SCHEDULE "H"
By Email and Hand Delivered

VS Capital Corporation  
c/o Walter Traub  
Goldman Sloan Nash & Haber  
Suite 1600  
480 University Avenue  
Toronto ON  
M5G 1V2

Dear Sirs:

Re: Grid promissory note dated on or about February 22, 2011 (the “Promissory Note”) between the 2164566 Ontario Inc. (the “Borrower”) and VS Capital Corporation (the “Lender”) and a collateral charge upon the real properties known municipally as 4583, 4589, and 4601 Mississauga Road, Mississauga, Ontario (collectively, the “Property”) registered on February 22, 2011 as Instrument No. PR1965232 in the Land Registry Office for the Land Titles Division of Peel (No. 43) (the “Charge”),

Further to the attached Notice of Redemption and Direction re Assignment in respect of the Charge referred to above issued on behalf of our client 2164566 Ontario Inc. on April 7, 2014 and our telephone discussion and agreement of April 15, 2015, the attached copy of our firm’s certified cheque drawn in accordance with the executed direction of your client, VS Capital Corporation, provided by you late yesterday, is provided as agreed proof of our client’s tender, which tender you have confirmed that your client has refused.

Yours very truly,

[Signature]

Counsel

Cc: Zaher Ali Visram  
Kyla Mahar/Grant Moffatt  
Harvey Chalton
PAID TO: Goldman Sloan Nash & Haber LLP, in trust

As per direction
CLIENT: 4477 - Suleman, Naheel
MATTER: 214395
SCHEDULE "I"
April 16, 2015

MarshallZehr
Real Estate Capital
465 Phillip St, Suite 206
Waterloo, ON, N2L8C7

Attention: Murray Sneden, Chief Financial Officer

RE: 4583, 4589 & 4601 MISSISSAUGA ROAD
MISSISSAUGA, ONTARIO

At your request, we have examined the above-referenced property for the purpose of estimating the current market value as of March 28, 2015, the date we inspected the property. It is our understanding that the purpose of this appraisal is to estimate the market value of the land for mortgage financing purposes. The reported analysis, opinions and conclusions developed in this appraisal report have been prepared in conformity with the Canadian Uniform Standards of Professional Appraisal Practice ("CUSPAP").

The subject property is a 2.76 acre parcel located on the east side of Mississauga Road, south of Eglinton Avenue in the City of Mississauga, Regional Municipality of Peel (Province of Ontario). The site is slightly irregular in shape, and is improved with 3 older, dilapidated detached residential dwellings. The property is zoned "R16-9 - Residential", "G1 - Greenbelt" & "G2-4(17) - Greenbelt" and designated "Residential - Low Density I" & "Greenbelt" under the Mississauga Official Plan 2011. A Zoning By-Law Amendment and a Draft Plan of Subdivision Application were approved by the City to permit a subdivision of 11 detached dwellings on a common element road with full municipal services conditional on the westerly 2.04 acres, while the easterly 0.72 acres is to be deeded to the City as protected open space within the limits of the Credit Valley.

The highest and best use of the property is for the single family residential subdivision more or less as approved. The Direct Comparison and Subdivision Approaches are developed and solely relied upon in reconciling a final market value estimate.
Based upon the information available to us for this appraisal, and our investigation of the real estate market, and after considering all of the pertinent facts as set forth in the body of this appraisal report, as of March 28, 2015, the subject property is estimated to have a current market value of approximately:

**FIVE MILLION FOUR HUNDRED THOUSAND DOLLARS**

$5,400,000

Notwithstanding the foregoing, we have also been instructed to estimate the current market value assuming a purchaser of the subject property would not have to incur some of the typical development costs associated with a plan of subdivision, namely land transfer tax, realty taxes, legal and administrative costs and land financing costs during the servicing and registration of the plan of subdivision; these costs were estimated at $412,500. This assumption is a hypothetical condition and represents an extraordinary assumption in accordance with CUSPAP. Under this extraordinary assumption, the estimated current market value as of the effective date is approximately $5,800,000.

The Full Narrative appraisal report that follows sets forth the pertinent data and analyses leading to the conclusions presented herein. The Appraisal Requirements section of this report sets out the basis of the appraisal, definitions and the valuation methodology and must be read to gain a full understanding of the process.

Respectfully submitted,

**METRIX**

**REALTY GROUP**

Guy Wilson, AACI, P. App.
Metrix Realty Group (Ontario) Inc.
# Table of Contents

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Executive Summary</td>
<td>1</td>
</tr>
<tr>
<td>Property Data</td>
<td></td>
</tr>
<tr>
<td>Site Description</td>
<td>3</td>
</tr>
<tr>
<td>Subject Photographs</td>
<td>3</td>
</tr>
<tr>
<td>Land Use Policy</td>
<td>5</td>
</tr>
<tr>
<td>Development Proposal</td>
<td>7</td>
</tr>
<tr>
<td>Market Overview</td>
<td>9</td>
</tr>
<tr>
<td>Economic Overview</td>
<td>12</td>
</tr>
<tr>
<td>Regional Overview</td>
<td>14</td>
</tr>
<tr>
<td>Neighbourhood</td>
<td>16</td>
</tr>
<tr>
<td>GTA Housing Market</td>
<td>19</td>
</tr>
<tr>
<td>Highest &amp; Best Use</td>
<td>21</td>
</tr>
<tr>
<td>Valuation</td>
<td></td>
</tr>
<tr>
<td>Method of Valuation</td>
<td>23</td>
</tr>
<tr>
<td>Direct Comparison Approach</td>
<td>24</td>
</tr>
<tr>
<td>Subdivision Approach</td>
<td>34</td>
</tr>
<tr>
<td>Reconciliation</td>
<td>39</td>
</tr>
<tr>
<td>Appraisal Requirements</td>
<td>40</td>
</tr>
<tr>
<td>Contingent &amp; Limiting Conditions</td>
<td>42</td>
</tr>
<tr>
<td>Certification</td>
<td>44</td>
</tr>
<tr>
<td>Addendum</td>
<td></td>
</tr>
<tr>
<td>&quot;A&quot; Appraiser's Qualifications</td>
<td></td>
</tr>
<tr>
<td>&quot;B&quot; Zoning By-law 0191-2012</td>
<td></td>
</tr>
</tbody>
</table>
EXECUTIVE SUMMARY

PROPERTY TYPE
Draft Approved Single Family Subdivision

PURPOSE OF APPRAISAL
Estimate the current market value of the property.

PROPERTY RIGHTS APPRAISED
Fee Simple Interest

FUNCTION OF APPRAISAL
This report has been prepared for MarshallZehr for mortgage financing purposes.

OWNER OF RECORD
2164566 Ontario Inc. (Hush Homes)

HISTORY OF PROPERTY
The subject property was acquired on February 22nd, 2011 from Glenstream Developments Inc. and Allan Fox for a total consideration of $5,250,000. The subject is currently listed for sale in the open market, but there is no asking price.

DATE OF INSPECTION
March 28, 2015

DATE OF VALUATION
March 28, 2015

TOTAL SITE AREA
2.76 acres (±2.04 acres developable – balance valley land)

OPA 2011
"Residential- Low Density I" & "Greenbelt"

ZONING
"R16-9 - Residential", "G1 - Greenbelt" & "G2-4(17) - Greenbelt"

SERVICES
Municipal services are available to the lot line with the exception of storm sewers which have to be extended a considerable distance to the north to the closest available storm outlet.

HIGHEST AND BEST USE
Single family subdivision, more or less as draft approved.

FINAL MARKET VALUE ESTIMATE ........................................................... $5,400,000

RATE PER ACRE
$2,645,000 per developable acre (rounded)

REASONABLE EXPOSURE PERIOD
3 to 4 months

METRIX REALTY GROUP
SITE DESCRIPTION

LOCATION

- Located on the east side of Mississauga Road, south of Eglinton Avenue West in the City of Mississauga, Regional Municipality of Peel.

TOTAL LAND AREA

- 2.756 acres (as per Draft Plan)

STREET FRONTAGE

- ±231 feet (Mississauga Road)

SHAPE

- Irregular (refer to the Geowarehouse Map below).

SERVICES

- We reviewed a Functional Servicing Report (copy) prepared by Skira & Associates Ltd. (dated February 18, 2011). This report indicates that municipal water, sanitary sewer and hydro services are available on Mississauga Road along the subject frontage, but that the closest available storm sewer outlet is located to the northeast of the property (at the east end of Thorny Brae Place), necessitating construction of new storm sewers along Mississauga Road, and then east along Thorny Brae Place or alternatively through two privately owned properties to facilitate the same (for which easements would be required). Once this storm water sewer connection is provided, full municipal services
can be extended into the subject property to service a low density residential development.

- Reasonably level table land at grade with Mississauga Road, with a heavily treed, downward sloping ravine at the rear of the site (within the regulation limits of the Credit Valley Conservation Authority).

- Access is available from Mississauga Road.

- The site is currently improved with three older, dilapidated detached dwellings. The improvements are vacant and demolition applications have been approved.

- We are not aware of any easements/restrictions that would have a negative impact on value or development of the subject property.

- We have not undertaken a detailed soil analysis, and as we are not qualified to comment on soil conditions, we have assumed that there are no contaminants affecting the site. However, a full environmental audit is required for certainty and any cost to remedy the site should be deducted from the value estimate reported herein. The sub-soil is assumed to be similar to other lands in the area and suitable in drainage qualities and load bearing capacity to support development.

- We note that marketing of a new housing project on the subject commenced reportedly in 2013, as "Mont Palais". The project offered 50-ft to 70-ft lots with detached homes ranging from 3,785 sq. ft. to 4,820 sq. ft., priced from $1,880,000 to $2,400,000 (as of February 26, 2014). It is our understanding the project was closed shortly thereafter until suitable financing could be arranged for the development.
LAND USE POLICY

CITY OF MISSISSAUGA

OFFICIAL PLAN 2011

The subject property is designated "Residential- Low Density I" and "Greenbelt" in the City of Mississauga Official Plan 2011 (refer to Figure 3 - Mississauga Official Plan Land Use Map).

EXCERPTED FROM THE CITY OF MISSISSAUGA OFFICIAL PLAN 2011

11.2.5 RESIDENTIAL

Residential designations will permit the following uses:

a. residential dwelling;
b. accessory office for physicians, dentists, health professionals and drugless practitioners;
c. home occupation;
d. special needs housing; and
e. urban gardening.

Lands designated Residential Low Density I permit the following uses:

a. detached dwelling;
b. semi-detached dwelling; and
c. duplex dwelling.

11.2.3 GREENBELT

Lands designated Greenbelt are generally associated with natural hazards and/or natural areas where development is restricted to protect people and property from damage and to provide for the protection, enhancement and restoration of the natural area system.

Lands designated Greenbelt permit the following uses:

a. conservation;
b. electricity transmission and distribution facilities;
c. facilities that by their nature must locate near water or traverse watercourses (i.e. bridges, storm sewer outlets and stormwater management facilities);
d. flood and/or erosion work;
e. passive recreational activity;
f. parkland; piped services and related facilities for water, wastewater and stormwater; and accessory uses.
The subject property received a site specific Zoning By-Law Amendment enacted in September 2012 to "R16-9 (Detached Dwellings on a CEC - Private Road - Exception)", "G1 (Greenbelt - Natural Hazards)" and "G2-4(17) (Greenbelt - Natural Features - Exception) (refer to Figure 4 - Subject Zoning Map). The site-specific Zoning By-law 0191-2012 Excerpt has been included as Addenda B.

**R16-9 (Detached Dwellings on a CEC - Private Road - Exception)**
Permitted use is for detached dwellings on a common element condominium private road. The site specific Exception (9) permits a maximum of 11 dwelling units. The minimum lot area is 475 m² for an interior lot and 670 m² for a corner lot. Minimum lot frontage is 22m and the maximum lot coverage is 45%.

**G1 (Greenbelt - Natural Hazards)**
Permits flood control, stormwater management, erosion management and natural heritage features and areas conservation.

**G2-4(17) (Greenbelt - Natural Features - Exception)**
Permits a natural protection area.

**ZONING MAP**
In conjunction with the aforementioned re-zoning, a Draft Plan of Subdivision application (21T-M09002) was conditionally approved by the City on May 3, 2012. The draft approved plan allows subdivision of the subject property to create 11 detached dwelling lots along a private common element condominium road extending east from Mississauga Road. A copy of the Draft Plan is included on the following page, and a summary of the land use and lots/blocks is provided in the following table.

<table>
<thead>
<tr>
<th>Schedule of Land Use</th>
<th>m²</th>
<th>ac.</th>
</tr>
</thead>
<tbody>
<tr>
<td>PROPOSED LAND USE</td>
<td></td>
<td></td>
</tr>
<tr>
<td>DETACHED RESIDENTIAL, Lots 1 - 11</td>
<td>6670</td>
<td>1.668</td>
</tr>
<tr>
<td>GREENBELT, Block 12</td>
<td>2814</td>
<td>0.720</td>
</tr>
<tr>
<td>3.6m ROAD WIDENING, Block 13</td>
<td>213</td>
<td>0.053</td>
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<tr>
<td>PRIVATE ROAD &amp; 1.5m SIDEWALK, Block 14</td>
<td>1155</td>
<td>0.285</td>
</tr>
<tr>
<td>TOTAL</td>
<td>11152</td>
<td>2.756</td>
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</table>

<table>
<thead>
<tr>
<th>PROPOSED RESIDENTIAL UNITS</th>
<th>units</th>
<th>%</th>
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<tbody>
<tr>
<td>15.6m (51') SINGLE DETACHED</td>
<td>4</td>
<td>36</td>
</tr>
<tr>
<td>18.0 m (60') SINGLE DETACHED</td>
<td>7</td>
<td>64</td>
</tr>
<tr>
<td>TOTAL</td>
<td>11</td>
<td>100</td>
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<table>
<thead>
<tr>
<th>PROPOSED ROADS</th>
<th>lin. m</th>
<th>lin. ft.</th>
</tr>
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<tbody>
<tr>
<td>7.0 m PRIVATE CEC (23') ROAD</td>
<td>268</td>
<td>879</td>
</tr>
<tr>
<td>TOTAL</td>
<td>108</td>
<td>354</td>
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</table>

As per the zoning, the draft plan approved subdivision includes a 0.720 acre "Greenbelt" lot (Block 12) at the east end of the site, which is to be gratuitously conveyed to the City as a condition of approval of the subdivision. The developable area of the site is therefore 2.04 acres including the roadway. The private road measures 7.4 metres (24 feet) wide and is 350 feet in length.

According to the Draft Plan the 11 building lots will have effective frontages ranging from 15.6 to 20.2 metres (51.2 to 66.3 feet) with depths varying between 30.7 to 33.0 metres (100.7 to 108.3 feet). We estimate that the subdivision will yield a total effective lot frontage of 632.5 feet, including 4 lots backing onto the greenbelt block, 3 of which will be premium pie shaped lots (Lots 4, 5 and 7). The two corner
lots along Mississauga Road (Lots 1 and 11) have stated frontages of more than 22 metres, but are subject to 7.5 metre side yards instead of the 1.8 metre interior lot side yard, resulting in effective frontages of closer to 16.5 metres to 16.9 metres. 10 of the lots permit building envelopes/footprints (including garages) varying between 169 sq. m. and 354 sq. m., averaging 222 sq. m. or 2,390 sq. ft.; the remaining largest lot (Lot 7) permits a building envelope of 354 sq. m. plus garage.

- Based on the developable area of 2.04 acre, the subdivision yields a density of 5.4 units per acre.

- Conditions of approval also include: entering into a servicing agreement with the City and Region; restoration of the Greenbelt block lands; construction of a chain link fence along the Greenbelt block, an acoustic fence along Mississauga Road, and a retaining wall along the north limits of the site; detailed design and restoration of a storm sewer outlet subject to City and CVC approval; payment of cash in lieu of parkland; and approval of a Site Plan application for the final grading and construction of the private road.

- It should be noted that the conditions of draft approval were effective for 3 years from the date of approval which has since lapsed, and will therefore presumably need to be revised/updated where necessary.
Fourth-quarter 2014 annualized GDP growth rate increased by 2.4% following a 3.2% increase in the third quarter. Annual GDP growth increased to 2.5% in 2014, which was up from the previous 2.0% and 1.9% growth in 2013 and 2012 respectively. Although growth in the third quarter of 2014 slowed relative to the second quarter, it still represented the economy maintaining its above-potential rate. Net exports posted the strongest support to annual GDP growth in 2014 since 1999 despite subtracting from growth in the fourth-quarter.

- Canada's employment rose by 35,400 jobs in January 2015 making up for the 11,300 drop in December 2014. The unemployment rate was down to 6.6% from 6.7% reported in December. The increase was fuelled by a 9,700 increase in goods-producing jobs and 25,700 rise in service-sector employment.

- Nominal retail sales dropped by 2.0% in December 2014 following a 0.4% gain in November 2014. Most of the decrease was accounted for by a 1.0% drop in auto sales combined with a 7.4% decline in gasoline station receipts. On a volumes basis, overall retail sales fell by 1.3% in December following a 0.7% gain in the previous month.

- Housing starts increased in January by 4.3% to 187,300 annualized units from a 6.5% drop to 179,600 in December. These numbers are well above the market expectation of 178,000 housing starts. Urban multiple-unit starts surged in the month by 12.3% while urban single-unit starts declined 3.8% and rural starts fell sharply by 15.5%. 
The Canadian merchandise trade balance widened to a $0.65 billion deficit in December 2014, with market expectations for a larger $1.1 billion deficit. Nominal deficit reflected a 2.3% increase in imports, partially offset by a 1.5% gain in exports. Exports for crude fell 12.0% due to price-related declines.

Canada's headline consumer price index (CPI) fell 0.2% in January 2015, a moderate decline compared to the market expectations of a larger 0.4% drop. The January report confirmed that Canada's inflation rate, excluding energy, increased to 2.3% from 2.2% in the previous three months. The Bank of Canada's core measure rose 0.2% on an unadjusted basis in the month. The year-over-year core rate of 2.2% matched the fourth-quarter 2014 average.

<table>
<thead>
<tr>
<th>Economy at a Glance (% change from)</th>
<th>Latest Month</th>
<th>Previous Month</th>
<th>Year Ago</th>
<th>Monthly Trend</th>
</tr>
</thead>
<tbody>
<tr>
<td>Real GDP</td>
<td>December</td>
<td>0.3</td>
<td>2.3</td>
<td>Up</td>
</tr>
<tr>
<td>Industrial production</td>
<td>December</td>
<td>0.8</td>
<td>3.9</td>
<td>Down</td>
</tr>
<tr>
<td>Employment</td>
<td>January</td>
<td>0.2</td>
<td>1.0</td>
<td>-</td>
</tr>
<tr>
<td>Unemployment rate (%)*</td>
<td>January</td>
<td>6.6</td>
<td>7.0</td>
<td>Up</td>
</tr>
<tr>
<td>Manufacturing production</td>
<td>December</td>
<td>2.5</td>
<td>3.3</td>
<td>Down</td>
</tr>
<tr>
<td>Manufacturing employment</td>
<td>January</td>
<td>0.8</td>
<td>2.0</td>
<td>Down</td>
</tr>
<tr>
<td>Manufacturing shipments</td>
<td>December</td>
<td>1.7</td>
<td>7.3</td>
<td>Down</td>
</tr>
<tr>
<td>Manufacturing new orders</td>
<td>December</td>
<td>1.5</td>
<td>13.9</td>
<td>Down</td>
</tr>
<tr>
<td>Manufacturing inventories</td>
<td>December</td>
<td>-1.4</td>
<td>3.7</td>
<td>Down</td>
</tr>
<tr>
<td>Retail sales</td>
<td>December</td>
<td>-2.0</td>
<td>4.5</td>
<td>Down</td>
</tr>
<tr>
<td>Car sales</td>
<td>December</td>
<td>6.4</td>
<td>13.5</td>
<td>Up</td>
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<tr>
<td>House starts (000s)*</td>
<td>January</td>
<td>187.3</td>
<td>201.3</td>
<td>Up</td>
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<tr>
<td>Exports</td>
<td>December</td>
<td>1.5</td>
<td>8.4</td>
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<tr>
<td>Imports</td>
<td>December</td>
<td>2.3</td>
<td>7.4</td>
<td>Up</td>
</tr>
<tr>
<td>Trade balance ($ billions)*</td>
<td>December</td>
<td>-0.6</td>
<td>0.3</td>
<td>Down</td>
</tr>
<tr>
<td>Consumer price index</td>
<td>January</td>
<td>-0.2</td>
<td>2.4</td>
<td>Down</td>
</tr>
</tbody>
</table>

* Lexis for the latest period and the same period a year earlier.
The City of Mississauga is one of three municipalities comprising the Region of Peel. The others are the City of Brampton and the Town of Caledon. The Region is located immediately west and northwest of the former Metropolitan Toronto Area. It boarders the Towns of Oakville and Milton to the west, the City of Brampton to the north and the City of Toronto to the east.

The City of Mississauga has shown rapid growth over the past two decades and has now developed into a strong business and housing rival to the municipalities within the Greater Toronto Area (GTA). Overall, the City and region is regarded as a strong employment destination.
ECONOMIC AND DEMOGRAPHIC PROFILE – CITY OF MISSISSAUGA

POPULATION
\- 713,443 (2011 Stats Canada)

TOTAL PRIVATE DWELLINGS
\- 242,538 (2011 Stats Canada)

MEDIAN HOUSEHOLD INCOME
\- $75,556 (2011 Stats Canada)

LABOUR FORCE
\- 395,800 (2011 Stats Canada)

PARTICIPATION RATE
\- 68.2% (2011)

UNEMPLOYMENT RATE
\- 8.7% (2011 National Household Survey)

TAX RATES (2015)
\- Residential 0.433457%
\- Multi-Residential – 0.695924%
\- Commercial – 1.008826%
\- Industrial – 1.190877%

INFRASTRUCTURE
\- The City of Mississauga is the only city in the GTA serviced by seven major highways (Highway 401, 403, 409, 410, 427, 407 and the Queen Elizabeth Way).

\- Mississauga is home to Canada's largest and busiest airport, Lester B. Pearson International Airport.

\- Both CN and CP railways serve the City. GO Transit operates three train lines and three GO bus lines to Mississauga. Public transit is by surface bus linking with the Toronto Transit Commission (TTC), Brampton Transit, Oakville Transit and all Go Transit stations.
The subject property is located just south of the major
intersection of Mississauga Road and Eglinton Avenue
West. Mississauga Road, is a minor arterial road serving
south-central Mississauga, which winds along/through the
picturesque Credit River Valley. It extends south from
Meadowvale and the historic village of Streetsville, and
further south to Port Credit. There are two highway access
points along Mississauga Road, including Highway 401
further to the south; the road crosses Highway 403 just to
the south of the subject, with access to Highway 403
available to the west from Erin Mills Parkway — the main
north-south arterial serving this part of Mississauga.

Mississauga Road is regarded as one of the city's most
prestigious streets and residential neighborhoods, which is
home to the largest collection of exclusive homes in
Mississauga. The largest and most expensive homes along
Mississauga Road are mostly found further south, in the
section just north and south of Highway 401, which includes
homes both fronting directly onto the road as well as on
secluded cul de sacs. A search of homes currently listed for
sale at over $2 million along Mississauga Road revealed 8
south of Dundas Street - priced between $2.5 and $14.0
million, and 5 north of Dundas - priced from $2.1 to $2.9
million.

New development activity is relatively limited along
Mississauga Road presently, as there are limited remaining
significant sized development parcels. There are a few cul
de sacs that appear to have been recently developed with
single family dwellings, and there are numerous new homes
on existing lots (e.g. tear downs). The only major new
development is located just south of the subject on the west
side of Mississauga Road comprising 8 semi-detached
homes and 43 townhomes, now under construction by
Dunpar Homes; known as heritage Gate, the homes are priced from $690,000 to close to $900,000.

- Major amenities in the area include Credit Valley Hospital and Erin Mills Town Centre to the west, University of Toronto's Mississauga campus set on 224 acres to the south, and Mississauga Golf & Country Club further to the south. Convenience commercial and community amenities are located in Streetsville a few kilometres to the north along Mississauga Road.

**Adjacent Land Uses**

**North**

Roman Catholic Church of Croatian Martyrs, comprising a dated 1 and part 2-storey institutional building on a similar sized parcel to that of the subject.

- Two older, large single family dwellings fronting Mississauga Road.

**East**

Low lying land within the Credit River valley, also owned by the Roman Catholic Church of Croatian Martyrs, and operated as Father Kamber Croatian Parish Park used to hold large picnics and religious gatherings for the Canadian Croatian community; Credit River beyond the Park (the entrance to the park is located further south from Mississauga Road).

- Large single family subdivision dating back to circa 1980's (along west side of Mississauga Road) – homes in this subdivision are relatively modest for this community, with pricing ranging from roughly $800,000 to $1,100,000 over the past year.
GTA HOUSING MARKET

LOW INTEREST RATES

- The prevailing low interest rate environment continued through 2014, and after bond yields dropped to their lowest levels on record early in 2015, mortgage rates are now available at some of the lowest on record also. These favourable economic conditions together with high demand are attributed to the strong performance in the housing market in the Greater Toronto Area (GTA) in the past year.

RECORD HIGH PRICES

- According to TREB, the Q4 2014 average resale price of a single family home in the GTA was $574,014, up almost 8% in comparison to Q4 2013; this reflects the continued upward trend and record high pricing. TREB also reported average resale prices of condominiums increased by 5.4% over the same period.

- The record high pricing is partly attributed to very high sales to listing ratios leading to a “seller’s market”, averaging over 45% in Q4 2014 in the resale market according to TREB.

- More recently in February 2015, resale prices rose 7.8% to an average of $596,163, the Toronto Real Estate Board reported. In the City of Toronto, average prices for detached houses jumped nearly 9% in February from a year earlier to $1,040,018 as the average price of detached homes topped $1-million for the first time.
CONCLUSION

The City of Mississauga is Canada’s 8th largest city, and the largest and most established municipality in the Greater Toronto Area outside of the City of Toronto, with excellent highway access. The subject property is located in a predominantly low density residential community along the Credit River valley, and the adjacent protected ravine setting is an attractive feature. The property fronts onto one of the most prestigious roads in the City – Mississauga Road, the location of some of the most prestigious residential neighborhoods in Mississauga. Overall, the property is well situated for an upscale single family subdivision, and housing market conditions are very strong, with average prices and upscale housing prices at record highs.
Real estate is valued in terms of its highest and best use. Highest and best use is defined as:

The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum profitability.

Appraisal Institute

To properly analyze highest and best use, two determinations must be made. First, the highest and best development of the site as though vacant and available for use, is made. Second, the highest and best use of the property as improved is analyzed and estimated. The highest and best use of both the land as though vacant and the property as improved must meet four criteria: physically possible, legally permissible, financially feasible, and maximally productive. Of the uses that satisfy the first three tests, the use that produces the highest price or value consistent with the rate of return warranted by the market is the maximally productive use.
SUBJECT PROPERTY

PHYSICALLY POSSIBLE

- The subject comprises 2.76 acres with frontage on Mississauga Road. The westerly ±2 acres of the site can physically accommodate a low density residential development; the balance of the site is heavily forested land sloping down into the Credit River Valley to the east.

LEGALLY PERMISSIBLE

- The site has site specific zoning and draft plan approval for a fully serviced subdivision with 11 detached single family building lots along a common element condominium road; the approval is however conditional on a number of site servicing requirements including external servicing to a suitable storm sewer outlet.

FINANCIALLY FEASIBLE

- There is adequate evidence in the market indicating strong demand for acquisitions of land suited for new housing development as outlined in this report.

MAXIMALLY PRODUCTIVE

- Given the location, surrounding land uses and land use policy, a low density residential development is likely the maximally productive use.

CONCLUSION

Given the subject site characteristics and the surrounding land uses, we estimate the Highest and Best Use would be for a low density residential development more or less as per the existing zoning and draft approved plan of subdivision.
METHOD OF VALUATION

The two most common approaches used to value vacant low density residential land are the Direct Comparison and Subdivision Approaches, described below.

DIRECT COMPARISON

- The Direct Comparison Approach is the most commonly accepted methodology for valuing land, and uses a comparison of transactions that have occurred, involving similar vacant land, and acting as a proxy for the subject property. The approach is successfully applied where there is a reasonable volume of transactions having similar characteristics compared to the subject property.

SUBDIVISION

- The Subdivision Approach is based on a proposed development of the land, where the costs of servicing and development are known and deducted from the expected market value of the completed project.

- The Subdivision Approach is typically provide as support for, and in tandem with, the Direct Comparison Approach. The main weakness of the Subdivision Approach is the potential variation in, and sensitivity to, project costs, revenue estimates, absorption period, profit and development timing etc., particularly when development is preliminary in planning approval status and/or when qualified development budgets are not available.

CONCLUSION

We have undertaken both the Direct Comparison and Subdivision Approaches in valuing the subject site. In this case, due to the relatively unique location of the subject, and advanced planning status, there is limited truly comparable sales, and as such, significant reliance will be placed on the Subdivision Approach.
DIRECT COMPARISON APPROACH

We have undertaken a broad survey and market research of similar sized land parcels acquired for low residential development in reasonably comparable locations. The most comparable sales evidence is tabled on the following page analyzed on the basis of a rate per acre and rate per lot developable.

ANALYSIS OF THE SALES DATA

We have identified four comparable market transactions including the acquisition of the subject property in February 2011. The sales compiled are all located in Mississauga and more specifically all in south-central Mississauga.

Excluding the subject acquisition, the comparable sales were registered between May 2012 and July 2014. The sales involve properties ranging in size from 1.14 acres to 4.90 acres, and are proposed for subdivision or severance into developments ranging from 4 to 15 lots; this translates to densities varying between 0.8 and 4 units/LOTS per acre. The three transactions range in price from $1,530,612 to $1,837,929 per acre, and reflect a wide range of rates per lot developable from $423,667 to $1,875,000.

In comparison the acquisition of the subject reflects rates of $2,578,585 per acre based on the developable area of 2.04 acres, and $477,273 per lot developable based on the now approved density of 5.4 lots per acre.

Each of the sales are described in more detail on the next following pages, and analysed thereafter in order to provide an indication of the current market value of the subject property.
## Summary of Comparable Market Activity

<table>
<thead>
<tr>
<th>No.</th>
<th>Address</th>
<th>Vendor / Purchaser</th>
<th>Closing Date</th>
<th>Area (Acres)</th>
<th>No. of Lots</th>
<th>Price Per Acre</th>
<th>Price Per Lot Developable</th>
<th>Official Plan/ Zoning Designation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>5175-5215 Mississauga Road</td>
<td>n/a</td>
<td>Jun - Jul-14</td>
<td>3.78</td>
<td>15</td>
<td>$1,679,440</td>
<td>$423,667</td>
<td>Residential Low Density-1</td>
</tr>
<tr>
<td></td>
<td>Mississauga</td>
<td>Cachet Estate Homes (Symphony) Inc.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>R1 &amp; G1</td>
</tr>
<tr>
<td>2</td>
<td>2375-2387 Old Carriage Rd</td>
<td>T. Watson et al / 2402980 Ontario Inc.</td>
<td>Jan-14</td>
<td>1.14</td>
<td>4</td>
<td>$1,837,929</td>
<td>$525,000</td>
<td>Residential Low Density-1</td>
</tr>
<tr>
<td></td>
<td>Mississauga</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>R2</td>
</tr>
<tr>
<td>3</td>
<td>2250 Doulton Dr</td>
<td>C. Vassallo / Pinder Real Estate</td>
<td>May-12</td>
<td>4.90</td>
<td>4</td>
<td>$1,530,612</td>
<td>$1,875,000</td>
<td>Residential Low Density-1</td>
</tr>
<tr>
<td></td>
<td>Mississauga</td>
<td>Developers Inc.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>R1-5</td>
</tr>
<tr>
<td>4</td>
<td>Subject</td>
<td>Glenstream Dev's Inc. &amp; A. Fox /</td>
<td>Feb-11</td>
<td>2.04</td>
<td>11</td>
<td>$2,578,585</td>
<td>$477,273</td>
<td>Residential Low Density-1 &amp; Greenbelt</td>
</tr>
<tr>
<td></td>
<td>Mississauga</td>
<td>2164566 Ontario Inc.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>R1 &amp; G1</td>
</tr>
<tr>
<td></td>
<td>Subject</td>
<td>Current</td>
<td></td>
<td>2.00</td>
<td>11</td>
<td>$2,600,000</td>
<td>$472,727</td>
<td>Draft Approved</td>
</tr>
<tr>
<td></td>
<td>Mississauga</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Common element road</td>
</tr>
</tbody>
</table>
SALE NO. 1

Address: 5175-5215 Mississauga Road
Municipality: Mississauga
Location: East side of Mississauga Road, north of Eglinton Avenue West

<table>
<thead>
<tr>
<th>Site Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Frontage: Mississauga Road, Amana Place</td>
</tr>
<tr>
<td>Position: Mid-block</td>
</tr>
<tr>
<td>Lot Size (Acres): 3.784</td>
</tr>
<tr>
<td>Proposed Number of Lots: 15</td>
</tr>
<tr>
<td>Units Per Acre: 3.96</td>
</tr>
<tr>
<td>Zoning: R1 &amp; G1</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Transaction Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sale Date (Registration): Jun - Jul-14</td>
</tr>
<tr>
<td>Sale Price: $6,355,000</td>
</tr>
<tr>
<td>Price per Acre: $1,679,440</td>
</tr>
<tr>
<td>Price per Lot: $423,667</td>
</tr>
<tr>
<td>Vendor: n/a</td>
</tr>
<tr>
<td>Purchaser: Cachet Estate Homes (Symphony) Inc.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>General Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>This transaction represents the acquisition in two parts (closing within one month of each other) of an irregular shaped table lands with a heritage home. The property is described as an infill single family development parcel, surrounded by established single family homes on full municipal services. In addition to the Mississauga Road frontage the property does back onto two interior streets. Following the acquisition the owners filed a subdivision application to permit the creation of 15 detached residential building lots (55 ft to 60 ft in frontage) serviced by a public road which is still being processed; they also received permission to demolish the heritage home.</td>
</tr>
</tbody>
</table>
Address: 2375-2387 Old Carriage Rd
Municipality: Mississauga
Location: North side of Old Carriage Road, southeast of Dundas Street West

Site Details
Frontage: Old Carriage Rd
Position: Mid-block
Lot Size (Acres): 1.143
Proposed Number of Units: 4
Units Per Acre: 3.50
Zoning: R2 Residential

Transaction Details
Sale Date (Registration): Jan-14
Sale Price: $2,100,000
Price per Acre: $1,837,929
Price per Unit: $525,000
Vendor: T. Watson et al
Purchaser: 2402980 Ontario Inc.

General Comments
This transaction represents the assembly of two parcels somewhat irregular in shape, each improved with older single family dwellings. Combined the two parcels offer roughly 250 feet of frontage, with depths as great as 250 feet. The property is located in the established upscale single family neighborhood south of Dundas Street West and west of Glengarry Road that borders the Mississauga Golf & Country Club to the south. Following this acquisition, the owner filed applications with the Committee of Adjustment to create 4 lots of roughly 60 to 65 feet each, which are current listed for sale. We assume that new servicing connections and development charges will be required to be paid for the two additional lots.
SALE NO. 3

Address: 2250 Doulton Dr
Municipality: Mississauga
Location: South side of Doulton Drive north of Mississauga Road

<table>
<thead>
<tr>
<th>Site Details</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Frontage:</td>
<td>Doulton Drive</td>
</tr>
<tr>
<td>Position:</td>
<td>Corner</td>
</tr>
<tr>
<td>Lot Size (Acres):</td>
<td>4.900</td>
</tr>
<tr>
<td>Proposed Number of Units:</td>
<td>4</td>
</tr>
<tr>
<td>Units Per Acre</td>
<td>0.82</td>
</tr>
<tr>
<td>Zoning:</td>
<td>R1-5 Residential</td>
</tr>
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</table>

<table>
<thead>
<tr>
<th>Transaction Details</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Sale Date (Registration):</td>
<td>May-12</td>
</tr>
<tr>
<td>Sale Price:</td>
<td>$7,500,000</td>
</tr>
<tr>
<td>Price per Acre:</td>
<td>$1,530,612</td>
</tr>
<tr>
<td>Price per Lot:</td>
<td>$1,875,000</td>
</tr>
<tr>
<td>Vendor:</td>
<td>C. Vassallo /</td>
</tr>
<tr>
<td>Purchaser:</td>
<td>Pinder Real Estate Developers Inc.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>General Comments</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>This transaction involves a rectangular shaped, vacant parcel with extensive frontage along one of the most prestigious streets in the south Mississauga Road neighborhood just north of Highway 401. The property has 550 feet of frontage, with a depth of approximately 380 feet. Following this acquisition, the owner filed applications with the Committee of Adjustment to create 4 lots of roughly 140 feet frontage each. We assume that new servicing connections and development charges will be required to be paid for the three additional lots. Some of the largest homes in Mississauga have been built on this street on similarly large lots; notably there is currently a new 12,500 sq. ft. custom estate on a 3 acre lot for sale along the same block for $14 million.</td>
<td></td>
</tr>
</tbody>
</table>
**Address:** 4583-4601 Mississauga Road  
**Municipality:** Mississauga  
**Location:** East side of Mississauga Road, south of Eglinton Avenue West

### Site Details
- **Frontage:** Mississauga Road  
- **Position:** Mid-block  
- **Lot Size (Acres):** 2.036 (developable; 2.755 acres gross)  
- **Proposed Number of Lots:** 11  
- **Units per Acre:** 5.40  
- **Zoning:** R1 & G1 Residential

### Transaction Details
- **Sale Date (Registration):** Feb-11  
- **Sale Price:** $5,260,000 All Cash  
- **Price per Acre:** $2,578,585 (per developable acre)  
- **Price per Lot:** $477,273  
- **Vendor:** Glenstream Devs Inc. & A. Fox  
- **Purchaser:** 2164556 Ontario Inc.

### General Comments
This transaction represents the acquisition in two parts (closing on the same day) of an irregular shaped parcel with 0.7 acres of land deemed non-developable due to its location within the regulated limits of the Credit Valley. It is largely surrounded by institutional uses, namely a church with a large parking lot to the north, and a park owned by the church within the Credit valley. There are also two large single family homes adjacent to the property. The property has some municipal services to the lot line. Following the acquisition the owners filed a subdivision application to permit the creation of 11 detached residential building lots (52 ft to 70 ft in frontage) serviced by a private road which was subsequently draft approved.
Sale No. 1 is the most recent transaction analyzed, and is the most comparable sale as it is located less than 1 km from the subject, also along Mississauga Road. It is inferior to the subject property as it does not benefit from backing onto valley lands, is not an approved development, and will not be as efficient a development due mainly to the road network. It is unlikely however to have the same external servicing issues as the subject, is considered a slightly more desirable location based on the more established surrounding residential neighborhood, and the lots will be considerably deeper than the subject lots overall. It is also noted that the public road that this subdivision is proposed to be serviced by, is preferable to the private road proposed for the subject. As such in comparison to the subject, this sale requires large upward adjustment to its rate of $1,679,440 per acre, but only a slight upward adjustment to the rate of $423,667 per lot. Furthermore market conditions have strengthened since this sale took place in early/mid-2014.

Sale No. 2 is located considerably further south and east of the subject, in an established residential neighborhood south of Dundas Street West on the east side of the Credit Valley. This property consisted of two existing single family residences, which have been demolished and the property severed into four building lots, differing from the subject in that there is no loss of land, nor costs related to internal servicing, for a new road. This is partially offset by the much deeper lots and the less efficient resulting development yield. This sale reflects rates of $1,837,929 per acre and $525,000 per lot. Due to the improvement in market conditions since this sale took place, and the subject’s higher density, upward adjustment is justified to the price per acre overall, while the price per lot requires downward adjustment in comparison to the subject due to their larger size and lower development costs.

Sale No. 3 is also located considerably further south, and is the only other sale of residential development land along the Mississauga Road corridor over the past few years. However, this property is also to be divided by severance (along an existing public road), and is in a far superior location. Furthermore the 4 lots being created are estate sized lots at over 1 acre, which will be developed with far higher end homes than the subject. As such, limited reliance has been placed on this sale, but it does indicate a higher value than $1,530,000 per acre, and a far lower price than $1,875,000 per lot.
Sale No. 4 is the acquisition of the subject in 2011. With the considerable improvement in the market over the past five years (during which time average housing prices have rapidly escalated), together with the advancement of the development approvals, there is justification of a significant increase in the property’s market value currently. However these factors are at least partially offset by rising development costs, mainly development charges and servicing costs, and in this case it appears that the external servicing cost has proven to be more complicated and more costly than originally anticipated. Nevertheless, the above factors support at least the price paid for the property, and based on the market improvement a significantly higher value currently.

In addition to the foregoing comparable sales in Mississauga, consideration has also been given to an assembly in southwest Richmond Hill, whereby the purchaser - a developer - recently filed a subdivision application to permit 17 detached dwelling lots of 60 feet frontage and 120 to 140 feet deep. Homes in similar new infill subdivisions in the same neighborhood appear to sell in the $2 million to $3 million price range. According to RealNet, the developer acquired 4.5 acres of the lands between mid-2012 and mid 2013 for a price of $2.6 million per acre. Applied to the subdivision application, the sale price is also reported at $690,000 per lot developable. However due to the complexities of this assembly, and certain information not being registered on title, we have been unable to confirm the sale details. Residential land in Richmond Hill is generally considered to be more valuable than Mississauga, but overall this sale is considered to provide support for the price paid for the subject property with an increase for market improvement, which is considered helpful in view of the limited comparable market evidence in Mississauga.

In summary, the three comparable sales (excluding the sale of the subject) analyzed indicate that the subject’s current market value should be based on rates higher than $1,530,000 to $1,838,000 per acre, due to the strong prevailing market conditions, the advanced development status and the relatively high density of the subject. In terms of price per lot, the comparable sales indicate that the current market value of the subject should be higher than $424,000 but lower than $525,000.

Lastly, the fourth comparable sale representing the acquisition of the subject in 2012 indicates that the subject’s market value should be greater than $2,579,000 per acre and $477,000 per lot.
The best indicators of market value are Sale Nos. 1 and 4, and the best unit rate of comparison in this case is deemed to be the price per lot; these two sales reflect rates of $424,000 and $477,000 per lot respectively.

**Final Market Value Conclusion**

Based on the available direct comparable market evidence, we estimate that the current market value of the subject should be based on a price per lot developable of $450,000 to $500,000 per lot, equating to an indicated market value range of $4,950,000 to $5,500,000. This translates to a price per acre range of approximately $2,431,000 to $2,701,000; unfortunately, this unit rate range is not well supported by the available comparable market evidence which reflect considerably lower unit rates respectively, but can be somewhat justified by the efficient subdivision design and advanced planning status.
SUBDIVISION APPROACH

Introduction

The Subdivision Approach is predicated on estimating the gross revenue from the potential sale of the net developable area of the lands as though fully registered and subdivided, and subtracting the hard and soft development costs, as well as accounting for any applicable profit and carrying costs/time value of money requirements.

Our key projections and assumptions for each component of the Subdivision Pro Forma, and support thereof, are summarized as follows.

Draft Plan Approved Subdivision

The draft approved plan of subdivision for the subject discussed in detail previously herein yields 11 detached dwelling building lots along a private road. The lots vary between roughly 50 feet and 66 feet in frontage, including several premium ravine pie shaped lots. The lots are relatively shallow, with most only approximately 100’ deep.

Project Revenue Estimate

In order to estimate the potential revenue from the sale of the lots once fully serviced and part of a registered plan of subdivision, we have researched and analyzed transactions of comparable residential building lots, summarized in the table on the following page.

The available comparable market evidence involving building lot sales that have transacted in south-central Mississauga over the past several years reflect pricing of $550,000 to $918,000 per lot and $9,167 to $13,963 per front foot. Upward adjustments are required to most of the sales for the improvement in market conditions, and for the superior location of the subject in some cases. Furthermore we suspect some of the sale prices may not have included development charges. On the other hand some of the sales reflecting the upper end of the lot price range require downward adjustments for the considerably larger lot sizes and superior locations in some cases.
<table>
<thead>
<tr>
<th>Address</th>
<th>Sale Date</th>
<th>Sale Price</th>
<th>Frontage (Feet)</th>
<th>Price Per Front Foot</th>
<th>Depth (Feet)</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>1538 Adamson St</td>
<td>Feb-15</td>
<td>$627,500</td>
<td>48</td>
<td>$13,073</td>
<td>400</td>
<td>- severance; backs onto valley land; inferior nbhd</td>
</tr>
<tr>
<td>1970 Kiron Ct</td>
<td>Jan-15</td>
<td>$550,000</td>
<td>60</td>
<td>$9,167</td>
<td>85</td>
<td>- irregular pie shape, backs onto woodland; inferior nbhd</td>
</tr>
<tr>
<td>4216 Mississauga Rd</td>
<td>Mar-14</td>
<td>$840,000</td>
<td>85</td>
<td>$9,882</td>
<td>157</td>
<td>- deep lot, backs onto woodland &amp; valley land, busy road; similar nbhd</td>
</tr>
<tr>
<td>1742 Paddock Cres</td>
<td>Nov-13</td>
<td>$660,000</td>
<td>71</td>
<td>$9,296</td>
<td>125</td>
<td>- severance, sideways lot; backs onto woodland; superior nbhd</td>
</tr>
<tr>
<td>4198 Mississauga Rd</td>
<td>Dec-12</td>
<td>$918,000</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>- irregular pie shape, backs onto woodland &amp; valley, 0.43 acres; similar nbhd</td>
</tr>
<tr>
<td>3353 Cider Mill Pl</td>
<td>Jun-11</td>
<td>$625,000</td>
<td>65</td>
<td>$9,615</td>
<td>126</td>
<td>- large (9,000 sf); pie shape, cul de sac; superior nbhd</td>
</tr>
<tr>
<td>3350 Cider Mill Pl</td>
<td>Jan-11</td>
<td>$625,000</td>
<td>65</td>
<td>$9,615</td>
<td>126</td>
<td>- large (9,000 sf); pie shape, cul de sac; superior nbhd</td>
</tr>
<tr>
<td>45 Ontario Ct</td>
<td>Listing (Expired)</td>
<td>$649,900</td>
<td>49</td>
<td>$13,263</td>
<td>120</td>
<td>- deep lot, pie shaped, backs onto woodland, in Streetsville; inferior nbhd</td>
</tr>
<tr>
<td>2387 Old Carriage Rd</td>
<td>Listing (Expired)</td>
<td>$839,000</td>
<td>60</td>
<td>$13,983</td>
<td>245</td>
<td>- deep lot, backs onto woodland; superior nbhd</td>
</tr>
</tbody>
</table>

Consideration has also been given to a 2013 transaction involving a new residential subdivision in South Oakville at the northwest corner of Dorval Drive and Rebecca Street. The sale included 62 detached lots (ranging from 40' to 60' frontage) that sold at a blended rate of $12,427 per front foot.

Overall the comparable sales evidence, taking into consideration the strong prevailing market conditions, indicates that the subject lots should be based on average pricing of $13,000 per front foot for the "standard" interior lots, and $13,500 for the premium ravine lots at the back of the subdivision. It is noted that this rate takes into account that the lots would be sold inclusive of all hard and soft servicing costs including Development Charges. Applying these rates to the 7 lots at the front, and the 4 premium lots at the back of the subdivision, equates to lot prices of approximately $705,000 to $870,000 respectively, and total potential revenues, as calculated below.
Estimated Market Value of Building Lot Values (Fully Serviced)

<table>
<thead>
<tr>
<th>Lot Type</th>
<th>No. of Lots</th>
<th>Avg. Lot Frontage (ft.)</th>
<th>Total Frontage (ft)</th>
<th>PPFF</th>
<th>Per Lot</th>
<th>Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single - Premium</td>
<td>4</td>
<td>63</td>
<td>263</td>
<td>$13,750</td>
<td>$867,969</td>
<td>$3,471,875</td>
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<tr>
<td>Single</td>
<td>7</td>
<td>54</td>
<td>380</td>
<td>$13,000</td>
<td>$705,714</td>
<td>$4,040,000</td>
</tr>
<tr>
<td>Single</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Total</td>
<td>11</td>
<td>58</td>
<td>633</td>
<td>$13,259</td>
<td>$764,716</td>
<td>$8,411,875</td>
</tr>
<tr>
<td>Total (rounded)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$8,400,000</td>
</tr>
</tbody>
</table>

The analysis points to revenue potential of approximately $8.41 million; neither revenue projections or expenses have been inflated for the purpose of this exercise.

Project Costs Estimate

We have reviewed an internal servicing cost estimate by Skira & Associates Ltd. dated February 22, 2013, as well as a Draft Servicing Agreement dated April 19, 2012 also prepared by Skira & Associates as we understand, that includes all external servicing costs. We understand these are the most recent servicing cost estimates. The servicing costs are summarized in the Pro Forma on the next following page, and discussed in more detail below:

- Hard (direct) servicing costs are estimated at $1,324,733, which includes external servicing costs for a storm sewer of $663,080. Excluding the external cost, the internal servicing cost translates to $324,339 per acre and $60,150 per lot; this includes earthworks, internal road, internal servicing, a hydro allowance, fencing, demolition and a 5% contingency.

- Soft servicing costs total $164,973 and include mainly 10% engineering design & consulting fees, as well as miscellaneous allowances for other consultants. In addition we have included minimal allowances for finance related costs, legal and related fees totalling $75,000.

- Development Charges are estimated at approximately $70,000 per lot totalling $770,000, and cash-in-lieu of parkland has been estimated at $275,000. Municipal charges are reasonably assumed to have mostly been incurred and expended, but an allowance of $50,000 has been made for any additional fees and municipal engineering fees.

METRIX REALTY GROUP
We also included allowances for land transfer tax (i.e., assuming the property was being sold/acquired in accordance with the definition of market value) and realty taxes of $100,000 and $37,500, respectively, $50,000 for legal and administrative expenses, and $100,000 for land financing costs.

A development contingency allowance of $25,000 has also been included for the soft costs.

We note that overall these subdivision development costs appear to be reasonably representative of typical residential subdivision costs relative to industry norms, with the exception of the external servicing cost.

Profit Allowance

A profit margin is typically applied in the Subdivision Approach to account for the risks associated with developing land, however given the small size of this subdivision, infill location and the advanced planning status, together with the strong demand for residential land and building lots, it is our opinion that a purchaser of the subject property would not require a profit margin on the land. Instead, the purchaser who would likely be a home builder, would be motivated by the profit margins from the home construction.

Subdivision Pro Forma

Based on all of the foregoing, we have prepared a Subdivision Pro Forma included on the following page. The Pro Forma indicates a current market value for the subject property of $5,400,000 (rounded).
# Subdivision Pro Forma

<table>
<thead>
<tr>
<th>Lot Revenues</th>
<th>Lots</th>
<th>Average Frontage (Ft)</th>
<th>$/FF</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>11</td>
<td>57.5</td>
<td>$13,299</td>
<td>$8,411,875</td>
</tr>
</tbody>
</table>

## Expenses

- Direct Servicing (Hard Costs) $1,324,733
- Indirect Servicing (Soft Costs) $197,473
- Development Charges $1,095,000
- Legal & Admin. $50,000
- Finance $100,000
- Development Contingency $25,000
- LTT & Realty Taxes Allowance $137,500
- Land Financing Allowance $100,000

**Total Expenses** $3,029,706

**Net Revenue** $5,382,169

**Profit Allowance** 0.00% $0

**Residual Land Value** $5,382,169

**Rounded** $5,400,000

- Site Area (Developable) 2.04
- Price Per Building Lot $490,909
- Price Per Developable Acre $2,638,318
- Front Feet - total 633
- Price Per Front Foot $8,509
RECONCILIATION AND FINAL ESTIMATE OF VALUE

The Direct Comparison and Subdivision Approaches resulted in market value indications of $4,950,000-$5,500,000, and $5,400,000, respectively. The two approaches are reasonably supportive of one another, and as considerable reliance is placed on the Subdivision Approach in this case, a market value within the upper part of the overall range is justified, particularly in view of the strong prevailing market conditions.

In conclusion, after reviewing and analyzing the information on the subject property, and carefully considering the comparable market evidence, including the acquisition of the subject property, we estimate the current market value of the subject property, as of March 28, 2015, to be approximately:

**FIVE MILLION FOUR HUNDRED THOUSAND DOLLARS**

$5,400,000

Notwithstanding the foregoing, we have also been instructed to estimate the current market value assuming a purchaser of the subject property would not have to incur some of the typical development costs associated with a plan of subdivision, namely land transfer tax, realty taxes, legal and administrative costs and land financing costs during the servicing and registration of the plan of subdivision; these costs were estimated at $412,500. This assumption is a hypothetical condition and represents an extraordinary assumption in accordance with CUSPAP. Under this extraordinary assumption, the estimated current market value as of the effective date is approximately $5,800,000.
APPRAISAL REQUIREMENTS

PROPERTY RIGHTS APPRAISED

- Fee Simple Interest.

PURPOSE

- Estimate the current market value of the site.

FUNCTION

- This report has been prepared for MarshallZehr to estimate the current market value of the site for mortgage financing purposes.

DATE OF INSPECTION

- The site was inspected by Guy Wilson on March 28, 2015.

EFFECTIVE DATE OF VALUATION


SALES HISTORY

- The subject property was acquired in 2011, discussed in the body of this report, and is currently being offered for sale without an asking price. Otherwise, the subject has not been listed for sale in the open market in the past three years.

DEFINITION OF MARKET VALUE

- "Market Value" is defined as 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 that the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing the 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; and

5) the price represents the normal consideration for the property sold unaffected by special or creative financing or sales or concessions granted by anyone associated with the sale.
EXPOSURE TIME

- Exposure time is the estimated length of time the property interest being appraised would have been offered in the market prior to the hypothetical sale at the estimated market value on the effective date of the appraisal. Reasonable exposure encompasses not only adequate, sufficient and reasonable "time" but also adequate, sufficient and reasonable effort. Based on our statistical data regarding days on market, discussions with brokers and information derived through analysis of comparable data, it is our opinion a reasonable exposure time for the subject is approximately three to four months.

SCOPE OF VALUATION AND REPORTING PROCESS

- During the course of preparing this valuation, the appraiser:
  - Made an inspection of the site and surrounding area.
  - Reviewed available data regarding the local residential market.
  - Verified current land use and zoning regulations.
  - Reviewed a functional servicing study and servicing cost estimates provided by the owner.
  - Reviewed data on comparable sale transactions.
  - Interviewed market participants.
  - Confirmed all data relied upon in the valuation process where possible.
  - Prepared an appraisal report in accordance with the "Canadian Uniform Standards of Professional Appraisal Practice".
CONTINGENT AND LIMITING CONDITIONS

1. This appraisal is not valid unless an original signature is evident.

2. It is assumed that the sub-soil, structure, materials and workmanship are considered as good and acceptable by the market. In addition, mechanical and electrical facilities are also assumed to be in good working order. No responsibility has been assumed for the requirements of government, public or private bodies.

3. The presence of any potentially hazardous materials on the property and/or used in the building's maintenance or construction has not been determined. We are not qualified to detect the existence of such substances.

4. All data used and described herein whether provided for this appraisal or obtained in the market place is assumed to be correct and reliable.

5. Property rights being appraised are those of the "Fee Simple" interest. We assume no responsibility for matters, which are legal in character. The legal description is assumed to be correct.

6. We are not required to give testimony or attendance in court by reason of the appraisal, with reference to the property in question, unless arrangements have been previously made.

7. Maps, surveys, etc. in this report are included to assist the reader in visualizing the information and are not warranted as to their accuracy.

8. It is assumed that the subject property complies in all material respects with all restrictive covenants affecting the site and is in compliance with all the requirements of law, including zoning, land classification, building, planning, fire and health by-laws, rules, regulations, orders and codes of all federal, provincial, regional and municipal governmental authorities having jurisdiction with respect thereto.
9. It is assumed that, save and except for encumbrances as may be permitted, there are no easements, rights-of-way, building restrictions or other restrictions so affecting the site as to prevent or adversely affect the operation of the property or so as to materially and adversely affect its market value.

10. This report has been prepared for MarshallZehr to estimate the value for mortgage financing. Possession of this report, or a copy thereof, does not carry with it the right to reproduction or publication, in whole or in part, nor may it be used for any purpose by any other than the recipient, its lenders, financiers or agents, without the written consent and approval of the firm, Metrix Realty Group (Ontario) Inc.

11. Neither all nor any part of the contents of this report shall be disseminated or otherwise conveyed to the public through advertising media, public relations media, news media, sales media or any other media for public communication without the prior written consent and approval of the firm, Metrix Realty Group (Ontario) Inc.
CERTIFICATION

Re: 4583, 4589, 4601 Mississauga Road
Mississauga, Ontario

I certify that to the best of our knowledge and belief:

- The statements of fact contained in this report are true and correct.

- The appraisal assignment was not based on a requested minimum valuation, a specific valuation, or the approval of a loan.

- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and is my personal impartial, and unbiased professional analyses, opinions and conclusions.

- I have no present or prospective interest in the property that is the subject of this report, and I have no personal interest with respect to the parties involved.

- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.

- My engagement in and 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.

- My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Canadian Uniform Standards of Professional Appraisal Practice. The Appraisal Institute of Canada reserves the right to review this appraisal report.

- I have the knowledge and experience to complete the assignment competently.

- As of the date of this report, Guy Wilson, have fulfilled the requirements of The Appraisal Institute of Canada Mandatory Recertification Program for designated members.

- Guy Wilson inspected the property on March 28, 2015.
By reason of my investigation and by virtue of my experience, I have formed the opinion that as of March 28, 2015, the subject site has a current market value of:

**FIVE MILLION FOUR HUNDRED THOUSAND DOLLARS**

$5,400,000

Notwithstanding the foregoing, we have also been instructed to estimate the current market value assuming a purchaser of the subject property would not have to incur some of the typical development costs associated with a plan of subdivision, namely land transfer tax, realty taxes, legal and administrative costs and land financing costs during the servicing and registration of the plan of subdivision; these costs were estimated at $412,500. This assumption is a hypothetical condition and represents an extraordinary assumption in accordance with CUSPAP. Under this extraordinary assumption, the estimated current market value as of the effective date is approximately **$5,800,000**.

**METRIX REALTY GROUP**

Dated: April 16, 2015

Guy Wilson, AACI, P. App.
Metrix Realty Group (Ontario) Inc.
Addendum "A"

APPRAISERS QUALIFICATIONS
Curriculum Vitae

Education/Qualifications
- Urban Geography Program
  Trent University, Ontario, 1981-1984

Professional Affiliations
- Appraisal Institute of Canada, (AACI) 1995
  (Member No. 249510)
- Royal Institute of Chartered Surveyors (MRICS) 2011

Professional Career
- Metrix Realty Group, Vice-President
  January 2015 to Present
- Altus Group - Toronto
  Research, Valuations & Advisory
  Senior Director
  October 2007 to October 2014
- Morguard Investments - Toronto
  Valuations Manager – Eastern Canada
  October 2002 to October 2007
- Colliers International Realty Advisors Inc.
  Senior Consultant
  1998 to 2002
- Royal LePage Commercial Real Estate - Toronto
  Appraisal & Consulting Services
- Valuation Consultants Inc. - Toronto
  Appraiser
  1989 to 1990

Experience
- Experienced in the valuation of a wide range of property
types, with high degree of specialization in the valuation of
development land in the Greater Toronto Area and
surrounding environs since 1985. Frequent use of Land
Residual and Subdivision valuation modelling and
analyses for appraisal of prominent urban and Greenfield
development properties, respectively.
Valuation assignments prepared for financing, acquisition, expropriation, litigation, municipal, corporate and asset valuation purposes; completed for wide range of clients including developers, lenders, pension funds, government authorities, institutions and law firms.

Consulting assignments have included highest and best use studies, market studies, due diligence support and market support for OMB land use planning hearings.

Extensive experience coordinating and working with multi-disciplinary teams involving lawyers, planning consultants, engineering consultants and cost consultants.

Expert Witness

Extensive experience at the Ontario Municipal Board as qualified expert witness, including Board of Negotiation work.
Addendum "B"

ZONING BY-LAW 0191-2012
PLANNING ACT
NOTICE OF THE PASSING OF A ZONING BY-LAW
BY
THE CORPORATION OF THE CITY OF MISSISSAUGA

BILL 51

<table>
<thead>
<tr>
<th>DATE OF NOTICE</th>
<th>September 28, 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>BY-LAW NUMBER</td>
<td>0191-2012</td>
</tr>
<tr>
<td>DATE PASSED BY COUNCIL</td>
<td>September 26, 2012</td>
</tr>
<tr>
<td>LAST DATE TO FILE APPEAL</td>
<td>October 18, 2012</td>
</tr>
<tr>
<td>FILE NUMBER</td>
<td>OZ 09/004</td>
</tr>
<tr>
<td>APPLICANT</td>
<td>2164566 Ontario Inc. (Hush Homes)</td>
</tr>
<tr>
<td>PROPERTY</td>
<td>East side of Mississauga Road between Thorny-Brase Place and Tattersall Way, in the City of Mississauga.</td>
</tr>
</tbody>
</table>

TAKE NOTICE that the Council of the Corporation of the City of Mississauga passed the above noted By-law, on the 26th day of September, 2012, under Section 34 of the Planning Act, R.S.O., 1990, c.P.13, as amended.

AND TAKE NOTICE that a notice of appeal to the Ontario Municipal Board in respect of the by-law must be filed with the Clerk of the City of Mississauga, Attention: Crystal Greer, at the address below, no later than the 18th day of October, 2012.

The Notice of Appeal must:
1) set out reasons for the appeal; and,
2) be accompanied by the fee required by the Ontario Municipal Board in the amount of $125.00 payable by certified cheque or money order to the Minister of Finance, Province of Ontario, and
3) be accompanied by an administration fee of $150.00, payable by Certified Cheque to the Treasurer of City of Mississauga.

IF YOU WISH TO APPEAL to the OMB a copy of an appeal form is available from the OMB website at www.omb.gov.on.ca.

Only individuals, corporations and public bodies may appeal a by-law to the Ontario Municipal Board. A notice of appeal may not be filed by an unincorporated association or group. However, a notice of appeal may be filed in the name of an individual who is a member of the association or the group on its behalf.

No person or public body shall be added as a party to the hearing of the appeal unless, before the by-law was passed, the person or public body made oral submissions at a public meeting or written submissions to the City of Mississauga Council or, in the opinion of the Ontario Municipal Board, there are reasonable grounds to add the person or public body as a party.

An explanation of the purpose and effect of the by-law describing the lands to which the by-law applies, and a key map showing the location of the lands to which the by-law applies, are attached.

Diana Rusnov, Deputy Clerk
City of Mississauga, Legislative Services
300 City Centre Drive,
Mississauga, Ontario L5B 3C1
WHEREAS pursuant to section 34 of the Planning Act, R.S.O. 1990, c.P.13, as amended, the council of a local municipality may pass a zoning by-law;

NOW THEREFORE the Council of The Corporation of the City of Mississauga ENACTS as follows:

1. By-law Number 0225-2007, as amended, being a City of Mississauga Zoning By-law, is amended by adding the following Exception Table:

<table>
<thead>
<tr>
<th>Regulations</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>4.7.2.9.1 The provisions of Article 1.1.4.1, the provisions of Lines 2.0, 4.0, 6.0 in Table 4.1.8.1 contained in Article 4.1.8.1 and Line 1.0 in Table 4.1.12.1 contained in Subsection 4.1.12 of this By-law shall not apply</td>
<td></td>
</tr>
<tr>
<td>4.7.2.9.2 Maximum number of dwelling units on all lands zoned R16-9</td>
<td>11</td>
</tr>
<tr>
<td>4.7.2.9.3 Minimum lot area—interior lot</td>
<td>475 m²</td>
</tr>
<tr>
<td>4.7.2.9.4 Minimum lot area—corner lot unless otherwise identified on Schedule R16-9 of this Exception</td>
<td>670 m²</td>
</tr>
<tr>
<td>4.7.2.9.5 Minimum lot frontage—corner lot</td>
<td>22.0 m</td>
</tr>
<tr>
<td>4.7.2.9.6 Maximum lot coverage</td>
<td>45%</td>
</tr>
<tr>
<td>4.7.2.9.7 Minimum front yard</td>
<td>6.0 m</td>
</tr>
<tr>
<td>4.7.2.9.8 Minimum setback from a front garage face to a CEC—private road or CEC—sidewalk</td>
<td>6.0 m</td>
</tr>
<tr>
<td>4.7.2.9.9 Minimum interior side yard—interior lot</td>
<td>1.8 m</td>
</tr>
<tr>
<td>4.7.2.9.10 Minimum exterior side yard abutting a street</td>
<td>7.5 m</td>
</tr>
<tr>
<td>4.7.2.9.11 Minimum number of parking spaces per dwelling unit</td>
<td>3</td>
</tr>
<tr>
<td>4.7.2.9.12 Maximum number of dwelling units with two (2) attached garages</td>
<td>5</td>
</tr>
<tr>
<td>4.7.2.9.13 Maximum driveway width for each driveway on a lot with two (2) attached garages</td>
<td>3.5 m</td>
</tr>
<tr>
<td>4.7.2.9.14 Driveways shall be constructed of a pervious stable surface</td>
<td></td>
</tr>
<tr>
<td>Section</td>
<td>Description</td>
</tr>
<tr>
<td>---------</td>
<td>-------------</td>
</tr>
<tr>
<td>4.7.2.9.15</td>
<td>Minimum setback from the inside wall of an outdoor swimming pool to all lands zoned G1 or G2-4(17)</td>
</tr>
<tr>
<td>4.7.2.9.16</td>
<td>All site development plans shall comply with Schedule R16-9 of this Exception</td>
</tr>
</tbody>
</table>
2. By-law Number 0225-2007, as amended, is further amended by adding "G2-4(17)" to the Introductory Sentence and Sentence 10.2.3.4.1 in Exception Table 10.2.3.4 and adding Schedule "G2-4(17)" to Exception Table 10.2.3.4.

3. Map Number 31 of Schedule 4 of City of Mississauga Zoning By-law, as amended, being a City of Mississauga Zoning By-law, is amended by changing thereon from "R1" and "G1" to "R16-9", "G1" and "G2-4(17)", the zoning of Part of Lots 3 and 4, Range 5, North of Dundas Street, in the City of Mississauga, PROVIDED HOWEVER THAT the "R16-9", "G1" and "G2-4(17)" zoning shall only apply to the lands which are shown on the attached Schedule "A", which is deemed to be an integral part of this By-law, outlined in the heaviest broken line with the "R16-9", "G1" and "G2-4(17)" zoning indicated thereon.

ENACTED and PASSED this 26 day of September 2012.

APPROVED
AS TO FORM
City Solicitor
MAYOR

Crystal Green
CLERK
APPENDIX "A" TO BY-LAW NUMBER 0191-2012

Explanation of the Purpose and Effect of the By-law

To permit 11 detached dwellings on a common element condominium private road.

This By-law amends the zoning of the property outlined on the attached Schedule "A" from "R1" and "G1" to "R16-9", "G1" and "G2-4(17)".

"R16-9" (Detached Dwellings on a CEC – Private Road – Exception) permits a maximum of 11 detached dwellings on a common element condominium private road with maximum lot coverages of 45%.

"G1" (Greenbelt – Natural Hazards) permits flood control, stormwater management, erosion management and natural heritage features and areas conservation.

"G2-4(17)" (Greenbelt – Natural Features – Exception) permits a natural protection area.

Location of Lands Affected

East side of Mississauga Road between Thorny-Brac Place and Tattersall Way, in the City of Mississauga, as shown on the attached Map designated as Schedule "A".

Further Information regarding this By-law may be obtained from Ben Phillips of the City Planning and Building Department at 905-615-3200 ext. 5751.
SCHEDULE “J”
Monday, 13 April 2015

Pace Developments Inc. in trust for
a new special purpose Ontario corporation to be formed

30 Wertheim Court
Unit 3, Building A
Richmond Hill, Ontario
L4B 1B9

Attention: Dino Sciavilla

Dear Mr. Sciavilla,

Re: Land Acquisition and Servicing Loan for 4583-4601 Mississauga Road, Mississauga ON

Project Name: Mont Palais (the “Project”)  

This commitment letter confirms that MarshallZehr Group Inc. (the “Lender”) is prepared to provide financing (the "Loan") for the Project conditional on the terms and conditions contained in this letter agreement (the "Commitment").

I. LOAN

Borrower: Pace Developments Inc. in trust for a new special purpose Ontario corporation to be formed (the “Borrower”)

Guarantors: Pace Developments Inc., Gerardo (Dino) Sciavilla, Yvonne Sciavilla together with such other related parties as the Lender may deem advisable (the “Guarantors”).

Obligors: Means, collectively, the Borrower and the Guarantors and the “Obligor” means any one of them.

Lender: MarshallZehr Group Inc. (the “Lender”) and/or such other assignee or lenders as MarshallZehr Group Inc. may arrange to participate in the Loan.

Project: Those lands and premises described municipally as 4583, 4589 & 4601 Mississauga Road and legally as Part of Lots 3 and 4, Range 5, North of Dundas Street, City of Mississauga, Regional Municipality of Peel (the “Property”)

Loan Amount: $9,828,400 (the "Loan") broken down as follows:

Facility 1: $4,000,000 Land Loan
Facility 2: $ 600,000 Mezzanine Loan
Facility 3: $4,455,500 Servicing Loan

Facility 2 is to be fully postponed and subordinated to Facilities 1 and 3
Purpose: 1st Mortgage for Land Acquisition and Servicing construction for 11 single family homes.

<table>
<thead>
<tr>
<th>Uses</th>
<th></th>
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</thead>
<tbody>
<tr>
<td>Land Costs</td>
<td>$6,000,000</td>
</tr>
<tr>
<td>Servicing and Development Costs</td>
<td>$2,521,673</td>
</tr>
<tr>
<td>Marketing/Admin Costs</td>
<td>$384,250</td>
</tr>
<tr>
<td>Finance Costs</td>
<td>$1,656,750</td>
</tr>
<tr>
<td>Contingency</td>
<td>$360,727</td>
</tr>
<tr>
<td><strong>Total Uses</strong></td>
<td><strong>$11,228,400</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Sources</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Facility 1: Land Loan</td>
<td>$4,000,000</td>
</tr>
<tr>
<td>Facility 2: Mezzanine Loan</td>
<td>$600,000</td>
</tr>
<tr>
<td>Facility 3: Servicing Loan</td>
<td>$4,455,500</td>
</tr>
<tr>
<td>Brokerage Fee</td>
<td>$1,250</td>
</tr>
<tr>
<td>Deferred Costs</td>
<td>$771,650</td>
</tr>
<tr>
<td>VTB Mortgage</td>
<td>$1,400,000</td>
</tr>
<tr>
<td><strong>Total Sources</strong></td>
<td><strong>$11,228,400</strong></td>
</tr>
</tbody>
</table>

The Loan shall be advanced in multiple draws as follows:

The first draw ("Draw 1") shall be in the principal amount of $4,600,000 comprised of Facilities 1 and 2 and advanced upon satisfaction of the conditions contained herein and accompanied by the applicable Notice(s) contemplated by the Lender’s Standard Form Documents.

Draw 1 is to be advanced as follows:

- $4,000,000 Facility 1
- $600,000 Facility 2
- $4,600,000

If applicable, subsequent draws (the “Progress Draws”) shall be processed and based upon the progress of construction as hereinafter provided and accompanied by the applicable forms and Notices as attached hereto.
Progress Draws:

All Progress Draws shall be on account of construction progress and may only be drawn upon from Facility 3 in accordance with this Commitment and the following:

a) The Borrower shall request Progress Draws from time to time, but no more frequently than monthly, as required to fund servicing construction of the Project;

b) Each Progress Draw shall be in an amount not less than $100,000

c) Progress Draws in the aggregate (plus Draw 1) shall total the Loan Amount; and

d) The Lender shall have a period of not less than thirty (30) days from the date that a Progress Draw is requested in accordance with the requirements of Section 2.2 of this Commitment to fund and process the Progress Draw.

Interest Adjustment Date:

The “Interest Adjustment Date” or “IAD” shall be the 1st of the month provided that the conditions of the initial advance are met by the 25th of the month prior. If the conditions of the initial advance are met after the 25th and on or before the 10th of the month, the IAD shall be the 15th of the current or following month of the initial advance, whichever is next.

Standby Interest:

In the event that:

a) Draw 1 has not been fully advanced by April 15, 2015 or for any reason other than a default by the Lender; or

b) the funding Conditions for Construction Progress Draws provided for in Section 2.2 of this Commitment result in the Borrower being permitted to receive less than the Progress Draw actually requested,

interest will commence on the advance date established herein for such Draw 1 or a Progress Draw as the case may be, in the form of standby interest (“Standby Interest”) on any unadvanced portion of the Draw 1 or the Progress Draw as the case may be and will become due and payable monthly at a rate equal to the rate of interest set out herein until the earlier of the applicable draw being fully advanced, or the termination of this Commitment Letter without any advances having been made. Any accrued and unpaid Standby Interest shall be payable at the time of the advance and deducted from the advance.

A standby fee shall be calculated from the date of the expected advance as mentioned herein to the IAD or the date of advance whichever is earlier, and shall be payable at the next regularly scheduled interest payment.
Repayment

And Facilities: Cancellation: The Lender may on demand require immediate payment of all amounts outstanding or accrued in connection with this Agreement. The Lender may at any time, for any reason and without notice, cancel the undrawn portion of the Loan.

Maturity Date: 13 months (the "Term") from the IAD. Interest from the date of the initial advance to the IAD shall be deducted by the Lender from the initial advance.

Interest Rate: Facility 1 and Facility 3 Interest shall accrue at 6% per annum commencing on the date of the first advance, compounded, calculated and payable monthly with interest only payments made from Progress Draws up to the budgeted amount. Once the budgeted amount has been fully utilized, interest payments will come from the resources of the Borrower and/or Guarantor(s).

Facility 2 Interest shall accrue at 14% per annum commencing on the date of the first advance, compounded, calculated and payable monthly with interest only payments made from Progress Draws up to the budgeted amount. Once the budgeted amount has been fully utilized, interest payments will come from the resources of the Borrower and/or Guarantor(s).

Note: The Lender, in its sole discretion may make Progress Draws from time to time as needed to fund interest costs.

Note: Interest is calculated on the day of closing of the transaction and will be charged on the day of payment of the mortgage if it is received after 1 p.m. EST.

Wrap Up Period: The final month of the Term, or the Renewal Term if renewed pursuant to the renewal provision below, shall be the beginning of the Wrap Up Period, and bear interest at twice the Interest Rate per annum, calculated, compounded and payable monthly thereafter.

Time and Place of Payments: Payments are to be made to the Lender at its offices at Suite 206, 465 Phillip Street, Waterloo, Ontario no later than 1:00 p.m. on the date scheduled for payment.

Payments made after such time shall be treated as having been received on the next business day. Payments made after the date scheduled for payment must be made by certified cheque or bank draft. Whenever any payment is due on a day that is not a business day, then such payment will be due on the next business day, and interest will accrue to such business day. Any NSF Cheques will incur a fee of $500.

Payments: There shall be no regularly scheduled principal repayments and the entire outstanding principal amount shall become due and payable at maturity.
Partial Discharges: Provided that the Borrower is not in default, the Lender shall provide partial discharges of Project units on the closing of a unit sale transaction provided the Borrower pays the Lender Net Sales Proceeds of each sale. Net Sales Proceeds is defined as the sale price of the unit less deductions for deposits (used in the Project’s financing) and any payments on account of principal required to be made to a permitted prior lender, if any, to obtain a partial discharge of its security, normal sales commissions, and legal costs. The Borrower will pay the Lender an administration fee of $250 and its solicitor's reasonable legal fees in respect of the preparation of the discharge for each partial discharge requested by the Borrower. In the event of Default, the Lender shall not be obligated to provide partial discharges.

Final Discharge Fee: The Borrower will pay the Lender an administration fee of $250 and its solicitor’s reasonable legal fees in respect of the preparation of the final discharge of this mortgage.

Prepayment: Subject to the partial discharge provisions, the mortgage may be prepaid in whole or in part at any time or times on the following terms:

a) At least 60 days prior written notice is given to the Lender in the form provided in the Lender’s Standard Form Documents
b) No pre-payment shall be in an amount of less than $100,000 without consent of the Lender

Renewal: Provided the Borrower is not in default of any of its obligations under this Commitment or under any Lender security, the Lender will offer one six (6) month extension option with 60 days written notice prior to the end of the Term (a “Renewal Term”). The interest will be calculated and compounded at the same rate as the original term of this mortgage. The extension is open for repayment at any time, within the Renewal Term with 60 days’ notice. The Borrower shall pay a renewal fee of one (1.00%) percent fee (the “Renewal Fee”) of the total loan amount outstanding and such renewal requested shall not be effective unless the Renewal Fee is paid in full. The Borrower will be responsible for any reasonable costs associated with the extension.

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Fees: The Borrower shall pay the following broker fees to the transaction mortgage broker, MarshallZehr Group Inc.:

Restructuring Fee: $500,000, to accrue until the end of the term and become payable upon maturity.

Broker Fee: 3% of the borrowed amount being $271,650, the Broker Fee shall accrue until the end of the term and become payable upon maturity.

Brokerage Fee: An additional fee of $1,250 payable to MarshallZehr Group Inc. will be paid by the Borrower at closing of the initial advance in order to complete the FSCO required documentation.

The Restructuring Fee and Broker Fee are earned at the time of the initial advance. Upon default, these Fees are due and payable immediately and are secured the same as if they were principal advanced under the Loan.

Expenses: All reasonable expenses of the Lender and the Borrower shall be paid by the Borrower including (but not limited to), the cost of any third party reports and all legal costs regardless of whether the Borrower proceeds with the transaction. Upon request the Lender shall provide an estimate of the legal fees to be incurred by the Lender. Regardless, the Borrower is responsible for all reasonable legal fees incurred by the Lender.

Draw Request: The Borrower agrees to pay $250 to the Lender for each draw request.

No Subordinate Financing: No additional financing will be permitted without the prior written consent of the Lender and in the event of a default under this restriction, the entire principal, interest, fees and all other amounts under the commitment and security issued pursuant thereto become immediately due and payable.

Should additional subordinate financing be placed by the Borrower on the consent of the Lender, such consent will be conditional upon the secondary lender entering into a postponement, subordination and standstill agreement that requires the secondary lender to issue zero dollar discharges to the Lender and Borrower within 2 business days of being requested and requires complete cooperation in executing all postponements and consents as may be required to advance the development of the Project. Any discharge greater than zero shall require prior consent from the Lender. Failure to comply shall be considered a default by the Borrower.
Maximum
Rate of
Return:
The parties agree that notwithstanding any agreement to the contrary, no interest on
the credit advanced will be payable in excess of that permitted by the laws of Canada.

If the effective annual rate of interest calculated in accordance with generally accepted
actuarial practices and principles would exceed sixty percent (or such other rate as the
Parliament of Canada may deem from time to time as The Criminal Rate) on the credit
advance, then (1) the amount of any fees, bonus, commissions or like charges payable in
connection therewith will be reduced to the extent necessary to eliminate such excess;
(2) any remaining excess that has been paid will be credited toward prepayment of the
credit advanced; and (3) any overpayment that may remain after such crediting will be
returned forthwith upon demand. In this paragraph the terms “interest”, “Criminal
Rate” and “credit advanced” have the meaning ascribed to them in Section 347 of The
Criminal Code; and “credit advanced” has the same meaning as “Loan” referred to
elsewhere in this Commitment.

Administration
Fee Payable
on Default:
In the event of a default by the Borrower or any Guarantor in their respective
obligations under this Commitment, Loan or Security that is not cured within the
timeframes set out herein, the Lender shall, notwithstanding anything contained herein
to the contrary, be entitled to receive in addition to all other fees, charges and
disbursements, an administration and management fee in the amount of CAD 5,000.00
for each month or part thereof that the Borrower and/or any Guarantor is in default of
its obligations under the Commitment, Loan or Security. The said sum or sums are
agreed to be liquidated damages to cover the Lender’s administration and management
costs and are not intended nor shall they be construed as a penalty. All such sums
payable to the Lender shall be a charge upon the Project and its assets and interest shall
accrue thereon as if they were Loan principal.

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II. TERMS AND CONDITIONS

The Loan terms and conditions shall be such terms and conditions as the Lender may from time to time require and shall include, but not be limited to the following:

2.1 Initial Funding Conditions

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

a) All the Security and ancillary loan agreements and documents and opinions shall have been executed and delivered to the Lender or its solicitors and registered where and as required.

b) The Lender shall have satisfied itself with the financial performance and condition of the Borrower and each of the Guarantors in the Lender's sole discretion. Each of the Borrowers and Guarantors shall provide within five business days of the date of execution of this Commitment, at a minimum, financial statements for its two most recently ended fiscal years. To facilitate the Lender's due diligence regarding the creditworthiness of the Borrower and each of the Guarantors, each of the Guarantors and the Borrower shall authorize the Lender to conduct credit checks and each of the financial institutions with which the Borrower and the respective Guarantors deal to release any and all information reasonably required and requested by the Lender to adequately assess the credit worthiness of each respectively. Each of the individual Guarantors shall complete the Lender's form of Personal Net Worth Statement.

c) The Borrower shall deliver to the Lender within five business days of the acceptance of this Commitment for the Lender's satisfactory review and acceptance the following:
   i. A soils test report (load bearing capacity) by a professional engineer as is acceptable to the Lender demonstrating to the satisfaction of the Lender that the proposed construction and site improvements of the Project are feasible under existing soil conditions, together with evidence that the construction specifications for the Project provide for construction in compliance with such conditions and with the recommendations, if any, which may be contained in such soils test report.
   ii. An appraisal, satisfactory to the Lender, of the Project confirming a fair market value of the Project Lands to be $5,800,000 “as is” and $12,000,000 “as serviced” to be prepared at the Borrower's expense and paid in advance by a Lender approved appraiser. Such appraisal report must be addressed to the Lender or be accompanied by a Transmittal Letter from the appraiser to the Lender and shall confirm that the Lender can rely upon such appraisal for lending purposes.
   iii. A preliminary Project Budget satisfactory to the Lender prepared at the expense of the Borrower by the Lender's quantity surveyors, Glynn Group.
   iv. Satisfactory Phase 1 Environmental Site Assessment Report (and Phase 2 Report if necessary) conducted and prepared by a consultant approved by the Lender together with a Letter of Transmittal from the consultant permitting the Lender to rely on the Assessment Report.
   v. Each of the individual Guarantors shall have provided Notices of Assessment received from the CRA with respect to their respective income tax filings for the two most recently ended taxation years.
vi. A survey of the Project by an Ontario licensed land surveyor showing the relationship of the lands to public thoroughfares for access purposes; and indicating no encroachments, easements or rights of way, save and except those that do not encroach or hinder the Borrower’s ability to construct the project in accordance with the proposed site plan which the Lender may specifically accept. If no survey is available at the time of the advance the Lender in its sole discretion may rely upon the title insurance policy to be obtained in connection with the financing.

vii. The Lender or a related party may post two signs (on each main street).

viii. An approved construction budget prepared by the Lender's quantity surveyor satisfactory to the Lender. The Lender and its quantity surveyor, in their sole discretion, shall be satisfied
   a) that the budgeted hard and soft costs (including financing costs) shall be sufficient to complete the Project as planned;
   b) all sources and uses of cash are acceptable;
   c) the terms of the contract with the general contractor/project manager are satisfactory. A minimum of 75% of Project construction costs shall be supported by binding fixed price material supply and construction contracts satisfactory in all respects to the Lender.

ix. A detailed project construction schedule outlining the time to complete the various construction stages and phases of the Project, acceptable to the Lender.

x. The Borrower’s Tarion Warranty application and confirmation a Tarion Warranty certificate for the Project will be issued within 30 days of posting the required security deposit.

d) The loan to value ratio, as determined in the Lender’s sole discretion, shall not be greater than 80%.

e) Confirmation satisfactory to the Lender that all property taxes are current.

f) Officers’ Certificate in the form provided in the Lender’s standard form documents.

g) Anti-Money Laundering Compliance documentation to be completed; Agent Examination of Identification Form will be provided to the Borrower’s lawyer with the closing documents. (to be completed by the Borrower and each Guarantor, the identification of all authorized signatories as outlined on the Director’s Resolution, to a maximum of three must be obtained).

h) Such other matters as the Lender may deem appropriate and necessary to satisfy itself of the Project’s viability, the Borrower’s creditworthiness and the ability of the Borrower and Guarantors to fulfill their obligations herein.

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2.2 Funding Conditions for Construction Draws

The Lender shall not be required to advance the Construction Draws to the Borrower prior to the Borrower having fulfilled to the Lender’s satisfaction the following conditions at the time of each and every advance:

a) Officer’s Certificate in the form provided in the Lender’s standard form documents certifying that no default has occurred and is continuing at the time of any advance.

b) The Borrower shall sign a Statutory Declaration indicating it is in compliance with the requirements of the Construction Lien Act and that all funds provided by the Borrower shall be used to pay Project expenses as outlined in the draw request.

c) Each draw request shall be in a form agreeable to the Lender, and shall reference the original budget agreed to in Section 2.1., the funds paid to date, and any revisions to the original budget, and shall be provided to the Lender with a minimum 5 business days’ notice prior to payment.

d) Construction Draws are to be made by way of progress advances no more frequently than monthly, shall only be used to pay Project specific costs provided for in the approved Project Budget as follows:

1. For drawdowns against soft costs each draw would be supported by a monthly summary of costs to date.

2. For drawdowns against hard costs each draw would be supported by the Lender’s cost consultant acting as Project cost consultant which indicates the amount of work in place, the cost to complete and that the work in place is in accordance with approved plans and specifications.

3. Applicable holdbacks equal to 10% of the hard construction costs will be withheld in accordance with the Construction Lien Act of Ontario.

4. Subsearches will be conducted by the Lender’s solicitor in conjunction with every draw request.

5. The undrawn portion of the facilities would exceed the Borrower’s cost to complete, accounts payable including outstanding cheques and holdbacks.

6. The Borrower will ensure compliance with all aspects of the Construction Lien Act and any other governmental requirements.

7. The Borrower will immediately infuse, upon the Lender’s request, funds required to cover any and all cost overruns beyond the original budget.

The Lender will be under no obligation to advance further Borrowings if at any of the funding conditions and timelines outlined in 2.2 are not met.

The Borrower and the Guarantors will be jointly and severally liable to immediately cover any such deficiency as soon as it arises or is identified by the Lender. As used herein “Potential Prior Ranking Claim” means all amounts owing or required to be paid, where the failure to pay such amount could give rise to a claim pursuant to any law, statute, regulation or otherwise, which ranks or is capable of ranking in priority to the lender’s security or otherwise in priority to any claim by the Lender for repayment of any amounts owing under this commitment letter.
III. SECURITY TO BE DELIVERED

The Borrower shall deliver the following security (the "Security") duly registered where applicable subject only to the Primary Lender's security and all in the form and on the terms acceptable to the Lender's solicitors:

a) Mortgage – First mortgage in respect of the Project in the principal amount of $11,500,000 plus accrued interest secured against the Property and all improvements thereto. The mortgage will be registered at the wrap up rate of interest, which mortgage, in addition to serving as direct security for the Loan, shall also serve as collateral security for a loan by the Lender to the Borrower in respect of the Thorny Brae Project.

b) Collateral Security - all amounts owing under the Loan will be collaterally secured by (i) a registered assignment of the collateral second mortgage on the property known municipally as 128 Paliser Court, Oakville, registered as instrument as HR1041946 and (ii) the new first mortgage/charge given by the Borrower in respect of the Thorny Brae Project to be registered contemporaneously in respect of a mortgage loan by the Lender to the Borrower in respect of the Thorny Brae Project.

c) GSA – General Security Agreement over all of the assets and undertaking of the Borrower and each corporate Guarantor, if any.

d) General Assignment of all leases and rents with respect to this project.

e) Guarantees – Unlimited joint and several guarantees from each of the guarantors.

f) Environmental – An Environmental Undertaking and Indemnity and Checklist from the Borrower in such form as the Lender shall require.

g) Security Opinion – A favourable Letter of Opinion from the Lender's solicitor confirming the validity and enforceability of the Lender's security.

h) Insurance – Proof of appropriate Commercial Liability Insurance and an assignment of insurance. A certificate of insurance showing the Lender as additional insured, and coverage of not less than $5,000,000.

i) Title Insurance – Satisfactory title insurance.

j) Taxes – Borrower provides satisfactory proof that taxes are current.

k) Postponement – Postponement, Subrogation and Assignment from the shareholders of the Borrower (and such other creditors as the Lender may require upon completion of its due diligence) of all indebtedness owed by and claims against the Borrower to and by the shareholders to the indebtedness and claims of the Lender.

l) Postponement and Standstill – A postponement and standstill agreement with any subsequent mortgage holder(s).

m) General Assignment – General Assignment and Transmittal Letters from the authors of all project plans, specifications, drawings and permits, all architectural, engineering, general contractor and construction contracts and copies of all third party purchase and sale agreements and deposits for individual units sold together with any other rights, interests and obligations of any kind respecting the Project and reasonably necessary for the completion of the Project as contemplated by the Lender on a default by the Borrower.

n) Preauthorized Payment – If required by the Lender such preauthorized payment documentation necessary to authorize the Lender to debit directly from the Borrower's account amounts due under the Commitment and Loan.

o) Deficiency Agreement – Joint and Several Deficiency Agreement executed by the Borrower and the Guarantors agreeing to fund costs not included or in excess of forecasted expenditure.
p) **Assignment of Purchaser Deposits** – Such assignments of purchaser's deposits as the Lender and its solicitor's may reasonably require provided, the Borrower shall be permitted to inject the deposit funds into the Project in respect of direct Project construction costs.

q) **Further Security** – Such further security, guarantors and ancillary documents and agreements as the Lender or its solicitors may, acting reasonably, deem necessary to adequately secure the Loan obligations and complete and perfect the Security.

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IV. BORROWERS COVENANTS

The Borrower and, where applicable, each of the Guarantors covenants as follows and a breach of any covenant shall be a default under the terms of the Security:

4.1 Affirmative Covenants

So long as any amount under the Loan is outstanding or available, the Borrower covenants and agrees with the Lender that unless the Lender otherwise consents in writing:

a) Punctual Payment – The Borrower shall duly and punctually pay the principal of all Advances made to it under the Loan, all interest thereon and all fees and other amounts required to be paid by the Borrower hereunder in the manner specified hereunder.

b) Corporate Existence and Conduct of Business – The Borrower shall, and the Borrower shall cause the Guarantors to, maintain their respective corporate existences in good standing and do or cause to be done all things necessary to keep in full force and effect all properties, rights, franchises, licences and qualifications to carry on business in any jurisdiction in which it or they carry on business and each of the Borrowers shall, and the Borrower shall cause the Guarantors to, maintain all of its or their respective properties and assets consistent with industry standards.

c) Compliance with Legislation – The Borrower shall do or cause to be done, and the Borrower shall cause the Guarantors to do or cause to be done, all acts necessary or desirable to comply with all material Applicable Laws, including, without limitation, all Requirements of Environmental Law and to preserve and keep in full force and effect all franchises, licences, rights, privileges and permits necessary to enable each of the Obligors to operate and conduct their respective businesses in accordance with standard industry practice and to advise the Lender of any anticipated changes, loss or sale of such franchises, licences, rights, privileges and permits.

d) Material Litigation – The Borrower shall promptly give written notice to the Lender of any litigation, proceeding or dispute affecting it or any of the other Obligors if the result might, in such Borrower’s bona fide opinion, have a material adverse effect on the financial condition or operations of any of the Obligors or any of its Subsidiaries and from time to time furnish to the Lender all reasonable information requested by the Lender concerning the status of any such litigation, proceeding or dispute.

e) Financial Statements and Other Information – The Borrower shall deliver, or cause to be delivered, to the Lender:

i. Annual Financials of the Borrower – as soon as available and, in any event, within one hundred and twenty (120) days after the end of each of its Fiscal Years, copies of the Borrower’s audited annual financial statements on a consolidated basis in each case consisting of the balance sheet, statement of profit and loss and surplus and statement of changes in financial condition for each such year, together with the notes thereto, all prepared in accordance with Generally Accepted Accounting Principals (“GAAP”) consistently applied;

ii. Financial Statements of each of the Guarantors – as soon as available and, in any event within one hundred and twenty (120) days after the end of each fiscal year of each Guarantor, copies of such Guarantor’s, as the case may be, audited annual financial statements on an unconsolidated basis, in each case consisting of the balance sheet, statement of profit and loss and surplus and statements of change in financial condition for each such period, all in reasonable detail and stating in comparative form the figures for the corresponding date and period in the previous fiscal year prepared and certified by such Guarantor’s, Chief Financial Officer, without personal liability;
iii. Quarterly Project Operating Statements – as soon as available, and in any event, within sixty (60) days after the end of each Fiscal Quarter, an internally prepared operating statement with respect of the Project, together, in each case, with such other information as the Lender may reasonably request, including costs to date, costs to complete, land held for development, pre-sales, homes under construction, expected closings and associated timing, closed transactions; a Project Status Report, in the form provided in the Lender’s standard form documents with substance and detail satisfactory to the Lender is also to be provided.

iv. Quarterly Compliance Certificates – as soon as available, and in any event, within sixty (60) days of the end of each Fiscal Quarter, an Officer’s Certificate as provided in the Lender’s standard form documents, of the Borrower certifying as to:
   a) the extent of compliance by the Borrower with the financial covenants set forth in Section 4.2, (together with the calculations and all supporting documentation relating thereto);
   b) no Default or Event of Default having occurred and continuing; and
   c) the representations and warranties contained in Article IV continuing to be true and accurate in all material respects;

v. Project Budget - as soon as available, and in any event, within ninety (90) days prior to the end of each Fiscal Year a Project Budget for the immediately following two Fiscal Years for the Project;

vi. Taxes – On each anniversary date of the mortgage, the Borrower will provide to the Lender proof that the taxes are current

vii. Insurance – On each anniversary date of the mortgage, the Borrower will provide to the Lender, a certificate of insurance from its insurance broker indicating that all insurance required by the Lenders and is still in effect

viii. Personal Net Worth Statement – On each anniversary date of the mortgage, the Borrower will provide to the Lender, an updated personal net worth statement for any personal guarantors.

ix. Other - at the request of the Lender, such other financial statements, reports, certificates, projections of income and cash flow or other matters affecting any of the Project, the Property Interest, any Obligor’s business, affairs or financial condition as the Lender may reasonably request.

f) Rights of Inspection – At any reasonable time and from time to time upon reasonable prior notice, the Borrower shall permit and cause each of the other Obligors to permit, the Lender or any representative(s) thereof, at the expense and risk of the Borrower, to examine and make copies of and abstracts from the records and its physical and computer books of account with respect to the Project and the Property Interests and to visit and inspect the Project and to discuss the affairs, finances and accounts of it with any of its officers, senior employees or managers (but not tenants, if applicable).

g) Project Specific – The Borrower shall:
   i. comply in all relevant aspects with the provisions of the Construction Lien Act;
   ii. as and when requested by the Lender, provide to the Lender complete bank records relating to all holdbacks including cancelled cheques, bank statements and completion certificates as the Lender may reasonably require;
   iii. grant to the Lender the right and authority for the Lender to obtain all information relative to the holdback account(s) from the financial institution(s) where the holdback(s) is/are retained;
iv. provide a covenant that the Borrower will supply to the Lender a statutory declaration in conjunction with each advance under the mortgage, confirming the status of the holdback account(s) as at the date of the statutory declaration;

v. substantially complete the Project in accordance with Lender approved plans, specifications, project budget and construction schedule, pay its taxes, protect its properties by contest of adverse claims, maintain required insurance, perform its obligations under contracts and agreements, obtain all necessary approvals for construction and use of the Project, comply with all governmental rules and regulations, permit reasonable inspections, by the Lender and its agents of the Project and all records pertaining to the Project. It is agreed that the Lender shall retain the services of a quantity surveyor to monitor the Project at the expense of the Borrower and the Borrower covenants to assist and cooperate with such surveyor.

vi. shall make and ensure that all payments due to the architect, general contractor, all contractors, sub-contractors and all other suppliers of materials and services of any kind to the Project are made when and as they become due in compliance with the terms of their respective contracts and the provisions of the Construction Lien Act.

vii. shall ensure that no liens are registered against the Project or its assets and will immediately move to have same vacated if registered

h) Insurance

i. The Borrower shall maintain or shall cause to be maintained, with respect to the Project:
   a) proof of appropriate Commercial Liability Insurance and an assignment of insurance. A certificate of insurance showing the Lender as additional insured, and coverage of not less than $5,000,000
   b) builders’ all risks property insurance in connection with the Project, including rental loss insurance (if applicable) with responsible and reputable insurance companies in such amounts equal to 100% of replacement value
   c) If applicable, boiler and pressure vessel insurance including rental loss, for such amount as may be acceptable to the Lender, all with such deductibles as are customary in the case of businesses of established reputation engaged in the same or similar businesses and in any event as are acceptable to the Lender.

ii. All such insurance policies shall:
   a) name the Lender as a mortgagee thereunder as its interest may appear;
   b) have attached the Insurance Bureau of Canada standard mortgage clause;
   c) provide that no cancellation, termination or adverse amendment thereof shall take effect unless the insurer concerned has given the Lender not less than thirty (30) days prior written notice of such proposed action;
   d) provide that proceeds of all insurance for physical damage and rental losses aggregating $1,000 or more shall be payable to the Lender or as it may direct; and
   e) otherwise be in such form as the Lender shall reasonably require;
iii. So long as no Event of Default has occurred and is continuing, the proceeds of all insurance relating to physical damage and rental losses:
   a) if the total amount thereof does not exceed $1,000, shall be payable directly to the Borrower to be applied by the Borrower in repairing the damage or destruction or replacing property in respect of which the insurance is payable; and
   b) if the total amount thereof exceeds $1,000, shall be, with the approval of the Lender:
      1. applied in reduction of amounts outstanding hereunder; or
      2. released to the Borrower subject to compliance with such conditions as the Lender may require.

iv. If an Event of Default has occurred or is continuing, the proceeds of all insurance relating to physical damage and rental losses shall be payable to the Lender to be applied by it in reduction of the amounts outstanding hereunder.

v. The proceeds of all insurance held by the Lender shall, unless and until the same are applied or released to the Borrower as aforesaid, constitute continuing collateral security for the Borrower’s obligations and liabilities in respect of amounts outstanding hereunder. The Lender shall place such funds in an interest-bearing account and interest thereon shall accrue to the benefit of the Borrower.

vi. In the event that the Lender shall not be obligated hereunder to apply the proceeds of insurance to pay for the cost of repairing the damage or destruction to or replacement of the property in respect of which the insurance is payable and the Lender elects to apply the proceeds of insurance to amounts owing by the Borrower hereunder, each of the Borrower (on its own behalf and on behalf of each of the Guarantors), hereby irrevocably waives any and all statutory provisions which may require that proceeds of insurance be used to restore or rebuild the Property.

vii. The Borrower shall deliver or cause to be delivered to the Lender, certificates of insurance signed by the insurers, or other evidence satisfactory to the Lender, acting reasonably, of the insurance coverage required hereunder, including certificates of renewal as soon as they are available.

viii. **Insurance Consultant:** The Borrower acknowledges that all policies of insurance shall be subject to review and approval by an insurance consultant acting on behalf of the Lender and the Borrower agrees to pay for the consultant’s fees in connection with such review.

i) **Notices** – The Borrower shall promptly give notice to the Lender of:
   a) any fire or other casualty or any notice of expropriation, action or proceeding materially affecting any Project;
   b) all claims, proceedings, suits, actions or litigation in respect of any Obligor or the Project (whether or not any such claim, proceeding, suit, action or litigation is covered by insurance) which, if determined adversely, could have a Material Adverse Effect; the occurrence of any Default or Event of Default;
   c) any other matter or event that has a Material Adverse Effect.

j) **Use of Advances** - The Borrower shall use all Advances made to it for the specific purposes set out in the Loan.
k) **Realty Taxes** - The Borrower shall ensure that all realty taxes and any other taxes applicable to the Project have been paid at all times when due except if such taxes are Permitted Encumbrances. On each anniversary date of the mortgage, the Borrower will provide to the Lender proof that the taxes are current, an update that insurance is still in effect and updated financial statements for the Borrower and any corporate guarantor as well as updated personal net worth statements for any personal guarantors.

l) **Payment of Taxes, etc.** - The Borrower shall, and the Borrower shall cause each of the Guarantors to, from time to time:
   
   i. pay or cause to be paid all rents, Taxes, rates, levies or assessments, ordinary or extraordinary, governmental fees or dues, lawfully levied, assessed or imposed upon any Obligor or any of the assets of any Obligor, as and when the same become due and payable;
   
   ii. withhold, deduct and collect all Taxes required to be withheld, deducted and collected by it, and remit such Taxes to the appropriate Governmental Authority at the time and in the manner required; and
   
   iii. pay and discharge all obligations incidental to any trust imposed upon it, by statute which, if unpaid, might become an Encumbrance upon any of the Properties, except when and so long as any such rents, Taxes, rates, levies, assessments, fees, dues or obligations constitute a Permitted Encumbrance and the validity thereof is in good faith being contested by such Obligor.

m) **Material Documents, Leases and Permitted Encumbrances** - The Borrower shall ensure that all Material Documents and Permitted Encumbrances are kept in good standing in all material respects and will advise the Lender forthwith after being so notified of a material breach or alleged material breach of any Material Documents or Permitted Encumbrances. It will ensure that it does not default under any Major Lease related to any Property and will advise the Lender forthwith after being so notified of a material breach of any Major Lease.

n) **New Material Documents** – The Borrower will promptly advise the Lender if any Obligor enters into any agreement which could reasonably be expected to be a Material Document and shall provide a copy of such agreement to the Lender.

o) **Security** – The Borrower shall, and the Borrower shall cause each of the Guarantors to, provide the Security contemplated hereunder, perfected to the satisfaction of the Lender.

p) **Environmental Law** – The Borrower shall, and the Borrower shall cause each of the Guarantors to, with respect to each Project:
   
   i. notify the Lender promptly of any event or occurrence that will, or is likely to, give rise to an inquiry or investigation, or any legal proceeding, relating to, or a violation of, the Requirements of Environmental Law;
   
   ii. provide the Lender, on request, such information, certificates or statutory declarations, and shall conduct such environmental audits or site assessments, as may be reasonably necessary to ensure the compliance with all Requirements of Environmental Law; and
   
   iii. execute, and cause each of the Guarantors to execute, all consents, authorizations and directions to appropriate Governmental Authorities that are required to permit the inspections mandated by law of each of the Properties or the property and the release to the Lender, or its representatives, of information relating to the assets or undertakings of each Obligor. The Borrower hereby irrevocably constitutes and appoints, and the Borrower shall cause each Guarantor to irrevocably constitute and appoint, the Lender the true and lawful attorney of the such Borrower or such Guarantor, as the case may be, with full power of substitution, to execute any of the foregoing consents, authorizations and directions; provided however that such power of attorney shall only be exercised during the continuance of an Event of Default.
q) **Maintain Security** – The Borrower will fully and effectually maintain and keep the Security valid and effective at all times during the continuance of this Agreement, and it will not permit or suffer the registration of any debt, lien, privilege or Encumbrance whatsoever other than Permitted Encumbrances and the Security (including the Existing Security), whether of workmen, builders, contractors, engineers, architects or suppliers of material, on or in respect of any Property (except such liens which only affect or purport to affect a tenant’s interest in the Property), provided that the registration of any construction lien or privilege shall not be deemed to be a breach of this covenant if the Borrower shall contest same and shall if the Lender so requires, give security to the satisfaction of the Lender for the due payment of the amount claimed in respect thereof and provided further that nothing herein will require the Borrower to renew or amend financing statements filed under personal property security statutes.

r) **Operation and Repair** – Except as otherwise permitted herein, the Borrower will ensure the diligent management and operation of each of the Properties and repair and keep in repair and good order and condition, or cause to be so repaired and kept in repair and good order and condition, all buildings, structures, plant, machinery and equipment used in or in connection with each of the Properties and which are necessary in connection with the efficient operation of such business and undertaking up to a modern standard of usage and, subject to the provisions of this Agreement, renew and replace, or cause to be renewed or replaced all and any of the same which may be worn, dilapidated, unserviceable, inconvenient or destroyed, even by a fortuitous event, fire or other cause, and at all reasonable times allow, and cause the Guarantors to allow, the Lender or its representative access to each of the Properties in order to review the state and condition the same are in.

s) **Payment of Preferred Claims** – The Borrower shall, and the Borrower shall cause each of the Guarantors to, from time to time pay or cause to be paid, all amounts related to taxes, wages, workers’ compensation obligations, government royalties or pension fund obligations and any other amount which may result in an Encumbrance against the assets of any Obligor arising under Applicable Law.

t) **Maintain and Operate** – The Borrower will diligently maintain, use and operate or will cause to be maintained, used and operated the Property Interest and the Project, in a proper and efficient manner so as to preserve and protect the Property Interest and each of the Properties.

u) **Lease Attornment** – Subject to the requirements, if any, within any Leases for the Lender to execute and deliver non-disturbance agreements, the Borrower agrees, at the written request of the Lender, to use all reasonable commercial efforts to obtain from the tenants under such Leases and deliver to the Lender such instruments of attornment, postponement or subordination as the tenants under such Leases are required to provide and as the Lender may reasonably request in a form acceptable to the Lender, acting reasonably, and which is otherwise consistent with the terms of such Leases.

v) **Expropriation** – Any awards or payments received by an Obligor for expropriation of any Project Lands, or any part thereof, which are, in respect of any single payment or award, equal to or greater than $1,000 shall, unless the Lender otherwise agrees, be forthwith paid to the Lender to repay amounts outstanding up to the amount outstanding hereunder at such time.
4.2 Financial Covenants

So long as any amount payable hereunder is outstanding or the Loan is available hereunder, the Borrower covenants and agrees with the Lenders that, unless the Lender otherwise consents in writing:

a) **Project Debt to Value Ratio (LTV)** – The Borrower shall, at all times, maintain an LTV Ratio of less than 80%; notwithstanding the foregoing, for the purposes of calculating this ratio each Fiscal Quarter as required pursuant to the compliance certificate contemplated in Section 4.1

b) **Project Debt to Cost Ratio (LTC)** – The Borrower shall, at all times, maintain an LTC Ratio of less than 85%; notwithstanding the foregoing, for the purposes of calculating this ratio each Fiscal Quarter as required pursuant to the compliance certificate contemplated in Section 4.1

c) **Maximum Borrowing** – The Borrower shall ensure that outstanding Advances under the Commitment Letter do not exceed the most current calculation of the Maximum Total Amount Available (Maximum Loan Amount less estimated costs to complete). The Maximum Loan Amount is the total credit approved as outlined in Section I.

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4.3 Negative Covenants

So long as any amount payable hereunder is outstanding or the Loan Facilities are available hereunder, each of the Borrower (with respect to itself and each of the other Obligors) covenants and agrees with the Lender that, unless the Lender otherwise consents in writing:

i. **Sale of Guarantors** – The Borrower shall not, and shall cause every other Person with an ownership interest in a Guarantor (other than the Borrower) not to, sell, transfer, assign, convey or otherwise dispose of its ownership interest in any of the Guarantors (other than the Borrower) to any Person except another Affiliate of the Borrower (but only if such Guarantor remains a direct or indirect wholly-owned Subsidiary of the Borrower) or except with the prior written consent of the Lenders, such consent not to be unreasonably withheld or delayed.

ii. **No Merger, Amalgamation, Etc.** – Except as otherwise permitted hereunder, no Obligor shall enter into any transaction whereby all or substantially all of its undertaking, property and assets would become the property of any other Person (whether by way of reconstruction, reorganization, recapitalization, consolidation, amalgamation, merger, transfer, sale or otherwise).

iii. **No Sale, etc. of Property Interest** – No Obligor shall sell, transfer, assign or otherwise dispose of all or any portion of any Property Interest except pursuant to a Permitted Encumbrance.

iv. **No Dissolution** – No Obligor shall liquidate, dissolve or wind-up or take any steps or proceedings in connection therewith, provided, however, that a Guarantor (other than the Borrower) may enter into a transaction designed to wind-up or dissolve such Guarantor into the Borrower, but not without the Lender’s consent, such consent not to be unreasonably withheld or delayed; the parties agree that the Lender’s consent will not have been unreasonably withheld if, in the Lender’s sole discretion, the Lenders’ credit risk or the Security will be adversely affected by the proposed transaction.

v. **Non-Arm’s Length Transactions** – No Obligor shall enter into any contract relating in any manner to the Property Interest with an Affiliate (e.g. any related entity with a related ownership interest held directly or indirectly) for the sale, purchase, lease or other dealing in any property other than at a consideration which is no more than the fair market value of such property or other than at a fair market rental as regards leased property.

vi. **Negative Pledge** – Except for Permitted Encumbrances, no Obligor shall create, issue, incur, assume or permit to exist any mortgage, charge, lien or other Encumbrance on the Property Interest other than Permitted Encumbrances.

vii. **No Changes to Material Document** – No Obligor shall amend, surrender or terminate any Material Document without the prior written consent of the Lender which consent is not to be unreasonably withheld or delayed.

viii. **No Changes to Major Leases** – No Obligor shall terminate or accept a surrender of, or agree to any material amendment to, any Major Lease without the consent of the Lender which consent is not to be unreasonably withheld or delayed. For the sake of clarification, amendments related to the term, rent or premises to be rented shall be considered material.

ix. **Dealing with Leases** – None of the Obligors shall enter into any Leases or amend, renew, terminate, forfeit or cancel any Leases unless:

   a. such Leases, amendments, renewals, terminations, forfeitures or cancellations are made on arm’s length terms and in good faith; and

   b. such Leases, amendments, renewals, terminations, forfeitures or cancellations reflect good business practice.
x. **Concerning Leases Generally** — Except in the ordinary course of business and provided such action is prudent in the circumstances, none of the Obligors shall accept or require payment of rent or other moneys payable by a tenant under any Lease that would result in more than three months of such rent or other moneys being prepaid under such Lease other than:
   a. prepaid rent or deposits on account of rent which represent the portion of the cost of construction of the relevant demised premises which exceeds the portion of such cost which was used as the basis for determining the basic rental otherwise payable under such Lease; or
   b. amounts representing a bona fide pre-calculation of any amount (which is required to be paid under such Lease) in addition to basic rent, including amounts payable with respect to taxes and maintenance of the applicable Property and overage and percentage rents; or
   c. lease surrender payments made by the tenant under such Lease; and
   d. except for any renewals or extensions of existing Leases pursuant to the terms thereof, each of the Obligors shall not hereafter enter or purport to enter into or suffer to exist any Lease in respect of any Project except if the Security shall have priority over such Lease and such Lease shall provide that such Lease is subordinated to the Security and contain a covenant of the tenant thereunder obligating such tenant if and whenever required by the Lender to attorn to and become the tenant of the Lenders or any purchaser from the Lenders in the event of an exercise by the Lenders of their remedies under the Documents, for the then unexpired residue of the term of, and upon all of the terms and conditions of such Lease.

xi. **No Waiver** — Except as otherwise provided pursuant to Section 5, no Obligor shall waive, or agree to waive, any failure of any party to any Permitted Encumbrance, Material Document or Lease to perform any material obligation thereunder or suffer or permit anything allowing any party thereto to terminate any such agreement or consent to any assignment thereof by any party thereto unless the same is in the ordinary course of business, is in accordance with good business practice and the same would not have a Material Adverse Effect.

xii. **Ground Leases** — No Obligor will agree with the landlords under any of the Ground Leases to terminate, forfeit, cancel, alter, amend or modify any Ground Lease or provide a surrender of any Ground Lease prior to the end of the term of such Ground Lease unless such surrender occurs concurrently with the acquisition of the freehold interest in the applicable Property and the applicable Obligor concurrently provides a Mortgage of such freehold interest to the Lender together with such legal opinions and other documents and agreements as the Lender may reasonably require in connection therewith. No Obligor shall exercise any right of termination it may have under any Ground Lease.

xiii. **Freehold Interest in the Property** — Unless the Lender otherwise expressly consents in writing, which consent shall not be unreasonably withheld or delayed, the freehold estate in the Property and the leasehold estate demised by the Ground Leases, respectively, shall not merge but shall always remain, respectively, separate and distinct notwithstanding the union of such estates either in the respective landlords or, any Obligor.

xiv. **Name Change** — No Obligor shall change its name without first giving notice to the Lender of its new name and the date when such new name is to become effective.

xv. **Change of Chief Executive Office** — No Obligor shall change its chief executive officer or the location of the offices where it keeps its records respecting receivables and rents or move any of the inventory, securities or equipment from the present locations thereof without prior written notice to the Lender.
V. DEFAULT PROVISIONS

The content of this Default Provisions section shall be subject to the restrictions of any priority agreement(s) between the Lender and any other permitted encumbrance holders.

5.1 Events of Default

The occurrence of any one or more of the following events (each such event being herein referred to as an “Event of Default”) shall constitute an event of default under this Agreement:

(a) Payment of Principal – if the Borrower defaults in the payment of the principal of any Advance under any Credit Facility when due and payable, without any requirement by the Lender to provide notice of the same;

(b) Payment of Interest and Fees – if the Borrower defaults in the payment of:
   i. any interest (including, if applicable, default interest) due on any Advance under this Commitment;
   ii. any fee with respect to this Commitment, including [broker fees, renewal fees;]
   iii. any other amount not specifically referred to herein payable by Borrower to the Mortgage Agent or the Lenders (or any of them) hereunder when due and payable; and such default continues for three (3) Business Days after notice of such default has been given by the Lender to the Borrower;

(c) Covenants or Obligations – if any Obligor neglects to observe or perform any covenant or obligation contained in any Document on its part to be observed or performed (other than a covenant or condition whose breach or default in performance is specifically dealt with elsewhere in this Section 5.0) and, such Obligor shall fail (in the case of those defaults which can be rectified by such Obligor) to remedy such default within a period of thirty (30) days after the giving of notice, unless the Lender (having regard to the subject matter of the default) shall have agreed to a longer period and, in such event, within the period agreed to by the Lender;

(d) Cross Default – if a default or an event of default as defined in any indenture or instrument evidencing, or under which, any indebtedness for borrowed money of any Obligor or of any Associate (as that term is defined in the Business Corporations Act R.S.O. 1990) of any Obligor has occurred and is continuing; provided, however, that if such default or event of default under such indenture or instrument shall be remedied or cured by such Obligor or Associate of such Obligor or be waived by the holders of such indebtedness before any judgment or decree for the payment of the money due shall have been obtained or entered, then the Event of Default hereunder by reason thereof shall be deemed likewise to have been thereupon remedied, cured or waived without further action on the part of the Lender;

(e) Priority Encumbrance Cross Default – if an event of default as defined in any indenture or instrument which is an Encumbrance on any Property in priority to the Security shall have occurred and be continuing and all applicable cure periods have expired;
(f) **Bankruptcy or Insolvency Order** – if a decree or order of a court of competent jurisdiction is entered adjudging any Obligor a bankrupt or insolvent, or approving as properly filed a petition seeking the winding-up of such Obligor, under the Companies’ Creditors Arrangement Act (Canada), the Bankruptcy and Insolvency Act (Canada) or the Winding Up and Restructuring Act (Canada) or any other bankruptcy, insolvency or analogous laws or issuing sequestration or process of execution against, or against any substantial part of the assets of any Obligor or Material Subsidiary or ordering the winding up or liquidation of its affairs, and any such decree or order continues unstayed and in effect for a period of ten (10) business days;

(g) **Insolvency** – if any Obligor becomes insolvent, makes any assignment in bankruptcy or makes any other assignment for the benefit of creditors, makes any proposal under the Bankruptcy and Insolvency Act (Canada) or any comparable law, seeks relief under the Companies’ Creditors Arrangement Act (Canada), the Winding Up and Restructuring Act (Canada) or any other bankruptcy, insolvency or analogous law, is adjudged bankrupt, files a petition or proposal to take advantage of any act of insolvency;

(h) **Trustee or Receiver Appointed** – if any proceedings are commenced against, or steps are taken by, any Obligor for the appointment of a trustee, receiver, receiver and manager, interim receiver, custodian, sequestrator or other Person with similar powers of such Obligor or of all or any substantial portion of its assets, or seeking any reorganization, arrangement, composition or readjustment under any applicable bankruptcy, insolvency, moratorium, reorganization or other similar law affecting creditors’ rights and in the case of any such proceedings commenced against such Obligor, such proceedings are not stayed or dismissed within ten (10) days after the commencement thereof;

(i) **Material Provision or Agreement Null and Void** – if any material provision of this Agreement or of any Material Document ceases to be in full force and effect (other than through the normal expiration of the stated term of such Material Document pursuant to the terms thereof) or is declared null and void or invalid or any breach or default shall occur under any Material Document that has a Material Adverse Effect and such breach or default is not remedied within ten Business Days of such occurrence or such longer or shorter cure period as may be allowed the applicable Obligor pursuant to the terms of such Material Document;

(j) **Judgements** – if a judgment or decree for payment of money due in an amount of $5,000 or more (in any single instance or in the aggregate for all such judgments and decrees against each of the Obligors) shall have been obtained or entered against any Obligor (except in the case of any such judgment or decree in respect of which recourse is limited to property which is not subject to the Security hereunder) and such judgment or decree shall not have been, and remain, vacated, discharged or stayed pending appeal within the applicable appeal period;

(k) **Incorrect Representation or Warranty** – if any representation or warranty made or deemed to be made by any Obligor in any Document or in any certificate or other document at any time delivered in connection with this Agreement to the Lender shall prove to have been incorrect or misleading in any material respect on and as of the date thereof and with respect to any such incorrect or misleading representation or warranty that is capable of being cured, such incorrectness or misleading aspect continues for a period of ten (10) Business Days or more;

(l) **Invalid Security** – if any of the Security shall cease to be a valid and perfected first priority security interest as against third parties subject only to Permitted Encumbrances and such state continues for more than two business (2) days;
(m) **Material Adverse Change** – if the Lenders determine, in their sole discretion acting reasonably, that there has been a material adverse change in the financial condition of the Borrower or if there is a qualification in any report of the auditors or in the Borrower’s annual financial statements that materially adversely affects the credit risk of the Lenders hereunder;

(n) **Creditor Seized Property** – if the property of any Obligor or a part thereof which is, in the opinion of the Lender, a substantial portion thereof, is seized or otherwise attached by creditors pursuant to any legal process, the enforcement of a secured claim or otherwise or if a distress, execution or any similar process is levied or enforced against any Obligor and the same is not released, bonded, satisfied, discharged, vacated or stayed within the shorter of a period of thirty (30) days or such shorter period as would permit any Property or any part thereof to be sold thereunder;

(o) **Dissolution, Liquidation or Wind-Up Proceedings** – if proceedings are commenced for the dissolution, liquidation or winding-up of any Obligor, or for the suspension of the operations of any Obligor, unless such proceedings are stayed or dismissed within thirty (30) days of the commencement thereof;

(p) **Assignment, Disposition or Conveyance** – if any Obligor makes or agrees to make an assignment, disposition or conveyance, whether by sale or otherwise, of all its assets (or a material portion thereof) in bulk;

(q) **Default Under Permitted Encumbrance or Material Document** – if there is a default by any Obligor under any Permitted Encumbrance, or Material Document in respect of the Project and such default has a Material Adverse Effect and is not rectified within five business days; or

(r) **Financial Covenant Default** – if there is a default by the Borrower of any of the Financial Covenants outlined in Section 4.2;

(s) **Merger or Amalgamation** – subject to Section 4.4, if any transaction occurs (whether by reconstruction, reorganization, consolidation, amalgamation, merger, transfer, sale or otherwise) whereby all or substantially all of an Obligor’s undertaking, property and assets, or any interest therein becomes the property of any other person, or in the case of any amalgamation, of the continuing company resulting therefrom, or if any Obligor is dissolved; or

(t) **Environmental** – if any Obligor violates or breaches any Requirements of Environmental Law applicable to the Project (or, in the case of the Guarantor, applicable to all or any material part of its property and assets) or if any Obligor violates or breaches any other Applicable Law and such breach or violation of Applicable Law has or could reasonably be expected to have a Material Adverse Effect and continues for the shorter of a period of 30 days or 10 business days less than any such period as would permit the property in question to escheat to the Crown or be sold or otherwise forfeited; or

For greater certainty, none of the foregoing events shall constitute an Event of Default hereunder if the default is cured or remedied within the time limited therefor pursuant to the applicable provision of this Section 5.1.
5.2 Acceleration and Demand

Upon the occurrence of any Event of Default that has not been cured within the timelines set out herein, the Lender by written notice to the Borrower (an “Acceleration Notice”) shall be entitled to:

a) declare the Loan and the right of the Borrower to apply for further Advances to be terminated; and

b) declare all Obligations (whether matured or unmatured, drawn or undrawn) of the Borrower to the Lender (including, without limitation, the all unpaid fees whether or not deemed earned) to be immediately due and payable (or to be due and payable at such later time as may be stated in such notice) without further demand, presentation, protest or other notice of any kind, all of which are expressly waived by Borrower;

but upon the occurrence of an Event of Default specified in Section 5.1(a), the Loan shall automatically terminate and all Obligations specified in Section I shall automatically become due and payable, in each case without any requirement that notice be given to the Borrower. Immediately upon the occurrence of an Event of Default specified in Section 5.1 or at the time stated in an Acceleration Notice, the Borrower shall pay to the Lender all amounts owing or payable in respect of all Obligations of such Borrower specified in Section I, failing which all rights and remedies of the Lender under the Documents, at law, in equity or otherwise shall thereupon become enforceable and shall be enforced by the Lender.

5.3 Appointment of Receiver

a) Upon any default under this Commitment or the Security, that is not cured within the time frames set out herein, the Lender may proceed to realize the security hereby constituted and to enforce its rights by entry; or by the appointment by instrument in writing of a receiver or receivers of the subject matter of such security or any part thereof and such receiver or receivers may be any person or persons, whether an officer or officers or employee or employees of the Lender or not, and the Lender may remove any receiver or receivers so appointed and appoint another or others in his or their instead; or by proceedings in any court of competent jurisdiction for the appointment of a receiver or receivers or for sale of the Project or any part thereof; or by any other action, suit, remedy or proceeding authorized or permitted hereby or by law or by equity; and may file such proofs of claim and other documents as may be necessary or advisable in order to have its claim lodged in any bankruptcy, winding-up or other judicial proceedings relative to the Borrower. Any such receiver or receivers so appointed shall have power to take possession of the Project or any part thereof and to carry on the business of the Borrower, and to borrow money required for the maintenance, preservation or protection of the Project or any part thereof, and to further charge the Project in priority to the security constituted by this Commitment as security for money so borrowed, and to sell, lease or otherwise dispose of the whole or any part of the Project on such terms and conditions and in such manner as he shall determine. In exercising any powers, any such receiver or receivers shall act as agent or agents for the Borrower and the Lender shall not be responsible for his or their actions.

b) In addition, the Lender may enter upon the applicable premises and lease or sell the whole or any part or parts of the Project. The Borrower agrees that it will be commercially reasonable to sell such part of the Project:
   i. as a whole or in various units;
   ii. by a public sale or call for tenders by advertising such sale; and
   iii. by private sale.

c) Any such sale shall be on such terms and conditions as to credit or otherwise and as to upset or reserve bid or price as to the Lender in its sole discretion may seem advantageous and such sale may take place whether or not the Lender has taken possession of such property and assets.
d) No remedy for the realization of the security hereof or for the enforcement of the rights of the
Lender shall be exclusive of or dependent on any other such remedy, but any one or more of such
remedies may from time to time be exercised independently or in combination. The term "receiver"
as used in this letter includes a receiver and manager.

5.4 Application of Payments Following Demand and Acceleration

Except as otherwise agreed to by the Lender in its’ sole discretion, any sum received by the Lender at
any time after the delivery of an Acceleration Notice or the occurrence of an Event of Default specified
in Section 5.1 which the Lender is obliged to apply in or towards the satisfaction of sums due from the
Borrower under any Document shall be applied by the Lender in accordance with amounts owed to the
Lender by the Borrower in respect of each category of amounts set forth below, each such application to
be made in the following order with the balance remaining after application in respect of each category
to be applied to the next succeeding category:

a) in or towards payment of any expenses and fees then due and payable to the Lender hereunder
and owing by the Borrower (including, without limitation, in the case of the Borrower, any such
fees and expenses owing whether or not deferred or contingent);
b) in respect of amounts due and payable by such Borrower to the Lenders by way of interest and
fees (including, without limitation, in the case of the Borrower, any such interest and fees owing
whether or not deferred or contingent);
c) in respect of any other amount (other than Advances) not hereinafter referred to in this
Section 5.4 which are then due and payable by the Borrower hereunder such Borrower under
any Document (including, without limitation, in the case of the Borrower, any such other
amounts owing whether deferred or contingent);
d) in or towards repayment to the Lender of the Principal Advances to such Borrower then
outstanding hereunder; and
e) any remaining amounts to be released to the Borrower or as required by the loan.

For certainty, unless otherwise agreed by the Lender, all amounts owing by the Borrower in each of the
above-noted categories (whether directly or indirectly by virtue of Guarantees) shall, within each
category, rank pari passu and be applied pro rata to the Obligations owing by the Borrower within such
category based on the respective outstanding amounts.

5.5 Remedies Cumulative

For greater certainty, it is expressly understood and agreed that the rights and remedies of the Lender
under the Documents are cumulative and are in addition to and not in substitution for any rights or
remedies provided by law; any single or partial exercise by the Lender of any right or remedy for a
default or breach of any term, covenant, condition or agreement therein contained 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 Lender may be lawfully entitled for the same default or breach, and any waiver by the Lender
of the strict observance, performance or compliance with any term, covenant, condition or agreement
therein contained, and any indulgence granted thereby, shall be deemed not to be a waiver of any
subsequent default. The Lender may, to the extent permitted by Applicable Law, bring suit at law, in
equity or otherwise for any available relief or purpose including but not limited to:

a) the specific performance of any covenant or agreement contained in the Documents;
b) enjoining a violation of any of the terms of the Documents;
c) aiding in the exercise of any power granted by the Documents or by law; or

d) obtaining and recovering judgment for any and all amounts due in respect of the Advances or
amounts otherwise due hereunder or under the Documents.
To the extent permitted by applicable law, Borrower hereby waives any rights now or hereafter conferred by statute or otherwise which may limit or modify any of the Lender’s rights or remedies under the Documents.

5.6 Set-Off

In addition to any rights now or hereafter granted under Applicable Law and not by way of limitation of any such rights, the Lender is authorized at any time after the delivery of an Acceleration Notice or the occurrence of an Event of Default specified in Section 5.1 which has not theretofore been waived or rescinded by the Lender and from time to time thereafter without notice to Borrower or to any other person, any such notice being expressly waived by the Borrower, to set-off and to appropriate and to apply any and all deposits (general and special) and any other indebtedness at any time held by or owing to the Lender for the account of the Borrower against and on account of the obligations and liabilities of the such Borrower to the Lender or such Lender under this Agreement, including, without limitation, contingent or deferred obligations of the Lenders.

5.7 Cash Collateral Accounts

Upon delivery of an Acceleration Notice or the occurrence of an Event of Default specified in Section 5.1 and in addition to any other rights or remedies of the Lenders hereunder, the Lender shall thereafter be entitled to deposit and retain in an account to be maintained by the Lender, and which for the purposes hereof shall be considered to be the Lender’s account and not the Borrower’s account bearing interest for the Borrower at the rates of interest of the Lender as may be applicable in respect of other deposits of similar amounts for similar terms, amounts which are received by the Lender from the Borrower to the extent that and for so long as such amounts either may be required to satisfy any Obligations of such Borrower or are actually used to satisfy any such Obligations; provided that if such amounts are no longer required or not so used, the Lender shall forthwith return the same together with interest accrued thereon to the Borrower.

5.8 Lender May Perform Covenants

If the Borrower shall fail to perform any covenant on its part herein contained, the Lender may, upon prior notice to the Borrower, perform any of the said covenants capable of being performed by the Lender and, if any such covenant requires the payment or expenditure of money, it may make such payment or expenditure with its own funds and shall be entitled to reimbursement of any such expenditure. All amounts so paid by the Lender hereunder shall be repaid by the Borrower on demand therefor, and shall bear interest at the rate set forth in Section 1 from the date paid by the Lender hereunder to and including the date such amounts are repaid in full by the Borrower.

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VI. GENERAL PROVISIONS

a) The Lender shall have no obligation to advance funds unless and until all of the above terms and conditions have been deemed by the Lender to be complete, true and otherwise in all respects satisfactory, in the Lender’s sole discretion.

b) No term or requirement of this Commitment may be waived or varied orally or by any course of conduct of the Borrower or anyone acting on his behalf or by any officer, employee or agent of the Lender. Any alteration or amendment to this Commitment must be in writing and signed by a duly authorized officer of the Lender and accepted by the Borrower and Guarantor.

c) The Lenders solicitors shall be:
   Attn: Alfred Apps
   Wildeboer Dellelce Place
   Suite 800, 365 Bay Street
   Toronto, Ontario M5H 2V1

d) The Borrower’s solicitor shall be:
   David Chong
   1370 Don Mills Road, Suite 202
   Don Mills, ON M3B 3N7

   The Borrower shall bear any and all reasonable legal costs of the Lender.

e) Time is of the essence in this Commitment.

f) The Borrower and Guarantors agree that if any one or more of the provisions contained in this Commitment shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall, at the option of the Lender, not affect any or all other provisions of this Commitment and this Commitment shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

g) The waiver by the Lender of any breach or default by the Borrower of any provisions contained herein shall not be construed as a waiver of any other or subsequent breach or default by the Borrower. In addition, any failure by the Lender to exercise any rights or remedies hereunder or under the Security shall not constitute a waiver thereof.

h) The representations, warranties, covenants and obligations herein set out shall not merge or be extinguished by the execution or registration of the Security but shall survive until all obligations under this Commitment and the Security have been duly performed and the Loan, interest thereon and any other moneys payable to the Lender are repaid in full. In the event of any inconsistency or conflict between any of the provisions of the Commitment and any provision or provisions of the Security, the Lender shall choose which provisions that will prevail.
i) Notwithstanding the registration of the Security or the advancement of funds, the terms of this Commitment Letter shall not merge with the delivery and/or registration of the Security and shall remain in full force and effect. Any default under the terms of this Commitment Letter shall be deemed a default under the Security and any default under the terms of the Security shall be deemed a default under the terms hereof. In the event of a conflict between the terms of the Security and the terms of this Commitment Letter, the Lender, in its sole discretion may determine which shall take precedence and govern.

j) This Agreement may be simultaneously executed in several counterparts, each of which when so executed shall be deemed to be an original and such counterparts together shall constitute one and the same instrument. A facsimile or electronic copy of an executed counterpart shall be deemed to be an original.

If you are in agreement with the above terms, please indicate such agreement by signing and forwarding to the undersigned a copy of this letter. The execution of this letter does not obligate the Lender to advance any of the agreed funds unless all of the conditions to such advances have been satisfied to the satisfaction of the Lender and its solicitors.

By signing this Commitment Letter the Borrowers and Guarantors agree that the Lender may obtain credit and other financially related information about the Borrower(s) and the Guarantor(s), including reports from other credit grantors, consumer reporting agencies and credit bureau.

Unless this Commitment Letter is accepted by the Borrower and all required Guarantors within five business days of the date hereof by delivery of a fully executed copy to the Lender, then, at the Lender’s sole option, the Commitment shall be terminated.

Yours truly,

MarshallZehr Group Inc.

[Signature]

Per:

Cecil Hayes
Chief Operating Officer
I have authority to bind the corporation