Court File No. CV-17-11811-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

B E T W E E N :

ZAHERALI VISRAM

Applicant

- and –

2220277 ONTARIO INC.

Respondent

Application under subsection 243(1) of the Bankruptcy and Insolvency Act R.S.C. 1985, C.B-3, as Amended and Section 101 of the Courts of Justice Act, R.S.O. 1990, C.C.43 as Amended

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RESPONDENTS RECORD

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Respondent

AFFIDAVIT

I Evan Karras of the City of Toronto in the Municipality of Metropolitan Toronto make oath and say as follows:

1. I am the principal of 2220277 Ontario Inc. and have personal knowledge of the matters hereinafter deposed.

2. I have read the Affidavit of Zaherali Visram.

3. I was introduced to the Suleman family by a mortgage broker in the year 2010. The mortgage broker stated words to the effect that he thought there was some synergies between my activities and that of Hush Homes Inc.

4. In due course a Share Purchase Agreement was entered into in connection

with the Bay Street property.

5. Suleman and Hush Homes Inc. did not live up to the terms of the Share Purchase Agreement although I did receive approximately $500,000.00 over time and some work was done. They were to get 20% of the company for $1,125,000.00.

6. The property in question is not a heritage building. I was not looking for bridge financing. I was looking for approximately $1,000,000.00 which I needed to convert the building into a 22 room hotel with space for restaurants or retail on the main floor.

7. It was through my introduction to Hush Homes Inc. and its principals that I met with Mr. Visram. I was advised that Mr. Visram and Musa Suleman had been long time friends and compatriots. I had a financing commitment from another lender but Visram and Hush insisted that it would be best to work with Visram.

8. The full purchase price for the 20% interest was to be paid in cash. When Hush was not able to pay in cash they suggested doing work at the property at their cost. Some work was done but not very much.

9. I provided to Visram the actual budget for construction. The collective idea at this point was that since Hush Homes Inc. and its principals were very much engaged in their own home building business and money was tight that I might be

able to borrow this money (at least on a temporary basis) until Hush Homes could provide the balance of the funds which they were to provide for their 20% interest. If I paid for renovations, then Hush would owe me 20% of those added costs and they were to be responsible for 20% of all costs related to the property, including carrying costs.

10. In connection with Exhibit 5 to the Affidavit of Zaherali Visram I acknowledge executing the same on behalf of the Respondent corporation and as a guarantor. At the bottom of page 49 of the Application Record is the handwritten words "and the $400,000.00 as described in point 8". These words were added later and although it bears the initials of Mr. Visram I did not initial that addition."

11. The document at Exhibit 5 came to me as somewhat of a surprise. Mr. Visram said that there was some outstanding loans which he had made to Hush Homes Inc. and to the Suleman family that he required to be repaid before he would advance any monies to 2220277 Ontario Inc. At the last minute he refused to advance any monies to 2220277 Ontario Inc. but insisted that all monies to be advanced be advanced to Hush Homes Inc. In the end the Respondent company did not receive directly any funds whatsoever from the Applicant.

12. After the Respondent had purchased the property I entered into a disguised form of partnership with Ben Estreicher in connection with the shares of the

Respondent. Matters did not work out as we had hoped and I agreed to purchase his interest.

13. I did not receive any advance in January nor did I receive any statement from the Applicant in connection with any purported advances in January. I did receive a statement, however, in connection with the second advance which is Exhibit 7 of the affidavit of Zaherali Visram.

14. The second advance statement makes reference to a $330,000.00 advance that had already been made. I never received any evidence that such an advance was made to anyone. Furthermore in accordance with the mortgage loan commitment (Exhibit 5) the first advance was to be in the amount of $200,000.00 with a holdback of $50,000.00 as an estimated partial holdback for any construction liens. To date the $50,000.00 has never been advanced to the Respondent. The statement further provides for $400,000.00 "pay down of mortgage – Visram to 2173252 Ontario Inc." in accordance with paragraph 8 of the Commitment. Neither the Respondent nor I have ever had any interest in 2173252 Ontario Inc. Furthermore paragraph 8 of the commitment letter does not provide for the amount of the $400,000.00 which constituted the loan which the Applicant allegedly made to 2173252 Ontario Inc. In any event 2173252 Ontario Inc. is not a party to the loan agreement nor is it a guarantor under the mortgage. As indicated earlier apart from some construction work (which I estimate did not exceed $100,000.00) the Respondent received no benefit whatsoever from this advance. The $200,000.00

payable to Estreicher was an authorized payment to remove him as a shareholder of the Respondent. I do not know why another $45,000.00 was paid to Hush Homes Inc. especially since there is no reference to this whatsoever in the mortgage loan commitment. Paragraph 8 of that commitment makes it clear that whatever amount of loan was outstanding was less than the $400,000.00 as "the balance of the mortgage funds shall be used solely for the purposes of completing construction and other related costs with respect to the property."

15. When Mr. Visram presented to me the first revised Re-Direction for Funds which in effect provided virtually nothing to the Respondent to meet the $1,000,000.00 budget I protested and pointed out to Mr. Visram that this was not why I had sought his assistance – I needed the $1,000,000.00 to complete the project. He said words to the effect that I shouldn't be concerned due to my relationship with the Suleman family and that if they didn't come through "I'll give you more money if you need it."

16. As appears from Exhibit 6 of the Affidavit of Zaherali Visram the mortgage was registered on March 6 2012 and provides for a last payment date of April 18 2012. It also provides for a first payment date of February 16 2012 and a last payment date of April 12 2018, a rate of interest at 12%, that the mortgage was closed, and that the Chargor would have the privilege of prepaying at any time without notice upon the payment of one months interest bonus on the principle

amount secured. As appears from the mortgage loan commitment there was a lender's fee of $48,000.00.

17. As indicated earlier in this Affidavit all of the money that may have been advanced other than the money for title insurance, lender's fee, legal fees and insurance review were advanced to Hush Homes Inc. No monies whatsoever were advanced to the Respondent. Furthermore although there was a lawyer involved it was the lawyer for Hush Homes Inc. I have never received a reporting letter and have no idea as to what happened to all of this money. In particular I did not receive any report concerning the provisions under the heading "Advances" in the mortgage, providing that prior to each advance the Chargor will provide the Chargees' Solicitor a Statutory Declaration confirming that all the trades have been paid to date or will be paid to date from the advance for the work completed to date and a request to advance. "All advances are to be used for the construction of the structures on the property, no funds are to be used for any other project or other property."

18. As the Respondent received no money in connection with the $1,200,000.00 mortgage and very little construction work was done by the Suleman family and/or Hush Homes Inc. I contacted the Applicant advising that the Respondent needed at least $700,000.00 to complete the project. In response the Applicant indicated that he was prepared to increase the $1,200,000.00 second mortgage to $1,900,000.00. He wanted a $90,000.00 lender's fee – this would still leave me $600,000.00. The

Respondent did not get any money in connection with this increased loan to $1,900,000.00. Instead, at the last minute, the Applicant said that the loan would have to be $3,000,000.00 in order to free up for the Respondent the $700,000.00 which I felt what we needed and an extra cushion of $300,000.00 or $400,000.00. Reluctantly I agreed.

19. As appears from Exhibit 9 to the Affidavit of the Applicant on the increase of loan from $1,200,000.00 to $1,900,000.00 the Applicant received a lender's fee of $19,000.00; Applicant's lawyer received $2750.00, outstanding interest payments were deducted. The statement further provides that $400,000.00 was to be withheld by the Applicant referable to some personal loan. No personal loans were ever made to the Respondent. In addition there is a reference to a $192,250.00 being paid but those monies were paid to Hush Homes. In short apart from the interest payments the Respondent received nothing.

20. Exhibit 11 is the Direction increasing the $1,900,000.00 mortgage to $3,000,000.00. As appears from that Direction there is a lenders' fee of $90,000.00, legal fees of $3664.75, outstanding taxes of $122,751.41 and bailiff charges of $49,037.00. There are holdbacks for construction lien and a reserve for interest payments totaling $200,000.00, a repayment of some loan from the Applicant to Hush Homes Inc. in the amount of $204,000.00 and an alleged net balance to borrower of $440,046.40. The Respondent did not receive any money. The Respondent has never received credit for the interest holdback nor the construction

lien holdback. The Respondent may have got some benefit from the interest reserve and certainly from the City of Toronto taxes but apart from that, nothing.

21. As appears from Exhibit 7 the purported advance under the original mortgage for $1,200,000.00 was $1,078,000.00. No accounting has ever been given for the $122,000.00 difference between the $1,078,000.00 and the $1,200,000.00.

22. The Respondent has committed itself to repay $3,000,000.00 when it has received a pittance.

23. I am advised by Naheel Suleman and verily believe that some payments were made on the mortgage by him but I have never received an accounting either from Suleman or from the Applicant as to what funds were received prior to the Forbearance Agreement in March of 2015. As appears from page 101 of the Applicant's Record in addition to alleged interest payments outstanding totaling $908,590.93 a claim is also made for $59,250.00 for an extension fee. The Respondent never asked for an extension.

24. Insofar as the action that was commenced by the Applicant at page 98 of the Applicant's Record I verily believe that this action was brought because of difficulties which the Applicant was encountering in his various outstanding dealings with the Suleman family and Hush Homes Inc.

25. On January 19 2015 Hush Homes Inc. and its various related companies brought a successful Application under the Companies Creditors Arrangements Act. A successful Plan of Compromise was subsequently made on November 12 2015.

26. Apart from exchange of pleadings the Applicant's action at page 98 of the Applicant's Record did not proceed beyond the pleadings stage.

27. In September 2015 I was able to secure a loan with Accomplish Capital Inc. for $525,000.00. This was sufficient to complete the project.

28. As appears from Exhibit 2 to the Affidavit of Zaherali Visram there are a number of additional mortgages. The mortgage for $625,000.00 to 932005 Ontario Inc. was simply a collateral mortgage in connection with an unrelated property. The mortgage to which it is collateral is up to date and not in any way in default. The same is the case in connection with the $100,000.00 mortgage to Harbour First Mortgage Fund GP Inc. The mortgage in favour of Goldcard has now been paid in full: It was collateral security for equipment for the property. The mortgage to 9480536 Canada Inc. in the amount of $600,000.00 is from a friendly investor. The mortgage to Am-Stat Corporation in the amount of $5,500,000.00 is collateral security for mortgages on the three adjoining properties which were acquired by a group of investors with whom I have an outstanding agreement which will be dealt with later in this Affidavit.

29. As far as Ardelini Investments Inc. is concerned again this is a collateral mortgage in connection with properties owned by Hush Homes Inc. Now shown to me and marked as Exhibit "A" to this my Affidavit is the Statement of Defence in that action. The fact as set out in the Statement of Defence are true. The Plaintiff has taken no further steps.

30. The facts as referred to in paragraph 30 of Mr. Visram's Affidavit are untrue. I did not say that I needed another $1,000,000.00 nor did I ask for an extension or an increase. I pointed out to Mr. Visram that since I got virtually nothing out of the $1,200,000.00 that was advanced and he had promised that if I needed more he would provide it I then approached him for further funding. Keyser Mason Ball were not lawyers for the Respondent but were the lawyers for and acted for Hush Homes Inc.

31. The Respondent's relationship with the first mortgagee was a good one. The first mortgage matured and I was advised by Mr. Handelman that most of his co-investors were elderly people that wanted their money. I proceeded to attempt to arrange a replacement first mortgagee. I approached the Applicant for his consent to permit the registration of a replacement first mortgage but he refused. Although I had a mortgage commitment from another lender he refused to allow me to obtain this mortgage unless it was through him. I advised Handelman as to the difficulties and Handelman advised me that he had no choice but to bring proceedings. The Applicant then redeemed the first mortgage. The amount outstanding on the first

mortgage was approximately $2,100,00.00. I verily believe that the Applicant paid less than that.

32. The Applicant then advised me that he would continue the action brought by the first mortgagee unless I agreed to an extension of the first mortgage on the terms as set out in the Amending Agreement commencing at page 149 of the Application Record. As appears from the Amending Agreement the Respondent was required to agree to an increase in the principle amount of $2,600,000.00. The Respondent did not receive one cent of the differential between what was owed on the mortgage (approximately $2,100,000.00 and the said $2,600,000.00). Mr. Visram alleges that the increase was made with respect to unpaid property taxes, insurance costs, a construction lien, legal fees and "certain lender's fees and interest owing under the first mortgage." Mr. Visram has provided no evidence of advances of any of the differential between the discharge amount and the $2,600,000.00 amendment to the first mortgage and Exhibit 2 does not show any liens having been registered. The Respondent has never received a statement in connection with the Amendment to the Mortgage nor has the Respondent ever received any monies.

33. As indicated at paragraph 47 of Mr. Visram's Affidavit at the time of the acquisition of the first mortgage he demanded that we execute a Forbearance Agreement in connection with the second mortgage. Again the Respondent was not represented separately. The Respondent was represented by the lawyers for Hush Homes Inc.

34. I deny that any time there was $1,289,760.00 of accumulated interest arrears or fees. I vigorously objected to this Agreement, the outrageous fees that were being charged as provided for in paragraphs 3 and 7 and the allegations of arrears as set out in paragraph 5 of the Agreement.

35. At this point I began to realize that I was the victim of predatory lending practices and that likely the Suleman family were involved with Mr. Visram in this connection. I saw my exit by way of sale of the property.

36. There were two Agreements of Purchase and Sale. The Agreement with Reserve Land Corporation was for a purchase price of $13,000,000.00. The Agreement with 932929 Canada Inc. was in the amount of $13,750,000.00. The Agreement with 9329293 Canada Inc. was assigned to 650 Bay Limited Partnership. This partnership was formed as a result of a Joint Venture Agreement between the Respondent and some Investors. I was open and made full disclosure to Mr. Visram about that Agreement. The principals of 650 Bay Limited Partnership are prepared to pay me $15,000,000.00 as appears from the Agreement now shown to me and marked as Exhibit "B" to this my Affidavit.

37. In the spring of 2016 some pipes burst and there was serious flooding at the property. The property had to be vacated for work to be completed and closed for many months but re-opened in late 2016. I funded the restoration largely with my

own funds. There is a substantial insurance claim outstanding including an insurance claim by the hotel operating company for lost profits. In the meantime the property continues to increase substantially in value. I expect shortly to have an up to date appraisal. It is my belief that the value of the property is somewhere between $15,000,000.00 and $20,000,000.00. Even if Mr. Visram is correct and he is owed $10,000,000.00 on his first and second mortgage there is more than enough equity to discharge the remaining mortgages, the majority of which are collateral and are not owed.

38. The only statements which I ever received from the Applicant are mortgage statements for the second mortgage the commencement date of which is the Forbearance Agreement and for the first mortgage, the commencement date being after the Agreement amending the mortgage. Now shown to me and marked as Exhibit "C" to this my Affidavit are the mortgage statements for the first and second mortgage received from the Applicant.

39. I acknowledge receipt of the letter from Chaitons including the Notice under Section 244 of the Bankruptcy & Insolvency Act. I received it on the 19th of April 2017.

40. Within the 10 days the Respondent commenced its action as against the Applicant. As a courtesy the Lawyer for the Respondent wrote to Chaitons inviting them to accept service of the Statement of Claim. After receiving no response from

Chaitons the Lawyer for the Respondent wrote to the Applicant's real estate lawyer to advise that he had not heard from Chaitons and would accordingly effect service on Mr. Visram personally. Almost immediately the Lawyer for the Respondent received correspondence from Chaitons that they would accept service. They did accept service but not until the 17th of May 2017 despite having received on the 4th of May 2017 a copy of the Statement of Claim as issued. Now shown to me and marked as Exhibit "D" to this my Affidavit is the relevant correspondence.

41. In paragraphs 79 and 81 of his Affidavit Mr. Visram suggests that it is in the interest of the Debtor's Creditors generally that a Receiver be appointed. In paragraph 80 he suggests that the property should be re-developed and the hotel closed. By reason of these allegations I verily believe that this Application is just another form of pressure to attempt to collect unconscionable amounts of money. Mr. Visram well knows that none of the creditors would benefit from this Application as most if not all of the creditors support the Respondent's position as to what is actually owed under the first and second mortgage. Furthermore and in any event there is ample equity to satisfy them so long as the hotel is operating. The hotel makes an annual profit of approximately $700,000.00 which it has provided to the Respondent for the Respondent's needs. The mortgagees who hold collateral mortgages for other properties (except CVC Ardellini) are likely to provide partial discharges or postpone their mortgages to fresh financing to take out the first and second mortgage once the amounts owed under the first and second mortgage have been established.

42. The neighbouring properties to which Mr. Visram refers in paragraph 80 are the three properties which are owned by the parties to the Joint Venture Agreement referred to in paragraphs 28 and 36 herein and for which the Respondent has provided collateral security. My Co- Venturers and I have no desire that the hotel be closed as it is providing a significant cashflow nor do we wish the property to be sold as it has substantial equity, even if the financial claims of the Applicant are established.

43. Concurrent with this Affidavit I have retained an actuary to prepare a report for this Honourable Court as to the applicable interest rates at the various intervals. I have also retained an appraiser to provide a current appraisal. Now shown to me and marked as Exhibit " E" herein is an appraisal from 2012.

44. At present the intentions of the Respondent and it's Co-Venturers on the other three adjoining properties is to expand the hotel by another 20 rooms and to carry on that business.

45. Now shown to me and marked as Exhibit "F" to this my Affidavit is the Share Purchase Agreement which I had with Naheel Suleman dated the 20th of July 2010.

46. Now shown to me and marked as Exhibit "G" to this my Affidavit is the second mortgage commitment from Terra Firma which I received in August of 2011

but of which the Respondent did not avail itself because of the suggestion/request of Naheel Suleman that I deal with Mr. Visram.

47. Now shown to me and marked as Exhibit "H" to this my Affidavit is a mortgage commitment dated February 21 2013 for replacement first mortgage. The Respondent was unable to avail itself of this mortgage commitment due to the refusal of Mr. Visram to consent.

48. This Affidavit is sworn in response to the Application by Mr. Visram for the appointment of a Receiver and not for any improper purpose.

Sworn before me at the)
Town of Newmarket in the Regional)
Municipality of York)
This day of June 2017)
)
)
)
)

_____
Evan Karras

A Commissioner
Alfred Schorr

This is Exhibit "A" to the Affidavit of
Evan Karras sworn before me this
Day of June 2017.

A Commissioner etc.

Court File No. CV-17-570878

ONTARIO
SUPERIOR COURT OF JUSTICE

B E T W E E N :

CVC ARDELLINI INVESTMENTS INC.

Plaintiff
(Defendant by Counterclaim)

- and –

2220277 ONTARIO INC.

Defendant
(Plaintiff by Counterclaim)

STATEMENT OF DEFENCE AND COUNTERCLAIM
ON BEHALF OF 2220277 ONTARIO INC.

1. The Defendant admits the allegations contained in paragraphs 2, 3, 4, 5, 8, and 9 of the Plaintiff's Statement of Claim.

2. Save only as hereinafter may be admitted the Defendant denies each and every other allegation contained in the Plaintiff's Statement of Claim, seriatim.

3. In or about September of 2013 the Defendant corporation was seeking further mortgage funding for the property at 650 Bay Street.

4. The Defendant sought the services of Toronto Capital, a mortgage brokerage firm.

5. In or about mid September of 2013 representatives of Toronto Capital advised the Defendant's principal that they had a lender who was prepared to provide a new first mortgage of $5,000,000.00 and a lender who was prepared to

provide a second mortgage at $1,800,000.00 for a total of $6,800,000.00. They proposed that in order to facilitate the loan the lender wished to have further security for monies which the lender had loaned or was prepared to loan to Hush Homes Inc. and some numbered companies controlled by the principal of Hush Homes Inc. The identified lender was the Plaintiff herein.

6. In consideration of the promise by the Plaintiff through its broker Toronto Capital that the aforesaid funding for the Defendant would be forthcoming the Defendant was asked to provide a collateral mortgage on its property at 650 Bay Street as collateral security for the loans to Hush Homes Inc. which collateral security would be discharged as soon as Hush Homes Inc. received confirmation from the City of Mississauga regarding the approval of the registration of a subdivision plan which the Plaintiff was funding, to which the Defendant agreed. An agreement was subsequently concluded that whether the confirmation from the City of Mississauga was received or otherwise the collateral mortgage would be discharged within three months of its registration.

7. The City of Mississauga did confirm the approval of the registration of the subdivision plan and at least three months elapsed but the expected financing of the Defendant never materialized.

8. The mortgage forming the subject matter of these proceedings expressly provided "this Charge is security for a loan made to the Chargor herein and to 2173252 Ontario Inc., 2142301 Ontario Inc. and Hush Homes Inc., jointly, which loan was also secured against the properties owned by 2173252 Ontario Inc...., the properties owned by 2142301 Ontario Inc....and, payment under one Charge shall be deemed to be payment under all of the others, and a default under this Charge or any of the other Charges referenced....securing the subject loan shall be deemed to be a default under the Charge and each of the others." The Charge also provided for administrative fees, $500.00 for each and every returned cheque, a collection fee of $500.00 if at least three interest payments are in arrears, and a fee

in the amount of $2,000.00 for each legal action or proceeding instituted. The Defendant states that the aforesaid terms violate the provisions of the Interest Act and are accordingly void.

9. On or about the 15th of January 2015 Hush Homes Inc., 2122763 Ontario Inc. and 2142301 Ontario Inc. made an Application for an Order under the Companies Creditors Arrangement Act. An Order was granted by the Honourable Mr. Justice Penny on the 15th of January 2015 staying all proceedings and remedies in respect of the Applicants or any of their property.

10. In due course a Plan of Arrangement was proposed in which the Plaintiff was to receive, and in fact agreed to receive or was deemed to have agreed to receive, preference shares having a value equal to the total amount of their claims as against the said Applicants in connection with which obligation the mortgage herein was collateral security and in fact has received such shares.

11. By reason of the facts as pleaded in the paragraph next preceding the Defendant states that any and all obligations under the collateral mortgage have now been satisfied or alternatively and in any event the Plaintiff is estopped, having accepted the aforesaid Proposal or being deemed to have done so, from taking any steps under the collateral security granted by this Defendant.

12. The Defendant further states that:

(a) The amount claimed is in any event incorrect particularly in light of the provisions of the mortgage which this Defendant states violates the provisions of the Interest Act;

(b) The obligations to the Plaintiff have in any event been satisfied in the accepted Proposal in the Application by Hush Homes Inc., 2173252 Ontario Inc., and 2142301 Ontario Inc. as pleaded aforesaid;

(c) By reason of the facts pleaded herein the mortgage ought to have been discharged or alternatively the same is voidable by reason of the misrepresentations made on behalf of the Plaintiff by its broker.

13. The Defendant objects to this action proceeding under Rule 76 because the Plaintiff's claim does not comply with subrule (1).

14. The Defendant therefore submits that the Plaintiff's claim be dismissed with costs on a substantial indemnity basis.

COUNTERCLAIM

15. The Defendant (Plaintiff by Counterclaim) claims as against the Plaintiff (Defendant by Counterclaim):

(a) An Order pursuant to Section 12 of the Mortgages Act discharging the mortgage forming the subject matter of this action;

(b) General Damages in the amount of $500,000.00 and punitive damages in the amount of $50,000.00 for slander of title;

(c) Prejudgment interest in accordance with the Courts of Justice Act;

(d) Costs of this action on a Solicitor/Client basis;

(e) Such further and other relief as to this Honourable Court may seem just.

16. The Defendant (Plaintiff by Counterclaim) repeats and incorporates by reference the facts as pleaded in the Statement of Defence herein.

17. By reason of the failure of the Defendant by Counterclaim to discharge the mortgage forming the subject matter of this action the Plaintiff by Counterclaim has been unable to raise sufficient financing for its purposes and in particular to pay off high interest loans. Full particulars of damages will be provided prior to discoveries in this action.

Dated at Newmarket this 12th day of April 2017.

Alfred Schorr
Barrister & Solicitor
227 Eagle Street East, Suite 200
Newmarket, Ontario L3Y 1J8

Toronto No. 905-940-9252
Toronto Fax 905-940-5583
Newmarket No. 905-898-8176
Newmarket Fax 905-898-4935
LSUC #11693H
Lawyer for the Defendant

TO:
FIJ Law LLP
Barristers & Solicitors
50 West Pearce Street, Suite 10
Richmond Hill, Ontario L4B 1C5

Attention: Liliana Ferreira 905-763-3770 x. 242
Lawyers for the Plaintiff

This is Exhibit "B" to the Affidavit of
Evan Karras sworn before me this
Day of June 2017.

A Commissioner etc.

SHARE TRANSFER AGREEMENT

THIS AGREEMENT made as of the 29th day of July, 2016.

BETWEEN:

2220277 ONTARIO LIMITED, a corporation formed under the laws of the Province of Ontario ("**Company**")

- and -

EVAN KARRAS, an individual resident in the Province of Ontario (the "**Vendor**")

- and -

9329293 CANADA INC., a corporation formed under the laws of Canada (the "**Evan Holdco**")

- and -

650 BAY LIMITED PARTNERSHIP, a limited partnership formed under the laws of the Province of Ontario, by its general partner 650 Bay GP Inc. (the "**Purchaser**")

RECITALS:

A. The Vendor is the sole director and officer of the Company.

B. The Vendor is the legal and beneficial owner of all of the Purchased Shares.

C. Evan Holdco is a company wholly-owned and controlled by the Vendor and will receive significant benefits arising from the transactions contemplated by this Agreement, including obtaining its interest in the Purchaser.

D. The Vendor wishes to sell, and the Purchaser wishes to purchase all of the Vendor's right, title and interest in and to the Purchased Shares upon the terms and conditions set forth in this Agreement.

NOW THEREFORE, in consideration of the foregoing and the representations, warranties, covenants, conditions, agreements and promises contained in this Agreement and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the Parties to this Agreement, including the payment by the Purchaser to Evan Holdco of the amount of ten dollars ($10.00), now paid, the Parties agree as follows:

ARTICLE 1
INTERPRETATION

1.1 Definitions

Throughout this Agreement, the following terms shall have the following corresponding meanings:

"**650 Bay Mortgages**" means the mortgages on the Property as set out in Schedule 1.1(a), having an aggregate outstanding amount payable, including all principal and all accrued and unpaid interest to and including the Closing Date and including the aggregate amount of all contingent liabilities and obligations under all collateral mortgages, whether or not any amount shall be outstanding or owing at any time, as set out in Schedule 1.1(a) as of the date hereof and as updated as of the Closing Date.

"**Adjustment Notice**" has the meaning ascribed thereto in Section 2.5.

"**Affiliate**" has the meaning given to such term in the *Securities Act* (Ontario).

"**Agreement**" means this share transfer agreement between the Parties, including all instruments amending or restating of this Agreement.

"Annual Financial Statements" means the annual reviewed financial statements of the Company for the fiscal years ended December 31, 2014 and December 31, 2015, copies of which are set out in Schedule 3.1(B)(g).

"Applicable Law" means, with respect to any Person, property, transaction, event or other matter, (i) any foreign or domestic constitution, treaty, law, statute, regulation, code, ordinance, principle of common law or equity, rule, municipal by-law, Order or other requirement having the force of law, (ii) any policy, practice, protocol, standard or guideline of any Governmental Authority which, although not necessarily having the force of law, is regarded by such Governmental Authority as requiring compliance as if it had the force of law (collectively, the **"Law"**) relating or applicable to such Person, property, transaction, event or other matter and also includes, where appropriate, any interpretation of the Law (or any part thereof) by any Person having jurisdiction over it, or charged with its administration or interpretation.

"**arm's length**" has the meaning that it has for purposes of the *Income Tax Act* (Canada);

"**Assets**" means all of the undertaking and all of the property and assets of the Company of every kind and description and wheresoever situate, including all assets shown on the Financial Statements, and all real and personal property, including the Plans and Studies all rights in and to the Plans and Studies.

"**Associate**" has the meaning given to such term in the *Securities Act* (Ontario).

"Books and Records" means the Financial Records and all other books, records, files and papers of the Company including drawings, engineering information, manuals and data, sales and advertising materials, sales and purchase correspondence, trade association files, research and development records, lists of present and former customers and suppliers, personnel, employment and other records, and the minute and share certificate books of the Company and all records, data and information stored electronically, digitally or on computer-related media.

"**Business**" has the meaning given to such term in the Limited Partnership Agreement.

"**Business Day**" means any day other than a Saturday, Sunday or statutory holiday in Ontario.

"**Capital Contribution**" has the meaning ascribed thereto in Limited Partnership Agreement.

"**Capital Commitment**" has the meaning ascribed thereto in Limited Partnership Agreement.

"**Claims**" means, collectively, Direct Claims and Third Party Claims.

"**Closing**" means the closing of the purchase and sale of the Purchased Shares contemplated by this Agreement, including without limitation, the payment of the Purchase Price and the delivery of the documents to be delivered on the Closing Date in the manner and at the times set forth in this Agreement.

"**Closing Date**" means July ___, 2016 or such earlier or later date as the Parties may agree or as may be extended in accordance with the terms hereof.

"**Closing Time**" means 2 p.m. Toronto time on the Closing Date or such other time on the Closing Date as the Parties shall agree in writing.

"Consent" means any consent, approval, permit, waiver, ruling, exemption or acknowledgement from any Person (other than the Company) which is provided for or required: (i) in respect of or pursuant to the terms of any Contract; or (ii) under any Applicable Law, in either case in connection with the sale of the Purchased Shares to the Purchaser on the terms contemplated in this Agreement, to permit the Company to carry on the Business after Closing, or which is otherwise necessary to permit the Parties to perform their obligations under this Agreement.

"Contracts" means all pending and executory contracts, agreements, leases and arrangements (whether oral or written) to which the Company is a party or by which the Company or any of its Assets or the Business is bound or under which the Company has rights.

"Damages" means, whether or not involving a Third Party Claim, any loss, cost, liability, claim, interest, fine, penalty, assessment, damages available at law or in equity, expense (including reasonable costs, fees and expenses of legal counsel and reasonable costs, fees and expenses of investigation) or diminution in value.

"**Debt**" means, with respect to the Company, all debts, indebtedness, liabilities or obligations of any kind whatsoever, whether primary or secondary or absolute or contingent, including, without limitation: (i) the principal amount of any indebtedness for borrowed money, including the 650 Bay Mortgages (including the full amount of contingent liabilities under collateral mortgages forming part of the 650 Bay Mortgages), cheques, overdrafts and orders accepted representing an extension of credit, together with all prepayment premiums or penalties and other amounts in respect thereof to terminate and discharge such obligations; (ii) all payment obligations of the Company for the deferred purchase price for purchases of property; (iii) any capital lease obligation, synthetic lease obligation, obligation under any sale and leaseback transaction or purchase money obligation; (iv) any off-balance sheet financing; (iv) evidenced by notes, bonds, debentures, guaranties, mortgages or similar obligations and any obligation on which interest is customarily paid by a Person, including banker's acceptances and letters of credit; (v) any liability of the Company with respect to interest rate swaps, collars, caps and similar hedging obligations in existence immediately prior to the Closing; (vi) secured by an Encumbrance on any Assets; (vii) any debt like obligations; (viii) any issued and outstanding shares or securities of the Company where a Person may require the redemption or purchase by the Company of such shares or securities and any declared but unpaid,

or accrued but not paid, dividends on shares of the Company; (ix) any indebtedness of the type referred to above of any Person other than the Company in existence immediately prior to the Closing which is either guaranteed by, or secured by a security interest upon any property of the Company; (x) any unpaid interest, prepayment premiums or penalties accrued or owing on any such indebtedness or obligations; (xi) all trade payables and any other payments payable in respect of any trade payables, whether or not incurred in the ordinary course of business; (xii) all Taxes for the period up to an including the Closing Date, including those which may be, or become, due or payable after the Closing Date; (xiii) amounts paid and payable in respect of the Property, including under Permitted Encumbrances, utilities (to the extent such meters have not been read on Closing), and utilities deposits, taxes (including local improvement charges and assessments and business taxes) and other adjustments established by the usual practice in Toronto, Ontario for the purchase and sale of a property similar to the Property; and (xiv) the dollar value of any Damages subject to the Vendor's' indemnification obligation hereunder.

"Direct Claim" has the meaning ascribed thereto in Section 5.3.

"**Employee**" means an individual who is employed by the Vendor whether on a full-time or part-time basis.

"**Employee Plans**" all written or oral employee benefit, welfare, supplemental unemployment benefit, bonus, pension, profit sharing, executive compensation, current or deferred compensation, incentive compensation,. stock compensation, stock purchase, stock option, stock appreciation, phantom stock option, savings, severance or termination pay, retirement, supplementary retirement, hospitalization insurance, salary continuation, legal, health or other medical, dental, life, disability or other insurance (whether insured or self-insured) plan, program, agreement or arrangement, and every other written or oral benefit plan, program, agreement or arrangement sponsored, maintained or contributed to or required to be contributed to by the Vendor for the benefit of the Employees or former Employees and their dependants or beneficiaries.

"**Encumbrances**" means any mortgage, charge, pledge, security interest, assignment, encumbrance, lien (statutory or otherwise), title retention agreement or arrangement, restrictive covenant or and any other encumbrances of any nature or any other arrangement or condition that in substance secures payment or performance of an obligation other matters capable of becoming any of the foregoing as well as any work orders or deficiency notices issued by any authority having jurisdiction over the Property.

"**Engagement**" shall have the meaning given to it in Section 4.4.

"**Environmental Claims**" means a claim, notice, administrative order, citation, complaint, summons, writ, proceeding or demand relating to remediation, investigation, monitoring, emergency response, decontamination, restoration or other mandated action under any Environmental Laws or any notice, claim, demand or other communication alleging or asserting liability, either direct or indirect, and either in whole or by way of contribution or indemnity, for investigatory, monitoring or cleanup costs, Governmental Authority response costs, damages, personal injuries, fines, penalties or for other relief, and arising out of, based on or resulting from: (i) the presence, or Release into the environment, of any Hazardous Materials; or (ii) any non-compliance or alleged non-compliance with any Environmental Laws; or (iii) the failure of the

Property to comply with any environmental standard in Ontario related to the uses proposed for the Project as outlined in the Limited Partnership Agreement.

"**Environmental Laws**" means all Applicable Laws now or hereafter in existence concerning contamination, pollution, protection or preservation of the environment or otherwise relating to the environment (including the air within any structure or underground space) or to environmental aspects of occupational health and safety, product safety and product liability, including Applicable Laws pertaining to: (i) reporting, licensing, permitting, investigating and remediating the presence of Hazardous Materials; and (ii) the storage, generation, use, handling, manufacture, processing, transportation, treatment, Release and disposal of Hazardous Materials.

"**Estimated Closing Statement**" has the meaning given to such term in Section 2.4.

"**Final Closing Statement**" the resulting closing statement from each determination of an amendment to the Estimated Closing Statement in accordance with the terms of this Agreement.

"Financial Records" means all of the Company's books of account and other financial data and information, and includes all records, data and information stored electronically, digitally or on computer-related media.

"Financial Statements" means the Annual Financial Statements and the Interim Financial Statements.

"Governmental Authority" means: (a) any domestic or foreign government, whether national, federal, provincial, state, territorial, municipal or local (whether administrative, legislative, executive or otherwise); (b) any agency, authority, ministry, department, regulatory body, court, central bank, bureau, board or other instrumentality having legislative, judicial, taxing, regulatory, prosecutorial or administrative powers or functions of, or pertaining to, government; (c) any court, commission, individual, arbitrator, arbitration panel or other body having adjudicative, regulatory, judicial, quasi-judicial, administrative or similar functions; and (d) any other body or entity created under the authority of or otherwise subject to the jurisdiction of any of the foregoing, including any stock or other securities exchange or professional association.

"**Hazardous Materials**" means any contaminants, pollutants, substances or materials that, when released into the natural environment, could cause, at some immediate or future time, harm or degradation to the natural environment or risk to human health, including such contaminants, pollutants, substances or materials are prohibited, controlled or regulated by any Governmental Authority and any "contaminants", "dangerous substances", "hazardous materials", "hazardous substances", "hazardous wastes", "industrial wastes", "liquid wastes", "pollutants" and "toxic substances", all as defined in, referred to or contemplated in any Environmental Laws.

"**HST**" means the harmonized goods and services tax imposed under Part IX of the *Excise Tax Act*;

"***Income Tax Act***" means the *Income Tax Act*, R.S.C. 1985, 5th Supplement and the regulations thereunder and any analogous applicable provincial income tax legislation.

"Indemnified Party" means the Purchaser Indemnified Parties or the Vendor Indemnified Parties, as the case may be.

"**Independent Accountant**" has the meaning ascribed thereto in Section 2.5.

"Intellectual Property" means all rights to and interests in: (a) all business names, trade names, corporate names, telephone numbers, domain names, domain name registrations, website names and worldwide web addresses and other communications addresses used by the Company; (b) all inventions, patents, patent rights, patent applications (including all reissues, divisions, continuations, continuations-in-part and extensions of any patent or patent application) used by the Company; (c) all industrial designs and applications for patent and registration of industrial designs and industrial design rights, design patents and industrial design registrations used by the Company; (d) all trade-marks and registrations and applications for registration of trade-marks and all trade dress, logos, slogans and brand names used by the Company; (e) all copyright in all works and database rights and registrations and applications for registrations thereof; (f) all rights and interests in and to processes, journals, notebooks, data, trade secrets, designs, logic diagrams, algorithms, know-how, drawings and manuals, technology, blue prints, plans development reports, agency agreements, technical information, technical assistance, engineering data, design and engineering specifications, and similar materials recording or evidencing expertise or information used by the Company; (g) all other intellectual property rights throughout the world used or held by the Company; and (h) all rights ancillary to such intellectual property.

"Interim Financial Statements" means the unaudited financial statements of the Company as at, and for the 6 month period ended, June 30, 2016, and a balance sheet and income statement for the period from June 30, 2016 to the Closing Date, true and complete copies of which are attached as Schedule 3.1(B)(g).

"Improvements" means all chattels, plants, buildings, structures, fixtures, erections and improvements located on, over, under or upon the Property and any mechanical, electrical, plumbing, heating and air-conditioning systems relating to the Property, including any of the foregoing under construction.

"**Independent Accountant**" has the meaning ascribed thereto in Section 2.6.

"**Liability**" means, with respect to any Person, any liability or obligation of such Person of any kind, character or description, whether known or unknown, absolute or contingent, accrued or unaccrued, disputed or undisputed, liquidated or unliquidated, secured or unsecured, joint or several, due or to become due, vested or unvested, executory, determined, determinable or otherwise, and whether or not the same is required to be accrued on the financial statements of such Person.

"Licence" means any licence, permit, authorization, approval or other evidence of authority issued or granted to, conferred upon, or otherwise created for, the Company by any Governmental Authority.

"**Limited Partnership Agreement**" means the amended and restated limited partnership agreement attached hereto as Exhibit "A".

"**Legal Proceedings**" means any court, administrative, regulatory or similar proceeding (including any investigative proceedings by any authority); arbitration or other dispute settlement procedure; enforcement or realization actions and proceedings under security; or any similar matter or

proceeding, including actions, applications, demands, disputes or claims in respect of any of the foregoing as well as any work order or deficiency notice issued by any authority having jurisdiction.

"Notice of Claim" has the meaning ascribed thereto in Section 5.3.

"Material Adverse Change" means a change in the business or assets of the Company or in the operations, affairs, prospects or condition (financial or otherwise) of the Company including any such change arising as a result of any change in Applicable Law, the amendment or revocation of any Licence, relating to any Order, or as a result of fire, explosion, accident, casualty, labour problem, flood, drought, riot, storm, terrorist act, pandemic, disease, act of God or otherwise.

"**Notice**" has the meaning ascribed thereto in Section 7.3.

"Order" means any order, directive, judgment, decree, injunction, decision, ruling, award or writ of any Governmental Authority.

"**Parties**" means, collectively, the Company, the Vendor, Evan Holdco and the Purchaser, and "**Party**" shall refer to any one of such Persons.

"**Partnership Interest**" has the meaning ascribed thereto in the Limited Partnership Agreement.

"Person" is to be broadly interpreted and includes an individual, a corporation, a partnership, a trust, an unincorporated organization, a Governmental Authority, and the executors, administrators or other legal representatives of an individual in such capacity.

"**Permitted Encumbrances**" means, collectively, those Encumbrances that related solely to the Property and that are described in Schedule 1.1(b) hereto.

"**Person**" means any individual, sole proprietorship, limited or unlimited liability corporation, partnership, unincorporated association, unincorporated syndicate, unincorporated organization, body corporate, joint venture, trust, pension fund, union, governmental authority, and a natural person including in such person's capacity as trustee, heir, beneficiary, executor, administrator or other legal representative.

"Personal Information" means information about an identifiable individual as defined in Privacy Law.

"**Personal Property**" means all machinery, equipment, furniture, furnishings, office equipment, computer hardware, supplies, materials, vehicles, material handling equipment, implements, parts, tools, jigs, inventory, spare parts and tangible assets owned or used or held by the Company wherever located, including any of the foregoing which are in storage or in transit and any of the foregoing which may be attached to the Property but are not Improvements.

"Plans and Studies" means all plans, drawings, rezoning applications and other documents and studies and investigations with respect to the potential development and construction on the lands comprising the Property of the Project.

"Privacy Law" means the *Personal Information Protection and Electronic Documents Act* (Canada), the *Freedom of Information and Protection of Privacy Act* (Ontario) and any comparable Law of any other province or territory of Canada.

"**Project**" shall have the meaning ascribed thereto in the Limited Partnership Agreement.

"**Property**" means all real property in which the Company has any right, title or interest, including legal or beneficial ownership, all of which is set out in Schedule "A".

"**Purchaser**" means 650 Bay Limited Partnership.

"**Purchaser Indemnified Parties**" shall have the meaning ascribed thereto Section 5.1.

"**Purchase Price**" has the meaning ascribed thereto in Section 2.3.

"**Purchase Price Adjustment**" has the meaning ascribed thereto in Section 2.5.

"Purchased Shares" means all the issued and outstanding shares in the capital of the Company (being 1,000 common shares as of the date of this Agreement and such other shares which may be issued and outstanding as at the Closing).

"**Purchaser's Solicitor**" means, in respect of real property matters, Coutts Crane, 480 University Ave., Suite 700, Toronto, Ontario, Attention: Harry Polizos and in respect of corporate matters, Lefko Law professional Corporation, 401 Bay Street, Suite 2410, Toronto, Ontario M5H 2Y4, Attention: Phil Lefko.

"Receivables" means all accounts receivable, bills receivable, trade accounts, book debts and insurance claims of the Company together with any unpaid interest accrued on such items and any security or collateral for such items, including recoverable deposits.

"Regulatory Approval" means any approval, consent, ruling, authorization, notice, permit, License or acknowledgement that may be required from any Person pursuant to Applicable Law or the conditions of any Order in connection with the sale of the Purchased Shares to the Purchaser on the terms contemplated in this Agreement, to permit the Company to carry on the Business after Closing as contemplated by the Limited Partnership Agreement or which is otherwise necessary to permit the Parties to perform their obligations under this Agreement.

"**Release**" means, in addition to the meaning given to it under any Environmental Laws, any release, spill, leak, pumping, pouring, emission, emptying, discharge, migration, injection, escape, leaching, disposal, dumping, deposit, spraying, burial, abandonment, incineration, seepage or placement.

"Stub Period Returns" has the meaning ascribed thereto in Section 4.2.

"Taxes" means all taxes including all income, sales, use, goods and services, HST, value added, capital, capital gains, alternative, net worth, transfer, profits, withholding, payroll, employer health, excise, franchise, real property and personal property taxes, and any other taxes, customs duties, fees, levies, imposts and other assessments or similar charges in the nature of a tax including Canada Pension Plan and provincial pension plan contributions, employment insurance and

unemployment insurance payments and workers' compensation premiums, together with any installments with respect thereto, and any interest, fines and penalties, in all cases imposed by any Governmental Authority in respect thereof and whether disputed or not.

"Tax Returns" means all returns, information returns, reports, elections, agreements, declarations or other documents of any nature or kind required to be filed with any applicable Governmental Authority in respect of Taxes.

"Third Party Claim" has the meaning ascribed thereto in Section 5.3.

"Threatened", when used in relation to a Legal Proceeding or other matter, means that a demand or statement (oral or written) has been made or a notice (oral or written) has been given that a Legal Proceeding or other matter is to be asserted, commenced, taken or otherwise pursued in the future or that an event has occurred or circumstances exist that would lead a reasonable Person to conclude that a Legal Proceeding or other matter is likely to be asserted, commenced, taken or otherwise pursued in the future

"Undrawn Capital" has the meaning ascribed thereto in Limited Partnership Agreement.

"Vendor's Solicitor" means Keyser Mason Ball, LLP, 4 Robert Speck Parkway, Suite 1600, Mississauga, Ontario, L4Z 1S1, Attention: Amy Delisle.

1.2 Certain Rules of Interpretation

In this Agreement:

(a) **Time** – Time is of the essence in and of this Agreement.

(b) **Calculation of Time** – Unless otherwise specified, time periods within or following which any payment is to be made or act is to be done shall be calculated by excluding the day on which the period commences and including the day on which the period ends. Where the last day of any such time period is not a Business Day, such time period shall be extended to the next Business Day following the day on which it would otherwise end.

(c) **Business Days** – Whenever any action to be taken or payment to be made pursuant to this Agreement would otherwise be required to be made on a day that is not a Business Day, such action shall be taken or such payment shall be made on the first Business Day following such day.

(d) **Currency** – Unless otherwise specified, all references to amounts of money in this Agreement refer to the lawful currency of Canada.

(e) **Headings** – The descriptive headings preceding Articles and Sections of this Agreement are inserted solely for convenience of reference and are not intended as complete or accurate descriptions of the content of such Articles or Sections. The division of this Agreement into Articles and Sections shall not affect the interpretation of this Agreement.

(f) **Including** – Where the word "**including**" or "**includes**" is used in this Agreement, it means "**including without limitation**" or "**includes without limitation**".

(g) **Plurals and Gender** – The use of words in the singular or plural, or referring to a particular gender, shall not limit the scope or exclude the application of any provision of this Agreement to such persons or circumstances as the context otherwise permits.

(h) **Statutory References** – Any reference to a statute shall mean the statute in force as at the date of this Agreement (together with all regulations promulgated thereunder), as the same may be amended, re-enacted, consolidated or replaced from time to time, and any successor statute thereto, unless otherwise expressly provided.

1.3 Accounting Principles

Whenever in this Agreement reference is made to generally accepted accounting principles, or to GAAP, such reference shall be deemed to be to the generally accepted accounting principles from time to time approved by the Canadian Institute of Chartered Accountants, or any successor entity thereto, applicable as at the date on which such principles are to be applied or on which any calculation or determination is required to be made in accordance with generally accepted accounting principles.

1.4 Applicable Law

This Agreement shall be construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein. References to statutes shall be deemed to be references to such statutes as they exist on the date of this Agreement.

1.5 Knowledge

Where any representation, warranty or other statement in this Agreement is expressed to be made by the Vendor or Evan Holdco to his or its knowledge or the knowledge of the Company or is otherwise expressed to be limited in scope to facts or matters known to the Vendor, the Company or Evan Holdco or of which the Vendor, the Company or Evan Holdco is aware, it shall mean such knowledge as is actually known to, or which could have or should have come to the attention of the Vendor, the Company or Evan Holdco or the directors, officers, employees, agents or representatives of such Persons, after a due and appropriate inquiry by such Persons, including conducting and completing such due diligence respecting 222 and the Property as would be the customary practice of solicitors engaged to act for purchaser's of securities of 222 and/or property similar to the Property, in each case in the City of Toronto as of the date hereof.

ARTICLE 2
PURCHASE AND SALE

2.1 Purchase and Sale

Subject to the provisions of this Agreement, at the Closing Time:

(a) **Purchase and Sale of Purchased Shares** – the Vendor shall sell and the Purchaser shall purchase the Purchased Shares, which shall be free and clear of all Encumbrances;

(b) **Payment of Purchase Price** – the Purchaser shall satisfy the Purchase Price payable to the Vendor for the Purchased Shares as provided in Section 2.3.

(c) **Transfer and Delivery of the Purchased Shares** – the Vendor shall transfer and deliver to the Purchaser share certificates representing the Purchased Shares duly endorsed in blank for transfer, or accompanied by irrevocable security transfer powers of attorney duly executed in blank, in either case by the holders of record, and shall take such steps as shall be necessary to cause the Company to enter the Purchaser or its nominee(s) upon the books of the Company as the holder of the Purchased Shares and to issue one or more share certificates to the Purchaser or its nominee(s) representing the Purchased Shares; and

(d) **Other Documents** – the Vendor and Purchaser shall deliver such other documents as may be necessary to complete the transactions provided for in this Agreement.

2.2 Binding Agreement

Upon the execution and delivery of this Agreement by all Parties hereto on the date hereof, the respective agreements of the Parties set out herein shall and do create and constitute a binding agreement of purchase and sale of the Purchased Shares on and subject to the provisions of this Agreement. The Closing shall take place on the Closing Date, which shall in no event be later than the date that is thirty days from the date of this Agreement.

2.3 Purchase Price

The Vendor and Purchaser agree that the purchase price for the Purchased Shares shall be the amount of $7,000,000 (the "**Estimated Purchase Price**"). The Estimated Purchase Price assumes that the total Debt of the Company on the Closing Date is $8,000,000 (the "**Estimated Closing Date Debt**"), which for greater certainty, all calculations of Debt includes, without limitation, the sum of the aggregate amount outstanding under the 650 Bay Mortgages (inclusive of all accrued and unpaid interest, fees, penalties and other amounts payable thereunder to the applicable lenders and plus the aggregate sum of the contingent liabilities and obligations under collateral mortgages on the Property, as more particularly described and itemized in Schedule 1.1(a)) and all Taxes payable by the Company in respect of the period up to and including the Closing Date, whether or not due as the Closing Date.

On the day prior to Closing, the parties will determine the aggregate Debt of the Company (the "**Closing Date Debt**") and the Closing Date Purchase Price, which shall be the amount equal to $7,000,000: (a) plus the amount, on a dollar for dollar basis, that the Closing Date Debt is less than $8,000,000 or (b) less the amount, on a dollar for dollar basis, that the Closing Date Debt is greater than $8,000,000 (the "**Closing Date Purchase Price**").

The consideration payable by the Purchaser for the Purchased Shares shall paid and satisfied by the issuance by the Purchaser to the Vendor, or as the Vendor shall direct, of up to a maximum number of 3,499 Class A limited partnership units (the "**Target Number of Units**") of the Purchaser. The

Purchaser will satisfy the Closing Date Purchase Price for the Purchased Shares by the issuance to the Vendor, or as the Vendor shall direct, of the number of Class A limited partnership units determined as follows (the "**Closing Date Units**"):

(a) if the Closing Date Debt is equal to or less than $8,000,000, the Purchaser will issue 3,499 Class A limited partnership units; and

(b) if the Closing Date Debt is greater than $8,000,000, the Purchaser will issue the number of Class A limited partnership units determined as follows:

Number of Class A limited partnership units Issued = 3,499 Class A limited partnership units x Estimated Closing Debt / Closing Date Debt.

By way of example:

If the Closing Date Debt = $9,000,000.

Number of Class A limited partnership units Issued = 3,499 Class A limited partnership units x $8,000,000 /$9,000,000.

=3,110 Class A limited partnership units.

The difference between the Target Number of Units and the Closing Date Units actually issued is (3,499 - 3,110 = 389 Class A limited partnership units in the above example) is referred to herein as the "**Contingent Units**".

From time to time, at any time following the Closing up to the time on date that 650 Bay Lalu LP Holdings Inc. satisfies its Undrawn Capital under the Partnership Agreement (the "**Cut Off Date**"), the Vendor shall be issued additional Class A limited partnership units out of the number of Contingent Units, proportionate to, the amount in cash that the Vendor shall actually irrevocably pay to and the Purchaser shall have received in full as reimbursement of any Closing Date Debt paid and discharged by the Vendor on behalf of the Purchaser, to a maximum amount of the Closing Date Debt less the Estimated Closing Date Debt. Such Contingent Units will issued upon such payment or discharge of such Closing Date Debt by KarrasCo.

By way of example:

If the Closing Date Debt is $9,000,000. The difference between the Closing Date Debt and the Estimated Closing Date Debt is $1,000,000. The number of Contingent Units is 389 and will be issued proportionate to the ratio of the Closing Date Debt that is paid and satisfied by the Vendor. For example, if the Vendor pays $500,000 to the Purchaser on account of the Closing Date Debt, the Purchaser will issue the Vender 389x$500,000/$1,000,000= 194.5 Class A limited partnership units.

The Vendor will be credited with a Capital Contribution to the Partnership on the Closing Date equal to the Closing Date Purchase Price. On each date that the Vendor satisfies any Closing Date Debt in excess of $8,000,000, the Vendor will be credited with a further Capital Contribution to the Purchaser. The final purchase price for the Purchased Shares will be equal to the Closing Date

Purchase Price plus the amount of Closing Date Debt satisfied by the Vendor following the Closing Date prior to the Cut Off Date (the "**Purchase Price**").

The Vendor hereby irrevocably directs the Purchaser to pay and satisfy (a) the Closing Date Purchase Price and (b) each issuance of Contingent Units, by issuance to Evan Holdco of such Class A limited partnership units to be issued by the Purchaser.

2.4 Closing Statement and Determination of Purchase Price.

The Vendor shall prepare and deliver to the Purchaser on the day prior to the Closing an estimated closing statement of the Vendor as of the Closing Date in a form acceptable to the Purchaser (the "**Estimated Closing Statement**"). The Estimated Closing Statement will set out the calculation of the Estimated Closing Debt, the Closing Date Purchase Price and the number of Closing Date Units and identify all adjustments thereto. The Estimated Closing Statement shall be accurate and complete at the time of its delivery and subject to acceptance and agreement by the Purchaser, acting reasonably.

2.5 Purchase Price Adjustment.

If after the Closing, the Purchaser determines at any time and from to time up to the date that is the later of the (a) the Cut Off Date and (b) the date that this eighteen months following the Closing Date that the Estimated Closing Statement delivered by the Vendor pursuant to Section 2.4 was inaccurate or incorrect in any respect, the Purchaser may, at any time, and from time to time, after the Closing Date, notify the Vendor of such determination in writing (an "**Adjustment Notice**"), its basis therefor and any amount it claims is owing to the Purchaser as a result of any such inaccuracy or error in the Estimated Closing Statement (the "**Purchase Price Adjustment**"). For greater certainty, any such Purchase Price Adjustment or period in which to deliver an Adjustment Notice does not in any way limit restrict any other right or remedy of the Purchaser hereunder, including pursuant to the indemnification provisions of Article 5. The Purchaser's right to deliver an Adjustment Notice, shall not be limited by any failure to raise any objections to the Estimated Closing Statement prior to the Closing. For a period of 10 days after giving an Adjustment Notice (or such longer period as may be agreed upon by the Parties) in respect of a Purchase Price Adjustment, the Parties shall negotiate in good faith and endeavor to reach a definitive agreement on the Purchase Price Adjustment, any amendment to the Estimated Closing Statement and the resulting Final Closing Statement. Additionally, any refund or credit pertaining to the period prior to Closing that is paid to the Corporation, shall be credited to the Vendor within five (5) days of the same. The Parties shall cooperate with each other in connection with, and shall provide the other Parties and their Representatives reasonable access to the books and records, working papers and relevant personnel relating to information provided in the Adjustment Notice and the determination of the Purchase Price Adjustment. If the Parties are unable to reach an agreement on the Purchase Price Adjustment during such 10 day period (or longer period as they may agree, if applicable), then the determination thereof shall be submitted by the Parties to a chartered accountant associated with an accounting firm of recognized national standing in Canada, which is independent of the Parties (the "**Independent Accountant**"). If the Parties are unable to agree on the Independent Accountant within a further ten (10) day period, either the Purchaser or the Vendor may apply under the *Arbitration Act, 1991* (Ontario) to have a court appoint the Independent Accountant. The Independent Accountant shall, as promptly as practicable (but in any event, within 45 days following its appointment), make a determination of the Purchase Price Adjustment, if any, based

solely on written submissions of the Parties given by them to the Independent Accountant. The submissions of each Party shall be disclosed to the other Parties and each other Party shall be afforded a reasonable opportunity to respond thereto. The Purchase Price Adjustment, if any, as determined by the Independent Accountant, shall be final and binding upon the Parties and shall constitute the Purchase Price Adjustment for purposes of this Agreement. The Estimated Closing Statement shall be amended to reflect each and every Purchase Price Adjustment and each such amended Estimated Closing Statement, as amended from time to time, shall be the Final Closing Statement as of such determination. The fees and expenses of the Independent Accountant shall be borne by the parties in a manner to be determined by the Independent Accountant based upon the respective merits of their positions.

2.6 Payment of the Purchase Price Adjustment.

Each Purchase Price Adjustment payable by the Vendor to the Purchaser shall be paid forthwith by the Vendor and in any event not later than five Business Days following the final determination of each Purchase Price Adjustment. Any amount payable to the Purchaser in respect of a Purchase Price Adjustment shall accrue interest at the rate of 8% per annum, simple interest, from the Closing Date, and shall be paid at the same time as each payment of the Purchase Price Adjustment is due and payable to the Purchaser. All monies paid or received by the Purchaser in respect of any Purchase Price Adjustment shall be credited first to any interest payable and owing on any Purchase Price Adjustment and then to the Purchase Price Adjustments Payable. In the event that the Vendor fails to make payment of any Purchase Price Adjustment, including all interest payable in respect thereof, to the Purchaser when due, the Purchaser shall adjust the Capital Contribution and Capital Commitment of the Vendor with respect to the Partnership which the Parties acknowledge and agree will result in a downward adjustment to the Partnership Interest of Evan Holdco in the Partnership.

The Parties shall record and report the final Purchase Price (including to take into account the issuance of Contingent Units), and not take any position inconsistent therewith, as finally determined, including in any financial statements, Tax Return or in response to any inquiry or Legal Proceeding respecting Taxes.

ARTICLE 3
REPRESENTATIONS AND WARRANTIES

3.1 Representations and Warranties and Covenants of the Vendor

Part (A) - Representations and Warranties and Covenants Relating to the Property

The Vendor and Evan Holdco, jointly and severally, hereby represents and warrants to the Purchaser, as of the date hereof and as of the Closing Date, as follows, and acknowledges that the Purchaser is relying on the accuracy of such representations and warranties in entering into this Agreement and completing the transactions contemplated hereby:

(a) the Company is the registered, legal and beneficial owner of the Property free and clear of any Encumbrances, other than Permitted Encumbrances and has a good marketable title to the Property;

(b) there is no direct or indirect, Contract, agreement, arrangement, option or other right or privilege (at law, in equity or otherwise) outstanding or contingent in favour of any Person for the purchase of the Property or any other right, entitlement or interest (contingent or otherwise) in the Property, except for the rights of the Purchaser to acquire the Purchased Shares hereunder;

(c) except as set forth in Schedule 3.1(A)(c), there is not now any lease, offer to lease, contract, agreement or arrangement (oral or written) entered into by the Vendor or any other Person affecting or binding the Property. True and complete of copies of each such lease, offer to lease, contract, agreement or arrangement have been delivered to the Purchaser and no such lease, offer to lease, contract, agreement or arrangement has been amended or altered in any way, including by any course of conduct, and each remains in full force and effect. None the Company, any of the tenants, subtenants or other relevant parties under any such lease, offer to lease, contract, agreement or arrangement is in default or breach of any term or provision thereunder;

(d) except as set forth in Schedule 3.1(A)(d), neither the Company, Evan Holdco or the Vendor has received any notification of or has any knowledge of, any outstanding or incomplete work orders, deficiency notices or other current non-compliance with Applicable Laws relating to the Property or any investigations or potential investigations by any Person. No repairs or maintenance are currently required to be completed in respect of the Property that would be on account of capital in accordance with GAAP and no such capital improvements are planned or reasonably anticipated at this time. Full details of each of the outstanding or incomplete work orders, deficiency notices or other current non-compliance with Applicable Laws is disclosed in Schedule 3.1(A)(d). All complete building permits will closed prior to Closing;

(e) neither the Company, Evan Holdco or the Vendor has any knowledge of any expropriation or condemnation or other Legal Proceeding pending or Threatened against the Property or any part of the Property;

(f) in respect of the Property, all accounts for work and services performed or materials placed or furnished upon or in respect of the construction and completion of any improvements have been fully paid and no one is entitled to claim a lien under the *Construction Lien Act* (Ontario) or other similar legislation for such work performed by or on behalf of the Company;

(g) in respect of the Property, all Permitted Encumbrances which are easements, agreements, rights-of-way, restrictive covenants or restrictions are in good standing and the Company has performed in all respects all obligations required to be performed by it thereunder and there is no breach or default in any respect thereunder nor has any event occurred nor does any circumstance exist that (with or without notice or lapse of time), would constitute such a breach or default;

(h) spousal consent is not necessary to this transaction under the provisions of the *Family Law Act* (Ontario);

(i) with respect to environmental matters: (a) there is no actual, pending or Threatened Environmental Claim against the Company, the Vendor, Eric Holdco, or any director or officer of the Company in respect of the Property and neither the Vendor or Eric Holdco has any knowledge of any basis upon which any such Claim could be commenced with any reasonable likelihood of success against the Company or any director or officer; (b) the Company has delivered or made available to the Purchaser, true and complete copies of all soils and environmental reports in respect of the Property in its possession or control, and (c) all written communications between the Company, the Vendor and any Person, if any, relating to the matters set forth in this subsection (i) have been delivered to the Purchaser and if received following the date hereof, will be forthwith delivered to the Purchaser;

(j) the current uses and future intended use of the Property are permitted under current zoning and land use regulations and Applicable Laws;

(k) no part of the Property is subject to any building or use restriction that restricts or would restrict or prevent the use and operation of the Property for the Business by the Purchaser or as contemplated to be used by the Purchaser for the development;

(l) no Improvements encroach on property not forming part of the Property and no buildings, structures or other improvements on adjoining lands encroach upon the Property;

(m) there are no matters affecting the right, title and interest of the Company in and to the Property which, in the aggregate, would materially and adversely affect the ability of the Purchaser as of the Closing Date, to carry on the Business upon the Property as it has been carried on in the ordinary course by the Company or as contemplated for the development;

(n) attached at Schedule 3.1(A)(n) is current and up to date survey of the Property;

(o) the buildings on the Property contain no urea formaldehyde foam insulation;

(p) the Encroachment Agreement registered on title as Instrument No. CA65043 does not affect the proposed development of the Property and is only applicable to the door swinging outwards of the current building extending on to city owned lands;

(q) it has provided full, true and complete copies of all documents and information respecting the 650 Bay Mortgages and such documents and information (i) represent the entire agreement respecting the 650 Bay Mortgages, (ii) have not been altered or amended, whether in writing, by course of conduct or otherwise, (iii) are in full force and effect and there are no current or pending negotiations with respect to the renewal, repudiation or amendment of any such documents, (iv) no party to any of the documents respecting any 650 Bay Mortgage is in default thereunder or has failed to perform any covenant or obligation thereunder, (v) no event has occurred or circumstance exists that (with or without notice or lapse of time) may constitute a default by any party to any of documents respecting the 650 Bay Mortgages and (vi) the information respecting the 650 Bay Mortgages set forth in Schedule 1.1(a) is

true, accurate and complete;

(r) each representation and warranty and covenant relating to the Property or the registered owner of the Property made in any agreement or document entered into or furnished to a lender to the Purchaser or any Affiliate of the Purchaser in connection with an Encumbrance to be placed on the Property is true, complete and accurate and each such representation and warranty and covenant is incorporated into this Agreement and deemed to be given by the Company and the Vendor to the Purchaser pursuant to this Agreement, mutatis mutandis, together with any provisions of such loan or document necessary to interpret any such representation or warranty or covenant. Each representation and warranty or covenant made herein and in any such other agreement or document shall be read independent and as stand-alone and independent representations and warranties and covenants; and

(s) the Property has not been designated as a property of cultural heritage value or interest pursuant to the *Heritage Act* (Ontario) by any Governmental Authority or otherwise subject to any Encumbrance pursuant to such legislation or other Applicable Law, and no such action has been Threatened and the Vendor has not received written notice or had any other communication respecting any such potential designation or Encumbrance affecting the Property.

Part (B) - Representations and Warranties of the Vendor Relating to the Company

The Vendor and Evan Holdco, jointly and severally, hereby represents and warrants to the Purchaser, as of the date hereof and as of the Closing Date, as follows, and acknowledges that the Purchaser is relying on the accuracy of such representations and warranties in entering into this Agreement:

(a) *Organization of the Company.* The information set out in Schedule 3.1(B)(a) concerning the name and jurisdiction of incorporation, the authorized, issued and outstanding shares in the capital of the Company and the directors and officers of the Company is true and complete. The Company is a corporation duly created, validly existing and in good standing under the laws of the Province of Ontario. All of the issued and outstanding shares in the capital of the Company have been duly authorized, are validly issued as fully paid and non-assessable shares, were not issued in violation of any pre-emptive rights or in violation of contractual restrictions. There are no shareholders' agreements governing the affairs of the Company or the relationship, rights and duties of its shareholders, nor are there any voting trusts, pooling arrangements or other similar agreements with respect to the ownership or voting of any shares of the Company. There are no rights, subscriptions, warrants, options, conversion rights, calls, commitments or plans or agreements of any kind outstanding which would enable any Person to purchase or otherwise acquire any shares or other securities of the Company including, without limitation, any securities convertible into or exchangeable or exercisable for shares or other securities of the Company. The Company does not have a direct or indirect equity interest in any other Person.

(b) *Power and Capacity of the Company and Enforceability.* The Company has the power, authority and capacity to execute and deliver this Agreement and to execute and deliver all agreements and instruments to be executed by it as contemplated herein and to perform its

other obligations hereunder and under all such other agreements and instruments. The execution and delivery of this Agreement and all agreements and instruments to be executed and delivered by it pursuant to this Agreement, and the consummation of the transactions contemplated by this Agreement and such other agreements and instruments have been duly authorized by all necessary corporate action on the part of the Company. This Agreement constitutes, and each other agreement to be executed and delivered by the Company in connection with the Closing will constitute, when executed and delivered by all parties, a valid and binding obligation of the Company enforceable against it in accordance with its terms, subject to the limitations with respect to enforcement imposed by Applicable Laws in connection with bankruptcy, insolvency, liquidation, reorganization or other laws affecting the enforcement of creditors' rights generally and subject to the availability of equitable remedies such as specific performance and injunction which are only available in the discretion of the court from which they are sought.

(c) *Qualification to do Business.* Neither the nature of the Company's business nor the location or character of the assets owned or leased by the Company requires it to be registered, licensed or otherwise qualified as an extra-provincial or foreign corporation in any jurisdiction other than in the Province of Ontario where it is duly registered, licensed or otherwise qualified for such purpose.

(d) *Subsidiaries.* The Company does not own or have any interest in any securities or have an ownership interest in any other Person.

(e) *Corporate Records.* The minute books of the Company have been maintained in accordance with Applicable Law and contain true, correct and complete copies of its articles, its by-laws, the minutes of every meeting of its board of directors and of its shareholders and every written resolution of its directors and shareholders. All meetings of directors and shareholders of the Company have been duly called and held and all resolutions have been duly passed in accordance with Applicable Law at such meetings or by written resolution. The share certificate book, register of shareholders, register of transfers and register of directors and officers of the Company are complete and accurate in all respects.

(f) *Bankruptcy and Insolvency.* The Company is not an insolvent person within the meaning of the *Bankruptcy and Insolvency Act* (Canada) and will become an insolvent person as a consequence of the Closing. The Company made an assignment in favour of its creditors or a proposal in bankruptcy to its creditors or any class thereof or had any petition for a receiving order presented in respect of it. The Company has not initiated, or become subject to, any Legal Proceeding, with respect to a compromise or arrangement with its creditors or for its winding up, liquidation or dissolution. No receiver has been appointed in respect of the Company or any of its Assets and no execution or distress has been levied upon any of its Assets and no Legal Proceeding with respect thereto has been Threatened. No act or proceeding has been taken or authorized by or against the Company with respect to any amalgamation, merger, consolidation, arrangement or reorganization of, or relating to, the Company nor have any such proceedings been authorized by any other Person.

(g) *Financial Statements.* The Financial Statements have been prepared in accordance with GAAP consistently applied throughout the periods to which they relate, subject, in the case of the Interim Financial Statements, to usual year-end adjustments and the exclusion of

footnotes. The balance sheets contained in the Financial Statements fairly present the financial position of the Company as of their respective dates and the statements of earnings and retained earnings contained in the Financial Statements fairly present the revenues, earnings and results of operations for the periods indicated. The Financial Statements are accurate and complete and are based upon and are consistent with the Books and Records. True and complete copies of the Financial Statements are attached as Schedule 3.1(B)(g) hereto.

(h) *Books and Records.* The Vendors have made available to the Purchaser all Books and Records. All material financial transactions of the Company have been accurately recorded in the Financial Records in accordance with all Applicable Law and the Financial Records accurately reflect the basis for the financial condition and the revenues, expenses and results of operations of the Company as of and to the date hereof and as of the Closing Date. All Books and Records are in the full possession and exclusive control of, and are owned exclusively by, the Company and are not dependent upon any computerized or other system, program or device that is not exclusively owned and controlled by the Company.

(i) *Title to and Sufficiency of Assets.* The Company has good and marketable legal and beneficial title to all of its Assets, free and clear of any and all Encumbrances, except for Permitted Encumbrances. The Assets owned and leased by the Company constitute all of the Assets used or held for use in connection with the Business and are sufficient to permit the continued operation of the Business and development of the Property following Closing as contemplated by the Limited Partnership Agreement. The Assets of the Company are in good operating condition and repair and fit for the intended purposes thereof. Schedule 3.1(B)(i) sets out a complete and accurate list of all Assets and locations where the Assets are situate, including a brief description of the Assets. There is no agreement, option or other right or privilege outstanding in favour of any Person for the purchase from the Company of the Business or of any of its Assets.

(j) *Laws.* The Company has complied at all times with all Applicable Laws, including all Privacy Laws in connection with the Company's collection, use and disclosure of Personal Information; and all Personal Information has been collected, used and disclosed with the consent of each individual to whom such Personal Information relates and has been used only for the purposes for which it was initially collected.

(k) *Personal Property.* Schedule 3.1(B)(k) sets out a list of Personal Property owned or leased by the Company. No Personal Property is in the possession of a third party or is on consignment. There is no item of Personal Property which is material to the Business which is not in good operating condition and repair, ordinary wear and tear excepted and each item is suitable and adequate for the purpose for which it is being used.

(l) *Contracts.* Schedule 3.1(B)(l) lists and fully identifies all Contracts. The Company has delivered true and complete copies of all such Contracts. Neither the Company or any Affiliate is party to any Contract with any current or former director, officer, employee or shareholder of the Company or any Affiliate or any person is not arm's length to any such Persons. The Company is not, and no other party to any Contract is, in default under any Contract and there has not occurred any event which, with the lapse of time or giving of notice or both, would constitute a default under any Contract by the Company or any other

party to the Contract. Each Contract is in full force and effect, unamended by written or oral agreement, and the Company is entitled to the full benefit and advantage of each Contract in accordance with its terms. The Company has not received any notice of a default by the Company under any Contract or of a dispute between the Company and any other Person in respect of any Contract. Except as disclosed in Schedule 3.1(B)(l), no Consent is required nor is any notice required to be given under any Contract by any party thereto or any other Person in connection with the completion of the transactions contemplated by this Agreement in order to maintain all rights of the Company under such Contract. The completion of the transactions contemplated by this Agreement will not afford any party to any Contract or any other Person the right to terminate any Contract nor will the completion of such transactions result in any additional or more onerous obligation on the Company under any Contract.

(m) *Receivables.* All Receivables are recorded in the Financial Records and the Receivables are valid obligations which arose in the ordinary course of business and are collectible in the ordinary course of business, in the aggregate, at their full face value and are not subject to any set-off or counterclaim. None of the Receivables is due from an Affiliate of the Company or from any non-arm's length Person to the Company or an Affiliate.

(n) *Intellectual Property*

Except for the Plans and Studies, the Company has no Intellectual Property and uses no Intellectual Property in its Business. The Company is the first and only owner of the Intellectual Property and is entitled to the exclusive and uninterrupted use of the Intellectual Property without condition, restriction or payment of any royalty or other fees. No Person has any right, title or interest in any of the Intellectual Property and any and all such Persons who might be entitled to any moral right, or similar right under the law of any jurisdiction, in the Intellectual Property, have waived their moral rights in any copyright works within the Intellectual Property. No Person has commenced any Legal Proceeding, or Threatened any Legal Proceeding respecting any such Intellectual Property and the Company is not a party to any settlement agreement or stipulation or is subject to any outstanding decree, order, or judgement, that restricts in any manner the use, other exploitation, transfer or licensing of the Intellectual Property. Neither the use of the Intellectual Property nor the conduct of the Business has infringed or currently infringes upon the Intellectual Property rights of any other Person. The Company has not received any notice of infringement nor does the Vendor, Evan Holdco or the Company have knowledge of any facts that could reasonably be expected to form the basis of Legal Proceedings which could constitute a *bona fide* claim for infringement as such.

(o) *Licences and Regulatory Approvals.* Schedule 3.1(B)(o) lists all the Licences and Regulatory Approvals and identifies those that by their terms are not transferable. The Licences are the only licences, permits, approvals or evidences of authority of any Governmental Authority required for the operation of the Business and are held by the Company free and clear of any and all Encumbrances. The Company is conducting and has conducted the Business in accordance with all terms and conditions of the Licences and in compliance with Applicable Law. All the Licences are valid and are in full force and effect, the Company is not and has not been in violation of any term or provision or requirement of any Licence, and no Person has Threatened to revoke, amend or impose any condition in

respect of, or commenced proceedings to revoke, amend or impose conditions in respect of, any Licence. No Regulatory Approval is required in connection with the transactions contemplated by this Agreement. No Regulatory Approval or filing with, notice to, or waiver from any Governmental Authority is required to be obtained or made by the Vendor or Evan Holdco or the Company: (a) in connection with the execution and delivery of, and performance by the Vendor, the Company or Evan Holdco of their respective obligations under, this Agreement, any agreement entered into in connection with this Agreement or the consummation of the transactions contemplated hereby or thereby; (b) to avoid the loss of any Licence; or (c) to permit the Company to carry on the Business after the Closing as the Business is currently carried on and as contemplated to be carried on by the Limited Partnership Agreement.

(p) *Undisclosed Liabilities.* The Company does not have any liabilities or obligations of any nature (whether known or unknown, liquidated or unliquidated, due or to become due and whether absolute, accrued, contingent or otherwise) except for liabilities and obligations disclosed or provided for in the Estimated Closing Statement and the Permitted Encumbrances. As of the Closing Time, the Company has no Debt, other than Permitted Encumbrances. Without limiting the foregoing, the Company is not a party to or bound by any agreement, Contract or commitment providing for the guarantee, indemnification, assumption or endorsement with respect to the obligations, liabilities (contingent or otherwise) or indebtedness of any other Person.

(q) *Banking Information.* Schedule 3.1(B)(q) sets forth the name and location (including municipal address) of each bank, trust company or other institution in which the Company has an account, money on deposit or a safety deposit box and the name of each Person authorized to draw thereon or to have access thereto and the name of each Person holding a power of attorney from the Company and a summary of the terms thereof.

(r) *Regulatory Approvals.* No Regulatory Approval or filing with, notice to, or waiver from any Governmental Authority is required to be obtained or made by the Vendor or the Company: (a) in connection with the execution and delivery of, and performance by the Vendor of its obligations under, this Agreement or the consummation of the transactions contemplated hereby; (b) to avoid the loss of any Licence; or (c) to permit the Company to carry on the Business after the Closing as the Business is currently carried on by the Company as contemplated to be carried by the Company following the Closing as described in the Limited Partnership Agreement.

(s) *Absence of Conflicting Agreements.* The execution, delivery and performance of this Agreement and all other agreements and instruments contemplated herein by the Vendor, Evan Holdco and the Company, as applicable, and the completion (with any required Consents and Regulatory Approvals and the giving of any required notices) of the transactions contemplated by this Agreement do not and will not result in or constitute any of the following directly or indirectly:

(i) a default, breach or violation or an event that, with notice or lapse of time or both, would be a default, breach or violation of any of the terms, conditions or provisions of the constating documents of the Company or Evan Holdco, respectively, or of any Contract or Regulatory Approval;

(ii) an event which, pursuant to the terms of any Contract or Regulatory Approval, would cause any right or interest of the Company to come to an end or be amended in any way or that would entitle any other Person to terminate or amend any such right or interest or relieve any other Person of its obligations thereunder;

(iii) a default, breach or violation or an event that, with notice or lapse of time or both, would be a default, breach or violation of any of the terms, conditions or provisions of any payment or other Liability (whether absolute, accrued, conditional or otherwise) of the Company, the Vendor or Evan Holdco in favour of any Person pursuant to any Contract or otherwise;

(iv) the creation or imposition of any Encumbrance on any of the Purchased Shares or any Asset of the Company; or

(v) the violation of any Applicable Law.

(t) *Legal Proceedings.* There is no Legal Proceeding in progress, pending or Threatened against or affecting the Company or any of its property or Assets or title thereto, and there is no any factual or legal basis on which any such Legal Proceeding might be commenced. There is no Order outstanding against or affecting the Company or any of its Assets.

(u) *Environmental Matters.* The Company and the Vendor has carried on all operations, including in respect of its holding of the Property, in compliance with all applicable Environmental Laws. Neither Company or the Vendor has used or permitted to be used, except in compliance with all Environmental Laws, any of its properties (including the Property) or any property or facility which it previously owned or leased, to generate, manufacture, process, distribute, use, treat, store, dispose of, transport or handle any Hazardous Material and neither the Company or the Vendor has caused or permitted, and has there been not been any Release in any manner whatsoever of any Hazardous Material on, in, around, from or in connection with any such properties (including the Property) or may reasonably be alleged to have Liability. All Hazardous Materials and all other wastes and other materials and substances used in whole or in part by the Company or at the Property have been disposed of, treated and stored in compliance with all Environmental Laws. Neither the Company, any director or officer or the Vendor has ever received any notice of, nor been prosecuted for, non-compliance with any Environmental Laws, and no such Person has settled any allegation of non-compliance prior to prosecution. There are no notices, Orders or directions relating to environmental matters requiring, or notifying the Vendor, the Company or any director or officer that it is or may be responsible for, any containment, clean-up, remediation or corrective action, or any work, repairs, construction or capital expenditures to be made under Environmental Laws with respect to any interest in real property held by the Company at any time.

(v) *Employment Matters*

(i) The Company has no Employee Plans and has never had any Employee Plans.

(ii) As of the Closing Date, the Company has no Employees or contractors providing services to the Company.

(iii) Schedule 3.1(B)(v) lists all the Employees and contractors providing services to the Company as of the date of this Agreement and the position, status, length of service, age, compensation and benefits of each Employee. No Employee is on short-term or long-term disability leave, receiving benefits pursuant to applicable workers compensation legislation or otherwise an inactive employee.

(iv) The Company is not a party to or bound by any Contract in respect of any Employee or ccontractor except for oral Contracts of indefinite hire that are terminable upon statutory and/or common law notice, as applicable in the relevant jurisdiction, and as of the Closing, the employment of all Employees and services of all contractors has been terminated and all amounts payable to such Employees and contractors whatsoever, under Applicable Law or otherwise has been paid by the Company and the Company has no further Liability to any such Persons whatsoever.

(v) The Company is not party to or bound by, either directly or by operation of Applicable Law, any collective bargaining agreement, labour contract, letter of understanding, letter of intent, voluntary recognition agreement or legally binding commitment or written communication to any labour union, trade union or employee organization or group which may qualify as a trade union in respect of or affecting Employee or contractors nor is the Company subject to any union organization effort. The Company is not engaged in any labour negotiation. The Company has not engaged in any unfair labour practice and there is no pending or Threatened complaint regarding any alleged unfair labour practice relating to Employees or former Employees or contractors.

(vi) All of the contractors and other Persons who are receiving remuneration for work or services provided to the Company who are not Employees are treated as independent contractors, are properly characterized as independent contractors and are not likely to be characterized by any Governmental Authority as employees.

(vii) The Company is in compliance with all Applicable Laws respecting employment, employment practices and standards, terms and conditions of employment, wages and hours, occupational health and safety, human rights, accessibility, labour relations, employment equity, pay equity and workers' compensation. There are no current Legal Proceedings in progress, pending or Threatened under such employment-related Laws against the Company.

(viii) All current assessments under applicable workers compensation legislation that relate to the Company have been paid or accrued, and the Company has not been subject to any specialty or penalty assessment under such legislation which has not been paid.

(ix) There are no outstanding Orders made under applicable occupational health and safety laws relating to any Vendor or the Business. The Vendors are operating in compliance with all occupational health and safety laws in all material respects. There are no pending or to the knowledge of the Vendor Threatened charges against any Vendor under occupational health and safety laws. There have been no fatal or critical accidents which have occurred in the course of the operation of the Business

which might lead to charges under applicable occupational health and safety laws. There are no materials present in the Business, exposure to which may reasonably be expected to result in an occupational disease as defined in applicable occupational health and safety legislation. The Vendors have complied in all respects with any Orders issued under occupational health and safety laws

(x) The Company is not a compulsory scheduled employer under the *Workplace Safety and Insurance Act* in the Province of Ontario, or under any similar legislation in any other jurisdiction in which the Company operates. The Company is not required and does not participate in the workers compensation regime in the Province of Ontario or in any other jurisdiction in which the Company operates.][NTD: If this is applicable delete in applicable reps.

(xi) The Company has withheld from each payment made to any Person, including its present and past Employees and contractors and all Persons who are or are deemed to be non-residents of Canada for purposes of the Income Tax Act, all amounts required by Applicable Law to be withheld, and have remitted such withheld amounts within the prescribed periods to the appropriate Governmental Authority. The Company has remitted all Canada Pension Plan contributions, provincial pension plan contributions, employment insurance premiums, employer health taxes and other Taxes payable by it in respect of the Employees to the proper Governmental Authority within the time required under Applicable Law. There are no Legal Proceedings in process, pending Threatened against the Company in respect of any Taxes, and there are no matters under discussion, audit or appeal with any Governmental Authority relating to Taxes.

(w) *Transactions with Affiliates.* The Company is not liable in respect of advances, loans, guarantees, liabilities or other obligations to or on behalf of any shareholder, officer, director, Employee or Affiliate of the Company or any other Person with whom the Company does not deal at arm's length. There are no intercompany services provided to the Company by Vendor or by any Affiliate of the Vendor. The Company has never been party to any Contracts with any non-arm's length Person.

(x) *Insurance*

Schedule 3.1(B)(x) contains a copy of all insurance policies currently maintained by the Company. Each of such insurance policies is valid and subsisting and in good standing, there is no default thereunder and the Company is entitled to all rights and benefits thereunder. Schedule 3.1(B)(x) sets forth and describes all pending claims under any of such insurance policies and identifies the most recent inspection reports, if any, received from insurance underwriters as to the condition or insurance value of the insured property and assets, copies of which have been made available to the Purchaser. The Company has not failed to give any notice or present any claim under any of such insurance policies in due and timely fashion. There are no circumstances which might entitle the Company to make a claim under any of such insurance policies or which might be required under any of such insurance policies to be notified to the insurers and no claim under any of such insurance policies has ever been made by the Company.

None of such insurance policies is subject to any special or unusual terms or restrictions or provides for a premium in excess of the stipulated or normal rate. No notice of cancellation or non-renewal with respect to, nor disallowance of any claim under, any of such insurance policies has been received by the Company. There are no circumstances or occurrences which would or might form the basis of a material increase in premiums for the current insurance coverage maintained by the Company.

(y) *Tax Matters:*

(i) *Tax Filings.* The Company has prepared and filed when due with each relevant Governmental Authority all Tax Returns required to be filed by or on behalf of the Company in respect of any Taxes for all fiscal periods ending prior to the date hereof. All such Tax Returns are correct and complete in all material respects, and no material fact has been omitted therefrom. No extension of time in which to file any such Tax Returns is in effect.

(ii) *Taxes Paid.* The Company has paid in full and when due all Taxes required to be paid on or prior to the date hereof. All Taxes shown on all Tax Returns or on any assessments or reassessments in respect of any such Tax Returns have been paid in full when due or will be paid in full if due between the date hereof and the Closing Date. The provision for Taxes in the Interim Financial Statements will constitute an adequate provision for the payment of all Taxes in respect of all periods ending on or before the Closing Date.

(iii) *Reassessments of Taxes.* No reassessments of the Company's Taxes have been issued and are outstanding and there are no outstanding issues which have been raised and communicated to the Company by any Governmental Authority for any fiscal period in respect of which a Tax Return of the Company has been filed. No Governmental Authority has challenged or disputed a filing position taken by the Company in any Tax Return. There are no contingent liabilities for Taxes or any grounds for an assessment or reassessment of the Company, including unreported benefits conferred on any shareholder of the Company, aggressive treatment of income, expenses, credits or other claims for deduction under any Tax Return. There is no indication from any Governmental Authority that an assessment or reassessment of the Company is proposed in respect of any Taxes, regardless of its merits. The Company has not executed or filed with any Governmental Authority any agreement or waiver extending the period for assessment, reassessment or collection of any Taxes.

(iv) *Withholdings and Remittances.* The Company has withheld from each payment made to any Person all amounts required by Applicable Law to be withheld, and has remitted such withheld amounts within the prescribed periods to the appropriate Governmental Authority. The Company has charged, collected and remitted on a timely basis all Taxes as required under Applicable Law on any sale, supply or delivery whatsoever, made by the Company.

(v) *Books and Records.* The Company has maintained and continues to maintain at its place of business in Canada all books and records required to be maintained under

the *Income Tax Act*, the *Excise Tax Act* (Canada) and any other Applicable Law relating to Taxes.

(vi) *Future Income Inclusion.* The Company will not be required to include in a taxable period ending after the Closing Date any amount of net taxable income (after taking into account deductions claimed for such a period that relate to a prior period) attributable to income that accrued in a prior taxable period but that was not included in taxable income for that or another prior taxable period.

(z) *No Material Adverse Change.* Since the date of the balance sheet in the most recent Annual Financial Statements, there has been no Material Adverse Change and no event has occurred nor do any circumstances exist which could result in a Material Adverse Change.

(aa) *Absence of Certain Changes or Events.* Except as disclosed in Schedule 3.1(B)(aa), since the date of the balance sheet in the most recent Annual Financial Statements, the Company has carried on the Business in the ordinary course, and, in particular, but without limitation, has not:

(i) amended its articles or by-laws or adopted any new articles or by-laws;

(ii) directly or indirectly, declared, set aside for payment or paid any dividend or made any other payment or distribution on or in respect of any of the shares in its capital;

(iii) redeemed, purchased, retired or otherwise acquired, directly or indirectly, any of the shares in its capital;

(iv) issued or sold any shares or other securities or issued, sold or granted any option, warrant or right to purchase any of its shares or other securities or issued any security convertible into its shares, granted any registration rights or otherwise made any change to its authorized or issued share capital;

(v) disposed of or revalued any of the Assets reflected on the balance sheet forming part of the most recent Annual Financial Statements;

(vi) made any change in its accounting principles, policies, practices or methods;

(vii) cancelled or waived any debt, claim or other right;

(viii) incurred or assumed any Debt, liabilities or obligations of any nature, whether absolute, accrued, contingent or otherwise;

(ix) mortgaged, pledged, granted a security interest in or otherwise created a Encumbrance on any, or amended any of the terms of any Encumbrance on any, of its Assets;

(x) entered into any Contract;

(xi) revalued or disposed of any of the Assets;

(xii) terminated, cancelled, modified or amended in any material respect or received notice or a request for termination, cancellation, modification or amendment of any Contract or taken or failed to take any action that would entitle any party to a Contract to terminate, modify, cancel or amend any Contract;

(xiii) cancelled or waived any Debt, claim or other right with a value to the Company in excess of $2,000;

(xiv) given or agreed to give or become a party to or bound by any guarantee, surety or indemnity in respect of indebtedness or other obligations or liabilities of any other Person or become a party to any other commitment by which the Company is, or is contingently, responsible for such indebtedness or other Liability;

(xv) purchased or otherwise acquired any interest in any securities of any other Person;

(xvi) made any capital expenditure or authorized any capital expenditure or made any commitment for the purchase, construction or improvement of any capital assets;

(xvii) entered into any Contract or commitment to hire, or terminated the services of, any employee, contractor or other Person; or

(xviii) agreed, committed or entered into any understanding to take any actions enumerated in paragraphs (i) to (xvii) of this Section 3.1(z).

(bb) *Debt.* Except as set forth in Schedule 3.1(B)(bb), the Company has no Debts or other liabilities or obligations of any kind (whether accrued, absolute, contingent or otherwise), which continue to be outstanding. The Vendor has provided full, true and complete copies of all documents and information respecting the Company and all Debt, including the 650 Bay Mortgages, and that such documents and information (i) represent the entire agreement respecting such Debt, (ii) have not been altered or amended, whether in writing, by course of conduct or otherwise (iii) are in full force and effect and there are no current or pending negotiations with respect to the renewal, repudiation or amendment of any such agreements or documents, (iv) no party to any of the agreements or documents respecting any Debt is in default thereunder or has failed to perform any covenant or obligation thereunder, and (v) no event has occurred or circumstance exists that (with or without notice or lapse of time) may constitute a default by any party to any of documents or agreements respecting the Debt. The Vendor will deliver consents to the change of control of 222 in connection with the completion of the Evan Transfer or payout letters from each lender. In the event the lenders do not consent to the change of control, the Partnership will work with KarrasCo to effect a refinancing of the 650 Bay Debtprior to Closing to be effective on Closing. .

(cc) *Ethical Practices.* No Person has, directly or indirectly, made or received any contribution, gift, bribe, rebate, payoff, influence payment, kickback, or other payment to or from any Person, private or public, regardless of form, whether in money, property or services (i) to obtain favourable treatment in securing business, (ii) to pay for favourable treatment in business secured, or (iii) to obtain special concessions or for special concessions already obtained, for or in respect of the Company; save and except for small seasonal gifts (such as gift baskets, chocolates) to suppliers or customers and give-aways at trade shows.

PART (C) - REPRESENTATIONS AND WARRANTIES OF THE VENDOR RELATING TO THE VENDOR AND THE PURCHASED SHARES

The Vendor hereby represents and warrants to the Purchaser, as of the date hereof and as of the Closing Date, as follows, and acknowledges that the Purchaser is relying on the accuracy of such representations and warranties in entering into this Agreement.

(a) *Power and Capacity.* The Vendor has the power and capacity to execute and deliver this Agreement and all other agreements and instruments to be executed by him as contemplated herein and to perform his other obligations hereunder and under all such other agreements and instruments.

(b) *Enforceability of Obligations.* This Agreement and each other agreement to be executed and delivered by the Vendor pursuant to the terms of this Agreement, when executed and delivered by all parties, is a valid and legally binding obligation of the Vendor enforceable against the Vendor in accordance with its terms, subject to the limitations with respect to enforcement imposed by Applicable Laws in connection with bankruptcy, insolvency, liquidation, reorganization or other laws affecting the enforcement of creditors' rights generally and subject to the availability of equitable remedies such as specific performance and injunction which are only available in the discretion of the court from which they are sought.

(c) *Solvency.* The Vendor is not an insolvent person within the meaning of the *Bankruptcy and Insolvency Act* (Canada) and will not become an insolvent person as a consequence of the Closing. The Vendor has not made an assignment in favour of his creditors or a proposal in bankruptcy to his creditors or any class thereof or had any petition for a receiving order presented in respect of him. The Vendor has not initiated, or become subject to, any Legal Proceeding with respect to a compromise or arrangement with his creditors and none have been Threatened. There are no grounds on which any Legal Proceeding might be commenced and there is no Order outstanding against or affecting the Vendor which, in any such case, affects adversely or might affect adversely the ability of the Vendor to enter into this Agreement or any other agreement to be entered into in connection with this Agreement or to perform his obligations hereunder or thereunder. No receiver has been appointed in respect of the Vendor or any of his property or assets and no execution or distress has been levied upon any of his property or assets no Legal Proceeding with respect thereto has been Threatened.

(d) *Absence of Conflicting Agreements.* The execution, delivery and performance of this Agreement by the Vendor and the completion of the transactions contemplated by this Agreement do not and will not result in or constitute any of the following:

(i) a default, breach or violation or an event that, with notice or lapse of time or both, would be a default, breach or violation of any pending or executory Contract, to which the Vendor is a party;

(ii) an event which, pursuant to the terms of any pending or executory Contract, to which the Vendor is a party, would cause any right or interest of the Vendor or the Company to come to an end or be amended in any way or entitle any other Person to

terminate or amend any such right or interest or relieve any other Person of its obligations thereunder;

(iii) the creation or imposition of any Encumbrance on any Asset of the Company or on the Purchased Shares of the Vendor; or

(iv) the violation of any Applicable Law.

(e) *Residence of Vendor.* The Vendor is not a non-resident of Canada for purposes of section 116 of the *Income Tax Act.*

(f) *Ownership of Purchased Shares.* The Vendor is the registered and beneficial holder of the Purchased Shares with good and marketable title thereto, free and clear of all Encumbrances whatsoever. No Person other than the Purchaser has, or has any right capable of becoming, any agreement, option, right or privilege for the purchase or other acquisition from the Vendor the Purchased Shares. There are no restrictions of any kind on the transfer of any of the Purchased Shares except those set out in the articles of incorporation of the Company, the consent to such transfer which as been obtained by the Company.

(g) *Consents and Approvals.* No approval, Regulatory Approval, Order, consent of or filing with any Governmental Authority is required on the part of the Vendor in connection with the execution, delivery and performance of this Agreement or any other documents and agreements to be delivered under this Agreement or the performance of by Vendor under this Agreement or any other documents and agreements to be delivered under this Agreement, including the Vendor Pledge Agreement.

(h) *No Broker.* Other than as set out herein, the Vendor has carried on all negotiations relating to this Agreement and the transactions contemplated in this Agreement directly and without intervention on its behalf of any other Person in such manner as to give rise to any valid claim for a brokerage commission, finder's fee or other like payment against the Purchaser or the Company.

(i) *Tax Advice.* The Vendor has obtained or been afforded the opportunity to independent legal and financial tax advice as to the tax consequences of the transactions contemplated by this Agreement.

(j) *Independent Legal Advice.* The Vendor has obtained or been afforded the opportunity to obtain independent legal advice with respect to the transactions contemplated by this Agreement.

PART (D) - REPRESENTATIONS AND WARRANTIES OF EVAN HOLDCO AND THE VENDOR

Evan Holdco and the Vendor, jointly and severally, hereby represents and warrants to the Purchaser, as of the date hereof and as of the Closing Date, as follows, and acknowledges that the Purchaser is relying on the accuracy of such representations and warranties in entering into this Agreement.

(a) *Power and Capacity.* Evan Holdco has the power and capacity to execute and deliver this Agreement and all other agreements and instruments to be executed by it as contemplated herein and to perform its obligations hereunder and under all such other agreements and instruments. The execution and delivery of this Agreement and the other agreements and documents to be executed and delivered by Evan Holdco pursuant to this Agreement have been approved by all required corporate action on the part of Evan Holdco and have been ratified and confirmed by all of the shareholders of Evan Holdco, including the Pledge Agreement.

(b) *Enforceability.* This Agreement and each other agreement to be executed and delivered by Evan Holdco pursuant to the terms of this Agreement, when executed and delivered by all parties, is a valid and legally binding obligation of Evan Holdco enforceable against Evan Holdco in accordance with its terms, subject to the limitations with respect to enforcement imposed by Applicable Laws in connection with bankruptcy, insolvency, liquidation, reorganization or other laws affecting the enforcement of creditors' rights generally and subject to the availability of equitable remedies such as specific performance and injunction which are only available in the discretion of the court from which they are sought.

(c) *Qualification to do Business.* Evan Holdco's business or the location or character of the assets owned or leased by Evan Holdco requires it to be registered, licensed or otherwise qualified as an extra-provincial or foreign corporation in any jurisdiction other than in the Province of Ontario where it is duly registered, licensed or otherwise qualified for such purpose.

(d) *Solvency.* Evan Holdco is an insolvent person within the meaning of the *Bankruptcy and Insolvency Act* (Canada) and it will not become an insolvent person as a consequence of the Closing. Evan Holdco has not made an assignment in favour of its creditors or a proposal in bankruptcy to its creditors or any class thereof or had any petition for a receiving order presented in respect of it. Evan Holdco has not initiated, or become subject to, any Legal Proceeding with respect to a compromise or arrangement with its creditors and none have been Threatened. There are no grounds on which any Legal Proceeding might be commenced and there is no Order outstanding against or affecting Evan Holdco which, in any such case, affects adversely or might affect adversely the ability of Evan Holdco to enter into this Agreement or any other agreement to be entered into in connection with this Agreement or to perform its obligations hereunder or thereunder. No receiver has been appointed in respect of Evan Holdco or any of its property or assets and no execution or distress has been levied upon any of its property or assets and no Legal Proceeding with respect thereto has been Threatened. No act or proceeding has been taken or authorized by or against Evan Holdco with respect to any amalgamation, merger, consolidation,

arrangement or reorganization of, or relating to, it nor have any such proceedings been authorized by any other Person.

(e) *Absence of Conflicting Agreements.* The execution, delivery and performance of this Agreement by Evan Holdco and the completion of the transactions contemplated by this Agreement do not and will not result in or constitute any of the following:

(i) a default, breach or violation or an event that, with notice or lapse of time or both, would be a default, breach or violation of any pending or executory Contract, to which Evan Holdco is a party;

(ii) an event which, pursuant to the terms of any pending or executory Contract to which Evan Holdco is a party, would cause any right or interest of the Vendor, Evan Holdco or the Company to come to an end or be amended in any way or entitle any other Person to terminate or amend any such right or interest or relieve any other Person of its obligations thereunder;

(iii) the creation or imposition of any Encumbrance on any Asset of the Company or on the Purchased Shares; or

(iv) the violation of any Applicable Law.

(f) *Residence of Vendor.* Evan Holdco is not a non-resident of Canada for purposes of section 116 of the *Income Tax Act.*

(g) *Consents and Approvals.* No approval, Regulatory Approval, Order, consent of or filing with any Governmental Authority or other Person is required on the part of the Vendor or Evan Holdco in connection with the execution, delivery and performance of this Agreement or any other documents and agreements to be delivered under this Agreement or the performance of Evan Holdco under this Agreement or any other documents and agreements to be delivered under this Agreement, including the Holdco Pledge Agreement.

(h) *Tax Advice.* Evan Holdco has obtained or been afforded the opportunity to independent legal and financial tax advice as to the tax consequences of the transactions contemplated by this Agreement.

(i) *Independent Legal Advice.* Evan Holdco has obtained or been afforded the opportunity to obtain independent legal advice with respect to the transactions contemplated by this Agreement.

PART (D) - GENERAL REPRESENTATION AND WARRANTY OF THE VENDOR

The Vendor and Evan Holdco, jointly and severally, hereby represents and warrants to the Purchaser, as of the date hereof and as of the Closing Date, as follows, and acknowledges that the Purchaser is relying on the accuracy of such representations and warranties in entering into this Agreement.

(a) *Full Disclosure.* None of the foregoing representations and warranties set out in this Section 3.1 and no document furnished by or on behalf of the Company, the Vendor or Evan Holdco

to the Purchaser or its representatives in connection with the transactions contemplated by this Agreement contains any untrue statement of a material fact or omits to state any material fact necessary to make any such statement or representation not misleading to a prospective purchaser of the Purchased Shares seeking full information as to the Company, its Assets, the Business, the Vendor, Evan Holdco, the Purchased Shares and the Pledge Agreement. There are no facts not disclosed in this Agreement which, if learned by a prospective purchaser, might reasonably be expected to materially diminish a prospective purchaser's evaluation of the value of the Purchased Shares or the security interest of Evan Holdco or which might reasonably be expected to deter a prospective purchaser from completing the transactions contemplated by this Agreement on the terms of this Agreement.

3.2 Representations and Warranties of the Purchaser

The Purchaser hereby represents and warrants to the Vendor, as of the date hereof and as of the Closing Date, as follows, and acknowledges that the Vendor is relying on the accuracy of such representations and warranties in entering into this Agreement:

(a) the Purchaser is a corporation created, validly existing and in good standing under the laws of the Province of Ontario and has all requisite power and authority to enter into this Agreement and perform its obligations hereunder;

(b) the execution and delivery of this Agreement has been duly and validly authorized by all necessary action on the part of the Purchaser;

(c) the execution and delivery of this Agreement and the other agreements and documents to be executed and delivered by the Purchaser pursuant to this Agreement has been duly and validly authorized by all necessary action on the part of the Purchaser. This Agreement, when executed and delivered by all parties, is a valid and legally binding obligation of the Purchaser enforceable against the Purchaser in accordance with its terms, subject to the limitations with respect to enforcement imposed by Applicable Laws in connection with bankruptcy, insolvency, liquidation, reorganization or other laws affecting the enforcement of creditors' rights generally and subject to the availability of equitable remedies such as specific performance and injunction which are only available in the discretion of the court from which they are sought;

(d) the Purchaser: (i) is not an insolvent Person within the meaning of the *Bankruptcy and Insolvency Act* (Canada); (ii) has not made either an assignment in favour of its creditors or a proposal in bankruptcy to its creditors (or any class thereof); (iii) has not had any petition for a receiving order presented in respect of it; or (iv) has not initiated any proceedings with respect to a compromise or arrangement with its creditors or for its winding up, liquidation or dissolution; and no receiver has been appointed in respect of the Purchaser or any of its respective assets and no act or proceeding has been taken or authorized by or against the Purchaser with respect to any amalgamation, merger, consolidation, arrangement or reorganization.

3.3 Survival of Representations

No investigations made by or on behalf of the Purchaser at any time shall have the effect of waiving, diminishing the scope or otherwise affecting any representation or warranty made by the Company, the Vendor and/or Evan Holdco in or pursuant to this Agreement or any other agreement or document entered into in connection with this Agreement. No waiver of any condition or other provisions, in whole or in part, shall constitute a waiver of any other condition or provision (whether or not similar) nor shall such waiver constitute a continuing waiver unless otherwise expressly provided. The representations and warranties contained in Sections 3.1 and 3.2 shall not merge on Closing but shall survive the Closing, the transfer of the Purchased Shares, satisfaction of the Purchase Price and the Closing Date for the maximum period permitted by Applicable Law.

3.4 Conduct of Business Prior to Closing

During the period from the date of this Agreement to the Closing Time, the Vendor and Evan Holdco shall, and shall cause the Company, to do the following:

(a) **Conduct Business in the Ordinary Course** – except as otherwise permitted by this Agreement, conduct its business in the ordinary course, consistent with past practice and not, without the prior written consent of the Purchaser, enter into any transaction which, if effected before the date of this Agreement, would constitute a breach of the representations, warranties or agreements of any of the Company or the Vendor contained in this Agreement;

(b) **Contracts** - not enter into any Contracts, commitments or transactions except as approved in writing by the Purchaser;

(c) **Maintain Good Relations** – use all reasonable efforts to maintain good relations with all Persons with whom the Company, Evan Holdco and the Vendor has business relations relating to the Business or the Company;

(d) **Continue Insurance** – continue in force all policies of insurance maintained by or for the benefit of the Company and give all notices and present claims under all insurance policies in a timely fashion;

(e) **Comply with Laws** – comply with all Applicable Laws affecting the operation of the Company;

(f) **Prevent Certain Changes** – not, without the prior written consent of the Purchaser, take any of the actions, do any of the things or perform any of the acts described in Section 3.1(B)(aa), including for greater certainty, not incur or satisfy, in whole or in part, any Debt, obligations or liabilities or make any payment in respect thereof, or acquire or dispose, or agree to acquire or dispose of any Assets or additional assets or declare, pay or authorize dividends or other distributions on any shares of the Company or purchase or redeem any shares of the Company, or amend the articles or change the capital structure of the Company,

(g) **Approvals** –obtain and diligently pursue all Consents, Licenses, Regulatory Approvals and authorizations required to consummate the transactions contemplated by this Agreement in accordance with the terms hereof;

(h) **Advise of Changes** – promptly advise the Purchaser orally and in writing (i) of any fact or any change in the Business, operations, affairs, assets, liabilities, capitalization, financial condition or prospects of the Company that could have a Material Adverse Effect; (ii) of any breach by any of the Company, Evan Holdco or the Vendor of any covenant or agreement contained in this Agreement; (iii) of the fact of any representation or warranty provided herein by the Company, Evan Holdco or the Vendor ceases to be true, complete and accurate in all respects and (iii) of any death, disability, resignation or other event or circumstance affected the Company, Evan Holdco or the Vendor; and

(i) **Remedy any Misrepresentation or Breach of Covenant** - do all things and cause all things to be done to ensure that all of the representations and warranties and covenants of the Vendor, Evan Holdco and the Company contained in this Agreement remain true and correct as if such representations and warranties were continuously made throughout such period and such covenants performed when required pursuant to this Agreement.

3.5 Access for Investigation

The Company shall and the Vendor shall cause the Company to permit the Purchaser and its representatives, between the date of this Agreement and the Closing Time, to have free and unrestricted access during normal business hours to (i) the Assets of the Company, including the Property; (ii) all locations where Books and Records or other material relevant to the business of the Company are stored; and (iii) all the Books and Records. The Vendor or the Company, as the case may be, shall furnish to the Purchaser copies of Books and Records as the Purchaser shall from time to time request. Without limiting the generality of the foregoing, the accounting representatives of the Purchaser shall be afforded ample opportunity to make a full investigation of all aspects of the financial affairs of the Company and the Vendor.

The Vendor will, or will cause the Company to, forthwith deliver to the Purchaser, the following documents and files relating to the Property, to the extent they are within the Vendor's possession and control,:

(a) An Authorization and Direction, on the Purchaser's Solicitor's form, authorizing all governmental agencies and bodies having jurisdiction to release all information in their files relating to the Property provided such authorization and direction shall specifically prohibit any inspections of the Property;

(b) Copies of all surveys, planning studies, zoning or official plan amendment applications, leases, soil tests, environmental reports, ecological reports, feasibility studies, engineering reports, claims involving the Property and all other documents and reports relating to the Property, and with respect to any reports or documents prepared by professionals or experts such as environmental reports, a reliance letter from the respective issuer of such report or document permitted the Purchaser to rely on such report or document; and

(c) Such other material documents, reports or information relating to the Property as may be reasonably requested by the Purchaser and as may be in the Vendor's possession or control.

ARTICLE 4
COVENANTS

4.1 Payment of Taxes

Except as otherwise provided in this Agreement, the Purchaser shall pay all Taxes applicable to any filing, recording or transfer fees payable in connection with the instruments of transfer provided for in this Agreement.

4.2 Preparation of Tax Returns

The Purchaser shall cause, at the Vendor's expense, to be prepared and filed within the time period prescribed by Applicable Law all Tax Returns for the Company for (a) any period which ends on or before the Closing Date and for which Tax Returns have not been filed as of such date and (b) for any period that begins prior to the Closing Date and ends after the Closing Date for which Tax Returns are required to be prepared and filed (all such Tax Returns referred to in clause (a) and (b) of this Section 4.2 being referred to herein as **"Stub Period Returns"**). The Vendor, Evan Holdco and the Purchaser shall co-operate fully with each other and make available to each other in a timely fashion such data and other information as may reasonably be required for the preparation of all Stub Period Returns and shall preserve such data and other information until the expiration of any applicable limitation period under any Applicable Law with respect to such Stub Period Returns. The Purchaser shall provide to the Vendor for his review a copy of the Stub Period Returns and the costs (including reasonable allocation of internal costs) of the preparation and filing of such Stub Period Returns (as they relate to periods ending on or before the Closing Date or such portion thereof) shall be included as Debt of the Company as of the Closing Date for purposes of the calculation of the Purchase Price. For greater certainty, all Taxes payable for the period represented by the Stub Period Returns are for the account of the Vendor and will be paid the Vendor promptly upon completion of the Stub Period Returns.

4.3 Property Tax Arrears

The Vendor and Evan Holdco, jointly and severally, covenants and agrees that it shall be liable and responsible and that it will pay or cause to be paid all Taxes respecting the Company, including property tax arrears, assessments and other Taxes or charges affecting the Property that relate or arise in respect of period of time prior to Closing, including any re-assessment of the Property that relates to the period prior to the Closing Date.

4.4 Brokers

Except for the engagement of Antonio Piazza and Alex Ivanuk by the Vendor pursuant to an engagement agreement entered into on or around June 1st, 2016 (the "**Engagement**"), neither the Purchaser or the Vendor engaged any broker or other agent in connection with the transactions contemplated by this Agreement and, accordingly, other than the payment as set forth Schedule 4.4 pursuant the Engagement there is no commission, fee or other remuneration payable to any broker or agent who purports or may purport to act or have acted for either party. The Purchaser covenants and agrees to pay or cause to be paid the fees payable pursuant to the Engagement, which are expressly set forth in Schedule 4.4 hereof, against delivery of a receipt, acknowledgement and full

release of any other amounts whatsoever payable pursuant to the Engagement by Antonio Piazza and Alex Ivanuk.

4.5 Termination of Employees and Contractors

Notwithstanding any other provision of this Agreement, the Company shall, and the Vendor shall cause the Company to, terminate the employment of every employee and the service of every contractor to the Company prior to the Closing Date and the Company shall, prior to the Closing,pay and satisfy all Liabilities to all such Persons whatsoever in connection with such termination of employment or service, including all obligations in accordance with Applicable Law.

4.6 Transfer of Hotel Operations and Property Management Business

Prior to the Closing Date the Vendor shall provide the Purchaser with documentation, satisfactory to the Purchaser in its sole discretion, evidencing the transfer to another Person of the entire (a) hotel business and (b) property management business, carried on by the Company, together with all Liabilities now existing or hereinafter arising, whether or not known, and fully release and indemnify the Company from and against any Liability arising directly or indirectly in relation to, out of, or in connection with, such businesses previously carried on by the Company and transferred to another Person.

4.7 Consents

TheVendor covenants and agrees to obtain all Consents and Regulatory Approvals of any other Person necessary or desirable to be obtained by the Company and/or the Vendor in connection with completion of the transactions contemplated by this Agreement, including as may be required by any lender pursuant to any Debt in connection with the change of control of the Company as contemplated by this Agreement. The Vendor further covenants and agrees to cause certain of the collateral mortgages set out in Schedule 3.1(B)(bb) to be discharged prior to the Closing resulting in an aggregate of approximately $8 million in outstanding Debt of the Company on Closing.

4.8 Requisition Letters

Prior to the Closing Date, the Vendor agrees to fully comply and respond to all matters set forth in requisition letters to be delivered by the Purchaser's real estate solicitors that relate to the Property.

ARTICLE 5
INDEMNIFICATION

5.1 Vendor's Indemnification

The Vendor and Evan Holdco, jointly and severally, agree to indemnify and save the Purchaser and its Affiliates, including 650 Bay GP Inc., the general partner of the Purchaser, and its and their respective shareholders, partners, directors, officers, employees, representatives and agents (the "**Purchaser Indemnified Parties**"), fully harmless and will reimburse or compensate them for, any Damages, whether arsing prior to, on or subsequent to the Closing and whether referable to any event, circumstance or matter arising at any time prior to, on or subsequent to the Closing, as a result of, respecting, in connection with or related, directly or indirectly, in any manner whatsoever to:

(i) any incorrectness in or breach of any representation or warranty of the Company, Evan Holdco or Vendor contained in this Agreement or in any other agreement, certificate or instrument executed and delivered pursuant to this Agreement;

(ii) any breach or any non-fulfilment of any covenant or agreement on the part of the Company, Evan Holdco or the Vendor in this Agreement or in any other agreement, certificate or instrument executed and delivered pursuant to this Agreement;

(iii) any Legal Proceeding (actual or Threatened) to which the Company is a party or affected by at any time on or prior to the Closing Date, or to which it becomes a party or that is Threatened after the Closing Date arising from facts or circumstances that existed at any time on or prior to the Closing Date, including in respect of any such matter relating to the Assets (including the Property) or the ownership or operations of the hotel business and/or property management business carried on by the Company prior to Closing;

(iv) without limiting the generality of any other provision of this Section 5.1, relating directly or indirectly to non-compliance of the Property with any Applicable Laws in respect of the period prior to Closing, whether arising prior to or subsequent to Closing, including all costs and expenses relating to any investigations, work orders, notices, directives or letters of non-compliance in respect of the Property originated or issued by any Governmental Authority having jurisdiction, whether or not disclosed in any searches (on or off title);

(v) any Liability of the Company for Taxes in respect of any taxation year or other period ended prior to the Closing Date, or any portion of a taxation year or other period up to and including the Closing Date, including any Liability for Taxes relating to the transfer of the hotel business and the property management business to another Person;

(vi) the failure to obtain any necessary approvals, Regulatory Approvals, Consents, waivers or to give any notice, including without limitation, any Claims relating to any resultant termination or renegotiation of any right or entitlement of the Company or any increase in obligations or liabilities arising therefrom affecting the Company;

(vii) any Liability (including to indemnify or advance any amounts) to any current or former director, officer, employee, consultant, contractor or other person or entity (a) engaged to provide services to the Company or (b) pursuant to any Employee Plan;

(viii) any Liability of the Company to any non-arm's length person or entity to the Company including any current or former director, officer, employee or shareholder; and

(ix) without limiting the generality of any other provision of this Section 5.3, any failure by the Vendor to transfer to the Purchaser all of the Purchased Shares with good and marketable title thereto, free and clear of all Encumbrances as contemplated by this Agreement.

The rights to indemnification of the Purchaser Indemnified Parties under this Section 5.1 shall apply notwithstanding any inspection or inquiries made by or on behalf of any of the Purchaser Indemnified Parties, or any knowledge acquired or capable of being acquired by any of the Purchaser Indemnified Parties or facts actually known to any of the Purchaser Indemnified Parties (whether before or after the execution and delivery of this Agreement and whether before or after Closing).

5.2 Purchaser's Indemnification

The Purchaser agrees to indemnify and save the Vendor his heirs, executors, administrators, successors and assigns, as applicable, (the "**Vendor Indemnified Parties**"), fully harmless and will reimburse or compensate them for, any Damages, with respect to any event, circumstance or matter arising at any time prior to, on or subsequent to the Closing, as a result of, respecting, in connection with or related, directly or indirectly, in any manner whatsoever to:

(i) any incorrectness in or breach of any representation or warranty of the Purchaser contained in this Agreement or in any other agreement, certificate or instrument executed and delivered pursuant to this Agreement; and

(ii) any breach or any non-fulfilment of any covenant or agreement on the part of the Purchaser this Agreement or in any other agreement, certificate or instrument executed and delivered pursuant to this Agreement.

5.3 Notice of Claim

If an Indemnified Party becomes aware of any act, omission or state of facts that may give rise to Damages in respect of which a right of indemnification is provided for under this Article 5, the Indemnified Party shall promptly give written notice thereof (a **"Notice of Claim"**) to the Indemnifying Party. The Notice of Claim shall specify whether the potential Damages arise as a result of a claim by a Person against the Indemnified Party (a **"Third Party Claim"**) or whether the potential Damages do not so arise (a **"Direct Claim"**), and shall also specify with reasonable particularity (to the extent that the information is available):

(i) the factual basis for the Direct Claim or Third Party Claim, as the case may be; and

(ii) the amount of the potential Damages arising therefrom, if known.

If, through the fault of the Indemnified Party, the Indemnifying Party does not receive a Notice of Claim in a timely manner to effectively contest the determination of any liability susceptible of being contested, then the liability of the Indemnifying Party to the Indemnified Party under this Article 5 shall be reduced to the extent that Damages are incurred by the Indemnifying Party resulting from the Indemnified Party's failure to give the Notice of Claim on a timely basis, provided that any Notice of Claim delivered with 60 days of the Indemnified Party becoming aware

of a potential Claim for Damages shall not be deemed to be a failure to deliver prompt Notice of Claim.

5.4 Direct Claims

In the case of a Direct Claim, the Indemnifying Party shall have 10 days from receipt of a Notice of Claim in respect thereof within which to make such investigation as the Indemnifying Party considers necessary or desirable. For the purpose of such investigation, the Indemnified Party shall make available to the Indemnifying Party the information relied upon by the Indemnified Party to substantiate its right to be indemnified under this Article 5, together with all such other information as the Indemnifying Party may reasonably request. If the Parties fail to agree at or before the expiration of such 10 day period (or any mutually agreed upon extension thereof), the Indemnified Party shall be free to pursue such remedies as may be available to it.

5.5 Third Party Claims

In the case of a Third Party Claim, the provisions in the following paragraphs of this Section 5.5 apply.

(a) *Rights of Indemnifying Party.* The Indemnifying Party shall have the right, at its expense, to participate in but not control the negotiation, settlement or defence of the Third Party Claim, which control shall rest at all times with the Indemnified Party, unless the Indemnifying Party:

(i) irrevocably acknowledges in writing complete responsibility for, and agrees to indemnify the Indemnified Party in respect of, the Third Party Claim; and

(ii) furnishes evidence to the Indemnified Party which is satisfactory to the Indemnified Party of its financial ability to indemnify the Indemnified Party;

in which case the Indemnifying Party may assume such control at its expense through counsel of its choice.

(b) *Respective Rights on Indemnifying Party's Assumption of Control.* If the Indemnifying Party elects to assume control as contemplated in Section 5.5(a), the Indemnifying Party shall reimburse the Indemnified Party for all of the Indemnified Party's out-of-pocket expenses incurred as a result of such participation or assumption. The Indemnified Party shall continue to have the right to participate in the negotiation, settlement or defence of such Third Party Claim and to retain counsel to act on its behalf, provided that the fees and disbursements of such counsel shall be paid by the Indemnified Party unless the Indemnifying Party consents to the retention of such counsel at its expense or unless the named parties to any action or proceeding include both the Indemnifying Party and the Indemnified Party and a representation of both the Indemnifying Party and the Indemnified Party by the same counsel would be inappropriate due to the actual or potential differing interests between them (such as the availability of different defences), in which case the fees and disbursements of such counsel shall be paid by the Indemnifying Party. The Indemnified Party shall co-operate with the Indemnifying Party so as to permit the Indemnifying Party to conduct such negotiation, settlement and defence and for this

purpose shall preserve all relevant documents in relation to the Third Party Claim, allow the Indemnifying Party access on reasonable notice to inspect and take copies of all such documents and require its personnel to provide such statements as the Indemnifying Party may reasonably require and to attend and give evidence at any trial or hearing in respect of the Third Party Claim.

(c) *Lack of Reasonable Diligence.* If, having elected to assume control of the negotiation, settlement or defence of the Third Party Claim, the Indemnifying Party thereafter fails to conduct such negotiation, settlement or defence with reasonable diligence, then the Indemnified Party shall be entitled to assume such control and the Indemnifying Party shall be bound by the results obtained by the Indemnified Party with respect to such Third Party Claim.

(d) *Necessary Payments prior to Settlement.* If any Third Party Claim is of a nature such that (i) the Indemnified Party is required by Applicable Law or any Order, or (ii) it is necessary in the reasonable view of the Indemnified Party acting in good faith and in a manner consistent with reasonable commercial practices, in respect of a Third Party Claim relating to any Contract which is necessary to the ongoing operations of the Business or any material part thereof, including to preserve the rights of the Indemnified Party under such a Contract, to make a payment to any Person (in this section, a **"Third Party"**) with respect to the Third Party Claim before the completion of settlement negotiations or related legal proceedings, as the case may be, then the Indemnified Party may make such payment and the Indemnifying Party shall, promptly after demand by the Indemnified Party, reimburse the Indemnified Party for such payment. If the amount of any Liability of the Indemnified Party under the Third Party Claim in respect of which such a payment was made, as finally determined, is less than the amount which was paid by the Indemnifying Party to the Indemnified Party, the Indemnified Party shall, promptly after receipt of the difference from the Third Party, pay the amount of such difference to the Indemnifying Party.

(e) *Other Rights of Indemnified Party.* If the Indemnifying Party fails to assume control of the defence of any Third Party Claim, the Indemnified Party shall have the exclusive right to contest, settle or pay the amount claimed and the Indemnifying Party shall be bound by the results obtained by the Indemnified Party with respect to such Third Party Claim. Whether or not the Indemnifying Party assumes control of the negotiation, settlement or defence of any Third Party Claim, the Indemnifying Party shall not settle any Third Party Claim without the written consent of the Indemnified Party, which consent shall not be unreasonably withheld or delayed.

5.6 Interest on Damages

The amount of any Damages which is subject to indemnification hereunder shall bear interest from and including the date the Indemnified Party was notified of the claim for Damages at the rate of 8% per annum, simple interest, from and including such date to but excluding the date reimbursement of such Damages by the Indemnifying Party is made, and the amount of such interest shall be deemed to be part of such Damages.

5.7 Set-off

The Purchaser Indemnified Parties shall be entitled to set off the amount of any Damages subject to indemnification by the Vendor and Evan Holdco under this Agreement against any amounts payable by any Purchaser Indemnified Party or an Affiliate or Associate to the Vendor, Evan Holdco or any Affiliate or Associate, whether under this Agreement or under any other agreement or arrangement, including in respect of any distributions paid or payable to Evan Holdco pursuant to the Limited Partnership Agreement. The Vendor and Evan Holdco, on behalf of themselves and their Affiliates and Associates, hereby irrevocably authorizes and directs the Partnership and 650 Bay GP Inc., the general partner of the Partnership, to make all payments payable to the Vendor, Evan Holdco or any Affiliate or Associate of such Persons, otherwise payable to such Persons pursuant to the Limited Partnership Agreement and/or their interests therein, to the Purchaser Indemnified Parties upon written demand for such payment by the Purchaser to 650 Bay GP Inc., and this shall the 650 Bay Limited Partnership's and 650 Bay GP Inc.'s good and sufficient authority for so making such payments to the Purchaser Indemnified Parties. The Parties agree and acknowledge that neither 650 Bay Limited Partnership's or 650 Bay GP Inc. shall be required or expected to investigate or independently verify the accuracy of any demand and 650 Bay GP Inc. shall comply with any such demand. A copy of this Agreement may be provided to 650 Bay GP Inc. to provide the general partner with evidence of the written direction regarding payments otherwise payable to the Vendor, Evan Holdco or an Affiliate or Associate from 650 Bay Limited Partnership .

5.8 Pledge Agreement

Evan Holdco agrees to enter into a security and pledge agreement (the "**Holdco Pledge Agreement**") granting the Purchaser a security interest and pledge over all of the Partnership Interest of Evan Holdco in the Partnership (the "**Holdco Pledged Securities**") to secure the obligations the Vendor and Evan Holdco under this Agreement; such agreement in the form required by the Purchaser.

The Vendor agrees to enter into a security and pledge agreement (the "**Vendor Pledge Agreement**") granting the Purchaser a security interest and pledge over all of the securities of the Company (the "**Vendor Pledged Securities**") to secure the obligations the Vendor and Evan Holdco under this Agreement; such agreement in the form required by the Purchaser.

In the event that the Purchaser enforces on the security interests created under the Holdco Pledge Agreement and/or the Vendor Pledge Agreement, and takes possession of the Holdco Pledged Securities and/or the Vendor Pledged Securities, in addition to the obligations under this Agreement so secured, Evan Holdco and the Vendor agree to jointly and severally fully indemnify and hold harmless the Purchaser and will compensate the Purchaser for all Damages directly or indirectly arising out of, in connection with our related to, in any manner whatsoever, the costs of enforcement against the Holdco Pledged Securities and/or the Vendor Pledged Securities.

5.9 Trustee and Agent

Each Party acknowledges that the other Party is acting as trustee and agent for the remaining Purchaser Indemnified Parties or Vendor Indemnified Parties, as the case may be, on whose behalf and for whose benefit the indemnity in Section 5.1 and Section 5.2, as the case may be, is provided and that such remaining Indemnified Parties shall have the full right and entitlement to take the benefit of and enforce such indemnity notwithstanding that they may not individually be parties to this Agreement. Each Party agrees that the other Party may enforce the indemnity for and on behalf of such remaining Indemnified Parties and, in such event, the Party from whom indemnification is sought will not in any proceeding to enforce the indemnity by or on behalf of such remaining Indemnified Parties assert any defence thereto based on the absence of authority or consideration or privity of contract and irrevocably waives the benefit of any such defence.

ARTICLE 6
CLOSING

6.1 Closing Arrangements

Subject to the terms and conditions set forth in this Agreement, the transaction contemplated hereunder shall be completed at Closing Time on the Closing Date.

6.2 Documents of the Vendor and Evan Holdco

At the Closing, the Vendor and Evan Holdco, as applicable, shall deliver or cause to be delivered to the Purchaser the following documents:

(i) the certificate or certificates representing the Purchased Shares;

(ii) a transfer of the Purchased Shares duly executed by the Vendor, in the form satisfactory to the Purchaser;

(iii) the minute books, share certificate books and corporate seal of the Company;

(iv) a certificate the Vendor, Evan Holdco and of a senior officer of the Company dated the Closing Date certifying that the representations and warranties of the Vendor, Evan Holdco and the Company, as applicable, contained in this Agreement and each other agreement executed and delivered pursuant to this Agreement shall be true and correct in all respects at Closing, with the same force and effect as if such representations and warranties were made at and as of such time, such certificates in form and substance satisfactory to the Purchaser, acting reasonably;

(v) a certificate the Vendor, Evan Holdco and of a senior officer of the Company dated the Closing Date certifying that all of the covenants and conditions of this Agreement and each other agreement executed and delivered pursuant to this Agreement to be complied with or performed by the Vendor, Evan Holdco and the Company at or before Closing shall have been complied with or performed, such certificates to be in form and substance satisfactory to the Purchaser, acting reasonably;

(vi) a certificate of the Secretary or other officer of the Company and Evan Holdco dated as of the Closing Date, with respect to the Company's and Evan Holdco's constating

documents, resolutions and incumbency, in the form satisfactory to the Purchaser, acting reasonably;

(vii) a certificate of good standing in respect of each of the Company and Evan Holdco;

(viii) evidence in form satisfactory to the Purchaser, acting reasonably, that all the Consents and Regulatory Approvals have been obtained, including the consent of each lender under the 650 Bay Mortgages to the assignment and assumption of each 650 Bay Mortgage to the Purchaser, an estoppel letter from each such lender and an assignment and assumption agreement respecting each 650 Bay Mortgage in each case, in absence of which the Purchaser shall refinance the debt pursuant to the Limited Partnership Agreement;

(ix) a fully executed copy of each of the Holdco Pledge Agreement and the Vendor Pledge Agreement;

(x) the written resignation of each director and officer of the Company designated by the Purchaser and a release of all claims against the Company by each such director and officer, in the form satisfactory to the Purchaser, acting reasonably;

(xi) a release of all claims by the Vendor against the Company in the form satisfactory to the Purchaser, acting reasonably;

(xii) the Estimated Closing Statement;

(xiii) a statutory declaration of the Vendor and Evan Holdco certifying that it is not a "non-resident" within the meaning of the *Income Tax Act* (Canada);

(xiv) discharges of all Encumbrances which are not Permitted Encumbrances;

(xv) such documents, certificates and other instruments and filings as would customarily be imposed in a similar transaction that involves a transfer of commercial real estate similar to the Property in Toronto, Ontario;

(xvi) a legal opinion of the Vendors' Counsel, in form and substance satisfactory to the Purchaser, acting reasonably, such opinion to include, without limitation, an opinion as to the incorporation and existence of the Company and Evan Holdco, as to ownership of the Purchased Shares and the share capital of the Company and enforceability of this Agreement, the Pledge Agreement and security created thereby, and such other customary opinions as reasonably requested by the Purchaser or Purchaser's Counsel; and

(xvii) confirmation of payment of all broker and commissions under the Engagement and a receipt and acknowledgement of payment and a release in favour of the Purchaser from all such Persons;

(xviii) the certificate or certificates representing 1 Class A Unit of the Partnership registered in the name of Evan Holdco together with a share transfer power executed in blank;

(xix) the certificate or certificates representing 1,000 common shares of the Company registered in the name of Evan Holdco, being all of the issued and outstanding securities of the Company together with a share transfer power executed in blank and an irrevocable certified resolution of the directors and shareholders approving the transfer of the Vendor Pledged Securities;

(xx) all other conveyances and documents which are required herein and which the Purchaser has reasonably requested on or before the Closing Date;

(xxi) an undertaking as to certain matters to be performed by the Vendor, the Company and/or Evan Holdco prior to Closing; and

(xxii) all such other assurances, consents, agreements, conveyances, documents and instruments as may be reasonably required by the Purchaser to give effect to the proper transfer, assignment and conveyance by the Vendor to the Purchaser of the Purchased Shares, free and clear of all Encumbrances other than the Permitted Encumbrances and all other matters contemplated herein, all of which shall be in form and substance satisfactory to the Purchaser, acting reasonably.

6.3 Documents of the Purchaser

At the Closing, the Purchaser shall deliver or cause to be delivered to the Vendor the following documents and payments:

(i) the certificate or certificates representing the Class A Unit of the Partnership issuable pursuant to Section 2.3 registered in the name of Evan Holdco;

(ii) a certificate of a senior officer of the Purchaser dated the Closing Date certifying that all of the covenants and conditions of this Agreement and each other agreement executed and delivered pursuant to this Agreement to be complied with or performed by the Purchaser at or before Closing shall have been complied with or performed, such certificates to be in form and substance satisfactory to the Vendor, acting reasonably;

(iii) a certificate the Purchaser dated the Closing Date certifying that all of the covenants and conditions of this Agreement and each other agreement executed and delivered pursuant to this Agreement to be complied with or performed by the Purchaser at or before Closing shall have been complied with or performed, such certificates to be in form and substance satisfactory to the Vendor, acting reasonably;

(iv) a certificate of the Secretary or other officer of the Purchaser dated as of the Closing Date, with respect to the Purchaser's constating documents, resolutions and incumbency, in the form satisfactory to the Vendor, acting reasonably; and

(v) a certificate of good standing in respect of the Purchaser;

(vi) all such other assurances, consents, agreements, documents and instruments as may be reasonably required by the Vendor to complete the transactions provided for in

this Agreement, all of which shall be in form and substance satisfactory to the Vendor, acting reasonably;

ARTICLE 7
GENERAL

7.1 Tender

Any tender of documents or money may be made upon the Party being tendered or upon its solicitors and money may be tendered by certified cheque from a Schedule 1 Canadian Chartered Bank or by wire transfer to the Vendor or the Vendor's Solicitors provided that the money will be released to the Vendor in accordance with this Agreement.

7.2 Remedies Cumulative and Waivers

For greater certainty, it is expressly understood and agreed that the rights and remedies of the Indemnified Parties hereunder are cumulative and are in addition to and not in substitution for any rights or remedies provided by Applicable Law and any single or partial exercise by any Indemnified Party of any right of remedy for a default or breach of any term, covenant, condition or agreement contained in this Agreement or other agreement or document entered into or delivered in connection with this Agreement shall not be deemed to be a waiver of or to alter, affect or prejudice any other right or remedy or other rights or remedies to which the Indemnified Party may be lawfully entitled for such default or breach. Any waiver by the Purchaser of the strict observance, performance or compliance with any term, covenant, condition or agreement herein contained or contained in any agreement or document executed and/or delivered pursuant to this Agreement and any indulgence granted either expressly or by course of conduct by the Purchaser, shall be effective only in the specific instance and for the purpose for which it was given and shall be deemed not to be a waiver of any rights and remedies of the Purchaser under this Agreement, or under any other agreement or document as a result of any such default or breach hereunder or thereunder.

7.3 Notice

Any notice, demand, approval, consent, information, agreement, offer, request or other communication (herein referred to as a "**Notice**") to be given under or in connection with this Agreement shall be in writing and shall be given by personal delivery during regular business hours on any Business Day or by telecopier, facsimile transmission or other electronic communication which results in confirmation of notice being given, addressed or sent as set out below or to such other address or electronic number as may from time to time be the subject of a Notice:

(a) to the Vendor:

Keyser Mason Ball, LLP
1600 – 4 Robert Speck Blvd.
Mississauga, ON L4Z 1S1
Attn: Evan Karras

Facsimile: (905) 276-2298

(i) with a copy to the Vendor' Solicitors, at the address and to the person set out in the definitions to this Agreement.

(b) to the Purchaser:

Lalu Canada Inc.
50 Minthorn Blvd., Suite 102
Markham, Ontario L3T 7X8
Attention: Gerald Lee
Facsimile:
Email: gerard.lee@lalucanada.com

(i) with a copy to the Purchaser's Solicitors, at the address and to the person set out in the definitions to this Agreement.

Any Notice, if personally delivered, shall be deemed to have been validly and effectively given and received on the date of such delivery and if sent by telecopier, facsimile transmission or other electronic communication with confirmation of transmission prior to 5:00 p.m., shall be deemed to have been validly and effectively given and received on the Business Day it was sent unless the confirmation of transmission was after 5:00 p.m. in which case it shall be deemed to have been received on the next following Business Day.

7.4 Severability

If any provision of this Agreement or portion thereof or the application thereof to any Person or circumstance shall to any extent be illegal, invalid or unenforceable the remainder of this Agreement or the application of such provision or portion thereof to any other Person or circumstance shall not be affected thereby and the illegal, invalid or unenforceable provision shall be read interpreted in a manner so as to implement the intentions set forth in this Agreement to the maximum extent permitted by Applicable Law. Each provision of this Agreement shall be legal, valid and enforceable to the fullest extent permitted by Applicable Law.

7.5 Survival

The provisions of this Agreement, including the indemnities provided for herein, and of any other agreement, certificate or instrument delivered pursuant to this Agreement shall not merge on Closing but shall survive the execution, delivery and performance of this Agreement, the Closing and the execution and delivery of any transfer documents or other documents of title and all other agreements, certificates and instruments delivered pursuant to this Agreement and the payment of the consideration for the Property.

7.6 Further Assurances

The Parties shall do all such things and provide all such reasonable assurances as may be required to consummate the transactions contemplated by this Agreement, and each Party shall provide such further documents, elections or instruments required by any other Party as may be reasonably necessary or desirable to effect the purpose of this Agreement and carry out its provisions. For

greater certainty and with respect to the obligations in Sections 3.1(B)(bb) and 4.7 of KarrasCo to obtain consents relating to the 650 Bay Debt and/or effect a refinancing of the same, the Purchaser shall, acting commercially reasonably, do all such things and provide all such things, including but not limited to security, agreements, guarantees and other, that are customary to a commercial arrangement of that nature and that are within its power and control.

7.7 Successors and Assigns

This Agreement shall enure to the benefit of and shall be binding upon the Parties and their respective successors and permitted assigns and shall enure to the benefit of and be enforceable by such successors and permitted assigns.

7.8 Obligations as Covenants

Each agreement and obligation of any of the Parties hereto in this Agreement, even though not expressed as a covenant, is considered for all purposes to be a covenant.

7.9 Amendment of Agreement

No supplement, modification, or amendment of this Agreement shall be binding unless executed in writing by the Parties in the same manner as the execution of this Agreement.

7.10 No Transfer or Assignment

Neither the Vendor or Evan Holdco shall assign, transfer, pledge, convey, hypothecate, create or allow to be created an Encumbrance upon or other interest in the Purchased Shares or the Property which in any way is superior to or that jeopardizes in any manner or respect the Purchaser's rights or interests directly or indirectly to be conveyed under this Agreement. The Purchaser may assign this Agreement and the benefit of any covenants or obligations contained in this Agreement upon written notice the Vendor and the Purchaser shall thereafter be released from all of its liabilities and obligations hereunder upon acceptance of such assignment and acceptance of the Purchaser's liabilities and obligations by the assignee.

7.11 Entire Agreement

This Agreement and any agreements, instruments and other documents herein contemplated to be entered into between, by or including the Parties hereto constitute the entire agreement between the Parties hereto pertaining to the transaction provided for herein and supersede all prior agreements, understandings, negotiations and discussions, whether oral or written, with respect thereto, and there are no other warranties or representations and no other agreements between the Parties hereto in connection with the transaction provided for herein except as specifically set forth in this Agreement.

7.12 Expenses

Except as otherwise provided in this Agreement, each Party shall pay all costs and expenses (including the fees and disbursements of legal counsel and other advisers and brokers) it incurs in connection with the negotiation, preparation and execution of this Agreement and the transactions contemplated by this Agreement. In particular, the Vendor shall be responsible for any fees and

expenses of any broker or investment advisor retained in connection with the sale of the Purchased Shares, other than pursuant to the Engagement, and such fees and expenses shall not constitute an obligation of the Company or the Purchaser.

7.13 Time of Essence

Time shall be of the essence of this Agreement in all respects.

7.14 Execution by Electronic Transmission

This Agreement may be executed in counterparts, each of which shall be deemed to be an original and both of which taken together shall be deemed to constitute one and the same instrument. To evidence its execution of an original counterpart of this Agreement, a Party may send a copy of its original signature on the execution page hereof to the other Party by facsimile or other means of electronic transmission and such transmission shall constitute delivery of an executed copy of this Agreement to the receiving Party.

7.15 Counterparts

This Agreement may be signed in one or more counterparts, each of which so signed shall be deemed to be an original, and such counterparts together shall constitute one and the same instrument. Notwithstanding the date of execution or transmission of any counterpart, each counterpart shall be deemed to have the effective date first written above.

[Remainder of page intentionally left blank. Signature page follows.]

IN WITNESS WHEREOF, the parties have duly signed this Agreement.

650 BAY LIMITED PARTNERSHIP, by its general partner, 650 Bay GP Inc.

Per: _____
Name:
Title:

I/We have authority to bind the Company.

2220277 ONTARIO INC.

Per: _____
Name:
Title:

I/We have authority to bind the Company.

SIGNED, SEALED & DELIVERED
In the presence of:

_____
Witness Name:

_____
Evan Karras

9329293 CANADA INC.

Per: _____
Name:
Title:

I/We have authority to bind the Company.

SCHEDULE "A"
PROPERTY

Municipal Address

650 Bay Street, Toronto, ON

Legal Description

PT LT 2 PL 60 TORONTO AS IN CA720524; CITY OF TORONTO [PIN:21199-0067 (LT)].

SCHEDULE 1.1(a)
650 BAY MORTGAGES

1. Zaherali Visram- AT2228545 (transfer of Charge AT3894600 and Notice AT 3894601) in the principal amount of $2,600,000.00.
2. Zaherali Visram – AT2960459 in the principal amount of $3,000,000.00.
3. 932005 Ontario Inc. – AT3195583 in the principal amount of $625,000.00.
4. Harbour First Mortgage Fund GP Inc. – AT3195583 in the principal amount of $100,000.00.
5. Goldcard Inc. – AT3292231 in the principal amount of $100,000.00.
6. CVC Ardellini Investments Inc. – AT3413716 in the principal amount of $2,500,000.00.
7. Accomplish Capital Inc. – AT4005932 in the principal amount of $525,000.00
8. 9480536 Canada Inc. – AT4065515 in the principal amount of $600,000.00.

SCHEDULE 1.1(b)
PERMITTED ENCUMBRANCES

GENERAL

1. Encumbrances for taxes, assessments, public utilities or governmental charges or levies not at the time due or delinquent or the validity of which is being contested at the time by the Vendor in good faith in proceedings before a court or governmental body; and undetermined or inchoate privileges or liens and charges incidental to current operations which have not at such time been filed pursuant to law against the Vendor and which relate to obligations not due or delinquent, provided that all such taxes, assessments, liens and charges shall be fully paid or adjusted at or before Closing.

2. Servitudes, easements, rights-of-way, or other similar rights in land for sewers, electric lines, telegraphs and telephone lines and other utilities and services which do not, in the opinion of the Purchaser, acting reasonably, in the aggregate materially detract from the value of the Property or materially impair the existing uses of the Property, provided in each case that the same have been complied with in all respects.

3. Minor encroachments onto or from neighbouring lands which are permitted under agreements with the owners of such lands.

4. The reservations, limitations, provisos and conditions, if any, expressed in any original grant from the Crown, provided such are complied with in all respects.

5. Minor imperfections in title and encroachments that do not materially interfere with the Purchaser's intended use of the Property and do not render title unmarketable.

6. Registered subdivision, site-plan, development or other municipal agreements provided such are complied with and do not materially detract from the value of the Property or materially impair the existing uses of the Property; provided that the Vendor, if requested by the Purchaser in writing, will obtain and register, on or before Closing, such releases, partial releases and certificates of compliance as may be obtainable at reasonable cost (not exceeding $1,000) from municipal or other governmental authorities.

7. The provisions of applicable laws, including by-laws, regulations, ordinances and similar instruments relating to development and zoning, provided such in each case have been complied with in all material respects.

8. Encumbrances of labourers, workmen, builders, contractors, suppliers of material or architects or other similar encumbrances incidental to construction, maintenance or operations which have not at the time been registered or filed pursuant to law against the Property or which, although registered or filed, relate to obligations that are not at the time due or delinquent; and provided that all such encumbrances are fully paid and discharged prior to Closing.

9. Encumbrances created or permitted by the Purchaser.

10. The agreements described in s. 3.1 (d) of this Agreement, if any

SPECIFIC

PIN:

Instrument No.	Document Description
63BA1267	Plan Boundaries Act
CA65043	Encroachment Agreement

650 Bay Mortgages having an aggregate outstanding principal and interest of approximately $ 8 million.

SCHEDULE 3.1(A)(c)
RIGHTS OF OTHERS IN THE PROPERTY/LEASES

See Attached Lease Agreement. No other agreements or interests.

SCHEDULE 3.1(A)(d)
OUTSTANDING OR INCOMPLETE WORK ORDERS, DEFICIENCY NOTICES OR OTHER CURRENT NON-COMPLIANCE WITH APPLICABLE LAWS AFFECTING THE PROPERTY

Encroachment Agreement - attached.

OUTSTANDING WORK PERMIT – FILE NO. 27116 [Copies of each of the following are attached.]

1. Permit No. 12 273109 BLD 00 BA – building permit related.
2. Permit No. 11 188652 PLB 00 PS – building permit related.
3. Permit No. 11 188652 HVA 00 MS - building permit related.
4. Permit No. 11 245945 BLD 00 BA – interior alterations.
5. Permit No. 11 188652 BLD 00 BA – interior alterations.
6. Permit No. 11 245945 HVA 00 MS – building permit related.
7. Permit No. 12 121620 SGN 00 SP – sign.
8. Permit No. 12 121620 DST 00 DS – sign building permit related.
9. Permit No. 11 188652 BLD 01 BA – interior alterations.
10. Application No. 13 26659 00 00 AO – interior alterations.
11. Order to Comply File No. 15 213901 OTC 00VI.
12. Order to Comply File No. 15 213816 OTC 00 VI.

SCHEDULE 3.1(A)(n)
PROPERTY SURVEY

Attached.

SCHEDULE 3.1(B)(a)
CAPITALIZATION AND DETAILS RESPECTING THE COMPANY

Evan Karras is the sole director, officer and shareholder of 1,000 Common Shares in the capital of 2220277 Ontario Limited.

SCHEDULE 3.1(B)(g)
FINANCIAL STATEMENTS OF THE COMPANY

2015 and 2014 Financial Statements Attached. Interim Statements March 30 2016 are also attached.

Interim Financial Statements to June 30, 2016 and to the closing date to be provided and added as of the Closing Date.

SCHEDULE 3.1(B)(i)
ASSETS OF THE COMPANY

A/C and HVAC Units for the building.

SCHEDULE 3.1(B)(k)
PERSONAL PROPERTY

See Schedule 3.1 (B)(i)

SCHEDULE 3.1(B)(l)
CONTRACTS

See Schedule 3.1(A)(c). No additional Contracts exist.

SCHEDULE 3.1(B)(o)
LICENSES AND REGULATORY APPROVALS

Nil.

SCHEDULE 3.1(B)(q)
BANK ACCOUNTS

TD Bank Transit Number 031 Account Number 5216601

Branch 472 Eglinton West Toronto.

]

SCHEDULE 3.1 (B) (t)
LITIGATION AND COURT PROCEEDINGS

1. CV12004432110000. YEHUDAIFF v. KARRAS et al .
    a. This matter has settled.

2. CV13004780170000. ALPA STAIRS AND RAILING INC. v. HUSH HOMES INC. et al.
    a. No activity has occurred on this file since December, 2014. The Lien has been removed and all parties paid. This should be dismissed.

3. CV1300483227000. SLICE GOURMET INC. v. 2220277 ONTARIO INC.
    a. An action was brought by Sliced Gourmet Inc. against 2220277 Ontario Inc. for damages arising out of a lease agreement. There has been no activity on this file since April, 2015.
4. CV14005124590000. CVC ARDELLINI INVESTMENTS INC. v. 2142301 ONTARIO INC. et al – DETAILS REQUIRED

5. CV14005125510000. VISRAM v. 2220277 ONTARIO INC. et al.
    a. An action was brought by Zaherali Visram against 2220277 Ontario Inc. for a covenant to pay the balance on a charge/mortgage. When the mortgagee's second mortgage came due he started an action. The parties agreed to extend the terms of the mortgage. This should be dismissed. An Agreement was signed and the mortgage was extended.

6. CV1600545416000. MARATHON CLEANING CORP. v. 2220277 ONTARIO INC.
    a. An action was brought by Marathon Cleaning Corp. in relation to a breach of contract for damages in the amount of $50,613.73. Parties have exchanged documents and examination for discoveries are being scheduled.

SCHEDULE 3.1(B)(x)
INSURANCE

1. Intact Insurance Company - Policy No. 501351778 as attached.

SCHEDULE 3.1(B)(aa)
ABSENCE OF CHANGES

None.

SCHEDULE 3.1(B)(bb)
DEBT

SEE SCHEDULE 1.1(a)

SCHEDULE 4.4
COMMISSIONS AND BROKERGE FEES

1. Alex Evaniuk and Antonio Piazza (the "Brokers") are, for brokerage services rendered in relation to various agreements to effect various transactions, due a fee of Six Hundred Thousand Dollars ($600,000.00) plus HST paid out equally to each of, Seventy Five Thousand Dollars ($75,000.00) plus HST relating to such fee is to be paid to each of Alex Evaniuk and Antonio Piazza on the ___ July, 2016.

2. The balance of the fee described in section 1 above, will be paid by way of Twenty Five Thousand Dollar ($25,000.00) instalments made payable to each of the brokers on the occasion of a executed agreement of purchase an sale for the newly developed homes of 63 – 69 Elm Street between the undersigned and a prospective purchaser. These instalments will be paid on each occasion of same until the balance is completely paid off.

3. In any event, the undersigned agrees to completely pay off any outstanding debt to each of the brokers on the date where the undersigned achieves application approval in relation to 650 Bay Street, and 57-61 Elm Street.

EXHIBIT "A"

LIMITED PARTNERSHIP AGREEMENT

See attached.

This is Exhibit "C" to the Affidavit of
Evan Karras sworn before me this
Day of June 2017.

A Commissioner etc.

COPY TO EVAN
Aug 15 2016

MORTGAGE STATEMENT.
RE 650 BAY ST / 55 ELM ST.
1ST MORTGAGE

		Dr	Cr	Balance
MAY 26, 2015	PRINCIPAL			* 2600.000
JUNE 26, 2015	Interest for June	20041.66		
June 29, 2015	Payment		20041.66	2600 000
July 26, 2015	Interest for July	20041.16		
July 31, 2015	Payment		20041.66	2600 000
Aug 26 2015	Interest for Aug	20041.16		
Sept 9, 2015	Payment		20041.66	26,00,000
Sept 9, 2015	NSF Cheque	20041.16		
	NSF Ad.	350.00		
Sept 15, 2015	Payment		20041.66	2,600350
Sept 26, 2015	Interest for Sept	20041.16		
Sept 30, 2015	Payment		20041.16	2,600,350
Oct 26, 2015	Interest for Oct	20041.16		
Oct 30, 2015	Payment		20041.16	2,600,350
Oct 30, 2015	NSF Cheque	20041.16		
	NSF Charge	350.00		
Nov 12, 2015	Payment		20041.16	2600700
Nov 26, 2015	Interest for Nov	20041.16		
Dec 2, 2015	Payment		20041.16	2,600,700
Dec 26 2015	Interest for Dec	20041.16		
Jan 4, 2016	Payment		20041.16	2,600,700
Jan 26, 2016	Interest for Jan	20047.00		* 2,620747
Feb 26 2016	Interest for Feb	20202.00		2640949
March 26, 2016	Interest for March	20357.00		2,661,306
April 26, 2016	Interest for April	20514.00		2,681,820
May 26, 2016	Interest for May	20672.00		2702492
~~May~~ 26, 2016	Extension fee	54050.00		2756542
~~June~~ 26, 2016	Interest for June	21248.00		2.777,790
July 26 2016	Interest for July	21412.00		2799,202
Aug 15 2016	Interest upto Aug 15	14897.00		2,814,099
Aug 15, 2016	Extension Fee -	14000.00		2828099
Sept 15, 2016	Interest upto Sept 15	21800.00		2849899

MORTGAGE STATEMENT
RE 650 BAY ST/85 ELM ST.
1ST MORTGAGE.

Date		Dr	Cr	Balance.
Sept 15 2016	Balance b/fwd			$ 2849899
Oct 15 2016	Extention fee upto Oct 15	14000.		
Oct 15, 2016	Interest upto Oct 15	21968		2885867
Oct 15 2016	Extention fee upto Nov 15 (Part of 100,000)	35000		2920867
Nov 15, 2016	Interest upto Nov 15	22515		2943382
Nov 15, 2016	Extention fee upto Jan 15 2017 (Part of 135000)	45000		2988382
Dec 15, 2016	Interest upto Dec 15	23035		3,011,417
JAN 15 2017	Interest upto Jan 15	23213		3,034,630
Jan 15 2017	Extention fee upto April 15, 2017) (Part of 300,000)	100,000	50,000.	3,084,630
FEB 15 2017	Interest upto Feb 15, 2017	23777		3,108,407
MARCH 15 2017	Interest upto MARCH 15	23960		3,132,367
APRIL 15, 2017	Interest upto APRIL 15	24145		3,156,512

ANY PAYMENTS RECEIVED AFTER MARCH 9, 2017 WOULD BE CREDITED WITH COMPOUNDED INTEREST UPON PAY OUT OF THE MORTGAGE.

Aug 15, 2016

MORTGAGE STATEMENT
RE 650 BAY ST / 55 ELM ST
2ND MORTGAGE

		Dr	Cr	Balance
MARCH 15, 2015	Balance B/fwd.			4289760
March 15, 2015	Extention fee (upto April 2015)	123500		4413260
April 15, 2015	Interest for April 15	58165		4468425
May 15, 2015	Interest for May 15	55855		4524280
	NSF Charges (3 Cheques)	1050		4525330
June 15, 2015	Interest for June 15	56566		4581896
July 15, 2015	Interest for July 15	57274	45000	4594170
Aug 15, 2015	Interest for Aug 15	57427	20000	4631597
Sept 15, 2015	Interest for Sept 15	57895	20000	4669492
Sept 15, 2015	Extention fee upto Sept 15/15	45000		4714492
Sept 15, 2015	Extention fee upto Dec/15	100000		4814492
Oct 15, 2015	Interest for Oct 15	60181	20000	4854673
Nov 15, 2015	Interest for Nov 15	60684	25000	4890357
Dec 15, 2015	Interest for Dec 15	61130	25000	4926487
Dec 15, 2015	Extention upto March 15/2016	100000	50000	4976487
Dec 15, 2015	Payment		20000	4956487
Jan 15, 2016	Interest for Jan 15	61956		5018443
Feb 15, 2016	Interest for Feb 15	62730		5081173
March 15, 2016	Interest for Mar 15	63515		5144688
March 15, 2016	Ext for April 15	27500		5172188
April 15, 2016	Interest for April 15	64652		5236840
April 15, 2016	Ext fee for May 15	27500		5264340
May 15, 2016	Interest for May 15	65804		5330144
May 15, 2016	Ext fee for June 15	27500		5357644
June 15, 2016	Interest for June 15	66970		5424614
June 15, 2016	Ext fee for July 15	27500		5452114
July 15, 2016	Interest for July 15	68152		5520266
July 15, 2016	Ext fee Aug 15	27500		5547766
Aug 15, 2016	Interest for Aug 15	69347		5617113
Aug 15, 2016	NSF Cheques (2)	1050		5618163
Aug 15, 2016	Other charges	30,000		5648163
DEF				C/fwd

MORTGAGE STATEMENT
RE 650 BAY ST / 55 ELM ST
2ND MORTGAGE

		Dr	Cr	Balance
Aug 15, 2016	Balance B/fwd			5648163
Aug 15, 2016	Extention fee	25000		5673163
Sept 15 2016	Interest upto Sept 15	70915		5744078
Oct 15 2016	Extention fee upto Oct 15	25000		5769078
Oct 15, 2016	Interest upto Oct 15, 2016 (Part of 100,000)	72113		
Oct 15, 2016	Extention fee upto Nov 30, 2016	65000		5906191
Nov 15 2016	Interest upto Nov 15	73827		5980018
Dec 15 2016	Interest upto Dec 15 (Part of 130,000)	74750		6054768
Dec 15, 2016	Extention fees upto Jan 30	85000		6139768
Jan 15, 2017	Interest upto Jan 15, 2017 (Part of 200,000)	76747		6216515
Jan 15, 2017	Extention fees upto April 15, 2017	200000		6416515
FEB 15, 2017	Interest upto Feb 15, 2017	80206		6,496,721
MARCH 15, 2017	Interest upto March 15, 2017	81209		6577,930
APRIL 15, 2017	Interest upto April 15, 2017	82224		6660 154

ANY PAYMENTS RECEIVED BETWEEN MARCH 9, 2017 AND APRIL 15, 2017 WOULD BE CREDITED WITH COMPOUNDED INTEREST UPON PAYOUT OF THE MORTGAGE

This is Exhibit "D" to the Affidavit of
Evan Karras sworn before me this
Day of June 2017.

A Commissioner tec.

ALFRED S. SCHORR
Barrister & Solicitor
227 Eagle Street East, Suite 200
Newmarket, Ontario L3Y 1J8

98

Commercial Litigation and Counsel

Telephone
(905) 940-9252
Telecopier
(905) 940-5583
E-Mail
alfred@schorrlaw.ca

SENT by e-mail **May 1st 2017**

Chaitons LLP
Barristers & Solicitors
5000 Yonge Street, 10th Floor
Toronto, Ontario M2N 7E9

Attention: Harvey Chaiton

Re: 2220277 Ontario Inc. v. Visram

I understand that you act for the above-named Defendant. Reference is had to a Notice under the Bankruptcy Act of Intention to Realize on Security.

I am enclosing herewith copy of Statement of Claim which is in the process of being issued in Toronto.

Please advise as to whether or not you have authority to accept service.

YOURS VERY TRULY,

ALFRED SCHORR

AS/kb

c.c. Evan Karras

c.c. Goldhar & Associates
Attention: Ken Tessis

Court File No. 99

ONTARIO
SUPERIOR COURT OF JUSTICE

BETWEEN:

2220277 ONTARIO INC.

PLAINTIFFS

- and -

ZAHERALI VISRAM

DEFENDANT

STATEMENT OF CLAIM

TO THE DEFENDANT

A LEGAL PROCEEDING HAS BEEN COMMENCED AGAINST YOU by the plaintiff. The claim made against you is set out in the following pages.

IF YOU WISH TO DEFEND THIS PROCEEDING, you or an Ontario lawyer acting for you must prepare a statement of defence in Form 18A prescribed by the Rules of Civil Procedure, serve it on the plaintiff's lawyer or, where the plaintiff does not have a lawyer, serve it on the plaintiff, and file it, with proof of service in this court office, WITHIN TWENTY DAYS after this statement of claim is served on you, if you are served in Ontario.

If you are served in another province or territory of Canada or in the United States of America, the period for serving and filing your statement of defence is forty days. If you are served outside Canada and the United States of America, the period is sixty days.

Instead of serving and filing a statement of defence, you may serve and file a notice of intent to defend in Form 18B prescribed by the Rules of Civil Procedure. This will entitle you to ten more days within which to serve and file your statement of defence.

IF YOU FAIL TO DEFEND THIS PROCEEDING, JUDGMENT MAY BE GIVEN AGAINST YOU IN YOUR ABSENCE AND WITHOUT FURTHER NOTICE TO YOU. IF YOU WISH TO DEFEND THIS PROCEEDING BUT ARE UNABLE TO PAY LEGAL FEES, LEGAL AID MAY BE AVAILABLE TO YOU BY CONTACTING A LOCAL LEGAL AID OFFICE.

(Where the claim made is for money only, include the following:)

IF YOU PAY THE PLAINTIFF'S CLAIM, and $1000.00 for costs, within the time for serving and filing your statement of defence you may move to have this proceeding dismissed by the court. If you believe the amount claimed for costs is excessive, you may pay the plaintiff's claim and $100.00 for costs and have the costs assessed by the court.

TAKE NOTICE: THIS ACTION WILL AUTOMATICALLY BE DISMISSED if it has not been set down for trial or terminated by any means within five years after the action was commenced unless otherwise ordered by the court.

Date .....

Issued by .....
Local registrar

Address of
court office 393 University Avenue, 10th Floor, Toronto, Ontario M5G 1E6

TO: ZAHERALI VISRAM

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CLAIM

1. The Plaintiff claims as against the Defendant :

(a) A permanent, interlocutory and interim injunction restraining the Defendant from taking any steps to attempt to realize on its first or second mortgage pending the determination of the issues in this action or as may otherwise be ordered by the Court;

(b) An accounting of what if anything is owed under two mortgages held by the Defendant;

(d) In the alternative an Order that nothing is owed under either mortgage;

(d) In the further alternative an Order that no interest or other charges are due and owing under either mortgage;

(e) An Order under the Mortgages Act requiring an Order of discharge of both mortgages upon payment into court of such monies as to this Honourable Court may seem just.;

(f) General damages in the amount of $20,000,0000.00;

(g) Punitive damages in the amount of $500,000.00;

(h) Interest in accordance with the Courts of Justice Act;

(i) Costs on a substantial indemnity basis;

(j) Such further and other relief as to this Honourable Court may seem just.

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2. The Plaintiff is a corporation incorporated pursuant to the Laws of the Province of Ontario and at all material times was the owner of lands and premises municipally known as 650 Bay Street in the City of Toronto.

3. The Defendant is an individual residing in the City of Toronto in the Municipality of Metropolitan Toronto.

4. On or about the 13th of November 2009 the Plaintiff acquired the aforesaid property at 650 Bay Street, Toronto, for $2,425,000.00. Included in the purchase price was a vendor take back first mortgage in the amount of $2,100,000.00 held by a group of private investors.

5. The Plaintiff intended to convert the premises into a boutique hotel with restaurants. In order to do so the Plaintiff required further financing.

6. On or about the 6th of March 2012 the Defendant agreed to lend to the Plaintiff $1,200,000.00 as a second charge on the subject premises. The parties agreed to interest at 12%.

7. At all material times the Defendant intended to enter into predatory financing transactions with the Plaintiff such as ultimately to deprive the Plaintiff of its valuable property in Toronto. In furtherance of and in compliance with this intention the Defendant required the Plaintiff to permit the registration of a second mortgage in the amount of $1,200,000.00 with interest at 12% calculated monthly and to be

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registered on the 6th of March 2012 with a maturity date of the 18th day of April 2012 (a period of approximately 40 days). The mortgage further provided that in the event that the mortgagee intended to prepay the mortgage the mortgagee would be required to make a further payment of one months interest as a bonus. The mortgage also provided for a $250.00 charge for any dishonoured cheques. In connection with the said mortgage loan the Defendant charged the Plaintiff a lender's fee of $48,000.00, a requirement that $400,000.00 of the $1,200,000.00 would be withheld by the mortgagee (Defendant) in connection with a totally unrelated loan which the Defendant had made to a third party together with another $45,000.00 to be advanced to the said third party. The overall cost of this loan to the Plaintiff was in excess of 550% interest per annum.

8. In or about August of 2012 as construction was ongoing and the Plaintiff required further monies, particularly since the $1,200,000.00 second mortgage was not fully advanced to it, the Defendant proposed to amend the aforesaid second mortgage to increase the second mortgage to $1,900,000.00. The aforesaid increase was memorialized in a mortgage registered August 7 2012 as instrument number AT3095262. This mortgage provided for a maturity date of October 18 2012 and interest at 18% after September 19 2012, together with a lender's fee of $19,000.00. By the end of September it was further amended to provide for a mortgage loan of $3,000,000.00 with a lender's fee of $90,000.00 and a further deduction of $204,000.00 for a loan to a third party made by the

Defendant.

9. Accordingly within a period of six months the Defendant required the Plaintiff to repay the sum of $3,000,000.00 of which the Plaintiff only received $2,200,000.00 plus 12% interest.

10. In or about May of 2015 the Defendant purchased the first mortgage from the first mortgagees for $2,190,000.00 having denied the Plaintiff the available opportunity to replace it. The Defendant insisted that the Plaintiff agree to amend the mortgage from $2,100,000.00 to $2,600,000.00 – with no monies being advanced. The mortgage was to bear interest at 9.25% per annum with maturity to occur on or about May 31 2016, NSF fees at $350.00., and administration fees of $500.00 for any default.

11. During the interval between the maturity date on the second mortgage and the date when the Defendant acquired the first mortgage the Defendant imposed almost monthly "renewal fees" despite the fact that no renewal was ever sought nor in fact granted. These fees were equivalent to and were intended to be penalties or increased interest on arrears contrary to the provisions of Section 8 of the Canada Interest Act and totaled hundreds of thousands of dollar.

12. Upon acquiring the first mortgage the Defendant demanded that the Plaintiff enter into a Forbearance Agreement agreeing to pay some

$200,000.00 by way of bonuses by way of eight post-dated cheques and demanding that the Plaintiff agree that the second mortgage with a principal amount of $3,000,000.00 (of which the Plaintiff received nowhere near that amount) had a balance of $4,289,760.00 owing consisting of the aforesaid $3,000,000 plus accumulated interest and fees and interest accruing thereon at 15% per annum calculated and compounded monthly. The Defendant also exacted from the Plaintiff a one time Forbearance fee of $123,450.00, and a further Forbearance fee on September 15 2015 of $45,000.00. Thereafter the Defendant arbitrarily charged extension fees through to April of 2017 of $800,000.00 in connection with the second mortgage and some $268,000.00 in connection with the first mortgage up to and including April of 2017.

13. The Defendant is now demanding that the Plaintiff pay to it almost $10,000,000.00 when at best less than $5,000,0000.00 is owed under the first and second mortgage.

14. As a result of the usurious conduct of the Defendant the Plaintiff has been unable to raise sufficient funding to complete the project.

15. The Plaintiff states that the overall effect of the conduct of the Defendant was to exact from the Plaintiff fees, charges and interest in excess of the criminal rate of interest provided for under the Criminal Code and in any event charges on money in default contrary to Section 8 of the Interest

Act. Alternatively and in any event such charges as were clearly unconscionable and in bad faith and designed to thwart the Plaintiff from achieving its plans. The Defendants actions were intentional, known to be unlawful, and intended as predatory throughout. Accordingly the Defendant states that the Plaintiff should be disentitled to receive anything. Alternatively the Defendant should not be permitted to receive any interest or other charges.

16. By reason of the conduct of the Defendant the Plaintiff has been unable to raise sufficient financing to complete the project, and is being put to constant pressure by the Defendant to make payments which are otherwise not required or lawful.

17. But for the excessive demands of the Defendant and its bad faith dealings as pleaded herein other financing is available to complete the project and there is substantial equity in the property.

18. The Plaintiff claims an entitlement to the relief sought in paragraph 1 herein.

19. The Plaintiff pleads and relies on the provisions of the Interest Act and Section 347 of the Criminal Code.

Dated at Newmarket Ontario this 1st day of May 2017

Alfred Schorr
Barrister & Solicitor
227 Eagle Street East, Suite 200
Newmarket, Ontario L3Y 1J8

Telephone: 905-940-9252 Fax -905-940-5583
Law Society No. 11693H
Lawyer for the Plaintiff

Action No.

2220277 Ontario Inc. and Zaherali Visram

Plaintiff Defendant

ONTARIO
SUPERIOR COURT OF JUSTICE

Proceedings commenced in
Toronto

Statement of Claim

ALFRED S. SCHORR,
Barrister and Solicitor,
227 Eagle Street East
Suite 200
Newmarket Ontario L3Y 1J8

(905) 940-9252
Telecopier 905-940-5583
Law Society No. 11693H
Lawyer for the Plaintiff

ALFRED S. SCHORR

Barrister & Solicitor
227 Eagle Street East, Suite 200
Newmarket, Ontario L3Y 1J8

Commercial Litigation and Counsel

Telephone
(905) 940-9252
Telecopier
(905) 940-5583
E-Mail
alfred@schorrlaw.ca

SENT by e-mail & fax **May 4th 2017**

Chaitons LLP
Barristers & Solicitors
5000 Yonge Street, 10th Floor
Toronto, Ontario M2N 7E9

Attention: Harvey Chaiton

Re: 2220277 Ontario Inc. v. Visram

I am enclosing herewith copy of Statement of Claim as issued.

Please advise within the next 24 hours as to whether or not you have authority to accept service failing which we will proceed to serve the defendant in the usual way.

YOURS VERY TRULY,

ALFRED SCHORR

AS/kb

c.c. Evan Karras

c.c. Goldhar & Associates
Attention: Ken Tessis

Dictated by Alfred Schorr and signed in his absence.

Date/Time	:	05-04-2017 01:04 PM
Model Name	:	SCX-8240
Machine Serial Number	:	Z94GB1CF700021A
Line1	:	SCHORR LAW
Line1 Name	:	9058984935
Line2	:	is not available
Line2 Name	:	is not available

Job	Destination	Start Time	Duration	Mode	Job Type	Page	User	Result
20699	14162181849	05-04-2017 12:58 PM	05'59"	G3	H-Tx	11/11	LocalUser	OK

Practice restricted to Commercial Litigation and Counsel

Telephone (905) 940-9252
Telecopier (905) 940-5583

ALFRED S. SCHORR
Barrister & Solicitor
227 Eagle Street East, Suite 200
Newmarket, Ontario L3Y 1J8

FACSIMILE TRANSMISSION LEAD SHEET

DATE: May 4, 2017 TIME: (24-hour format)

No. of pages (including lead sheet) 11 Pages

FROM: ALFRED S. SCHORR
Barrister & Solicitor
227 Eagle Street East, Suite 200
Newmarket, Ontario, L3Y 1J8
Telephone No: (905) 940-9252
Fax Line: (905) 940-5583

To: Contact: Harvey Chaiton
Company: Chaitons LLP
Address:
City & Province:
Fax no.: 416-218-1849
Reference: 2220277 Ontario Inc. v. Visram

Instructions / Message:

Please see attached correspondence and enclosures.

SHOULD YOU HAVE PROBLEMS WITH THIS TRANSMISSION, PLEASE CONTACT SENDER AT (905) 940-9252

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H-Rx: Host Rx	M-S: Memory Save	P-Rx: Poll Rx	D-Tx: Delay Tx
H-Tx: Host Tx	S-Rx: Secure Rx	P-Tx: Poll Tx	BC-Tx: BroadCast Tx

Practice restricted to
Commercial Litigation and Counsel

Telephone
(905) 940-9252
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(905) 940-5583

ALFRED S. SCHORR
Barrister & Solicitor
227 Eagle Street East, Suite 200
Newmarket, Ontario L3Y 1J8

FACSIMILE TRANSMISSION LEAD SHEET

DATE: May 4, 2017	TIME: (24-hour format)
No. of pages (including lead sheet) 11	Pages

FROM: ALFRED S. SCHORR
Barrister & Solicitor
227 Eagle Street East, Suite 200
Newmarket, Ontario, L3Y 1J8
Telephone No: (905) 940-9252
Fax Line: (905) 940-5583

To:	Contact:	Harvey Chaiton
	Company:	Chaitons LLP
	Address:	
	City & Province:	
	Fax no.:	416-218-1849
	Reference:	2220277 Ontario Inc. v. Visram

Instructions / Message:

Please see attached correspondence and enclosures.

SHOULD YOU HAVE PROBLEMS WITH THIS TRANSMISSION,
PLEASE CONTACT SENDER AT (905) 940-9252

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Sent 111

Subject: 2220277 Ontario Inc. v. Visram
Date: Tuesday, May 9, 2017 9:24 AM
From: Alfred Schorr <alfred@schorrlaw.ca>
To: Phil Thompson <pthompson@thompsonlaw.ca>
Cc: EK <ek@alliancevp.com>, Evan Karras <ekarras@rogers.com>

I am enclosing copy of Statement of Claim which is in the process of being served on Mr. Visram. Chaitons did not agree to accept service on his behalf and that is why we are serving him personally.

Yours very truly
Alfred Schorr

--

-- Alfred Schorr
Barrister & Solicitor
227 Eagle Street East
Suite 200
Newmarket Ontario
L3Y 1J8

Telephone: 905-940-9252
Telecopier: 905-940-5583

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Subject: RE: 2220277 Ontario Inc. v. Visram
Date: Tuesday, May 9, 2017 11:33 AM
From: Harvey G. Chaiton <Harvey@chaitons.com>
To: Alfred Schorr alfred@schorrlaw.ca
Cc: Ken Tessis KTessis@goldhar.ca, Antoinette De Pinto Antoinet@chaitons.com
Conversation: 2220277 Ontario Inc. v. Visram

Alfred
If you have not yet served the S/C, I now have authority to accept service. Let me know.

Harvey G. Chaiton
Partner | Chaitons LLP | T: 416.218.1129

From: Alfred Schorr [mailto:alfred@schorrlaw.ca]
Sent: Thursday, May 04, 2017 12:22 PM
To: Harvey G. Chaiton
Cc: Ken Tessis
Subject: 2220277 Ontario Inc. v. Visram

Please see attached correspondence.

Alfred Schorr
Barrister & Solicitor
227 Eagle Street East
Suite 200
Newmarket Ontario
L3Y 1J8

Telephone: 905-940-9252
Telecopier: 905-940-5583

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Street East, Suite 200, Newmarket, Ontario L3Y 1G3.

Subject: Re: 2220277 Ontario Inc. v. Visram
Date: Tuesday, May 9, 2017 12:15 PM
From: Alfred Schorr <alfred@schorrlaw.ca>
To: "Harvey G. Chaiton" <Harvey@chaitons.com>
Cc: Evan Karras <ekarras@rogers.com>, EK <ek@alliancevp.com>

We are attempting to contact our Process Server to see if service has been effected yet — if it hasn't we will have him return the Statement of Claim to our office. We will let you know.

--

-- Alfred Schorr
Barrister & Solicitor
227 Eagle Street East
Suite 200
Newmarket Ontario
L3Y 1J8

Telephone: 905-940-9252
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On 17-05-09 11:33 AM, "Harvey G. Chaiton" <Harvey@chaitons.com> wrote:

> Alfred
> If you have not yet served the S/C, I now have authority to accept service. Let me

Subject: 2220277 Ontario Inc. v. Visram
Date: Wednesday, May 10, 2017 10:44 AM
From: Alfred Schorr <alfred@schorrlaw.ca>
To: "Harvey G. Chaiton" <Harvey@chaitons.com>
Cc: EK <ek@alliancevp.com>, Evan Karras <ekarras@rogers.com>

We were able to call off the Process Server. I am enclosing Statement of Claim as issued. Please endorse the backsheet with your acceptance of service and return it to me or alternatively serve me with a Notice of Intent to Defend.

Alfred Schorr

--

-- Alfred Schorr
Barrister & Solicitor
227 Eagle Street East
Suite 200
Newmarket Ontario
L3Y 1J8

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?
?

Court File No.
CV-17-574895

ONTARIO
SUPERIOR COURT OF JUSTICE

BETWEEN:

2220277 ONTARIO INC.

PLAINTIFFS

- and -

ZAHERALI VISRAM

DEFENDANT

STATEMENT OF CLAIM

TO THE DEFENDANT

A LEGAL PROCEEDING HAS BEEN COMMENCED AGAINST YOU by the plaintiff. The claim made against you is set out in the following pages.

IF YOU WISH TO DEFEND THIS PROCEEDING, you or an Ontario lawyer acting for you must prepare a statement of defence in Form 18A prescribed by the Rules of Civil Procedure, serve it on the plaintiff's lawyer or, where the plaintiff does not have a lawyer, serve it on the plaintiff, and file it, with proof of service in this court office, WITHIN TWENTY DAYS after this statement of claim is served on you, if you are served in Ontario.

If you are served in another province or territory of Canada or in the United States of America, the period for serving and filing your statement of defence is forty days. If you are served outside Canada and the United States of America, the period is sixty days.

Instead of serving and filing a statement of defence, you may serve and file a notice of intent to defend in Form 18B prescribed by the Rules of Civil Procedure. This will entitle you to ten more days within which to serve and file your statement of defence.

IF YOU FAIL TO DEFEND THIS PROCEEDING, JUDGMENT MAY BE GIVEN AGAINST YOU IN YOUR ABSENCE AND WITHOUT FURTHER NOTICE TO YOU. IF YOU WISH TO DEFEND THIS PROCEEDING BUT ARE UNABLE TO PAY LEGAL FEES, LEGAL AID MAY BE AVAILABLE TO YOU BY CONTACTING A LOCAL LEGAL AID OFFICE.

(Where the claim made is for money only, include the following:)

IF YOU PAY THE PLAINTIFF'S CLAIM, and $1000.00 for costs, within the time for serving and filing your statement of defence you may move to have this proceeding dismissed by the court. If you believe the amount claimed for costs is excessive, you may pay the plaintiff's claim and $100.00 for costs and have the costs assessed by the court.

TAKE NOTICE: THIS ACTION WILL AUTOMATICALLY BE DISMISSED if it has not been set down for trial or terminated by any means within five years after the action was commenced unless otherwise ordered by the court.

Date MAY 0 1 2017

Issued by .....
Local registrar

Address of
court office 393 University Avenue, 10th Floor, Toronto, Ontario M5G 1E6

TO: ZAHERALI VISRAM

CLAIM

1. The Plaintiff claims as against the Defendant :

(a) A permanent, interlocutory and interim injunction restraining the Defendant from taking any steps to attempt to realize on its first or second mortgage pending the determination of the issues in this action or as may otherwise be ordered by the Court;

(b) An accounting of what if anything is owed under two mortgages held by the Defendant;

(d) In the alternative an Order that nothing is owed under either mortgage;

(d) In the further alternative an Order that no interest or other charges are due and owing under either mortgage;

(e) An Order under the Mortgages Act requiring an Order of discharge of both mortgages upon payment into court of such monies as to this Honourable Court may seem just.;

(f) General damages in the amount of $20,000,0000.00;

(g) Punitive damages in the amount of $500,000.00;

(h) Interest in accordance with the Courts of Justice Act;

(i) Costs on a substantial indemnity basis;

(j) Such further and other relief as to this Honourable Court may seem just.

2. The Plaintiff is a corporation incorporated pursuant to the Laws of the Province of Ontario and at all material times was the owner of lands and premises municipally known as 650 Bay Street in the City of Toronto.

3. The Defendant is an individual residing in the City of Toronto in the Municipality of Metropolitan Toronto.

4. On or about the 13th of November 2009 the Plaintiff acquired the aforesaid property at 650 Bay Street, Toronto, for $2,425,000.00. Included in the purchase price was a vendor take back first mortgage in the amount of $2,100,000.00 held by a group of private investors.

5. The Plaintiff intended to convert the premises into a boutique hotel with restaurants. In order to do so the Plaintiff required further financing.

6. On or about the 6th of March 2012 the Defendant agreed to lend to the Plaintiff $1,200,000.00 as a second charge on the subject premises. The parties agreed to interest at 12%.

7. At all material times the Defendant intended to enter into predatory financing transactions with the Plaintiff such as ultimately to deprive the Plaintiff of its valuable property in Toronto. In furtherance of and in compliance with this intention the Defendant required the Plaintiff to permit the registration of a second mortgage in the amount of $1,200,000.00 with interest at 12% calculated monthly and to be

registered on the 6th of March 2012 with a maturity date of the 18th day of April 2012 (a period of approximately 40 days). The mortgage further provided that in the event that the mortgagee intended to prepay the mortgage the mortgagee would be required to make a further payment of one months interest as a bonus. The mortgage also provided for a $250.00 charge for any dishonoured cheques. In connection with the said mortgage loan the Defendant charged the Plaintiff a lender's fee of $48,000.00, a requirement that $400,000.00 of the $1,200,000.00 would be withheld by the mortgagee (Defendant) in connection with a totally unrelated loan which the Defendant had made to a third party together with another $45,000.00 to be advanced to the said third party. The overall cost of this loan to the Plaintiff was in excess of 550% interest per annum.

8. In or about August of 2012 as construction was ongoing and the Plaintiff required further monies, particularly since the $1,200,000.00 second mortgage was not fully advanced to it, the Defendant proposed to amend the aforesaid second mortgage to increase the second mortgage to $1,900,000.00. The aforesaid increase was memorialized in a mortgage registered August 7 2012 as instrument number AT3095262. This mortgage provided for a maturity date of October 18 2012 and interest at 18% after September 19 2012, together with a lender's fee of $19,000.00. By the end of September it was further amended to provide for a mortgage loan of $3,000,000.00 with a lender's fee of $90,000.00 and a further deduction of $204,000.00 for a loan to a third party made by the

Defendant.

9. Accordingly within a period of six months the Defendant required the Plaintiff to repay the sum of $3,000,000.00 of which the Plaintiff only received $2,200,000.00 plus 12% interest.

10. In or about May of 2015 the Defendant purchased the first mortgage from the first mortgagees for $2,190,000.00 having denied the Plaintiff the available opportunity to replace it. The Defendant insisted that the Plaintiff agree to amend the mortgage from $2,100,000.00 to $2,600,000.00 – with no monies being advanced. The mortgage was to bear interest at 9.25% per annum with maturity to occur on or about May 31 2016, NSF fees at $350.00., and administration fees of $500.00 for any default.

11. During the interval between the maturity date on the second mortgage and the date when the Defendant acquired the first mortgage the Defendant imposed almost monthly "renewal fees" despite the fact that no renewal was ever sought nor in fact granted. These fees were equivalent to and were intended to be penalties or increased interest on arrears contrary to the provisions of Section 8 of the Canada Interest Act and totaled hundreds of thousands of dollar.

12. Upon acquiring the first mortgage the Defendant demanded that the Plaintiff enter into a Forbearance Agreement agreeing to pay some

$200,000.00 by way of bonuses by way of eight post-dated cheques and demanding that the Plaintiff agree that the second mortgage with a principal amount of $3,000,000.00 (of which the Plaintiff received nowhere near that amount) had a balance of $4,289,760.00 owing consisting of the aforesaid $3,000,000 plus accumulated interest and fees and interest accruing thereon at 15% per annum calculated and compounded monthly. The Defendant also exacted from the Plaintiff a one time Forbearance fee of $123,450.00, and a further Forbearance fee on September 15 2015 of $45,000.00. Thereafter the Defendant arbitrarily charged extension fees through to April of 2017 of $800,000.00 in connection with the second mortgage and some $268,000.00 in connection with the first mortgage up to and including April of 2017.

13. The Defendant is now demanding that the Plaintiff pay to it almost $10,000,000.00 when at best less than $5,000,0000.00 is owed under the first and second mortgage.

14. As a result of the usurious conduct of the Defendant the Plaintiff has been unable to raise sufficient funding to complete the project.

15. The Plaintiff states that the overall effect of the conduct of the Defendant was to exact from the Plaintiff fees, charges and interest in excess of the criminal rate of interest provided for under the Criminal Code and in any event charges on money in default contrary to Section 8 of the Interest

Act. Alternatively and in any event such charges as were clearly unconscionable and in bad faith and designed to thwart the Plaintiff from achieving its plans. The Defendants actions were intentional, known to be unlawful, and intended as predatory throughout. Accordingly the Defendant states that the Plaintiff should be disentitled to receive anything. Alternatively the Defendant should not be permitted to receive any interest or other charges.

16. By reason of the conduct of the Defendant the Plaintiff has been unable to raise sufficient financing to complete the project, and is being put to constant pressure by the Defendant to make payments which are otherwise not required or lawful.

17. But for the excessive demands of the Defendant and its bad faith dealings as pleaded herein other financing is available to complete the project and there is substantial equity in the property.

18. The Plaintiff claims an entitlement to the relief sought in paragraph 1 herein.

19. The Plaintiff pleads and relies on the provisions of the Interest Act and Section 347 of the Criminal Code.

Dated at Newmarket Ontario this 1st day of May 2017

MAY 0 1 2017

Alfred Schorr
Barrister & Solicitor
227 Eagle Street East, Suite 200
Newmarket, Ontario L3Y 1J8

Telephone: 905-940-9252 Fax -905-940-5583
Law Society No. 11693H
Lawyer for the Plaintiff

Action No. CV-17-574395

2220277 Ontario Inc.

Plaintiff

and Zaherali Visram

Defendant

ONTARIO
SUPERIOR COURT OF JUSTICE

Proceedings commenced in
Toronto

Statement of Claim

ALFRED S. SCHORR,
Barrister and Solicitor,
227 Eagle Street East
Suite 200
Newmarket Ontario L3Y 1J8

(905) 940-9252
Telecopier 905-940-5583
Law Society No. 11693H
Lawyer for the Plaintiff

Subject: Zaherali Visram v. 2220277 Ontario Inc.
Date: Tuesday, May 16, 2017 3:01 PM
From: Sam P. Rappos <samr@chaitons.com>
To: Alfred Schorr alfred@schorrlaw.ca
Cc: Harvey G. Chaiton Harvey@chaitons.com
Conversation: Zaherali Visram v. 2220277 Ontario Inc.
Priority: Highest

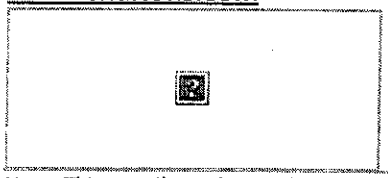
Mr. Schorr,

As you know, we are counsel to Mr. Visram. We have instructions to proceed with a receivership application against your client. The Commercial List has two hours available on June 2, 2017 for the hearing. Please confirm as soon as possible whether that day works for you, so that we can proceed with booking the time and having the notice of application issued. If that date is available for you, we will have the application record ready for service tomorrow.

Regards,
Sam Rappos

Sam P. Rappos
Lawyer
Direct Tel: 416.218.1137
Direct Fax: 416.218.1837
samr@chaitons.com

5000 Yonge Street, 10th Floor, Toronto, Canada, M2N 7E9
www.chaitons.com



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127
Draft

Subject: 2220277 Ontario Inc. ats Zaherali Visram
Date: Wednesday, May 17, 2017 10:33 AM
From: Alfred Schorr <alfred@schorrlaw.ca>
To: "Sam P. Rappos" <samr@chaitons.com>
Cc: EK <ek@alliancevp.com>, Evan Karras <ekarras@rogers.com>
Priority: Highest

Dear Mr. Rappos:

Thank you for your e-mail of yesterday afternoon. I was on route to Toronto for a Judge's swearing in in my capacity as an executive and representative of the Federation of Ontario Law Associations.

I became aware of and reviewed your e-mail last evening. I have also had an opportunity to review the file.

Prior to the 24th of March, 2017 I engaged in various attempts to resolve this matter with Mr. Visram's lawyer. When these negotiations failed I was advised by Visram's lawyer (Phil Thompson) that he was seeking advice from litigation counsel. He advised me that he would let me know as soon as that had been completed.

On March 27, 2017, Mr. Thompson advised me that Mr. Visram had retained your firm but stated "Mr. Visram is willing to work on a process that puts his requested funds into escrow – either by payment into Court or into a lawyer's trust account -- in return for a registered discharge and as an alternative to receivership and the final amount of his entitlement sorted out by the litigators after closing...".

On April 3, 2017, Mr. Thompson telephone me in which we discussed the various options that were open. Apparently, and according to Mr. Thompson, Mr. Visram had not yet seen your firm. I advised him that we were seeking the advice of an experienced Trustee in Bankruptcy in the event that there was a possibility that my client was insolvent if the full amount of your client's claim were allowed.

On April 20, 2017 my client provided to me your Notice under Section 244 of the *Bankruptcy Act*. dated the 18th of April, 2017. Concurrently you apparently wrote to my client on April 18, 2017 demanding payment on the first and second mortgages in amounts that clearly you knew or ought to have known were grossly exaggerated. Apparently my client received the Notice on the 19th.

Following my client's receipt of the Notice I was struck with the flu bug which incapacitated me for the better part of week. Nonetheless I was able to prepare and have issued a Statement of

Claim.

I wrote to Harvey Chaiton on May 1, 2017, enclosing the Statement of Claim and asking whether or not he had authority to accept service. On May 4, 2017, I sent to Harvey Chaiton the Statement of Claim as issued (the Statement of Claim which I sent to him on May 1st was in the process of being issued).

I didn't hear from your firm and accordingly on May 8 2017, I instructed a process server to effect personal service on Mr. Visram. As a courtesy I advised Mr. Thompson of this. Almost immediately after advising Mr. Thompson, Mr. Chaiton advised that your firm would accept service. We attempted to discontinue our instructions to the process server which was successful.

On May 10, 2017, I forwarded to Mr. Chaiton, the Statement of Claim as issued requesting that he endorse the back sheet with your acceptance of service or alternatively serve me with a Notice of Intent to Defend. Your firm has done neither.

I find it passing strange that you would send me an e-mail on May 16, 2017 showing a style of cause in which your client is the Plaintiff and my client is the Defendant — no such proceedings have been brought to my attention nor has my client been served with any such proceedings.

You indicate that you intend to move the Court for the appointment of a receiver and that you are suggesting June 2, 2017 for the hearing on the Commercial List. May I respectfully remind you that in my client's action, my client is seeking an interim interlocutory and permanent injunction preventing your client from taking any steps under its mortgages pending the determination of the issues in the action or as may otherwise by ordered by the Court. Surely you must have realized that we intended to proceed as expeditiously as possible with such a motion once you had accepted service of our action.

I am available on the 2nd of June, 2017, but I doubt very much that in the short time from now until then we can serve our respective materials, conduct cross-examinations and the like, and the receipt of our Experts' reports and have a hearing on the merits, either interlocutory or otherwise, by June the 2nd.

My view is that we should arrange an immediate 9:30 appointment.

In the meantime please serve me with a Notice of Intent to Defend or send me a copy of the backsheet with your acceptance of service with effective date no later than May 11 2017 in connection with our action, immediately.

While dictating this e-mail I note your e-mail of this morning at 9:03 a.m.

Of course I will accept service on your Application Record despite your failure to comply with your undertaking to accept service of our Statement of Claim. I do not agree to a hearing date of June 2 2017 so if you are requisitioning such a date do not indicate that I agree. I am available for a 9:30 scheduling appointment on May 18, 19, 25, 26, 29, 30, 31, June 1, 2, 5, 12, 13 and 14.

Yours very truly
Alfred Schorr

--

-- Alfred Schorr
Barrister & Solicitor
227 Eagle Street East
Suite 200
Newmarket Ontario
L3Y 1J8

Telephone: 905-940-9252
Telecopier: 905-940-5583

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Subject: RE: 2220277 Ontario Inc. ats Zaherali Visram
Date: Wednesday, May 17, 2017 10:58 AM
From: Sam P. Rappos <samr@chaitons.com>
To: Alfred Schorr alfred@schorrlaw.ca
Cc: Harvey G. Chaiton Harvey@chaitons.com
Conversation: 2220277 Ontario Inc. ats Zaherali Visram
Priority: Highest

Alfred,

Thank you for your email. We are agreeable to scheduling a 930 chambers appointment as soon as possible. We should agree to a litigation timetable beforehand and then have it blessed by the Court at the 930 appointment.

Once we agree to the timetable and book the 930 appointment, we can send you an electronic copy of the application record with a hardcopy to follow either late this afternoon or tomorrow morning. Based on that, please propose a litigation timetable for our review and comment.

Lastly, attached is a copy of the backpage of your client's claim that confirms our acceptance of service of the claim on behalf of the Defendant.

Regards,
Sam

Sam P. Rappos
Lawyer | Chaitons LLP | T: 416.218.1137

From: Alfred Schorr [mailto:alfred@schorrlaw.ca]
Sent: Wednesday, May 17, 2017 10:39 AM
To: Sam P. Rappos
Cc: EK; Evan Karras
Subject: 2220277 Ontario Inc. ats Zaherali Visram
Importance: High

Dear Mr. Rappos:

Thank you for your e-mail of yesterday afternoon. I was on route to Toronto for a Judge's swearing in in my capacity as an executive and representative of the Federation of Ontario Law Associations.

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I am available on the 2nd of June, 2017, but I doubt very much that in the short time from now until then we can serve our respective materials, conduct cross-examinations and the like, and the receipt of our Experts'

reports and have a hearing on the merits, either interlocutory or otherwise, by June the 2nd.

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Yours very truly
Alfred Schorr

--

-- Alfred Schorr
Barrister & Solicitor
227 Eagle Street East
Suite 200
Newmarket Ontario
L3Y 1J8

Telephone: 905-940-9252
Telecopier: 905-940-5583

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Action No. CV-17-574395

2220277 Ontario Inc. and Zaherali Visram

Plaintiff Defendant

ONTARIO
SUPERIOR COURT OF JUSTICE

Proceedings commenced in Toronto

Statement of Claim

Service of this document, a true copy hereof, is accepted this 17th day of May, 2017.

Per: [signature]

ALFRED S. SCHORR,
Barrister and Solicitor,
227 Eagle Street East
Suite 200
Newmarket Ontario L3Y 1J8

(905) 940-9252
Telecopier 905-940-5583
Law Society No. 11693H
Lawyer for the Plaintiff

draft 134

Subject: 2220277 Ontario Inc. and Zaherali Visram
Date: Wednesday, May 17, 2017 1:12 PM
From: Alfred Schorr <alfred@schorrlaw.ca>
To: "Sam P. Rappos" <samr@chaitons.com>
Cc: EK <ek@alliancevp.com>, Evan Karras <ekarras@rogers.com>

Thank you for your e-mail of 10:58 a.m. I have called you to discuss this matter but was advised that you are not presently available.

I agree that it may be helpful to have a timetable before a 9:30 chambers appointment.

You have asked that I give you a draft timetable. It is difficult to do this without seeing your materials. I know that I can have our materials for an interlocutory injunction available within a few days as it will consist primarily of providing the evidence to support the allegations in our Statement of Claim. There are a fair number of exhibits.

Additionally we have retained Gordon Krofchick of Krofchick Valuation Partners to prepare a report dealing with the allegations of violations of the criminal interest provisions in the Criminal Code. We have not yet received an indication as to how much time is required to prepare the report.

Insofar as your motion is concerned I am completely in the dark as to the basis of your motion other than the fact that the mortgages provide for the appointment of a Receiver in the event of default. If I put on my Plaintiff's hat there are other potential grounds upon which I might want to seek a Receiver if I was acting for your client. Accordingly I must know what I must face in order to provide you with a reasonable timetable for responding materials. I also do not know whether or not your materials contain any appraisals. I would need to retain an appraiser to establish the total equity in the property to demonstrate that my client is not insolvent.

I note that you have sent to me an acceptance of service but it is dated the 17th of May 2017. Will it be necessary for me to put into my materials that we commenced our action within the 10 days provided for under the Bankruptcy & Insolvent Act and that your Application, would have been brought after we commenced our action (unless improperly issued within the 10 days of the Notice of Intention to Enforce Security)? Furthermore your acceptance of service says "per Sam Rappos". There is no reference to the firm and you have signed in a representative capacity, not personally.

My suggestion is that you forward to me the Application material for my review and an acceptance of service of our Statement of Claim on behalf of your firm following which I will provide you with a timetable within 24 hours. We can then canvas with the Commercial Court available 9:30 appointments.

Yours very truly
Alfred Schorr

--

-- Alfred Schorr
Barrister & Solicitor
227 Eagle Street East
Suite 200
Newmarket Ontario
L3Y 1J8

Telephone: 905-940-9252
Telecopier: 905-940-5583

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This is Exhibit "E" to the Affidavit of
Evan Karras sworn before me this
Day of June 2017.

A Commissioner tec.

PROSPECTIVE NARRATIVE APPRAISAL REPORT

AND

VALUATION ANALYSIS

OF A

COMMERCIAL/RESIDENTIAL PROPERTY

AT

650 BAY STREET

TORONTO, ONTARIO

Prepared for:

Royal Bank of Canada
25 Milverton Drive
Mississauga, Ontario
L5R 3G2

May 15, 2012

Royal Bank of Canada
25 Milverton Drive
Mississauga, Ontario
L5R 3G2

Attention: **Mr. Malik Ahmed**
Senior Commercial Account Manager
Construction Services & Real Estate
Commercial Financial Services

Dear Sir,

Re: **Prospective Narrative Appraisal of a Commercial/Residential Property located at 650 Bay Street, City of Toronto, Ontario**

As authorized, we have inspected the above captioned property (hereinafter referred to as the 'subject property') on May 14, 2012 and made certain investigations and studies for the purpose of expressing to you our opinion as to its prospective market value.

This appraisal report provides a description of the property and other pertinent data gathered during our investigations which have assisted us in arriving at our value conclusion.

In our opinion, the prospective market value of the fee simple interest in the subject property effective May 14, 2012 is:

$13,970,000

(THIRTEEN MILLION NINE HUNDRED SEVENTY THOUSAND DOLLARS)

We wish to advise that we have no present or contemplated interest in this property of any kind whatsoever. This valuation has been prepared in accordance with the "Canadian Uniform Standards of Professional Appraisal Practice" of the Appraisal Institute of Canada.

This report has also been prepared on the assumption that the property complies with all requirements of the authorities having jurisdiction over environmental matters. The value reported may not reflect the prospective market value of the property should the property be found to be contaminated.

It is our understanding that valuation of the fee simple interest is required for first mortgage financing purposes.

Thank you for the opportunity to be of service.

Yours very truly,
STRY APPRAISALS INTERNATIONAL LIMITED,

John R. Le'Count, MIMA, AACI, P. App.
President

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ADDENDA

Appendix A Survey of Subject Site
Appendix B Site / Architectural Plans
Appendix C Qualifications of Appraiser
Appendix D Assumptions and Limiting Conditions
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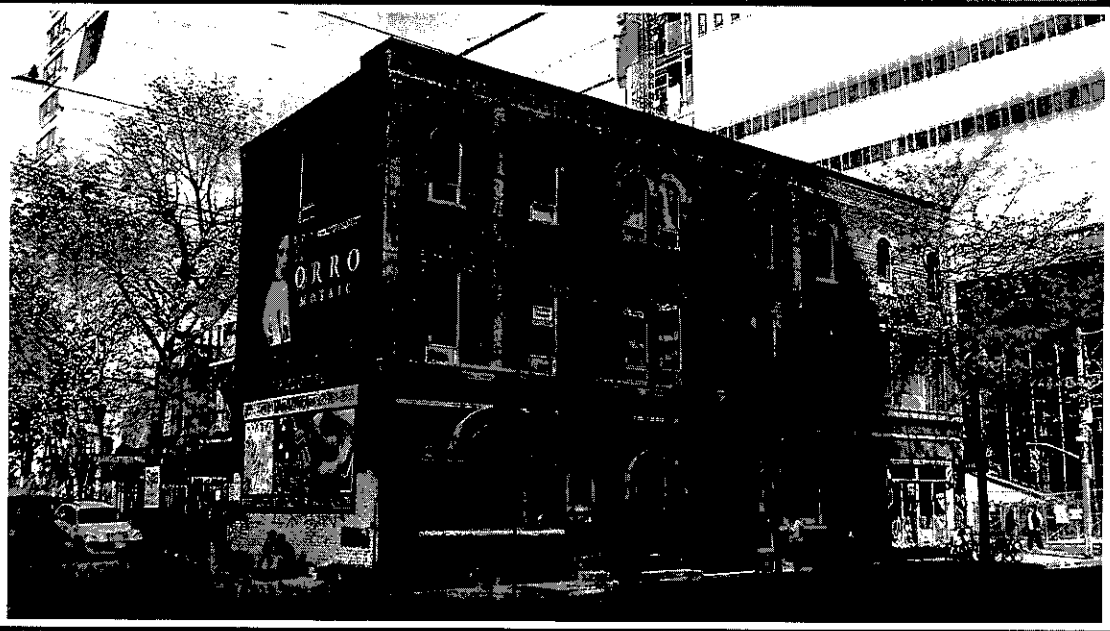
Notwithstanding the foregoing, the client herein has permission to reproduce the report in whole or in part for legitimate purposes of providing information to its financial institution for first mortgage financing purposes only.

STRY APPRAISALS INTERNATIONAL LIMITED
9-6975 Meadowvale Town Centre Circle, Suite 409
Mississauga, Ontario L5N 2V7
Tel: (905) 565-8925
Fax: (905) 565-9736

EXECUTIVE SUMMARY	
Effective Date of Appraisal	May 14, 2012
Purpose of Appraisal	To estimate the prospective market value of the within described property
Function of Appraisal	For first mortgage financing purposes
Property Appraised	Commercial/Residential Building
Location	650 Bay Street, City of Toronto, Ontario
Legal Description	Part of Lot 2, Plan 60 As in Instrument CA-720524 City of Toronto Province of Ontario PIN No. 211990067
Frontage (Bay Street)	83.00 feet approximately
Flank (Elm Street)	24.40 feet approximately
Total Site Area	±0.046 acre (±2,054 sq. ft.)
Total Building Area	±6,090 sq. ft.
Site Density	297%
Services	Full municipal services available
Zoning	Mixed Use (CR) T7.8 C2.0 R7.8
Highest and Best Use	Commercial/Residential Building
Direct Comparison Approach	$12,060,000
Income Approach to Value	$13,970,000
Final Estimate of Prospective Market Value	**$13,970,000**

PHOTOGRAPHS OF SUBJECT PROPERTY

Northeast Elevation

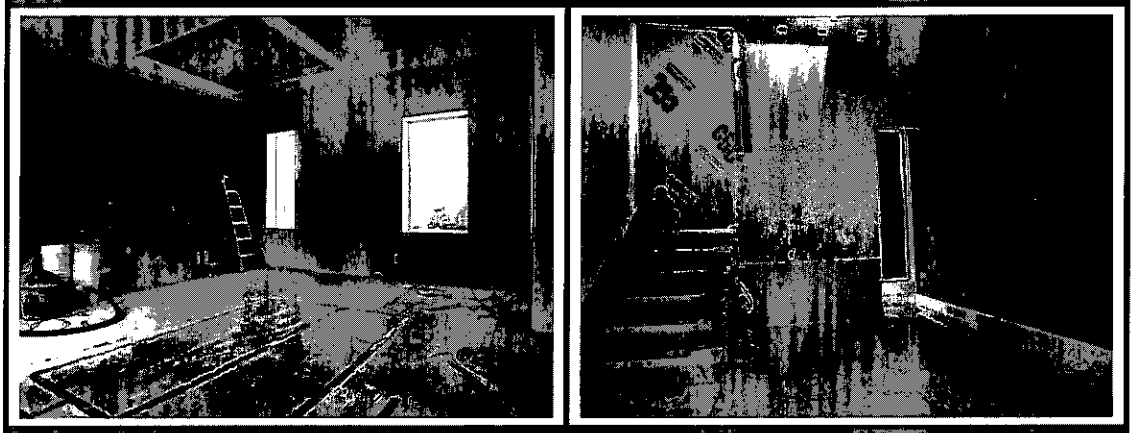


Southeast Elevation

North Elevation

South Elevation

Unit 1 – Sliced Gourmet Unit

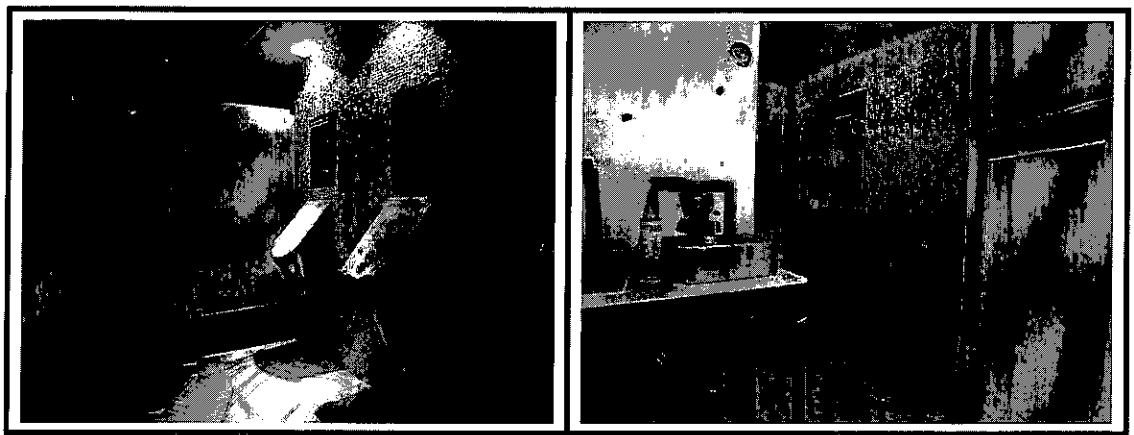


Unit 2 – 2287073 Ontario Inc. Unit

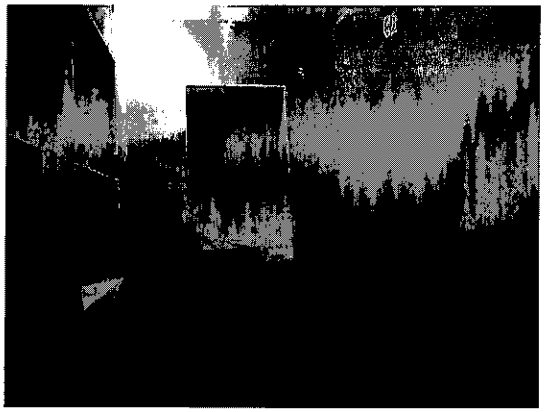
Main Lobby to Upper Floor

Residential Apartment Floor Corridor

Typical Apartment Unit

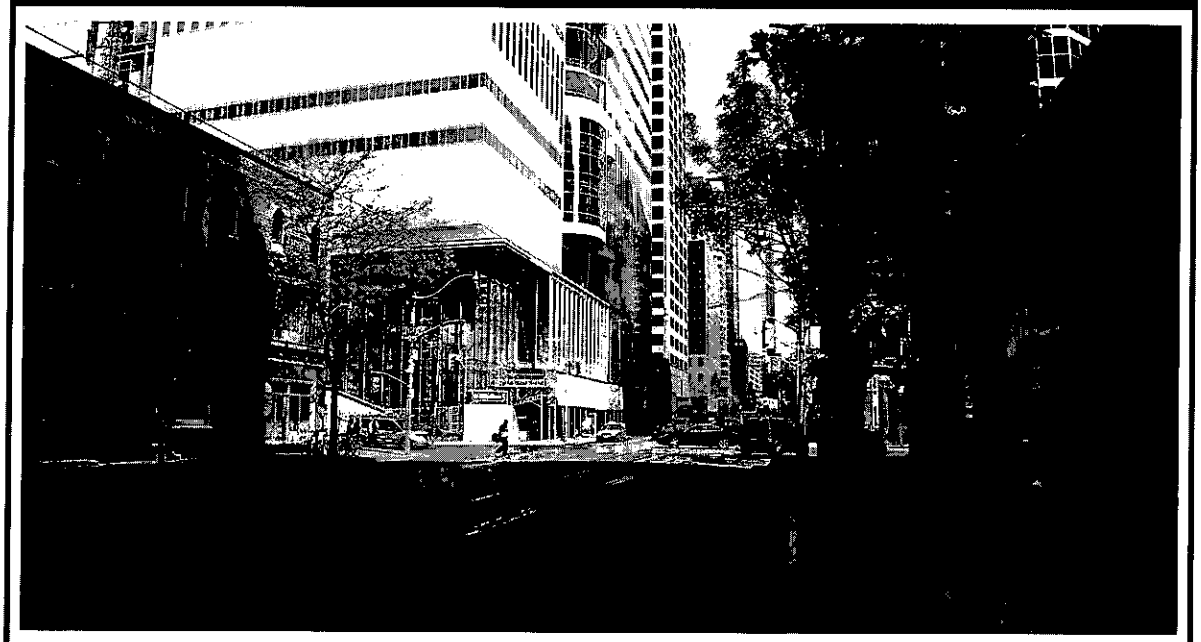


Basement Washrooms

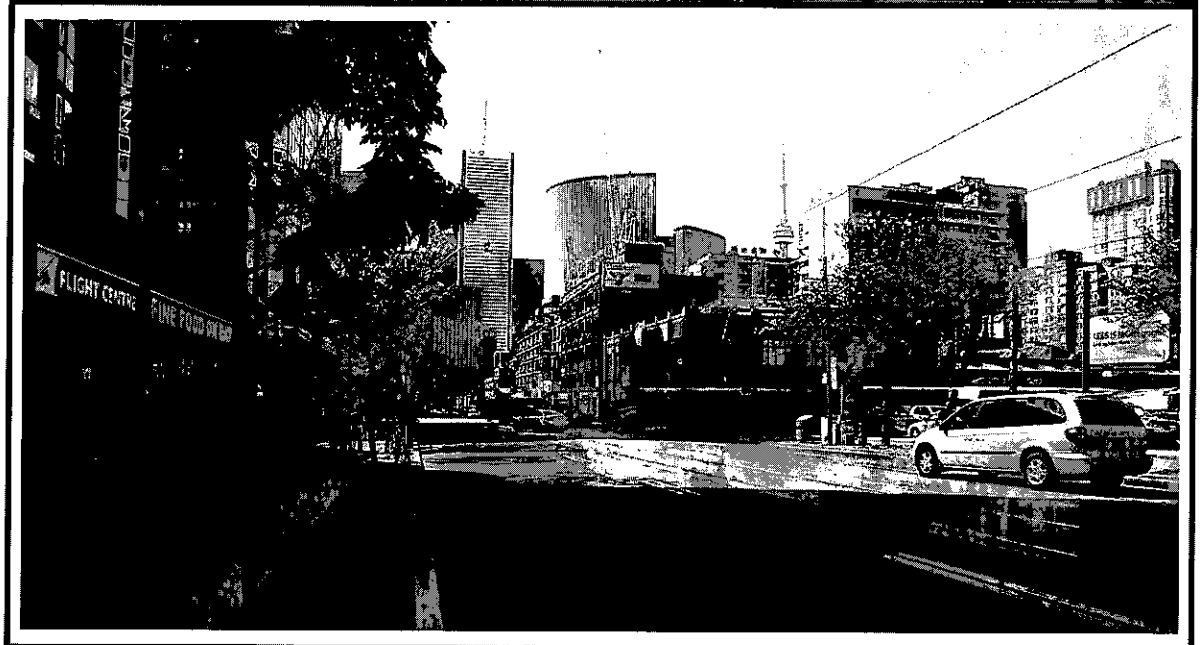


Basement Office Unit

PHOTOGRAPHS OF NEIGHBOURHOOD



North View of Bay Street



South View of Bay Street

East View of Elm Street

West View of Elm Street

PART I

INTRODUCTION

Purpose of Appraisal

The purpose of this appraisal report is to estimate the prospective market value of the subject property located at 650 Bay Street, City of Toronto, Ontario.

Intended Use of Report

This appraisal is to be used for first mortgage financing purposes only.

Legal Description

The subject property is legally described as:

Part of Lot 2, Plan 60
As in Instrument CA-720524
City of Toronto
Province of Ontario

PIN No. 211990067

Definition of Market Value

The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition are the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

1. buyer and seller are typically motivated;
2. both parties are well informed or well advised, and acting in what they consider their best interests;
3. a reasonable time is allowed for exposure in the open market;
4. payment is made in terms of cash in Canadian dollars or in terms of financial arrangements comparable thereto;
5. the price represents the normal considerations for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

Definition of 'Prospective Market Value'

'Prospective Market Value' is defined as a forecast of value expected at a future date. A prospective value estimate is most frequently sought in connection with real estate projects that are proposed, under conversion to a new use, or those that have not achieved sell-out status or a stabilized level of long-term occupancy at the time the appraisal report is written.

Effective Date of Appraisal

The effective date of this appraisal is May 14, 2012.

Property Rights Appraised

The property rights appraised are those of the fee simple interest in the real estate comprising the subject property. Fee simple is defined as a fee without limitation to any particular class of heirs or restrictions, but subject to the limitations of eminent domain, escheat, police power and taxation.

Exposure Time

Exposure time may be defined as follows: The estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective estimate based upon an analysis of past events assuming a competitive and open market. The reasonable exposure period is a function of price, time and use, not an isolated estimate of time alone. The reasonable exposure time inherent in the market value concept is always presumed to precede the effective date of the appraisal. Exposure time is different for various types of real estate and under various market conditions.

The subject property comprises of a mixed-use commercial building in the City of Toronto, Province of Ontario. Several similar properties that we are aware of in the area are being offered for lease or sale, therefore demand is relatively stable. We anticipate a reasonable exposure time for the subject property to be between 120 to 150 days.

Marketing Time

Marketing Time is an estimate of the amount of time it might take to sell a property interest in real estate at the estimated value level during the period immediately after the effective date of the appraisal. Marketing time differs from exposure time which is always presumed to precede the effective date of an appraisal. We are of the opinion that a reasonable marketing time for the subject property is 120 to 150 days.

History of Sale of Subject Property

The history of the sale of the subject property since 2001 is as follows:

The subject property operated as a limited service motel in downtown Toronto. It sold in April 2001 for $1,680,000. In November 2008 the property owner defaulted on the mortgage and the mortgagee acquired the property under 'Power of Sale' proceedings. The mortgagee, B&M Handelman Investments Limited sold the property to the present owners, 2220277 Ontario Inc. on November 13, 2009 for $2,425,000.

Real Estate Listing of Subject Property

To the best of our knowledge, the subject property has not been offered for sale under a real estate listing since its acquisition in November 2009.

SCOPE OF APPRAISAL

The scope of the appraisal encompasses the necessary research and analysis to prepare a report in accordance with the Canadian Uniform Standards of Professional Appraisal Practice established by the Appraisal Institute of Canada. With regard to the subject property, this involved the following steps:

- An inspection of the subject property and surrounding area by the appraiser was made on May 14, 2012;
- Information related to zoning, land use policies and trends were obtained from municipal planning reports and zoning by-laws;
- Discussions with Planning, Zoning and Engineering Officials for the municipality were conducted, if necessary;
- Assembly and analyses of relevant information pertaining to the property being appraised, including acquisition particulars if acquired within three years prior to the date of appraisal;
- Assembly and analyses of pertinent economic and market data;
- An in-depth discussion and statement of highest and best use;
- A discussion of the appraisal methodologies and procedures employed in arriving at indications of value;
- Preparation of the Direct Comparison Approach to Value. A reasonable attempt has been made to verify the sales transaction data to ensure that they were at arms length and reliable;
- Preparation of the Income Approach to Value by applying a market derived capitalization rate to the projected net income of the subject property;
- Reconciliation of the approaches to value into a final estimate of prospective market value as at the effective date of the appraisal; and
- Inclusion of all appropriate photographs, maps and addenda/exhibits.

Extraordinary Limiting Conditions

The following are the Extraordinary Limiting Conditions that apply to this appraisal report because we have not:

1. Verified sales data in the Registry Office. Therefore, we have relied upon third party verification of sales data.
2. Conducted a Title Search, nor examined the existence of easements, right-of-ways or restrictions, if any, and their effect on the appraised property.
3. Applied the Cost Approach to value as it would not reflect the investment rational of typical buyers for this type of property.

PART II

DESCRIPTIVE SECTION

REGIONAL AND NEIGHBOURHOOD DATA

Regional Data

The City of Toronto, found on the north shore of Lake Ontario and between the Peel and Durham regions, was created through the amalgamation the former Metropolitan Toronto which included York, East York, Etobicoke, Scarborough, North York and Toronto. The City of Toronto has a combined population of 2,503,281 according to the census obtained in 2006, an increase of 0.9% from Census 2001. Highway 401, 407, Gardiner Expressway, 427, 400, 404 and Don Valley Parkway all provide ingress and egress to and from the City. Local public transit is linked to other neighbouring cities, offering a comprehensive network of bus, subway and commuter train routes.

The subject property is generally located in central Toronto, in the Toronto Centre-Rosedale district of Ward 27. Ward 27 was home to 67,840 people and consisted of 39,375 households in 2006. The population of Ward 27 reportedly grew by 9.5% between 2001 and 2006. 76% of occupied private dwellings were in high-rise apartments and 12% were in low-rise apartments in 2006. In 2006, 37% of occupied private dwellings were owned while 63% were rented.

The subject is located within the Bay Street Corridor residential neighbourhood which is generally bounded by Bloor Street West to the north, Front Street to the south, University Avenue to the west and Yonge Street to the east. Total population in this neighbourhood was reported to be ±15,320 persons in 2006, a ±9% increase from the previous census year. Compared to the rest of Toronto, 68% of the residents here rent and the majority of private dwellings here (96%) are apartment buildings 5 storeys and above while only about 3.5% are in apartment buildings below 5 storeys in height. Total private dwellings surveyed were 8,765. The average gross rent in 2005 was reported to be $1,250 and the average value of a dwelling was $314,724. The median census family income was $61,413.

Neighbourhood Data

More specifically, the subject property is situated on the southwest corner of Bay Street and Elm Street, the block north of the Toronto Bus Terminal on Bay Street and Edward Street, , ±0.25 km southeast of Toronto General Hospital and generally south of the Women's College Hospital and the University of Toronto. The subject has street frontage on Bay Street and flank on Elm Street with pedestrian access from both streets.

The subject's immediate neighbourhood comprises a combination of institutional, office, residential apartments as well as major retail use buildings such as the Eaton Centre. College Street is a minor collector which travels from Lansdowne Avenue to Yonge Street.

An important development currently underway which will bode well for the subject is the construction of the new research centre of the Hospital for Sick Kids (SickKids). The ±$400 million, 21-storey, 750,000 sq. ft. Research & Learning Tower is being built at the corner of Bay and Elm Streets directly adjacent the subject property on the north side of Elm Street. This will bring together the 2,000 scientists and staff of SickKids Research Institute. The Tower is slated to be completed by 2013.

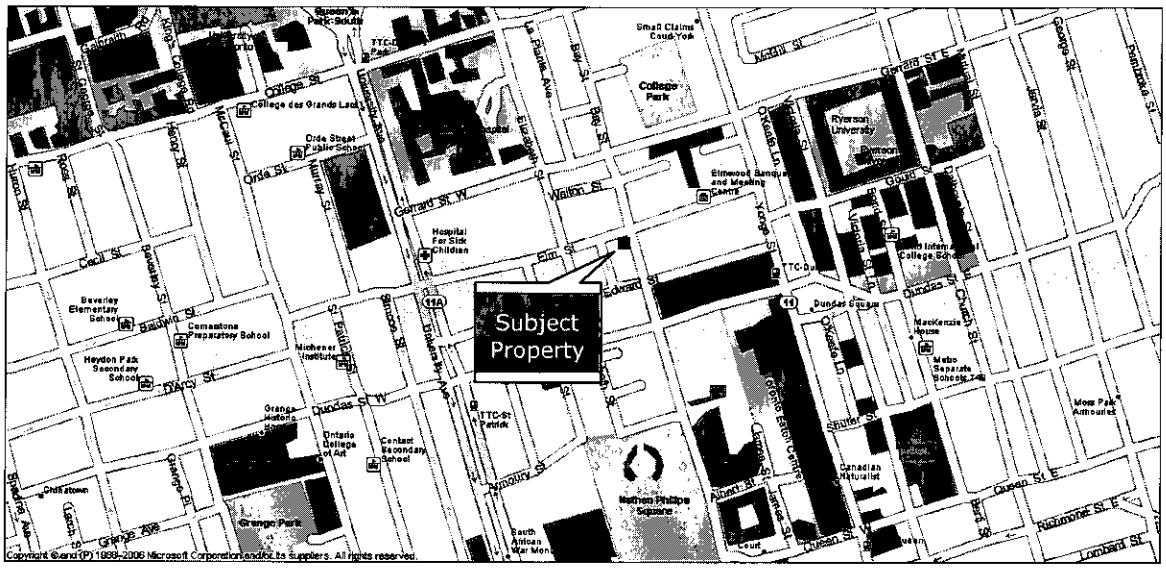
Bay Street here is improved with four lanes of traffic, it has concrete walkways and street lights, marred somewhat by overhead utility wires run parallel the street on the east side of

Bay Street. Bay Street here is an important north south collector, parallel University Avenue to the west and Yonge Street to the east. Elm Street is a relatively short local street travelling in an east-west direction, from McCaul Street to the west and ending at Yonge Street to the east. It is lined mostly with commercial use properties, some of which have residential uses above the main floor commercial.

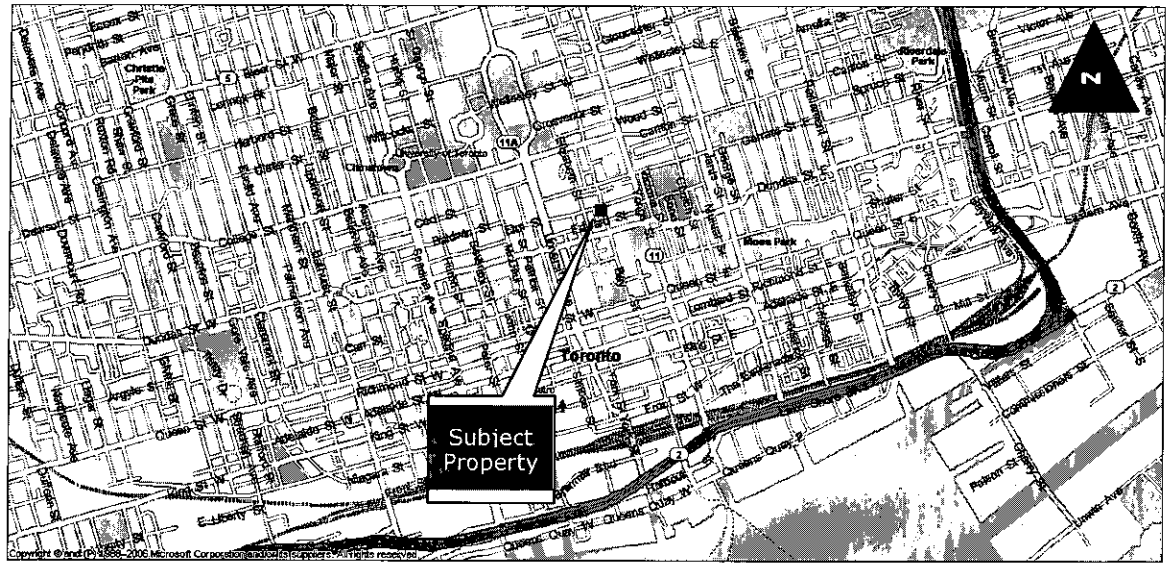
As with most downtown properties, on-site parking is in most situations not available. Parking is limited to a parking lot abutting the subject to the south, metered street parking along Elm Street or other public parking facilities in the area.

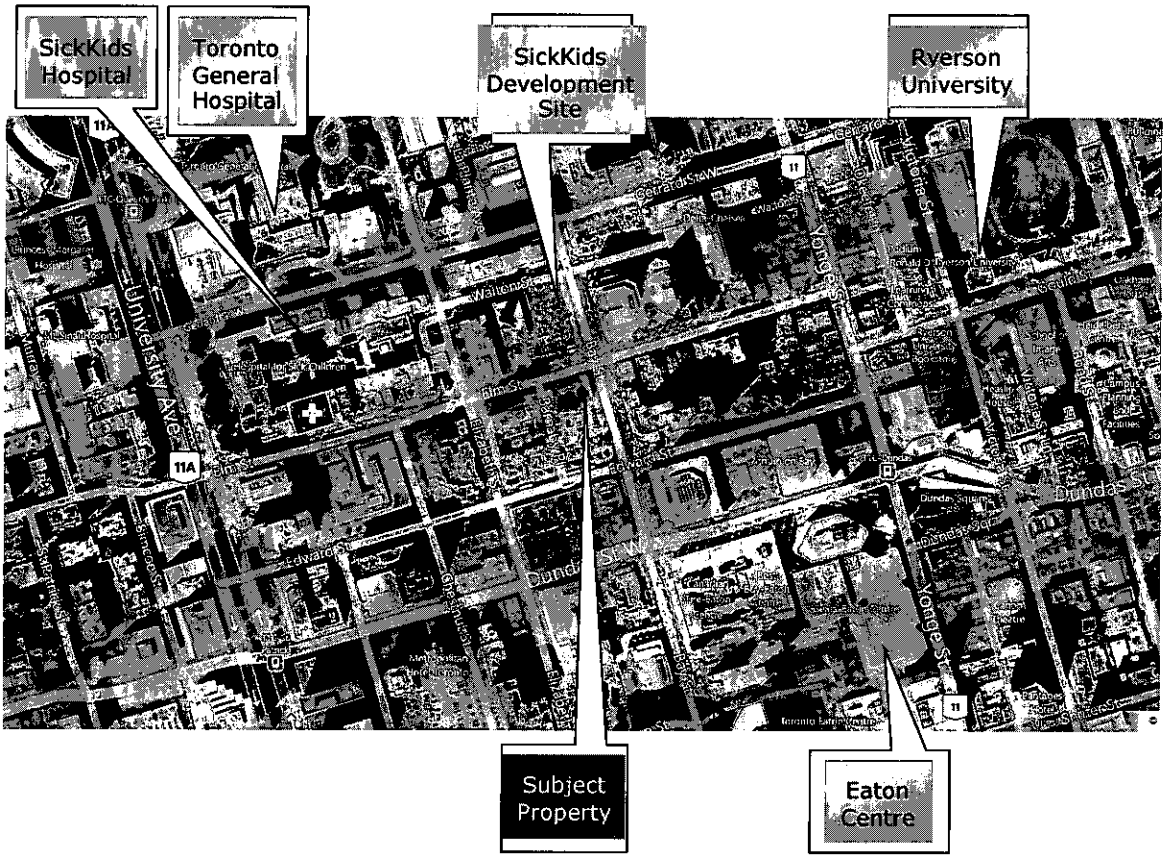
The neighbourhood is an established and mature downtown neighbourhood, the major infill development occurring is the mentioned SickKids Research Institute building and other office towers most of which are located south of the subject within the financial district. Therefore, the subject's immediate neighbourhood is observed to be in a stable period of its life cycle with limited development occurring in the area.

There are new condominium developments being built north of Gerrard Street such as 'U-Condos' and 'Aura. A new development is also under review at the corner of Gerrard/Bay Streets. Therefore although this is a mature but stable area, there is growth within the area which should have a positive impact.



Location Map





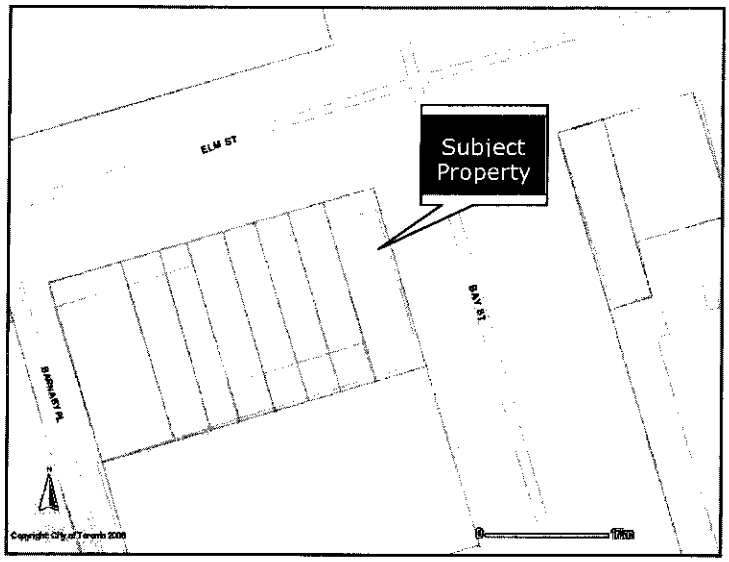
SITE ANALYSIS

Legal Description

The subject property is legally described as:

Part of Lot 2, Plan 60
As in Instrument CA-720524
City of Toronto
Province of Ontario

PIN No. 211990067



Survey

The dimensions below were obtained from a plan of survey prepared by Tom A. Senkus, dated August 6, 2004.

The main particulars relating to the site are:

Shape	:	Rectangular corner lot
Frontage (Bay Street)	:	83.00 feet approximately
Flank (Elm Street)	:	24.4 feet approximately
Site Area	:	±0.046 acre (±2,054 sq. ft.)

Topography

Site sits at street grade and is mostly level, almost all of which is built up.

Utilities

Full municipal services and public utilities are available including sanitary and storm sewers, water, gas, telephone; hydro, accessory services, police, street cleaning, etc. are available to the property.

Soil Conditions

Although no soil analysis has been made in conjunction with this appraisal report, it is assumed that the existing soil conditions are typical for the area and soil bearing and drainage qualities are adequate to support future development. It is beyond the scope of this appraisal to assess the environmental liability which may or may not be present in or on the subject property.

To the best of our knowledge there are no mineral deposits contained in the subject property.

Adjacent Properties

The subject site municipally designated with an east facing frontage on Bay Street and with a smaller flank on Elm Street. The following abut the subject property:

North	SickKids Research Institute (completion date in 2013)
East	Commercial use properties
West	Commercial and residential use properties
South	Parking lot

Hazardous Factors

No particular hazardous factors inherent in the immediate location of the property, eg. floods, odours etc. were noted. There were no odours in the area. No investigation was carried out as to soil contamination, but this may be explored if considered necessary.

Environmental

This appraisal report is prepared on the assumption that the property is free and clear of any environmental problems. The appraiser is not qualified to provide an opinion on the site's environmental impact, if any.

Off-Site

- Bay Street officially fronts site;
- Bay Street is a north-south collector with four lanes;
- Concrete curbs, sidewalks and gutters for surface drainage, also streetlights;
- Estimated right of way ±66 feet;
- Subject is a corner lot which enjoys good exposure from both Bay Elm Streets;
- Elm Street is an east-west local street with two lanes;
- Concrete curbs, sidewalks and gutters for surface drainage, also streetlights;
- Estimated right of way ±33 feet;
- Development is considered to be pedestrian friendly with respect to building placement on the lot, streetscape enhancements and general form and character.

DESCRIPTION OF IMPROVEMENTS

The property is referred to in this report as 650 Bay Street. However, some municipal records show the address as 55 Elm Street. The subject property is developed with a 3-storey mixed-use commercial/residential building 3-storey floors and a full basement. The building which was formerly a motel is presently undergoing an exterior and interior renovation. Once renovated, the building will be a premium mixed-use property with prime commercial retail space on the ground floor and residential bachelor suites on the 2nd and 3rd floors.

The overall aesthetic of the building is to be design forward, modern, sophisticated with clean lines. The upper two floors will consists of 23 hypo-allergic furnished bachelor suites, each with its own bath and kitchenette and will appeal to visiting corporate executives, doctors, researchers and foreign students seeking accommodation in the heart of downtown Toronto. A description of the construction both exterior and interior follows:

Exterior:

The subject property has a poured concrete and brick foundation. Windows and doors will be set in pre-finished aluminium frames. The exterior of the building will have slate quarry tile on the main floor with granite borders on the front (east side) and the north side facing Elm Street. The two upper floors of the east and north sides will have exposed brick. The remainder of the building will have a brick exterior from the main to the third floor. The roof which is approximately 2,000 sq. ft. will be a built-up flat brick membrane structure with batt insulation. There will be granite steps from the five entrances to the building.

There will be five sets of entry doors which comprise of thermal glass in aluminium frame. Four of them are from Bay Street and provide entry to the small commercial unit, a general entry to the lobby of the building, one door to the large commercial unit and at the corner of Elm and Bay Street there is another entry door. The fifth door is from Elm Street.

Interior:

Basement

The layout of the basement includes washrooms for men and women on the south section. The two washrooms within the basement will be large washrooms; ladies washroom includes three stalls and two sinks and the men's washroom will include one stall, 2 urinals and two sinks. Interior finish will be Calacatta marble flooring and Italian marble mosaic glass accent the walls and the ceiling will be drywall. Lighting will be a combination of pot lights and designer wall sconces. There may also be an office or laundry room, storage areas, a central corridor and water, utility room and electrical room.

The remainder of the space which approximates 800 sq. ft. is leased to 'The Onsen Spa Ontario Ltd.'. This area will have either polished concrete or wood laminated flooring, interior walls will be a combination of exposed brick/stone and drywall and the ceiling will be finished with drywall. Lighting with likely be fluorescent or recessed pot fixtures.

Ground Floor

The ground floor will consist of a small entrance lobby for access to the second and third floor suites. The main floor will have approximately 1,565 sq. ft. of premium commercial

space separated into two units; suitable for entertainment, hospitality, food services, retail or service related businesses. The commercial units are 1,165 sq. ft. on the north (Unit 1) and Unit 2 is 420 sq. ft. on the south side of the main floor.

Interior finish of the commercial units includes solid oak entrance doors to each of the two units, flooring will be Calacatta marble, interior walls and the ceiling will be drywall. Only the smaller commercial units will have one wall of exposed brick within the unit. Lighting will be halogen and ceiling height of the units is 10 feet. Each unit will have 100-400 amps electrical service.

The lobby will have a glass panel stairwell with stainless steel handrails. The lobby, back corridor and basement landing will have white marble (Calacatta) flooring. The south lounge will have custom white/grey porcelain flooring and interior walls will be drywall. The lobby ceiling will have mother of pearl tile with a central chandelier and pot lighting. Upper floors will be accessed by an oak stairwell which will be stained from the ground to the third floor.

Second Floor - Suites 200-211 – 11 units

Each suite will have an area of approximately 120-150 sq. ft. All units will be bachelor units and will be fully furnished. Suites will have a bedroom, washroom and kitchenette. This floor will have a ceiling height of 12 feet. Interior finish will be fire rated entrance doors, floors will be pre-engineered hardwood, interior walls will be drywall with upholstery covering and the ceiling will be drywall. Lighting will be halogen fixtures. Suites will have 5-7 foot windows.

Special features of the suites that will be included are I-Pod dock station/alarm, bar fridge with coffee maker, night stand and desk, microwave, flat screen TV's, bedding, linen, tableware and cutlery. The beds will have pull-out drawers. Each suite will have a PTAC unit for controlling electrical heat and air-conditioning.

The central corridor will have carpeted flooring, interior walls will be drywall with upholstery covering and the ceiling will be drywall with wall-mounted sconces for lighting.

Third Floor - Suites 301-312 – 12 units

The central corridor and suite interior finish will be similar to that on the second floor. This floor will have 9 foot ceiling height.

Signage

The property also has a sign permit allowing for wall advertising on the south wall facing the Toronto Bus Terminal, the adjacent parking lot and the Bay Street north-bound traffic. The wall advertising space was previously leased to Titan Outdoor. New signage has been installed. This will be a further income generation source for the property.

Potential

The current zoning allows for 7.8 times land coverage which would permit the construction of an additional four floors without any zoning variance. The property owner has advised that the foundation of the building was carefully inspected by Albert Ramprasad, structural engineer who has confirmed that the building can take the load for the additional density, should the need arise.

HVAC
Electrical: Varies from 200 to 800 amps within the building
Pull alarms, fire exits and heat and smoke detectors.
Electric heating
Air-conditioning
Fire escape from Elm Street side of the building.

Completion of the exterior and interior finishes:

These are scheduled as follows:

Completion of exterior work	-	May 2012
Completion of interior work	-	July 2012.

Estimated cost of the upgrading of the subject property is $1,848,343. This appraisal is prepared on the assumption that all work left to be completed will be done so in a timely manner and within the general deadlines referred to above.

Overall Condition of Structures:

When all interior and exterior work is completed, the subject property will be in excellent condition.

LAND USE CONTROLS

Official Plan Designation

The subject property is designated 'Mixed Use Area' under the Official Plan of the City of Toronto.

Zoning

The subject property is zoned Mixed Use (CR) T7.8 C2.0 R7.8 under By-law No. 4-86, as amended. The zoning permits a wide variety of commercial, residential and retail uses.

The current zoning of the subject property allows for 7.8 times land coverage, as opposed to the 1.5 times and 2.5 times coverage typically seen in downtown Toronto. The subject property currently has a site density of ±3 times and the zoning allows for an additional density of the lot area. Therefore, based on the current land use regulation, any permitted increase in density on the subject property up to 7.8 times would not require any variance or Committee of Adjustment approval from the City of Toronto.

There are various set back requirements and parking requirements established under the zoning by-law.

It is assumed the subject complies with the various requirements of the zoning by-law.

HIGHEST & BEST USE

Introduction

The principle of highest and best use is fundamental to the concept of value in real estate appraising. This principle may be defined as "that use which is most likely to produce the greatest net return over a given period of time". The criteria for determining highest and best use include the following:

- Physical Possibility - the use must be within the realm of probability, a likely one, not speculative or conjectural;
- Legal Permissibility - the use must be legal and in compliance with zoning and building restrictions;
- Financial Feasibility - a demand for such use must exist;
- Maximum Productivity - the use must provide the highest net return to the land.

Physical Possibility

The site is sufficient in size, shape with suitable topography to accommodate the proposed mixed use. Therefore, the intended mixed-use is physically possible.

Legal Permissibility

According to the City of Toronto, the site is designated Mixed Use (CR) T7.8 C2.0 R7.8. This classification permits the current use of the subject property as a mixed-use property. As such, the existing use is legally permissible.

Financial Feasibility

The subject property is being converted to a mixed-use building. Potential rental income will be obtained from leases of the commercial units on the main floor and bachelor apartment units on the second and third floors. The economic viability of the subject property will be evident by its future operating performance.

Maximum Productivity

Of the various uses satisfying the criteria discussed above, the proposed mixed-use represents the maximum productivity of the property at the present time. However, under the present zoning, density can be as much as 7.8 times of lot area; therefore there is the potential to add more floors on the site when market conditions support such an addition.

Conclusion

The subject property, when completed, will consist of commercial retail units on the main floor and apartment units on the upper floors. We do not envision any other use for the site than its proposed use because the building is being upgraded to accommodate commercial/residential use. Following renovations, the remaining economic life of the structure will be over 35 years. There are ample sites in the City of Toronto that can be used for other purposes; therefore, it is doubtful that the subject site would be used for any other purpose than its proposed use. Having considered all pertinent factors it is our opinion that the Highest and Best Use for the subject site, as 'if vacant' and as 'if improved', as at the effective date of this appraisal, is the continuation of its current use as a mixed use commercial / residential building.

PART III

VALUATION SECTION

METHODS OF VALUATION

Valuation Techniques

The purpose of this report is to arrive at an estimate of the prospective market value of the subject property. This is achieved by a systematic gathering, classification and analysis of data which is required in the development of the three basic approaches to value: the Income Approach, the Direct Comparison Approach and the Cost Approach.

Income Approach

With the Income Approach, the value is based on future benefits (cash flows) that may be derived from the property. The two principal techniques utilised for the Income Approach are the discounted cash flow (DCF) analysis method and the direct capitalization of a stabilized income (OCR) method.

Discounted Cash Flow Method

The discounted cash flow (DCF) method attempts to directly quantify more variables related to multi-tenanted income producing properties with irregular cash flows. Using this valuation method, future cash flows from the property are forecast using precisely stated assumptions, together with an estimated reversion value upon a deemed disposition at the end of the holding period. The multi-year model allows the appraiser to directly consider the costs associated with vacancies, leasing costs, exposure to vacancies, growths in rental rates. These future financial benefits then are discounted to present day value at an appropriate discount rate.

The selection of a discount rate allows the appraiser to recognize the time value of money, certainty of payment (risk) and the opportunity cost of funds that can be associated with a long-term non-liquid investment.

Overall Capitalization Rate Method

With the overall capitalization method, an estimate of a stabilized income is capitalized by an investor's expected return based on comparable properties that have sold. Inherent in the capitalization rate are many factors not directly quantifiable in the cash flow such as vacancies, income growth and security of income.

Direct Comparison Approach

The Direct Comparison Approach involves a comparison of the subject property to similar properties that have actually sold in arms-length transactions or are offered for sale. Sale and asking prices are adjusted to reflect the differences that exist between the sale property and the subject property; the adjusted prices are correlated into a final value estimate of subject's prospective market value.

This approach demonstrates what buyers have historically been willing to pay (and sellers willing to accept) for similar properties in an open and competitive market and is particularly useful in estimating the value of the properties that are typically owner occupied. The unit of comparison for improved properties is typically the price per sq. ft. of building area.

Cost Approach

This approach consists of estimating the replacement cost new of all improvements, deducting accrued depreciation from all sources, and adding the value of the underlying land, estimated by comparison to recent land sales. The value derived from this approach is a summation of the various property components contributing to the total property value, and it is applicable when each component is independently measurable, and when the sum of all components is believed to reflect prospective market value.

The Cost Approach is especially useful in estimating insurable value, or in estimating the prospective market value of fairly new improvements and special purpose properties which, because of their design and single-use nature, have a limited market and would not be valued more accurately by another approach.

This approach is not applicable to unimproved land or obsolete improvements and rapidly loses its accuracy when large allowances for depreciation are required or when market stagnation limits the availability of recent comparable land sales transaction and new construction cost data. This approach is also not applicable when the property is encumbered by multiple leases which restrict the direct application of the substitution principle.

Summary

In establishing the prospective market value of a specific property, we must rely upon the approaches that are best suited to estimate value for that property.

In our view, the Prospective market value of the subject property is derived mainly from the Income Approach and the Direct Comparison Approach. The Cost Approach is not used since the subject property is encumbered by multiple leases.

We have therefore appraised the property on the foregoing basis.

PART IV

DIRECT COMPARISON APPROACH

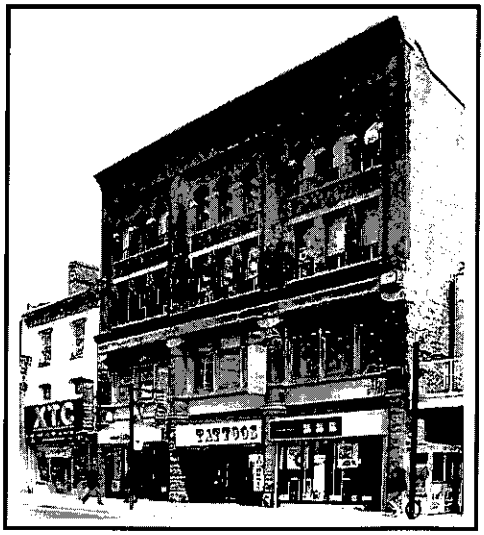
DIRECT COMPARISON APPROACH

The Direct Comparison Approach is a valuation whereby the property being appraised is compared with similar properties that have recently been sold or offered for sale. The assumption is that if the subject property had been exposed to the market, it would have been in competition with comparable properties dealing with the same type of purchaser under similar market conditions. Since no two properties are completely alike, adjustments must be made for differences between the comparables and the subject property. In arriving at all value conclusion by this method, the greatest weight is given to actual sales of truly comparable properties made at or nearest the effective date of appraisal in order to reflect comparable economic conditions.

Traditionally, the primary elements of comparison are time, location, size, layout and condition. There may be other adjustments necessary in order to compare the subject property. If so, they are stated in the report. The objective is to adjust the sale prices of the comparable properties so that a proper comparison can be made to the subject property in order to determine what the property would achieve in terms of sale price as at the effective date of valuation, if exposed for sale on the market for a reasonable length of time.

The selection of comparable properties was limited to mixed use commercial properties which had retail on the main level and offices / residential on the upper levels, similar to the subject property. Single tenant buildings which are usually purchased by end-users are not considered to be comparable and therefore have not been used in this appraisal. The most relevant comparable sales which form the basis of this approach to value have been summarized for ease of reference on the following pages.

No. 1 : 363 Yonge Street, Toronto



This property is located on a rectangular lot with frontage of ±49.6 feet and a depth of ±127 feet, backing onto a public lane, midway between Gould and Gerrard Streets.

The building contains ±9,500 sq. ft., of which ±3,900 sq. ft. is on the ground floor and site density is 151%. The building has four storeys and a basement. It was constricted in the 1890's and has a classic Victorian era façade with ornate brickwork, a few stone trimmings and modernized store facades. The back, facing an alley, is far less pretentious, much of it painted black, and has 14 parking spaces which is rare for this type of property. The property contains three ground floor stores and the upper floors have one commercial tenant and five apartments. The property presents an opportunity for additional building construction, especially on the ground floor and for the upgrading of the upper levels.

At this location, Yonge Street is a major arterial road with buried services, four narrow lanes and no on-street parking. Pedestrian traffic is heavy despite narrow sidewalks. An intensive retailing route, it is lined for many blocks by old storefronts, many of them modernized, and by occasional office or apartment towers of more recent vintage.

Analysis

Adjustments made to this sale include the following:

Factor	Adjustment	Remarks
Time:	Upward	This is the earliest sale surveyed requiring an upward time adjustment to reflect the growth in the real estate market in the downtown Toronto market.
Location:	Upward	Although located closest to the subject and on Yonge Street, the subject's location which is adjacent the new SickKids Research Institute is a significant advantage. An upward location adjustment is therefore considered necessary.
Size:	Upward	As there is generally an inverse relationship between the size of a building and its sale price per unit with larger buildings typically selling at lower per unit prices, an adjustment for size is made for this larger sized building when compared to the subject.
Other:	Upward	The subject will have the added benefit of 23 residential units which would typically command a higher rate based on the short term stay nature of these units. The subject is also being extensively renovated and renewed to modern standards. Somewhat unique to the subject is also the roof top amenity which is to be used as a roof top lounge that will serve food and beverages. The overall adjustment is upwards for both layout and condition.

No. 2 : 410 Bloor Street West, Toronto

This property has a total area of ±0.120 acre of which 2,810 sq. ft. is on Bloor Street, 2,410 sq. ft. at the rear of 5 Howland Avenue – the parking lot.

Building area is ±5,200 sq. ft. of which 2,800 sq. ft. is retail space on the ground floor. The building is 3 storeys and has a basement. It was built circa 1910-1930. There are two apartments on the upper floors and four parking spaces to the rear of the property.

This is a typical brick storefront property with narrow frontage. It had been remodelled in 2006 to accommodate 'The Pump', a tavern and restaurant. The rear of 5 Howland parcel of land is a small parking area, separated by a lane from the back of the storefront building.

At this location, Bloor Street has buried services, good walking environment and the street is lined by well-kept storefronts.

Analysis

Adjustments made to this sale include the following:

Factor	Adjustment	Remarks
Time:	Upward	An upward time adjustment to reflect the growth in the real estate market in the downtown Toronto market.
Location:	Upward	Although located on Bloor Street West, the subject's location which is adjacent the new SickKids Research Institute is a significant advantage. An upward location adjustment is therefore considered necessary.
Size:	Downward	As this is a smaller building compared to the subject, a downward size adjustment is made.
Other:	Upward	The subject will have the added benefit of 23 residential units which would typically command a higher rate based on the short term stay nature of these units. The subject is also being extensively renovated and renewed to modern standards. Somewhat unique to the subject is also the roof top amenity which is to be used as a roof top lounge that will serve food and beverages. The overall adjustment is upwards for both layout and condition.

No. 3 : 399 Queen Street West, Toronto

This property is located on a small lot of ±0.13 acre.

The building contains ±6,000 sq. ft. of which ±4,000 sq. ft. are on the ground floor. It has 3 storeys and was built in 1900 and renovated in or around 2000. No parking is available.

This is a single store building with a glamorous three storey street front, backed by a grim looking rear not usually seen by shoppers.

Queen Street at this particular location is a fashionable retail strip, overcrowded with cars, pedestrians and streetcars.

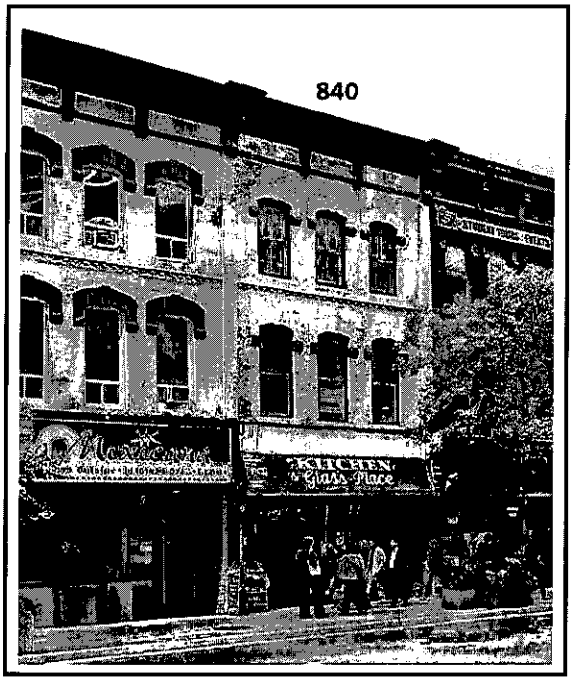
Analysis

Adjustments made to this sale include the following:

Factor	Adjustment	Remarks
Time:	Upward	An upward time adjustment to reflect the growth in the real estate market in the downtown Toronto market.
Location:	Upward	Although located on Queen Street West, the subject's location which is adjacent the new SickKids Research Institute is a significant advantage. An upward location adjustment is therefore considered necessary.
Size:	None	No size adjustment is considered necessary.
Other:	Upward	The subject will have the added benefit of 23 residential units which would typically command a higher rate based on the short term stay nature of these units. The subject is also being extensively renovated and renewed to modern standards. Somewhat unique to the subject is also the roof top amenity which is to be used as a roof top lounge that will serve food and beverages. The overall adjustment is upwards for both layout and condition.

No. 4 : 840 Yonge Street, Toronto

The property is located on a rectangular lot of 20 x 147 feet, the sixth property south of Yorkville Avenue, backing onto a public lane.



This is a 3-storey structure with a total gross floor area of ±4,300 sq. ft.; ±2,500 sq. ft. of which is the main floor. It has a full basement. The property was constructed in the 1880's and has two parking spaces.

This is a typical Victorian era storefront; most of its value is in the ground floor retail space. The two upper floors, suitable for modest offices, were vacant at the time of sale.

The property is 150 metres north of the Yonge/Bloor intersection and the junction subway station. The immediate neighbourhood is a strong retail location.

At this location, Yonge Street is quite congested thoroughfare with busy sidewalks, lined with old storefronts and more recent office and apartment towers.

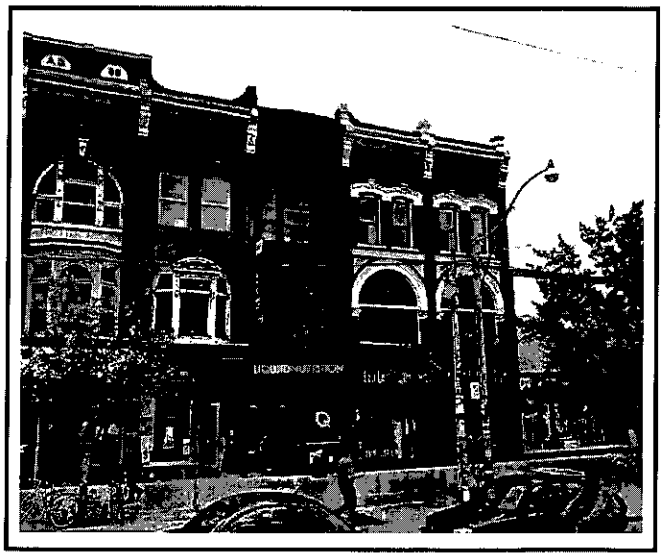
Analysis

Adjustments made to this sale include the following:

Factor	Adjustment	Remarks
Time:	Upward	An upward time adjustment to reflect the growth in the real estate market in the downtown Toronto market.
Location:	Upward	Although located on Yonge Street, the subject's location which is adjacent the new SickKids Research Institute is a significant advantage. An upward location adjustment is therefore considered necessary.
Size:	Downward	As this is a smaller building compared to the subject, a downward size adjustment is made.
Other:	Upward	The subject will have the added benefit of 23 residential units which would typically command a higher rate based on the short term stay nature of these units. The subject is also being extensively renovated and renewed to modern standards. Somewhat unique to the subject is also the roof top amenity which is to be used as a roof top lounge that will serve food and beverages. The overall adjustment is upwards for both layout and condition.

No. 5 : 346 Queen Street West, Toronto

The building is located on a narrow rectangular lot with a frontage of 13 feet and a depth of 99 feet on the north side of Queen Street West, in the block east of Spadina Avenue. There was no rear lane.



The gross floor area of the building is ±3,000 sq. ft. of which ±1,000 sq. ft. is on the ground floor. It has a high density of 234%. This is a 3-storey structure built in 1888.

Despite its age, this small storefront had been well preserved, its ornate Victoria era ornamentation still in good condition. The upper floors are also commercially utilized.

Vacant when sold, the building had been occupied by a health food store and the vendor's trading company.

Queen Street is a four-lane arterial road with overhead wires, streetcar tracks in the middle and an unusually wide northern sidewalk. At this location it is the best part of the commercial strip along Queen Street.

Analysis

Adjustments made to this sale include the following:

Factor	Adjustment	Remarks
Time:	Upward	An upward time adjustment to reflect the growth in the real estate market in the downtown Toronto market.
Location:	Upward	Although located on Queen Street West, the subject's location which is adjacent the new SickKids Research Institute is a significant advantage. An upward location adjustment is therefore considered necessary.
Size:	Downward	As this is a smaller building compared to the subject, a downward size adjustment is made.
Other:	Upward	The subject will have the added benefit of 23 residential units which would typically command a higher rate based on the short term stay nature of these units. The subject is also being extensively renovated and renewed to modern standards. Somewhat unique to the subject is also the roof top amenity which is to be used as a roof top lounge that will serve food and beverages. The overall adjustment is upwards for both layout and condition.

No. 6 : 529 Yonge Street, Toronto

This building is located on a rectangular lot with frontage of 24 feet and a depth of 130 feet, backing onto a public lane; the second property north of Maitland Street.

This is a three storey building, constructed circa 1890 and comprising ±3,100 sq. ft. on the main floor and ±1,300 sq. ft. on the second and third floors. It has a basement. The main floor is used as a store and the upper units have apartments. There is no parking available on-site.

This Victorian era storefront had one of the most architecturally elegant facades in the neighbourhood but it had been painted in a charmless style. The ground floor covered the entire lot area while the upper floors rose above it. The building was vacant and displayed a 'For Lease' sign after the sale. It had been occupied by Gallery Hi Art since mid 2009.

The Wellesley subway station is approximately 160 metres away to the north while a large public parking lot adjoined the lane behind the property.

Yonge Street at this location is a four-lane arterial road with narrow but busy sidewalks, buried wiring and no on-street parking. An endless commercial strip, occupied mostly by low-rise storefronts, extended in either direction.

Analysis

Adjustments made to this sale include the following:

Factor	Adjustment	Remarks
Time:	None	This is a recent sale occurring January 2012. No time adjustment is made.
Location:	Upward	The subject's location adjacent the new SickKids Research Institute is a significant advantage. An upward location adjustment is therefore considered necessary.
Size:	None	No size adjustment is considered necessary for this sale.
Other:	Upward	The subject will have the added benefit of 23 residential units which would typically command a higher rate based on the short term stay nature of these units. The subject is also being extensively renovated and renewed to modern standards. Somewhat unique to the subject is also the roof top amenity which is to be used as a roof top lounge that will serve food and beverages. The overall adjustment is upwards for both layout and condition.

No. 7 321 King Street West, Toronto

This building is located on a rectangular lot of 25.2 x 100 feet, opposite the intersection of Widmer Street, backing onto a public lane.

The main floor of the building comprises ±2,500 sq. ft. of the total ±5,000 sq. ft. This is a 3½ storey building structure built in the 1900's. There are two store units within this building. It also has a basement.

This was one of a row of old but gentrified storefronts, mostly housing good restaurants in the heart of the Entertainment District across the street from the new Bell Lightbox, home of the International Film Festival. Like other buildings in the area it is built to the lot line on all sides therefore it does not have any on-site parking. One tenant, 'Fred's Not Here' is a well rated luxury restaurant with a top entrée price. They occupy the ground floor and perhaps the second. The lesser quality 'Red Tomato' restaurant leased the basement.

King Street is a busy four lane arterial road; one or two of whose lanes was used for parking. It is lined mainly by restaurants and such entertainment venues as Bell Lightbox and the Princess of Wales theatre. Pedestrian traffic is heavy day and night, seven days a week.

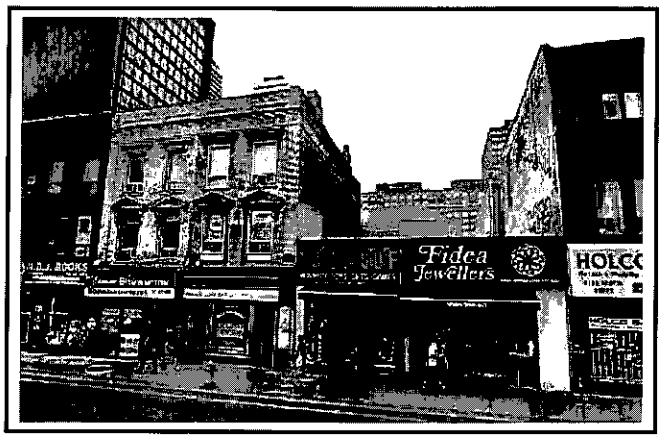
Analysis

Adjustments made to this sale include the following:

Factor	Adjustment	Remarks
Time:	None	This is a recent sale occurring February 2012. No time adjustment is made.
Location:	Upward	The subject's location adjacent the new SickKids Research Institute is a significant advantage. An upward location adjustment is therefore considered necessary.
Size:	Downward	As this is a smaller building compared to the subject, a downward size adjustment is made.
Other:	Upward	The subject will have the added benefit of 23 residential units which would typically command a higher rate based on the short term stay nature of these units. The subject is also being extensively renovated and renewed to modern standards. Somewhat unique to the subject is also the roof top amenity which is to be used as a roof top lounge that will serve food and beverages. The overall adjustment is upwards for both layout and condition.

No. 8 : 506-510 Yonge Street, Toronto

The lot is rectangular in shape with a frontage of 60.5 feet on the west side of Yonge Street and a depth of about 127 feet backing onto a public lane; the fourth property north of Grosvener Street.



The building, a three storey structure, has ±5,100 sq. ft. on the main floor and ±1,200 sq. ft. on each of the upper floors. It has a basement also. Built in the 1800's there are four stores within the property and there are 10 outdoor parking spaces and one within the building.

There are two similar storefronts at Nos. 506 and 508, identical except for different additions at the back. Their palace style brick facades were mostly intact but shabby. One or two of the shops and much of the upper floors were vacant after the sale, their window curtains unkempt. No. 510 is a simple one-storey building with two stores.

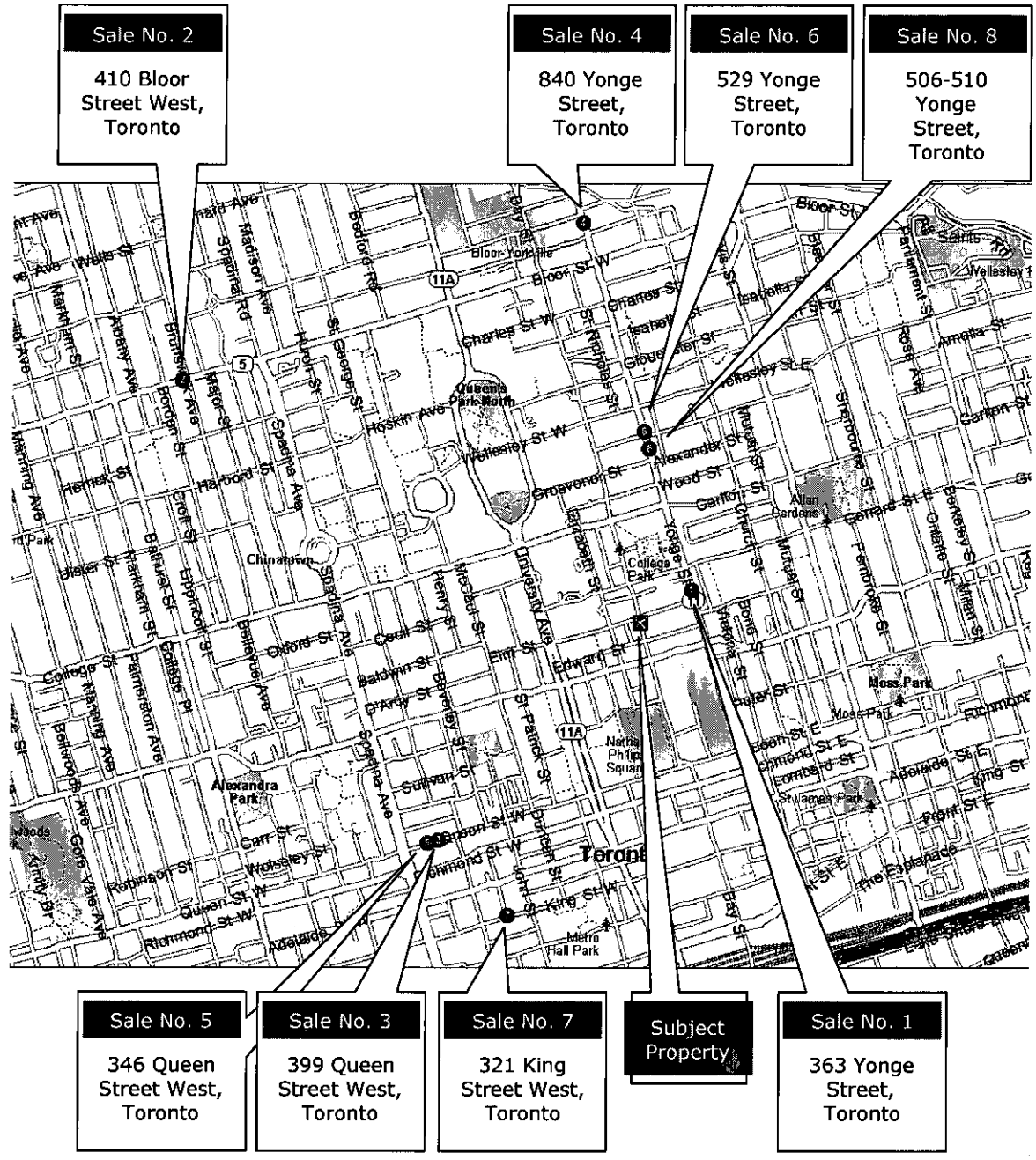
The property is part of the endless Yonge Street commercial strip, in this vicinity somewhat downscale, but subject to several redevelopment proposals for apartment towers and retail space.

Analysis

Adjustments made to this sale include the following:

Factor	Adjustment	Remarks
Time:	None	This is a recent sale occurring February 2012. No time adjustment is made.
Location:	Upward	The subject's location adjacent the new SickKids Research Institute is a significant advantage. An upward location adjustment is therefore considered necessary.
Size:	None	No size adjustment is considered necessary for this sale.
Other:	Upward	The subject will have the added benefit of 23 residential units which would typically command a higher rate based on the short term stay nature of these units. The subject is also being extensively renovated and renewed to modern standards. Somewhat unique to the subject is also the roof top amenity which is to be used as a roof top lounge that will serve food and beverages. The overall adjustment is upwards for both layout and condition.

Location Map of Comparable Sales



Comparable Mixed-Use Commercial/Residential Property Sales

Sale No.	Address	Date of Sale	Sale Price	Total Building Area (sq. ft.)	Sale Price Per Sq. Ft.	ADJUSTMENTS				Adjusted Sale Price Per Sq. Ft.
						Time	Location	Size	Layout & Condition	
1	363 Yonge Street, Toronto	Apr-07, 2009	$6,980,000	9,500	$735	↑	↑	↑	↑	$1,984
2	410 Bloor Street West, Toronto	Feb-19, 2010	$2,500,000	5,200	$481	↑	↑	↓	↑	$1,714
3	399 Queen Street West, Toronto	Apr-14, 2010	$4,950,000	6,000	$825	↑	↑	↔	↑	$2,111
4	840 Yonge Street, Toronto	Aug-31, 2010	$2,325,000	4,300	$541	↑	↑	↓	↑	$1,922
5	346 Queen Street West, Toronto	Jan-27, 2011	$2,000,000	3,000	$667	↑	↑	↓	↑	$1,983
6	529 Yonge Street, Toronto	Jan-17, 2012	$2,450,000	5,700	$430	↔	↑	↔	↑	$1,612
7	321 King Street West, Toronto	Feb-13, 2012	$4,680,000	5,000	$936	↔	↑	↓	↑	$1,996
8	506-510 Yonge Street, Toronto	Feb-29, 2012	$8,235,000	7,500	$1,098	↔	↑	↔	↑	$1,976
SP	650 Bay Street, Toronto			6,090						

SP = Subject Property

Average Adjusted Sale Price Per Sq. Ft.	**$1,912**
Median Adjusted Sale Price Per Sq. Ft.	**$1,980**

Valuation

A search for sales of mixed use commercial / residential buildings in the City of Toronto revealed five. They are summarized in the preceding pages.

Adjustments made are for time of sale, location, size, layout and condition of each comparable as it relates to the subject. This is detailed within the narration and analysis of each comparable.

Adjusted sale prices for the various comparable properties range from $1,612 to $2,111 per sq. ft. Average adjusted sale price is $1,912 per sq. ft. and the median is $1,980 per sq. ft.

The subject property is a mixed use property that was once a motel. It is being extensively renovated with main floor commercial and upper floors will comprise of 23 short term stay bachelor apartment units. Its location across from the SickKids Research Institute which is currently under construction and scheduled to be completed by 2013 bodes extremely well for the subject property as it will offer short term accommodation to visiting researchers, doctors, corporate executives and so on. Its downtown location and close proximity to other downtown hospitals as well as the major shopping venues, such as Eaton Centre are also positives. Somewhat unique to the subject is also the roof top amenity which is to be used as a roof top lounge that will serve food and beverages.

Taking into consideration that the subject has a higher proportion of short term residential space and its prime main floor commercial space, it is the appraiser's opinion that the prospective market value of the subject is at established at **$1,980 per sq. ft.**, effective May 14, 2012:

Prospective Market Value By Direct Comparison Approach						
Subject Property	6,090	sq. ft. x	$1,980	per sq. ft. =	$	12,058,200
				Rounded to	**$**	**12,060,000**

$12,060,000

(TWELVE MILLION SIXTY THOUSAND DOLLARS)

PART V

INCOME APPROACH

INCOME APPROACH

The Income Approach is based upon our estimate of income that an investor may reasonably expect to earn and then converting or capitalizing this cash flow to a capital value. The two main methods of capitalization used are the Overall Capitalization Rate (OCR) and the Discounted Cash Flow (DCF) methods. The OCR method measures the relationship of value to the net operating income expected for one year, using an analysis of comparable sales of other similar investment properties. The DCF method involves the reasonable estimation of net operating income over a longer investment horizon, based upon a typical market expectation of rental income and expense inflators. The forecast annual net operating income and the reversionary value of the asset are discounted to express the present value using rates as surveyed from the market.

Given typical investment parameters utilized by investors within this market segment, the OCR method has been employed in the valuation of the subject property.

Scope of Income Approach

We have carried out a survey of competing retail and furnished residential suites to obtain pertinent rental data from which 'fair market rent' was determined. We have also reviewed the commercial the leases presently in place on the subject property.

Having regard to our projections made for income, vacancy allowance and operating costs, we have estimated a reasonable projection of net operating income in accordance with Appraisal Standards.

We have interpreted the particular investment characteristics displayed by the subject property and have applied a market derived capitalization rate based upon market expectations to establish the subject's prospective market value.

Subject Property Commercial Leases

Tenant	Unit	Lease Expiry	Renewal Options	Size of Unit	Lease Rate (NET)	Annual Rent
The Onsen Spa	Bsm't	May-31, 2015	None	800	$35.00	$28,000
Remarks:	Lease term of 3 years commencing June 1, 2012. Rent escalates in Yr. 2 to $36.75 per sq. ft. and in Yr.3 to $38.59 per sq. ft.					
Sliced Gourmet	1	Oct-31, 2016	2 x 5 years	1,165	$67.50	$78,638
Remarks:	Rent escalates in Yrs. 3 & 4 to $70 per sq. ft. and in Yr.5 to $75 per sq. ft. First renewal term rents have been negotiated at: Yr.6 = $76.50; Yr.7 = $78.03; Yr.8 = $79.59; Yr.9 = $81.18 and Yr.10 = $82.80 per sq. ft. The second renewal term rents will be renegotiated but not less than $82.80 per sq. ft.					
2287073 Ontario Inc.	2	Oct-31, 2016	Open	420	$75.00	$31,500
Remarks:	Rent escalates in Yr.2 = $78.75; Yr.3 = $82.69; Yr.4 = $86.82 and Yr.5 = $91.16 per sq. ft.					
Piknip Roof Top	Roof	May-31, 2017	None	1,975	$100.00	$197,500
Remarks:	This tenant operates roof top patios and will be setting up a roof top lounge serving beverages and food.					
Orro Mosaic Inc.	Signage	Jun-30, 2012	None	529	$113.42	$60,000
Remarks:	Lease rate of $5,000 per month. 6 month lease begining January 1, 2012. Landlord indicated that they will renew for an additional 6 months at the end of the first term.					

The subject property includes retail space located on the main level and residential space on the upper levels of the buildings with street exposure on Bay Street and/or Elm Street. Leases negotiated are recent and are for 5 year terms, one of which can be extended at fixed rents for an additional 5 years and +5 year extension at current market terms.

Comparable Retail/Commercial Space Rental Data

Index No.	Address	Lease / Sale Date	Rentable Area (sq. ft.)	Net Lease Rate Psf / Annum
1	542-546 College Street	Oct 16, 2008	2,450	$63.50
2	2576-2578 Yonge Street	Oct 27, 2008	2,156	$48.00
3	372 Yonge Street	Mar 27, 2009	2,100	$42.86
4	409 Queen Street West	Apr 09, 2009	769	$110.00
5	409 Queen Street West	Apr 09, 2009	3,400	$62.00
6	252 Carlton Street	Apr 09, 2009	840	$55.36
7	356 King Street West	Jun 22, 2011	978	$80.00
8	101 Yorkville Avenue, #102	Jul 05, 2011	676	$73.00
9	83 Yorkville Avenue	Aug 19, 2011	2,407	$70.00
10	101 Yorkville Avenue, #103	Sep 15, 2011	476	$70.00
11	70 Yorkville Avenue	Oct 15, 2011	714	$75.00
12	2011 Yonge Street	Nov 14, 2011	2,052	$60.00
13	247 Yonge Street	Current	8,230	$84.75
			Average Rent	**$68.81**
			Median Rent	**$70.00**

Comparable Short Term Stay Accommodation Rates

Index No.	Address	Apartment Type	Daily Rent	Weekly Rent
1	1150 Queen Street West - Drake Hotel	Bachelor	$189.00	$1,323.00
2	1 King Street West - One King	Bachelor	$95.00	$665.00
3	1214 Queen Street West - Gladestone Hotel	Bachelor	$165.00	$1,155.00
4	350-390 Queens Quay West - The Maple Leaf	1 B/R + Den	$109.00	$728.00
5	736 Bay Street - Conservatory Tower	1 B/R	$119.00	$798.00
6	50 John Street - Rosemont	Bachelor	$105.00	$735.00
7	38 Elm Street	1 B/R	$80.00	$560.00
8	200 Victoria Street - Pantages	Studio	$90.00	$630.00
9	955 Bay Street - Apartments on Bay	Studio	$90.00	$630.00
10	165 Grange Avenue - The Grange Apartment Hotel	Bachelor	$65.00	$455.00
11	592 Shebourne Street - Clarion Hotel and Suites Shelby	Single	$79.00	$553.00
		Average Rent	**$107.82**	**$748.36**
		Median Rent	**$95.00**	**$665.00**

Economic (Market) Rent

Reference should be made to the chart of market rental data for retail/commercial space above.

Retail/Commercial Space

The survey of all comparable retail rents range from $42.86 to $110.00 per sq. ft. per annum net, representing a wide range that is reflective of the age, condition, size and location of each of the comparables. These are current leases within the general location of the subject property. From the survey, it is apparent that the lease rates for smaller sized units typically command a higher per unit rate when compared to larger sized units. The average lease rate is $68.81 per sq. ft. and the median is $70.00 per sq. ft.

The contract rents of the subject property set for the first year range from $67.50 per sq. ft. net for the larger space and $75.00 per sq. ft. net for the smaller space. It is noted that both leases have rent escalations negotiated in them. The basement has a lower rent of $35.00 per sq. ft. and the roof top has been successfully rented at $100.00 per sq. ft. which is to be utilised as a roof top patio style lounge serving beverages and food. Based on the survey of competing rents, the appraiser is of the opinion that the contract rents for the commercial retail space in the subject property are within the range surveyed. We have therefore accepted the rents as representative of 'fair market rent' and applied them to derive revenue for the retail space.

Competitive Short Term Stay Accommodation Rates

In determining the 'fair market rate' for the subject property, the appraiser has surveyed competitive short term stay accommodation rates in downtown Toronto and are referenced in the table above.

The subject property will offer 23 fully furnished bachelor style apartment units which will be offered for rent on a daily, weekly or monthly basis. In comparing the subject apartment units to that available in the market place for short term rent, the appraiser has considered professionally managed, fully furnished apartments in condominium buildings and hotels.

Of the comparables surveyed, Drake Hotel (Index No. 1) and Gladstone Hotel (Index No. 3) have mostly smaller rooms of 150 sq. ft. (similar in area to the subject), with a few larger 'suites'. Neither The Gladstone nor The Drake has a kitchenette in their rooms for extended stay. The classic rooms at The Gladstone start at $165 per night and the 'Crashpad's' at the Drake start at $189 per night. These equate to $1,155 to $1,323 per week.

ONE KING (Index No. 2) offers in-room kitchenettes. The rate for a studio room works out to $95 per night or more or less $665 per week.

Index Nos. 4 to 6 comprises fully furnished apartment units within a residential condominium building that are offered for short term stay accommodation. Amenities included in these facilities are typical of which are offered within a modern residential condominium building and though some have weekly availability, most have minimum stay requirements of a month. These range from $105 to $109 per night and $728 to $798 per week.

Index Nos. 7 to 11 includes boutique style hotels and older style apartment / hotel buildings. Rates range from $65 to $90 per night and $455 to $630 per week.

Of interest, Delta Chelsea Hotel offers a corporate rate of $150 per night for a Delta Room, Holiday Inn Bloor Yorkville has a standard room for $129.99 per night. Other Guest Houses or Inns in the downtown area advertise rates ranging from $55 to $125 per night and $350 to $560 per week depending on the location, condition and amenities offered.

It should also be noted that the rates quoted are seasonal, going higher during the busy seasons.

Conclusion

Our survey of comparable furnished apartment rents range from $455 to $1,323 per apartment per week representing a reasonable range that is reflective of the age, condition, location and amenities offered for each of the comparables. Average rent for the various comparables is $748.36 per week and the median is $665.00 per week for the comparables referred to herein.

Projected weekly rates for the subject property are $550.00 per week, which falls within the range of the comparables surveyed. Though below the overall median rate of $665 per week, the appraiser is of the opinion that the projected rent is realistic given the subject's location, size of the apartment units and amenities offered as well as the competitive nature of what is available in the market place. For purposes of this appraisal, the appraiser has used the projected rate of $550.00 per week to calculate rental income for the subject property.

Wall Signage

Wall advertising revenue is based on the contract signed with Orro Mosaic Inc. and is considered to be realistic given the exposure of the subject property.

Vacancy and Credit Loss

In the proforma for the subject property, a vacancy rate of 3.30% of Effective Gross Income to reflect potential vacancy within the building. Since the subject property is substantially 'residential use', we find that the projection of 3.30% reasonable for both vacancy and any bad debt that would arise.

Stabilized Operating Expenses

The procedure of analyzing operating expenses involves an examination of amounts expended in previous years; the trends indicated to date; the current costs in each classification and the probable trends in the foreseeable future. The resulting amount represents the forecasted annual expenditure based upon typical operating conditions and on current prices. The best source of information for preparing a reconstructed statement is the actual (if possible audited) financial statements for the past several years. Since the subject property is a redevelopment, no financial statements are available. Estimated expenses for the subject are made based on some known expenditures for the subject in addition to that available to us based on our ongoing analysis of similar properties.

Management

A management fee of $41,284 is projected in the proforma provided to us. This is equivalent to ±5.281% of Effective Gross Income which is deemed appropriate for this type of property. Management is also anticipated to be minimal for this type of property as the apartments would likely be rented to corporate clients in batches (several units) for several months at a time.

Structural Repairs and Maintenance

All buildings require maintenance to maintain them in stable condition. In addition to cosmetic needs, they require maintenance to parts of the building fabric and equipment. Such maintenance can involve regular service to the heating system, safety systems and less apparent items such as repairs to caulking and attention to roof flashing. This includes periodic structural changes such as roof replacement over the life of the building. We consider an allowance of 2% of Effective Gross Income as suitable for this property.

Other Expenses

Maintenance & Repairs

This item is for the maintenance of the apartment units and includes items such as bed linen, pillows and so on and is estimated at $500 per apartment for a total of $11,500 per annum. Also included in this item is maintenance and repairs of the building which is estimated at $2,500 per annum. This is considered realistic since the building is going through an extensive renovation where most of the building components will be new. These also include day to day expenses for wear and tear that may occur and are separate from Structural Repairs referred to above.

Professional Fees

This item refers to expenses required for professional services to maintain the operation at specific standards. The amount projected is also to cover legal expenses incurred in day to day operations as well as book-keeping for the operation. This includes filing of financial statements to Revenue Canada and other parties which have to be prepared by a certified accountant.

Property Taxes

Property taxes estimated by the owner are based on a percentage increase over last year's taxes as a 'hotel' property. However, once all upgrading/renovation of the subject property are completed, there will be a reassessment of the property by Municipal Property Assessment Corporation (MPAC). We have recalculated property taxes based on our on-going experience in estimating property taxes for other projects and have therefore adjusted the property owner's estimate of $40,000 per year for the residential portion to $48,000 per year, a ±20% adjustment.

Utilities

This expense is self-explanatory referring to cost of water, gas and hydro for the residential portion only.

Cable / Internet

Payment made to the communications company that provides service to the residential portion only.

Insurance

Covers fire insurance for the residential portion only.

Stabilized Income and Expense Statement

Based upon the preceding comments, a Stabilized Income and Expense Statement has been developed for the subject property as set out on the following page.

STABILIZED INCOME AND EXPENSE STATEMENT

650 Bay Street, City of Toronto, Ontario

					Projection
Net Rental Income					
Basement:	800 sq. ft @	$ 35.00	per sq. ft. net	$	28,000
Main Floor Commercial:	1,165 sq. ft @	$ 67.50	per sq. ft. net	$	78,638
Main Floor Commercial:	420 sq. ft @	$ 75.00	per sq. ft. net	$	31,500
Apartment Rents:	23 apartments @		$ 550 per week	$	657,800
Roof Top Rent:	1,975 sq. ft @	$ 100.00	per sq. ft. net	$	197,500
Wall Signage:	$ 5,000 per month			$	60,000
TOTAL RENTAL				**$**	**1,053,438**
Less: Vacancy & Bad Debt Allowance @		3.3%		$	34,763
Effective Gross Income (EGI)				$	1,018,674
Operating Expenses					
Management Fee (% of EGI) :	4.05%			$	41,284
Structural Repairs & Maintenance (% of EGI):	2%			$	20,373
Maintenance & Repairs				$	14,000
Professional Fees				$	2,700
Property Tax (Residential Portion only)				$	48,000
Utilities (Residential Portion only)				$	36,000
Cable/Internet (Residential Portion only)				$	6,000
Insurance (Residential Portion only)				$	12,000
TOTAL EXPENSES				$	180,357
NET OPERATING INCOME				**$**	**838,317**
Percentage Operating Expenses to Effective Gross Income					18%

Capitalization Rates on Commercial Properties

No.	Property	Date of Sale	Building (Sq. Ft.)	Sale Price	Cap Rate
1	257 King Street East, Toronto	Mar-25, 2009	2,615	$1,235,000	7.40%
2	372 Yonge Street, Toronto	Mar-27, 2009	4,200	$2,600,000	6.90%
3	409 Queen Street West, Toronto	Apr-06, 2009	7,369	$5,200,000	6.10%
4	252 Carlton Street, Toronto	Apr-09, 2009	7,756	$1,515,000	8.10%
5	283 Spadina Avenue, Toronto	Aug-24, 2009	22,345	$6,710,000	4.50%
6	647 College Street, Toronto	Dec-01, 2009	6,000	$1,700,000	8.30%
7	247 Yonge Street, Toronto	Dec-18, 2009	8,230	$6,900,000	7.70%
8	567 Queen Street West, Toronto	Jan-28, 2010	15,312	$5,150,000	5.00%
9	1901 Eglinton Avenue West, Toronto	Aug-30, 2010	10,650	$2,400,000	6.40%
10	672 Queen Street East, Toronto	Mar-16, 2011	6,282	$1,245,000	7.70%
				Average	**6.81%**
				Median	**7.15%**

Summary

- The chart of capitalization rates above show a market derived overall average capitalization rate of 6.81% and a median of 7.15%;
- The subject is a relatively small investment property;
- The subject property is located in the heart of the downtown district within walking distance to several hospitals, Eaton Centre and the University of Toronto and Ryerson;
- The SickKids Research Institute currently under construction adjacent the subject and projected to be completed by 2013 will have a significant positive influence on the subject;
- The subject property, previously a motel, is being extensively renovated and remodelled with retail/commercial on the main floor + 23 fully furnished apartment units on the upper floors will be in excellent condition once renovations are completed;
- The subject's zoning which allows for 7.8 time total density is also considered to be a positive factor for potential expansion in the future when conditions are right;
- ±74% of space within the subject property is residential in nature and capitalization rates for walk-up residential apartment buildings in Toronto surveyed by the appraiser average 5.5%.

There was limited information on small commercial / residential capitalization rates in close proximity to the subject property. As such, it was necessary to expand the search to include capitalization rates in other competing neighbourhoods such as those identified in the chart above.

Based on the foregoing comments, we are of the opinion that a suitable capitalization rate for the subject property should be in the lower end of the range at 5.50% to 6.50% and a rate of **6.00%** is considered suitable for the subject property in determining its market value via the Income Approach given the subject property's mixed use, location, size and overall condition.

Capitalizing the Net Income

Capitalization of Net Income			
Relevant Factors :	Subject's Net Income Overall Capitalization Rate – (Ro)		
Formula :	Subject's Net Income / Capitalization Rate	=	Value

Therefore the prospective market value of the subject property using the Income Approach to value is calculated as follows as of May 14, 2012.

Prospective Market Value By Income Approach			
Net Operating Income:	$ 838,317	=	$ 13,971,950
Capitalization Rate:	6.00%		
		Rounded to	**$ 13,970,000**

$13,970,000

(THIRTEEN MILLION NINE HUNDRED SEVENTY THOUSAND DOLLARS)

RECONCILIATION & FINAL ESTIMATE OF PROSPECTIVE MARKET VALUE

Two approaches to value have been applied to the subject. They are the Direct Comparison Approach and the Income Approach. The derived values are:

Direct Comparison Approach	**$12,060,000**
Income Approach	**$13,970,000**

Direct Comparison Approach

In this approach to value, there were limited transactions involving comparable mixed-use properties that were in close proximity to the subject. Therefore, the search was expanded to include sales of mixed-use properties in competing municipalities. No two properties are similar therefore to make a reasonable comparison of them to the subject requires adjustment to the sale price.

In the appraiser's view, this is the secondary approach to value and it establishes the lower limit of the two approaches to value that have been used in this appraisal.

Income Approach

The Income Approach is the more reliable method and is considered to be the primary approach in this valuation because this is an income producing property. Market rents were used to support the retail/commercial rents as achieved and projected apartment rents have been compared to rates established by competing establishments. Therefore, in our opinion the income that can be generated from the subject property is reasonably reliable and market derived capitalization rates have been applied to provide a value conclusion via this approach.

Final Estimate of Prospective Market Value

In the final analysis the appraiser has leaned towards the Income Approach to value for reasons stated above and established the final prospective market value of the subject property.

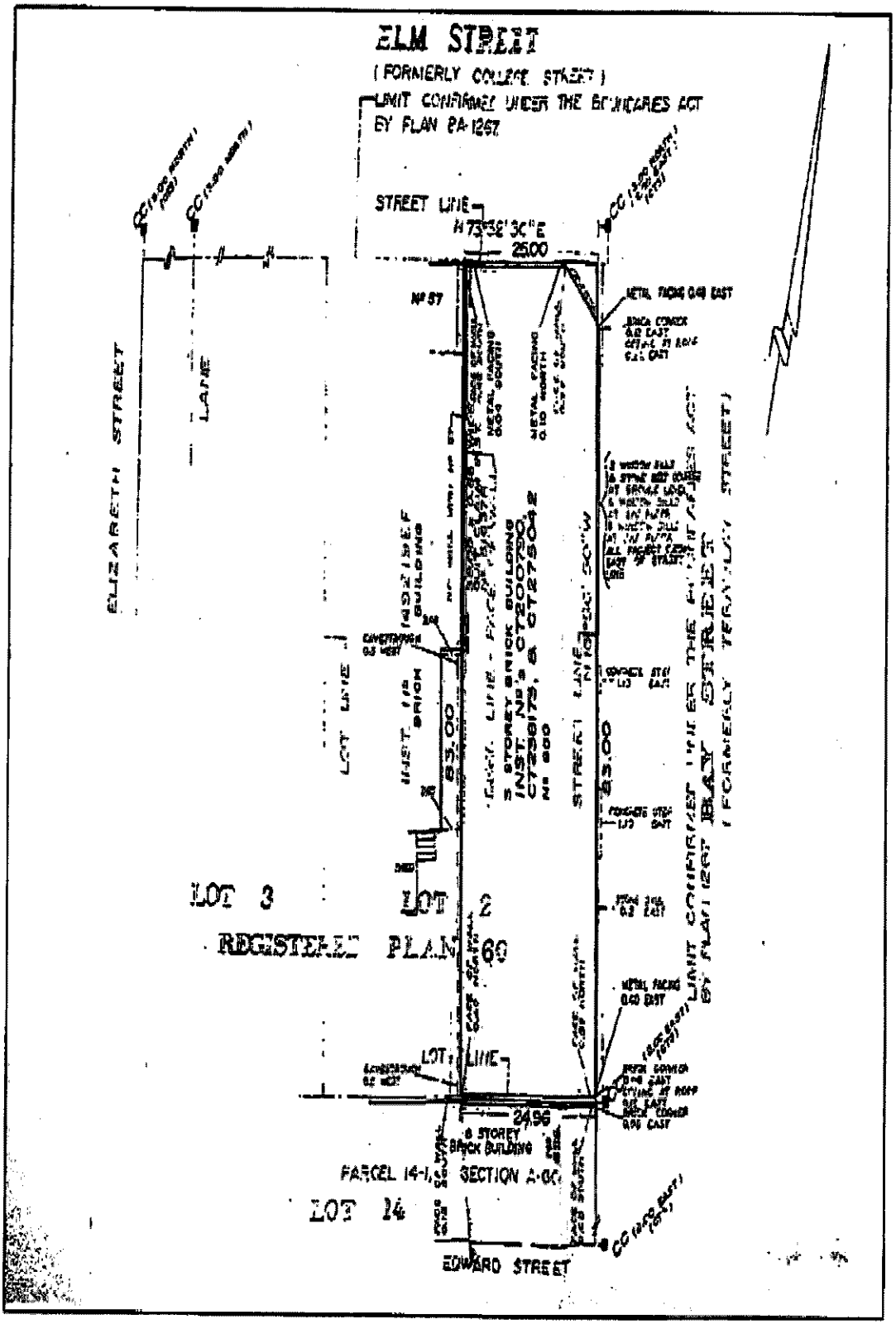
In our opinion the prospective market value of the subject property, effective May 14, 2012 is:

$13,970,000

(THIRTEEN MILLION NINE HUNDRED SEVENTY THOUSAND DOLLARS)

APPENDIX A

SURVEY OF SUBJECT SITE


ELM STREET
(FORMERLY COLLEGE STREET)
LIMIT CONFIRMED UNDER THE BOUNDARIES ACT
BY PLAN BA-1267
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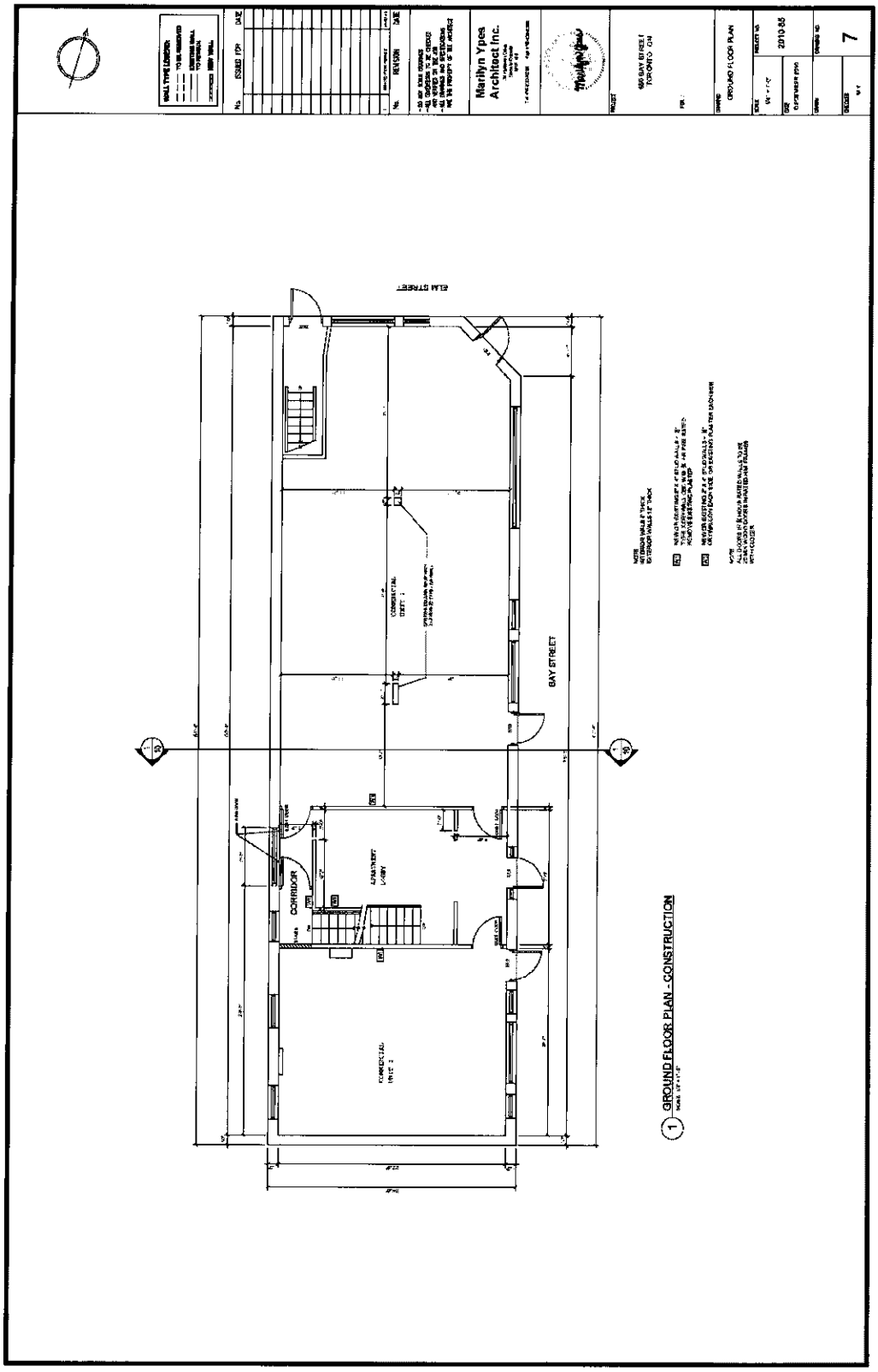
25.00
ELIZABETH STREET
LANE
LOT LINE
83.00
STREET LINE
83.00
BAY STREET
(FORMERLY TERAULAY STREET)
LIMIT CONFIRMED UNDER THE BOUNDARIES ACT
BY PLAN 1267
LOT 3
LOT 2
REGISTERED PLAN 60
LOT LINE
24.96
LOT 14
EDWARD STREET

APPENDIX B

SITE / ARCHITECTURAL PLANS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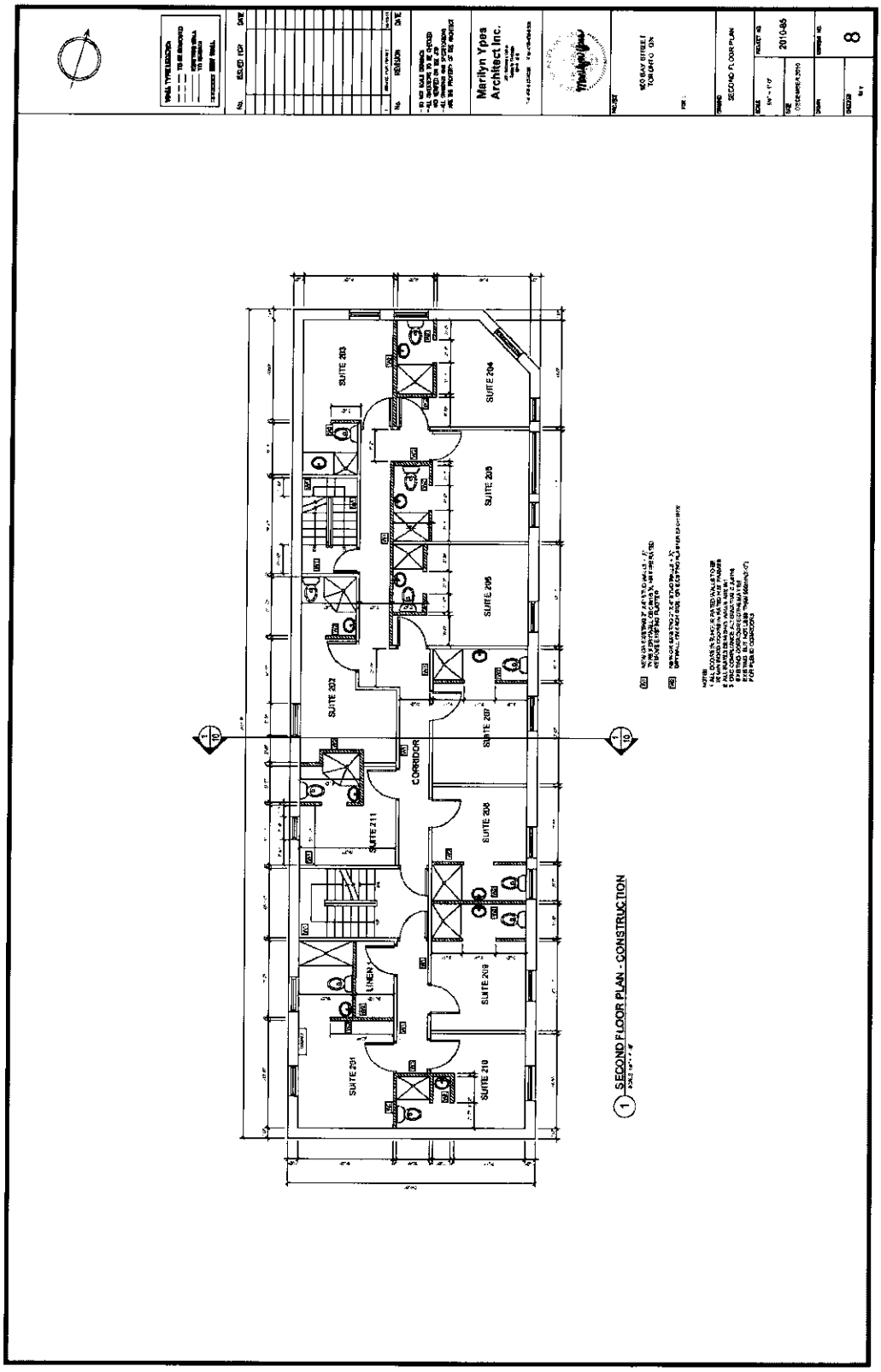
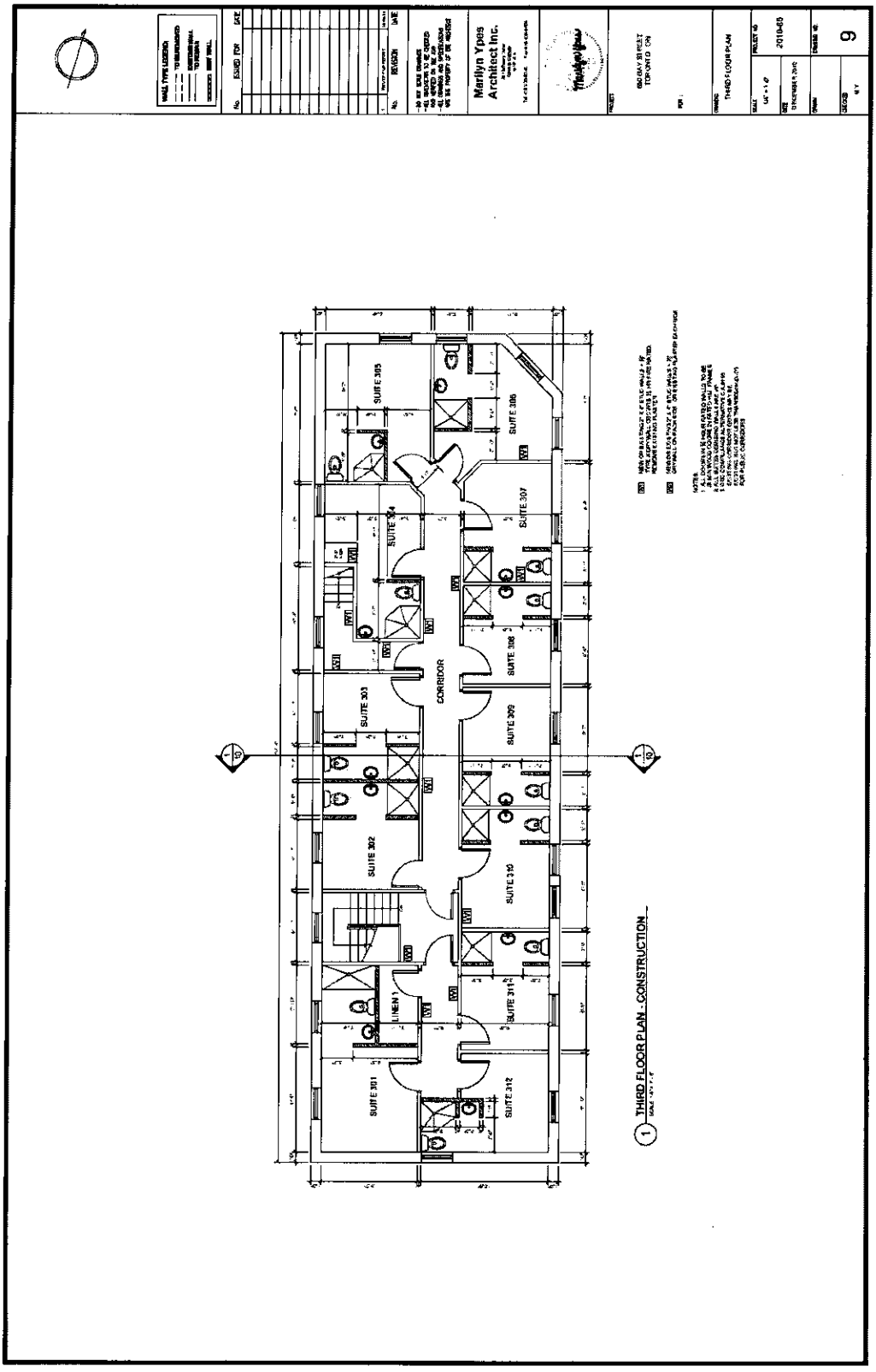
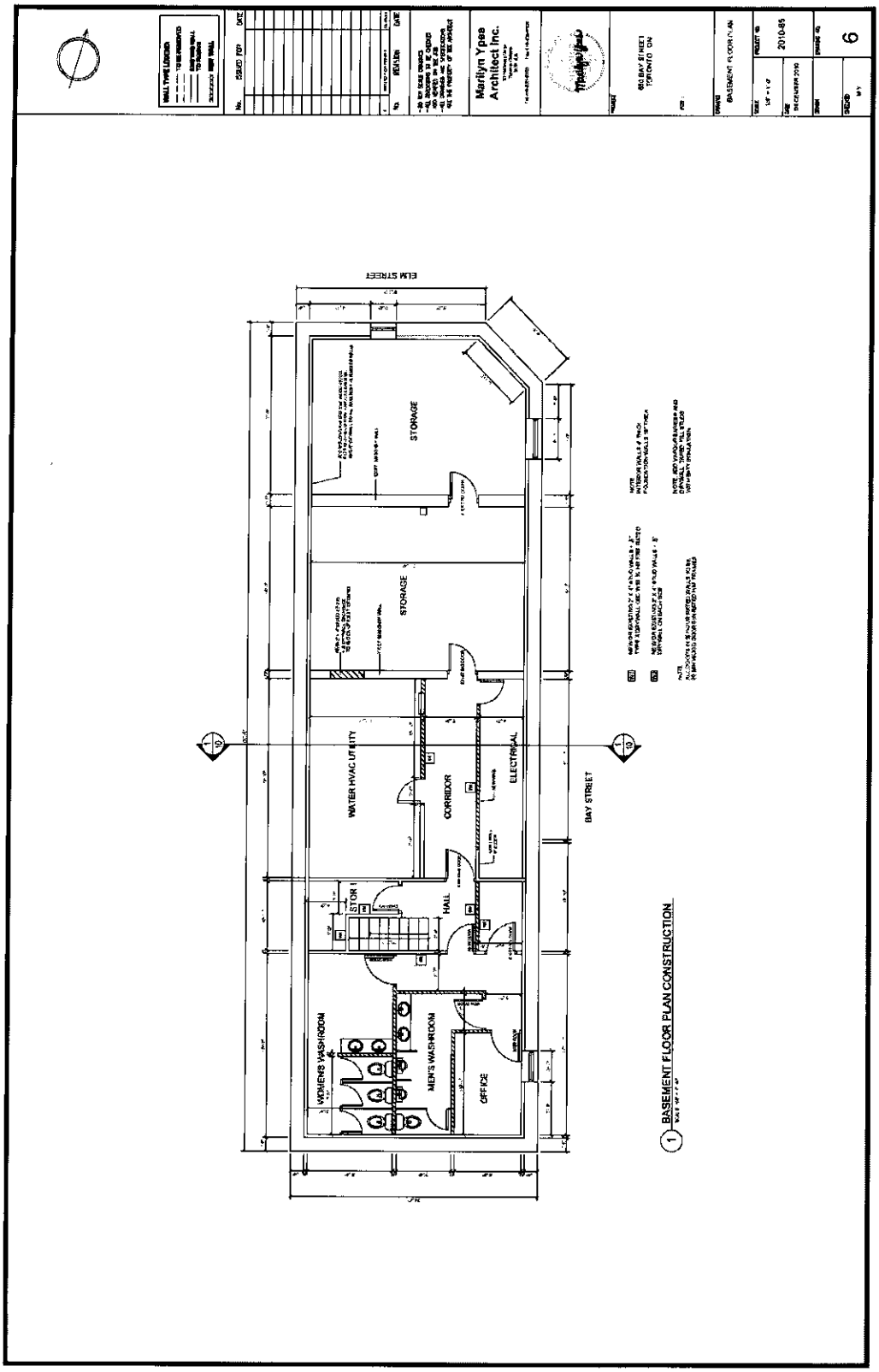
BAY STREET
CORRIDOR
APARTMENT LOBBY
COMMERCIAL UNIT 1
COMMERCIAL UNIT 2
Marilyn Ypes Architect Inc.
690 BAY STREET TORONTO ON
GROUND FLOOR PLAN
2010-05
7
1 GROUND FLOOR PLAN - CONSTRUCTION


Marilyn Yves Architect Inc.
SECOND FLOOR PLAN
SUITE 203
SUITE 204
SUITE 205
SUITE 206
SUITE 207
SUITE 208
SUITE 209
SUITE 210
SUITE 211
SUITE 212
CORRIDOR
LINEN
1 SECOND FLOOR PLAN - CONSTRUCTION


Marilyn Yves Architect Inc.
SUITE 305
SUITE 306
SUITE 307
SUITE 304
SUITE 308
CORRIDOR
SUITE 303
SUITE 309
SUITE 302
SUITE 310
LINEN
SUITE 311
SUITE 301
SUITE 312
1 THIRD FLOOR PLAN - CONSTRUCTION


ELM STREET
BAY STREET
STORAGE
STORAGE
WATER HVAC UTILITY
CORRIDOR
ELECTRICAL
HALL
STOR
WOMENS WASHROOM
MEN'S WASHROOM
OFFICE
Marilyn Ypes Architect Inc.
60 BAY STREET TORONTO ON
BASEMENT FLOOR PLAN
2010-05
6
1 BASEMENT FLOOR PLAN CONSTRUCTION

APPENDIX C

QUALIFICATIONS OF APPRAISER

JOHN R. Le'COUNT, MIMA, AACI, P.App.
PRESIDENT
STRY APPRAISALS INTERNATIONAL LIMITED

EDUCATION

- **Queen's University** (3-year Extension Course)
  "Property Assessment – Practice and Principles"
  Granted MIMA Designation
  Awarded the Municipal World Award for outstanding scholarship in the above course in Ontario

- **Appraisal Institute of Canada**
  Granted AACI, P.App., Designation
  Certificate No. 1822 issued July 4th, 1977
  Qualified to do appraisals of all types of real estate

- **Seneca College of Applied Arts and Technology**
  Economic Course (Micro and Macro)

- **British Institute of Engineering Technology**
  Diploma in Company Secretaryship

DESIGNATIONS

- MIMA (Member of the Institute of Municipal Assessors of Ontario)
  AACI, P.App. (Accredited Appraiser Canadian Institute)

OTHER

- Former Part-time member (Adjudicator) of the Assessment Review Board (Attorney General's Office, Province of Ontario)

EXPERIENCE

- 1967 – 1986 **Marathon Realty Company Limited**
  Assistant to Executive Vice President
  Director of Sales
  Operations Manager (Land) for Ontario and Manitoba

- 1986 – 1989 **York Hannover Developments Limited**
  Director of Leasing
  Director of Land Sales

- 1989 – 1990 **The Manufacturers Life Insurance Company**
  Real Estate Investment Director – North America

- 1990 – 1991 **City of Etobicoke**
  Director of Realty Service

- 1991 – Present **Fee Appraiser**

APPENDIX D

ASSUMPTIONS AND LIMITING CONDITIONS

ASSUMPTIONS AND LIMITING CONDITIONS

This report is prepared at the request of **Royal Bank of Canada** for the purpose of an appraisal at prospective market value. It is not reasonable for any person or company other than **Royal Bank of Canada** to rely upon this appraisal without first obtaining written authorization from us. There may be qualifications, assumptions or limiting conditions in addition to those set out below relevant to that person's identity of his intended use. This report is prepared on the assumption that no other person will rely on it for any other purpose and that all liability to all such persons is denied.

1. While expert in appraisal matters, the author is not qualified and does not purport to give legal advice. It is assumed that:

   a. a legal description as set out herein is correct;
   b. title to the property is good and marketable;
   c. there are no encroachments, encumbrances, restrictions, leases or covenants that would in any way affect the valuation, except as expressly noted herein;
   d. the existing use is legally conforming use which may be continued by any purchaser from the existing owner;
   e. rights of way, easements or encroachments over the real property and leases or other covenants noted herein are legally enforceable.

   Because these assumptions have been made, no investigation, legal or otherwise, has been undertaken which would verify these assumptions except as expressly noted herein.

2. The author is not a qualified surveyor and no legal survey concerning the subject property has been provided.

3. The author is not qualified to give engineering advice. It is assumed that there are no patent or latent defects in the subject improvements, that no objectionable materials such as Urea Formaldehyde Foam are present, that they are structurally sound and in need of no immediate repairs, unless expressly noted within this report. No soil tests have been done nor have tests been done of the heating, plumbing, electrical, air-conditioning or other systems and, for the purpose of this opinion, they are assumed to be in good working order.

4. No investigation has been undertaken with the local zoning office, the fire department, the building inspector, the health department or any other government regulatory agency unless such investigations are expressly presented to have been in this report. The subject property must comply with such government regulations and, if it does not comply, its non-compliance may affect prospective market value. To be certain of compliance, further investigations may be necessary.

5. Neither possession of this report nor a copy carries with it the right of publication. All copyright is reserved to the author and is considered confidential by the author and his client. It shall not be disclosed, quoted from or referred to, in whole or in part, or published in any manner, without the express written consent of the appraiser; subject only to confidential review by the Appraisal Institute of Canada.

6. Market data has been obtained in part from documents at the Land Registry Office, or as reported by the real estate board. As well as using such documents and generally reliable evident of market transactions, it was also necessary to rely on hearsay evidence.

7. Because market conditions, including economic, social and political factors, change rapidly and, on occasion, without warning, the market value expressed as of the date of this appraisal cannot be relied upon to estimate the market value of any other date except with further advice of the appraiser.

8. The compensation for services rendered in this report does not include a fee for court preparation or court appearances, which must be negotiated separately. However, neither this nor any other of these limiting conditions is an attempt to limit the use that might be made of this report should its property become evident in a judicial proceeding. In such case, it is acknowledged that it is the judicial body which will decide the use the report which best serves the administration of justice.

9. This is a Prospective Narrative Appraisal Report which is intended to comply with the reporting requirements set forth under Standard Rules of the Uniform Standards of Professional Appraisal Practice for such reports. As such, it includes full discussions of the data, reasoning, and analyses that were used in the appraisal process to develop the appraiser's opinion of value. Supporting documentation concerning the data, reasoning, and analyses is retained in the appraiser's file. The information contained in this report is specific to the needs of the client and for the intended use stated in this report. The appraiser is not responsible for unauthorized use of this report.

10. The appraiser is not qualified to comment on environmental issues that may affect the prospective market value of the property appraised, including but not limited to pollution or contamination of land, buildings, water, groundwater or air. Unless expressly stated, the property is assumed to be free and clear of pollutants and contaminants, including but not limited to moulds or mildews or the conditions that might give rise to either, and in compliance with all regulatory environmental requirement, government or otherwise, and free of any environmental condition, past, present or future, that might affect the prospective market value of the property appraised. If the party relying on this report require information about environmental issues then that party is cautioned to retain an expert qualified in such issues. We expressly deny any legal liability relating to the effect of environmental issues on the prospective market value of the property appraised.

11. This report cannot be used for the purpose referred to in this report until (a) our fee is paid in full and (b) it contains the original signature of the appraiser.

APPENDIX E

CERTIFICATION

CERTIFICATION

I certify that, to the best of my knowledge and belief:

1. An inspection of the subject property municipally described as 650 Bay Street, City of Toronto, Ontario was carried out on May 14, 2012. At that time the land was inspected and photographs were taken of the site and the neighbourhood.

2. The statements of fact contained in this report are true and correct.

3. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and is my personal, unbiased professional analyses, opinions and conclusions.

4. I have no present or prospective interest in the property that is the subject of this report and I have no personal interest or bias with respect to the parties involved.

5. My engagement in and my compensation for this assignment were not contingent upon developing or reporting predetermined results, the amount of the value estimate, or a conclusion favouring the client.

6. I have the knowledge and experience to complete the assignment competently.

7. This appraisal was not based on a requested minimum valuation, a specific valuation, or the approval of a loan.

8. My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Canadian Uniform Standards of Professional Appraisal Practice.

9. No one provided significant professional assistance to the person signing this report.

10. The reported analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and the Canadian Uniform Standards of Professional Appraisal Practice established by the Appraisal Institute of Canada.

11. The use of this report is subject to the requirements of the Appraisal Institute of Canada relating to review by its duly authorized representatives.

12. As of the date of this report, the undersigned has fulfilled the requirements of The Appraisal Institute of Canada's Continuing Professional Development Program for designated members.

13. The estimated prospective market value of the real estate as of the effective date of appraisal of May 14, 2012 is:

$13,970,000

(THIRTEEN MILLION NINE HUNDRED SEVENTY THOUSAND DOLLARS)

and is subject to the assumptions and limiting conditions contained in the body of the report.

Date

John R. Le'Count, MIMA, AACI, P. App.
President
STRY APPRAISALS INTERNATIONAL LIMITED

This is Exhibit "F" to the Affidavit of
Evan Karras sworn before me this
Day of June 2017.

A Commissioner etc.

SHARE PURCHASE AGREEMENT

THIS AGREEMENT is made on the 20th day of July, 2010.

BETWEEN:

NAHEEL SULEMAN, an individual residing in the City of Mississauga, Province of Ontario

OF THE FIRST PART

(referred to herein as the **"Purchaser"**)

And

EVAN KARRAS, an individual residing in the City of Toronto, Province of Ontario

OF THE SECOND PART

(referred to herein as the **"Vendor"**)

RECITALS:

(a) **WHEREAS** the Vendor is the registered and beneficial owner of one thousand (1,000) common shares in the capital of 2220277 Ontario Inc., a corporation formed under the *Business Corporations Act* (Ontario) (the **"Corporation"**);

(b) **AND WHEREAS** the Vendor wishes to sell and the Purchaser wishes to purchase from the Vendor 300 of the Vendor's 1,000 common shares (the **"Purchased Shares"**), effective as of 11:00 a.m. on **July 20, 2010** (the **"Effective Date"**) subject to the terms of this Agreement;

NOW THEREFORE for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

1. **Purchase and Sale**

Subject to the terms and conditions of this Agreement, the Vendor shall sell and the Purchaser shall purchase, effective on the Effective Date, all right, title and interest in and to the Vendor's ownership of the Purchased Shares.

2. Purchase Price

The total purchase price for the Purchased Shares shall be $1,125,000.00 to be paid to the Vendor as follows:

(a) The sum of $50,000.00 by certified cheque or bank draft on the Effective Date;
(b) The sum of $350,000.00 by certified cheque or bank draft to be paid by no later than July 30, 2010; and
(c) The sum of $725,000.00 by certified cheque or bank draft to be paid no later than October 29, 2010 (collectively the "Closing Funds").

In the event that the sum of $350,000.00 is not paid by the Purchaser to the Vendor on or before July 30, 2010, then the balance of the Purchased Shares (i.e. 286.67 common shares) shall revert back to the Vendor.

In the event that the sum of $725,000.00 is not paid by the Purchaser to the Vendor on or before October 29, 2010, then the balance of the Purchased Shares (i.e. 193.34) shall revert back to the Vendor.

In the event the Corporation obtains and receives new financing, the Purchaser agrees that the Vendor shall be entitled to receive the proceeds of such financing to the extent of the amount due and owing to the Vendor from the sale of the Purchased Shares, at that time. In this event, the Purchaser will have no further responsibility for payment to the Vendor, unless the Vendor does not receive the balance of the funds due in full for the Purchased Shares. The Purchaser shall be solely responsible for that portion of the debt and in that event, will not receive shares back to the Vendor.

3. Conveyance

The purchase and sale transaction contemplated by this Agreement shall take effect on the Effective Date and shall be completed upon receipt of all of the Closing Funds by the Vendor. Upon receipt of all of the Closing Funds, the Vendor shall transfer to the Purchaser all of the Vendor's respective rights and interest in the Purchased Shares. The Vendor and Purchaser both agree that they may each assign their respective shares to a corporate entity owned or controlled by them.

4. Representations and Warranties of Vendor

The Vendor represents and warrants to the Purchaser as stated below and acknowledges that the Purchaser is relying on the accuracy of each such representation and warranty in entering into this Agreement and completing the purchase of the Purchased Shares.

a) **Authority.** The Vendor is an individual, at least 18 years of age, with full power and authority to execute and deliver this Agreement and to consummate the sale of the Purchased Shares. The execution and delivery of this Agreement and the consummation of the sale of the Purchased Shares have been duly and validly authorized by the Vendor

and no other proceedings on the part of the Vendor are necessary to authorize this Agreement or the sale of the Purchased Shares contemplated by this Agreement.

b) **Enforceability.** This Agreement has been duly and validly executed and delivered by the Vendor and is a valid and legally binding agreement of the Vendor enforceable against the Vendor in accordance with its terms, subject, as to enforcement, to bankruptcy, insolvency and other laws affecting creditors' rights generally and to general principles of equity.

c) **Resident Canadian.** The Vendor is not a non-resident of Canada within the meaning of the *Income Tax Act* (Canada).

d) **Good and Marketable Title to Purchased Shares.** The Vendor legally and beneficially owns and controls his interest in the Purchased Shares with a good and marketable title, free and clear of any liens, pledges, charges, mortgages, encumbrances and other security interests or claims of others.

e) **Rights of Third Party.** No third party has any agreement or option or right capable of becoming an agreement or option for the purchase or acquisition of the Purchased Shares.

f) **No Order, Injunction, Decree.** There is not now any order, injunction, decree, agreement or other instrument binding upon the Vendor or, to the best of the Vendor's knowledge, any statute, rule or regulation that will be violated by the execution and delivery of this Agreement or will prevent the performance or satisfaction by the Vendor of any term or condition of this Agreement.

g) **Governmental Approvals.** All governmental, regulatory, corporate and other consents and approvals necessary or appropriate in respect of the transfer of the Purchased Shares have been obtained.

h) **No Other Purchase Agreements.** No other person has any agreement, option, understanding or commitment, or any right or privilege (whether by law, pre-emptive or contractual) capable of becoming an agreement, option or commitment, including convertible securities, warrants or convertible obligations of any nature, for the purchase from the Vendor of the Purchased Shares.

5. Representations and Warranties of Purchaser

The Purchaser jointly and severally represent and warrant to the Vendor as stated below and acknowledge that the Vendor is relying on the accuracy of each such representation and warranty in entering into this Agreement and completing the sale of the Purchased Shares.

a. **Status.** The Purchaser is an individual, at least 18 years of age, with full power and authority to execute and deliver this Agreement snd to consummate the purchase of the Purchased Shares.

b. **Enforceability.** This Agreement has been duly and validly executed and delivered by the Purchaser and is a valid and legally binding agreement of the Purchaser enforceable against the Purchaser in accordance with its terms, subject, as to enforcement, to bankruptcy, insolvency and other laws affecting creditors' rights generally and to general principles of equity.

6. Financial Matters

All material financial transactions of the corporation have been properly recorded in its books and records, which have been maintained in accordance with generally accepted accounting principles in effect in Canada at the relevant time, including, without limitation, the accounting recommendations published in the Handbook of the Canadian Institute of Chartered Accountants, and all other applicable legal and accounting requirements and good business practice. Such books and records accurately reflect in all material respects the basis for the financial condition and the revenues, expenses and results of operations of the Corporation since incorporation.

7. Indemnity of Vendor and Purchaser

The Vendor shall indemnify and hold harmless the Purchaser at any time and from time to time against any and all losses, liabilities, claims, actions, damages and expenses (including without limitation, reasonable lawyer's fees) arising out of or in connection with any misrepresentation or breach of any warranty made by the Vendor as set out in Section 4 herein.

The Purchaser shall indemnify and hold harmless the Vendor at any time and from time to time against any and all losses, liabilities, claims, actions, damages and expenses (including without limitation, reasonable lawyer's fees) arising out of or in connection with the following:

(a) Any misrepresentation or breach of warranty of the Purchaser as set out in Section 5 herein.
(b) Any breach or non-fulfillment of any covenant or agreement made by the Purchaser in the Purchaser's documents delivered on closing.

The Purchaser acknowledges that the above referenced indemnity shall survive closing.

8. Further Assurances

The parties agree to do, execute and do all such further and other acts, deeds, devises, conveyances and assurances as may be necessary to transfer and convey completely and effectively the Purchased Shares from the Vendor to the Purchaser.

9. General Provisions

a) This Agreement constitutes the entire agreement between the parties with respect to the subject matter and supersedes all prior negotiations and understandings.

b) This Agreement shall enure to the benefit of and be binding upon the parties and their respective heirs, executors, administrators, estate trustees, legal personal representatives and assigns.

c) Time shall be of the essence of this Agreement.

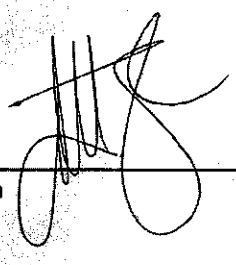
d) This Agreement shall be interpreted in accordance with the laws of the Province of Ontario and the laws of Canada applicable in the Province of Ontario.

e) All money amounts referred to in this Agreement shall be in lawful money of Canada.

f) The representations and warranties in sections 4 and 5 of this Agreement and any other documents delivered under this Agreement shall survive the closing of the transaction of purchase and sale contemplated by this Agreement.

IN WITNESS WHEREOF the parties have duly executed this Agreement.

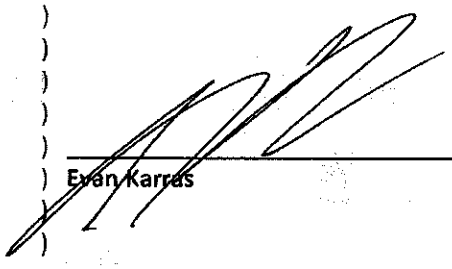
SIGNED, SEALED AND DELIVERED)
In the presence of)



_____) _____
Signature of Witness) **Naheel Suleman**

_____)
Print name of Witness)

SIGNED, SEALED AND DELIVERED)



_____) _____
Signature of Witness) **Evan Karras**

_____)
Print Name of Witness

This is Exhibit "G" to the Affidavit of
Evan Karras sworn before me this
Day of June 2017.

A Commissioner etc.

TERRA FIRMA

August 11, 2011

2220277 Ontario Inc.
c/o AMK Mortgages Ontario Inc.
102-2717 Avenue Road
Toronto, Ontario.
M5M 4B4

ATTENTION:

Dear Sirs:

RE: Second Mortgage Financing for the Renovation of a boutique hotel and ancillary retail uses located at 650 Bay Street, Toronto, Ontario; having a legal description of PT LT 2 L60 TORONTO AS IN CA720524; CITY OF TORONTO, and more particularly described below (the "Property")

TERRA FIRMA REALTY CORPORATION (hereinafter called "Terra Firma" or the "Lender") is pleased to offer to the undersigned Borrower a commitment (the "Commitment") to finance a mortgage loan (the "Facility") upon the security hereinafter provided and subject to the following terms and conditions:

1. **BORROWER:**

2220277 Ontario Inc. (the "Borrower")

2. **GUARANTOR(S):**

Joint and several guarantees from Evan Karras and the Borrower (collectively the "Guarantors")

Refer to the Loan Security section for the particulars applicable to all guarantees.

3. CREDIT PARTIES:

In this Commitment each of the persons, firms, corporations and entities individually comprising each of the Borrower, the Guarantors and, if applicable, the Beneficial Owner and all shareholders of the Borrower and, if applicable, Beneficial Owner(s)), is hereinafter called a "Credit Party" and all such persons, firms, corporations and entities together are hereinafter called the "Credit Parties".

4. PROJECT / SECURED PROPERTY:

A 0.476 acre parcel of land improved by an existing 3 story hotel of approximately 6,000 sf to be renovated into a 23 room boutique hotel, 1,400 sf of first floor retail space leased to a Bakery Restaurant and an approximate 400 sf Lounge (collectively the "Project").

5. PURPOSE OF LOAN:

To provide a second mortgage for the renovation of the Project as detailed above.

6. FACILITY:

The facility to be made available to the Borrower, when not in default and pursuant to the terms and conditions of this Commitment, to be secured by the Security Documents, is the following (the "Facility")

Facility:	$1,500,000.00	**Demand Interim Non-Revolving Loan Facility**
Advance 1 under the Facility:		**Up to $700,000. The amount of Advance 1 of the Facility will be determined by subtracting from the costs incurred to date including the acquisition of the Property as certified by the Cost Consultant, the existing first mortgage in the amount of $2,100,000 (the "VTB") and the Borrower's minimum cash equity requirement of $1,785,000, but in any event not to exceed $700,000. The funding will take place within 10 days from the date of acceptance of this Commitment letter, subject to satisfactory completion of Conditions Precedent to Funding**
Further advances under the Facility:		**Monthly draws against the remaining $800,000 of the Facility on a cost to complete basis as certified by the Cost Consultant.**

All advances shall be subject to compliance with the provisions of the Construction Lien Act, (Ontario) and all other applicable laws and regulations.

7. TERM:

Upon demand. Provided that, if the Lender has not previously demanded repayment, the entire loan amount outstanding, plus any accrued interest and outstanding costs and fees, shall in any event be due and payable 12 months from 1st day of the calendar month next following the date of the initial advance of the Loan (plus the part of the month in which the Loan is advanced), subject to the right of the Lender to demand repayment at any time.

8. INTEREST RATE:

15% per annum, calculated and payable monthly, not in advance, on the portion of advances under the Facility at any point in time during the Term.

9. REPAYMENT:

Interest only monthly, payable in arrears, both before and after demand, default and/or judgment. All payments received by the Lender will be applied first to any costs owing to the Lender, then to interest in arrears, then to the interest, and finally to the principal. Interest on overdue interest shall be calculated at the same rate as interest on advances of the Facility, but shall be compounded monthly both before and after demand, default and/or judgment.

The Facility may be repaid at any time , after the 1st day of the month following the 6th month after the date of Advance 1 under the Facility when not in default and upon 30 days written notice upon payment of all principal, interest and costs outstanding plus a bonus of one (1) month's interest.

10. SOURCES AND USES OF FUNDS:

USE OF FUNDS		**SOURCE OF FUNDS**	
Land Cost	$3,000,000	VTB –First Mortgage Loan	$2,100,000
Hard and Soft Costs for Project	$1,820,000	Terra Firma Facility	$1,500,000
Soft Costs for Project	$225,000	Borrower Cash Equity	$1,785,000
Carrying Costs during construction period of Project	$225,500		
Total	$5,385,000	Total	$5,385,000

The Project proposed costs ("Budget") and source and use of funds are subject to the Lender's approval, and are to be certified by the Project's cost consultant (the "Cost Consultant). The Lender approves the use of Pelican Woodcliff as the Cost Consultant. To the extent that the Cost Consultant approved Budget is less than the budget as outlined above, both the Loan and the other amounts will be reduced proportionately.

Approval for the Facility is based on projected budget costs for the Project as presented to and approved by the Lender. Any material change to the projected costs may, at the Lender's option, render this Commitment null and void or, at the option of the Lender, may be satisfied by the injection of additional equity by the Borrower and/or Guarantors.

11. NON-REFUNDABLE LOAN PROCESSNG FEE:

The Borrower acknowledges and agrees that, upon acceptance of this Commitment , the Borrower shall be required to pay to the Lender and the Lender shall be deemed to have earned a non-refundable Loan Processing Fee (the "Loan Processing Fee") in the sum of $45,000 (3 % of the Facility) representing compensation to the Lender for its efforts and expenditures by its officers, agents and employees in the review and study of documentation pertaining to this transaction, review of appraisals, credit reports, financial statements and other data, and physical inspections of the subject matter of the Security Documents. The Loan Processing Fee is in addition to the Borrower's obligation to pay all costs of this transaction as may be charged by the Lender's solicitors and any fees due to AMK Mortgage Ontario Inc. or any other costs and expenses of the Lender with respect to the Loan. The Borrower further acknowledges and agrees that the Loan Processing Fee shall represent compensation to the Lender only in respect of the original Term of the Facility as stipulated herein, and any extension or renewal of the Facility for any period beyond such original Term shall be subject to such additional fees as may be agreed between the Borrower and the Lender.

The first installment of the Loan Processing Fee, representing .5% of the Facility, being the sum of $7,500, shall be immediately payable

The further sum of $30,000, representing 2% of the Facility balance, shall be payable upon acceptance of this Commitment.

The remainder of the Loan Processing Fee representing .5% of the Facility balance, being the sum of $7,500 shall be payable by way of deduction from Advance 1 under the Facility.

12. LOAN SECURITY:

As security for the Facility, the following documents, instruments, agreements and other assurances (collectively, the "Security Documents"), are to be registered or otherwise granted in Second priority position, subject only to the VTB, and shall be delivered to the Lender prior to the first advance of funds, all of which shall be prepared on the Lender's standard forms, containing its standard representations, warranties, covenants and conditions (which may

supplement the terms and conditions of this Commitment), and otherwise in form and substance satisfactory to the Lender and its solicitors:

1. Second Charge of the real property comprising the Property, in the amount of $1,500,000 to be registered behind the VTB first mortgage in the original principal amount of and not to exceed $2,100,000.

2. Joint and several Guarantees and Postponements of Claim Evan Karras and the Borrower.

3. General Security Agreement granting a charge over all personal property assets owned by the Borrower, which agreement is to be registered under the Personal Property Security Act (Ontario).

4. Assignment of Rents and Leases for all leases and rents, income, profits and reimbursables arising from or in connection with the Property.

5. Postponement of shareholder loans in favour of the Lender by all shareholders of the Borrower.

6. Beneficial Owner's Agreement from the Beneficial Owner, authorizing all Security Documents given by the Borrower, charging its beneficial interest in the Project with a second priority security interest in favour of the Lender, and containing an assignment and postponement of claims.

7. Assignment of Insurance for all insurance required to be assigned to the Lender, satisfactory to the Lender and its consultant. The Lender is to be named loss payee and/or additional insured as second mortgagee where applicable.

8. Environmental Warranty and Indemnity Agreement by the Credit Parties stated to survive repayment of the Loan

9. Joint and several Cost Overrun and Completion Agreement from the Credit Parties to keep the Project clear of all construction liens, to complete the Project and to cover all cost overruns from their own personal resources.

10. Joint and several Misuse of Funds and Fraud Agreement and Indemnity from the Credit Parties, to ensure all Advances and rents are applied to the Project and loan repayment.

11. Assignment of Material Agreements assigning the Borrower's rights and interest (but not the Borrower's obligations) in all professional, construction, management and other contracts, plans, specifications, working drawings, budgets and schedules for the provision of materials, equipment and services to the Property, whereby the Lender may assume upon demand the rights of the Borrower under said contracts if the Borrower is in default. The Lender may also require any present or future contracts to be specifically assigned to it.

12. Assignment of Municipal Approvals.

13. Opinions, as required by the Lender and/or its solicitors, including as may be required pursuant to the terms of this Commitment.

14. A policy of title insurance for the Facility with a title insurer approved by the Lender may be required in the sole discretion of the Lender.

15. Any other documents, instruments, agreements, security and/or assurances as may reasonably be requested by the Lender or its solicitors.

13. CONDITIONS PRECEDENT TO FUNDING:

1. Receipt and review of satisfactory current financial statement of the Borrower and all Beneficial Owners.

   Receipt of a current, dated and signed detailed net worth statement from Evan Karras.

2. Receipt and review of satisfactory credit reports for each of the Credit Parties, both prior to Advance 1 under the Facility and at any time thereafter, as required by the Lender, until the Facility is fully repaid.

3. Satisfactory confirmation that the Borrower has contributed at least $1,785,000of cash equity in the Project prior to any advances under the Facility by the Lender.

4. Receipt by the Lender of a satisfactory appraisal report prepared by a firm acceptable to the Lender supporting the end value of the Project together with a letter of transmittal in favour of the Lender and its assigns. **THIS CONDITION IS WAIVED FOR FUNDING UNDER ADVANCE 1 OF THE FACILITY, BUT REMAINS A REQUIREMENT FOR ANY FURTHER ADVANCES UNDER THE FACILITY.**

5. Satisfactory review of the Borrower's detailed Project budget and time frame for completion thereof, the approved plans and specifications, Borrower's cash flow statement, and the report from the Cost Consultant confirming the reasonableness of the overall budget and that the costs to complete will not exceed the budgeted costs.

6. The Lender shall be supplied with the opinion of the Cost Consultant certifying the adequacy of the Project Budget and its compliance with Building Code.

7. Satisfactory evidence of proper zoning in place to accommodate the proposed development of the Project.

8. Satisfactory receipt and review by the Lender of copies of all relevant plans, specifications, working drawings and budgets pertaining to construction and completion of the Project (collectively, the "Project Documents").

9. Satisfactory evidence to the Lender that the Borrower has obtained all necessary permits, license and approvals so as to enable construction of the Project (collectively the "Municipal Approvals") and that same are in good standing in all respects.

10. The Lender shall be entitled to erect prominent signage on the Property indicating the source of financing, provided that same complies with the requirements of all governmental authorities having jurisdiction.

11. Receipt and satisfactory review of executed lease with bakery restaurant for 1,400 sf at $85.00 per sf gross.

12. Receipt of a Letter of Intent from RBC for take out financing at a balance no less than the combined current balance of the VTB and the Facility.

13. Receipt and review of satisfactory insurance policies are in place, including, without limitation, All Risks Builders Risk Course of Construction on one hundred percent of the estimated final construction cost of the Project, including recurring soft costs.

AVAILABILITY:

Advance 1 of the Facility shall be within 10 days of the acceptance of this Commitment Letter, subject to satisfactory completion of Conditions Precedent to Funding as established under section 13 of this Commitment Letter.
Further advances under the Facility will take place on a monthly basis on a cost to complete basis as certified by the Cost Consultant.

14. STANDARD CONDITIONS:

The Lender shall not be obliged to make any advance under the Loan unless the following conditions have been complied with and the Lender has received and approved the following documents and matters in form and substance satisfactory to the Lender and its solicitors:

1. Security in Place - All security and documentation to be in place in form and content satisfactory to the Lender and its solicitor.

2. Survey - The Borrower shall provide the Lender with an up-to-date survey of the Property prepared by a surveyor licensed in the jurisdiction in which the same is located.

3. Insurance - The Borrower shall provide the Lender with originals, or copies certified by the insurers, of insurance coverage in respect of the Property in form and content as may be required by the Lender acting reasonably.

4. Appraisal – The Borrower shall obtain, at its own expense, and provide the Lender with a satisfactory appraisal report of the Property prepared by an appraiser approved by the Lender together with a reliance letter addressed to the Lender, showing the market value of the Property on "completion of construction and renovation basis" at a value of no less than $7,000,000. This condition is waived for Advance I, but remains a requirement for any further advances under the Facility.

5. Financing and Operating Statements - Prior to Advance 1 under the Facility and thereafter within the periods of time hereinafter specified, the Borrower shall deliver or cause to be delivered to the Lender the following:

a) Within ninety (90) days after the end of each fiscal year of each Credit Party which is a corporation, the annual financial statements of each such corporation for its immediately preceding fiscal year including, without limitation, the balance sheet of the corporation as at its fiscal year end, statements of shareholder's equity, earnings and cash flows with comparative figures for prior years, if any; and

b) With respect to each Credit Party who is an individual and within thirty (30) days after each anniversary of the date of the Commitment, an annual updated net worth statement of each such individual in such form and including such content and other information and explanations as may be required by the Lender.

6. Authority – Prior to Advance I under the Facility, each Credit Party which is a corporation shall provide to the Lender such documentation as is reasonably satisfactory to the Lender and its solicitors evidencing its valid existence and subsistence, and power and authority to enter into the transaction contemplated by this Commitment and execute and deliver the security required hereunder and an opinion given by the solicitors for each such Credit Party as to due authorization, valid execution and delivery, enforceability and any other matter reasonably requested, all of the foregoing in form and content reasonably satisfactory to the Lender and its solicitors.

7. Environmental Report – Subsequent to Advance 1 of the Facility and prior to any further advances under the Facility, the Borrower shall obtain at its own expense and provide to the Lender a Phase I Environmental Site Assessment report, in form and content acceptable to the Lender, providing an opinion that the Property does not contain any site contamination or hazardous substances and confirming that the Property complies with all applicable environmental laws.

8. Organizational Charts - Prior to the initial advance of the Loan, the Lender shall have received organizational charts in satisfactory detail for all Credit Parties showing the officers, directors, shareholders, partners, general partners and limited partners thereof (as the case may be) and the relationship between such entities where applicable.

9. Reporting – The Lender shall receive, all reports, permits, contracts, Cost Consultant reports.

15. ADVANCES:

The Lender shall not be obliged to make the advance under the Loan unless and until the terms and conditions of this Commitment have been fully complied with by the Credit Parties as the case may be. The Lender shall be entitled and is hereby authorized to deduct from any advance under the Facility the amount due for any unpaid Loan Processing Fee, any interest to become due from the date of Advance 1 to the first day of the month subsequent to the date of such advance, and the aggregate of all amounts owing for any accrued and unpaid interest, fees of any nature or kind whatsoever, appraisal fees and legal fees and disbursements of the Lender's solicitors, and all other amounts, costs and expenses incurred by the Lender in connection with the Facility.

16. EXPIRY AND CANCELLATION:

The Lender shall have the right at its option, to terminate this Commitment or to demand repayment of the Facility or to add to or modify the conditions set out herein if the conditions of this Commitment are not met or if there is, in the opinion of the Lender or its solicitors, a material adverse change in the risk, the value of the security or the covenants required herein, or if the representations by the Borrower are not correct, or if the security has been impaired.

Without prejudice to and without derogating from any other rights of the Lender, the Lender shall also have the right, at its option, to terminate this Commitment or to demand repayment of the Loan if:

1. the Security Documents are not registered by the 15th day of September, 2011, provided that same have been delivered to the Borrower or its solicitors in a registerable form on the immediately preceding day; and

2. the first advance of funds is not made under this Facility on or before September 15, 2011.

The Lender may, at its sole option from time to time, elect to extend the above-mentioned date by which the Security Documents are to be registered and/or the date by which the Loan is to be disbursed or any of the other time periods contained in this Commitment. Time shall remain of the essence of this Commitment and all other terms and conditions shall remain unchanged.

17. MATERIAL REPRESENTATIONS:

If at any time before or after acceptance of this Commitment or advance of funds under the Facility, there is or has been any material adverse change, discrepancy or inaccuracy in any written information, statements or representations made or furnished to the Lender by or on behalf of any of the Credit Parties concerning the Property or the Project or the financial condition and responsibility of any of the Credit Parties, or in the event of default by any of the Credit Parties under this Commitment, then, the Lender shall be entitled forthwith to withdraw and cancel its obligations hereunder and to declare any funds which have been advanced, together with interest, to be forthwith due and repayable in full.

18. STANDARD CHARGE TERMS:

The Borrower acknowledges and agrees that the mortgage document may incorporate by reference any and all Standard Charge Terms required from time to time by the Lender for use in the jurisdiction in which the Property is situate, provided that the terms and provisions of the mortgage document shall not be limited to any such Standard Charge Terms and may incorporate such additional provisions as are contemplated by this Commitment and/or as may be considered advisable by the Lender or its solicitors in their sole but reasonable opinion. In this Commitment, "Standard Charge Terms" refers to any set of Standard Charge Terms filed on behalf of the Lender pursuant to the provisions of the Land Registration Reform Act (Ontario).

COVENANTORS/GUARANTORS:

In consideration of the Lender committing to make the Facility available to the Borrower (the receipt and sufficiency of which is hereby acknowledged by each Credit Party), each Credit Party in and executing this Commitment does hereby covenant, as principal debtor and not as surety, that he will pay or cause to be paid to the Lender all amounts due by the Borrower under the Facility (up to the limit provided for herein, if any) and will observe, keep and perform all of the terms and conditions set forth herein or required hereby to be observed, kept and performed by the Borrower pursuant to this Commitment or any of the Security Documents.

19. TAXES:

All realty taxes and penalties, if any, due and payable and all outstanding levies, special assessments and other charges relating to the Property shall be paid in full by the Borrower prior to the advance under this Loan.

20. COMPLIANCE WITH BY-LAWS, ETC.:

Prior to Advance 1 under the Facility, the Lender shall receive satisfactory evidence of compliance with all applicable building and zoning by-laws, restrictive covenants, agreements, rules and regulations of and with public authorities respecting the construction of the Property.

21. ACCELERATION:

All indebtedness and liability of the Borrower to the Lender which is payable on demand, is repayable by the Borrower to the Lender at any time on demand.

All indebtedness and liability of the Borrower to the Lender which is not payable on demand shall, at the sole option of the Lender, become immediately due and payable and the Security shall, at the sole option of the Lender, become enforceable, if any of the following events (each event hereinafter called an "Event of Default") occurs:

a) The Borrower or any Credit Party fails to make when due, whether on demand or on any scheduled payment date, by acceleration or otherwise, any payment of interest, principal, fees, commissions or other amounts payable to the Lender;

b) The failure by the Borrower or any Credit Party to strictly and fully observe or perform any condition, agreement, covenant or term set out in this Commitment, the Security Documents and/or in any other document creating a contractual relationship as between them or any of them, or if it is found at any time that any representation of the Credit Parties with respect to the Facility and this Commitment is incorrect or misleading;

c) The Borrower commits an act of bankruptcy, or becomes bankrupt or insolvent, or makes an assignment for the benefit of creditors, or if there is any receiver or receiver and manager or trustee appointed for it or over any of its assets or if any creditor takes possession of any of its assets or if any execution, distress or other like process is levied or enforced upon the Property or any part thereof or if any compromise or arrangement is made with any creditor;

d) The Borrower dies, dissolves, amalgamates or is terminated;

e) Any judgment or order or any process of any court becomes enforceable against the Borrower or any property of the Borrower or any creditor takes possession of any property of the Borrower;

f) Any insurance policy for the Property lapses or is cancelled;

g) Any adverse change occurs with respect to the Property, or, in the financial condition of the Borrower or any Credit Party; and /or

22. SURVIVAL OF TERMS:

Notwithstanding the delivery and registration of any or all of the security contemplated by this Commitment and the advance of funds pursuant thereto, the terms and conditions of this Commitment shall remain binding and effective on the parties hereto, and shall not merge in the Security Documents or any of them, and the terms of this Commitment shall be incorporated by reference into the Security Documents.

In the event of any discrepancy between the terms of this Commitment and any of the Security Documents, or any discrepancy as between any of the Security Documents, the Lender, in its sole discretion, shall decide the provisions of which document shall prevail.

23. PROFESSIONAL ADVISORS:

1. Solicitors: All legal matters and documentation shall be satisfactory to the Lender's independent solicitors (the "Lender's Solicitors"), whose fees and disbursements the Credit Parties agree to pay whether or not this transaction is completed as contemplated herein. The Lender's solicitors are:

   Norman Winter

   1 St. Clair Street East, Suite 801

   Toronto, Ontario M4T 2V7

   Telephone: (416) 964-0325

2. Insurance Consultant: All insurance matters shall be reviewed by and shall be satisfactory to the Lender's insurance consultants.

   The cost of the insurance review is for the sole account of the Borrower.

3. Cost Consultant: The Cost Consultant shall be engaged by the Borrower as cost consultant and project monitor with respect to the renovation of the Project. The Cost Consultant will report directly to the Lender. The Cost Consultant will monitor all advances of the Facility. All fees and expenses of the Cost Consultant are for the sole account of the Borrower.

24. SOLICITOR'S OPINION:

All Advances under the Facility are subject to receipt by the Lender of an opinion acceptable to the Lender from its solicitors as to the effectiveness and priority of all Security Documents. The Borrower agrees to deliver to the Lender or its solicitors, forthwith upon request, such other documents, assurances, information and covenants as the solicitors for the Lender may reasonably require with regard to the Loan or the Security Documents to be given hereunder.

25. LENDER'S DOCUMENTATION:

All terms and conditions of the Lender's usual Security Documents and supporting documents shall be deemed to be incorporated in and form part of this Commitment.

26. PAYMENT OF FEES AND COSTS:

The Borrower shall forthwith advance to the Lender an expense deposit of $5,000 (the "Expense Deposit'). Upon disbursement of the entire Facility any unused balance of the Expense Deposit will be returned to the Borrower.

27. CREDIT INQUIRIES:

The Credit Parties acknowledge receipt of notice that usual credit and personal enquiries may be made at any time in connection with the credit hereby applied for and consent to disclosure of any such information to any other credit grantors or to any consumer reporting agency.

The Credit Parties agree that the Lender may disclose the information it holds on the undersigned to any person authorized by law, personal information agent, financial institution, investor, hypothecary insurer, surety, or with the consent of the undersigned to any other person who so requests it.

28. NOTICES:

All notices or other communications required to be given or which may be given under this Commitment shall be in writing duly executed by the party giving such notice or its solicitors, and shall be personally delivered or transmitted by registered mail or facsimile transmission addressed to the Lender at Terra Firma Capital Corporation, 1 Toronto Street, Suite 700, Toronto, Ontario. M5C 2V6 and to the Credit Parties at the addresses outlined herein:

Address of Borrower:	2220277 Ontario Inc. 650 Bay Street Toronto, Ont. M5G 1M8
Address of Guarantor:	Evan Karras 475 George Street Cobourg, Ont. K9A 3M9

Notices given by personal delivery or facsimile transmission shall be deemed to have been received on the day of and at the time of such delivery or transmission and all other notices shall be deemed to have been received at 2:00 p.m. on the second business day after the posting

thereof. Any notice requesting or requiring response within five (5) or less business days from the date thereof shall be given by personal delivery or facsimile transmission. In the event of actual or reasonably anticipated postal disruption, all notices shall only be given by personal delivery or facsimile transmission. Any party may from time to time by notice given as provided herein change its address for the purpose of this provision.

29. ASSIGNMENT OF COMMITMENT:

This Commitment and the rights and benefits arising here from may not be assigned by the Borrower to any other party without the prior written consent of the Lender, which consent may be arbitrarily and unreasonably withheld.

The Lender shall be assigning this Commitment, save for Commitment Fees, to Terra Firma Capital Corporation, and the Lender and/or such party may further assign all or part of the Commitment and loan to such other party as it may determine, and the Borrower acknowledges and agrees to same.

30. TIME IS OF THE ESSENCE:

Time shall be of the essence in this Commitment. The times herein specified for the taking of certain action by the Borrower are in each case firm and shall not be extended without the written approval of the Lender.

31. PRIOR DEALINGS:

This Commitment shall supersede any and all prior dealings, whether written or oral, as between the parties hereto and relating to this Loan.

32. NO SET OFF:

The Borrower shall make all payments pursuant to this Commitment without set off, compensation or counterclaim. In addition, all payments shall be made free and clear of, and exempt from, and without any deduction for or on of account of any taxes.

33. AMENDMENTS:

No term or requirement of this Commitment or any Security Documents may be waived or varied orally or by any course of conduct of any officer, employee or agent of the Lender. Any amendment to this Commitment or any Security Document must be in writing and signed by a duly authorized officer of the Lender.

34. WAIVER OF DEFAULTS:

Any waiver by the Lender of any default by the Borrower or any omission on the Lender's part in respect of any default by the Borrower shall not extend to or be taken in any manner whatsoever to affect any subsequent default by the Borrower or the Lender's rights resulting therefrom.

35. LENDER'S RECORDS:

In the absence of manifest error, the books and records held by the Lender will constitute conclusive evidence of the transactions carried out under this Commitment and of the Borrower's indebtedness to the Lender.

36. INTERPRETATION:

This Commitment shall be governed by and interpreted in accordance with the laws of the Province in which the Property is situate, and the parties hereto hereby attorn to such jurisdiction. This Commitment shall enure to the benefit of and shall be binding upon the parties hereto and their respective heirs, executors, administrators, successors and permitted assigns. The paragraph and other headings set forth in this Commitment are inserted for convenience and reference only and shall in no way define or limit the intent or interpretation of any of the provisions hereof. This Commitment shall be read and construed with all changes of gender and number of the party or parties referred to in each case as required by the context, and the covenants and agreements of the Credit Parties shall be deemed to be joint and several where any of them are more than one entity. The terms and conditions set forth on any Schedules referred to and attached to this Commitment are deemed to be included in this Commitment and form a part hereof.

37. SEVERABILITY:

If for any reason whatsoever any section, paragraph, clause or portion of this Commitment, or the application thereof to any person, firm, corporation, entity or circumstances, is to any extent held or rendered invalid, unenforceable or illegal, then such section, paragraph, clause or portion thereof:

(a) is deemed to be independent of the remainder of this Commitment and to be severable and divisible therefrom, and its invalidity, unenforceability or illegality does not affect, impair or invalidate the remainder of this Commitment or any part thereof; and,

(b) continues to be applicable to and enforceable to the fullest extent permitted by law against any other(s) than those as to which it has been held or rendered invalid, unenforceable or illegal.

38. ACCEPTANCE:

This Commitment shall remain open for acceptance by the Credit Parties, in the manner herein specified, until 3:00 p.m. on the 17th day of August, 2011 after which time, if not accepted, the Lender's offer to finance set forth in this Commitment shall be null and void and the Lender shall be under no further obligation to extend or consider financing for the Borrower and the Lender shall not be responsible for any direct or indirect costs or damages incurred by the Borrower in consequence thereof. Acceptance of this Commitment shall have been properly completed when this Commitment, duly executed by the Credit Parties, the Loan Processing Fees referred to in paragraph 11 (as well as any other fees stated to be paid on acceptance thereof) and the executed Borrower Disclosure Form are received by the Lender on or before the date and time herein stipulated.

The Borrower acknowledges having received and/or executed a Borrower Disclosure Form at least forty-eight (48) hours prior to signing this Commitment and a copy has been retained by the Borrower.

Yours very truly,

TERRA FIRMA REALTY CORPORATION

Per: _____
Raymond Nicolini
President

ACCEPTANCE

THE UNDERSIGNED hereby accept the terms and conditions of this Commitment as of this _____ day of July, 2011.

BORROWER:

2220277 Ontario Inc.

Per:_____

Name:
Title:
I have the authority to bind the Corporation

The Borrower confirms that the above financing is for its own use and is not intended to be used by or for the benefit of a third party and acknowledges having read and understood the terms and conditions of this Offer and accepts same.

GUARANTOR(S):

_____

Evan Karras

The Guarantor acknowledges having read and understood the terms and conditions of this Offer and accepts same.

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This is Exhibit "H" to the Affidavit of
Evan Karras sworn before me this
Day of June 2017.

A Commissioner etc.

MORTGAGE CORPORATION

2220277 Ontario Inc.
650 Bay St.
Toronto, Ontario M5G 1M8

February 21, 2013

Attention: Evan Karras

By email:

Dear Sir:

Re: Mortgage Loan to 2220277 Ontario Inc. (the "Borrower") on property municipally known as 650 Bay St. and55 Elm St. (the "Property"), Toronto, Ontario, being a commercial development.

FIRST SOURCE MORTGAGE CORPORATION ("**First Source**" or the "**Lender**"), licensed under the *Mortgage Brokerages, Lenders and Administrators Act, 2006*, is pleased to advise you, the beneficial owner of the Property that the Borrower's recent application for a loan to be secured by a first mortgage (the "**Mortgage**") has been approved subject to the following terms and conditions:

ARTICLE 1.00 FIRST MORTGAGE DETAILS

1.01 **Loan Amount:** The lesser of: (a) $6,500,000; or (b) 65% of the "as is" value of the Property. There shall one advance.

1.02 **Interest Rate:** 9.0% per annum calculated monthly with no deemed re-investment of monthly payments on the principal outstanding from time to time with no deemed re-investment of monthly payments.

1.03 **Administration Tax:** The Loan will be administered on behalf of the Lender(s) at a cost to the Lender(s) of approximately .5%, which cost is subject to any H.S.T. (the "HST Administration Tax").

The HST Administration Tax only is for the account of the Borrower and an estimated amount is to be deducted from the Loan Advance. The Lender shall advise the Borrower of the HST Administration Tax on or before Closing.

23 Lesmill Road, Suite 300, Toronto, Ontario M3B 3P6 • Tel: 416-221-2238 • Fax: 416-224-2408
Principal Broker (License # 10434) • Mortgage Administrator (License # 11432)
www.firstsourcemortgage.ca

1.04 Term: 12 months from the Interest Adjustment Date.

1.05 Amortization: Nil.

1.02 **Guarantors:** Evan Karras, and any other beneficial owners and all other directors and shareholders of the corporate Borrower (jointly and severally) (collectively the "**Guarantor**");

1.03 **Repayable:** Interest only monthly and compounded monthly.

1.04 **Interest Adjustment Date:** The first day of the month following the first advance.

1.08 **Closing Date:** The advance shall be made on March ~~10,~~ 15 2013 or a date mutually agreed upon by First Source and the Borrower within 15 days thereof. If the date of the advance is more than 10 business days past the Closing Date, this commitment will be at our option, null and void. In the event that First Source agrees to an extension of more than 10 business days beyond the date specified, the new rate and any costs attributable thereto, will be subject to the then current market terms and conditions as at that date.

1.09 **Prepayment Privileges:** Closed for six months and then open on any payment date with 15 days prior written notice and the payment of one month's interest as a bonus.

1.10 **Purpose of the Loan:** To discharge the existing encumbrances and to provide some working capital and to pay professional fees.

1.11 **Security:**

1) Promissory Note from the Borrower.
2) First Charge on the Property
3) General Assignment of Rents, Income and Leases on the Property to be registered on title and under the Personal Property Security Act (Ontario).
4) General Security Agreement ("**GSA**") against the chattels and inventory/equipment being the property of the Borrower on the Property.
5) Guarantees as aforesaid together with General Security Agreements.
6) Subordination and Postponement of Claim from shareholders of the Borrower.
7) Mortgage to include a covenant of no subsequent financing without consent of the Lender, not to be unreasonably withheld.
8) Such other reasonable legal security as requested by the Lender and/or its legal counsel.

ARTICLE 2.00 LENDER FEE

2.01 **Lender Fee:** In consideration of First Source obtaining this Commitment, the Borrower hereby agrees to pay a fee (the "**Lender Fee**") in the amount of 2.0% of the Loan Amount;

a) $15,000.00 by cheque upon acceptance of this Commitment (the "**First Deposit**"). One half of the First Deposit shall be applied in satisfaction of the Lender Fee or 50% of the First Deposit shall be forfeited if the Mortgage Amount is not advanced by the Lender due to any cause whatsoever.

b) $15000.00 by cheque two business days after the date the Lender waives the conditions as hereinafter set out in Section 3.01; (the "**Second Deposit**"), to be applied in satisfaction of the Lender Fee or forfeited if the Mortgage Amount is not advanced by the Lender due to any cause whatsoever other than the Lender's default;

c) the balance of the Lender Fee shall be payable from the closing proceeds on the closing date.

The Lender Fee is deemed earned except if set out herein to the contrary, upon acceptance of this Commitment. The Borrower acknowledges that the Lender Fee is a reasonable estimate of the Lender's costs incurred in sourcing, investigating and underwriting and preparing the Loan and if not paid shall entitle the Lender to commence an action to recover same from the Borrower and file a *Certificate of Pending Litigation* or the Lender shall be entitled to register a notice of the outstanding Lender Fee against the title to the Property.

The Borrower has a separate agreement withAMK Mortgages Ontario Inc.. for payment of a brokerage fee in the sum of 2% of the Loan Facility (the "Brokerage Fee"). The Brokerage Fee shall be paid on Closing.

ARTICLE 3.00 CONDITIONS OF THIS COMMITMENT

3.01 **Lender Conditions:** This Commitment is conditional for the benefit of the Lender upon the Borrower providing First Source with satisfactory evidence of the following prior to the advance:

a) **Appraisal/Letters of Opinion:** Review and approval of an Appraisal by an appraiser approved by the Lender indicating an "as is" value of at least $10,000,000 for the Property. The Appraisal is to be addressed to the Lender and its lending clients or a Letter of Reliance provided. The Appraisal is for the account of the Borrower. The Lender acknowledges that John Stry is an acceptable appraiser.

b) **Environmental Reports:** Review and approval by the Lender of a satisfactory Phase I and Phase II, if required, for the Property. Such reports shall include a Reliance Letter addressed to the Lender. The Lender acknowledges that Monarch Environmental Consulting Ltd. is satisfactory fr these purposes.

c) **Credit Rating:** Review of the Borrower and Guarantors' financial position including without limiting the generality of the foregoing, recent financial statements, credit bureau reports, notices of assessment, statements of Net Worth for all individual guarantors. The Borrower and Guarantor hereby consent to credit inquiries and to any disclosure of personal or credit information to any other credit grantors or to any consumer reporting agency.

d) **Inspection and Meeting with Principals:** First Source being satisfied with its inspection of the Property and its meeting with the principals of the Borrower. The Borrower hereby agrees to provide access to the Property necessary for initial inspection and any subsequent inspection and at least one of the principals will make him/herself available to meet at the Property.

e) **First Source Forms:** The Borrower delivering completed and signed Mortgage Application and Net Worth Statements on such forms as reasonably required by First Source.

f) **Leases:** Review and approval of all leases affecting the Property together with Estoppel Certificates, including without limiting the generality of the foregoing, the lease for Sliced Gourmet, Cupcake Company, Onsen Spa Lease and Piknik Rooftop Lease, rent rolls and expense statements and evidence that same comply with all governmental regulations and without limiting the generality of the foregoing to be satisfied as to the major lease affecting the Property.

g) **Debt Service Ratio:** Satisfactory evidence that the Debt Service Ratio from the Property will be at least 1.2:1 within six months of the Interest Adjustment Date.

ARTICLE 4.00 CONDITIONS OF FUNDING

The Lender shall not be obligated to make any loan advances unless the following requirements have been met to the Lender's satisfaction:

4.01 **Security in Place:** All security being in place in form and content satisfactory to the Lender, the Borrower and its solicitors acting reasonably;

4.02 **Execution of Documents:** The Borrower and Guarantor, if any, executing all documents necessary to give effect to the Mortgage including Estoppel Certificates for the Leases affecting the Property and further including but not limited to the mortgage agreement, which shall contain *inter alia* the provisions, set out in Schedule "A".

4.03 **Title:** The Lender being satisfied with the title to the Property and obtaining at the Borrower's expense a satisfactory Title Insurance Policy for the Property.

4.04 **Zoning:** The Borrower providing the Lender with satisfactory evidence that the Property is zoned to permit the use presently carried out thereon and the proposed uses.

4.05 **Work Orders etc.:** The Lender obtaining satisfactory evidence that there are no outstanding work orders or notices of violations from any governmental departments affecting the Property. The Building is in reasonable condition and repair. The Borrower agrees to provide all consents necessary for the Lender to obtain such information.

4.06 **Fire:** If required, the Borrower providing the Lender with satisfactory evidence that the Property has no infractions outstanding on file under the appropriate Fire Code.

4.07 **Costs Borne by the Borrower:** The Borrower paying for all costs incurred by either the Borrower or the Lender including legal, survey, appraisal, insurance consulting as well as other costs that arise in relation to the Loan.

4.08 **Fire Insurance:** Receipt by the Lender of evidence that proper and adequate insurance is in place, which insurance shall include but not be limited to coverage for less than the full 100% "Replacement Cost" thereof, against the perils of "All Risk". The Borrower's risk advisor to review and ensure policy complies.

Effect and maintain public liability insurance to such amounts of not less than $2,000,000 on a per-occurrence basis,
The Insurer or Insurers shall sign each policy of insurance and the policy shall contain a

clause at least equivalent to IBC 3000 showing loss payable the mortgagees as their interest may appear in the first instance,
The Borrower shall arrange for the insurance following completion of construction, if any to be subject to "Stated Amount Co-Insurance Clause" not exceeding 10% and "Replacement Cost Clause" of insurers and shall in this regard file values are required under these clauses.
The insurance policy shall include the insurance of the foundation and all parts below ground level.
Any provisions in any policies of insurance with respect to reconstruction in case of any loss, on "same or adjacent sites" shall have the requirement concerning "same or adjacent sites" deleted there from.

Each policy of insurance shall show loss payable to the mortgagees as their interest may appear.
All insurance policies shall be in form and scope satisfactory to First Source and its solicitors and the premiums on it shall be paid for a period of not less than one year. The Lender's Insurance Consultant shall review the policies at the Borrower's cost.

4.09 **Borrower's Representations:** If, at any time before the advance, there is or has been any material discrepancy or inaccuracy in any written information, statements or representations at any time made or furnished to the Lender by or on behalf of the Borrower/Guarantor, concerning the Borrower's or the Guarantor's financial condition and responsibility, the Lender shall, if such material discrepancy or inaccuracy cannot be rectified or nullified by the Borrower/Guarantor within thirty (30) days of written notification thereof to the Borrower/Guarantors from the Lender, be entitled forthwith to withdraw and cancel its obligations hereunder or decline to advance further funds as the case may be, and to declare any monies theretofore advanced, with interest to be forthwith due and payable.

4.10 **Material Change:** It is a condition for disbursement of funds that in the Lender's opinion the financial position of the Borrower and/or the Guarantor, and any of the properties given as security, and the Borrower's representations and warranties, shall not have suffered any adverse change; nor shall there be any action, suits, or pending proceedings of which the Borrower has knowledge except as otherwise disclosed to the Lender; and that no event shall have occurred, which materially and adversely affects the whole or part of the value of the properties or the financial position of the Guarantor. No change in the shareholding of the Borrower or Guarantor without the consent of the Lender, such consent not to be unreasonably withheld.

4.11 **Non-Merger:** The Borrower's obligations contained in this Commitment shall survive the execution and registration of the Mortgage and any other security documentation and all advances of funds under the Mortgage, and the Borrower agrees that those obligations shall not merge in the execution and registration of the Mortgage and other security. All terms and conditions of our Mortgage and other security documentation shall form part of this Commitment.

4.12 **Waiver:** The Lender's failure to insist upon strict performance of any obligation or covenant of this Commitment by the Borrower or to exercise any option or right herein

shall not be a waiver for the future of such obligations or covenant, but the same shall remain in effect and the Lender shall have the right to insist upon strict performance by the Borrower of any and all of the terms of this Commitment and the Mortgage documentation.

4.13 **Lender's Solicitor:** The Lender being satisfied with the Lender's Solicitor's opinion on title, security and the validity, legality and binding effect of all aspects of this Mortgage transaction. The Borrower agrees that the Lender's solicitors shall prepare all mortgage and other documents related to this Mortgage for review and approval by the Borrower, such approval not to be unreasonably withheld.

4.14 **Taxes:** The Borrower prior to the advance shall pay all taxes due and payable with respect to the Property.

4.15 **Not a Joint Venture:** The Borrower and Lender acknowledge and agree that they are not entering into a joint venture or partnership agreement by virtue of this Loan transaction.

4.16 **Other Documentation** Any other information, documentation or security reasonably requested by the Lender and its solicitors in assessing, approving and funding of the facility requested.

4.17 **Identification:** Pursuant to the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (the "Act"), the Lender is required to ask for identification of the Borrower, the Guarantor and any third party involved in the transaction and for information with respect to the source of funds, used in connection with the Borrower's equity in the Property. The Borrower and Guarantor hereby covenant and agree to provide prior to the first advance, such identification and information as may be reasonably required to ensure the Lender's compliance with the Act.

4.18 **Cancellation:** The Lender shall have the right to terminate and cancel its agreement to provide the mortgage herein to the Borrower and shall be relieved of all obligations in connection therewith in the event that the Borrower fails or is unable or unwilling to comply with the terms and conditions of this Commitment letter on or before the Closing Date including failing or refusing to execute documentation requested by the Lender or accepting the funds when advanced.

In the event the Loan is not advanced and the Commitment is terminated, through no fault of the Lender, the Deposit shall not be refundable to the Borrower and may be retained by the Lender as liquidated damages. Notwithstanding the foregoing, the Borrower shall be responsible for and pay the deficiency between the Lender Fee and the Deposit forthwith on demand, unless if caused by the default of the Lender. In addition, no termination of this Commitment shall limit or restrict or otherwise affect in any way: (i) the obligations of the Borrower to pay to the Lender any third party fees, costs and expenses in connection with the Loan; and (ii) any rights and remedies of the Lender against the Borrower arising from any breach of the Commitment by the Borrower including any claim for damages.

It is understood that the Lender has entered into this Commitment based on representations made by the Borrower and, if at any time there is or has been any material discrepancy or inaccuracy in any written or oral information, statements or

representations heretofore or hereafter made or furnished to the Lender by or on behalf of the Borrower concerning the security or the Borrower's financial condition, then the Lender shall be entitled in its sole discretion tow withdraw or cancel any obligation hereunder and decline to advance funds and in addition to forfeiture of the Deposit, the Borrower shall be liable to pay the Lender Fee and all other expenses as hereinbefore set out.

4.19 **Legal Fees:** The Borrower hereby agrees to pay the reasonable legal fees required by the Lender's Solicitors for the completion of the legal services related to this Mortgage. Disbursements shall be in addition thereto. The Borrower shall have the choice of two legal quotations for fees obtained from the solicitors selected by the Lender.

ARTICLE 5.00 BORROWER'S REPRESENTATIONS

5.01 **Borrower's Representations:** The Borrower represents and warrants that as of the date of acceptance of this Commitment and as of the Closing Date:

(i) The Borrower and the Guarantor have the power, capacity and authority to enter into this Commitment and to perform and complete the transaction contemplated herein, all of which have been duly authorized where required by all necessary corporate action and that no consents are necessary;

(ii) The Borrower and the Guarantor have not withheld any information of a material nature relating to the Property or to the Borrower or Guarantor;

(iii) All existing environmental assessments, audits, tests and reports relating to the Property within the knowledge of the Borrower have been delivered to the Lender.

(iv) The Property has no Environmental issues affecting same and a covenant and warranty with respect to same will be delivered to the Lender.

5.02 **Borrower's Acknowledgments:** The Borrower acknowledges and represents that:

(i) it has considered the risks entailed in private borrowing and has been informed of the risks involved in the Loan;

(ii) the terms and the interest rate in this Commitment may be higher and more onerous that institutional lenders;

(iii) it has had an opportunity to consult its legal counsel and accountant or other financial advisors;

(iv) if the Lender does not advance the Loan by a certain date, the Borrower may be unable to satisfy the intended purpose for the Loan;

(v) in the event the Borrower is unable to pay monthly payments, Property taxes, fire insurance premiums or the principal amount when the Loan is due, the Lender could obtain a court judgment and enforce all remedies available by law and income could be seized to pay the judgment or the Lender could keep the Property or sell it.

(vi) When the Loan is due, if the Lender cannot or will not renew the Loan and cannot pay the outstanding balance the Property may have to be sold in order to repay the Loan; and

(vii) the Lender has disclosed the material risks of the Loan.

5.03 **Reporting Requirements:** The Borrower acknowledges and represents that:

(i) Within 120 days of each fiscal year during the term of the Loan Facility to provide the Lender with financial statement for the Borrower and the Guarantors.

ARTICLE 6.00 MISCELLANEOUS

6.01 **Survival of the Terms of Commitment:** Notwithstanding the registration of the Mortgage and the advances made pursuant to same, the terms and conditions of this commitment shall remain binding and effective on the parties hereto.

6.02 **Time is of the Essence:** Time shall be of the essence in this Commitment.

6.03 **Agreement in Writing:** No change to vary or to amend this Commitment is binding on the Lender unless made in writing and signed by all parties hereto. Except as provided herein, there are no representations, collateral agreements, warranties or conditions affecting this Commitment.

6.04 **Governing Law:** This Commitment shall be interpreted in accordance with the laws of the Province of Ontario.

6.05 **Notices:** All notices required or permitted to be given hereunder will be sufficiently given if sent by prepaid registered mail and addressed as follows

In case of First Source to:
23 Lesmill Rd., Suite 300
Toronto, Ontario M3B 3P6
lionel@firstsourcemortgage.ca

In the case of the Borrower and the Guarantor to:
2220277 Ontario Inc.
650 Bay St.
Toronto, Ontario M5G 1M8
By email: ekarras@rogers.com

provided that the parties shall be entitled to designate another address (es) by giving written notice thereof to all other parties hereof. Any notice so mailed or emailed shall remain binding and effective on the parties hereto.

6.06 **General Provisions and Independent Legal Advice:** The Mortgage Advance is to be payable to the registered owner of the Property or the encumbrancers who are to be paid out from the Advance. Independent Legal Advice shall be required for any party guaranteeing the Mortgage, consenting to the Mortgage or postponing their interest to the Lender's security.

6.07 **Facsimile Transmission or Email:** The transmission of an executed copy of this Commitment by facsimile transmission or in "pdf" form by email shall be deemed to constitute execution and delivery of an original executed copy.

6.08 **Consent to Personal Information as Per Privacy Policy:** By signing this Commitment, the Borrower and Guarantor agree that any information, personal or otherwise, either that the Borrower or Guarantor has provided or will provide to the Lender or that the Borrower has on file about the Borrower and Guarantor shall be retained and may be used as the Lender deems necessary in its sole discretion for the mortgage placement herein, collection of any arrears or deficiencies in the event of a default and any renewals or extensions of same. The Borrower and the Guarantor also agree that the Lender may retain this information on file for as long as the Lender deems appropriate. The Borrower and Guarantor also agree to any credit bureau search being carried out by the Lender from time to time, as the Lender deems necessary in its sole discretion.

By signing this Commitment with respect to the Property, the Borrower and Guarantor agrees that the Lender shall have the right to seek any information from any government agency, authority or office whether municipal, provincial or federal, Electric Safety Agency or Technical Safety Standards Agency at any time either before or after the registration of the Mortgage and before and after default with respect to only information on file at the entity about the said Borrower and Guarantor and/or the Property and the Lender shall have the right to retain such information which may be used as the Lender deems necessary in its sole discretion for the mortgage placement herein, collection of any arrears or deficiencies in the event of a default and any renewals or extensions of same. The Borrower and the Guarantor also agree that the Lender may retain this information on file for as long as the Lender deems appropriate. The Borrower and the Guarantor also agree to any and all searches being carried out by the Lender from time to time, as the Lender deems necessary in its sole discretion.

6.09 **Counterparts:** This Commitment may be executed in counterparts and all counterparts so executed will constitute one agreement binding on the parties effective on execution.

6.10 **Assignment:** The Borrower acknowledges that all or a portion of the Loan may be sold or syndicated without further notice to or consent of the Borrower and the Lender may disclose, transfer and assign as they in their sole discretion deem advisable all financial and other information and materials, without restriction or notice as follows; (i) to any subsequent or proposed purchaser of the Loan or any subsequent lender and their respective third party advisors; and (ii) to any person in connection with the sale or assignment of the Loan. This Commitment is conditional on a portion of the Loan being satisfactorily assigned and funded. The Borrower also consents to the release, disclosure, exchange and sharing of all information and materials and to any publicity or advertising that refers to the financing. The Lender may sell transfer or assign the Loan or any interest therein from time to time without the consent of the Borrower at no cost to the Borrower. After any such assignment, the Lender shall have no further obligation to that part of the Loan assigned.

6.11 **Confidentiality:** The Borrower and the Guarantor acknowledge and agree that the terms herein are confidential between themselves and the Lender, their respective lawyers and consultants and agree not to disclose the information herein to any third party without the Lender's prior written consent.

6.12 **Successors and Assigns:** This Commitment and the rights and benefits arising here from may not be assigned by the Borrower to any other party without the prior written approval of the Lender.

6.13 **Interpretation:** This Commitment shall be read in conjunction with the Lender's form of charge documents and in all cases where the interpretation of the terms hereof and the intention of the parties hereto may be in question, where applicable, the terms recited in the relevant charge document shall prevail.

This Commitment is open for acceptance by the Borrower and the Guarantor until 5:00 PM on the 22nd. day of February, 2013 by which time and date a copy of this Commitment duly executed the Borrower and the Guarantor shall be delivered to First Source together with any payment required hereunder.

If this Commitment is not accepted by the aforementioned time and date, it will become null and void and of no force and effect.

Yours truly

FIRST SOURCE MORTGAGE CORPORATION
Per:

Lionel C. Larry – President
I am authorized to bind the corporation.
Principal Broker (License # 10434)
Mortgage Administrator (License # 11432)
www.firstsourcemortgage.ca
lionel@firstsourcemortgage.ca

Accepted at Toronto, Ontario this 22nd day of February, 2013.

2220277 Ontario Inc.
Per:

Borrower: Evan Karras
I have authority to bind the corporation

Guarantor: Evan Karras

Signed, sealed and delivered
in the presence of:

SCHEDULE "A"

1. **Post-dated Cheques** The Borrower shall provide to the Lender post-dated cheques for each year of the term of the Mortgage. Each cheque is to be in the amount of the monthly instalment payable under the Mortgage. The Lender shall have the right to direct the Borrower to deliver two separate cheques for each monthly payment totalling the monthly instalment.

2. **Administration Fee:** The Borrower agrees to pay to the Lender an administration fee of $350.00, plus HST for each occurrence of any of the following events:

a) Late Payment after a demand has been made;
b) Cheque Dishonoured for any reason;
c) Failure to provide proof of payment of realty taxes within 10 business days of the 31st day of January and June in each year of the term or after a demand being made;
d) Failure to provide proof of insurance coverage at least 10 business days prior to the maturity date of the initial policy delivered on Closing or after a demand being made;
e) Failure to provide postdated cheques when required after a demand being made;
f) Failure to notify Lender of registration of lien;
g) Request for Mortgage Statement;
h) Request for Discharge Statement or notice of default letter;
i) Default under any other mortgage, charge or encumbrance;
j) Each meeting required by the Borrower or Lender because of an issue that has arisen regarding the Loan Facility;
k) Each three telephone attendances and/or emails required by the Borrower or Lender because of an issue that has arisen regarding the Loan Facility;

The Borrower also agrees to pay any applicable HST on a portion of the monthly payments that may be required relating to collection fees of the Lender, as a result of syndication of the Mortgage.

3. **Tax Deposits:** The Lender reserves the right to require the Borrower to pay monthly tax deposits to the Lender concurrently with each monthly installment in such amounts which the Lender in its discretion deems necessary to pay when due all taxes, assessments and similar charges affecting the Property.

4. **Due on Default:** In the event of default under this Mortgage, beyond an applicable cure period, at the option of the Lender, the full principal balance together with interest and costs on a substantial indemnity basis in relation thereto shall become immediately due and payable.

5. **Due on Sale:** The Borrower and the Guarantor hereby agree that in the event that the Property is sold, conveyed, transferred or assigned or thre is a change in control of a corporate Borrower or corporate Guarantor, without Lender's written consent the Lender shall have the right, at its option, to immediately declare all unpaid principal and interest and accrued interest

and costs and expenses owing to the Lender immediately due and payable together with the Lender's then current prepayment penalties and fees.

6. **No Subsequent Encumbrances:** The Borrower and the Guarantor hereby agree that in the event that the a subsequent mortgage is placed on the Property without Lender's written consent that the Lender shall have the right, at its option, to immediately declare all unpaid principal and interest and accrued interest and costs and expenses owing to the Lender immediately due and payable together with the Lender's then current prepayment penalties and fees.

7. **Default of Prior Encumbrances:** If at any time or from time to time any default or breach of covenant occurs under any encumbrance registered against the Property and which encumbrance has priority over the Mortgage and which default is not cured within the grace periods permitted, it shall constitute default under the Mortgage and the Lender may pay all monies and take appropriate action to cure any default or breach under any encumbrance.

8. **Costs:** The Borrower covenants and agrees to pay all property tax, public utilities rates, charges, and insurance premiums as and when the become due, to keep all encumbrances and agreements in good standing, comply with all zoning by-laws, standards and work orders and not to permit the existence of any work orders, deficiency notices, letters of compliance or the registration of any liens of any nature or kind; the failure of the Borrower to comply with this covenant shall constitute an event of default hereunder and entitles the Lender at its sole and absolute discretion to avail itself of remedies available hereunder and at law including the right to accelerate the principal sum secured hereunder together with all accrued interest thereon plus costs.
In addition, at the Lender's sole and absolute discretion, the Borrower agrees that the Lender may satisfy any charge, lien, any matter raised in the previous paragraph or other encumbrances now or hereafter existing or to arise or to be claimed upon the charged lands and the amount so paid together with all costs associated therewith shall be a charge on the Property and/or Collateral Property and shall bear interest at Eighteen (18%) percent per annum, calculated and compounded monthly and shall be payable forthwith by the Borrower to the Lender, and in default of payment, the entire principal sum, accrued interest and costs, shall become payable at the sole and absolute discretion of the Lender and the remedies hereby given and available at law may be exercised forthwith without notice. In the event the Lender satisfying any such charge or claim, it shall be entitled to all equities and securities of the person(s) so satisfied and it may retain any discharge, cessation of charge or assignment of charge unregistered until paid.

9. **Final Payment and Discharge:** The Borrower covenants and agrees that payment at maturity, or earlier if notice to prepay is delivered, of the Mortgage shall be by certified cheque, bank draft or money order. After payment in full of the principal sum and all other amounts hereby provided, a discharge of the Mortgage shall be prepared by the solicitor for the Lender, at the cost and expense of the Borrower within a reasonable time after such payment and such solicitor's fees shall not include attendance outside the office in order to deliver the said discharge or the attendance on a closing or registration of and the cost of registration of the said discharge.

In the event the loan is not repaid at the time or times provided within the Mortgage or in the notice to prepay earlier, the Lender will not be required to accept payment of the principal monies without first receiving three (3) months additional months notice in writing or receiving 3 months interest bonus in advance of the principal monies.

No further monies, if any, will be advanced under the Loan, once notice to discharge is received by the Lender.

10. Warranty - Urea Formaldehyde Foam insulation (UFFI) and Environmental: The Borrower covenants that the Property has never had "UREA FORMALDEHYDE FOAM" insulation installed, asbestos, PCBs waste, radioactive material, noxious substances, or any contaminant as defined in the Environment Protection Act and that the Property is and will be environmentally sound and there are no and will be no restrictions which would economically affect any buildings on the Property. The terms and conditions of the environmental clause should be as the Lender's solicitor prepares.

11. Receiver: In the event due to default of the Borrower on the Property, beyond the applicable cure period, then the Lender in addition to any other rights which it may have, shall be entitled to appoint a receiver manager or receiver, either privately or court appointed to manage the building and to do all things necessary as an owner would be entitled to do to sell the Property. The terms and conditions of the receiver are to be further elaborated in the Mortgage as required by the Lender's lawyers. The Borrower agrees that it shall not oppose any such appointments.

12. Management Fee: The Lender will be entitled to a management fee based on 5% of the mortgage principal plus applicable taxes, which fee the Borrower acknowledges is a reasonable estimate of the fees to be incurred, which amount is deemed not to be a penalty in the event that the Lender or its agents takes possession of the Property or commence Power of Sale proceedings or if a receiver is appointed as a result of default under the Mortgage. In addition to the Management Fee, the Lender or its agent will be entitled an administration fee on the basis of $300 per hour plus H.S.T., if applicable for each hour after the advance the Lender or its agent are required to deal with a default or potential default. This clause is also deemed to be proper notice to any subsequent chargee or lien holder of the above-noted fee in the event of the Borrower's default.

13. Default Abandonment: Subject to Force Majeure, in the event of abandonment for a period in excess of fifteen (15) consecutive days, the Lender shall be entitled to, after giving the Borrower fifteen (15) days notice of any abandonment or failure to continue business operations or any failure to construct with due diligence and provided the Borrower fails to rectify same, forthwith withdraw and cancel its obligations hereunder and/or decline to advance further funds, if any, as the case may be and to declare any monies theretofore advanced with interest to be forthwith due and payable at its sole option.

14. Receipt of Funds: Any payment received after 1:00 P.M. shall be deemed to have been made on the next Bank Business Day following receipt. For purposes of this paragraph, Saturday, Sunday Provincial and Federal Holidays shall be deemed to be non-business Bank Days.

15. Possession: In the event of default under the Mortgage by the Borrower beyond the applicable grace period and the Lender obtains possession of the Property and it determines, in its sole discretion, that the Property requires work and/or improvements in order to market the Property, then the Lender shall have the right, at its sole option, to complete such work on such terms as it deems advisable. The cost of completion of the servicing and work by the Lender and its agents and all expenses incidental thereto shall be added to the Loan amount, together with a management fee of fifteen per cent (15%) of the costs of the work and improvements completed by the Lender. All costs and expenses, as well as said management fee, shall bear interest at the rate as herein provided for and shall form part of the Loan secured hereunder and the Lender shall have the same rights and remedies with respect to collection of same as it would have with respect to collection of Mortgage principal and Interest hereunder or at law.

Court File No. CV-17-11811-00CL

Zaherali Visram	and 2220277 Ontario Inc.
Applicant	Respondent

ONTARIO
SUPERIOR COURT OF JUSTICE

Proceedings commenced in Toronto

Affidavit

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Telecopier 905-940-5583
Law Society No. 11693H
Lawyer for the Respondent

Court File No. CV-17-11811-00CL

Zaherali Visram	and 2220277 Ontario Inc.
Applicant	Respondent

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Respondents Record

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