

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

B E T W E E N:

CALLIDUS CAPITAL CORPORATION

Applicant

– and –

XCHANGE TECHNOLOGY GROUP LLC, IT XCHANGE FINANCIAL SERVICES LLC,
IT XCHANGE CORP., BLUERANGE TECHNOLOGY CORP.,
BLUERANGE TECHNOLOGY INC., PARTSTOCK COMPUTER LLC and
IT XCHANGE INC.

Respondents

SUPPLEMENTARY AFFIDAVIT OF JEFFREY MCFARLANE
(Sworn December 12, 2013)

I, **JEFFREY MCFARLANE**, of the City of Durham, in the State of North Carolina, in the United States of America, **MAKE OATH AND SAY**:

1. I am the founder of the debtor companies and the owner of the land and building located at 2590 Sheridan Garden Drive, Oakville, Ontario ("**Premises**"), which are currently occupied by the Receiver pursuant to the authority of the Receivership Order made in these proceedings. As such, I have personal knowledge of the matters set out below.
2. A copy of the lease for the Premises dated January 16, 2008 ("**Lease**") is attached hereto as **Exhibit "A"**.

3. The Premises are demisable into two separate areas: one is approximately 50,000 square feet, including warehouse space, multiple cubicles and several offices ("**Large Space**") and the other approximately 10,000 square feet, including warehouse space, two offices and twelve cubicles ("**Small Space**"). A floor plan showing the Small Space and Large Space is attached hereto as **Exhibit "B"**.
4. As I explained in my previous affidavit, sworn November 22, 2013, the Receiver has informed me of its intention to permit the purchaser, a company controlled by the Applicant, Callidus Capital Corporation ("**Callidus**"), to continue to occupy the Premises for an undefined period of time after the sale of the debtor companies' assets.
5. Also as explained in my previous affidavit, I require commercial facilities, including warehouse and office space, to house employees and to process and distribute inventory for a new business venture that I am involved in. For the short term, the Small Space would satisfy my requirements.
6. For its part, the Receiver and Callidus have confirmed that they do not require use of the whole Premises going forward. It is my understanding that the Receiver is not using the warehouse space in the Small Space at the current time and that there are employees located in two offices and a number of the twelve cubicles in the Small Space. I also understand that in the Large Space there are at least 22 open cubicles and two or three open offices. The employees working in the Small Space could be moved to the open cubicles/offices in the Large Space easily. This could be done in a few hours.
7. Given this state of affairs, it makes sense for the Receiver to move out of the Small Space so that I can operate my business, including processing and distributing my inventory from there. It would save me the cost and inconvenience of finding short-term warehouse space and it would reduce the occupation rent that the Receiver would have to pay.

8. Beginning on the eve of the motion to approve a vesting order on November 22, 2013, I have engaged in negotiations with the Receiver. This was the first time that the Receiver engaged in negotiations with me. Previously, it had attempted to unilaterally impose terms of its (and Callidus's) occupation of the Premises.
9. I made a series of "With Prejudice" offers to the Receiver in an attempt to find a solution that all parties could live with. A copy of my last offer, dated December 6, 2013, is attached hereto as **Exhibit "C"**.
10. At a high level , the key terms of my offer were as follows:
 - (a) the Receiver would vacate the Small Space by December 15, 2013 so that I could take possession of it as of December 16, 2013;
 - (b) the Receiver's rent would be reduced on a *pro rata* basis;
 - (c) the Receiver would pre-pay rent until February 15, 2014 (I understand that the Receiver intends to permit Callidus to occupy the Premises until at least this date); and
 - (d) after February 15, 2014 the Receiver could continue to occupy (or permit Callidus to occupy) the Premises on a month-to-month basis, providing it paid rent and abided by the terms of the Lease, and could terminate its occupancy on 30 days' notice.
11. Unfortunately, negotiations with the Receiver have broken down.
12. I am agreeable and have been working diligently towards finalizing arrangements with the Receiver and Callidus that would enable Callidus to continue occupying the Premises after the sale has closed (which I understand is scheduled to occur on December 20, 2013) on terms that are mutually beneficial to all parties.
13. I am not agreeable to a situation under which a new tenancy with Callidus is imposed upon me by the Receiver, for an indefinite duration, for space that includes space that Callidus does not require (and I do), and under terms

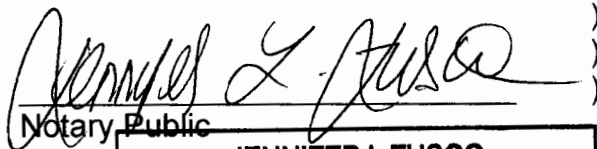
whereby Callidus is only bound by those portions of the Lease that it wants to comply with.

14. If the Receiver is allowed to permit Callidus to occupy the Premises after the sale has closed, I would ask the Court to set a date by which the Receiver and Callidus must vacate the Premises so that I can arrange my affairs accordingly. I would also ask the Court to confirm that the Receiver (and any party the Receiver allows to occupy the Premises) is bound by the terms of the Lease for as long as it is in occupation of the Premises, something the Receiver has thus far refused to do.

SWsORN BEFORE ME
in Wake County in the State of North
Carolina, this 12th day of December,
2013.

I, Jennifer L. Fusco a Notary Public for
said County and State do hereby
certify that Jeffrey McFarlane
personally appeared before me this
day and acknowledged the due
execution of the foregoing instrument.)

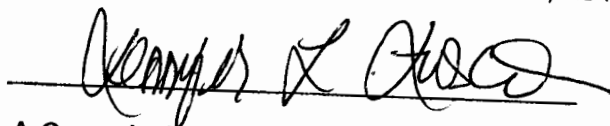
Witness my hand and official seal this)
12th day of December, 2013.)


Notary Public
JENNIFER L FUSCO
Notary Public
Wake County, NC
My Commission Expires Apr 11, 2016



JEFFREY MCFARLANE

This is **Exhibit "A"** referred to in the affidavit of Jeffrey McFarlane,
sworn before me this 12th day of December, 2013

A handwritten signature in black ink, appearing to read "Jennifer L. Fusco", written over a horizontal line.

A Commissioner for Taking Affidavits, etc.

JENNIFER L FUSCO Notary Public Wake County, NC My Commission Expires Apr 11, 2016
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LEASE

THIS LEASE made as of January 16, 2008

IN PURSUANCE OF THE SHORT FORMS OF LEASES ACT (ONTARIO).

B E T W E E N:

JEFF MCFARLANE

an individual residing in the Province of Ontario,

(the "Landlord")
OF THE FIRST PART

- and -

I.T. XCHANGE INC.,

a corporation incorporated pursuant to the laws of Ontario,

(the "Tenant")
OF THE SECOND PART

WITNESSETH that in consideration of the rents, covenants, obligations and agreements hereinafter reserved and contained and upon the terms and conditions hereinafter provided the parties hereto agree as follows:

ARTICLE 1 - DEFINITIONS

MEANING OF CERTAIN TERMS

1.1 In this Lease:

- (a) "Additional Rent" means any and all sums of money or charges required to be paid by the Tenant under this Lease (except Minimum Rent) whether or not the same are designated "Additional Rent" or whether or not the same are payable to the Landlord or otherwise;
- (b) "BOMA" means the American National Standard Method for measuring floor area in office buildings approved by the American Standards Institute, Inc. bearing serial number ANSI/BOMA-26s.1-1996;
- (c) "Building" means that building existing or being constructed by the Landlord upon the Land and of which the Demised Premises form a part;
- (d) "Commencement Date" means January 16, 2008;
- (e) "Demised Premises" means the premises comprising a gross rentable area of 60440 square feet which represents the entire rentable area of the Building;
- (f) "Hazardous Substance" means any solid, liquid, gas, odour, heat, sound, vibration, radiation or combination of any of them resulting directly or indirectly from the activities of the Tenant that may:
 - i) impair the quality of the natural environment;
 - ii) cause injury or damage to property or to plant or animal life; or
 - iii) cause harm, material discomfort or adversely affect the health or impair the safety of people.
- (g) "Land" means the land described on Schedule B attached hereto;

- (h) "Landlord's Work" means the work to be performed by the Landlord and described on Schedule D attached hereto;
- (i) "Lease Commencement Date" means the first day of the Term;
- (j) "Lease Year" means each successive 12 month period of the Term, the first Lease Year commencing on the Lease Commencement Date and terminating on January 15, 2009 with all remaining Lease Years commencing on January 16;
- (k) "Leasehold Improvements" means all fixtures (including all light fixtures), improvements, installations, alterations and additions from time to time made, constructed, erected or installed in or to the Demised Premises, including all partitions however affixed and all rugs, carpeting and floor coverings affixed in any way to the Demised Premises, lighting tracks, ballasts, furniture or equipment affixed to the Demised Premises, but excludes all other movable trade fixtures and furniture and equipment not affixed to the Demised Premises;
- (l) "Minimum Rent" means the rental referred to in Subsection 5.1;
- (m) "Mortgage" includes a mortgage, pledge, charge, hypothec, encumbrance or financing agreement and "Mortgagee" includes the holders of such mortgage;
- (n) "NSF Cheque" means any cheque delivered by the Tenant to the landlord for which there is an insufficient deposit of funds upon which the Landlord may draw and thereby receive payment in cash of the sum certain of money as set out on the said cheque;
- (o) "Operating Cost" means the total cost and expense incurred or accrued by the Landlord to discharge its obligations under this Lease and to operate, manage, maintain, repair, replace, service and insure the Building including the aggregate of all costs and expenses for:
 - i) insuring the Building and any other property for which the Landlord is legally liable from time to time in such manner and form with such companies and such coverage and in such amounts as the Landlord, or the Landlord's Mortgagee, from time to time determines;
 - ii) cleaning, snow removal, garbage and waste collection and disposal;
 - iii) lighting, electricity, gas, sign rental and public utilities;
 - iv) policing, security supervising and traffic control;
 - v) salaries of all personnel, including supervisory personnel, employed to carry out the maintenance and operation of the Building, including contributions and premiums toward fringe benefits, unemployment and workers' compensation insurance, pension plan contributions and similar premiums and contributions;
 - vi) audit or accounting fees incurred by the Landlord in the preparation of statements delivered or required to be delivered to the Tenant, if any;
 - vii) repairs and replacements to, and the maintenance and operation of, the Building, and the systems, facilities and equipment serving the Building, and rentals of machinery and equipment in connection therewith;
 - viii) gardening, landscaping, pest control, line painting and repaving;
 - ix) all Real Property Taxes, business and other taxes in respect of the Building other taxes, if any, from time to time payable by the Landlord with respect to the Building levied or assessed or allocated by the

Landlord against or to the Building or against the Landlord on account of its ownership thereof and the cost of all appeals relating to such taxes.

- (p) **"Prime Rate"** means the rate of interest from time to time set by the **Royal Bank of Canada** as its reference rate for Canadian dollar commercial loans made by it in Canada;
- (q) **"Real Property Taxes"** means all real estate taxes, general taxes, local improvement rates, school taxes, levies, rates, duties, assessments and charges from time to time imposed against the Building, structures and improvements by municipal or other governmental authorities having jurisdiction including the cost of all appeals of any assessment or levy made against the Building or any part thereof;
- (r) **"Rent"** includes all sums payable by the Tenant under this Lease;
- (s) **"Tenant's Work"** means the work to be performed by the Tenant and described on Schedule E attached hereto;
- (t) **"Term"** includes the term hereby demised in Section 4.1 and any renewal or extension thereof, or such shorter period as provided under this Lease.

CALCULATION OF AREAS

- 1.2 All measurements and calculations of areas hereunder, including but not limited to the Demised Premises, the Common Facilities, the Tenant's Proportionate Share and the Gross Rentable Area, shall be done in accordance with BOMA standards.

CERTIFICATES CONCLUSIVE

- 1.3 The certificate of the Landlord or of any architect or qualified land surveyor appointed by the Landlord as to the Gross Rentable Area of the Demised Premises or the Gross Rentable Area or size of any other area or areas and the certificate of the Landlord or any architect or engineer appointed by the Landlord as to any matter referred to in Article 12 hereof or any question relating to the completion of improvements or other work in the Demised Premises shall be conclusive and binding on the parties provided that the Landlord, architect and/or qualified land surveyor calculates such size or measurement in accordance with Section 1.2 hereof.

ARTICLE 2 - ALTERATIONS, SIGNS AND WORK

LANDLORD'S ALTERATIONS

- 2.1 The Landlord reserves the right at any time to make alterations or additions to the Building and to build additional buildings, remove all or any part of a building on the Land at any time throughout the Term.

TENANT'S ALTERATIONS, FIXTURES AND SIGNS

- 2.2 Tenant shall not make any alteration, addition, repair or improvement to the Demised Premises or Leasehold Improvements in or to the Demised Premises except with the prior written approval of the Landlord such approval not to be unreasonably withheld or delayed. The Tenant shall be permitted to erect signage, for its use, on the Building at Tenant's expense. (the design, colour and wording to be first approved by the Landlord) Any such signage shall remain the property of the Tenant. At the end of the Term the Tenant shall remove such signage and make good all damage caused by such installation and removal.

TENANT'S LIENS

- 2.3 The Tenant shall not suffer or permit any liens under the *Construction Lien Act* (Ontario), or other or similar liens or orders to be filed against the Demised Premises or the Building by reason of work, labour, services or materials supplied or claimed to have been supplied to the Tenant or anyone holding the Demised Premises or any part thereof through or under the Tenant.

LANDLORD'S WORK

- 2.4 The Landlord shall at its expense and risk complete or cause the completion of all items of the Landlord's Work as expeditiously as possible, in a proper and workmanlike manner and in compliance with all laws, regulations, rules and orders applicable thereto and, upon such completion, shall deliver the Leased Premises to the Tenant in a broom-swept condition.

TENANT'S WORK

- 2.5 The Tenant shall at its expense and risk complete or cause the completion of all items of the Tenant's Work as expeditiously as possible, in a proper and workmanlike manner and in compliance with all laws, regulations, rules and orders applicable thereto. The Tenant shall be permitted access to the Demised Premises during the Fixturing Period for the purposes of completing the Tenant's Work and Leasehold Improvements. The Tenant and the Landlord shall use their best efforts to co-operate during the Fixturing Period in the event they are required to conduct their respective construction work in the Demised Premises simultaneously.

ACCEPTANCE OF PREMISES

- 2.6 The Tenant acknowledges it has accepted the Demised Premises on an as-is basis, and is deemed to have examined the Demised Premises and confirmed that they were in good order and satisfactory condition as of the Commencement Date.

ARTICLE 3 - DEMISE

DEMISED PREMISES

- 3.1 The Landlord hereby demises and leases the Demised Premises to the Tenant and the Tenant hereby leases the Demised Premises from the Landlord, at the Rent and upon the terms and conditions contained in this Lease.

PARKING

- 3.2 Throughout the Term and any renewal thereof, the Tenant shall have the exclusive right to use one parking space per 1,000 square feet of rentable area, up to a maximum of 60 parking spaces, at no additional charge.

RULES AND REGULATIONS

- 3.3 The Landlord shall be entitled from time to time to make and to amend reasonable rules and regulations regarding the Building which do not prohibit the use of the Demised Premises for the purposes permitted in Section 8.1. The Tenant shall comply with such rules and regulations including the rules and regulations contained in Schedule E attached hereto and shall cause its officers, agents, servants, employees, contractors, customers, invitees, and licensees to comply with such rules and regulations.

ARTICLE 4 - ADDENDUM

TERM

- 4.1 TO HAVE AND TO HOLD the Demised Premises, subject to the provisions of this Lease, for and during the Term which shall be the period from and including the Commencement Date to and including January 16, 2008

ARTICLE 5 - RENT

MINIMUM RENT

- 5.1 The Tenant shall pay to the Landlord in lawful money of Canada, and without deduction, abatement or set-off an annual Minimum Rent for the Demised Premises as follows:
- (a) Lease Year 1 = \$8.00/square feet or \$483,528.00 in the twelve month period payable in equal monthly instalments of \$40,293.33 plus applicable GST;
 - (b) Lease Year 2 = \$13.00/square feet or \$785,720.00 per annum payable in equal monthly instalments of \$65,476.67 plus applicable GST,
 - (c) Lease Year 3 = \$12.60/square feet or \$761,544.00 per annum payable in equal monthly instalments of \$63,462.00 plus applicable GST
 - (d) Lease Year 4 = \$12.15/square feet or \$734,346.00 per annum payable in equal monthly instalments of \$61,195.50 plus applicable GST
 - (e) Lease Year 5 = \$11.70/square feet or \$707,148.00 per annum payable in equal monthly instalments of \$58,929.00 plus applicable GST
 - (f) Lease Year 6 = \$11.25/square feet or \$679,950.00 per annum payable in equal monthly instalments of \$56,662.50 plus applicable GST
 - (g) Lease Year 7 = \$10.80/square feet or \$652,752.00 per annum payable in equal monthly instalments of \$54,396.00 plus applicable GST
 - (h) Lease Year 8 = \$10.35/square feet or \$625,554.00 per annum payable in equal monthly instalments of \$52,129.50 plus applicable GST
 - (i) Lease Year 9 = \$9.90/square feet or \$598,356.00 per annum payable in equal monthly instalments of \$49,863.00 plus applicable GST
 - (j) Lease Year 10 = \$9.45/square feet or \$571,158.00 per annum payable in equal monthly instalments of \$47,596.50 plus applicable GST

on the sixteenth day of each and every calendar month of the Term during the Fixturing Period, the Tenant shall not be obligated to pay any Minimum Rent or Additional Rent.

ADDITIONAL RENT

- 5.2 The Tenant shall pay to the Landlord in lawful money of Canada, and without deduction, abatement or set-off further Rent for the Demised Premises equal to the aggregate of the following amounts:
- (a) all charges for heating, ventilating and air conditioning the Demised Premises including hot water tank rental charges, if any;
 - (b) all charges assessed and determined by the Landlord against the Demised Premises and the Tenant for water, gas, hydro, sewage, telephone and any other utilities supplied to the Demised Premises where such charges are not separately metered;
 - (c) the total Operating Costs;

- (d) the Real Property Taxes levied, charged or assessed against the Demised Premises as attributed to the Demised Premises by the Landlord, with such attribution being based upon the Demised Premises being assessed as a separate tax lot and the cost of all appeals relating to such assessments. Provided, however, that if the taxing authorities refuse to assess the Demised Premises as a separate tax lot, then the Tenant shall pay said taxes in accordance with Section 7.4 hereof;
- (e) all charges, taxes, rates, assessments and levies charged or assessed directly against the Demised Premises, the Tenant's Leasehold Improvements and the Tenant, and for water, gas, hydro, sewage, telephone and other utilities supplied to the Building;
- (f) all taxes and licence fees and similar charges on trade fixtures and equipment of the Tenant and all business taxes and rates; and

Notwithstanding anything to the contrary herein, as the sole tenant to occupy the Building and the Land, the Tenant shall arrange for and pay directly the costs and expenses incurred related to the Demised Premises listed below:

- (g) all charges for heating, ventilating and air conditioning the Demised Premises including hot water tank rental charges, if any;
- (h) all charges assessed against the Demised Premises and the Tenant for water, gas, hydro, sewage, telephone and any other utilities supplied to the Demised Premises where such charges are separately metered; and
- (i) all charges for cleaning, snow removal, garbage and waste collection and disposal, gardening and landscape maintenance and the general maintenance of the Building and the Land.

DETERMINATION AND PAYMENT

- 5.3 The Landlord shall be entitled to an administration fee equal to five percent (5%) of the Additional Rent, which shall be payable as Additional Rent for the Lease Year, only in the event that the Tenant fails to pay or delays to pay such cost directly to the applicable authority or third party. Such fee shall be payable in the same manner as Additional Rent is payable pursuant to the provisions of this Lease, and the Landlord shall have the same rights to collect the same as in respect of the collection of Additional Rent.

TAXES ON RENT

- 5.4 Notwithstanding any other provision of this Lease, the Tenant shall pay to the Landlord an amount equal to any and all goods and services taxes, sales taxes, value added taxes, business transfer taxes, or any other taxes imposed on the Landlord with respect to Rent or Additional Rent payable by the Tenant to the Landlord under this Lease, or in respect of the rental of space under this Lease, whether characterized as a goods and services tax, sales tax, value added tax, business transfer tax, or otherwise ("Sales Taxes"), it being the intention of the parties that the Landlord shall be fully reimbursed by the Tenant with respect to any and all Sales Taxes at the full tax rate applicable from time to time in respect of the Rent of the rental of space, without reference to any tax credits available to the Landlord. The amount of the Sales Taxes so payable by the Tenant shall be calculated by the Landlord in accordance with the applicable legislation and shall be paid to the Landlord at the same time as the amounts to which such Sales Taxes apply are payable to the Landlord under the terms of this Lease or upon demand at such other time or times as the Landlord from time to time determines. Notwithstanding any other provision of this Lease, the amount payable by the Tenant under this section shall be deemed not to be Minimum Rent or Additional Rent, but the Landlord shall have all of the same remedies for and rights of recovery of such amount as it has for recovery of Minimum Rent or Additional Rent under this Lease.

PAYMENT OF ADDITIONAL RENT

- 5.5 The amounts payable by the Tenant pursuant to this Lease as Additional Rent may be estimated by the Landlord for such period as the Landlord determines from time to time, and the Tenant agrees to pay to the Landlord such amounts in monthly instalments, in advance, during such period on the dates and at the times for payment of Minimum Rent provided for in this Lease. Notwithstanding the foregoing, as soon as bills for all or any portion of the said amounts so estimated are received, the Landlord may bill the Tenant for the total amount of Additional Rent owing by the Tenant (less all amounts previously paid by the Tenant on the basis of the Landlord's estimate as aforesaid which have not been applied against Additional Rent) and the Tenant shall pay the Landlord such amounts so billed within 10 days of such demand.

STATEMENT OF ADDITIONAL RENT

- 5.6 As soon as practicable after the end of the period for which estimates have been made by the Landlord under Section 5.5 the Landlord shall deliver to the Tenant an unaudited statement showing in reasonable detail the information relevant and necessary to the calculation of the amount of the Additional Rent for such period. If the Additional Rent theretofore paid exceeds the Additional Rent to be payable, the amount of such excess shall be applied by the Landlord to the next succeeding instalments of Additional Rent and if the Additional Rent theretofore paid is less than the Additional Rent shown to be payable, the Tenant shall pay to the Landlord the amount of such deficiency upon delivery or receipt of such statement.

ADJUSTED RENT

- 5.7 If the term or any extension thereof commences on a day other than the first day of the month or ends on a day other than the last day of the month, the Minimum Rent, Additional Rent and Sales Taxes for the fraction of the month at the commencement or end of the Term shall be adjusted pro rata on a daily basis.

DEPOSIT

- 5.8 The Tenant has deposited with the Landlord the sum of \$50,000.00 the receipt of which is acknowledged by the Landlord, to be held by the Landlord without liability for interest and applied against the Minimum Rent plus GST for the last month of the Term.

ADDITIONAL RENT DEEMED RENT

5.9 All Additional Rent shall be deemed to be Rent and the Landlord shall have all rights against the Tenant for default in payment of Additional Rent as for default in the payment of Minimum Rent.

ARTICLE 6 - PAYMENT OF RENT

TENANT TO PAY RENT

- 6.1 The Tenant covenants to pay Rent. The Tenant waives the benefit of Section 35 of the *Commercial Tenancies Act* (Ontario) as amended or replaced and agrees to pay Rent without any deduction, abatement or set-off whatever, except as is otherwise expressly provided for in this Lease.

ARREARS OF RENT

- 6.2 All Rent in arrears shall bear interest at the Stipulated Rate of Interest from the date on which the same became due until the date of payment thereof.

ARTICLE 7 - TAXES, CHARGES, ETC.

TENANT TO PAY CERTAIN TAXES

- 7.1 The Tenant shall in each and every year during the Term pay and discharge as Rent on or before the date when the same or the instalments for the same shall become due and payable every tax, rate, assessment and licence fee in respect of all improvements, equipment and facilities of the Tenant on or in respect of any and every business conducted on or from the Demised Premises and in respect of the use or occupancy of the Demised Premises by the Tenant. The Tenant shall upon the request of the Landlord promptly deliver to the Landlord for inspection, receipts for payment of all such taxes, rates, assessments, licence fees and other charges which were due and payable up to 1 month prior to such request, and shall promptly deliver to the Landlord notices of any business tax assessments and any other assessments received by the Tenant which relate to the Demised Premises.

TENANT TO PAY UTILITIES

- 7.2 The Tenant shall promptly pay all charges, assessments and levies for heat, water, gas, hydro, sewage, telephone and any other utility supplied to or consumed in the Demised Premises. The Tenant shall promptly pay all charges for the heating, ventilating and air conditioning of the Demised Premises.

SEPARATE SCHOOL TAXES

- 7.3 If the Demised Premises is assessed in whole or in part for the support of separate schools, the Tenant shall pay as Rent on or before the date when the same or the instalments for the same become due the amount by which Real Property Taxes so payable exceed those which would have been payable except for such assessment for the support of separate schools.

ASSESSMENT OF DEMISED PREMISES

- 7.4 The Landlord may make application to the taxing authorities to have the Demised Premises assessed as a separate tax lot. If the Landlord does not make such application or if the taxing authorities refuse to assess the Demised Premises as a separate tax lot, the Tenant shall then pay, as Additional Rent, the Tenant's Proportionate Share of all Real Property Taxes, business taxes and local improvements levied, charged, or assessed against the Building (which shall include the Common Facilities) as same may be constituted and designated by the Landlord from time to time.

CERTAIN INCREASES IN ASSESSMENTS

- 7.5 If the Building is assessed for any amount which is attributable to the Leasehold Improvements, then on or before the date when the same or the instalments for the same become due the Tenant shall pay the amount by which the Real Property Taxes payable with respect to the Building are increased by reason of such assessment.

REZONING, ADDITIONS

- 7.6 The Tenant covenants that it will not oppose or cause to be opposed any application for additions to the Building or changes of zoning concerning the Land, or any lands of the Landlord within a radius of 1 mile of the Land which are instituted by the Landlord, provided the ability of the Tenant to use the Demised Premises for the purposes herein provided is not adversely affected thereby. Upon the request of the Landlord, the Tenant shall execute a suitable acknowledgement that it does not oppose any such application.

ARTICLE 8 - USE OF DEMISED PREMISES

GENERALLY

- 8.1 From and after the Lease Commencement Date unless the Landlord has first otherwise agreed in writing, the Tenant shall continuously, actively and diligently carry on and the Demised Premises shall be used by the Tenant only as general office space during the entire Term. The Tenant acknowledges for purposes of clarification that retailing is not permitted.

CONDUCT OF TENANT'S BUSINESS

- 8.2 In the conduct by the Tenant of its business referred to in Section 8.1 at the Demised Premises, the Tenant shall:
- (a) operate its said business in a lawful manner with due diligence and efficiency as a first-class business activity; and
 - (b) own, install and keep in good order and condition, free from liens, security interests or rights of third parties, all of the Tenant's fixtures and equipment;
 - (c) not mortgage, charge or encumber this Lease or the Tenant's interest herein;
 - (d) not commit or suffer to be committed any waste upon the Demised Premises or do or suffer any act or thing which may result in a nuisance; and
 - (e) not cause or permit any Hazardous Substance to be used, stored, generated, disposed of on, in, about, over, under or adjacent to the Demised Premises or the Land.

ARTICLE 9 - REPAIR AND MAINTENANCE OF DEMISED PREMISES

TENANT'S OBLIGATIONS

- 9.1 The Tenant covenants that:
- (a) the Tenant shall, at its expense, make all needed repairs and replacements with due diligence to the Demised Premises (including entrances, all glass and plate glass, signage, show window mouldings, doors, mechanical door openers, electrical, mechanical and plumbing systems within and serving the Demised Premises, floor tiles or coverings and all walls) and all structural elements, partitions, fixtures, equipment and Leasehold Improvements.
 - (b) the Tenant shall at all times, at its expense, maintain the Demised Premises in a clean condition in a manner befitting a first-class office complex;
 - (c) the Landlord may enter and view the state of repair at any reasonable time;
 - (d) the Tenant shall repair the Demised Premises according to notice in writing from the Landlord;
 - (e) the Tenant shall leave the Demised Premises in good repair as described in Subsections 9.1(a) and 9.1(b) and;
 - (f) the Tenant shall promptly notify the Landlord of any accident, defect or lack of repair relating to the Demised Premises including with respect to the plumbing, heating, mechanical and electrical systems forming part of or servicing same.

EXCEPTIONS

- 9.2 The obligations of the Tenant to repair according to notice in writing and to leave the Demised Premises in good repair shall be subject to the following exceptions:

- (a) inherent structural defects of the Demised Premises or injury to the Demised Premises caused by or resulting from inherent structural defects or weakness; or
- (b) damage or injury caused by or resulting from any act, default or negligence of the Landlord, its officers, agents, servants, employees or contractors.

COMPLIANCE WITH STATUTES, ORDERS, ETC. BY TENANT

- 9.3 The Tenant shall, at its expense, comply with and conform to the requirements of every applicable lawful statute, law, by-law, regulation, order and ordinance or of any insurance company by which the Tenant or the Landlord may be insured affecting the operation, condition, maintenance, use or occupation of the Demised Premises or the Building .

NOTICE OF DEFECTS OR DAMAGE

- 9.4 The Tenant shall promptly notify the Landlord of any defect or deficiency in, malfunction of, or damage to, the Demised Premises or the Building, or any equipment, service or utility therein of which the Tenant becomes aware at any time during the Term.

TENANT NOT TO OVERLOAD FLOORS OR SYSTEMS

- 9.5 The Tenant shall not bring or permit to be brought upon the Demised Premises any machinery, equipment, article or thing that by reason of its weight, size or use, might in the opinion of the Landlord damage the Demised Premises and will not at any time overload or permit to be overloaded the floors of the Demised Premises.

INTERRUPTION IN SERVICES

- 9.6 The Landlord has the right to stop the use of any facilities and the supply of any services when necessary by reason of accident or during the making of repairs, replacements, alterations or improvements, in the judgment of the Landlord necessary or desirable to be made, until the repairs, replacements, alterations or improvements have been completed to the satisfaction of the Landlord provided that all reasonable steps shall be taken to minimize any interference with the Tenant's use and enjoyment of the Building, both as to the extent and duration of such interference. The Landlord shall have no responsibility or liability for failure to operate any facilities or supply any services when the use of the facility is stopped as aforesaid or when the Landlord is prevented from using the facility or supplying the service by strike, or by orders or regulations of any governmental authority or agency or by failure of the electric current, gas, steam or water supply necessary to the operation of any facility or by the failure to obtain such a supply or by any other cause beyond the Landlord's reasonable control. In any of such events, the Landlord shall to the extent reasonably possible in the circumstances proceed diligently to restore the operation of any such facility or supply of any such service. Notwithstanding the foregoing, if the services are interrupted for a period of more than 48 hours, Basic Rent shall abate for the period of time following such 48-hour period until the restoration of the services.

ARTICLE 10 – RENEWAL

RENEWAL PERIOD

- 10.1 If the Tenant is not and has not during the Term been in breach of any provisions of this Lease and if the Tenant has not assigned this Lease or sublet the whole or any part of the Demised Premises, the Tenant shall have the option of renewing this Lease for one additional term of five (5) years each upon the expiration of the Term provided that the Tenant shall give to the Landlord notice in writing of the exercise of such option at least six (6) months prior to expiration of the Term, but such written notice may not be given earlier than nine (9) months prior to the expiration of the Term. In the event that the parties renew the Lease, then this Lease shall be upon the same terms and conditions as contained in this Lease except that:

- (a) all the terms and conditions of any right to further renew this Lease; and

- (b) the amount of the Minimum Rent shall be agreed by the Landlord and Tenant.

It is agreed that the Minimum Rent payable during the renewal term shall be calculated at the then current market rate for space comparable to that of the Demised Premises with respect to its base building finish (excluding the value of all Leasehold Improvements completed by the Landlord or Tenant) in the proximate surrounding area to the Demised Premises. If the Landlord and Tenant have not agreed upon the Minimum Rent for the renewal terms within 120 days after the giving of notice of renewal, either party may require an arbitration to determine such rent. Such arbitration shall be carried out by in accordance with the terms of Section 24.3. The expenses of the arbitration shall be borne equally by the Landlord and the Tenant.

ARTICLE 11 -INSURANCE

TENANT'S INSURANCE

- 11.1 The Tenant, in the names of the Tenant, the Landlord and every Mortgagee of the Building as their respective interests may appear and with an insurance company or companies and in such form and amounts reasonably satisfactory to the Landlord and every such Mortgagee, shall take out and maintain with respect to the Demised Premises and the Tenant's use and occupation thereof and furnish to the Landlord upon request by the Landlord:
- (a) insurance upon property of every description and kind owned by the Tenant, or for which the Tenant is legally liable or installed by or on behalf of the Tenant, and which is located within the Building, including furniture, fittings, installations, alterations, additions, partitions, fixtures and anything in the nature of a Leasehold Improvement in an amount equal to the full replacement cost thereof, with coverage against at least the perils of fire and standard extended coverage, including sprinkler leakages, earthquakes, flood and collapse;
 - (b) broad form boiler and machinery insurance on a blanket repair and replacement basis covering, in an amount of not less than the replacement cost, all boilers, pressure vessels, air conditioning equipment and miscellaneous electrical apparatus owned or operated by the Tenant or by others (other than the Landlord) on behalf of the Tenant in the Demised Premises, or relating to or serving the Demised Premises;
 - (c) public liability and property damage insurance including personal injury liability and contractual liability with respect to the Demised Premises with coverage to include the activities and operations conducted by the Tenant and any other person on the Demised Premises and by the Tenant and those for whom it is in law responsible, in any other part of the Building. Such policies shall be written on a comprehensive basis with limits of not less than \$2,000,000.00 for bodily injury to any one or more persons, or property damage, and such higher limits as the Landlord or the Landlord's Mortgagee reasonably requires from time to time;
 - (d) Tenant's legal liability insurance on an all-risk basis for the full replacement cost of the Demised Premises;
 - (e) business interruption insurance upon terms and conditions satisfactory to the Landlord in such amount as will reimburse the Tenant for direct or indirect loss of earnings attributable to all perils commonly insured against by prudent tenants or attributable to prevention of access to the Demised Premises or the Building as a result of such perils;
 - (f) plate glass insurance; and
 - (g) any other form or forms of insurance as the Tenant or the Landlord or the Landlord's Mortgagee requires from time to time in form, in amount and for insurance risks against which a prudent tenant would protect itself.

LANDLORD'S APPROVAL OF INSURANCE

- 11.2 All insurance policies required pursuant to this Article shall contain the Landlord's or Landlord's Mortgagees' standard mortgagee clause. All policies shall contain an undertaking by the insurers to notify the Landlord and the Landlord's Mortgagees in writing not less than 30 days prior to any material change, cancellation or termination thereof. The Tenant agrees that if the Tenant fails to take out or keep in force any such insurance referred to in this Article, or should any insurance not be approved by either the Landlord or the Landlord's Mortgagee and should the Tenant not rectify the situation within 48 hours after written notice by the Landlord to the Tenant, the Landlord has the right without assuming any obligation in connection therewith to effect such insurance at the sole cost of the Tenant and all outlays by the Landlord shall be immediately paid by the Tenant to the Landlord, as Additional Rent, on demand, without prejudice to any other rights and remedies of the Landlord under this Lease.

WAIVER OF SUBROGATION

- 11.3 Neither the Tenant nor anyone claiming by, through or under or on behalf of the Tenant shall have any claim, right of action or right of subrogation against the Landlord, its agents or employees, for or based upon any injury, loss or damage to any person or persons or to the Demised Premises or any property therein or thereon, caused by fire, explosion or any other peril, whether or not such injury, loss or damage results or arises from the negligent act or omission of the Landlord or any person or persons for whom the Landlord is in law responsible, and the Tenant covenants and agrees that any and all policies of insurance providing coverage as aforesaid shall be forthwith endorsed with a waiver of any and all subrogation rights which might otherwise vest in the insurer of such policy or policies of insurance.

INCREASE IN INSURANCE PREMIUMS

- 11.4 The Tenant shall pay to the Landlord forthwith on demand therefor any amount by which the basic premium of insurance paid by the Landlord is increased by reason of any particular use or occupation of the Demised Premises or by reason of any provision of this Lease.

CANCELLATION OF INSURANCE

- 11.5 If any insurance policy upon the Building or any part thereof shall be cancelled or shall be threatened by the insurer to be cancelled, or the coverage thereunder reduced in any way by the insurer by reason of the use and occupation of the Demised Premises or any part thereof by the Tenant or by any permitted assignee or permitted subtenant of the Tenant, or by anyone permitted by the Tenant to be upon the Demised Premises, and if the Tenant fails to remedy the condition giving rise to cancellation, threatened cancellation or reduction of coverage within 48 hours after notice thereof by the Landlord, the Landlord may, at its option, either (a) re-enter and take possession of the Demised Premises forthwith by leaving upon the Demised Premises a notice in writing of its intention so to do and thereupon the Landlord shall have the same rights and remedies as are contained in Article 15, or (b) enter upon the Demised Premises and remedy the condition giving rise to such cancellation, threatened cancellation or reduction, and the Tenant shall forthwith pay the cost thereof to the Landlord, which cost may be collected by the Landlord as Additional Rent and the Landlord shall not be liable for any damage or injury caused to any property of the Tenant or of others located on the Demised Premises as a result of any such entry. The Tenant agrees that any such entry by the Landlord is not a re-entry or a breach of any covenant for quiet enjoyment contained in this Lease.

INSURABLE INTEREST

- 11.6 Notwithstanding any contribution by the Tenant to insurance premiums respecting insurance taken out by the Landlord, as provided for in this Lease, no insurable interest is conferred upon the Tenant under policies carried by the Landlord.

ARTICLE 12 - DAMAGE AND DESTRUCTION

DAMAGE AND DESTRUCTION

- 12.1 If and whenever during the Term the Building shall be destroyed or damaged by fire, lightning or other perils as are insured against by the Landlord from time to time, then and in every such event:
- (a) if the damage or destruction to the Building renders 75% or more of the Building wholly unfit for occupancy or if it is impossible or unsafe to use and occupy the Building, the Landlord may, at its option, terminate this Lease by giving to the Tenant notice in writing of such termination, in which event this Lease and the Term hereby demised shall cease as of the date of such destruction or damage, and the Minimum Rent and Additional Rent for which the Tenant is liable under the terms of this Lease shall be apportioned and paid in full to the date of such termination, unless the Demised Premises have also been destroyed or damaged as well, in which event the remaining provisions of this Section 12.1 shall apply;
 - (b) if the damage or destruction is such that less than 75% of the Building is rendered unfit for occupancy or if it is impossible or unsafe to use and occupy the Demised Premises, and if in either event the damage, in the opinion of the Landlord to be given to the Tenant within 30 days of the happening of such damage or destruction, cannot be repaired with reasonable diligence within 120 days from the happening of such damage or destruction, then, either the Landlord or the Tenant may within 5 days next succeeding the giving of the Landlord's opinion, as aforesaid, terminate this Lease by giving to the other notice in writing of such termination in which event this Lease and the Term hereby demised shall cease as of the date of such damage or destruction, and the Minimum Rent and Additional Rent for which the Tenant is liable under the terms of this Lease shall be apportioned and paid in full to the date of such destruction or damage. In the event that neither the Landlord nor Tenant so terminate this Lease, then the Landlord shall repair the Demised Premises (to the extent only of the Landlord's Work in connection with the original construction of the Demised Premises, and for greater certainty shall in no event include any Leasehold Improvement, fixtures or any other work performed by the Tenant) with all reasonable speed and the Minimum Rent and Additional Rent hereby reserved shall abate, to the extent of all rental insurance recoveries received by the Landlord, from the date of the happening of the damage until the damage shall be repaired by the Landlord to the extent hereinbefore set out in this Subsection 12.1(b);
 - (c) if the damage is such that the Demised Premises are wholly unfit for occupancy or if it is impossible and unsafe to use and occupy the Demised Premises, but, if in either event, the damage, in the opinion of the Landlord to be given to the Tenant within 30 days from the happening of such damage, can be repaired with reasonable diligence within 120 days from the happening of such damage, then the Minimum Rent and Additional Rent hereby reserved shall abate, to the extent of all rental insurance recoveries received by the Landlord, from the date of the happening of such damage until the damage shall be repaired by the Landlord to the extent hereinbefore set out in Subsection 12.1(b); and
 - (d) if in the opinion of the Landlord the damage to the Demised Premises can be made good, as aforesaid, within 120 days of the happening of such destruction or damage, and the damage is such that the Demised Premises are capable of being partially used for the purpose for which the Demised Premises are hereby leased, then, until such damage has been repaired, the Minimum Rent and Additional Rent shall abate in the proportion that the part of the Demised Premises rendered unfit for occupancy bears to the whole of the Demised Premises, and the Landlord shall repair the damage with all reasonable speed.

INSURANCE

- 12.2 Notwithstanding the provisions of Section 12.1 hereof, in the event of damage or destruction occurring by reason of any cause in respect of which proceeds of insurance substantially sufficient to pay for the cost of rebuilding or making fit the Building or the Demised Premises are not payable to or received by the Landlord, or in the event that any Mortgagee or other person entitled thereto shall not consent to the payment to the Landlord of the proceeds of any insurance policy for such purpose, the Landlord may terminate this Lease on written notice to the Tenant.

ARTICLE 13 - INDEMNITY

INDEMNITY BY TENANT

- 13.1 In addition to any other indemnity given by the Tenant herein, the Tenant shall indemnify and save harmless the Landlord from any and all liabilities, damages, costs, claims, suits or actions growing out of:

- (a) any breach, violation or non-performance of any covenant, obligation, agreement, term or condition contained in this Lease on the part of the Tenant to be fulfilled, kept, observed and performed;
- (b) any damage to property and any injury to any person or persons, including death resulting at any time therefrom, occasioned by any act or omission of the Tenant, its officers, agents, servants, employees, contractors, customers, invitees or licensees, or occurring in or on the Demised Premises or any part thereof arising from or occasioned by any cause whatsoever; or
- (c) any contract, lien, privilege, mortgage, charge or encumbrance of the Building arising from or occasioned by the act, default, or negligence of the Tenant, its officers, agents, servants, employees, contractors, customers, invitees or licensees;

and such indemnification shall survive the termination of this Lease, anything in this Lease to the contrary notwithstanding.

LIMIT OF LANDLORD'S LIABILITY

- 13.2 Except to the extent provided in this Lease, the Landlord shall not be liable or responsible in any way for any loss, damage, death or injury of any nature whatever that may be suffered or sustained to any persons or property, and in particular the Landlord shall not be liable for any loss, damage, death or injury of any nature whatever to any person or property:

- (a) resulting from any defect in the Demised Premises or in the Building, or
- (b) resulting from the condition or arrangement or from the interruption or breakdown of any heating, ventilating, air conditioning, sprinkler, mechanical or electrical equipment or machinery or of any water, gas, sewage, electrical power or other utility in the Demised Premises, or in the Building; or
- (c) by reason of the failure to supply adequate drainage, snow or ice removal, or
- (d) by reason of steam, smoke, water, rain, snow or other substances leaking, issuing, flowing or escaping into any part of the Demised Premises; or
- (e) resulting from anything done or omitted to be done by the Landlord, its servants, employees, agents, contractors, officers, customers, invitees, licensees or any other occupants of the Building, by persons in the Demised Premises or in the Building or any part thereof or by the public, which shall include any negligent act or omission.

TENANT'S ENVIRONMENTAL INDEMNITY

- 13.3 If any Hazardous Substance is used, stored, generated or disposed of on, in, about, over, under or adjacent to the Demised Premises, the Building or the Land, except pursuant to the Landlord's written consent, or if any part of the Demised Premises, the Building or the Land becomes contaminated in any manner for which the Tenant is legally liable, then the Tenant shall indemnify and hold the Landlord harmless from any and all claims, damages, fines, judgments, penalties, costs, liabilities and/or losses (including, without limitation, a decrease in value of the Demised Premises, the Building, or the Land, damages caused by loss or restriction of rentable or usable space, damages caused by adverse impact on marketing of space, and any and all sums paid for settlement of claims, legal fees, consultant fees, and expert fees) arising during or after the Term or any renewal thereof and arising in connection with such Hazardous Substance or contamination. This indemnification includes, without limitation, any and all costs incurred because of any investigation of the Demised Premises, the Building or the Land or any clean-up, removal, or restoration mandated or conducted by or on behalf of any federal, provincial, or local agency or political subdivision. Without limiting the foregoing, if the Tenant causes or permits the presence of any Hazardous Substance on the Demised Premises, the Building or the Land that results in contamination, then the Tenant shall promptly, at its sole expense, take any and all necessary or appropriate actions to return the Demised Premises, the Building or the Land to the condition existing prior to the presence of any such Hazardous Substance. The Tenant shall first obtain the Landlord's written approval for any such remedial action.

LANDLORD'S INDEMNITY

- 13.4 The Landlord shall indemnify and save harmless the Tenant from any and all liabilities, damages, costs, claims, suits or actions growing out of any damage to property and any injury to any person or persons, including death resulting at any time during the Term, directly resulting from the gross negligence or omission of the Landlord, its officers, agents, servants, employees, contractors, customers, invitees or licensees.

ARTICLE 14 - ENTRY BY LANDLORD

RIGHT OF LANDLORD

- 14.1 The Landlord and its servants, employees, agents and contractors shall be entitled at all reasonable times (which, except in cases of emergency, shall be during the hours when the Demised Premises are open for business) to enter upon the Demised Premises for the purposes of making any repair in this Lease required or permitted to be made by the Landlord.

ENTRY IN ABSENCE OF TENANT

- 14.2 If the Tenant shall not be personally present to open and permit an entry into the Demised Premises at any time when for any reason an entry therein shall be necessary or permissible, the Landlord or the Landlord's agent may enter the same by a master key, or may forcibly enter the same, without rendering the Landlord or such agents liable therefor, and without in any manner affecting the covenants, obligations and agreements of the Tenant under this Lease.

ARTICLE 15 - LANDLORD'S REMEDIES

LANDLORD MAY PERFORM TENANT'S COVENANTS

- 15.1 In the event that the Tenant shall be in default of any of its obligations under this Lease (other than its covenant to pay Rent) and such default shall continue for a period of five consecutive days after written notice by the Landlord to the Tenant specifying with reasonable particularity the nature of such default and requiring the same to be remedied, the Landlord may remedy such default and the cost thereof to the Landlord plus a management fee of 15% of such cost together with interest thereon at the Stipulated Rate of Interest from the date of such default shall be added to the Rent due on the next

succeeding date on which Minimum Rent is payable, and such amount shall thereupon become due and payable as Rent in addition to the regular payment of Minimum Rent then due.

RE-ENTRY

15.2 When:

- (a) the Tenant shall be in default of any of its obligations under this Lease (including its covenant to pay Rent) and such default shall continue for a period of fifteen consecutive days after written notice by the Landlord to the Tenant specifying with reasonable particularity the nature of such default and requiring the same to be remedied, or
- (b) a valid writ of execution shall issue against any property of the Tenant and shall remain outstanding for a period in excess of 10 days, or the Tenant shall have become insolvent, or shall have filed any proposal or made any assignment for the benefit of creditors, or shall have made any assignment or have had a receiving order made against it under the Bankruptcy Act, or shall have made application for relief under the provisions of any statute now or hereafter in force concerning bankrupt or insolvent debtors, or any action whatever, legislative or otherwise, shall have been taken with a view to the winding up, dissolution or liquidation of the Tenant or its assets, or
- (c) any insurance policy is cancelled or not renewed by an insurer by reason of the use or occupation of the Demised Premises, or
- (d) the Demised Premises shall be vacated or become vacant or remain unoccupied for a period of 10 consecutive days, or the Demised Premises shall not have been open for business to the public for more than 10 business days in any 12 month period or any 7 consecutive business days, or
- (e) a receiver or a receiver and manager is appointed for all or a portion of the Tenant's property or the property of any permitted occupant, licensee or franchisee, or
- (f) the Tenant makes a sale in bulk (other than a bulk sale made to an assignee or sublessee pursuant to a permitted assignment or subletting hereunder and pursuant to the *Bulk Sales Act* (Ontario)), or
- (g) the Tenant sells or disposes of the goods and chattels of the Tenant or removes them from the Demised Premises so that there would not in the event of such sale or disposal be sufficient goods on the Demised Premises subject to distress to satisfy all Rent due or accruing hereunder, or
- (h) the Tenant shall without the prior written consent of the Landlord abandon or attempt to abandon the Demised Premises,

then and in any of such cases the then current month's Rent together with the Rent for the 11 months next ensuing shall immediately become due and payable, and at the option of the Landlord upon written notice the Term shall become forfeited and void. The Landlord may without notice or any form of legal process whatsoever forthwith re-enter upon the Demised Premises or any part thereof, repossess and enjoy the same as of its former estate, provided however, that such forfeiture shall be wholly without prejudice to the right of the Landlord to recover arrears of Rent or damages for any prior default by the Tenant of its obligations under this Lease and provided further that notwithstanding any such forfeiture the Landlord may subsequently recover from the Tenant damages for loss of Rent suffered by reason of this Lease having been prematurely determined.

LANDLORD MAY RELET

15.3 If the Landlord does not exercise its option under Section 15.2 to terminate this Lease it

may nevertheless in the events set out in Section 15.2 from time to time re-enter, upon giving written notice, the Demised Premises without terminating this Lease, make such alterations and repairs as may be necessary in order to relet the Demised Premises, and relet the Demised Premises or any part thereof for such period or periods (which may extend beyond the Term) and at such rental or rentals and upon such other terms and conditions as the Landlord in its sole discretion may deem advisable. Upon each such reletting all rentals received by the Landlord from such reletting shall be applied, first to the payment of any indebtedness other than Rent due from the Tenant to the Landlord, second to the payment of any costs and expenses of such reletting, including brokerage fees and solicitors' fees and of costs of such alterations and repairs; third, to the payment of Rent due and unpaid, and the residue, if any, shall be held by the Landlord and applied in payment of future Rent as the same may become due and payable. If such rentals received from such reletting during any month be less than that paid during that month by the Tenant, the Tenant shall pay any such deficiency to the Landlord. Such deficiency shall be calculated and paid monthly. No such re-entry or taking possession of the Demised Premises by the Landlord shall be construed as an election on its part to terminate this Lease unless a written notice of such intention be given to the Tenant.

RIGHT TO DISTRAIN

- 15.4 The Tenant waives the benefit of any present or future statute limiting or qualifying the Landlord's right to distrain and agrees with the Landlord that in any of the events set out in Section 15.2 the Landlord, in addition to the other rights reserved to it, shall have the right to enter the Demised Premises as agent of the Tenant either by force or otherwise without being liable for any prosecution therefor and to take possession of any goods and chattels whatsoever in the Demised Premises and to sell the same at public or private sale without notice and apply the proceeds of such sale on account of the Rent or other sums provided in this Lease to be paid by the Tenant.

LANDLORD MAY FOLLOW CHATTELS

- 15.5 In case of removal by the Tenant of the goods and chattels of the Tenant from the Demised Premises, the Landlord may follow the same for thirty (30) days as provided for in the *Commercial Tenancies Act* (Ontario).

REMEDIES CUMULATIVE

- 15.6 No reference to or exercise of any specific right or remedy by the Landlord shall prejudice or preclude the Landlord from any other remedy in respect thereof, whether allowed at law or in equity or expressly provided for herein. No such remedy shall be exclusive or dependent upon any other such remedy, but the Landlord may from time to time exercise any one or more of such remedies independently or in combination.

EXPENSES

- 15.7 If legal action or any proceeding or demand is brought or made for recovery of possession of the Demised Premises, for the recovery of Rent or any other amount due under this Lease, or because of the breach of any other terms, covenants or conditions herein contained on the part of the Tenant to be kept or performed, the Tenant shall pay to the Landlord all expenses incurred therefor, including a solicitor's fee on a solicitor and his own client basis, unless a court shall otherwise award.

ARTICLE 16 - EXPROPRIATION

EXPROPRIATION

- 16.1 Both the Landlord and the Tenant agree to co-operate with each other in respect of any expropriation of all or any part of the Demised Premises or any other part of the Building, so that each may receive the maximum award to which they are respectively entitled at law. If and to the extent that any portion or portions of the Building (other than the Demised Premises) are expropriated, then the full proceeds accruing therefrom or

awarded as a result thereof shall enure to the benefit of and belong to the Landlord and the Tenant will abandon or assign to the Landlord any rights which the Tenant may have or acquire by operation of law to such proceeds or award and will execute such documents as in the opinion of the Landlord are or may be necessary to give effect to this intention.

ARTICLE 17 - EXPIRATION OF TERM

REMOVAL OF FIXTURES

17.1 All alterations, decorations, additions and Leasehold Improvements made by the Tenant, or made, supplied or installed by the Landlord on the Tenant's behalf (other than the Tenant's movable trade fixtures), shall immediately become the property of the Landlord without compensation therefor to the Tenant. Such alterations, additions and Leasehold Improvements shall not be removed from the Demised Premises either during or at the expiration of the Term or earlier termination of the Term except that:

- (a) the Tenant may remove its movable trade fixtures at the expiration of the Term, and during the Term with the written consent of the Landlord in the usual or normal course of its business, provided such movable trade fixtures have become excess for the Tenant's purposes or the Tenant is substituting new and similar trade fixtures therefor, and provided that in each case (1) such removal is done at the Tenant's sole cost and expense, and (2) the Tenant is not in default under this Lease; and
- (b) the Tenant shall, at the expiration of the Term, at its own cost, remove such Leasehold Improvements and fixtures as it desires to be removed, but shall not be obligated to remove such Leasehold Improvements and fixtures.

The Tenant shall, in the case of every such installation or removal either during or at the expiration of the Term, effect the same at times designated by the Landlord and promptly make good any damage caused to the Demised Premises or the Building by the installation or removal of any such alteration, decoration, addition or Leasehold Improvement.

SURRENDER OF DEMISED PREMISES

17.2 At the expiration of the Term the Tenant shall peaceably surrender and yield up to the Landlord the Demised Premises and all Leasehold Improvements not removed therefrom pursuant to Section 17.1 all in good and substantial repair and condition in accordance with this Lease, and the Tenant shall surrender all keys for the Demised Premises and other locking devices to the Landlord at the place then fixed for the payment of Rent.

OVERHOLDING

17.3 If at the expiration of the Term by lapse of time the Tenant shall hold over for any reason, then, notwithstanding the provisions of any statute, the tenancy of the Tenant thereafter shall be from month to month at a monthly Minimum Rent payable in advance on the first day of each month equal to the sum of:

- (a) one hundred and twenty five percent (125%) the monthly Minimum Rent payable during the last month of the Term; and
- (b) 1/12 of the amount of Additional Rent payable by the Tenant in the last full 12 month Lease Year of the Term.

and shall, in the absence of written agreement to the contrary, be subject to all covenants, obligations and agreements provided for in this Lease including the obligation to pay Additional Rent, except as to duration.

EFFECT OF TERMINATION

- 17.4 The termination of this Lease whether by lapse of time or by the exercise of any right of either the Landlord or Tenant pursuant to this Lease shall be wholly without prejudice to the right of the Landlord to recover arrears of Rent or damages for an antecedent default by the Tenant of its covenants, obligations or agreements under this Lease.

EXHIBIT DEMISED PREMISES

- 17.5 During the six months prior to the expiration of the Term, the Landlord may exhibit the Demised Premises to prospective lessees and place upon the Demised Premises the usual notices "For Rent" which notices the Tenant shall permit to remain. The Landlord at any time during the Tenant's usual business hours may exhibit the Demised Premises to prospective purchasers or Mortgagees of the Building.

ARTICLE 18 - DISPOSITIONS BY TENANT

ASSIGNMENT AND SUBLETTING

- 18.1 The Tenant, when not in default, may assign this Lease in whole or in part, sublet or licence all or any part of the Demised Premises (for the purposes herein permitted) with the written consent of the Landlord, which consent shall not be unreasonably withheld provided that no such assignment, subletting or licence (the "**Transfer**") will:
- (a) be made other than to responsible persons, firms, partnerships or bodies corporate who covenant in writing to perform and observe the obligations of the Tenant hereunder; and
 - (b) be made to any person, firm, partnership or body corporate that intend to or do use the Demised Premises for any business or use which the Landlord is obliged to restrict or prohibit by reason of any other lease or contract.

The Tenant acknowledges that the Landlord's consent to an assignment, subletting or licence may be reasonably withheld by reason of the financial background or status or the business history or reputation of the proposed assignee, sub-tenant or licensee (the "**Transferee**"). If the Landlord shall consent to an assignment, subletting or licence by the Tenant, then the Landlord or its solicitors may prepare the required documentation and the Tenant shall bear all costs of the preparation of such documentation and the Tenant shall pay the Landlord an administrative fee for processing the Tenant's application for consent.

It is expressly agreed between the Landlord and the Tenant that it is a condition of giving any such consent that:

- (a) the proposed Transferee of this Lease shall agree in writing to assume and perform all of the terms, covenants, conditions and agreements by this Lease imposed upon the Tenant herein in a form to be approved by the solicitor for the Landlord; and
- (b) in the event of an assignment, sub-lease or licence consented to by the Landlord; the Tenant shall nonetheless remain responsible to the Landlord for the fulfilment of all obligations created by this Lease.

Notwithstanding the foregoing, no Landlord consent shall be required in the event the Tenant wishes to Transfer the Demised Premises to an affiliate (as such term is defined in the *Business Corporations Act* (Ontario) R.S.O. 1990 as amended from time to time) on the condition that the Tenant provides 30 days prior written notice to the Landlord of such Transfer.

UNAUTHORIZED ASSIGNMENT OR SUBLEASE

- 18.2 In the event the Tenant assigns, or purports or attempts to assign, this Lease or any part thereof, or sublet or license the whole or any part of the Demised Premises, without the prior written consent of the Landlord, then at the option of the Landlord all Rent reserved in this Lease from the date of such act or purported or attempted act to the expiration date of this Lease will immediately become due and payable to the Landlord, or this Lease may be terminated by the Landlord by notice of termination to the Tenant.

LANDLORD'S OPTION

- 18.3 If the Tenant intends to effect a Transfer of all or any part of the Demised Premises or this Lease, in whole or in part, or any estate or interest hereunder, then and so often as such event shall occur, the Tenant shall give prior written notice to the Landlord of such intent, specifying therein the proposed Transferee and containing a true copy of the assignment, sublease or other document or agreement pursuant to which such Transfer is to be effected, and shall provide the Landlord with such information as the Landlord may reasonably require with respect to the business and financial responsibility and standing of the proposed Transferee. The Landlord shall, within 15 days thereafter, notify the proposed Tenant in writing either, that (a) it consents or does not consent in accordance with the provisions and qualifications in Sections 18.1 and 18.2, to the Transfer, or (b) it does not consent to the Transfer, the Lease shall continue in full force and effect as executed, or (c) it elects to cancel this Lease in preference to giving such consent. If the Landlord elects to cancel this Lease as aforesaid, the Tenant shall notify the Landlord in writing within 10 days thereafter of the Tenant's intention either to refrain from such Transfer or to accept the cancellation of this Lease. If the Tenant fails to deliver such notice within such period of 15 days, this Lease will thereby be terminated upon the expiration of the said 15 day period. If the Tenant advises the Landlord it intends to refrain from such Transfer, then the Landlord's right to cancel this Lease as aforesaid is null and void in such instance.

NO ADVERTISING OF DEMISED PREMISES

- 18.4 The Tenant shall not print, publish, post, display, broadcast or otherwise advertise or offer for any of the aforesaid purposes, the whole or any part of the Demised Premises for purposes of a Transfer, and shall not permit any broker or other third party to do any of the foregoing, unless the complete text and format of any such notice, advertisement, or offer is first approved in writing by the Landlord.

ARTICLE 19 - DISPOSITIONS BY LANDLORD

TRANSFER

- 19.1 The term "Landlord" as used in this Lease so far as covenants or obligations on the part of the Landlord are concerned, shall be limited to mean and include only the owner or owners at the time in question of the Demised Premises, and in the event of any transfer or transfers of ownership, the Landlord herein named, and in the case of any subsequent transfers or conveyances, the then vendor or transferor, shall be automatically freed and relieved from and after the date of such transfer or conveyance, of all liability as respects the performance of any covenants or obligations on the part of the Landlord contained in this Lease thereafter to be performed.

RIGHTS OF LANDLORD'S MORTGAGEES

- 19.2 If at any time during the currency of a Mortgage of the interest of the Landlord in the Demised Premises, notice of which has been given to the Tenant, the Landlord shall make any default in the performance of any of its covenants, obligations or agreements under this Lease or any term or condition of this Lease which would give rise to a right in the Tenant to terminate this Lease, then the Tenant, before becoming entitled as against such Mortgagee to exercise any right to terminate this Lease, shall give to such Mortgagee notice in writing of such default. Such Mortgagee shall have 60 days after the giving of such notice, or such longer period as may be reasonable in the circumstances,

within which to remedy such default, and if such default is remedied within such time the Tenant shall not by reason thereof terminate this Lease, and provided further that the rights and privileges granted to any such Mortgagee by virtue of this Section shall not in any way be deemed to alter, affect or prejudice any of the rights and remedies available to the Tenant as against the Landlord. Any notice to be given to such Mortgagee shall be deemed to have been properly given if mailed by registered mail to its most recent address of which the Tenant shall have notice.

PRIORITY OF LEASE

19.3

- (a) Provided that any existing or future Mortgagee, chargee or encumbrancer of the Demised Premises provides a non-disturbance agreement in favour of the Tenant, this Lease and all of the rights of the Tenant hereunder are, and shall at all times be, subject and subordinate to any and all ground and underlying leases, Mortgages, trust deeds or liens resulting from any other method of financing or any renewals or extensions thereof from time to time in existence against the lands, buildings and improvements forming the Demised Premises or the Building. Upon request, the Tenant shall subordinate this Lease and all of its rights hereunder in such form as the Landlord requires to any and all Mortgages, trust deeds or liens resulting from any other method of financing and to all advances made or hereafter to be made upon the security thereof, and if requested, the Tenant shall attorn to the holder thereof or to the then registered owner of the Building.
- (b) The Tenant shall, if possession is taken under, or any proceedings are brought for the foreclosure of, or in the event of the exercise of the power of sale under, any Mortgage, charge, lease or sale and lease-back transaction, deed of trust or the lien resulting from any other method of financing, refinancing, collateral financing made by the Landlord or otherwise in existence against the Demised Premises or the Building, attorn to the Mortgagee, chargee, lessee, trustee, other encumbrancer or the purchaser upon any such foreclosure or sale and recognize such Mortgagee, chargee, lessee, trustee, other encumbrancer or the purchaser as the Landlord under this Lease. Notwithstanding any of the foregoing, if the Tenant has duly performed the covenants contained in this Lease and is not in default in the payment of Minimum Rent, Additional Rent, and all other amounts so owing pursuant to this Lease, the Tenant shall be entitled to remain in possession of the Demised Premises, and the Mortgagee, chargee, lessee, trustee, other encumbrancer or the purchaser shall be bound by this Lease to the same extent as if it had executed this Lease as Landlord.

ASSIGNMENT BY LANDLORD

19.4

- (a) The Landlord declares and the Tenant agrees that the Landlord may assign its rights under this Lease to anyone at any time. Without limiting the generality of the foregoing if the Landlord assigns its rights under this Lease to any lender or lending institution as collateral security for a loan to the Landlord and in the event that such an assignment is given and executed by the Landlord and notification thereof is given to the Tenant by or on behalf of the Landlord this Lease shall not be cancelled or modified for any reason whatsoever except as permitted by the terms of this Lease or by law, without consent in writing of such lending institution.

- (b) The Tenant covenants and agrees with the Landlord that it will, whenever reasonably required by the Landlord, consent to and become a party to any instrument relating to this Lease which may be required by or on behalf of any purchaser, bank or Mortgagee from time to time of the said premises; provided always that the rights of the Tenant as hereinbefore provided be not altered or varied by the terms of such instrument or document. The Tenant shall from time to time at the request of the Landlord certify or acknowledge to any actual or proposed Mortgagee, purchaser, lessee or assignee the status and validity of this Lease and the state of the Landlord's and Tenant's account hereunder as stipulated in Section 20.1 hereof.
- (c) If the Landlord shall assign this Lease to a Mortgagee or Mortgagees of the Demised Premises or of the Building or to any other person or persons whomsoever the Landlord shall nonetheless be entitled to exercise all rights and remedies reserved under this Lease without providing evidence of the approval or consent of such Mortgagee, Mortgagees or any other persons whomsoever.

ARTICLE 20 - ESTOPPEL CERTIFICATES

TENANT'S ESTOPPEL CERTIFICATES

- 20.1 The Tenant at any time and from time to time upon not less than 10 days' notice shall execute and deliver to the Landlord a statement in writing certifying that this Lease is unmodified and in full force and effect (or, if modified, stating the modification and that the same is in full force and effect as modified), the amount of Rent then being paid under this Lease, the dates to which the Rent and the other sums provided in this Lease to be paid by the Tenant have been paid, and stating whether or not there is any existing default on the part of the Landlord of which the Tenant has notice, the particulars and amount of insurance policies on the Demised Premises in which the Tenant's interest is noted and any other matters reasonably requested by the Landlord.

ARTICLE 21 – NOTICES

NOTICES

- 21.1 Any notices, demands and other communications hereunder shall be in writing and shall be deemed to have been given if delivered or if mailed registered or certified mail or sent by facsimile:

Landlord: Jeff McFarlane
1700 Birchwood Drive
Mississauga, Ontario
L5J4A7
Fax: 905-829-2595

Tenant: I.T. Xchange Inc.
2590 Sheridan Garden Drive
Oakville, Ontario
L6J 7R2
Attention: CFO
Fax: 905-829-6518

or at such other address or number as the party to whom such notice, demand or other communication as may hereafter have designated by notice given in the manner provided in this Section; and (i) if so mailed, addressed as aforesaid, shall be deemed to have been given on the second business day following such mailing unless there is an interruption in the mails, in which case it shall be deemed to have been given when received; or (ii) if so delivered or sent by facsimile, shall be deemed to have been given on the business day following the date of dispatch or the date of transmission, as the case may be.

ARTICLE 22 - FORCE MAJEURE

EXCUSE FOR NON-PERFORMANCE

- 22.1 Whenever, and to the extent that either party shall be unable to fulfil, or shall be delayed or restricted in the fulfilment of any obligations under any provision of this Lease by reason of strike, lock-out, war or acts of military authority, rebellion or civil commotion, fire or explosion, flood, wind, water, earthquake, act of God, or other casualty or by reason of being unable to obtain the material, goods, equipment, services, utility or labour required to enable it to fulfil such obligation or by reason of any statute, law or any regulation or order made pursuant thereto or by reason of the order of any board or governmental department or other authority or by reason of any other cause beyond its control or not wholly or mainly within its control, whether of the foregoing character or not, and not caused by its default or its act of commission or omission and not avoidable by the exercise of reasonable effort or foresight by it, that party shall, so long as any such impediment exists, be relieved from the fulfilment of such obligation and the other party shall not be entitled to compensation for any damage, inconvenience, nuisance or discomfort thereby occasioned.

ARTICLE 23 - GENERAL

TIME OF THE ESSENCE

- 23.1 Time shall be of the essence of this Lease.

QUIET ENJOYMENT

- 23.2 If the Tenant pays the Rent and other sums herein provided, and observes and performs all the terms, covenants and conditions on the Tenant's part to be observed and performed, the Tenant shall peaceably and quietly hold and enjoy the Demised Premises for the Term hereby demised without hindrance or interruption by the Landlord, or any other person lawfully claiming by, through, or under the Landlord subject, nevertheless, to the terms, covenants and conditions of this Lease.

AUTHORIZATION

- 23.3 The Landlord and the Tenant covenant that each of them has all requisite power and possesses all licences, franchises, permits, consents and other rights necessary to enable each of them to enter into this Lease. The Tenant covenants, represents and warrants that it is not a party to any agreement which would restrict or covenant which would prohibit the Tenant from opening the Demised Premises for business and operating same throughout the Term for the purpose set out in Section 8.1.

PLANNING ACT

- 23.4 This Lease is entered into subject to the express condition that it is to be effective only on obtaining such consents, if any, as may be required under Section 50 of the *Planning Act* (Ontario), or any successor legislation or other statute which may hereafter be passed to take the place of the said Act or to amend the same, and provided that such consents are granted on conditions which are acceptable to the Landlord. Notwithstanding the provisions of Section 4.1 and the renewal provisions hereof, if any, if such consents are refused, or if such consents are not granted, or if such consents are granted upon conditions which the Landlord deems unacceptable to it, then this Lease shall not be void or voidable, but in such event if the Term is in excess of 21 years, then the Term shall not exceed a period of 20 years from and including the Lease Commencement Date without any right of renewal.

NO PARTNERSHIP OR AGENCY

- 23.5 The Landlord does not in any way or for any purpose become a partner of the Tenant in the conduct of its business or otherwise or a member of a joint venture or joint enterprise

with the Tenant. It is not intended that any agency be established between the Landlord and the Tenant.

AMENDMENTS

- 23.6 This Lease may not be amended except by instrument in writing signed by the Landlord and the Tenant.

REGISTRATION OF NOTICE OF LEASE

- 23.7 The Tenant shall not register this Lease, the Offer or any notice thereof except with the prior written approval of the Landlord and then only in a form which shall be acceptable to the solicitors for the Landlord and which shall be executed by both the Landlord and the Tenant prior to registration. At the request of the Landlord, the Tenant will register a notice of this Lease and the offer in form approved by the Landlord at any time during the Term.

WAIVERS

- 23.8 No waiver by either party of any breach by the other party of any of its covenants, obligations, or agreements under this Lease and no waiver by either party of any term or condition of this Lease shall be a waiver of any subsequent breach or failure or of any other covenant, obligation, agreement, term or condition, nor shall any forbearance to seek a remedy for any breach or failure be a waiver of any rights and remedies with respect to such or any subsequent breach or failure.

SEVERABILITY

- 23.9 If any covenant, obligation, agreement, term or condition of this Lease or the application thereof to any person or circumstance shall, to any extent, be invalid or unenforceable, the remainder of this Lease or the application of such covenant, obligation, agreement, term or condition to person or circumstances other than those to which it is held invalid or unenforceable, shall not be affected thereby and each covenant, obligation, agreement, term and condition of this Lease shall be separately valid and enforceable to the fullest extent permitted by law.

HEADINGS AND NOTES

- 23.10 The Article headings, Section headings and marginal notes of this Lease have been inserted for convenience of reference only and do not form part of this Lease.

CHANGES REQUIRED BY CONTEXT

- 23.11 This Lease shall be read with all changes of gender and number required by the context.

NET LEASE

- 23.12 This is a triple net Lease and completely carefree to the Landlord. The Rent and all costs, expenses and obligations relating to the Demised Premises shall be paid by the Tenant except as may otherwise be expressly provided in this Lease.

WHOLE AGREEMENT

- 23.13 This Lease contains the whole agreement between the parties with respect to the subject matter of this Lease and supersedes all prior agreements, understandings, negotiations or discussions whether written or oral including, without limitation the Agreement to Lease between the parties dated October 26, 2007. There is no representation, warranty, collateral agreement or condition affecting the Building, the Demised Premises or this Lease, other than as expressed in this Lease. The Tenant covenants and acknowledges that it has not executed this Lease by reason of any inducement, representation or warranties that any other person, firm or corporation shall be, shall become or shall remain as a tenant or occupant of the Building.

APPLICABLE LAW

23.14 This Lease shall be construed in accordance with the laws of the Province of Ontario.

SCHEDULES

23.15 The Schedules attached hereto shall form part of this Lease.

ASSIGNS

23.16 All rights and liabilities herein granted to, or imposed upon the parties hereto, extend to and bind the successors and assigns of the Landlord and the heirs, executors, administrators, and permitted successors and assigns of the Tenant, as the case may be. If there is more than one Tenant, they are all bound jointly and severally by the terms, covenants and conditions herein. No rights, however, shall enure to the benefit of any assignee of the Tenant unless the assignment of such assignee has been approved by the Landlord in writing as provided herein.

CURRENCY

23.17 Unless otherwise specified, the word dollar and \$ sign refer to Canadian currency.

CONFIDENTIALITY

23.18 The Tenant acknowledges that disclosure of any of the terms of this Lease may prejudice the Landlord's relationship with other prospective tenants. The Tenant undertakes to treat as strictly confidential and not to divulge to any person, firm, corporation or other entity (other than the Tenant's shareholders, directors, officers, employees, representatives or professional advisors who have a need to know such Information and who have been advised of the confidentiality obligations contained in this Lease) any of the Information disclosed by the Landlord and not to make use of any of the Information other than for the purposes of this Lease.

ARTICLE 24 – DISPUTE RESOLUTION

NEGOTIATION

24.1 All disputes arising under this Lease shall be settled, if possible, by good faith negotiations between the parties.

MEDIATION

24.2 If such negotiations fail to resolve any dispute within ten (10) days after a party has given written notice of the dispute to the other party or parties, then such dispute shall be resolved, if possible, by a process of mediation agreed upon by the parties (acting reasonably) which mediation shall be conducted by a mediator agreed upon by the parties (acting reasonably). Such mediator shall be an individual with significant experience in and understanding of commercial leases and real estate. Such mediation shall be held within ten (10) days after the end of the aforementioned ten (10) day period and the expense thereof shall be borne equally by the Landlord and Tenant.

ARBITRATION

24.3 If the dispute has not been settled within ten (10) days of the commencement of the mediation described in Section 24.2, then the dispute shall be finally settled by arbitration. The arbitration shall take place in Kitchener, Ontario unless otherwise agreed. Within twenty (20) days after the party requesting arbitration has given written notice of such request to the other party, the parties (acting reasonably) shall jointly appoint a single arbitrator who shall be individual with significant experience in and understanding of commercial leases and real estate. If the parties are unable to appoint a single arbitrator within the said twenty (20) day period, then the Landlord shall appoint one arbitrator and the Tenant shall appoint one arbitrator, both such arbitrators to be

appointed within ten (10) days after the end of the aforementioned twenty (20) day period, with a third arbitrator then being selected by those two arbitrators within five (5) days following their appointment. Such third arbitrator shall alone conduct the arbitration and the expense thereof shall be borne equally by the Landlord and the Tenant. The arbitration will be final and binding and not subject to appeal and the procedures and substance of the arbitration will be governed by the *Arbitration Act, 1991* (Ontario), as amended.

DEFAULT

- 24.4 Notwithstanding anything to the contrary above or elsewhere in this Lease, in the event that the Tenant is in default under the provisions of this Lease, then the Landlord may, but shall not be obligated to comply with the foregoing provisions or the Landlord may choose to enforce its rights and remedies through any other means available to the Landlord.

[Signing Page Follows]

IN WITNESS WHEREOF the parties have duly executed this Lease as of the date first above written.

WITNESS

JEFF MCFARLANE

I.T. XCHANGE INC.

by: _____
GORDON SUTHERLAND

I have authority to bind the Corporation.

SCHEDULE A

SKETCH SHOWING DEMISED PREMISES

SCHEDULE B

LEGAL DESCRIPTION

Part Block 154, Plan 20M488, Parts 1 and 2, Plan 20R15344, Oakville, Ontario.

Subject to an easement H393917.

Subject to an easement in gross HR394509 over Part 1, Plan 20R16155.

PIN 24891-0040 LT

SCHEDULE C

RULES AND REGULATIONS

1. All loading and unloading of goods shall be done only at such times, in the areas, and through the entrances designated for such purposes by the Landlord.
2. The delivery or shipping of merchandise, supplies and fixtures to and from the Demised Premises shall be subject to such controls as in the judgment of the Landlord are necessary for the proper operation of the Demised Premises and/or the Building.
3. The Tenant shall comply with all requirements of the Landlord respecting the storage and disposal of garbage and refuse, including the kind of container to be used for such storage and disposal. In particular, the Tenant shall place all garbage, refuse and debris generated by the Tenant's business in the central garbage depository designated for the purpose by the Landlord.
4. No radio, television, telegraphic, telephone, computer or similar device and no water pipe, gas pipe, or electric wire shall be installed or connected without obtaining in each instance the written consent of the Landlord. All such connections shall be installed in accordance with the Landlord's direction and without such direction no boring or cutting for wires or pipes shall be permitted.
5. The Tenant and its employees, suppliers, and other persons not customers having business with the Tenant, shall park their cars only in those portions of the parking area designated for the purpose by the Landlord.
6. The plumbing facilities shall not be used for any other purpose than that, for which they are intended, and no foreign substance of any kind shall be thrown therein, and the expense of any breakage, stoppage or damage resulting from a violation of this provision shall be borne by the Tenant.
7. The Tenant shall use at the cost of the Tenant such pest extermination contractor as the Landlord may direct and at such intervals as the Landlord may require.
8. The Tenant shall take all necessary measures to prevent odours emanating from the Demised Premises which the Landlord determines are unacceptable. In the event that the Tenant fails to take such measures within the time required by the Landlord, or in the event that such unacceptable odours continue to emanate from the Demised Premises the Landlord, at the cost and expense of the Tenant, shall have the right to perform such remedial work as may be necessary to prevent the continuance of any such odours emanating from the Demised Premises.
9. The Tenant, its employees or agents, shall not mark, paint, drill or in any way deface any walls, ceilings, partitions, floors, wood, store or iron without the written consent of the Landlord.
10. Except as permitted in the Lease, the Tenant shall not permit any cooking in the Demised Premises without the written consent of the Landlord.
11. No sidewalk, entry, passageway or staircase shall be obstructed or used by the Tenant, its officers, agents, servants, employees, contractors, customers, invitees or licencees for any purpose other than ingress to and egress from the Demised Premises.
12. The Tenant, its officers, agents, servants, employees, contractors, customers, invitees or licencees shall not bring in or take out, position, construct, install or move any safe or other heavy equipment or furniture without first obtaining the consent in writing of the Landlord. In giving such consent, the Landlord shall have the right, in its sole discretion, to pre-scribe the weight permitted and the position thereof, and the use and design of planks, skids or platforms to distribute the weight thereof. All damage done to the Building by moving or using any such safe, heavy equipment or furniture shall be repaired at the expense of the Tenant. The moving of all equipment and furniture shall occur only during those hours when the Building shall not be open for business or any other time consented to by the Landlord and the persons employed to move the same in and out of the Demised Premises shall be acceptable to the Landlord.

13. The Tenant shall not place or cause to be placed any additional locks upon any doors of the Demised Premises without the approval of the Landlord and subject to any conditions imposed by the Landlord.
14. No one shall use the Demised Premises for sleeping apartments or residential purposes, or for the storage of personal effects or articles other than those required for the purposes permitted by the Lease.
15. The Tenant shall permit window cleaners to clean the windows of the Demised Premises only during those hours when the Building shall not be open for business.
16. Any hand trucks, carryalls, or similar appliances used in the Building shall be equipped with rubber tires, side guards and such other safeguards as the Landlord shall require.
17. No animals or birds shall be brought into the Demised Premises except as permitted by the Lease.

SCHEDULE D
LANDLORD'S WORK

None

SCHEDULE E
TENANT'S WORK

TENANT'S WORK:

As and from the Lease Commencement Date, the Tenant shall have the right to select and use such engineers, architects, designers and other professional advisors with respect to the planning, design and completion of the Tenant's leasehold improvements ("**Leasehold Improvements**") as it may choose, subject to the reasonable approval of the Landlord.

FIRST AMENDMENT TO LEASE

This First Amendment is entered into this 28th day of July, 2008 by and between Jeffrey James McFarlane an individual resident in Ontario and I.T. Xchange Inc. a corporation incorporated pursuant to the laws of the Province of Ontario and modifies the lease between the parties entered into on January 16, 2008.

In consideration of the mutual promises set forth herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby amend the lease by deleting section 5.1 (a) through 5.1 (j) inclusive and replacing it with the following:

- (a) Lease Year 1 = \$8.00/square feet or \$282,053.31 in the first seven month period payable in equal monthly instalments of \$40,293.33 plus applicable GST and \$8.32/square feet or \$209,525.30 in the five month period, from the eighth through to the twelfth month, payable in equal monthly instalments of \$41,905.06 plus applicable GST;
- (b) Lease Year 2 = \$6.27/square feet or \$378,959.04 per annum payable in equal monthly instalments of \$31,579.92 plus applicable GST,
- (c) Lease Year 3 = \$6.40/square feet or \$386,538.00 per annum payable in equal monthly instalments of \$32,211.50 plus applicable GST
- (d) Lease Year 4 = \$6.52/square feet or \$394,269.72 per annum payable in equal monthly instalments of \$32,855.81 plus applicable GST
- (e) Lease Year 5 = \$6.65/square feet or \$402,154.08 per annum payable in equal monthly instalments of \$33,512.84 plus applicable GST
- (f) Lease Year 6 = \$6.79/square feet or \$410,197.08 per annum payable in equal monthly instalments of \$34,183.09 plus applicable GST
- (g) Lease Year 7 = \$6.92/square feet or \$418,401.00 per annum payable in equal monthly instalments of \$34,866.75 plus applicable GST
- (h) Lease Year 8 = \$7.06/square feet or \$426,769.08 per annum payable in equal monthly instalments of \$35,564.09 plus applicable GST
- (i) Lease Year 9 = \$7.20/square feet or \$435,305.04 per annum payable in equal monthly instalments of \$36,275.42 plus applicable GST
- (j) Lease Year 10 = \$7.35/square feet or \$444,011.04 per annum payable in equal monthly instalments of \$37,000.92 plus applicable GST

on the sixteenth day of each calendar month of the Term.

During the term of the lease it is understood and agreed that the Tenant intends to renovate the premises with the consent and approval of the Landlord. It is specifically understood and agreed that the Landlord shall pay compensation to the Tenant in the amount of \$110,000.00 as abatement of Rent in connection with the Renovation Work completed by the Tenant, satisfactory to the Landlord, on or before the expiration of the first year of the lease.

SIGNATURES APPEAR ON THE FOLLOWING PAGE

IN WITNESS WHEREOF the parties have duly executed this First Amendment to the Lease as of the date first above written.

WITNESS

JEFF MCFARLANE


I.T. XCHANGE INC.

by: _____

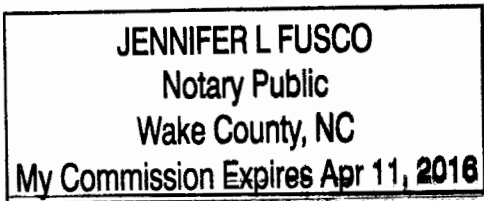
GORDON SUTHERLAND

I have authority to bind the Corporation.

This is **Exhibit "B"** referred to in the affidavit of Jeffrey McFarlane,
sworn before me this 12th day of December, 2013

A handwritten signature in black ink, appearing to read "Jennifer L. Fusco", is written over a horizontal line.

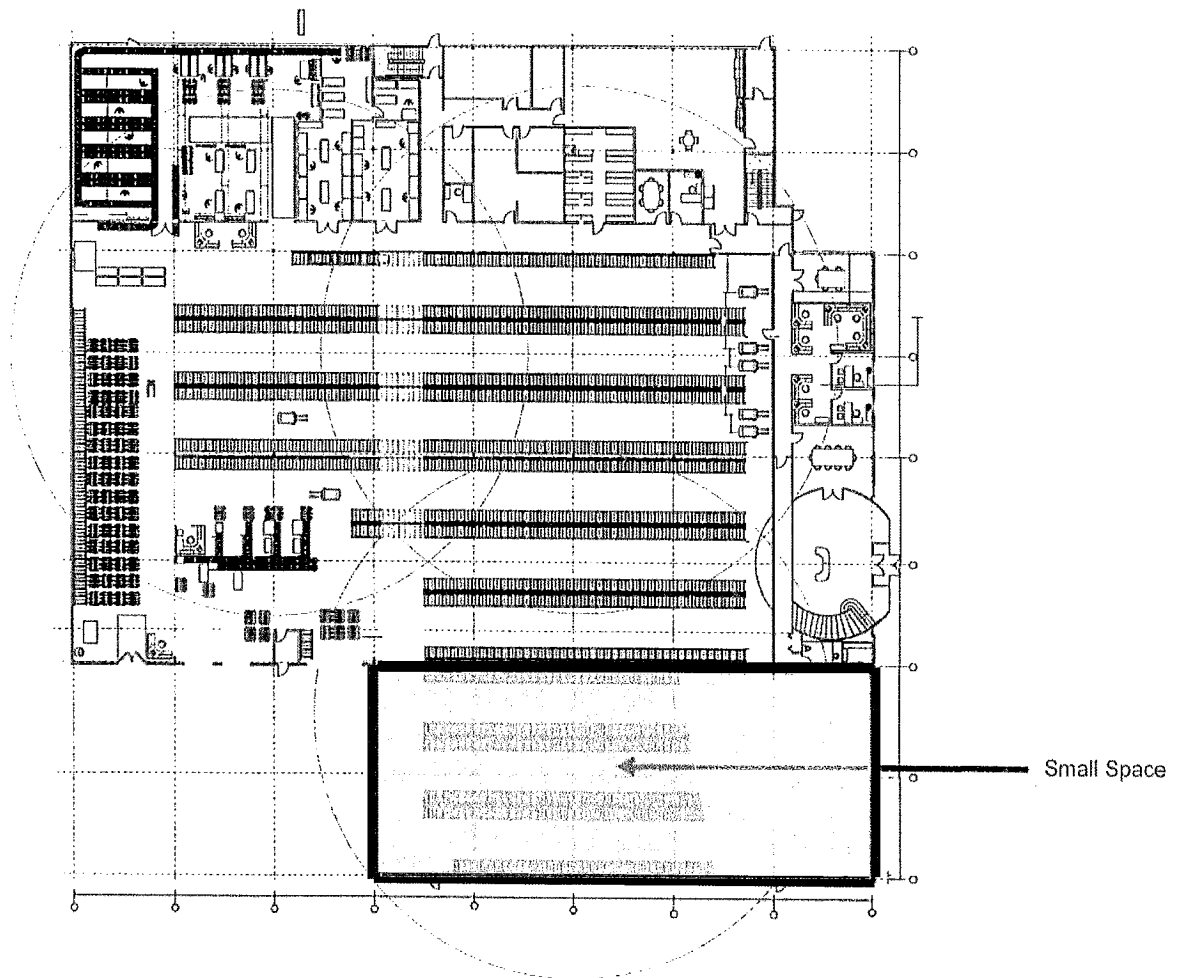
A Commissioner for Taking Affidavits, etc.



Small Space = highlighted in yellow

Large Space = unhighlighted portion

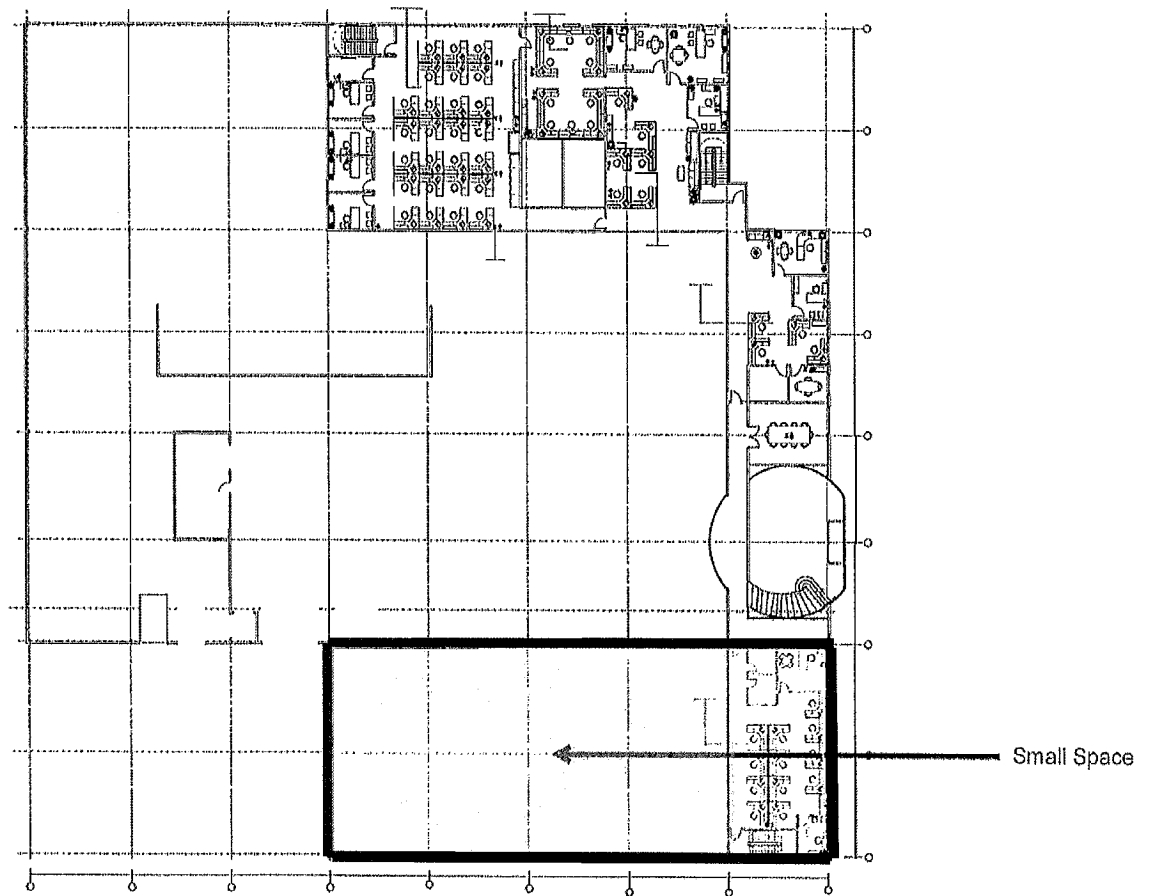
GROUND FLOOR



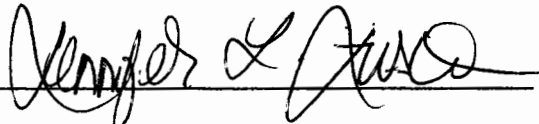
Small Space = highlighted in yellow

Large Space = unhighlighted portion

UPPER FLOOR



This is **Exhibit "C"** referred to in the affidavit of Jeffrey McFarlane,
sworn before me this 12th day of December, 2013

A handwritten signature in black ink, appearing to read "Jennifer L. Fusco", written over a horizontal line.

A Commissioner for Taking Affidavits, etc.

JENNIFER L FUSCO Notary Public Wake County, NC My Commission Expires Apr 11, 2016
--

WITH PREJUDICE

December 6, 2013

Paul D. Guy
Partner
T: 416-947-5045
pguy@weirfoulds.com

File 16158.00001

VIA E-MAIL

John Leslie
Dickinson Wright LLP
199 Bay Street, Suite 2200
P.O. Box 447 Commerce Court Postal Station
Toronto, ON M5L 1G4

Harvey Chaiton
Chaitons LLP
5000 Yonge Street
10th Floor
Toronto, ON M2N 7E9

Dear Counsel:

**Re: Callidus Capital Corporation v. Xchange Technology Group LLC et al.
2590 Sheridan Garden Drive, Oakville, Ontario ("Premises")**

My client is agreeable to settling the issue of the Receiver/Callidus' continued occupation of the Premises on the following terms:

1. The Receiver and Callidus¹ will vacate the Small Space (as represented in the floor plan attached to this letter as Schedule "A") no later than December 15, 2013. The Parties agree that before that date, Mr. McFarlane will conduct a walkthrough of the Premises with the Receiver to identify fixtures, chattels and leasehold improvements and discuss how the parties will address these moving forward (both with respect to the Large Space and the Small Space). Any disputes that cannot be resolved between the parties will be brought before Justice Morawetz for adjudication.
2. The Receiver and/or Callidus will continue to occupy the Large Space (as represented in the floor plan attached as Schedule "A" to this letter), will pay its *pro rata* share (83.6%) of the rent in accordance with the lease made as of January 16, 2008 between Mr. McFarlane and IT Xchange Inc., as amended ("**Lease**"), and will remain subject to the Lease's terms and conditions (to the extent they are not incompatible with the terms of this agreement), including the

¹ References to "Callidus" include both Callidus Capital Corporation and the entity incorporated by Callidus Capital Corporation to purchase the debtors' assets.

increased rent due commencing January 2014 pursuant to the First Amendment to the Lease.

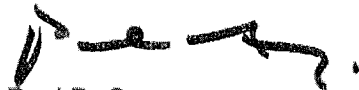
3. Mr. McFarlane will pay for the costs of demising the Premises.
4. The parties will accommodate each other's reasonable parking requirements. For greater clarity, at least ten parking spaces at the Premises will be available to Mr. McFarlane (and/or those permitted by Mr. McFarlane to use them).
5. The Receiver/Callidus will provide occasional access to the loading docks and the Large Space to enable Mr. McFarlane, or those permitted by him, to move material into or out of the Small Space. This access will be on reasonable notice, during business hours, and may be supervised by Receiver and/or Callidus personnel, if desired.
6. Mr. McFarlane will be responsible for his *pro rata* share of the electricity bill based on square footage (16.4 percent representing the Small Space). All other utility costs and property taxes associated with the Premises will continue to be the responsibility of the Receiver. The Receiver will confirm in writing that all property taxes payable to the Town of Oakville for calendar 2013 have been remitted to the Town by December 15, 2013. Using the 2013 property tax bill as a baseline, the Receiver shall pay to the Landlord one and one half month's property tax payment on December 16, 2013 and going forward with every rent payment the Receiver shall pay 1/12 of the annual property tax with the rent.
7. Rent from December 16, 2013 to February 15, 2014 will be paid by the Receiver to Mr. McFarlane on December 16, 2013. The Receiver/Callidus shall thereafter have the right to occupy the Large Space on a month-to-month basis with the option to terminate its occupancy on the 15th day of any month provided it has given Mr. McFarlane a minimum of 30 days' written notice. All rent payments shall be remitted to the following account of Mr. McFarlane's:

HSBC Bank
4550 Hurontario Street
Mississauga, ON L5R 4E4
Routing: 001610052
Account Number: 052-253236-306

8. Mr. McFarlane will be permitted access to the point at which utilities enter the Premises in order to implement a second internet connection, install a network switch and run wiring to the Small Space.
9. The Small Space will be designated "Unit 2" for the purpose of inbound mail and parcels.

Please confirm that the above is agreeable by signing this letter back to me as soon as possible.

Yours truly,



Paul D. Guy

c: David Sieradzki (Duff & Phelps Canada Restructuring Inc.)

CALLIDUS CAPITAL CORPORATION

Date: _____

Per:
Title:
(I have authority to bind the corporation)

**DUFF & PHELPS CANADA
RESTRUCTURING INC.,**
in its capacity as Court-appointed Receiver
over the assets and undertakings of I.T.
Xchange Inc., and not in its personal capacity

Date: _____

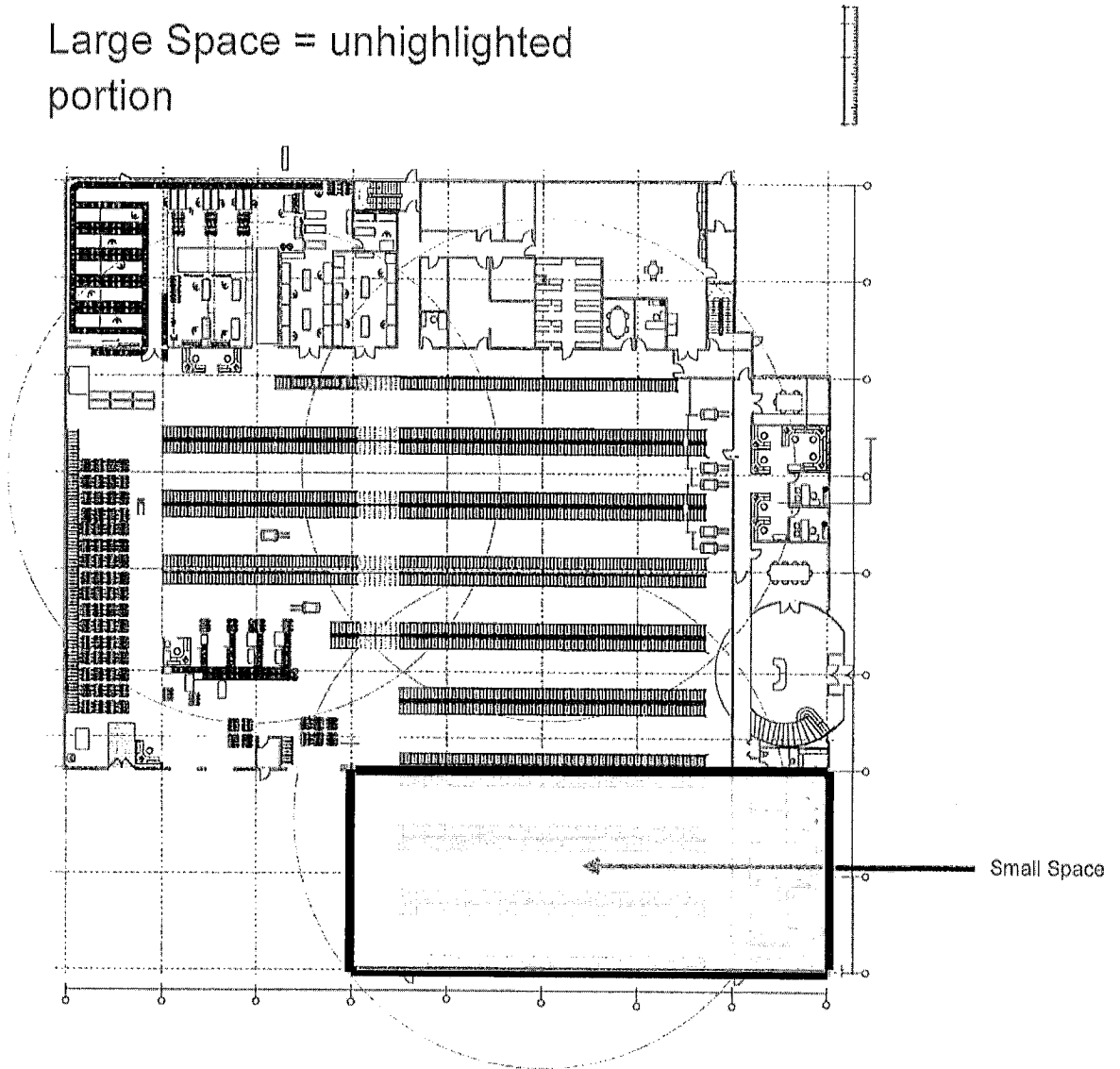
Per:
Title:
(I have authority to bind the corporation)

Schedule "A"

Small Space = highlighted in
yellow

Large Space = unhighlighted
portion

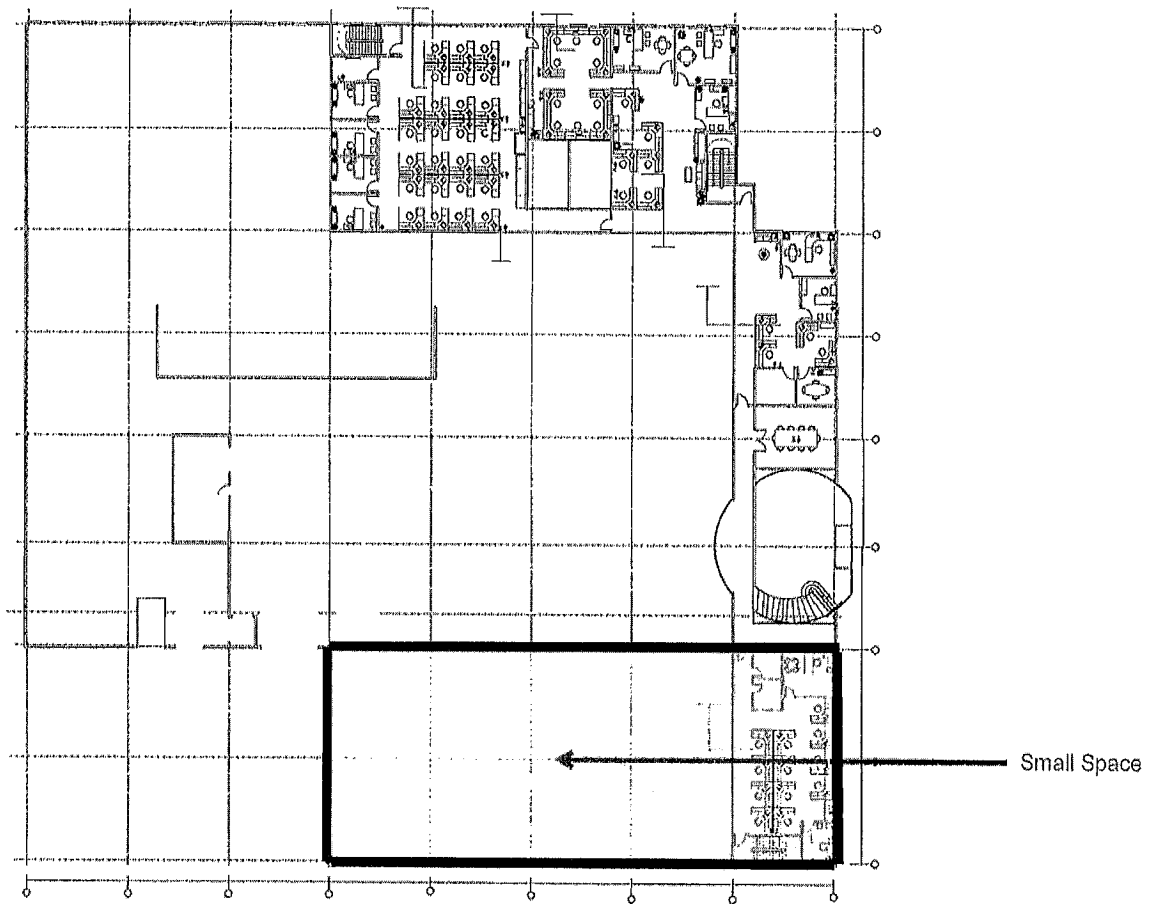
GROUND FLOOR



Small Space = highlighted in yellow

Large Space = unhighlighted portion

UPPER FLOOR



CALLIDUS CAPITAL CORPORATION
Applicant

and

XCHANGE TECHNOLOGY GROUP LLC et al.
Respondents

Court File No. CV-13-10310-00CL

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

Proceeding commenced at Toronto

**SUPPLEMENTARY AFFIDAVIT OF
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