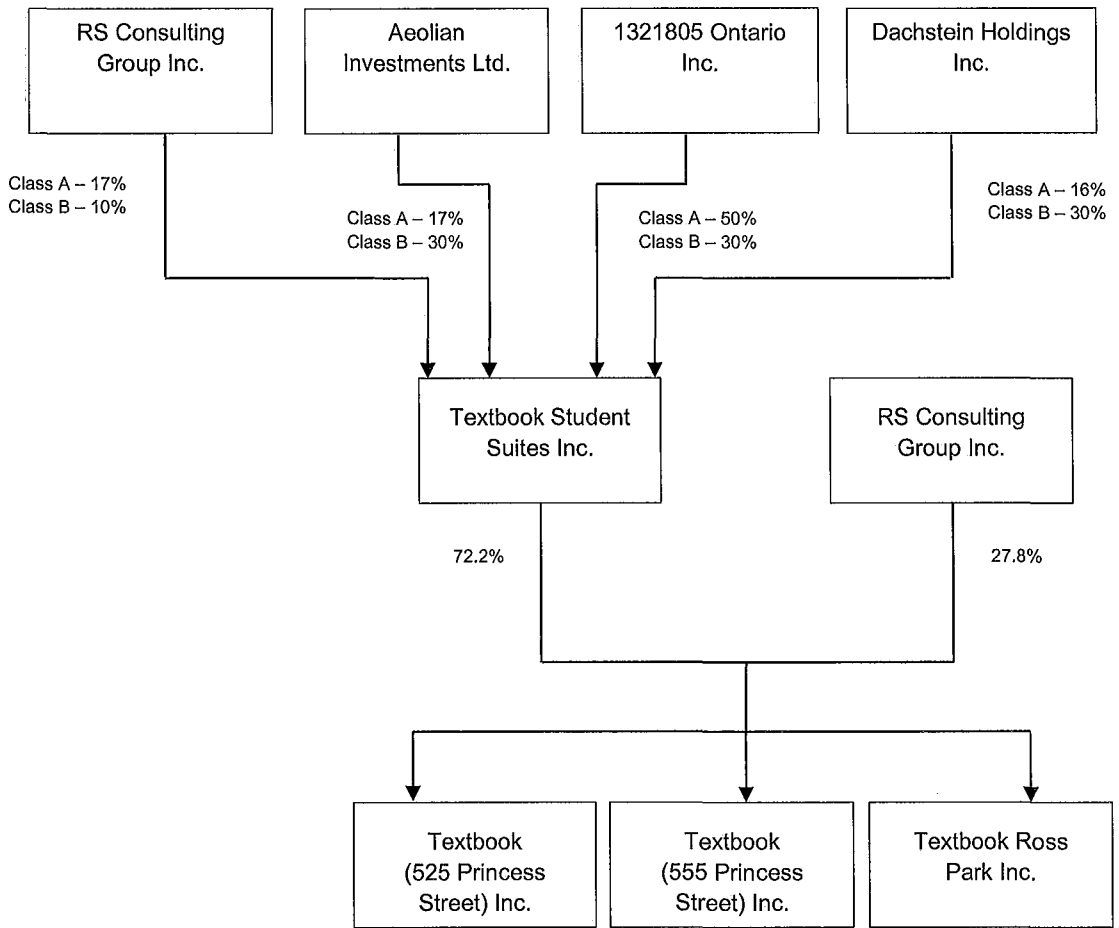
Harris + Harris LLP is a very well respected business law firm in the GTA that has lawyers who practise in a variety of business and commercial areas.

Harris + Harris LLP has significant experience in commercial real estate transactions, including real estate financing using syndicated mortgages.

Mortgage Investments have risks and may not be suitable for all investors. Potential investors are encouraged to seek independent legal and financial advice before investing. Tier1 Transaction Advisory Services Inc., is not a mortgage broker or investment dealer.

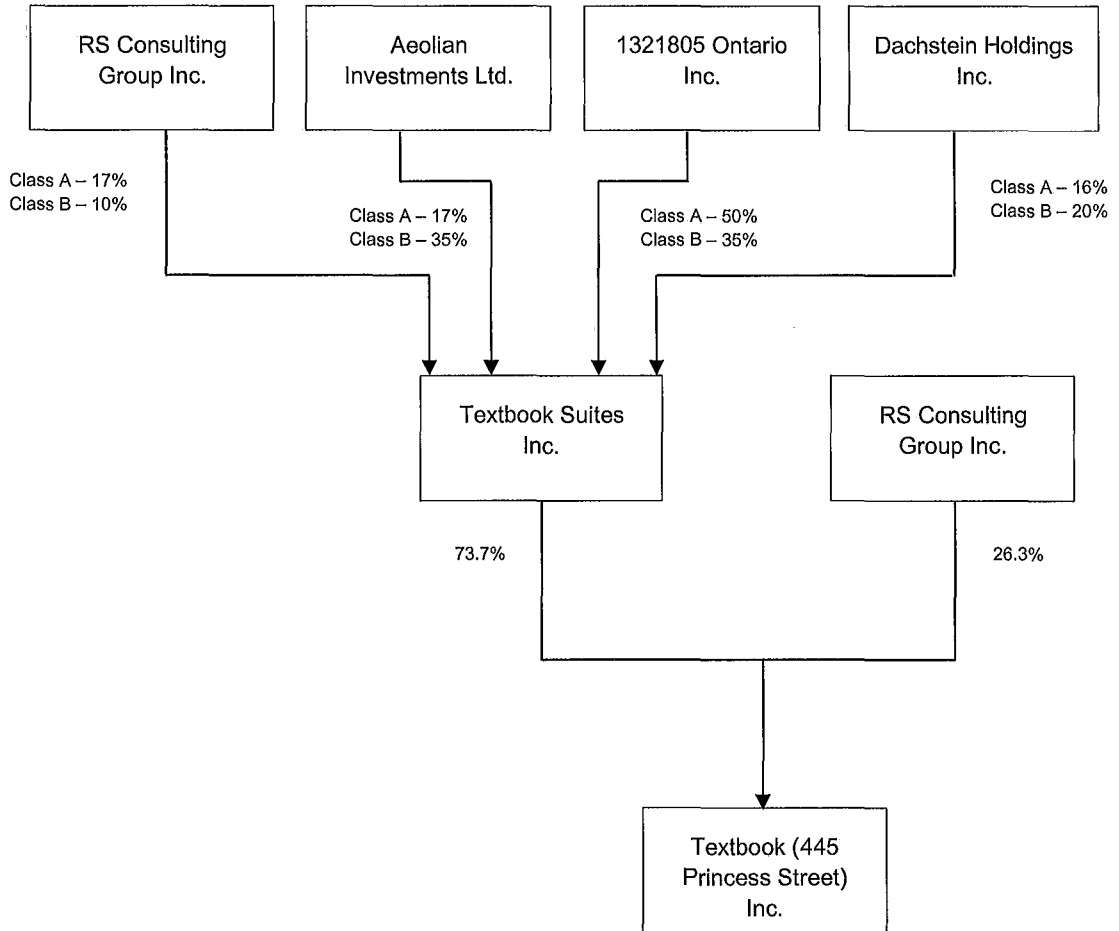
Appendix “E”

Textbook (525 Princess Street) Inc.¹
Textbook (555 Princess Street) Inc.
Textbook Ross Park Inc.



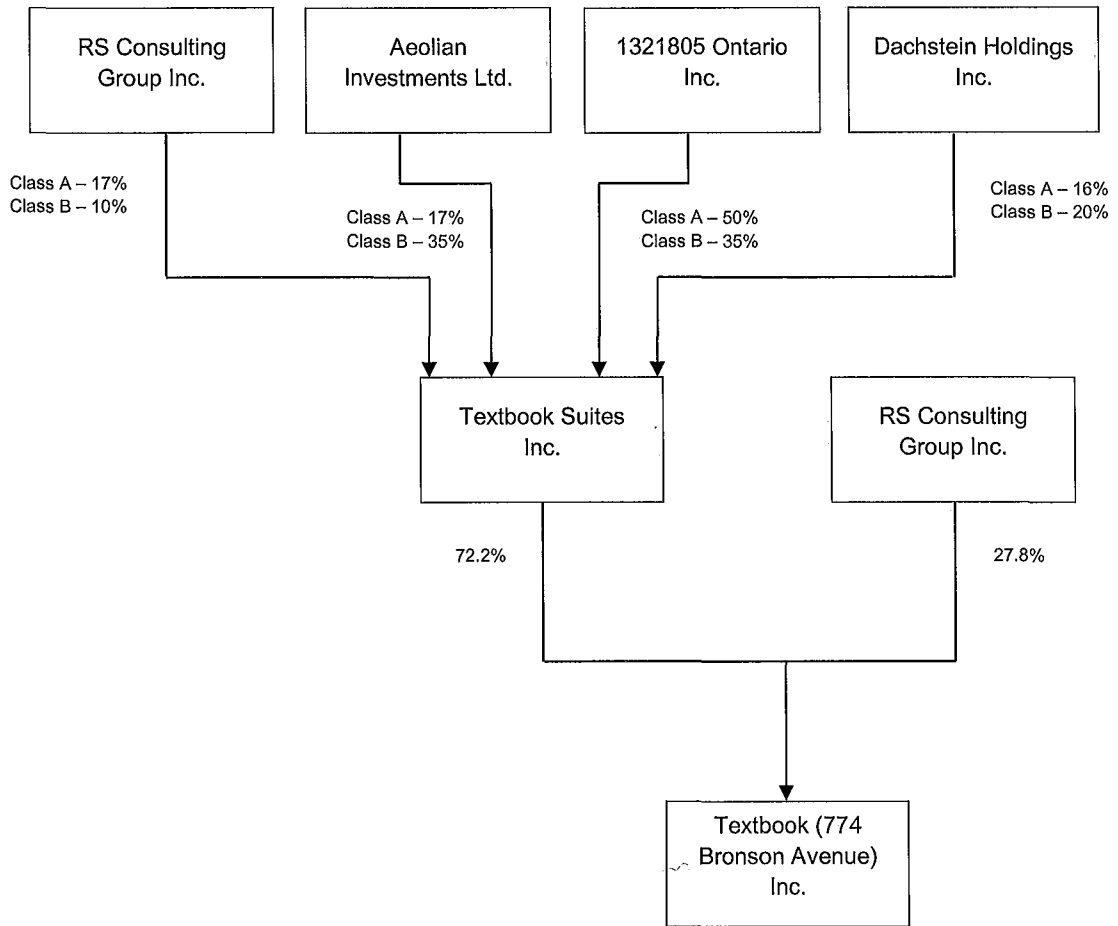
¹ Sourced from the Affidavit of John Davies sworn December 6, 2016 filed in support of the Davies Developers' application for protection under the *Companies' Creditors Arrangement Act*.

Textbook (445 Princess Street) Inc.¹



¹ Sourced from the Affidavit of John Davies sworn December 6, 2016 filed in support of the Davies Developers' application for protection under the *Companies' Creditors Arrangement Act*.

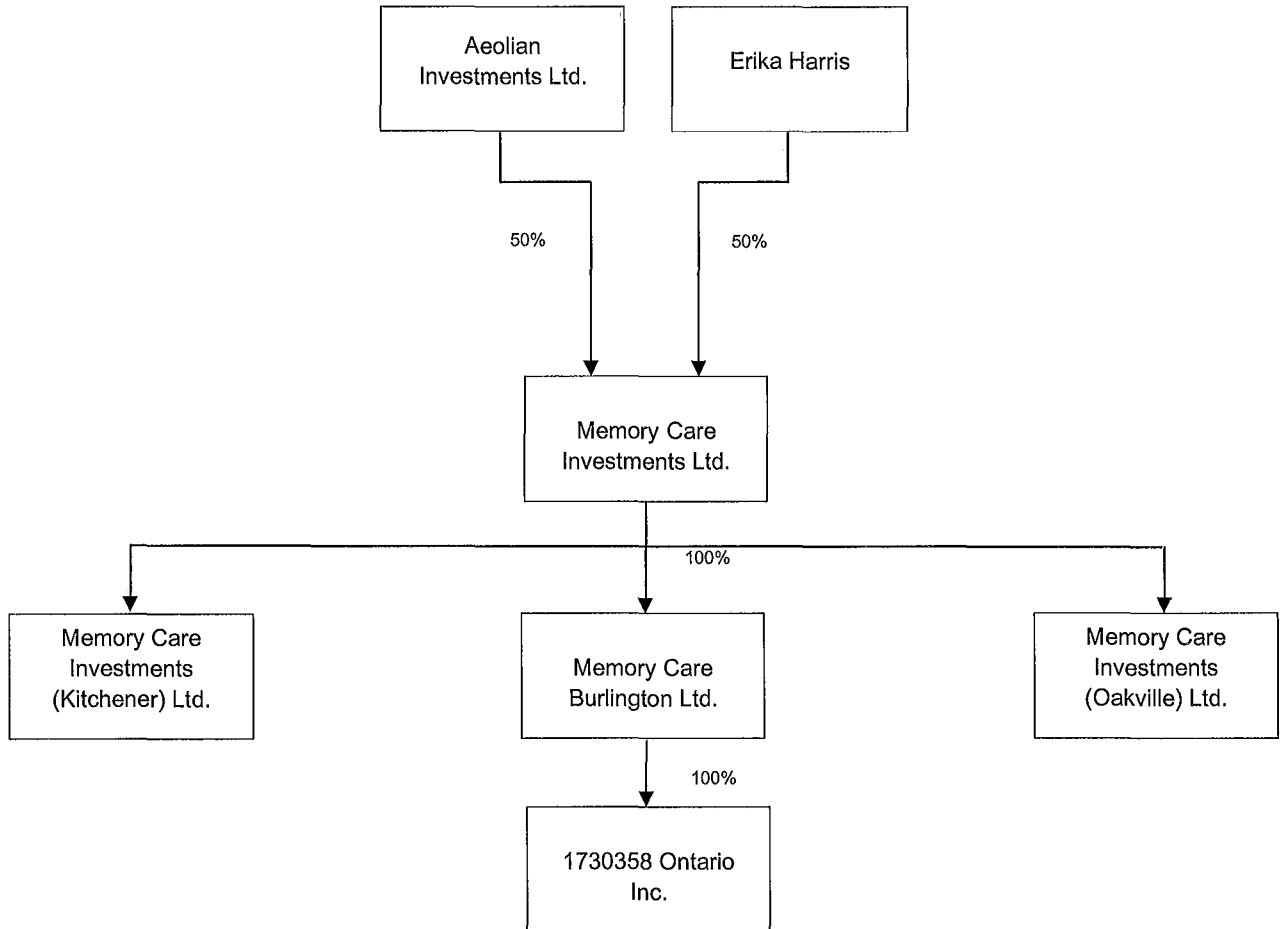
Textbook (774 Bronson Avenue) Inc.¹



¹ Sourced from the Affidavit of John Davies sworn December 6, 2016 filed in support of the Davies Developers' application for protection under the *Companies' Creditors Arrangement Act*.

Appendix “F”

Memory Care Investments (Kitchener) Ltd. ¹
17303858 Ontario Inc.
Memory Care Investments (Oakville) Ltd.



¹ Sourced from the Affidavit of John Davies sworn December 6, 2016 filed in support of the Davies Developers' application for protection under the *Companies' Creditors Arrangement Act*.

Appendix “G”

Textbook (525 Princess Street) Inc. ("525 Princess")
Statement of Receipts and Disbursements
For the period October 7, 2015 to March 31, 2017
(\$, unaudited)

	Notes	Amount
<i>Receipts</i>		
Syndicated Mortgage Investment ("SMI") proceeds	1	6,386,800
Affiliated entities	2	56,940
Unknown		100,000
Sales tax refunds		67,378
Sundry receipts		17,443
		<u>6,628,561</u>
<i>Disbursements</i>		
Land - 525 Princess Street, Kingston		2,430,821
Affiliated entities	2	96,400
Payments to Shareholders	3	2,206,330
Broker commissions	4	1,085,756
Interest paid and fees, including interest reserve		510,944
Amounts paid to professionals	5	225,134
Development costs		73,148
		<u>6,628,533</u>
Ending Bank Balance		<u>28</u>

Notes:

- Represents funds raised from investors through syndicated mortgages.
- Represents funds received and advanced to known affiliated entities as detailed below.

Entity	Description	Amounts Received	Amounts Advanced	Net Amounts Received / (Advanced)
Textbook (445 Princess Street) Inc.	Owens property in Kingston	56,100	-	56,100
Textbook (555 Princess Street) Inc.	Owens property in Kingston	840	-	840
McMurray Street Investments Ltd.	Owens property in Bracebridge	-	(1,400)	(1,400)
Memory Care Investments (Burlington) Ltd.	Owens property in Burlington	-	(10,000)	(10,000)
Scollard Development Corporation	Owens property in Whitby	-	(14,000)	(14,000)
Textbook (256 Rideau Street) Inc.	Owens property in Ottawa	-	(16,000)	(16,000)
Textbook (774 Bronson Avenue) Inc.	Owens property in Ottawa	-	(55,000)	(55,000)
Total		56,940	(96,400)	(39,460)

- Represents funds paid to Shareholders and entities and individuals related to shareholders.

Entity	Dividends	Management		Due Diligence Fees	Loans	Other	Total Amount
		Fees	Fees				
Textbook Student Suites Inc.	-	-	-	-	1,039,600	(170,000)	869,600
RS Consulting Group	250,000	-	-	113,000	-	-	363,000
Acolian Investments Ltd.	250,000	90,400	-	-	-	-	340,400
1321805 Ontario Inc.	250,000	90,400	-	-	-	-	340,400
Dachstein Holdings Inc.	250,000	-	-	-	-	-	250,000
Tier 1 Transaction Advisory Services Inc.	-	-	-	-	-	28,930	28,930
Textbook Suites Inc.	-	-	-	-	10,000	-	10,000
Memory Care Investments Ltd.	-	-	-	-	4,000	-	4,000
Total	1,000,000	180,800	113,000	113,000	1,053,600	(141,070)	2,206,330

- Represents broker and referral fees paid to First Commonwealth Mortgage Corporation and Tier 1 Transaction Advisory Inc.
- Amounts paid to professionals are summarized as follows:

Firm	Amount
Harris + Harris LLP	187,844
Elliot Law Firm	25,990
Peter Tuovi (tax opinion)	11,300
Total	225,134

Appendix “H”

Textbook (555 Princess Street) Inc.
Statement of Receipts and Disbursements
For the period August 20, 2015 to March 31, 2017
(C\$; unaudited)

	Notes	Amount
<i>Receipts</i>		
Syndicated Mortgage Investment ("SMI") proceeds	1	7,926,850
Sales tax refunds		87,742
Affiliated entities	2	54,925
Sundry receipts		1,086
		<u>8,070,603</u>
<i>Disbursements</i>		
Advances to shareholders of Textbook Student Suites Inc.	3	3,734,314
Land - 555 Princess		2,038,410
Broker commissions	4	1,347,565
Interest reserve		634,148
Amounts paid to professionals	5	217,807
Development costs		74,480
Affiliated entities	2	23,840
		<u>8,070,564</u>
Ending Bank Balance		<u>39</u>

Notes:

1. Represents funds raised from investors through syndicated mortgages.
2. Represents funds received and advanced to known affiliated entities as detailed below.

Entity	Description	Amounts Received	Amounts Advanced	Net Amounts Received / (Advanced)
Textbook (445 Princess Street) Inc.	Owens property in Kingston	51,925	-	51,925
Textbook (774 Bronson Avenue) Inc.	Owens property in Ottawa	3,000	(3,000)	-
Textbook (525 Princess Street) Inc.	Owens property in Kingston	-	(840)	(840)
Memory Care Investments (Burlington) Ltd.	Owens property in Burlington	-	(4,000)	(4,000)
Scollard Development Corporation	Owens property in Whitby	-	(6,000)	(6,000)
Textbook Ross Park Inc.	Owens property in London	-	(10,000)	(10,000)
Total		54,925	(23,840)	31,085

3. Represents funds paid to Shareholders and entities and individuals related to Shareholders.

Entity	Management		Due Diligence			Total Amount
	Dividends	Fees	Loans	Fees	Other	
Textbook (256 Rideau Street) Inc.	-	-	-	-	1,478,000	1,478,000
Textbook Student Suites Inc.	-	-	746,400	-	-	746,400
RS Consulting Group	250,000	-	-	113,055	-	363,055
Aeolian Investments Ltd.	250,000	158,200	-	-	-	408,200
1321805 Ontario Inc.	250,000	158,200	-	-	-	408,200
Dachstein Holdings Inc.	250,000	-	-	-	-	250,000
Raj Singh	-	-	-	-	-	-
Textbook Suites Inc.	-	-	39,500	-	-	39,500
Tier 1 Transaction Advisory Services Inc.	-	-	-	-	37,959	37,959
Memory Care Investments Ltd.	-	-	3,000	-	-	3,000
Total	1,000,000	316,400	788,900	113,055	1,515,959	3,734,314

4. Represents broker and referral fees paid to Tier 1 Transaction Advisory Services Inc. and First Commonwealth Mortgage Corporation.
5. Amounts paid to professionals are summarized as follows:

Firm	Amount
Harris + Harris LLP	180,517
Elliott Law Firm	25,990
Peter Tuovi (tax opinion)	11,300
Total	<u>217,807</u>

Appendix “I”

Textbook (445 Princess Street) Inc. ("445 Princess")
Statement of Receipts and Disbursements
For the period October 7, 2015 to March 31, 2017
(\$; unaudited)

	Notes	Amount
Receipts		
Syndicated Mortgage Investment ("SMI") proceeds	1	8,396,750
Kingsett Mortgage Corporation		7,000,000
Rental income	2	323,557
Affiliated entities	3	58,350
Sales tax refunds		49,143
Sundry receipts		1,300
		<u>15,829,100</u>
Disbursements		
Land - 445 Princess Street, Kingston		9,066,134
Affiliated entities	3	1,732,225
Broker commissions and referral fees	4	1,427,448
Payments to shareholders	5	2,121,337
Interest paid and fees, including interest reserve		671,740
Amounts paid to professionals	6	470,640
Kingsett Capital Corporation (Mortgage and Interest)		292,603
Development costs		28,904
Other		17,928
		<u>15,828,959</u>
Ending Bank Balance		<u>141</u>

Notes:

- Represents funds raised from investors through syndicated mortgages.
- Represents rent received from Shoppers Drug Mart, the tenant at the property owned by 445 Princess.
- Represents funds received and advanced to known affiliated entities as detailed below.

Entity	Description	Amounts Received	Amounts Advanced	Net Amounts Received / (Advanced)
Memory Care Investments (Burlington) Ltd.	Owens property in Burlington	-	(2,500)	(2,500)
Textbook (445 Princess Street) Inc.	Owens property in Kingston	-	(3,500)	(3,500)
Memory Care Investments (Kitchener) Ltd.	Owens property in Kitchener	-	(32,000)	(32,000)
Textbook (555 Princess Street) Inc.	Owens property in Kingston	-	(51,925)	(51,925)
Textbook (525 Princess Street) Inc.	Owens property in Kingston	-	(56,100)	(56,100)
McMurray Street Investments Ltd.	Owens property in Bracebridge	-	(64,000)	(64,000)
Textbook (774 Bronson Avenue) Inc.	Owens property in Ottawa	53,000	(220,500)	(167,500)
Scollard Development Corporation	Owens property in Whitby	-	(645,000)	(645,000)
Textbook Ross Park Inc.	Owens property in London	5,350	(656,700)	(651,350)
Total		58,350	(1,732,225)	(1,673,875)

- Represents broker and referral fees paid to First Commonwealth Mortgage Corporation and Tier 1 Transaction Advisory Services Inc.
- Represents funds paid to Shareholders and entities and individuals related to Shareholders.

Entity	Management Due Diligence				Total Amount
	Fees	Fees	Loans	Other	
Textbook (256 Rideau Street) Inc.	-	-	-	766,500	766,500
Textbook Suites Inc.	-	-	629,200	144,000	773,200
RS Consulting Group	-	226,000	-	-	226,000
1321805 Ontario Inc.	200,000	-	-	-	200,000
Textbook Student Suites Inc.	-	-	11,000	58,500	69,500
Memory Care Investments Ltd.	-	-	36,000	12,000	48,000
Tier 1 Transaction Advisory Services Inc.	-	-	-	38,137	38,137
Total	200,000	226,000	676,200	1,019,137	2,121,337

- Amounts paid to professionals are summarized as follows:

Firm	Amount
Harris + Harris LLP	255,057
Elliott Law Firm	29,380
Peter Tuovi (tax opinion)	11,300
Lou Vadala Professional Corporation	174,903
Total	470,640

Appendix “J”

Textbook Students Suites (Ross Park) Inc.
Statement of Receipts and Disbursements
For the period April 30, 2015 to March 31, 2017
(C\$; unaudited)

	Notes	Amount
<i>Receipts</i>		
Syndicated Mortgage Investment ("SMI") proceeds	1	11,617,300
2377358 Ontario Ltd. and Creek Crest Holdings Inc.	2	4,000,000
Affiliated entities	3	837,700
Sales tax refunds		111,752
Unknown		643,869
		<u>17,210,621</u>
<i>Disbursements</i>		
Land - 1234 - 1246 Richmond Street		6,923,442
Payments to Shareholders	4	4,754,048
Broker commissions		1,974,941
Interest paid and fees, including interest reserve		929,384
Development costs		704,934
2377358 Ontario Ltd. and Creek Crest Holdings Inc.		500,000
Real estate broker commission on paid sale of condominiums		427,748
Amounts paid to professionals	5	311,417
Affiliated entities	3	247,350
Sundry		155,092
Unknown		282,253
		<u>17,210,611</u>
Ending Bank Balance		<u>10</u>

Notes:

- Represents amounts raised from investors through syndicated mortgages.
- Represents funds received and advanced to known affiliated entities as detailed below.

Entity	Description	Amounts Received	Amounts Advanced	Net Amounts Received / (Advanced)
Textbook (445 Princess Street) Inc.	Owens property in Kingston	656,700	(5,350)	651,350
Memory Care Investments (Burlington) Inc.	Owens property in Burlington	50,000	(7,000)	43,000
Textbook (774 Bronson Avenue) Inc.	Owens property in Ottawa	40,000	-	40,000
Textbook (555 Princess Street) Inc.	Owens property in Kingston	10,000	-	10,000
Memory Care Investments (Oakville) Ltd.	Owens property in Oakville	9,000	-	9,000
Memory Care Investments (Kitchener) Ltd	Owens property in Kitchener	72,000	(135,000)	(63,000)
Scollard Development Corporation	Owens property in Whitby	-	(100,000)	(100,000)
Total		837,700	(247,350)	590,350

- Represents amounts paid to shareholders and entities and individuals related to shareholders.

Entity	Dividends	Management Fees	Due Diligence Fees	Loans	Other	Total Amount
Textbook Student Suites Inc.	-	-	-	865,000	665,000	1,530,000
Textbook (256 Rideau Street) Inc.	-	-	-	1,267,000	-	1,267,000
1321805 Ontario Inc.	250,000	498,600	-	-	-	748,600
Aeolian Investments Ltd.	250,000	249,167	-	-	-	499,167
RS Consulting Group	250,000	-	113,000	-	-	363,000
Dachstein Holdings Inc.	250,000	-	-	-	-	250,000
Tier 1 Transaction Advisory Services Inc.	-	-	-	-	70,758	70,758
Textbook Suites Inc.	-	-	-	15,000	9,000	24,000
Memory Care Investments Ltd.	-	-	-	1,500	23	1,523
Total	1,000,000	747,767	113,000	2,148,500	744,781	4,754,048

- Represents broker and referral fees paid to Tier 1 Transaction Advisory Services Inc. and First Commonwealth Mortgage Corporation.
- Amounts paid to professionals are as follows:

Firm	Amount
Harris + Harris LLP	274,127
Elliott Law Firm	25,990
Peter Tuovi (tax opinion)	11,300
Total	311,417

Appendix “K”

Scollari Development Corporation
Statement of Receipts and Disbursements
For the period April 1, 2014 to February 2, 2017
(CS; unaudited)

	Notes	Amount
Receipts		
Syndicated Mortgage Investments	1	13,595,750
Affiliated entities	2	5,980,070
Firm Capital Corporation		2,350,000
2174217 Ontario Ltd.		750,000
Sales tax refunds		565,757
Sundry receipts		36,085
		<u>23,277,663</u>
Disbursements		
Purchase price of land		9,162,807
Affiliated entities	2	2,918,519
Development costs		2,865,043
Interest paid and fees, including interest reserve		2,705,011
Broker commissions	3	2,175,320
Payments to Shareholders	4	1,825,984
Loan repayment (2174217 Ontario Inc.)		750,000
Amounts paid to professionals	5	446,397
Sundry		256,332
Unknown		169,108
		<u>23,274,520</u>
Ending Bank Balance		<u>3,142</u>

Notes:

1. Represents funds raised from Investors through syndicated mortgages.
2. Represents funds received and advanced to known affiliated entities as detailed below.

Entity	Description	Amounts Received	Amounts Advanced	Net Amounts Received / (Advanced)
Memory Care Investments (Oakville) Ltd.	Owens property in Oakville	2,190,800	(686,600)	1,504,200
Memory Care Investments (Kitchener) Ltd.	Owens property in Kitchener	1,556,370	(95,350)	1,461,020
Textbook (445 Princess Street) Inc.	Owens property in Kingston	645,000	-	645,000
Textbook (774 Bronson Avenue) Inc.	Owens property in Ottawa	558,500	-	558,500
Textbook Ross Park Inc.	Owens property in London	100,000	-	100,000
McKenzie Marsh Investments Ltd.	May relate to development activities	-	(10,754)	(10,754)
Textbook (555 Princess Street) Inc.	Owens property in Kingston	6,000	-	6,000
2375219 Ontario Ltd.	Owens property in Kingston	-	(2,000)	(2,000)
Textbook (525 Princess Street) Inc.	Owens property in Kingston	14,000	-	14,000
Memory Care Investments (Burlington) Ltd.	Owens property in Burlington	897,325	(912,120)	(14,795)
Legacy Lane Investments Ltd.	Owens property in Huntsville	12,075	(228,660)	(216,585)
McMurray Street Investments	Owens property in Bracebridge	-	(983,035)	(983,035)
Total		5,980,070	(2,918,519)	3,061,551

3. Represents broker and referral fees paid to Tier 1 Transaction Advisory Services Inc. and First Commonwealth Mortgage Corporation.
4. Represents funds paid to Shareholders and entities and individuals related to Shareholders.

Entity	Mangement				Total
	Fees	Loans	Due Diligence	Other	
Aeolian Investments Ltd.	1,244,025	-	-	(25,000)	1,219,025
Tier 1 Transaction Advisory Services Inc.	-	(250,000)	217,000	306,059	273,059
Memory Care Investments Ltd.	-	91,126	-	90,366	181,492
RS Consulting Group Inc.	-	-	113,000	-	113,000
Judith Davies	-	-	-	69,000	69,000
Lafontaine Terrace Management Corporation	-	-	-	75,100	75,100
Y2 Media Group Ltd.	-	-	-	14,525	14,525
Sarah Davies	-	-	-	4,833	4,833
Jessica Davies	-	-	-	2,800	2,800
Textbook Suites Inc.	-	(11,300)	-	-	(11,300)
Textbook Student Suites Inc.	-	(15,550)	-	-	(15,550)
Raj Singh	-	(100,000)	-	-	(100,000)
Total	1,244,025	(115,550)	330,000	\$37,683	1,825,984

5. Amounts paid to professionals are summarized as follows:

Firm	Amount
Harris + Harris LLP	307,618
Chaitons LLP	62,384
Elliott Law Firm	32,770
Other (appraisal, accounting and tax)	43,624
Total	446,397

Appendix “L”

Textbook (774 Bronson Avenue) Inc.
Statement of Receipts and Disbursements
For the period December 1, 2015 to March 31, 2017
(\$; unaudited)

	Notes	Amount
<i>Receipts</i>		
Syndicated Mortgage Investment ("SMI") proceeds	1	10,806,344
Vector Financial Services Ltd.		5,700,000
Affiliated entities	2	281,300
Sales tax refunds		112,858
Unknown		31,094
		<u>16,931,596</u>
<i>Disbursements</i>		
Land - 774 Bronson Avenue		10,629,957
Broker commissions and referral fees	3	1,837,078
Payments to Shareholders	4	1,785,092
Affiliated entities	2	1,087,000
Interest paid and fees, including interest reserve		864,508
Amounts paid to professionals	5	243,738
Development costs		239,223
Real estate brokerage fees		220,575
Sundry disbursements		9,746
Unknown		14,050
		<u>16,930,967</u>
Ending Bank Balance		<u>629</u>

Notes:

- Represents funds raised from investors through syndicated mortgages.
- Represents funds received and advanced to known affiliated entities, as detailed below.

Entity	Description	Amounts Received	Amounts Advanced	Net Amounts Received / (Advanced)
Scollard Development Corporation	Owns property in Whitby	-	(558,500)	(558,500)
Memory Care Investments (Oakville) Ltd.	Owns property in Oakville	-	(160,000)	(160,000)
Memory Care Investments (Burlington) Ltd.	Owns property in Burlington	-	(98,000)	(98,000)
Memory Care Investments (Kitchener) Ltd.	Owns property in Kitchener	-	(91,500)	(91,500)
Legacy Lane Investments Ltd.	Owns property in Huntsville	2,800	(69,000)	(66,200)
Textbook (Ross Park) Ltd.	Owns property in London	-	(40,000)	(40,000)
McMurray Street Investments Inc.	Owns property in Bracebridge	-	(14,000)	(14,000)
Textbook (555 Princess Street) Ltd.	Owns property in Kingston	3,000	(3,000)	-
Textbook (525 Princess Street) Ltd.	Owns property in Kingston	55,000	-	55,000
Textbook (445 Princess Street) Ltd.	Owns property in Kingston	220,500	(53,000)	167,500
Total		281,300	(1,087,000)	(805,700)

- Represents broker and referral fees paid to Tier 1 Transaction Advisory Services Inc. and First Commonwealth Mortgage Corporation.
- Represents funds paid to Shareholders and entities and individuals related to Shareholders.

Entity	Due Diligence				Total Amount
	Dividends	Fees	Loans	Other	
Textbook Suites Inc.	-	-	339,980	45,500	385,480
RS Consulting Group	375,000	100,000	-	-	475,000
Aeolian Investments Ltd.	125,000	-	-	2,711	127,711
1321805 Ontario Inc.	250,000	-	-	-	250,000
Dachstein Holdings Inc.	250,000	-	-	-	250,000
Textbook Student Suites Inc.	-	-	71,000	120,000	191,000
Textbook (256 Rideau Street) Inc.	-	-	-	56,200	56,200
Tier 1 Transaction Advisory Services Inc.	-	-	-	49,701	49,701
Total	1,000,000	100,000	410,980	274,112	1,785,092

- Amounts paid to professionals are as follows:

Firm	Amount
Harris + Harris LLP	159,838
Low Murchison Radnoff LLP	50,000
Elliot Law Firm	22,600
Peter Tuovi (tax opinion)	11,300
Total	243,738

Appendix “M”

Memory Care Investments (Oakville) Ltd.
Statement of Receipts and Disbursements
For the period November 2, 2012 to March 31, 2017
(\$; unaudited)

	Notes	Amount
<i>Receipts</i>		
Syndicated Mortgage Investment ("SMI") proceeds	1	9,062,793
Offering memorandum	2	2,590,000
Affiliated entities	3	1,488,175
2174217 Ontario Ltd.		1,250,000
Preference share issuance	4	1,000,000
Sales tax refunds		282,184
Sundry receipts		2,105
		<u>15,675,257</u>
<i>Disbursements</i>		
Affiliated entities	3	5,089,834
Interest paid and fees, including interest reserve		2,752,219
Land - 105 Garden Avenue		1,963,577
Broker commissions and referral fees	5	1,846,322
Payments to Shareholders	6	1,798,288
Development costs		1,477,692
Amounts paid to professionals	7	516,634
Unknown		230,536
		<u>15,675,102</u>
Ending Bank Balance		<u>155</u>

Notes:

1. Represents amounts raised from Investors through syndicated mortgages.
2. Represents an unsecured loan raised from Investors in the syndicated mortgages.
3. Represents funds received and advanced to known affiliated entities as detailed below.

Entity	Description	Amounts Received	Amounts Advanced	Net Amounts Received / (Advanced)
Textbook (774 Bronson Avenue) Inc.	Owens property in Ottawa	160,000	-	160,000
2372519 Ontario Ltd.	Owens property in Kitchener	119,700	-	119,700
Memory Care Investments (Kitchener) Ltd.	Owens property in Kitchener	146,600	(92,267)	54,333
Textbook Ross Park Inc.	Owens property in London	-	(9,000)	(9,000)
Legacy Lane Investments Ltd.	Owens property in Huntsville	50,000	(175,500)	(125,500)
Memory Care Investments (Burlington) Ltd.	Owens property in Burlington	221,475	(602,900)	(381,425)
The Traditions Development Company	Owens by former Director and Officer of MCIL	-	(650,732)	(650,732)
McMurray Street Investments Ltd.	Owens property in Bracebridge	103,800	(1,368,635)	(1,264,835)
Scollard Development Corporation	Owens property in Whitby	686,600	(2,190,800)	(1,504,200)
Total		1,488,175	(5,089,834)	(3,601,659)

4. Represents the proceeds of a preference share offering. Some of the Investors are also preference shareholders.
5. Represents broker and referral fees paid to Tier 1 Transaction Advisory Services Inc. and First Commonwealth Mortgage Corporation.
6. Represents amounts paid to Shareholders and entities related to Shareholders, as follows:

Entity	Management Fees	Due Diligence Fees	Loans	Other	Total Amount
Aeolian Investments Ltd.	1,112,165	-	-	(15,000)	1,097,165
Memory Care Investments Ltd.	-	-	160,760	144,400	305,160
RS Consulting Group	-	158,200	-	-	158,200
Tier 1 Transaction Advisory Services Inc.	-	137,613	-	-	137,613
Judith Davies	-	-	-	123,000	123,000
Sarah Davies	-	-	-	10,570	10,570
Lafontaine Terrace Management Corporation	-	-	-	1,500	1,500
Memory Care Investments (Victoria) Ltd.	-	-	-	80	80
Textbook Student Suites Inc.	-	-	(9,000)	-	(9,000)
Textbook Suites Inc.	-	-	(26,000)	-	(26,000)
Total	1,112,165	295,813	125,760	264,550	1,798,288

7. Amounts paid to professionals are as follows:

Firm	Amount
Harris + Harris LLP	401,602
Elliott Law Firm	67,855
Source Point Business Group (accounting)	24,578
Peter Tuovi (tax opinion)	22,600
Total	516,634

Appendix “N”

Legacy Lane Investments Inc.
Statement of Receipts and Disbursements
For the period September 27, 2012 to March 31, 2017
(\$; unaudited)

	Notes	Amount
<i>Receipts</i>		
Syndicated Mortgage Investment ("SMI") proceeds	1	3,478,200
Affiliated entities	2	1,023,078
Mortgage proceeds		425,000
Unknown		90,312
Sales tax refunds		69,792
Sundry receipts		6,412
		<u>5,092,793</u>
<i>Disbursements</i>		
Affiliated entities	2	1,068,243
Interest paid and fees, including interest reserve		888,937
Land - 18 Legacy Lane		650,000
Payments to Shareholders	5	614,436
Broker and referral fees	3	556,512
Development costs		502,182
Mortgage payout - 1693221 Ontario Limited		435,961
Unknown		225,571
Amounts paid to professionals	6	150,068
		<u>5,091,910</u>
Ending Bank Balance		<u>883</u>

Notes:

- Represents amounts raised from investors through syndicated mortgages.
- Represents funds received and advanced to known affiliated entities as detailed below.

Entity	Description	Amounts Received	Amounts Advanced	Net Amounts Received / (Advanced)
Memory Care Investments (Kitchener) Ltd.	Owens property in Kitchener	312,630	(120)	312,510
Scollard Development Corporation	Owens property in Whitby	228,660	(12,075)	216,585
Memory Care Investments (Oakville) Ltd.	Owens property in Oakville	175,500	(50,000)	125,500
Textbook (774 Bronson Avenue) Inc.	Owens property in Ottawa	69,000	(2,800)	66,200
Memory Care Investments (Burlington) Ltd.	Owens property in Burlington	93,300	(50,020)	43,280
Traditions Development Company	Owned by former Director and Officer of MCIL	-	(294,748)	(294,748)
McMurray Street Investments Inc.	Owens property in Bracebridge	143,988	(658,480)	(514,492)
Total		1,023,078	(1,068,243)	(45,165)

- Represents broker and referral fees paid to Tier 1 Transaction Advisory Services Inc. and First Commonwealth Mortgage Corporation.
- Represents funds paid to Shareholders and entities and individuals related to Shareholders.

Entity	Management			Total Amount
	Fees	Loans	Other	
Aeolian Investments Ltd.	340,996	-	-	340,996
Lafontaine Terrace Management Corporation	-	-	192,400	192,400
Memory Care Investments Ltd.	-	10,500	33,540	44,040
Judith Davies	-	-	22,000	22,000
Memory Care Investments (Victoria) Inc.	-	-	15,000	15,000
Total	340,996	10,500	262,940	614,436

- Amounts paid to professionals are as follows:

Firm	Amount
Harris + Harris LLP	96,286
Elliott Law Firm	25,990
Source Point Business Group (accounting)	16,492
McPhadden Samac Tuovi LLP (tax opinion)	11,300
Total	150,068

Appendix “O”

Memory Care Investments (Kitchener) Ltd. ("Kitchener")
Statement of Receipts and Disbursements
For the period November 15, 2013 to March 31, 2017
(\$; unaudited)

	Notes	Amount
<i>Receipts</i>		
Syndicated Mortgage Investment ("SMT") proceeds	1	10,576,800
Affiliated entities	2	1,224,693
Mortgage proceeds (2174217 Ontario Ltd.)		950,000
Sales tax refunds		247,934
		<u>12,999,427</u>
<i>Disbursements</i>		
Land - 169 Borden Avenue		3,569,617
Affiliated entities	2	3,236,592
Interest paid and fees, including interest reserve		1,829,063
Broker and referral fees	3	1,733,088
Payments to Shareholders	4	1,546,799
Development and other costs		761,993
Amounts paid to professionals	5	269,624
Unknown		52,399
		<u>12,999,175</u>
Ending Bank Balance		<u>253</u>

Notes:

1. Represents amounts raised from Investors through syndicated mortgages.
2. Represents funds received and advanced to known affiliated entities as detailed below.

Entity	Description	Amounts Received	Amounts Advanced	Net Amounts Received / (Advanced)
Memory Care Investments (Burlington) Ltd.	Owens property in Burlington	778,456	(339,000)	439,456
Textbook (774 Bronson Avenue) Inc.	Owens property in Ottawa	91,500	-	91,500
Textbook Ross Park Inc.	Owens property in London	135,000	(72,000)	63,000
Textbook (445 Princess Street) Inc.	Owens property in Kingston	32,000	-	32,000
2372519 Ontario Ltd.	Sold property	-	(1,510)	(1,510)
McKenzie Marsh Investments Ltd.	May relate to development activities.	-	(16,200)	(16,200)
Memory Care Investments (Oakville) Ltd.	Owens property in Oakville	92,267	(146,600)	(54,333)
Traditions Development Company	Owned by former Director and Officer of MCIL	-	(275,532)	(275,532)
Legacy Lane Investments Ltd.	Owens property in Huntsville	120	(312,630)	(312,510)
McMurray Street Investments Ltd.	Owens property in Bracebridge	-	(516,750)	(516,750)
Scollard Development Corporation	Owens property in Whitby	95,350	(1,556,370)	(1,461,020)
Total		1,224,693	(3,236,592)	(2,011,899)

3. Represents broker and referral fees paid to Tier 1 Transaction Advisory Services Inc. and First Commonwealth Mortgage Corporation.
4. Represents funds paid to Shareholders and entities and individuals related to Shareholders.

Entity	Management		Due Diligence		Total Amount
	Fees	Fees	Loans	Other	
Raj Singh (loan repayment)	-	-	650,000	-	650,000
Textbook Student Suites Inc.	-	-	515,000	-	515,000
Aeolian Investments Ltd.	505,840	-	-	-	505,840
Tier 1 Transaction Advisory Services Inc.	-	115,787	-	23,512	139,299
Memory Care Investments Ltd.	-	-	113,460	14,500	127,960
Textbook (256 Rideau Street) Inc.	-	-	-	111,000	111,000
RS Consulting Group	-	-	-	56,500	56,500
Jessica Davies	-	-	-	4,260	4,260
Lafontaine Terrace Management Corporation	-	-	-	60	(60)
Textbook Suites Inc.	-	-	(563,000)	-	(563,000)
Total	505,840	115,787	715,460	209,712	1,546,799

5. Amounts paid to professionals are as follows:

Firm	Amount
Harris + Harris LLP	189,057
Elliott Law Firm	48,590
Peter Tuovi (tax opinion)	22,600
Other (accounting, legal and appraisal)	9,377
Total	269,624

Appendix “P”

McMurray Street Investments Inc.
Statement of Receipts and Disbursements
For the period May 18, 2012 to April 17, 2017
(C\$; unaudited)

	Notes	Amount
<i>Receipts</i>		
Affiliated entities	1	4,137,020
Syndicated Mortgage Investment ("SMI") proceeds	2	3,525,001
Unknown		1,535,035
		<u>9,197,056</u>
<i>Disbursements</i>		
Development costs		3,352,916
Payments to Shareholders	3	1,534,490
Interest paid and fees, including interest reserve		868,215
Broker commissions	4	795,578
Mortgage payment to Sinocoin Capital Inc.	5	548,170
Affiliated entities	1	400,688
Mortgage payment to Pillar Financial	6	257,206
Amounts paid to professionals	7	246,652
Sundry payments		172,377
Unknown		1,020,382
		<u>9,196,674</u>
Ending Bank Balance		<u>382</u>

Notes:

1. Represents amounts received and advanced to known affiliated entities as detailed below.

Entity	Description	Amounts Received	Amounts Advanced	Net Amounts Received / (Advanced)
Memory Care Investments (Oakville) Ltd.	Owens property in Oakville	1,368,635	(103,800)	1,264,835
Scollard Development Corporation	Owens property in Whitby	983,035	-	983,035
Memory Care Investments (Burlington) Inc.	Owens property in Burlington	530,720	(152,900)	377,820
Memory Care Investments (Kitchener) Ltd	Owens property in Kitchener	516,750	-	516,750
Legacy Lane Investments Ltd.	Owens property in Huntsville	658,480	(143,988)	514,492
Textbook (445 Princess Street) Inc.	Owens property in Kingston	64,000	-	64,000
Textbook (774 Bronson Avenue) Inc.	Owens property in Ottawa	14,000	-	14,000
Textbook (555 Princess Street) Inc.	Owens property in Kingston	1,400	-	1,400
Total		4,137,020	(400,688)	3,736,332

2. Represents amounts raised from Investors through syndicated mortgages.
3. Amounts paid to Shareholders and entities/individuals related to Shareholders are as follows:

Entity	Management Fees	Moscowitz (Note a)	Other	Total Amount
Aeolian Investments Ltd.	273,969	-	(53,200)	220,769
Memory Care Investments Ltd.	-	-	210,100	210,100
Judith Davies	-	-	150,500	150,500
John Davies	-	934,589	55,500	990,089
Jessica Davies	-	-	7,857	7,857
Sarah Davies	-	-	3,675	3,675
Andrew Davies	-	-	1,500	1,500
Lafontaine Terrace Management Inc.	-	-	(50,000)	(50,000)
Total	273,969	934,589	325,932	1,534,490

(a) Represents amounts paid to Moskowitz Capital Mortgage Fund II ("Moscowitz"). Moscowitz is not a mortgagee on the property owned by McMurray; however, it is a mortgagee on home.

4. Represents broker and referral fees paid to Tier 1 Transaction Advisory Services Inc., First Commonwealth Mortgage Corporation and other brokers.
5. The mortgage was advanced by Sinocoin Capital Inc. to McMurray prior to the scope of the Receiver's review. The mortgage was paid out on May 3, 2012.
6. Represents mortgage payments to Pillar Financial. The Receiver has not identified the mortgage proceeds in McMurray's bank statements.
7. Amounts paid to professionals are as follows:

Firm	Amount
Harris + Harris LLP	184,697
Chaitons LLP	24,916
Stephen Beaumont, CGA	17,000
Cassels Brock	10,000
Other	10,038
Total	246,652

Appendix “Q”

1703858 Ontario Ltd. ("Burlington")
Statement of Receipts and Disbursements
For the period January 1, 2013 to March 31, 2017
(C\$; unaudited)

	Notes	Amount
Receipts		
Syndicated Mortgage Investment ("SMI") proceeds	1	8,302,600
Affiliated entities	2	2,280,540
2174217 Ontario Ltd.		1,250,000
HST refunds		122,770
Sundry receipts		110,714
		<u>12,066,624</u>
Disbursements		
Affiliated entities	2	2,838,794
Burlington share purchase (land)	3	2,500,718
Development and other costs		2,402,331
Interest paid, interest reserve and fees		1,565,336
Broker commissions and referral fees	4	1,356,231
Payments to Shareholders	5	853,800
Amounts paid to professionals	6	258,729
Sundry disbursements		232,139
Unknown		58,161
		<u>12,066,240</u>
Ending Bank Balance		<u>384</u>

General Note: Burlington is a subsidiary of Memory Care Investments (Burlington) Ltd. ("MC Burlington"). The schedule includes transactions in MC Burlington's bank account.

Notes:

- Represents amounts raised from Investors through syndicated mortgages.
- Represents funds received and advanced to known affiliated entities as detailed below.

Entity	Description	Amounts Received	Amounts Advanced	Net Amounts Received / (Advanced)
Memory Care Investments (Oakville) Ltd.	Owens property in Oakville	602,900	(221,475)	381,425
2372519 Ontario Inc.	Sold property	102,100	-	102,100
Textbook (774 Bronson Ave.) Ltd.	Owens property in Ottawa	98,000	-	98,000
Scollard Development Corporation	Owens property in Whitby	912,120	(897,325)	14,795
Textbook (525 Princess Street) Ltd.	Owens property in Kingston	10,000	-	10,000
Textbook (555 Princess Street) Ltd.	Owens property in Kingston	4,000	-	4,000
Textbook (445 Princess Street) Ltd.	Owens property in Kingston	2,500	-	2,500
McKenzie Marsh Investments Ltd.	May relate to development activities	-	(1,500)	(1,500)
Textbook Ross Park Inc.	Owens property in London	7,000	(50,000)	(43,000)
Legacy Lane Investments Ltd.	Owens property in Huntsville	50,020	(93,300)	(43,280)
Traditions Development Company	Owened by former Director and Officer of MCIL	-	(265,767)	(265,767)
McMurray Street Investments Ltd.	Owens property in Bracebridge	152,900	(530,970)	(378,070)
Memory Care Investments (Kitchener) Ltd.	Owens property in Kitchener	339,000	(778,456)	(439,456)
Total		<u>2,280,540</u>	<u>(2,838,794)</u>	<u>(558,254)</u>

- Burlington is the owner of the properties municipally described as 2168 and 2174 Ghent Avenue, Burlington. In May, 2013, MC Burlington purchased all of the outstanding shares of Burlington for \$2.5 million.
- Represents broker and referral fees paid to Tier 1 Transaction Advisory Services Inc. and First Commonwealth Mortgage Corporation.
- Represents amounts paid to Shareholders and entities and individuals related to Shareholders, as follows:

Entity	Management Fees	Due Diligence Fees	Loans	Other	Total Amount
Aeolian Investments Ltd.	592,360	-	-	-	592,360
Memory Care Investments Ltd.	-	-	182,054	17,100	199,154
LaFontaine Terrace Management Corporation	-	-	-	105,000	105,000
Tier 1 Transaction Advisory Services Inc.	-	78,310	-	9,031	87,341
Sarah Davies	-	-	-	9,645	9,645
Textbook (256 Rideau Street) Inc.	-	-	-	5,300	5,300
Textbook Student Suites Inc.	-	-	(145,000)	-	(145,000)
Total	<u>592,360</u>	<u>78,310</u>	<u>37,054</u>	<u>146,076</u>	<u>853,800</u>

- Amounts paid to professionals are summarized as follows:

Firm	Amount
Harris + Harris LLP	168,383
Elliott Law Firm	48,590
Peter Tuovi (tax opinion)	22,600
Source Point Business Group (accounting)	18,238
Beckett Lowden Read Chartered Accountants	919
Total	<u>258,729</u>

Appendix “R”

**ACKNOWLEDGEMENT AND DIRECTION
(MEMORY CARE INVESTMENTS (KITCHENER) LTD.: KITCHENER ONTARIO
ALZHEIMER'S PROJECT)**

I, _____, acknowledge that I have read and understand the information and warnings contained in the Summary below and Schedules "A" (Loan Agreement), "B" (Syndicated Mortgage Participation Agreement) and "C" (Property Description) attached thereto. I hereby confirm that I expressly authorize a mortgage loan of the sum of \$_____ (my "Mortgage Advance") as part of this mortgage loan transaction. I further authorize and direct MC Trustee (Kitchener) Ltd., the Bare Trustee, (as defined in the Syndicated Mortgage Participation Agreement) to: (i) hold my Mortgage Advance and invest my Mortgage Advance as set out in the Loan Agreement; (ii) slipsheet the appropriate date of the Syndicated Mortgage Participation Agreement that the Bare Trustee considers reasonable in the circumstances; and (iii) do all things necessary to complete the transactions contemplated in the Loan Agreement.

I understand that until my Mortgage Advance is advanced pursuant to the Loan Agreement such funds will not earn any interest.

Dated at the city/town of _____, in the Province of _____,

This _____ day of _____, 201__.

Lender's Name: _____

Lender's Address: _____

Lender's Phone Number: _____

Lender's Fax Number: _____

Lender's Email Address: _____

Lender Signature: _____

Name of Witness: _____

Witness Signature: _____

ACKNOWLEDGEMENT AND DIRECTION

SUMMARY

DATE: _____, 201_

**To: First Commonwealth Mortgage Corporation and Tier 1 Mortgage Corporation
(collectively the "Mortgage Broker")**

Based upon the information furnished to us, MC Trustee (Kitchener) Ltd. (sometimes hereinafter referred to as "the Trustee for the Lenders") undertakes to provide mortgage financing on my /our behalf, subject to the following terms and conditions set out below and in Schedules "A" (Loan Agreement), "B" (Syndicated Mortgage Participation Agreement) and "C" (Property Description) attached, which schedules form part of this Acknowledgement and Direction.

The Lender:

Type of Mortgage:

Proceeds used for acquisition of property, design, marketing, approvals, rezonings, drawings, engineering report and information centre construction for a dedicated Alzheimer's and dementia care facility project and related matters at property located at 169 Borden Avenue, Kitchener, Ontario

Borrower(s)/Mortgagor(s):

Memory Care Investments (Kitchener) Ltd.

Property Address(es):

169 Borden Avenue, Kitchener, Ontario

Terms:

Proposed loan amount is up to \$12,800,000 for a Four (4) year term with interest at a fixed rate of 8.00% per annum plus a possible additional payment of up to 4.00% per annum payable in accordance with the Loan Agreement (as hereinafter defined) as set forth in Schedule "D" attached thereto. The initial loan advances will be for \$6,500,000 consisting of the first tranche of \$4,250,000 and a second tranche thereafter in the amount of \$2,250,000. The \$6,500,000 load advance(s) will only be increased where the Borrower obtains a new valuation/appraisal for the Property demonstrating to the satisfaction of Olympia Trust that the Property value has increased. Olympia Trust will advise the Borrower of the new maximum amount of mortgage proceeds that may be registered against the Property and the Borrower shall be entitled to borrow such additional amount on the same terms and conditions as set out herein and which additional mortgage investors shall rank pari passu with the prior mortgage holders; and the Borrower shall be entitled to increase the mortgage charge

amount which will initially be for \$6,500,000.00 to the amount agreed between the Borrower and Olympia Trust. The loan and the mortgage will be postponeable to construction financing not to exceed \$19,750,000. The loan may be advanced in one or more tranches. The Borrower shall be entitled to prepay the mortgage principal amount, in whole or in part, at any time after the third anniversary of the initial registration of the mortgage and shall no longer be required to pay the 8.00% per annum interest rate on the principal outstanding, after the date of the prepayment. For greater certainty, in addition to the prepayment of all principal outstanding and any accrued and unpaid interest, the Lender shall continue to be entitled to the 4% per annum additional payment for the balance of the term of the mortgage, in accordance with the Loan Agreement.

Interest Only Payments (quarterly)

Potential Conflict of Interest:

The Property will be acquired by the Borrower from a company related to the Borrower and with the same shareholders as the Borrower, namely 2372519 Ontario Ltd. which company purchased the Property on June 4, 2013 for \$1,585,000.00. The shareholders of 2372519 Ontario Ltd. will make a gain on the sale of the Property from 2372519 Ontario Ltd. to the Borrower. Since the acquisition of the Property by 2372519 Ontario Ltd. and prior to closing of the sale of the Property to the Borrower, 2372519 Ontario Ltd. has or shall have negotiated the purchase of and acquired the Property from a receiver, operated the existing retirement home on the Property and funded all operating shortfalls, relocated existing residents to alternative facilities and borne all relocation costs, dealt with all union employment issues related to the union employees at the former retirement residence, and demolished the existing structures on the Property. A partner in the law firm that represents the Borrower (Harris + Harris LLP) is also a shareholder of 2372519 Ontario Ltd. Raj Singh, a principal of Tier 1 Transaction Advisory Services Inc., a company providing consulting services to the Company, is also a shareholder of 2372519 Ontario Ltd.

Interest Adjustment Date: To be determined

Fees:

Mortgage Origination,
Referral, Management and
Consulting Fees:

\$1,920,000 (based on a maximum mortgage advance of \$12,800,000). If the actual mortgage advance is less than \$12,800,000 then the Mortgage Origination, Referral, Management and Consulting Fees will be proportionately reduced.

Legal Fees:

\$20,000 plus HST plus Disbursements (which shall include Title Insurance and other Expenses) shall be payable to Nancy Elliott, Barrister & Solicitor, acting for the Lenders, which shall be deducted from the first loan advance to the Borrower. Harris + Harris LLP shall act for the Borrower and shall invoice the Borrower directly for all legal fees, costs and disbursements. It is anticipated that the fees of Harris + Harris LLP will be approximately \$28,000 plus HST and disbursements for work related to this mortgage transaction, but excluding preparation of any offering documents that may be required in jurisdictions where a mortgage participation interest does not constitute an exemption for securities law compliance. In the event that there are additional loan advances, then additional legal fees of \$3,000 plus HST plus Disbursements shall be paid to Nancy Elliott and it is expected that Harris + Harris LLP shall incur legal fees of approximately \$17,000 plus HST and disbursements on each subsequent tranche advanced to the Borrower.

Mortgage Brokerage Fee:

\$128,000 (based on \$12,800,000 maximum mortgage advance) payable to the Mortgage Broker, based on 1% of the aggregate Mortgage advance (In addition are the Mortgage Origination, Referral, Management and Consulting Fees that will be directed by the Mortgage Broker, referred to above). Where the actual mortgage advance is less then the Mortgage Broker Fee shall be proportionately reduced.

Appraisal Fee:

NIL

Amortization:

N/A

SCHEDULE "A"

LOAN AGREEMENT

SCHEDULE "B"

SYNDICATED MORTGAGE PARTICIPATION AGREEMENT

SCHEDULE "C"
PROPERTY DESCRIPTION

Legal Description:

PIN: 22507-0109 LT
LT 6 PL 655 KITCHENER; KITCHENER

Municipal Description:

169 Borden Avenue, Kitchener, Ontario

Appendix “S”

Tier 1 - Closing Documents for Davies Properties

Missing Information

	445 Princess	525 Princess	555 Princess	Legacy Lane	Memory Care Oakville	Memory Care Kitchener	Memory Care Burlington	McMurray	Boathaus	Bronson	Ross Park
Form 9D - Investment Authority	X	X	X	X	X	X	X	X	X	X	X
Acknowledgement and Direction	X	X	X	X	X	X	X	X	X	X	X
Loan Agreement	X	X	X	X	X	X	X	X	X	X	X
Syndicated Mortgage Participation Agreement	X	X	X	X	X	X	X	X	X	X	X
Memorandum of Understanding	X	X	X	X	X	X	X	X	X	X	X
OT Arms-Length Mortgage Documents Including											
Mortgage Investment Direction and Indemnity Agreement	X	X	X	X	X	X	X	X	X	X	X
Solicitors Certificate of Disclosure and Undertaking regarding Arms-Length Mortgages	X	X	X	X	X	X	X	X	X	X	X
Lender Acknowledgement and Consent Agreement	X	X	X	X	X	X	X	X	X	X	X
Investor/Lendor Disclosure Statement for Brokered Transactions	X	X	X		X	X	X		X	X	X

Appendix “T”



PARCEL REGISTER (ABBREVIATED) FOR PROPERTY IDENTIFIER

LAND
REGISTRY
OFFICE #65

29530-0018 (LT)

PAGE 1 OF 5
PREPARED FOR Alexandra01
ON 2017/05/25 AT 14:30:52

* CERTIFIED IN ACCORDANCE WITH THE LAND TITLES ACT * SUBJECT TO RESERVATIONS IN CROWN GRANT *

PROPERTY DESCRIPTION: UNIT 18, LEVEL 1, YORK REGION VACANT LAND CONDOMINIUM PLAN NO. 999 AND ITS APPURTENANT INTEREST. THE DESCRIPTION OF THE CONDOMINIUM PROPERTY IS : PT BLK 1 PL 65M3631, PTS 2, 3 & 4, 65R26022; TOWNSHIP OF KING. S/T & T/W AS SET OUT IN SCHEDULE "A" OF DECLARATION YR325496. S/T EASE IN YR342172.

PROPERTY REMARKS: S/T SUBSECTION 44(1) OF THE LAND TITLES ACT, R.S.O. 1990 EXCEPT PARAGRAPHS 3 & 14 THEREOF.

ESTATE/QUALIFIER: ABSOLUTE
RECENTLY: CONDOMINIUM FROM 03381-0204

FIN CREATION DATE: 2003/07/21

OWNERS' NAMES: DAVIES, JUDITH LENORE
DAVIES, JOHN EVAN
CAPACITY SHARE: TRST
TRST

REG. NUM.	DATE	INSTRUMENT TYPE	AMOUNT	PARTIES FROM	PARTIES TO	CERT/CHKD
** PRINTOUT INCLUDES ALL DOCUMENT TYPES AND DELETED INSTRUMENTS SINCE 2003/07/21 **						
R536601	1990/03/07	AGREEMENT				C
	REMARKS: R505539	- REMARKS ENTERED	IN ERROR - ADDED 2003/01/24	BY LOIS YAKINCHUK		
R555403	1990/11/02	AGREEMENT				C
R578113	1991/09/17	AGREEMENT				C
	REMARKS: R422709	- REMARKS ENTERED	IN ERROR - ADDED 2003/01/24	BY LOIS YAKINCHUK		
R593261	1992/04/27	AGREEMENT				C
	REMARKS: R505539	- REMARKS ENTERED	IN ERROR - ADDED 2003/01/24	BY LOIS YAKINCHUK		
R645280	1994/08/16	AGREEMENT				C
R652983	1995/01/05	AGREEMENT				C
R672975	1996/02/09	AGREEMENT				C
L71525322	2000/09/13	NOTICE AGREEMENT		CLUBLINK CORPORATION	THE CORPORATION OF THE TOWNSHIP OF KING FENFUND CAPITAL (NO.1) LIMITED ONTARIO MUNICIPAL EMPLOYEES RETIREMENT SYSTEMS	C
	REMARKS: SITE PLAN DEVELOPMENT					
YR61887	2001/10/17	NOTICE AGREEMENT		CLUBLINK CORPORATION	THE REGIONAL MUNICIPALITY OF YORK	C
YR64939	2001/10/25	NOTICE AGREEMENT		CLUBLINK CORPORATION	THE CORPORATION OF THE TOWNSHIP OF KING	C
YR93236	2002/01/07	NOTICE AGREEMENT		CLUBLINK CORPORATION	THE CORPORATION OF THE TOWNSHIP OF KING PACIFIC LIFE INSURANCE COMPANY	C
YR242719	2002/12/09	NOTICE		THE REGIONAL MUNICIPALITY OF YORK		C

NOTE: ADJOINING PROPERTIES SHOULD BE INVESTIGATED TO ASCERTAIN DESCRIPTIVE INCONSISTENCIES, IF ANY, WITH DESCRIPTION REPRESENTED FOR THIS PROPERTY.
NOTE: ENSURE THAT YOUR PRINTOUT STATES THE TOTAL NUMBER OF PAGES AND THAT YOU HAVE PICKED THEM ALL UP.

REG. NUM.	DATE	INSTRUMENT TYPE	AMOUNT	PARTIES FROM	PARTIES TO	CERT/CHKD
YR257651	2003/01/17	NO SUB AGREEMENT		CLUBLINK CORPORATION	THE CORPORATION OF THE TOWNSHIP OF KING	C
YR257732	2003/01/17	NOTICE AGREEMENT		CLUBLINK CORPORATION CCCC KING VALLEY LTD.	THE CORPORATION OF THE TOWNSHIP OF KING	C
		REMARKS: SITE PLAN AGT.				
YR257872	2003/01/20	CHARGE		*** DELETED AGAINST THIS PROPERTY *** CCCC KING VALLEY LTD.	HSBC BANK CANADA	
YR257880	2003/01/20	CHARGE		*** DELETED AGAINST THIS PROPERTY *** CCCC KING VALLEY LTD.	CLUBLINK CORPORATION	
YR268936	2003/02/17	NOTICE		*** DELETED AGAINST THIS PROPERTY *** CCCC KING VALLEY LTD.	CLUBLINK CORPORATION	
		REMARKS: YR257880				
YR273427	2003/02/28	POSTPONEMENT		*** DELETED AGAINST THIS PROPERTY *** CLUBLINK CORPORATION	HSBC BANK CANADA	
		REMARKS: YR257880 TO YR257872				
YRCP999	2003/07/10	PLAN CONDOMINIUM				C
YR325496	2003/07/10	DECLARATION CONDO		CCCC KING VALLEY LTD.		C
YR331491	2003/07/23	NOTICE		THE CORPORATION OF THE TOWNSHIP OF KING	CCCC KING VALLEY LTD.	C
YR337354	2003/08/01	APL ANNEX REST COV		CCCC KING VALLEY LTD.		C
		REMARKS: FOR 20 YRS FROM DATE OF REGISTRATION OF YORK		REGION VACANT LAND CONDOMINIUM PLAN NO. 999.		
YR338671	2003/08/06	CONDO BYLAW/98		YORK REGION VACANT LAND CONDOMINIUM CORPORATION NO. 999		C
		REMARKS: BY-LAW #1				
YR338672	2003/08/06	CONDO BYLAW/98		YORK REGION VACANT LAND CONDOMINIUM CORPORATION NO. 999		C
		REMARKS: BY-LAW #2				
YR338673	2003/08/06	CONDO BYLAW/98		YORK REGION VACANT LAND CONDOMINIUM CORPORATION NO. 999		C
		REMARKS: BY-LAW #3				
YR338674	2003/08/06	CONDO BYLAW/98		YORK REGION VACANT LAND CONDOMINIUM CORPORATION NO. 999		C
		REMARKS: BY-LAW #4				
YR338675	2003/08/06	CONDO BYLAW/98		YORK REGION VACANT LAND CONDOMINIUM CORPORATION NO. 999		C
		REMARKS: BY-LAW #5				

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* CERTIFIED IN ACCORDANCE WITH THE LAND TITLES ACT * SUBJECT TO RESERVATIONS IN CROWN GRANT *

REG. NUM.	DATE	INSTRUMENT TYPE	AMOUNT	PARTIES FROM	PARTIES TO	CERT/CHKD
YR340411	2003/08/11	ARI DEL EXECUTION		*** COMPLETELY DELETED *** CLUBLINK CORPORATION 6666 KING VALLEY LTD.		
YR342172	2003/08/13	TRANSFER EASEMENT	\$2	YORK REGION VACANT LAND CORPORATION NO. 999	HYDRO ONE NETWORKS INC.	C
YR506810	2004/07/23	DISCH OF CHARGE		*** COMPLETELY DELETED *** HSBC BANK CANADA		
		REMARKS: RE: YR357872				
YR506814	2004/07/23	DISCH OF CHARGE		*** COMPLETELY DELETED *** CLUBLINK CORPORATION		
		REMARKS: RE: YR357880				
YR506823	2004/07/23	TRANSFER		*** COMPLETELY DELETED *** 6666 KING VALLEY LTD.	WRIGHT, GARY JOHN WRIGHT, ELIZABETH HENRIETTA	
YR506824	2004/07/23	CHARGE		*** COMPLETELY DELETED *** WRIGHT, GARY JOHN WRIGHT, ELIZABETH HENRIETTA	NATIONAL BANK OF CANADA	
YR671966	2006/09/25	TRANSFER		*** COMPLETELY DELETED *** WRIGHT, ELIZABETH HENRIETTA WRIGHT, GARY JOHN	ANDREWS, MARIA	
YR905808	2006/11/03	DISCH OF CHARGE		*** COMPLETELY DELETED *** NATIONAL BANK OF CANADA		
		REMARKS: RE: YR506824				
YR933100	2007/01/05	CHARGE		*** COMPLETELY DELETED *** ANDREWS, MARIA	SCOTIA MORTGAGE CORPORATION	
YR981992	2007/05/07	CHARGE		*** COMPLETELY DELETED *** ANDREWS, MARIA	CANADIAN IMPERIAL BANK OF COMMERCE	
YR1032093	2007/09/07	DISCH OF CHARGE		*** COMPLETELY DELETED *** SCOTIA MORTGAGE CORPORATION		
		REMARKS: RE: YR933100				
YR1042387	2007/08/24	DECLARATION CONDO	\$70	YORK REGION VACANT LAND CONDOMINIUM CORPORATION NO. 999		C
		REMARKS: AMENDMENT TO YR325496				

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NOTE: ENSURE THAT YOUR PRINTOUT STATES THE TOTAL NUMBER OF PAGES AND THAT YOU HAVE PICKED THEM ALL UP.

REG. NUM.	DATE	INSTRUMENT TYPE	AMOUNT	PARTIES FROM	PARTIES TO	CERT/CHKD
CORRECTIONS: 'AMOUNT' CHANGED FROM '\$ 0.00' TO '\$ 70.00' ON 2007/08/27 BY THERESA MALLORY.						
YR1677300	2011/07/12	TRANSFER	\$975,000	ANDREWS, MARIA	DAVIES, JUDITH LENORE DAVIES, JOHN EVAN	C
YR1677301	2011/07/12	CHARGE		*** COMPLETELY DELETED *** DAVIES, JUDITH LENORE DAVIES, JOHN EVAN	MOSKOWITZ CAPITAL MORTGAGE FUND II INC.	
YR1677302	2011/07/12	NO ASSGN-RENS-GEN		*** COMPLETELY DELETED *** DAVIES, JUDITH LENORE DAVIES, JOHN EVAN	MOSKOWITZ CAPITAL MORTGAGE FUND II INC.	
REMARKS: YR1677301.						
YR1689305	2011/08/03	DISCH-OF-CHARGE		*** COMPLETELY DELETED *** CANADIAN IMPERIAL BANK OF COMMERCE		
REMARKS: YR881005.						
YR2235381	2014/12/19	CHARGE	\$1,950,000	DAVIES, JOHN EVAN DAVIES, JUDITH LENORE	MOSKOWITZ CAPITAL MORTGAGE FUND II INC.	C
YR2248662	2015/01/28	LIEN		HER MAJESTY THE QUEEN IN RIGHT OF CANADA AS REPRESENTED BY THE MINISTER OF NATIONAL REVENUE		C
REMARKS: TAX LIEN						
YR2250162	2015/02/24	DISCH-OF-CHARGE		*** COMPLETELY DELETED *** MOSKOWITZ CAPITAL MORTGAGE FUND II INC.		
REMARKS: YR1677301.						
YR2260095	2015/02/26	CHARGE		*** COMPLETELY DELETED *** DAVIES, JOHN EVAN DAVIES, JUDITH LENORE	GENERALS HOCKEY INC. GENERALS HOCKEY HOLDINGS INC. OSHAWA JUNIOR HAWK HOCKEY CLUB LIMITED	
YR2260106	2015/02/26	LIEN	\$204,364	HER MAJESTY THE QUEEN IN RIGHT OF CANADA AS REPRESENTED BY THE MINISTER OF NATIONAL REVENUE		C
YR2434082	2016/02/23	LIEN	\$28,673	HER MAJESTY THE QUEEN IN RIGHT OF CANADA AS REPRESENTED BY THE MINISTER OF NATIONAL REVENUE		C
REMARKS: INCOME TAX						
YR2590860	2016/12/05	LIEN	\$145,898	HER MAJESTY THE QUEEN IN RIGHT OF CANADA AS REPRESENTED BY THE MINISTER OF NATIONAL REVENUE		C

NOTE: ADJOINING PROPERTIES SHOULD BE INVESTIGATED TO ASCERTAIN DESCRIPTIVE INCONSISTENCIES, IF ANY, WITH DESCRIPTION REPRESENTED FOR THIS PROPERTY.
NOTE: ENSURE THAT YOUR PRINTOUT STATES THE TOTAL NUMBER OF PAGES AND THAT YOU HAVE PICKED THEM ALL UP.

REG. NUM.	DATE	INSTRUMENT TYPE	AMOUNT	PARTIES FROM	PARTIES TO	CERT/ CHKD
YR2657827	2017/04/25	DISCH-OF-CHARGE		*** COMPLETELY DELETED *** GENERALS HOCKEY INC. GENERALS HOCKEY HOLDINGS INC. OSHAWA JUNIOR "A" HOCKEY CLUB LIMITED		
REMARKS: YR2660075.						

NOTE: ADJOINING PROPERTIES SHOULD BE INVESTIGATED TO ASCERTAIN DESCRIPTIVE INCONSISTENCIES, IF ANY, WITH DESCRIPTION REPRESENTED FOR THIS PROPERTY.
 NOTE: ENSURE THAT YOUR PRINTOUT STATES THE TOTAL NUMBER OF PAGES AND THAT YOU HAVE PICKED THEM ALL UP.

Appendix “U”



**Third Report of
KSV Kofman Inc.
as Receiver and Manager of Certain Property
of Scollard Development Corporation, Memory
Care Investments (Kitchener) Ltd., Memory
Care Investments (Oakville) Ltd., 1703858
Ontario Inc., Legacy Lane Investments Ltd.,
Textbook (525 Princess Street) Inc. and
Textbook (555 Princess Street) Inc.**

May 16, 2017

Contents		Page
1.0	Introduction.....	1
1.1	Restrictions.....	2
2.0	Rideau Property	3
2.1	Purchase of the Property	3
2.2	Other Payments to Rideau	4
3.0	Conclusion.....	6

Appendices

Appendix	Tab
Corporate Profile Reports.....	A
Title Search Ottawa Property	B
555 Princess, Kitchener and Ross Park Bank Statements and Cancelled Cheques	C
Companies' Bank Statements and Cancelled Cheques	D
445 Princess, Bronson and Ross Park Bank Statements and Cancelled Cheques	E
Loan Agreements.....	F



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

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

IN THE MATTER OF THE RECEIVERSHIP OF SCOLLARD DEVELOPMENT CORPORATION, MEMORY CARE INVESTMENTS (KITCHENER) LTD., MEMORY CARE INVESTMENTS (OAKVILLE) LTD., 1703858 ONTARIO INC., LEGACY LANE INVESTMENTS LTD., TEXTBOOK (525 PRINCESS STREET) INC. AND TEXTBOOK (555 PRINCESS STREET) INC.

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

**THIRD REPORT OF
KSV KOFMAN INC.
AS RECEIVER AND MANAGER**

MAY 16, 2017

1.0 Introduction

1. This report ("Report") is filed by KSV Kofman Inc. ("KSV") as receiver and manager of the real property ("Real Property") registered on title as being owned by Scollard Development Corporation ("Scollard"), Memory Care Investments (Kitchener) Ltd. ("Kitchener"), Memory Care Investments (Oakville) Ltd. ("Oakville"), 1703858 Ontario Inc. ("Burlington"), Legacy Lane Investments Ltd. ("Legacy Lane"), Textbook (525 Princess Street) Inc. ("525 Princess") and Textbook (555 Princess Street) Inc. ("555 Princess") (each of the foregoing a "Company", and collectively the "Companies"), and of all of the assets, undertakings and properties of the Companies acquired for or used in relation to the Real Property (together with the Real Property, the "Property").

2. Pursuant to an order of the Ontario Superior Court of Justice (“Court”) dated October 27, 2016, Grant Thornton Ltd. was appointed Trustee (“Trustee”) of eleven entities¹ (collectively, the “Trustee Corporations”) which raised monies from investors through syndicated mortgage investments. The Trustee Corporations then advanced these monies on a secured basis pursuant to loan agreements between the Trustee Corporation and the applicable Davies Developer (as defined below).
3. On January 21, 2017, the Trustee brought a motion for an order (“Receivership Order”) appointing KSV as receiver and manager (“Receiver”) of the property owned by Scollard. On February 2, 2017, the Court made the Receivership Order.
4. On April 18, 2017, the Trustee brought a motion, *inter alia*, seeking orders:
 - a) amending and restating the Receivership Order to include the real property registered on title as being owned by Kitchener, Oakville, Burlington, Legacy Lane, 525 Princess and 555 Princess, as well as all of the assets, undertakings and properties of these entities acquired for or used in relation to their real property (the “Amended and Restated Receivership Order”); and
 - b) compelling John Davies and the eleven mortgagors to the Trustee Corporations for which John Davies is a principal (collectively, the “Davies Developers” and each a “Davies Developer”) to immediately deliver to the Trustee all bank statements for the Davies Developers (the “Production Order”). The Trustee has provided the Receiver with copies of the documents produced to the Trustee pursuant to the Production Order.
5. On April 28, 2017, the Court made the Amended and Restated Receivership Order and the Production Order. The Amended and Restated Receivership Order was further amended and restated by a Court order made on May 2, 2017 to rectify certain clerical errors.

1.1 Restrictions

1. In preparing this Report, the Receiver has reviewed the following information:
 - a) unaudited financial information of the Companies, including financial statements;
 - b) accounting records and bank statements for Scollard, Kitchener, Oakville, Burlington, Legacy Lane, 525 Princess, 555 Princess, which were provided to the Receiver by management of the Companies; and

¹ Textbook Student Suites (525 Princess Street) Trustee Corporation, Textbook Student Suites (555 Princess Street) Trustee Corporation, Textbook Student Suites (Ross Park) Trustee Corporation, 2223947 Ontario Limited, MC Trustee (Kitchener) Ltd., 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

- c) bank statements for Textbook Ross Park Inc. ("Ross Park"), Textbook (445 Princess Street) Inc. ("445 Princess") and Textbook (774 Bronson Avenue) Inc. ("Bronson")², which were provided by management of the Davies Developers to the Trustee pursuant to the Production Order, and which were provided subsequently by the Trustee to the Receiver.
2. The Receiver has not performed an audit of the foregoing information. The financial information discussed herein is preliminary and remains subject to further review. The Receiver is only partially through its review of the information noted above. The Receiver expresses no opinion or other form of assurance with respect to the financial information presented in this Report.
3. The Receiver does not have access to the books and records of Rideau.
4. The Receiver has not discussed or corresponded with John Davies or Walter Thompson regarding this Report, including in respect of its findings.

2.0 Rideau Property

1. Textbook (256 Rideau Street) Inc. ("Rideau") is neither subject to these receivership proceedings nor is it a Davies Developer.
2. Rideau is the registered owner of real properties municipally described as 256 Rideau Street, Ottawa and 211 Besserer Street, Ottawa (jointly, the "Ottawa Property").
3. The officers and directors of Rideau are John Davies and Walter Thompson, who are also the sole officers and directors of 525 Princess, 555 Princess, 445 Princess, Bronson and Ross Park. John Davies is the sole officer and director of Kitchener, Burlington, Oakville, Scollard and Legacy Lane. Corporate profile reports for each of these entities are provided in Appendix "A".
4. As the Receiver has not been able to review the books and records of Rideau, the Receiver does not have knowledge of the ownership structure of Rideau.

2.1 Purchase of the Property

1. According to title searches, the Ottawa Property was purchased by Rideau for \$11 million on or around November 6, 2015. Kingsett Mortgage Corporation has two mortgages totalling \$8.25 million registered on title to the Ottawa Property. The mortgages were registered on title on November 6, 2015. Copies of the title searches for the Ottawa Property are collectively attached as Appendix "B".

² None of these entities is subject to the receivership proceedings.

2. The Receiver is performing a review of the receipts and disbursements for each of the Companies. In performing this exercise, the Receiver identified that on October 27, 2015, shortly prior to Rideau's acquisition of the Ottawa Property, 555 Princess transferred \$1.39 million to Rideau, and Kitchener transferred \$111,000 to Rideau, both by way of cheque.³
3. In addition, the Trustee has advised the Receiver that on October 27, 2015, Ross Park⁴ transferred \$1.25 million to Rideau by way of cheque. The Receiver has reviewed the Ross Park bank statements and cancelled cheque and has confirmed this payment.
4. In all cases, the cheques were signed by John Davies. A copy of the relevant bank statements and cancelled cheques for 555 Princess, Kitchener and Ross Park are provided in Appendix "C".
5. As the Receiver has not been able to review the books and records of Rideau, the Receiver cannot know with certainty the use of the funds which were transferred to Rideau on October 27, 2015. As is described below, however, the timing and amount of the transfer causes the Receiver to suspect that the funds transferred to Rideau were used to help finance the acquisition of the Ottawa Property.

2.2 Other Payments to Rideau

1. The Receiver has also identified that \$61,200 was transferred to Rideau by 555 Princess, 525 Princess and Burlington subsequent to Rideau's acquisition of the Ottawa Property, as follows:

(unaudited; \$)	
Date of Payment	Amount
<i>555 Princess</i>	
December 17, 2015	36,000
May 31, 2016	7,000
	43,000
<i>525 Princess</i>	
June 20, 2016	16,000
<i>Burlington</i>	
November 5, 2015 ⁵	2,200
Total	61,200

³ These transfers (and the subsequent transfers by certain of the Companies referred to below) were recorded in the applicable Companies' general ledger as "loans" to Textbook Student Suites Inc. or Textbook Suites Inc. (or just "Textbook" in the case of Kitchener), notwithstanding that the funds appear to have been transferred from the applicable entity directly to Rideau.

⁴ Ross Park is not subject to these receivership proceedings, as noted above.

⁵ Payment made on the date the Ottawa Property was purchased. This payment is reflected in Burlington's bank statement as an "online banking payment". No details are provided in the bank statement regarding the recipient. Burlington's general ledger reflects that this payment was made to Rideau.

2. Copies of the relevant bank statements and cancelled cheques for each of the payments in the table above are provided in Appendix "D".
3. The Trustee has advised the Receiver that \$839,700 was transferred to Rideau by 445 Princess, Bronson and Ross Park subsequent to the acquisition of the Ottawa Property, as follows:

(unaudited; \$)	
Date of Payment	Amount
<i>445 Princess</i>	
July 27, 2016	35,000
August 3, 2016	37,000
August 4, 2016	5,000
August 16, 2016	33,000
August 25, 2016	370,000
August 26, 2016	60,000
September 1, 2016	3,000
September 7, 2016	21,000
September 15, 2016	2,600
September 22, 2016	2,000
September 29, 2016	61,000
September 30, 2016	8,000
October 12, 2016	2,300
October 12, 2016	30,000
October 28, 2016	61,000
November 3, 2016	33,000
December 13, 2016	2,600
	766,500
<i>Bronson</i>	
April 1, 2016	30,000
April 29, 2016	25,000
May 2, 2016	1,200
	56,200
<i>Ross Park</i>	
February 29, 2016	17,000
	17,000
Total	839,700

4. The Receiver has reviewed the bank statements and cancelled cheques in respect of the foregoing. Copies of the relevant bank statements and cancelled cheques for the payments in the table above are provided in Appendix "E".

5. Pursuant to Section 7.02 (g) of the loan agreements referred to above entered into by the Companies, 445 Princess, Bronson and Ross Park with the various Trustee Corporations in connection with the syndicated mortgage investments (the "Loan Agreements"), the Companies, 445 Princess, Bronson and Ross Park each covenanted not to use the loan proceeds from the Trustee Corporations for any purpose other than the development and construction of such entity's respective real estate project, with certain limited carve-outs⁶ provided in certain of the Loan Agreements. One such carve-out is "for the purposes of earning interest income on funds which are not immediately required to be expended by the Borrower." The Receiver has reviewed the income statements provided to it by the relevant Companies, and notes that there has been no interest received or accrued with respect to the transfers to Rideau. The Receiver has also not seen any other document or information to suggest interest was payable on such transfers. Copies of each of the Loan Agreements are provided in Appendix "F".
6. The Receiver has not corresponded or discussed with John Davies or Walter Thompson the purpose of the above transfers; Mr. Davies could potentially provide an explanation for such transfers. However, the Receiver can think of no commercial or legitimate purpose for the transfers in violation of the covenants.
7. In discussions with a realtor on May 10, 2017 in connection with the Receiver's intention to market the Real Property, the realtor advised the Receiver that it had recently been contacted in respect of a potential engagement to sell the Ottawa Property.
8. Based on the information presented in this Report, and after discussions with counsel, the Receiver believes it and the Trustee have a proprietary interest in the Ottawa Property, and the Receiver is commencing an action against Rideau to assert its proprietary interest in the Ottawa Property and seek certificates of pending litigation and related relief.

3.0 Conclusion

1. In order to take steps to protect the interests of the Receiver, 555 Princess, Kitchener and the other entities noted herein that advanced funds to Rideau in contravention of the express provisions of the Loan Agreements, the Receiver believes that it is appropriate that the Court issue an order authorizing the Receiver to file certificates of pending litigation on title to the Ottawa Property. Such relief is particularly important and time sensitive given the Receiver's understanding that the Ottawa Property is being (or is about to be) marketed for sale.

⁶ In addition to the carve-out set out above, Section 7.02 (g) of certain of the Loan Agreements provide an additional carve-out for any other use specified in the Loan Agreements. The Receiver and its counsel have reviewed each of the Loan Agreements and does not believe the transfers are permitted by any other sections of the Loan Agreements.

* * *

All of which is respectfully submitted,

KSV Kofman Inc

KSV KOFMAN INC.

**SOLELY IN ITS CAPACITY AS RECEIVER AND MANAGER OF
CERTAIN PROPERTY OF SCOLLARD DEVELOPMENT CORPORATION, MEMORY CARE
INVESTMENTS (KITCHENER) LTD., MEMORY CARE INVESTMENTS (OAKVILLE) LTD.,
1703858 ONTARIO INC., LEGACY LANE INVESTMENTS LTD., TEXTBOOK (525 PRINCESS
STREET) INC. AND TEXTBOOK (555 PRINCESS STREET) INC.
AND NOT IN ITS PERSONAL OR IN ANY OTHER CAPACITY**

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

THE HONOURABLE) WEDNESDAY, THE 17th
MR. JUSTICE MYERS) DAY OF MAY, 2017
)

BETWEEN:

**KSV KOFMAN INC. IN ITS CAPACITY AS RECEIVER AND MANAGER
OF CERTAIN PROPERTY OF SCOLLARD DEVELOPMENT
CORPORATION, MEMORY CARE INVESTMENTS (KITCHENER)
LTD., MEMORY CARE INVESTMENTS (OAKVILLE) LTD., 1703858
ONTARIO INC., LEGACY LANE INVESTMENTS LTD., TEXTBOOK
(525 PRINCESS STREET) INC. AND TEXTBOOK (555 PRINCESS
STREET) INC.**

Plaintiff

- and -

TEXTBOOK (256 RIDEAU STREET) INC.

Defendant



**ORDER
(Certificates of Pending Litigation)**

THIS MOTION, made without notice by the plaintiff, KSV Kofman Inc. ("KSV") solely in its capacity as Receiver and Manager of certain property of Scollard Development Corporation, Memory Care Investments (Kitchener) Ltd., Memory Care Investments (Oakville) Ltd., 1703858 Ontario Inc., Legacy Lane Investments Ltd., Textbook (525 Princess Street) Inc. and Textbook (555 Princess Street) Inc. and not in its personal capacity or in any other capacity, pursuant to section 103 of the *Courts of Justice Act* and Rule 42 of the *Rules of Civil Procedure*, for certificates of pending litigation and related relief, was heard this day.

ON READING the materials filed by the plaintiff, including the Notice of Motion, the third report of KSV dated May 16, 2017 and the appendices thereto, the factum, and the brief of authorities of the plaintiff,

1. **THIS COURT ORDERS** that the Registrar shall issue Certificates of Pending Litigation on and as against title to:

(a) the real property municipally described as 256 Rideau Street, Ottawa, Ontario, which is legally described under PIN 04210-0004 (LT) as LT 7, PL 6, S OF RIDEAU ST, S/T & T/W CR180805; OTTAWA; and

(b) the real property municipally described as 211 Besserer Street, Ottawa, Ontario, which is legally described under PIN 04210-0009 (LT) as PCL 7-1, SEC 6; LT 7, PL 6, PART 1 - 3, 4R919, N OF BESSERER; OTTAWA;

2. **THIS COURT FURTHER ORDERS** that the plaintiff is hereby granted leave to register this Order and the Certificates of Pending Litigation against title to the properties described in paragraph 1 above.

3. **THIS COURT FURTHER ORDERS** that this Order shall remain in full force and effect until further Order of this Court. In the event the defendant brings a motion to remove the Certificates of Pending Litigation, it may move for such relief on not less than seven days' notice to the plaintiff.

ENTERED AT / INSCRIT À TORONTO
ON / BOOK NO:
LE / DANS LE REGISTRE NO:

MAY 17 2017

PER / PAR:


A. Anissimova
Registrar

**KSV KOFMAN INC. in its capacity as Receiver and Manager of
Certain Property of Scollard Development Corporation, et al.**
Plaintiff

TEXTBOOK (256 RIDEAU STREET) INC.

Defendant

Court File No: CV-17-11805-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

PROCEEDING COMMENCED AT
TORONTO

**ORDER
(Certificates of Pending Litigation)**

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Facsimile: (416) 863-1716

Lawyers for the Plaintiff

Appendix “V”

Legacy Lane Investments Ltd.

DIRECTORS' REGISTER

Name of Director	Date Elected	Date Resigned
JOHN EVAN DAVIES 24 Country Club Drive King City, Ontario L7B 1M5	Sep 21, 2012	
BRUCE W. STEWART	Sep 21, 2012	Mar 6, 2014

Legacy Lane Investments Ltd.

OFFICERS' REGISTER

Name of Officer	Office Held	Date Elected	Date Resigned
BRUCE W. STEWART	President	Sep 21, 2012	Mar 6, 2014
JOHN EVAN DAVIES 24 Country Club Drive King City, Ontario L7B 1M5	Secretary	Sep 21, 2012	
JOHN EVAN DAVIES 24 Country Club Drive King City, Ontario L7B 1M5	Treasurer	Sep 21, 2012	

Legacy Lane Investments Ltd.

SHAREHOLDERS' REGISTER

Date	Name	No. of Shares	Class Of Shares Held
Sep 21, 2012	R. Alan Harris	100	Class B
Sep 21, 2012	Aeolian Investments Ltd.	100	Class B
Mar 6, 2014	Aeolian Investments Ltd.	50	Class B
Mar 6, 2014	R. Alan Harris	50	Class B

Memory Care Investments (Kitchener) Ltd.

DIRECTORS' REGISTER

Name of Director	Date Elected	Date Resigned
JOHN EVAN DAVIES 24 Country Club Drive King City, Ontario L7B 1M5	May 9, 2013	

Memory Care Investments (Kitchener) Ltd.

OFFICERS' REGISTER

Name of Officer	Office Held	Date Elected	Date Resigned
BRUCE W. STEWART	President	May 9, 2013	Mar 6, 2014
JOHN EVAN DAVIES 24 Country Club Drive King City, Ontario L7B 1M5	Secretary	May 9, 2013	
JOHN EVAN DAVIES 24 Country Club Drive King City, Ontario L7B 1M5	Vice President	May 9, 2013	

Memory Care Investments (Burlington) Ltd.

DIRECTORS' REGISTER

Name of Director	Date Elected	Date Resigned
JOHN EVAN DAVIES 24 Country Club Drive King City, Ontario L7B 1M5	Dec 14, 2012	

Memory Care Investments (Oakville) Ltd.

OFFICERS' REGISTER

Name of Officer	Office Held	Date Elected	Date Resigned
JOHN EVAN DAVIES 24 Country Club Drive King City, Ontario L7B 1M5	President	Jun 5, 2012	
JOHN EVAN DAVIES 24 Country Club Drive King City, Ontario L7B 1M5	Secretary	Jun 5, 2012	
BRUCE W. STEWART	Vice President	Dec 19, 2012	Mar 6, 2014

Memory Care Investments (Oakville) Ltd.

SHAREHOLDERS' REGISTER

Date	Name	No. of Shares	Class Of Shares Held
Dec 21, 2015	Memory Care Investments Ltd.	1,000,000.00	Class B
Feb 16, 2016	Canada Opulence Investment Inc.	16,666.67	Class A Preference
Feb 16, 2016	Ledream International Inc.	25,000.00	Class A Preference
Feb 16, 2016	Agile International Inc.	16,666.67	Class A Preference
Feb 16, 2016	2463322 Ontario Inc.	16,666.67	Class A Preference
Feb 16, 2016	Jin Zhou	8,333.33	Class A Preference

Appendix “W”



LAND
REGISTRY
OFFICE #35

PARCEL REGISTER (ABBREVIATED) FOR PROPERTY IDENTIFIER

48175-1004 (LT)

PAGE 1 OF 3
PREPARED FOR Samantha
ON 2017/05/10 AT 16:26:04

* CERTIFIED IN ACCORDANCE WITH THE LAND TITLES ACT * SUBJECT TO RESERVATIONS IN CROWN GRANT *

PROPERTY DESCRIPTION: PT LT 26 CON 6 MUSKOKA AS IN DM205349 ; EXCEPT THE EASEMENT THEREIN ; GRAVENHURST ; THE DISTRICT MUNICIPALITY OF MUSKOKA

PROPERTY REMARKS: PLANNING ACT CONSENT INST DM64196.

ESTATE/QUALIFIER: RECENTLY:
FEE SIMPLE RE-ENTRY FROM 48175-0686
LT CONVERSION QUALIFIED

PIN CREATION DATE:
2006/04/03

OWNERS' NAMES CAPACITY SHARE
D.C.L. GLOBAL INCORPORATED ROWN

REG. NUM.	DATE	INSTRUMENT TYPE	AMOUNT	PARTIES FROM	PARTIES TO	CERT/CHKD
** PRINTOUT INCLUDES ALL DOCUMENT TYPES AND DELETED INSTRUMENTS SINCE 2006/04/03 **						
**SUBJECT, ON FIRST REGISTRATION UNDER THE LAND TITLES ACT, TO						
** SUBSECTION 4(1) OF THE LAND TITLES ACT, EXCEPT PARAGRAPH 11, PARAGRAPH 14, PROVINCIAL SUCCESSION DUTIES * AND ESCHEATS OR FORFEITURE TO THE CROWN.						
** THE RIGHTS OF ANY PERSON WHO WOULD, BUT FOR THE LAND TITLES ACT, BE ENTITLED TO THE LAND OR ANY PART OF IT THROUGH LENGTH OF ADVERSE POSSESSION, PRESCRIPTION, MISDESCRIPTION OR BOUNDARIES SETTLED BY CONVENTION.						
** ANY LEASE TO WHICH THE SUBSECTION 70(2) OF THE REGISTRY ACT APPLIES.						
**DATE OF CONVERSION TO LAND TITLES: 2006/04/03 **						
DM56065	1966/10/04	BYLAW				C
REMARKS: AFFECTS ALL/PART VARIOUS LANDS (REMARK ADDED 2008/12/18 BY MARY CHASSIE, ADLR						
RD417	1968/03/15	PLAN REFERENCE				C
35R9265	1983/11/28	PLAN REFERENCE				C
DM205349	1987/03/02	TRANSFER		*** COMPLETELY DELETED ***	ISON, GWENDOLYN	
MT52413	2008/07/09	TRANSMISSION-LAND		*** COMPLETELY DELETED *** ISON, GWENDOLYN	ISON, MORTON ISON, GWENDOLYN - ESTATE	
MT52674	2008/07/14	TRANS PERSONAL REP		*** COMPLETELY DELETED *** ISON, MORTON	DAVIES, JOHN EVAN	
REMARKS: PLANNING ACT STATEMENTS						
MT52675	2008/07/14	CHARGE	\$900,000	DAVIES, JOHN EVAN	THE TORONTO-DOMINION BANK	C

NOTE: ADJOINING PROPERTIES SHOULD BE INVESTIGATED TO ASCERTAIN DESCRIPTIVE INCONSISTENCIES, IF ANY, WITH DESCRIPTION REPRESENTED FOR THIS PROPERTY.
NOTE: ENSURE THAT YOUR PRINTOUT STATES THE TOTAL NUMBER OF PAGES AND THAT YOU HAVE PICKED THEM ALL UP.

REG. NUM.	DATE	INSTRUMENT TYPE	AMOUNT	PARTIES FROM	PARTIES TO	CERT/CHKD
MT67279	2009/06/10	CHARGE		*** COMPLETELY DELETED *** DAVIES, JOHN EVAN	MOSKOWITZ CAPITAL MORTGAGE FUND II INC.	
MT67280	2009/06/10	NO ASSGN RENT GEN		*** COMPLETELY DELETED *** DAVIES, JOHN EVAN	MOSKOWITZ CAPITAL MORTGAGE FUND II INC.	
		REMARKS: RE: MT67279				
MT68260	2009/06/30	CHARGE		*** COMPLETELY DELETED *** DAVIES, JOHN EVAN	MOSKOWITZ CAPITAL MORTGAGE FUND II INC.	
MT68261	2009/06/30	NO ASSGN RENT GEN		*** COMPLETELY DELETED *** DAVIES, JOHN EVAN	MOSKOWITZ CAPITAL MORTGAGE FUND II INC.	
MT99637	2011/07/12	CHARGE		*** COMPLETELY DELETED *** DAVIES, JOHN EVAN	MOSKOWITZ CAPITAL MORTGAGE FUND II INC.	
MT99638	2011/07/12	DISCH OF CHARGE		*** COMPLETELY DELETED *** MOSKOWITZ CAPITAL MORTGAGE FUND II INC.		
		REMARKS: MT67279.				
MT106510	2011/12/09	NOTICE		*** COMPLETELY DELETED *** ROYAL LEPAGE YOUR COMMUNITY REALTY INC.		
MT147132	2014/12/10	DISCHARGE INTEREST		*** COMPLETELY DELETED *** ROYAL LEPAGE YOUR COMMUNITY REALTY INC.		
		REMARKS: MT106510.				
MT147640	2014/12/19	CHARGE		*** COMPLETELY DELETED *** DAVIES, JOHN EVAN	MOSKOWITZ CAPITAL MORTGAGE FUND II INC.	
MT149480	2015/02/24	DISCH OF CHARGE		*** COMPLETELY DELETED *** MOSKOWITZ CAPITAL MORTGAGE FUND II INC.		
		REMARKS: MT68260.				
MT149481	2015/02/24	DISCH OF CHARGE		*** COMPLETELY DELETED *** MOSKOWITZ CAPITAL MORTGAGE FUND II INC.		
		REMARKS: MT99637.				
MT149529	2015/02/26	CHARGE		*** COMPLETELY DELETED *** DAVIES, JOHN EVAN	GENERALS HOCKEY INC. GENERALS HOCKEY HOLDINGS INC. OSHAWA JUNIOR "A" HOCKEY CLUB LIMITED	

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PARCEL REGISTER (ABBREVIATED) FOR PROPERTY IDENTIFIER

48175-1004 (LT)

PAGE 3 OF 3
PREPARED FOR Samantha
ON 2017/05/10 AT 16:26:04

* CERTIFIED IN ACCORDANCE WITH THE LAND TITLES ACT * SUBJECT TO RESERVATIONS IN CROWN GRANT *

REG. NUM.	DATE	INSTRUMENT TYPE	AMOUNT	PARTIES FROM	PARTIES TO	CBRT/ CHKD
MT177399	2016/12/08	LIEN		*** COMPLETELY DELETED *** HER MAJESTY THE QUEEN IN RIGHT OF CANADA AS REPRESENTED BY THE MINISTER OF NATIONAL REVENUE		
		REMARKS: TAX LIEN				
MT181875	2017/04/25	DISCH OF CHARGE		*** COMPLETELY DELETED *** MOSKOWITZ CAPITAL MORTGAGE FUND II INC.		
		REMARKS: MT147640.				
MT181876	2017/04/25	DISCH OF CHARGE		*** COMPLETELY DELETED *** GENERALS HOCKEY INC. GENERALS HOCKEY HOLDINGS INC. OSHAWA JUNIOR "A" HOCKEY CLUB LIMITED		
		REMARKS: MT149529.				
MT181877	2017/04/25	DISCHARGE INTEREST		*** COMPLETELY DELETED *** HER MAJESTY THE QUEEN IN RIGHT OF CANADA AS REPRESENTED BY THE MINISTER OF NATIONAL REVENUE		
		REMARKS: MT177399.				
MT181878	2017/04/25	TRANSFER	\$3,000,000	DAVIES, JOHN EVAN	D.C.L. GLOBAL INCORPORATED	C
		REMARKS: PLANNING ACT STATEMENTS.				

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NOTE: ENSURE THAT YOUR PRINTOUT STATES THE TOTAL NUMBER OF PAGES AND THAT YOU HAVE PICKED THEM ALL UP.

TAB 3

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

THE HONOURABLE) FRIDAY, THE 16th
JUSTICE MYERS) DAY OF JUNE, 2017
)

IN THE MATTER OF THE RECEIVERSHIP OF SCOLLARD DEVELOPMENT CORPORATION, MEMORY CARE INVESTMENTS (KITCHENER) LTD., MEMORY CARE INVESTMENTS (OAKVILLE) LTD., 1703858 ONTARIO INC., LEGACY LANE INVESTMENTS LTD., TEXTBOOK (525 PRINCESS STREET) INC. AND TEXTBOOK (555 PRINCESS STREET) INC.

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

PRODUCTION ORDER

THIS MOTION, made by KSV Kofman Inc. (the “**Receiver**”), in its capacity as receiver and manager of certain property of Scollard Development Corporation (“**Scollard**”), Memory Care Investments (Kitchener) Ltd. (“**Kitchener**”), Memory Care Investments (Oakville) Ltd. (“**Oakville**”), 1703858 Ontario Inc. (“**Burlington**”), Legacy Lane Investments Ltd. (“**Legacy Lane**”), Textbook (525 Princess Street) Inc. (“**525 Princess**”) and Textbook (555 Princess Street) Inc. (“**555 Princess**” and, together with Scollard, Kitchener, Oakville, Burlington, Legacy Lane and 525 Princess, the “**Receivership Companies**”), was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the Notice of Motion and the Receiver’s Fourth Report dated June 6, 2017, together with the appendices thereto,

AND UPON HEARING the submissions of counsel for the Receiver and those other counsel present,

1. **THIS COURT ORDERS** that the time for service of the Notice of Motion and the Motion Record is hereby abridged and validated so that this motion is properly returnable today and hereby dispenses with further service thereof.

2. **THIS COURT ORDERS** that Textbook Suites Inc. ("**TSI**"), Textbook Student Suites Inc. ("**TSSI**"), Memory Care Investments Ltd. ("**MCIL**") and Aeolian Investments Ltd. ("**Aeolian**") shall each forthwith produce, and provide the Receiver with, copies of any and all of their books, documents, contracts, corporate and accounting records, bank statements and any other papers, records and information of any kind relating to (i) the Receivership Companies and (ii) all disbursements made by the applicable company (collectively, the "**Books and Records**").

3. **THIS COURT ORDERS** that TSI's, TSSI's, MCIL's and Aeolian's authorized representatives shall, upon request by the Receiver, forthwith submit to examinations under oath following production and/or delivery of the Books and Records.

IN THE MATTER OF THE RECEIVERSHIP OF SCOLLARD DEVELOPMENT CORPORATION, MEMORY CARE INVESTMENTS (KITCHENER) LTD., MEMORY CARE INVESTMENTS (OAKVILLE) LTD., 1703858 ONTARIO INC., LEGACY LANE INVESTMENTS LTD., TEXTBOOK (525 PRINCESS STREET) INC. AND TEXTBOOK (555 PRINCESS STREET) INC.

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

Court File No.: CV-17-11689-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

PRODUCTION ORDER

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Counsel to the Receiver,
KSV Kofman Inc.

IN THE MATTER OF THE RECEIVERSHIP OF SCOLLARD DEVELOPMENT CORPORATION, MEMORY CARE INVESTMENTS (KITCHENER) LTD., MEMORY CARE INVESTMENTS (OAKVILLE) LTD., 1703858 ONTARIO INC., LEGACY LANE INVESTMENTS LTD., TEXTBOOK (525 PRINCESS STREET) INC. AND TEXTBOOK (555 PRINCESS STREET) INC.

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

Court File No. CV-17-11689-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

Proceeding commenced at Toronto

**FOURTH REPORT OF THE
RECEIVER**

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Lawyers for the Receiver,
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IN THE MATTER OF THE RECEIVERSHIP OF SCOLLARD DEVELOPMENT CORPORATION, MEMORY CARE INVESTMENTS (KITCHENER) LTD., MEMORY CARE INVESTMENTS (OAKVILLE) LTD., 1703858 ONTARIO INC., LEGACY LANE INVESTMENTS LTD., TEXTBOOK (525 PRINCESS STREET) INC. AND TEXTBOOK (555 PRINCESS STREET) INC.

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

Court File No. CV-17-11689-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

Proceeding commenced at Toronto

MOTION RECORD

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